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 85 (LC 43 2487)
Employees' Retirement System of Georgia

Dear Chairman Williams:

This bill would amend provisions relating to creditable service under the Employees' Retirement System of Georgia. Under the provisions of this bill, members with at least two years of membership service would be eligible to obtain up to 60 months of creditable service for active military service that occurred on or after January 1, 1990. Members wishing to purchase such service would be required to pay the full actuarial cost of the service granted. Members may elect to make a one-time payment or have equal payments deducted from his or her earnable compensation over a specified period of time. It should be noted that no member shall receive creditable service (1) if such member was not honorably discharged, (2) for reserve duty, (3) for any period of time in which he or she obtained membership service, or (4) for any portion of such member's active military service that has been or will be used in the determination of eligibility for retirement benefits or allowances from any other state or federal retirement program, excluding social security.

This legislation would not result in any additional cost to the Employees' Retirement System of Georgia since any member wishing to purchase such creditable service would be required to pay the full actuarial cost of the service granted. There would be no increase in the unfunded actuarial accrued liability or the required employer contribution rate as a result of this legislation. The cost estimate is based on current member data, actuarial assumptions, and actuarial methods. Changes to 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 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.	$ 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 the bill would be amortized.	N/A
(4)	The amount of the annual normal cost which will result from the bill.	$ 0
(5)	The employer contribution rate currently in effect for Non-GSEPS members.	29.20%*
(6)	The employer contribution rate recommended for non-GSEPS members (in conformity with minimum funding standards specified in O.C.G.A. §47-20-10).	29.20%
(7)	The employer contribution rate currently in effect for GSEPS members.	25.51%*
(8)	The employer contribution rate recommended for GSEPS members (in conformity with minimum funding standards specified in O.C.G.A. §47-20-10)	25.51%
(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.	$ 0

**This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2024, for Non-GSEPS and GSEPS members, respectively, in order to meet the minimum funding standards.*

It should be noted that these cost estimates are based upon the current provisions of the bill as outlined in Senate Bill 85 (LC 43 2487). Any subsequent changes in the retirement bill could invalidate the actuarial investigation and the findings included therein.

Respectfully Submitted,

Greg S. Griffin

Greg S. Griffin
State Auditor

GSG/cs

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

August 25, 2023

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

SENATE BILL 85 (LC 43 2487)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Senate Bill 85 (LC 43 2487) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that a member of the Employees' Retirement System of Georgia (ERS) with at least two years of membership service may obtain up to 60 months of creditable service to be awarded month for month for active military service in the armed forces performed on or after January 1, 1990 by making a one-time payment to the board of trustees of ERS an amount determined by the board to cover the full actuarial cost of granting said creditable service. The member may also elect to participate in a 30 payment plan under the same terms provided in subsection (e) of Code Section 47-2-101. Under the provisions of this bill, no member shall receive creditable service (1) if the member was not honorably discharged, (2) for reserve duty, (3) for any period of time for which the member has already earned creditable service under ERS, or (4) for any portion of the member's active military service that has been or will be used in the determination of eligiblity for retirement benefits or allowances from any other state or federal retirement program, excluding social security.

There would be no cost to ERS for this legislation. There would be no increase in the unfunded actuarial accrued liability and no increase in the employer contribution rates as a result of this legislation. However, there could be additional administrative costs associated with this legislation.

In order to prepare the results in this investigation, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and 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

Ben Mobley

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

SENATE BILL 85 (LC 43 2487)
(All amounts are in $ thousands)

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	$5,628,490		$5,628,490		$0	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	$639,740		$639,740		$0	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	18.0		18.0		N/A	
Annual Contribution: Non-GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	7.14 %	$ 57,120	7.14 %	$ 57,120	0.00 %	$ 0
Accrued Liability	22.06	176,480	22.06	176,480	0.00	0
Employer Contribution Rate Currently in Effect	29.20 %	$ 233,600	29.20 %	$ 233,600	0.00 %	$ 0
Non-GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	29.20 %	$ 233,600	29.20 %	$ 233,600	0.00 %	$ 0
Annual Contribution: GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	3.45 %	$ 72,450	3.45 %	$ 72,450	0.00 %	$ 0
Accrued Liability	22.06	463,260	22.06	463,260	0.00	0
Employer Contribution Rate Currently in Effect	25.51 %	$ 535,710	25.51 %	$ 535,710	0.00 %	$ 0
GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	25.51 %	$ 535,710	25.51 %	$ 535,710	0.00 %	$ 0

The preceding figures are based on the employee data, actuarial assumptions, and actuarial methods used to prepare the June 30, 2022 actuarial valuation of the System. An estimated payroll of $2,900,000,000 was used for the 2024-2025 Plan Year for all participants, of which $2,100,000,000 was for GSEPS members and $800,000,000 was for non-GSEPS.