



DEPARTMENT OF AUDITS AND ACCOUNTS

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March 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 167 (LC 43 2258S)
Employees' Retirement System of Georgia – Appellate Court Judges

Dear Chairman Robertson:

This substitute bill would amend provisions relating to retirement benefits payable to appellate court judges covered under the Employees' Retirement System of Georgia. If this legislation is enacted, an appellate court judge would be eligible to receive normal retirement benefits once he or she reaches age 60. Currently, such members are not eligible for normal retirement benefits until they reach age 65. Additionally, this legislation would amend provisions to specify that a surviving spouse would be eligible to receive a benefit without regard to whether such judge had attained age 60.

The first-year cost of this legislation would be \$799,000 to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This cost represents an increase of 18.75% in the employer contribution rate for 'appellate court judges' based on the current projected payroll of \$4,300,000. The first-year cost includes \$251,000 each year for the next 20 years to amortize the unfunded actuarial accrued liability and \$548,000 each year to fund the normal cost. The administration for 'appellate court judges' is managed by the State's Administrative Office of the Courts. Therefore, the cost associated with this legislation would be covered solely by additional employer contributions paid by the Administrative Office of the Courts. 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 Senate Retirement Committee. The investigation was conducted according to

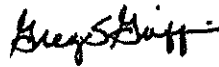
O.C.G.A. §47-20-36, which outlines the factors to be considered in an actuarial investigation. The figures are based on employee data and the most recent actuarial assumptions and methods.

(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>2,516,000</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>251,000</u>
(3)	The number of years that the unfunded actuarial accrued liability created by this bill will be amortized.	<u>20</u>
(4)	The amount of the annual normal cost which will result from this bill.	\$ <u>548,000</u>
(5)	The employer contribution rate currently in effect for Non-GSEPS Members.	<u>48.30%*</u>
(6)	The employer contribution rate recommended for Non-GSEPS Members (in conformity with minimum funding standards specified in Code Section §47-20-10).	<u>66.87%</u>
(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.	\$ <u>799,000</u>

**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



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The experience and dedication you deserve

March 2, 2022

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

SUBSTITUTE TO SENATE BILL 167 (LC 43 2258S)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Substitute to Senate Bill 167 (LC 43 2258S) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would decrease the age of eligibility for retirement benefits, disability benefits and survivor benefits for appellate court judges from age 65 to age 60.

Currently, there is an additional 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 18.57% or \$799,000 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 \$2,516,000.

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

Enclosure

Copy to: Jim Potvin

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EMPLOYEES' RETIREMENT SYSTEM

SUBSTITUTE TO SENATE BILL 167 (LC 43 2258S)

(All amounts are in \$ thousands)

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability – ERS Total	\$4,819,175		\$4,821,691		\$2,516	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability – ERS Total	\$475,020		\$475,271		\$251	
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	42.76 %	\$ 1,839	12.73 %	\$ 548
Accrued Liability	18.27	786	24.11	1,037	5.84	251
Employer Contribution Rate Currently in Effect	48.30 %	\$ 2,077	66.87 %	\$ 2,876	18.57 %	\$ 799
Appellate Court Judges Only Employer Contribution Rate Recommended due to Minimum Funding Standards	48.30 %	\$ 2,077	66.87 %	\$ 2,876	18.57 %	\$ 799

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.