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 657 (LC 43 1942)
Employees' Retirement System of Georgia

Dear Chairman Carson:

This bill would amend provisions relating to certain law enforcement personnel covered by the Employees' Retirement System. This bill would allow members who are employed by the Motor Carrier Compliance Division or the Capitol Police Division of the Department of Public Safety as a sworn law enforcement officer, the commissioner, or the deputy commissioner to be covered under the retirement provisions offered for law enforcement personnel. Under these provisions, such members would become eligible for normal retirement benefits at age 55 provided they had 10 years of creditable service. The normal retirement age for most members of the System is 60 years. Such members would also be covered by the creditable service and disability benefits provisions provided to other law enforcement personnel.

The first-year cost of this legislation would be $732,000 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This first year cost includes $162,000 each year for the next 20 years to amortize the unfunded actuarial accrued liability and $570,000 each year to fund the normal cost. The additional costs associated with this legislation would cause the required employer contribution rate for law enforcement personnel to increase by .16 percent. This information is based on an estimated current payroll of $88,000,000 for members of the Employees' Retirement System currently covered under the law enforcement provisions and an estimated payroll of $101,000,000 if this legislation is enacted. The cost estimate is based on current member data, actuarial assumptions, and actuarial methods. 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 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.	$ 1,730,000
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	$ 162,000
(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.	$ 570,000
(5)	The employer contribution rate currently in effect for Non-GSEPS Members.	31.94 *
(6)	The employer contribution rate recommended for Non-GSEPS Members (in conformity with minimum funding standards specified in Code Section §47-20-10).	32.10%
(7)	The employer contribution rate currently in effect for GSEPS Members.	24.17%*
(8)	The employer contribution rate recommended for GSEPS Members (in conformity with minimum funding standards specified in Code Section §47-20-10).	24.33%
(9)	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.	$ 732,000

**This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2022 in order 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

September 28, 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 657 (LC 43 1942)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 657 (LC 43 1942) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that sworn law enforcement officers serving in and the commissioner and deputy commiissioner of the Motor Carrier Compliance Division and the Capitol Police Division of the Department of Public Safety shall be eligible to retire after attaining age 55 and receive the regular retirement benefits under the existing provisions of ERS, subject to a mimimum monthly retirement benefit equal to two percent of highest average compensation per year of creditable service. Such participants shall be eligible to obtain up to an additional five years of creditable service in ERS for the period of local full-time service, not to exceed actual service under the local governing authority.

In order to be granted past creditable service under this legislation, the member must (1) not be eligible for a defined benefit or defined contribution retirement or pension plan while employed by the local governing authority (excluding membership in the Peace Officers' Annuity and Benefit Fund), (2) have been a member of ERS for at least ten years and (3) pay to the board of trustees of ERS an amount determined to cover the full actuarial cost of granting the past creditable service.

This bill also provides that such a member of the Motor Carrier Compliance Division and the Capitol Police Division of the Department of Public Safety who is a contributing members of ERS and who becomes permanently disabled due to an act of external violence or injury incurred in the line of duty shall, after making written application to the board of trustees and after a medical examination and upon certification by the medical board that such member is permanently disabled, be entitled to a monthly disability allowance as computed on the member's life expectancy without option. This monthly disability allowance shall be payable to the member only, during his or her life or length of disability, shall not exceed 80 percent of the service allowance that would have been payable to the member had he or she accumulated not more than 30 years of creditable service and had retired at age 65.

Such allowance shall be computed on the basis of the member's monthly earnable compensation for the month in which his or her permanent disability occurred and apply regardless of the length of service of any such member with the member deemed to have acquired 30 or more years of creditable service. In addition, a member so disabled in the line of duty shall receive a monthly supplemental benefit which shall be in the amount of $5.00 per month for each year of creditable service as a member, not to exceed $150.00 per month.

The employers of members currently receiving the same benefits granted by this legislation (defined as police in the annual valuation report) pay a special contribution rate in addition to the actuarially determined contribution rates paid by other employers (7.27% of payroll for non-GSEPS members and 2.58% of payroll for GSEPS members). The increase in the normal cost due to this legislation would be equal to the additional special contribution rates currently in effect, multiplied by the payroll of the members covered under the bill (approximately $13M), or approximately $570,000 in the first year.

In addition, there is 0.16% of payroll increase to the special employer contribution rate, or $162,000 in the first year, for the amortization of the additional unfunded actuarial accrued liability due to this legislation. This is based on an estimated total projected police payroll of $101,000,000 ($88,000,000 for current police members and $13,000,000 for the additional police members due to the bill).

Therefore, the total cost of this legislation is $732,000 in the first year. The estimated increase in the unfunded accrued liability as a result of this legislation would be $1,730,000.

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

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

Ben Mobley

Ben Mobley, ASA, FCA, MAAA
Consulting Actuary

Enclosure

Copy to: Jim Potvin

EMPLOYEES' RETIREMENT SYSTEM
EMPLOYERS WITH SPECIAL LAW ENFORCEMENT BENEFITS
HOUSE BILL 657 (LC 43 1942)
(All amounts are in $ thousands)

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	$4,819,175		$4,820,905		$1,730	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	$475,020		$475,182		$162	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	19.0		19.0		20	
Annual Contribution: Non-GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	13.67 %	$ 6,152	13.67 %	$ 6,516	0.00 %	$ 364
Accrued Liability	18.27	8,222	18.43	8,302	0.16	80
Employer Contribution Rate Currently in Effect	31.94 %	$ 14,374	32.10 %	$ 14,818	0.16 %	$ 444
Non-GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	31.94 %	$ 14,374	32.10 %	$ 14,818	0.16 %	$ 444
Annual Contribution: GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	5.90 %	$ 2,537	5.90 %	$ 2,743	0.00 %	$ 206
Accrued Liability	18.27	7,856	18.43	7,938	0.16	82
Employer Contribution Rate Currently in Effect	24.17 %	$ 10,393	24.33 %	$ 10,681	0.16 %	$ 288
GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	24.17 %	$ 10,393	24.33 %	$ 10,681	0.16 %	$ 288

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 $88,000,000 was used for the 2022-2023 Plan Year for current police participants, of which $43,000,000 was for GSEPS members and $45,000,000 was for non-GSEPS members. An estimated payroll of $101,000,000 was used for the 2022-2023 Plan Year for police participants based on the legislation, of which $51,000,000 was for GSEPS members and $50,000,000 was for non-GSEPS members.