DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

January 26, 2022

The Honorable John Carson
State Representative
State Capitol, Room 401-E
Atlanta, Georgia 30334

SUBJECT: State Auditor's Certification
Substitute to House Bill 385
(LC 43 2127-ECS)

Dear Chairman Carson:

This substitute bill would amend provisions relating to the employment of beneficiaries under the Teachers Retirement System of Georgia. Specifically, this bill would allow certain retired members to return to work full-time and continue receiving their retirement allowance and any postretirement benefit adjustments they are eligible to receive. This bill would only apply to beneficiaries who have obtained 30 years of creditable service in the Teachers Retirement System who are certified teachers of pre-kindergarten through grade 12. Furthermore, such members must have the primary responsibility of academic instruction of students in a classroom in an area of highest need as determined for the RESA in which such school system is assigned. The 'areas of highest need' would be determined for each RESA by the Department of Education after consultation with the Professional Standards Commission. Under the provisions of this bill, the designated areas of highest need must be reported annually to the Teachers Retirement System beginning July 1, 2022 and ending July 1, 2025.

Under the provisions of this substitute bill, beneficiaries must be retired for at least one year before they are eligible to return to work full-time and continue receiving their retirement allowance. It should be noted that this provision would only apply to beneficiaries who return to work full-time from July 1, 2022 through June 30, 2026. Beneficiaries who are rehired under the provisions of this bill would not earn any additional creditable service.

This substitute bill would also require an employer to notify the board of trustees of any retired member who is hired to work full-time under the provisions of this bill. Such notification must be made within 30 days of employment. Employers would then be subject to pay the required employee and employer contributions attributable to the salaries of retired members who return to work full-time and elect to continue receiving their retirement allowances. In the event the employer does not make the required contributions, any unpaid amounts shall be deducted from any funds payable to such employer by the state and shall be paid to the retirement system.

If this legislation is enacted, the State Auditor would be required to conduct and publish a performance audit addressing the provisions outlined in this bill. Specifically, the performance audit would include a determination of the value and necessity of the full-time employment of beneficiaries as outlined in this bill and the effects of such employment on the local school systems, the Teachers Retirement System of Georgia, and the teacher work force for this State. The performance audit must be published prior to July 1, 2025.

This is to certify that the changes made in this substitute bill are nonfiscal amendments as defined in the Public Retirement System Standards Law. Therefore, the actuarial investigation prepared for House Bill 385 (LC 43 1819-EC) would apply to LC 43 2127-ECS. A copy of the actuarial investigation and State Auditor's Certification are attached.

Respectfully,

Greg S. Griffin
State Auditor

GSG/cs

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

October 27, 2021

Honorable John Carson, Chairman
House Retirement Committee
State Capitol, Room 401-E
Atlanta, Georgia 30334

SUBJECT: Actuarial Investigation
House Bill 385 (LC 43 1819-EC)
Teachers Retirement System of Georgia

Dear Chairman Carson:

This bill would amend provisions relating to the employment of beneficiaries under the Teachers Retirement System of Georgia. Specifically, this bill would allow certain retired members to return to work full-time and continue receiving their retirement allowance and any postretirement benefit adjustments they are eligible to receive. This bill would only apply to beneficiaries who are certified teachers of pre-kindergarten through grade 12. Furthermore, such members must have the primary responsibility of academic instruction of students in a classroom in an area of highest need as determined for the Regional Education Service Agency (RESA) in which such school system is assigned. The 'areas of highest need' would be determined for each RESA by the Department of Education after consultation with the Professional Standards Commission. Under the provisions of this bill, the designated areas of highest need must be reported annually to the Teachers Retirement System beginning July 1, 2022 and ending July 1, 2025.

Under the provisions of this bill, beneficiaries must be retired for at least one year before they are eligible to return to work full-time and continue receiving their retirement allowance. It should be noted that this provision would only apply to beneficiaries who return to work full-time from July 1, 2022 through June 30, 2026. Beneficiaries who are rehired under the provisions of this bill would not earn any additional creditable service.

This bill would also require an employer to notify the board of trustees of any retired member who is hired to work full-time under the provisions of this bill. Such notification must be made within 30 days of employment. Employers would then be subject to pay the required employee and employer contributions attributable to the salaries of retired members who return to work full-time and elect to continue receiving their retirement allowances. In the event the employer does not make the required contributions, any unpaid amounts shall be deducted from any funds payable to such employer by the state and shall be paid to the retirement system.

If this legislation is enacted, the State Auditor would be required to conduct and publish a performance audit prior to July 1, 2025 addressing the provisions outlined in this bill. Specifically, the performance audit would include a determination of the value and necessity of the full-time employment of beneficiaries as outlined in this bill and the effects of such employment on the local school systems, the Teachers Retirement System of Georgia, and the teacher work force for this State.

This legislation would not result in any additional cost to the Teachers Retirement System of Georgia. There would be no increase in the unfunded actuarial accrued liability or the required employer contribution rate as a result of this legislation. As written, the number of beneficiaries who may be eligible to return to work in a full-time capacity and continue to receive benefits is limited because retirees may only be rehired in a full-time capacity to fill the "areas of highest need" as determined for each RESA. Additionally, since, this legislation will automatically expire on June 30, 2026, the short duration in which this legislation is in effect would not impact retirement decisions of active teachers. This cost estimate is based on current member data, actuarial assumptions, and actuarial methods. Any changes in any of these variables could affect the cost of this legislation. Any future costs would be paid through a combination of state appropriations, federal funds, and other funds. Approximately 52% of any future costs would be paid through State appropriations. The remaining 48% would be paid through federal and other funds.

The following is a summary of the relevant findings of the actuarial investigation for this bill pursuant to a request by the House Retirement Committee. The investigation was 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.

(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.	19.98%*
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	19.98%
(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, 2022 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
The experience and dedication you deserve

September 15, 2021

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 385 (43 1819-EC)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 385 (43 1819-EC) on the Teachers Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that, from July 1, 2022 until June 30, 2026, a public school system may employ a beneficiary of the Teachers Retirement System of Georgia (TRS) in a full-time capacity as a certified teacher of pre-kindergarten through grade 12 whose primary responsibility is the academic instruction of students in an area of highest need determined for the Regional Education Service Agency (RESA) to which such public school is assigned provided that (i) one year has expired from the effective date of the beneficiary's retirement, (ii) he or she was not restored as a teacher under Code Section 47-3-127, and (iii) service earned due to such employment shall not constitute creditable service under TRS and shall not entitle the beneficiary to a re-computation of benefits upon cessation of such service or access to employee contributions made to TRS pursuant to this bill. The beneficiary will remain a beneficiary under TRS and continue receiving his or her retirement allowance and any post-retirement adjustments for which he or she is eligible.

An employer who employs a beneficiary pursuant to this bill shall pay to TRS an amount equal to the product of (A) the sum of the employer and employee contribution rates applicable under TRS and (B) the earnable compensation of the beneficiary.

"Area of highest need" is defined as one of the three content areas for which there are the greatest percentages of unfilled positions for classroom teachers in RESA. The areas of highest need shall be determined for each RESA annually by the Department of Education after consultation with the Professional Standards Commisssion based on a five-year average review of a survey reported by local school systems to the Department of Education, The area of highest need for each RESA shall be reported to TRS on an annual basis beginning July 1, 2022 and ending July 1, 2025.

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

In order to prepare the results in this report we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

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,

John J. Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

Edward J. Koebel

Ed Koebel
Chief Executive Officer

Enclosure

Copy to: Dr. L. C. Evans

TEACHERS RETIREMENT SYSTEM

HOUSE BILL 385 (43 1819-EC)
(All amounts are in $ thousands)

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	$25,556,204		$25,556,204		$0	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	$1,768,200		$1,768,200		$0	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	24.2		24.2		N/A	
Annual Contribution	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	7.35 %	$ 1,029,000	7.35 %	$ 1,029,000	0.00 %	$ 0
Accrued Liability	12.63	1,768,200	12.63	1,768,200	0.00	0
Employer Contribution Rate Currently in Effect	19.98 %	$ 2,797,200	19.98 %	$ 2,797,200	0.00 %	$ 0
Employer Contribution Rate Recommended due to Minimum Funding Standards	19.98 %	$ 2,797,200	19.98 %	$ 2,797,200	0.00 %	$ 0

The preceding figures are based on the employee data, actuarial assumptions, and actuarial methods used to prepare the June 30, 2020 actuarial valuation of the System. An estimated payroll of $14,000,000,000 was used for the 2022-2023 Plan Year for all participants.