



DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
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October 27, 2021

Honorable Randy Robertson, Chairman
Senate Retirement Committee
Coverdell Legislative Office Building, Room 305-A
Atlanta, Georgia 30334

SUBJECT: Actuarial Investigation
Senate Bill 167 (LC 43 1817)
Employees' Retirement System of Georgia

Dear Chairman Robertson:

This bill would provide for semiannual postretirement benefit adjustments for all beneficiaries of the Employees' Retirement System of Georgia. If this legislation is enacted, each beneficiary would receive a postretirement benefit adjustment of 1.5 percent every six months. Such adjustments would begin on July 1, 2022 and be granted to all beneficiaries, including beneficiaries subject to the GSEPS plan.

The provisions of this bill would allow the Governor to suspend, in whole or in part, the postretirement benefit adjustment if state revenues decline. As written, the Governor would be authorized to suspend these adjustments if year-end revenue collections decrease by three percent or more below the original revenue estimate or if the State experiences a decline in revenue collections for three consecutive months. The Governor may not issue such an executive order for more than two consecutive years or more than three times in any period of ten consecutive calendar years. This legislation also gives the General Assembly the authority to revoke, revise, or extend the executive order through the adoption of a joint resolution.

The first-year cost of this legislation would be \$523,350,000 to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This first year cost includes \$482,820,000 each year for the next 20 years to amortize the unfunded actuarial accrued liability and \$40,530,000 each year to fund the normal cost. This cost of this legislation would cause the required employer contribution rate to increase by 20.75 percent for non-GSEPS members and by 19.80 percent for GSEPS members. This estimate is based on a total estimated payroll of \$2,600,000,000 and assumes that the Governor does not elect to suspend the

postretirement adjustments in the future. The cost estimate is also 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>5,022,021,000</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>482,820,000</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>40,530,000</u>
(5)	The employer contribution rate currently in effect for Non-GSEPS Members.	<u>24.67%*</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>45.42%</u>
(7)	The employer contribution rate currently in effect for GSEPS Members.	<u>21.59%*</u>
(8)	The employer contribution rate recommended for GSEPS Members (in conformity with minimum funding standards specified in Code Section §47-20-10).	<u>41.39%</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>523,350,000</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.*

Letter to Chairman Robertson
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It should be noted that any subsequent changes in the retirement bill will invalidate the actuarial investigation and the findings included therein.

Respectfully,

A handwritten signature in blue ink that reads "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

GSG/cs

Attachment



Cavanaugh Macdonald

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September 22, 2021

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 167 (LC 43 1817)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Senate Bill 167 (LC 43 1817) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that members hired on or after July 1, 2009, shall be eligible for postretirement adjustments granted on or after July 1, 2022, and that each beneficiary of the Employees' Retirement System of Georgia (ERS) shall receive a postretirement benefit adjustment that increases his or her retirement allowance by 1.5% on July 1, 2022 and every six months thereafter. However, if the revenue collected in the most recently completed fiscal year decreased by 3% or more below the revenue estimate for such fiscal year or if the state experiences a decline in revenue collected for three consecutive months during the current fiscal year, the Governor may by executive order suspend, in whole or in part, the next two postretirement benefit adjustments. Such an executive order may not be issued in more than two consecutive calendar years or more than three times in any period of ten consecutive calendar year and is subject to revocation, revision or extension by the General Assembly through the adoption of a joint resolution within one calendar year from the date of the issuance of the order.

The cost of this bill would be 20.13% of pay, or \$523,350,000, in the first year, based on an estimated projected payroll of \$2,600,000,000. The estimated increase in the unfunded accrued liability as a result of this legislation would be \$5,022,021,000.

We have made no assumption for the occurrence of the criteria for when the Governor may, but is not required to, suspend some future benefit increases. The cost of this bill assumes that all future post-retirement adjustments will be made.

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, 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 167 (LC 43 1817)

(All amounts are in \$ thousands)

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability	\$4,819,175		\$9,841,196		\$5,022,021	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	\$475,020		\$957,840		\$482,820	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	19.0		19.5		20	
Annual Contribution: Non-GSEPS Normal Cost Accrued Liability	%	Annual Amount	%	Annual Amount	%	Annual Amount
	6.40 %	\$ 57,600	8.58 %	\$ 77,220	2.18 %	\$ 19,620
	18.27	164,430	36.84	331,560	18.57	167,130
Employer Contribution Rate Currently in Effect	24.67 %	\$ 222,030	45.42 %	\$ 408,780	20.75 %	\$ 186,750
Non-GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	24.67 %	\$ 222,030	45.42 %	\$ 408,780	20.75 %	\$ 186,750
Annual Contribution: GSEPS Normal Cost Accrued Liability	%	Annual Amount	%	Annual Amount	%	Annual Amount
	3.32 %	\$ 56,440	4.55 %	\$ 77,350	1.23 %	\$ 20,910
	18.27	310,590	36.84	626,280	18.57	315,690
Employer Contribution Rate Currently in Effect	21.59 %	\$ 367,030	41.39 %	\$ 703,630	19.80 %	\$ 336,600
GSEPS Employer Contribution Rate Recommended due to Minimum Funding Standards	21.59 %	\$ 367,030	41.39 %	\$ 703,630	19.80 %	\$ 336,600

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 \$2,600,000,000 was used for the 2022-2023 Plan Year for all participants, of which \$1,700,000,000 was for GSEPS members and \$900,000,000 was for non-GSEPS.