



**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 824 (LC 43 2852)  
Employees' Retirement System of Georgia

Dear Chairman Carson:

This bill would amend provisions under the Employees' Retirement System by establishing the State Law Enforcement Officer Plan (Plan). Under the provisions of this bill, members who meet the definition of 'state law enforcement officer' would be eligible to make an irrevocable election to participate in this new Plan. Participating members would be required to make contributions equivalent to five percent of their earnable compensation and would be eligible to receive an enhanced benefit upon retirement. The amount of the benefit would be dependent on the number of years of creditable service. Participating members who retire with 25 years of creditable service would receive a monthly retirement benefit equivalent to 80 percent of his or her earnable compensation.

The provisions of this bill would also require the Board of Trustees for the Employees' Retirement System to establish a Deferred Retirement Option Plan (DROP) Account for participating members who do not retire after 25 years of service. The monthly benefit that would have been payable to the member had they retired will be deposited into the DROP Account. The member will be eligible for all funds deposited with interest upon retirement, in addition to their monthly benefit.

The first-year cost of this bill would be \$23,760,000 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This cost includes \$18,475,000 each year for the next 20 years to amortize the increase in the unfunded actuarial accrued liability and \$5,285,000 each year to fund the normal cost. There are approximately 1,580 'state law enforcement officers' in the Employees' Retirement System. This cost estimate assumes that all affected members will elect to participate in this enhanced plan. This cost estimate is based on current member data, an estimated payroll of \$104,200,000 for "state law enforcement officers," actuarial assumptions, and actuarial methods. It should be noted that 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 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>192,719,000</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>18,475,000</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>5,285,000</u>
(5)	The employer contribution rate currently in effect for non-GSEPS law enforcement officers in ERS.	<u>34.67%*</u>
(6)	The employer contribution rate recommended for the System (in conformity with minimum funding standards specified in O.C.G.A. §47-20-10).	<u>54.14%</u>
(7)	The employer contribution rate currently in effect for GSEPS law enforcement officers in ERS.	<u>26.69%*</u>
(8)	The employer contribution rate recommended for the System (in conformity with minimum funding standards specified in O.C.G.A. §47-20-10).	<u>50.82%</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>23,760,000</u>

*\*This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2024, for law enforcement officers covered under the Employees' Retirement System 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 824 (LC 43 2852). 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



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September 22, 2023

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 824 (LC 43 2852)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of House Bill 824 (LC 43 2852) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would establish the State Law Enforcement Officer Plan (SLEO Plan).

Specifically, this bill would:

- 1) Define a "State Law Enforcement Officer" to be any member of the Employees' Retirement System of Georgia (ERS) employed by the:
  - a) Uniform Division of the Department of Public Safety as an officer, a non-commissioned officer, or a trooper;
  - b) Georgia Bureau of Investigation as an officer or agent;
  - c) Department of Natural Resources as a game warden;
  - d) Department of Revenue as an alcohol and tobacco officer or agent or as an officer or agent of the Special Investigations Unit;
  - e) Motor Carrier Compliance Division as a sworn law enforcement officer; or
  - f) Capital Police Division of the Department of Public Safety as a sworn law enforcement officer.
- 2) Define "electing officer" as each state law enforcement officer who, on or after July 1, 2024, is a contributing member of ERS and who makes an irrevocable election to participate in the SLEO Plan within 90 days of becoming a state law enforcement officer, or July 1, 2024, whichever is later.
- 3) Provide that in no event will an electing officer be eligible to retire under the SLEO Plan prior to July 1, 2029. If such an officer seeks to retire before July 1, 2029, the officer will be covered under ERS rather than the enhanced benefits of the SLEO Plan
- 4) Provide that each electing officer will be entitled to the same benefits as "similarly situated" members of ERS except that:
  - a) Each electing officer will contribute 5 percent of earnable compensation to ERS until he or she obtains 25 years of creditable service in the SLEO Plan, at which point such contributions will cease;
  - b) Each electing officer will be eligible for a monthly retirement benefit determined as follows:
    - 1) 10% of his or her average final compensation if he or she earns 10 years of creditable service;
    - 2) 3% of his or her average final compensation for each of the years of creditable service from year 11 through 15;
    - 3) 5% of his or her average final compensation for each of the years of creditable service from year 16 through 20;
    - 4) 6% of his or her average final compensation for each of the years of creditable service from year 21 through 25;

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Honorable Greg S. Griffin, State Auditor

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After an electing officer obtains 25 years of creditable service in the SLEO Plan, his or her benefit will be calculated based on average final compensation at such time.

- 5) On or after an electing officer obtains 25 years of creditable service in the SLEO Plan, if the officer does not elect to retire, his or her monthly benefits will be paid into a Deferred Retirement Option Program (DROP) account until he or she elects to retire.
  - a) Such monthly payments will accrue any postretirement benefit adjustments granted to other members of ERS
  - b) The board will establish a DROP Account for each eligible electing officer. The amounts in each account will earn interest at a market rate to be determined by the board.
  - c) Upon an electing officer's retirement, he or she will be entitled to receive a lump sum, a partial lump sum, or an annuity payment from the funds in his or her DROP Account, including any interest therein. The board may also make available options to roll such funds into certain tax-advantaged retirement accounts.

The cost of this bill would be about \$23,760,000 in the first year. The estimated increase in the unfunded actuarial accrued liability would be \$192,719,000.

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



**EMPLOYEES' RETIREMENT SYSTEM**

**HOUSE BILL 824 (LC 43 2852)**

**(All amounts are in \$ thousands)**

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	\$5,628,490		\$5,821,209		\$192,719	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	\$639,740		\$658,215		\$18,475	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	18.0		18.1		20	
Annual Contribution: Non-GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost*	12.61 %	\$ 3,745	14.35 %	\$ 4,262	1.74 %	\$ 517
Accrued Liability	22.06	6,552	39.79	11,818	17.73	5,266
Employer Contribution Rate Currently in Effect	34.67 %	\$ 10,297	54.14 %	\$ 16,080	19.47 %	\$ 5,783
Non-GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	34.67 %	\$ 10,297	54.14 %	\$ 16,080	19.47 %	\$ 5,783
Annual Contribution: GSEPS	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost*	4.63 %	\$ 3,449	11.03 %	\$ 8,217	6.40 %	\$ 4,768
Accrued Liability	22.06	16,435	39.79	29,644	17.73	13,209
Employer Contribution Rate Currently in Effect	26.69 %	\$ 19,884	50.82 %	\$ 37,861	24.13 %	\$ 17,977
GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	26.69 %	\$ 19,884	50.82 %	\$ 37,861	24.13 %	\$ 17,977

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 \$104,200,000, of which \$74,500,000 was for GSEPS members and \$29,700,000 was for non-GSEPS members.

\* Normal rates shown are blended, reflecting that members impacted by this legislation currently have different benefit provisions as well as special contribution rates.