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February 21, 2020

Honorable Ellis Black, Chairman
Senate Retirement Committee
Coverdell Legislative Office Building, Room 303-B
Atlanta, Georgia 30334

SUBJECT: Actuarial Investigation
Substitute to Senate Bill 248 (LC 43 1511S)
Georgia Firefighters' Pension Fund

Dear Chairman Black:

This substitute bill would amend several provisions relating to the Georgia Firefighters' Pension Fund. First, this substitute bill would increase the monthly member contribution from $25 to $30. Additionally, this substitute bill would increase the tax on premiums charged by fire insurance companies for certain classes of coverage from one percent to 1.15 percent. The revenue generated from this tax is remitted to the Georgia Firefighters' Pension Fund. Finally, this substitute bill would increase the maximum monthly retirement benefits payable to retired members and to surviving spouses by $60 per month.

This legislation is estimated to increase first-year costs to the Fund by $6,327,064. This first-year cost includes $5,916,520 each year for the next 20 years to amortize the unfunded actuarial accrued liability and $410,544 to fund the normal cost. If this legislation is enacted, the Fund will also generate additional funding through increased member contributions and the tax on premiums charged by fire insurance companies. The additional revenue generated will be enough to cover the first-year cost of this legislation as required by the Official Code of Georgia Annotated §47-20.50. This cost estimate is based on current member data, actuarial assumptions, and actuarial methods. It should be noted that changes in any of these variables could affect the cost estimate for this legislation. Any future costs would be paid through the tax on premiums charged by fire insurance companies.

The following is a summary of the relevant findings of the actuarial investigation for this bill pursuant to a request by the Senate Retirement Committee. The investigation was 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 member data and the most recent actuarial assumptions and methods.

(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	$ 67,862,020
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	$ 5,916,520
(3)	The number of years that the unfunded actuarial accrued liability created by this bill would be amortized.	20
(4)	The amount of the annual normal cost which will result from the bill.	$ 410,544
(5)	The employer contribution rate currently in effect.	1% tax on premiums from fire insurance companies
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	1.15% tax on premiums from fire insurance companies
(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.	$ 6,327,064*

**According to the actuary, the first-year cost of this legislation is $6,327,064. However, the additional revenue that will be generated if this legislation is enacted is enough to cover the first-year cost of this bill and to ensure the Fund remains funded in accordance with the State's 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