DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
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GREG S. GRIFFIN
STATE AUDITOR
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October 27, 2021

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

SUBJECT: Actuarial Investigation
House Bill 780 (LC 43 1721)
Employees' Retirement System of Georgia
Georgia Judicial Retirement System

Dear Chairman Carson:

This bill would amend provisions relating to 'appellate court judges' covered under the Employees' Retirement System of Georgia. If this legislation is enacted, the term 'appellate court judge' would be revised to include full-time judges employed by the state-wide business court. Currently, these judges participate in the Georgia Judicial Retirement System. Under the provisions of this bill, all persons employed as full-time business court judges prior to July 1, 2022 would be transferred from the Georgia Judicial Retirement System to the Employees' Retirement System on such date. Persons who become employed as full-time business court judges on or after July 1, 2022 would automatically become members of the Employees' Retirement System as a condition of employment.

If this legislation is enacted, the Georgia Judicial Retirement System would be required to transfer all employee and employer contributions made on behalf of the full-time business court judges to the Employees' Retirement System. All judges who transfer into the Employees' Retirement System would receive service toward vesting in the retirement plan for appellate court judges in the full amount of the service he or she rendered as an employee of the state-wide business court.

The first-year cost of this legislation to the Employees' Retirement System of Georgia would be $15,000 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This first year cost includes $9,000 each year for the next 20 years to amortize the unfunded actuarial accrued liability and $6,000 each year for the normal cost. The additional costs associated with this legislation would cause the employer contribution rate applied for appellate court judges to increase by .34% based on the estimated payroll of $4,300,000 for such members. 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.

Additionally, this legislation would result in a first-year savings to the Georgia Judicial Retirement System since the liability associated with the business court judges would be removed from the System. The first-year savings to the Judicial Retirement System is estimated to be $8,000, which includes a reduction of the unfunded actuarial accrued liability of $6,000 for 20 years and an annual reduction in the normal cost of $2,000. This savings would reduce the employer contribution rate by .01% based on an estimated payroll of $63,000,000. 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.

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.	$	96,000
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	$	9,000
(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.	$	6,000
(5)	The employer contribution rate currently in effect for Non-GSEPS Members.		48.30% *
(6)	The employer contribution rate recommended for Non-GSEPS Members (in conformity with minimum funding standards specified in Code Section §47-20-10).		48.64%
(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.	$	15,000

**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 the employer contribution rate applied for appellate court judges differs from the overall employer contribution rate for the Employees' Retirement Plan since they have a different benefits structure.*

Georgia Judicial Retirement System

(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	$ (33,000)
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	$ (2,000)
(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.	$ (6,000)
(5)	The employer contribution rate currently in effect.	8.03% *
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	8.02%
(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.	$ (8,000)

**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

Greg S. Griffin
State Auditor

GSG/cs

Attachment

Cavanaugh Macdonald
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September 23, 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 780 (LC 43 1721) – ERS

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 780 (LC 43 1721) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that on July 1, 2022, each individual who is employed as a full-time judge of the state-wide business court established pursuent to the Article VI of the Constitution shall have his or her membership in the Judicial Retirement System (JRS) transferred to the retirement plan for appellate court judges established under code 47-2-244 of the Employees Retirement System of Georgia (ERS). JRS shall transfer all employer and employee contributions paid on behalf of any such individual to the retirement plan for appellate court judges and each such individual shall receive service toward vesting in the retirement plan for appellate court judges in the full amount of the service he or she rendered as an employee of the state-wide business court. This bill would also sunset participation of such judges in JRS.

Currently, there is an alternative employer contribution rate required for appellate court judges who receive special benefits under the Employees' Retirement System (ERS). This employer contribution rate, based on the June 30, 2020 valuation, is 48.30% of the appellate court judges payroll. This legislation would require an increase in this additional contribution rate equal to 0.34% or $15,000 in the first year, based on an estimated payroll for appellate court judges of $4,300,000. The estimated increase in the unfunded accrued liability would be $96,000.

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,

Edward J. Koebel, EA, FCA, MAAA
Chief Executive Officer

Ben Mobley, ASA, FCA, MAAA
Consulting Actuary

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EMPLOYEES' RETIREMENT SYSTEM

HOUSE BILL 780 (LC 43 1721)
(All amounts are in $ thousands)

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability – ERS Total	$4,819,175		$4,819,271		$96	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability – ERS Total	$475,020		$475,029		$9	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	19.0		19.0		20	
Annual Contribution: Appellate Court Judges Only	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	30.03 %	$ 1,291	30.16 %	$ 1,297	0.13 %	$ 6
Accrued Liability	18.27	786	18.48	795	0.21	9
Employer Contribution Rate Currently in Effect	48.30 %	$ 2,077	48.64 %	$ 2,092	0.34 %	$ 15
Appellate Court Judges Only Employer Contribution Rate Recommended due to Minimum Funding Standards	48.30 %	$ 2,077	48.64 %	$ 2,092	0.34 %	$ 15

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 $4,300,000 was used for the 2022-2023 Plan Year for Appellate Court Judges.

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September 23, 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 780 (LC 43 1721) - JRS

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 780 (LC 43 1721) on the Judicial Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that on July 1, 2022, each individual who is employed as a full-time judge of the state-wide business court established pursuent to the Article VI of the Constitution shall have his or her membership in the Judicial Retirement System (JRS) transferred to the retirement plan for appellate court judges established under code 47-2-244 of the Employees Retirement System of Georgia (ERS). JRS shall transfer all employer and employee contributions paid on behalf of any such individual to the retirement plan for appellate court judges and each such individual shall receive service toward vesting in the retirement plan for appellate court judges in the full amount of the service he or she rendered as an employee of the state-wide business court. This bill would also sunset participation of such judges in JRS.

There would be a small savings to JRS for this legislation. The savings of this bill would be 0.01% of pay, or $8,000, in the first year, based on an estimated projected payroll of $63,000,000. The estimated decrease in the unfunded accrued liability as a result of this legislation would be $33,000.

In order to prepare the results in this investigation 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,

Edward J. Koebel, EA, FCA, MAAA
Chief Executive Officer

Ben Mobley

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JUDICIAL RETIREMENT SYSTEM

HOUSE BILL 780 (LC 43 1721)
(All amounts are in $ thousands)

Cost	Before Legislation				After Legislation				Decrease Due to Legislation			
Unfunded Actuarial Accrued Liability	($29,403)				($29,436)				$(33)			
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	($3,087)				($3,089)				$(2)			
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	12.8				12.8				20			
Annual Contribution	%			Annual Amount	%			Annual Amount	%			Annual Amount
Normal Cost	12.93	%	$	8,146	12.92	%	$	8,140	(0.01)	%	$	(6)
Accrued Liability	(4.90)			(3,087)	(4.90)			(3,089)	0.00			(2)
Employer Contribution Rate Currently in Effect	8.03	%	$	5,059	8.02	%	$	5,051	(0.01)	%	$	(8)
Employer Contribution Rate Recommended due to Minimum Funding Standards	8.03	%	$	5,059	8.02	%	$	5,051	(0.01)	%	$	(8)

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 $63,000,000 was used for the 2022-2023 Plan Year for all participants.