



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 105 (LC 43 2600)
Public School Employees Retirement System

Dear Chairman Williams:

This bill would amend provisions relating to retirement benefits payable to members of the Public School Employees Retirement System. Beneficiaries receive a monthly benefit based on a set dollar amount multiplied by the member's years of creditable service. Under current law, the set dollar amount must range from \$14.75 to \$16.50. If this legislation is enacted, the minimum monthly benefit would be calculated based on \$17 for each year of creditable service. This legislation would also remove the maximum benefit multiplier. Instead, the Board of Trustees would be authorized to grant a permanent or one-time benefit increase based on funds appropriated by the General Assembly, for such purpose, based upon the actuarial soundness of the System.

Furthermore, this bill would eliminate a provision that sets the maximum monthly benefit for persons who retired prior to August 1, 2012 at \$15 per month for each year of creditable service. If this legislation is enacted, the monthly benefits payable to these beneficiaries would increase to \$17 for each year of creditable service and these beneficiaries would also become eligible for any future benefit increases.

As of July 1, 2023, the benefit multiplier is \$16.50/month for each year of creditable service for members who retired on or after August 1, 2012, and \$15/month for members who retired prior to that date. Since this bill sets the new minimum at \$17/month, all retired members would be eligible for a benefit increase if this legislation is enacted. This benefit increase would impact approximately 19,800 retirees and beneficiaries.

The estimated first-year cost of this legislation would be \$5,625,000 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. The estimated cost represents an increase in the employer contribution of \$176.73 per member based on 31,831 active members as of June 30, 2022. The first-year cost includes \$5,236,000 each year for the next 20 years to amortize the unfunded actuarial accrued liability and \$389,000 per member 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 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.	\$ <u>54,624,000</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>5,236,000</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>389,000</u>
(5)	The employer contribution rate currently in effect for members of the PSERS.	<u>\$983.94 per active member*</u>
(6)	The employer contribution rate recommended for PSERS (in conformity with minimum funding standards specified in O.C.G.A. §47-20-10).	<u>\$1,160.67 per active member</u>
(7)	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>5,625,000</u>

**This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2024, for active members of the PSERS 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 105 (LC 43 2600). 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

The experience and dedication you deserve

October 30, 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 105 (LC 43 2600)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Senate Bill 105 (LC 43 2600) on the Public School Employees Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would (i) increase the minimum monthly retirement benefit from \$14.75 to \$17.00 for each year of creditable service, and (ii) remove the \$15.00 cap on the benefit multiplier that went into effect July 1, 2012 and impacted those members retired before August 1, 2012. This minimum benefit will apply to members who have already retired, regardless of retirement date, as well as those who will retire in the future. If the General Assembly at any time appropriates funds expressly intended to fund a permanent or one-time increase to the benefit amount payable, the board shall make a determination of the amount that such benefit amount may be increased based upon the funds actually appropriated by the General Assembly for such purpose.

The current benefit multiplier, which was effective July 1, 2023, is \$16.50 for all members retired on or after August 1, 2012, and \$15.00 for all members retired before August 1, 2012. The cost of this bill for an increase in the benefit level to \$17.00 for all members would be about \$5,625,000 in the first year. The increase in unfunded actuarial accrued liability as a result of this legislation would be \$54,624,000.

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.

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Edward J. Koebel, EA, FCA, MAAA
Chief Executive Officer

Ben Mobley; ASA, FCA, MAAA
Consulting Actuary

Enclosure
Copy to: Jim Potvin



PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM

SENATE BILL 105 (LC 43 2600)
(All amounts are in \$ thousands)

Cost	Before Legislation*		After Legislation		Increase due to Legislation	
	\$ per active Member	Annual Amount	\$ per active Member	Annual Amount	\$ per active Member	Annual Amount
Unfunded Actuarial Accrued Liability		\$175,512		\$230,136		\$54,624
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability		\$18,290		\$23,526		\$5,236
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized		16.9		17.5		20.0
Annual Contribution						
Normal Cost	\$ 409.34	\$ 13,030	\$ 421.58	\$ 13,419	\$ 12.24	\$ 389
Accrued Liability	574.60	18,290	739.09	23,526	164.49	5,236
Employer Contribution Rate Currently in Effect	\$ 983.94	\$ 31,320	\$ 1,160.67	\$ 36,945	\$ 176.73	\$ 5,625
Employer Contribution Rate Recommended due to Minimum Funding Standards	\$ 983.94	\$ 31,320	\$ 1,160.67	\$ 36,945	\$ 176.73	\$ 5,625

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. The valuation included 31,831 active members.

*Based on a benefit multiple of \$16.50 for all members retired on or after August 1, 2012 and \$15.00 for all members retired before August 1, 2012.