



DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

October 30, 2023

The Honorable Rick Williams
Chairman, Senate Retirement Committee
Coverdell Legislative Office Building, Room 327-B
Atlanta, GA 30334

SUBJECT: Actuarial Investigation
Senate Bill 328 (LC 43 2834 ER)
Peace Officers' Annuity and Benefit Fund of Georgia

Dear Chairman Williams:

This bill would amend several provisions within the Peace Officers' Annuity and Benefit Fund. The specific provisions of this bill that impact the funding include:

- Monthly dues for members would increase to a minimum of \$35 and a maximum of \$70. Currently, the minimum and maximum dues are \$25 and \$50 respectively;
- Members would be eligible to purchase up to seven years of creditable service. Currently, they may only purchase a maximum of five years. Members would still be required to pay the full actuarial cost for the purchase of such service;
- Vested members who attain age 55 may receive retirement benefits and remain actively employed;
- The methods for calculating spousal benefit would be updated;
- The disability payment would increase from \$257 per month to \$455 per month, excluding any cost-of-living adjustments;
- The maximum death benefit would increase from \$3,500 to \$5,000;
- The maximum death benefit paid to beneficiaries of members who were injured in the line of duty and passed away as a result of such injuries within 12 months would increase from \$5,500 to \$10,000; and
- The beneficiaries of members who die prior to vesting would receive the greater of the death benefit or the dues paid by the member.

This legislation is estimated to increase first-year costs to the Fund by \$1,098,000. This first-year cost includes \$798,000 each year for the next 30 years to amortize the increase in the unfunded actuarial accrued liability and \$300,000 to fund the normal cost. However, this legislation also provides for an increase in member contributions that would approximate \$1,727,000 in the first year. As a result, the Fund would recognize a surplus in the first-year of approximately \$629,000 and the Fund would meet the concurrent funding requirements of O.C.G.A. §47-20-50. This cost estimate is based on current member data of 13,700 active

members, 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 revenues generated from a portion of fines, fees, and bond forfeitures.

The following is a summary of the relevant findings included in the actuarial investigation for this bill. The investigation was completed pursuant to a request from 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.

(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>10,749,000</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>798,000</u>
(3)	The number of years that the unfunded actuarial accrued liability created by the bill would be amortized.	<u>30</u>
(4)	The amount of the annual normal cost which will result from the bill.	\$ <u>300,000</u>
(5)	The employer contribution rate currently in effect for the Peace Officers' Annuity and Benefit Fund	<u>A portion of fines, fees, and bond forfeitures</u>
(6)	The employer contribution rate recommended for the Fund (in conformity with minimum funding standards specified in O.C.G.A. §47-20-10).	<u>A portion of fines, fees, and bond forfeitures</u>
(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.	\$ <u>0</u>

**This bill would increase first-year costs to the Fund by \$1,098,000. However, the provisions of this bill would also increase revenues paid into the Fund by \$1,727,000. This would result in a first-year surplus of \$629,000. Based on the projected revenue from member contributions and revenues from fines, fees, and bond forfeitures, the Fund will have sufficient revenue to fund the immediate and future costs of the Fund.*

It should be noted that these cost estimates are based upon the current provisions of the bill as outlined in Senate Bill 328 (LC 43 2834ER). Any subsequent changes in the retirement bill could invalidate the actuarial investigation and the findings included therein.

Respectfully Submitted,



Greg S. Griffin
State Auditor

GSG/cs



September 15, 2023

Honorable Greg S. Griffin, State Auditor
Georgia Department of Audits and Accounts
270 Washington Street, Suite 4-101
Atlanta, GA 30334

Re: SB 328 (LC 43 2834ER) – Actuarial Investigation

Dear Mr. Griffin,

As requested, we have completed an actuarial investigation of the impact of Senate Bill 328/LC 43 2834ER (“SB 328”) on the Peace Officers’ Annuity and Benefit Fund of Georgia (“Fund”) in accordance with the requirements of 47-20-36 of the Official Code of Georgia Annotated (“OCGA”). Below provides a summary of the proposed legislative bill and the results of our findings.

Summary of SB 328

SB 328 would become effective on July 1, 2024 amending Chapter 17 of Title 47 of the Official Code of Georgia Annotated. SB 328 made several updates to Chapter 17 to clarify the Fund’s provisions and remove unnecessary or dated language. The substantive changes are as follows:

- On and after July 1, 2024, each member shall pay monthly dues into the Fund in an amount to be determined annually by the board that shall be at least \$35.00, but shall not exceed \$70.00.
- Any nonretired member of the Fund may claim a maximum of seven years for service rendered as a peace officer prior to such member’s joining the Fund by tendering the Fund the full actuarial cost of such time as calculated by the actuary for the Fund. All purchased time shall count toward vesting.
- Vested members who attain age 55 may receive retirement benefits without terminating active employment as a peace officer.
- Clarifies that Options Two and Three (100% and 50% joint and survivor annuities, respectively) use an interest rate and mortality table as adopted by the Board. In the case of remarriage, Options Two and Three were previously calculated using a 6.0% interest rate and the Mortality Table GA51, with projection.
- Clarifies the current minimum disability benefit of \$455.00 (reflecting previous cost of living adjustments granted by the Board). **Please note that this should be updated in the final bill as \$455.55 to reflect the correct amount.**
- The death benefit provided to retired members or active members in good standing is increased to \$5,000.
- The death benefit provided to a member whose injury that causes such death occurs out of and in the course of employment as a peace office is increased to \$10,000.
- For a member who dies prior to vesting, the beneficiary will receive the greater of the death benefit and the dues paid by the member.

Actuarial Impact of SB 328

SB 328 is projected to meet the concurrent funding requirements of OCGA 47-20-50 with regards to the changes outlined above. In particular, the above changes result in an increase of \$300 thousand to the Fund's normal cost and a decrease of \$629 thousand to the Fund's contribution requirement after reflecting expected member dues. The following table provides further details based on key funding information projected to the effective date of July 1, 2024, both before and after reflecting SB 328:

Dollars in Thousands	Before SB 328	After SB 328	Increase Due to SB 328
A. Unfunded Actuarial Accrued Liability ("UAAL") (negative numbers indicate surplus assets)	\$129,589	\$140,338	\$10,749
B. Amount of the Annual Amortization of the UAAL	\$9,616	\$10,414	\$798
C. Number of Years the UAAL would be Amortized	30	30	
D. Normal Cost			
i. Normal Cost	\$18,107	\$18,407	\$300
ii. Administrative Expenses	2,064	2,064	0
iii. Expected Member Dues	<u>(4,319)</u>	<u>(6,046)</u>	<u>(1,727)</u>
iv. Total Normal Cost (i. + ii. + iii.)	\$15,852	\$14,425	(\$1,427)
E. Annual Contribution (B. + D.)	\$25,468	\$24,839	(\$629)
F. Contribution Amount Recommended Due to Minimum Funding Standards (E.)	\$25,468	\$24,839	(\$629)
G. Expected Court Revenues Amount in Effect (expected revenues from fines and forfeitures)	\$26,763	\$26,763	\$0
H. Expected Contribution Shortfall / (Surplus) (F. – G.)	(\$1,295)	(\$1,924)	(\$629)

Census Data, Assumptions, Methods, and Plan Provisions

Census data as of June 30, 2023 and financial information for fiscal 2023 was provided by the Fund's administrator. Except as otherwise noted, all other assumptions, methods, and plan provisions are the same as those described in the June 30, 2022 Actuarial Report for the Fund.

Summary of Results

SB 328 will meet the concurrent funding requirements of OCGA 47-20-50.

Actuarial Notes and Certifications

This analysis is provided to meet the requirements of 47-20-36 regarding actuarial investigations of the fiscal impact of proposed legislation. This analysis may not be appropriate for use by other parties and/or other purposes.

Future actuarial measurements may differ significantly from the current measurements presented herein for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations. Due to the limited scope, we did not perform an analysis of the potential range of such future measurements. The June 30, 2022 Actuarial Valuation Report of the Fund provides a detailed discussion of key risks that should be considered when reviewing these results.

In performing the analysis, we used third-party software to model (calculate) the underlying liabilities and costs. These results are reviewed in the aggregate and for individual sample lives. The output from the software is either used directly or input into internally developed models to generate the costs. All internally developed models are reviewed as part of the process. As a result of this review, we believe that the models have produced reasonable results. We do not believe there are any material inconsistencies among assumptions or unreasonable output produced due to the aggregation of assumptions.

To our knowledge, no associate of Foster & Foster, Inc. has any direct financial interest or indirect material interest in the Fund, nor does anyone at Foster & Foster, Inc. act as a member of the Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein.

This analysis has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to Georgia Public Retirement System Law, Code Title 47, Chapter 20, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this report represent reasonable expectations of anticipated plan experience.

The undersigned would be pleased to discuss this report and any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.



Joseph L. Griffin, ASA, EA, MAAA
Enrollment #23-06938

Enclosure

Cc: Ms. Carol G. Schwinne, Director of Administration, Department of Audits and Accounts
Mr. Homer Bryson, Secretary-Treasurer, Peace Officers' Annuity and Benefit Fund
Mr. Brandt Barlow, Chief Financial Officer, Peace Officers' Annuity and Benefit Fund