Department of Audits and Accounts

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GREG S. GRIFFIN
STATE AUDITOR
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February 2, 2022

Honorable Randy Robertson, Chairman
Senate Retirement Committee
Coverdell Legislative Office Building, Room 305-A
Atlanta, Georgia 30334

SUBJECT: Actuarial Investigation
Substitute to Senate Bill 84 (LC 43 2217S)
Peace Officers' Annuity and Benefit Fund

Dear Chairman Robertson:

This substitute bill would amend provisions relating to membership in the Peace Officers' Annuity and Benefit Fund. If this legislation is enacted, certain communications officers would be eligible to join the Fund. Eligibility for membership would be afforded to communications officers who:

- Are employed by the state or by a local governmental agency to receive, process, or transmit public safety information and dispatch law enforcement officers, firefighters, medical personnel, or emergency management personnel, and
- Are certified or maintain compliance with rules and regulations prescribed by the Georgia Peace Officers Standards and Training Council with respect to their position as a communications officer.

Such new members would be covered under the current provisions for the Peace Officers' Annuity and Benefit Fund relating to membership, creditable service, and eligibility for benefits. However, they would not be entitled to earn creditable service for prior service as a communications officer prior to July 1, 2022.

This substitute bill would also amend provisions within Chapter 3 of Title 38 of the Official Code of Georgia. Specifically, this substitute bill would provide for a portion of the 9-1-1 charges collected by the Department of Revenue to be remitted to the Peace Officers' Annuity and Benefit Fund to cover costs associated with the addition of communications officers into the Fund. Currently, the Department of

Revenue retains one percent of the fees received. This is to offset the administrative costs of receiving and disbursing of such fees. If this legislation is enacted, the Department of Revenue would only retain .25 percent of the fees collected. The other .75 percent would be remitted to the Peace Officers' Annuity and Benefit Fund.

The first-year cost of this legislation would be $1,247,000 to meet the concurrent funding requirements of O.C.G.A. §47-20-50 and is the cost required annually to fund the normal cost less anticipated member dues. This estimate assumes that 1,400 of the 4,160 eligible communications officers in Georgia would elect to join the Fund. This cost estimate is also 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 revenue generated from fines, fees, and bond forfeitures.

Although this substitute bill increases the actual costs of the Fund, there is an offset in this cost due to additional revenues generated. Under the provisions of this substitute bill, the Fund would receive .75 percent of the 9-1-1 fees collected by the Department of Revenue. Based on current fees collected, it is anticipated that the Fund would receive an additional $1,730,000 in revenue to cover the cost of this legislation. This additional revenue offsets the costs of this bill and results in a $483,000 surplus to the Fund. Based on the current actuarial valuation and the actuarial investigation received specific to this substitute bill, the Fund's revenues are expected to exceed the contributions required to meet minimum funding standards.

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 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.	$	1,247,000

(5)	The employer contribution rate currently in effect.	A portion of fines, fees, and bond forfeitures
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	A portion of fines, fees, and bond forfeitures
(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 substitute bill would result in additional first-year costs of $1,247,000. However, based on the additional revenue anticipated through the substitute bill, there is a net reduction in cost for the substitute to Senate Bill 84 (LC 43 2217S). Additionally, based on the estimated revenues and payouts as outlined in the Actuarial Valuation as of June 30, 2021, and the anticipated additional revenue to be generated by the Substitute to Senate Bill 84 (LC 43 2217S), the Peace Officers' Annuity and Benefit Fund would have sufficient revenues to cover the costs of the communications officers who elect to join the Fund. The actuary estimates that the Fund would recognize a surplus of $483,000 if SB 84 (LC 43 2217S) was enacted and provided the number of new members approximates 1,400 as estimated in the actuarial investigation.*

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

January 31, 2022

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

Re: LC 43 2217S (Substitute to Senate Bill 84) –Actuarial Investigation

Dear Mr. Griffin,

As requested, we have completed an actuarial investigation of the impact of the substitute to Senate Bill 84/LC 43 2217S ("Sub SB 84") 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 Substitute SB 84

Effective July 1, 2022, Sub SB 84 amends Chapter 17 of Title 47 of OCGA to allow communications officers to join the Fund. Each communications officer, as such term is defined in Code Section 35-8-23, must be certified or maintain compliance with rules and regulations prescribed by the Georgia Peace Officer Standards and Training Council. In addition, Sub SB 84 amends Code Section 38-3-188 requiring the Department of Revenue to remit revenue to the Fund in an amount equal to 0.75 percent of the total amount collected by the Department from charges imposed pursuant to subsection (a) of Code Section 38-3-185 and pursuant to Code Section 46-5-134.2.

Actuarial Impact of Sub SB 84

Sub SB 84 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 $1.667 million to Fund's normal cost and $1.247 million to the Fund's contribution requirement after reflecting expected member dues. The additional revenue of $1.730 million expected to be received under Code Section 38-3-188 will exceed the additional contributions required after reflecting the changes under Sub SB 84. The following table provides further detail based on key funding information provided in the Actuarial Valuation for the Fund as of June 30, 2021, projected to the effective date of July 1, 2022, both before and after reflecting Sub SB 84:

Dollars in Thousands	Before Sub SB 84	After Sub SB 84	Increase Due to Sub SB 84
A. Unfunded Actuarial Accrued Liability ("UAAL") (negative numbers indicate surplus assets)	$94,340	$94,340	$0
B. Amount of the Annual Amortization of the UAAL	$7,001	$7,001	$0
C. Number of Years the UAAL would be Amortized	30	30	
D. Normal Cost (assumes 1,400 communication officers join)			
i. Normal Cost	$17,597	$19,264	$1,667
ii. Administrative Expenses	1,651	1,651	0
iii. Expected Member Dues	(4,177)	(4,597)	(420)
iv. Total Normal Cost (i. + ii. + iii.)	$15,071	$16,318	$1,247
E. Annual Contribution (B. + D.)	$22,072	$23,319	$1,247
F. Contribution Amount Recommended Due to Minimum Funding Standards (E.)	$22,072	$23,319	$1,247
G. Expected Court Revenues Amount in Effect (expected revenues from fines and forfeitures)	$23,095	$24,825	$1,730
H. Expected Contribution Shortfall / (Surplus) (F. – G.)	($1,023)	($1,506)	($483)

Census Data, Assumptions, Methods, and Plan Provisions

Census data for the eligible communications officers and the additional estimated revenue generated for the Fund under Sub SB 84 were provided by the Executive Director of the Georgia Emergency Communications Authority. The additional estimated revenue generated for the Fund is calculated based on a 3-year average of actual revenue for the period ending December 31, 2021.

The above results assume that 1,400 of the approximately 4,160 eligible communication officers join the Fund. The actual cost for communication officers will vary depending on the actual level of participation. Expected court revenues, administrative expenses, member dues, and benefits paid were projected to June 30, 2022 based on the six month period ending December 31, 2021. Investment return for fiscal 2022 was assumed to be 0.0%. In addition, we have assumed that membership dues will remain at the $25.00 per month level for periods after July 1, 2021.

Except as otherwise noted, all other data, assumption, methods, and plan provisions are the same as those described in the June 30, 2021 Actuarial Report for the Fund.

Discussion on Impact of the Pandemic on the Revenues to the Fund

The main source of the Fund's revenues comes from fines and bond forfeitures collected from the courts. Because the courts have been closed at times during the pandemic, the revenues of the Fund experienced a temporary reduction. As the courts have begun to fully reopen, Fund revenues have increased significantly during fiscal 2022. Actual revenues will vary from year to year based on items such as the number of cases or the amounts of fines and forfeitures.

Discussion on Risks Associated with Sub SB 84

In addition to those risks identified in the June 30, 2021 Actuarial Report, the relevant risks for Sub SB 84 include the following:

Fund Membership – For this analysis, we are assuming 1,400 of 4,160 communications officers will voluntarily join the Fund, which is line with historical norms. A higher number of communications officers joining the Fund could result in the additional revenues falling short of the annual required contributions. The additional revenue of $1.730 million is sufficient to cover up to 1,940 communications officers joining the Fund (~46% of all eligible communications officers). This risk would be considered a low risk for this analysis.

Additional Revenue – For this analysis, the Executive Director of the Georgia Emergency Communications Authority provided the expected additional annual revenue. Actual revenues falling short of the estimated revenue by approximately $483,000 could result in a shortfall when compared to the annual required contribution. This risk would be considered a low risk for this analysis.

Summary of Results

Sub SB 84 will meet the concurrent funding requirements of OCGA 47-20-50. Based on June 30, 2021 Actuarial Valuation results projected to the effective date of July 1, 2022, additional revenues of $1.730 million will cover the annual required contributions of $1.247 million (assuming 1,400 of approximately 4,160 communication officers join the Fund).

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, 2021

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
20-06938

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