



## DEPARTMENT OF AUDITS AND ACCOUNTS

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Atlanta, Georgia 30334-8400

GREG S. GRIFFIN  
STATE AUDITOR  
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October 25, 2019

Honorable Tommy Benton, Chairman  
House Retirement Committee  
State Capitol, Room 217  
Atlanta, Georgia 30334

SUBJECT: Actuarial Investigation  
House Bill 664 (LC 43 1418S)  
Employees' Retirement System of Georgia  
Georgia Judicial Retirement System

Dear Chairman Benton:

This bill would amend provisions relating to membership under the Georgia Judicial Retirement System. Specifically, this bill would require certain individuals hired on and after July 1, 2020 by the Office of Legislative Counsel to become members of the Georgia Judicial Retirement System. This would only affect employees who are in a full-time position that requires admission to and good standing with the State Bar of Georgia. Such members would be subject to the provisions applicable to solicitors-general of the state courts, except as otherwise specifically provided within Chapter 23 of Title 47 of the Official Code of Georgia Annotated.

Under the provisions of this bill, persons who were already employed in such position as of June 30, 2020 may elect to remain a member of the Employees' Retirement System. For persons electing to transfer, the Employees' Retirement System would be required to transfer all employee and employer contributions paid by or on behalf of the such individual, together with regular interest, to the Georgia Judicial Retirement System. The transferred members would receive credit in the Georgia Judicial Retirement System for all service rendered provided the individual pays any additional funds necessary to pay for the full actuarial cost of such service.

The first-year cost of this legislation to the Employees' Retirement System would be \$26,000 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This first-year cost represents the amount required each year for the next 20 years to amortize the unfunded actuarial accrued liability and represents 0.001% of the projected payroll of \$2,600,000,000. The cost estimate is based on current member data, actuarial assumptions and actuarial methods and changes in any of these variables could affect the cost of this legislation. Any future costs would be paid through State appropriations.

H. B. 664 (SUB)

This legislation would not result in any cost to the Georgia Legislative Retirement since the amount of service granted to the member would be determined by the amount of funds transferred into the system by or on behalf of the member. There would be no increase in the employer contribution rate or the unfunded actuarial accrued liability. The cost estimate is based on current member data, actuarial assumptions and actuarial methods and changes in any of these variables could affect the cost of this legislation. Any future costs would be paid through State appropriations.

The following is a summary of the relevant findings of the actuarial investigations for this bill pursuant to a request by the House Retirement Committee. The investigations were to be conducted according to O.C.G.A. §47-20-36, which outlines the factors to be considered in an actuarial investigation. The figures are based on employee data and the most recent actuarial assumptions and methods.

**Employees' Retirement System of Georgia**

(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>372,000</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>26,000</u>
(3)	The number of years that the unfunded actuarial accrued liability created by this bill would be amortized.	<u>20</u>
(4)	The amount of the annual normal cost which will result from the bill.	\$ <u>10,000</u>
(5)	The employer contribution rate currently in effect for Non-GSEPS Members.	<u>24.660% *</u>
(6)	The employer contribution rate recommended for Non-GSEPS Members (in conformity with minimum funding standards specified in Code Section §47-20-10).	<u>24.661%</u>
(7)	The employer contribution rate currently in effect for GSEPS Members.	<u>21.570%*</u>
(8)	The employer contribution rate recommended for GSEPS Members (in conformity with minimum funding standards specified in Code Section §47-20-10).	<u>21.571%</u>
(9)	The total dollar amount of the increase in the annual employer contribution which is necessary to maintain the retirement system in an actuarially sound condition.	\$ <u>26,000</u>

*\*This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2020 in order to meet the minimum funding standards.*

**Georgia Judicial Retirement System**

(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	\$ _____ 0
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ _____ 0
(3)	The number of years that the unfunded actuarial accrued liability created by this bill would be amortized.	_____ N/A
(4)	The amount of the annual normal cost which will result from the bill.	\$ _____ 0
(5)	The employer contribution rate currently in effect.	_____ 8.38%*
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	_____ 8.38%
(7)	The total dollar amount of the increase in the annual employer contribution which is necessary to maintain the retirement system in an actuarially sound condition.	\$ _____ 0

*\*This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2020 in order to meet the minimum funding standards.*

It should be noted that any subsequent changes in the retirement bill will invalidate the actuarial investigation and the findings included therein.

Respectfully,



Greg S. Griffin  
State Auditor

GSG/cs

Attachment



# Cavanaugh Macdonald CONSULTING, LLC

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September 19, 2019

Honorable Greg S. Griffin, State Auditor  
Georgia Department of Audits and Accounts  
270 Washington Street, S.W., Suite 1-156  
Atlanta, GA 30334

**HOUSE BILL 664 (LC 43 1418S)**

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 664 (LC 43 1418S) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that on or after July 1, 2020, each individual employed pursuant to Code 28-4-3 (Office of Legislative Counsel) in a full-time position requiring admission to and good standing with the State Bar of Georgia as a condition of employment shall become a member of the Georgia Judicial Retirement System (JRS); provided, however, that each such individual so employed as of June 30, 2020 who is not already a member of JRS shall remain a member of the Employees' Retirement System of Georgia (ERS) unless he or she elects to become a member of JRS on or before June 30, 2021. If the election is made, ERS shall transfer to JRS all employee and employer contributions paid to ERS by or on behalf of the member, along with regular interest thereon, and the member shall pay to JRS the remaining amount necessary to pay for the full actuarial cost to transfer ERS service to JRS. The member will then receive service in JRS toward vesting only in the full amount of service he or she rendered as a member of ERS and for which credit was allowable in ERS. Any individual who becomes a member of JRS pursuant to the provisions of this bill shall be subject to the provisions of JRS applicable to solicitors-general of the state court, unless otherwise specified, earnable monthly compensation under JRS shall be the full rate of regular monthly compensation paid from state funds for the members full working time, and "salary" under JRS will be average earnable monthly compensation.

The cost of this legislation would be 0.001% of pay, or \$26,000, in the first year, based on an estimated projected payroll of \$2,600,000,000. The estimated increase in the unfunded accrued liability as a result of this legislation would be \$372,000.

The attached table shows the unfunded actuarial accrued liability and recommended employer contributions under the System before and after the proposed legislation. The recommended employer contribution rates are in conformity with the minimum funding standards specified by Code Section 47-20-10.

Sincerely yours,

Edward J. Koebel, EA, FCA, MAAA  
Principal and Consulting Actuary

Ben Mobley, ASA, FCA, MAAA  
Senior Actuary

Enclosure

Copy to: Jim Potvin

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144  
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Offices in Kennesaw, GA • Bellevue, NE



**EMPLOYEES' RETIREMENT SYSTEM**

**HOUSE BILL 664 (LC 43 1418S)**  
**(All amounts are in \$ thousands)**

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	\$4,400,395		\$4,400,767		\$372	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	\$479,960		\$479,986		\$26	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	15.3		15.3		20	
Annual Contribution: Non-GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	6.200 %	\$ 62,000	6.200 %	\$ 62,000	0.000 %	\$ 0
Accrued Liability	18.460	184,600	18.461	184,610	0.001	10
Employer Contribution Rate Currently in Effect	24.660 %	\$ 246,600	24.661 %	\$ 246,610	0.001 %	\$ 10
Non-GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	24.660 %	\$ 246,600	24.661 %	\$ 246,610	0.001 %	\$ 10
Annual Contribution: GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	3.110 %	\$ 49,760	3.110 %	\$ 49,760	0.000 %	\$ 0
Accrued Liability	18.460	295,360	18.461	295,376	0.001	16
Employer Contribution Rate Currently in Effect	21.570 %	\$ 345,120	21.571 %	\$ 345,136	0.001 %	\$ 16
GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	21.570 %	\$ 345,120	21.571 %	\$ 345,136	0.001 %	\$ 16

The preceding figures are based on the employee data, actuarial assumptions, and actuarial methods used to prepare the June 30, 2018 actuarial valuation of the System. An estimated payroll of \$2,600,000,000 was used for the 2020-2021 Plan Year for all participants, of which \$1,600,000,000 was for GSEPS members and \$1,000,000,000 was for non-GSEPS.



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September 19, 2019

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Georgia Department of Audits and Accounts  
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Atlanta, GA 30334

**HOUSE BILL 664 (LC 43 1418S)**

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 664 (LC 43 1418S) on the Judicial Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that on or after July 1, 2020, each individual employed pursuant to Code 28-4-3 (Office of Legislative Counsel) in a full-time position requiring admission to and good standing with the State Bar of Georgia as a condition of employment shall become a member of the Georgia Judicial Retirement System (JRS); provided, however, that each such individual so employed as of June 30, 2020 who is not already a member of JRS shall remain a member of the Employees' Retirement System of Georgia (ERS) unless he or she elects to become a member of JRS on or before June 30, 2021. If the election is made, ERS shall transfer to JRS all employee and employer contributions paid to ERS by or on behalf of the member, along with regular interest thereon, and the member shall pay to JRS the remaining amount necessary to pay for the full actuarial cost to transfer ERS service to JRS. The member will then receive service in JRS toward vesting only in the full amount of service he or she rendered as a member of ERS and for which credit was allowable in ERS. Any individual who becomes a member of JRS pursuant to the provisions of this bill shall be subject to the provisions of JRS applicable to solicitors-general of the state court, unless otherwise specified, earnable monthly compensation under JRS shall be the full rate of regular monthly compensation paid from state funds for the members full working time, and "salary" under JRS will be average earnable monthly compensation.

There would be no cost to JRS for this legislation. There would be no increase in the unfunded accrued liability and no increase in the employer contribution rates as a result of this legislation.

The attached table shows the unfunded actuarial accrued liability and recommended employer contributions under the System before and after the proposed legislation. The recommended employer contribution rates are in conformity with the minimum funding standards specified by Code Section 47-20-10.

Sincerely yours,

Edward J. Koebel, EA, FCA, MAAA  
Principal and Consulting Actuary

Ben Mobley, ASA, FCA, MAAA  
Senior Actuary

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**JUDICIAL RETIREMENT SYSTEM**

**HOUSE BILL 664 (LC 43 1418S)**

**(All amounts are in \$ thousands)**

Cost	Before Legislation			After Legislation			Increase Due to Legislation		
Unfunded Actuarial Accrued Liability	(\$37,063)			(\$37,063)			\$0		
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	(\$3,298)			(\$3,298)			\$0		
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	15.6			15.6			N/A		
Annual Contribution	%		Annual Amount	%		Annual Amount	%		Annual Amount
Normal Cost	13.70	%	\$ 8,494	13.70	%	\$ 8,494	0.00	%	\$ 0
Accrued Liability	(5.32)		(3,298)	(5.32)		(3,298)	0.00		0
Employer Contribution Rate Currently in Effect	8.38	%	\$ 5,196	8.38	%	\$ 5,196	0.00	%	\$ 0
Employer Contribution Rate Recommended due to Minimum Funding Standards	8.38	%	\$ 5,196	8.38	%	\$ 5,196	0.00	%	\$ 0

The preceding figures are based on the employee data, actuarial assumptions, and actuarial methods used to prepare the June 30, 2018 actuarial valuation of the System. An estimated payroll of \$62,000,000 was used for the 2020-2021 Plan Year for all participants.