



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

October 30, 2023

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

SUBJECT: Actuarial Investigation
House Bill 472 (LC 43 2873S)
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 of Georgia. Specifically, this bill would affect 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, commissioner, or deputy commissioner. While all members of the System are eligible for disability benefits, the System provides enhanced benefits for certain sworn law enforcement officers who become disabled from an injury incurred in the line of duty. This bill would expand the enhanced benefits to include members employed by the Motor Carrier Compliance Division or the Capitol Police Division of the Department of Public Safety as a sworn law enforcement officer, commissioner, or deputy commissioner.

The estimated first-year cost of this legislation would be \$6,000 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This cost represents an increase to the employer contribution rate of .03% for Non-GSEPS members and .04% for GSEPS members. This estimate is based on an estimated payroll of \$800,000,000 for Non-GSEPS members and \$2,100,000,000 for GSEPS members. The first-year cost includes \$2,000 each year for the next 20 years to amortize the increase in the unfunded actuarial accrued liability and \$4,000 each year to fund the normal cost. 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.

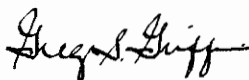
The following is a summary of the relevant findings included in the actuarial investigation for this bill. The investigation was completed pursuant to a request from the House Retirement Committee. The investigation was to be conducted according to O.C.G.A. §47-20-36, which outlines the factors to be considered in an actuarial investigation.

(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>17,000</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>2,000</u>
(3)	The number of years that the unfunded actuarial accrued liability created by the bill would be amortized.	<u>20</u>
(4)	The amount of the annual normal cost which will result from the bill.	\$ <u>4,000</u>
(5)	The employer contribution rate currently in effect for Non-GSEPS members.	<u>29.20%*</u>
(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).	<u>29.23%</u>
(7)	The employer contribution rate currently in effect for GSEPS members.	<u>25.51%*</u>
(8)	The employer contribution rate recommended for GSEPS members (in conformity with minimum funding standards specified in O.C.G.A. §47-20-10)	<u>25.55%</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>6,000</u>

**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.*

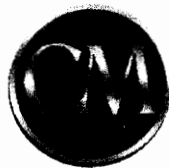
It should be noted that these cost estimates are based upon the current provisions of the bill as outlined in House Bill 472 (LC 43 2873S). Any subsequent changes in the retirement bill could invalidate the actuarial investigation and the findings included therein.

Respectfully Submitted,



Greg S. Griffin
State Auditor

GSG/cs



Cavanaugh Macdonald CONSULTING, LLC

September 19, 2023

The experience and dedication you deserve

Honorable Greg S. Griffin, State Auditor
Georgia Department of Audits and Accounts
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Atlanta, GA 30334

HOUSE BILL 472 (LC 43 2873S)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 472 (LC 43 2873S) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would allow a sworn law enforcement officer serving in and the commissioner and deputy commissioner of the Motor Carrier Compliance Division and the Capital Police Division of the Department of Public Safety on or after July 1, 2024 who is a contributing member of ERS and who becomes permanently disabled due to an act of external violence or injury incurred in the line of duty shall, after (i) making written application to the board of trustees and (ii) undergoing a medical examination resulting in certification of permanent disability by the medical board, be eligible for and 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, and 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 the permanent disability occurred and apply regardless of the length of service with the member deemed to have acquired 30 or more years of creditable service. In addition, the member shall receive a monthly supplemental benefit equal to \$5.00 per month for each year of creditable service as a member, not to exceed \$150.00 per month.

The cost of this bill would be about \$6,000 in the first year. The estimated increase in the unfunded actuarial accrued liability would be \$17,000.

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, EA, FCA, MAAA
Chief Executive Officer

Ben Mobley, ASA, FCA, MAAA
Consulting Actuary

Enclosure
Copy to: Jim Potvin

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H. B. 472 (SUB)



**EMPLOYEES' RETIREMENT SYSTEM
HOUSE BILL 472 (LC 43 2873S)*
(All amounts are in \$ thousands)**

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	\$5,628,490		\$5,628,507		\$17	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	\$639,740		\$639,742		\$2	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	18.0		18.0		20	
Annual Contribution: Non-GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
	7.14 %	\$ 357	7.16 %	\$ 358	0.02 %	\$ 1
Normal Cost	22.06	1,102	22.07	1,103	0.01	1
Accrued Liability						
Employer Contribution Rate Currently in Effect	29.20 %	\$ 1,459	29.23 %	\$ 1,461	0.03 %	\$ 2
Non-GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	29.20 %	\$ 1,459	29.23 %	\$ 1,461	0.03 %	\$ 2
Annual Contribution: GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
	3.45 %	\$ 333	3.48 %	\$ 336	0.03 %	\$ 3
Normal Cost	22.06	2,129	22.07	2,130	0.01	1
Accrued Liability						
Employer Contribution Rate Currently in Effect	25.51 %	\$ 2,462	25.55 %	\$ 2,466	0.04 %	\$ 4
GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	25.51 %	\$ 2,462	25.55 %	\$ 2,466	0.04 %	\$ 4

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 members. For the group of members impacted by this legislation, we estimated payroll to be \$14,650,000, of which \$9,650,000 was for GSEPS members and \$5,000,000 was for non-GSEPS members.

* There would be no increase in any special rates for the LOD disability.