



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 308 (LC 43 2708)
Georgia Legislative Retirement System

Dear Chairman Williams:

This bill would amend provisions relating to retirement benefits payable to beneficiaries of the Georgia Legislative Retirement System who retired prior to January 1, 2022. In 2022, the General Assembly passed legislation that increased retirement benefits for persons who were active members of the Georgia Legislative Retirement System on January 1, 2022, and for any person who became an active member after such date. Members who had retired prior to such date and former vested members were not eligible for the increased benefits. This bill would remove this restriction. If this legislation is enacted, the benefits for such members would be increased to \$50/month for each year of creditable service and an additional \$200/month for each year such member presided over the chamber.

This bill would increase costs to the Georgia Legislative Retirement System in the first year by \$683,123 and is the cost required to amortize the increase in the unfunded actuarial accrued liability each year for the next 20 years. Based on the most recent actuarial valuation prepared as of June 30, 2022, the Georgia Legislative Retirement System has a funded ratio of approximately 134 percent. O.C.G.A. §47-20-36 (a)(5) only require the General Assembly to appropriate sufficient funds to maintain the System in an actuarially sound condition. Therefore, no additional funds would need to be included in the Fiscal Year 2025 Appropriations Act for House Bill 829 to meet the concurrent funding requirements outlined in O.C.G.A. §47-20-50. If this legislation is enacted, the employer contribution would remain at \$0 per active member. This cost estimate is based upon membership of 217 active members, 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 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>7,125,844</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>683,123</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>0</u>
(5)	The employer contribution rate currently in effect for the Georgia Legislative Retirement System.	<u>0%*</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>0%</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>0**</u>

**This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2024, for the Georgia Legislative Retirement System in order to meet the minimum funding standards.*

***The total first-year cost of House Bill 829 is \$683,123. However, since the System's funded ratio would remain above 100 percent, the FY 2025 Appropriations Act would not need to include funds for this bill, provided no other legislation affecting the Georgia Legislative Retirement System is passed. If multiple bills are passed, the cumulative cost and impact of all bills would need to be calculated to determine the extent of funding needed to meet the concurrent funding requirements outlined in O.C.G.A. §47-20-50.*

It should be noted that these cost estimates are based upon the current provisions of the bill as outlined in Senate Bill 308 (LC 43 2708). 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

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 308 (LC 43 2708)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Senate Bill 308 (LC 43 2708) on the Legislative Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would match the retirement benefit amounts payable to former legislators upon retirement and to current retired legislators to those benefits which are payable upon retirement to legislators who are in office on or after January 1, 2022. Such former legislators and current retired legislators would receive a benefit equal to \$50.00 multiplied by the number of years of the member's credited service and an additional \$200.00 for each year of creditable service as a presiding officer.

The cost of this bill would be about \$683,123 in the first year. The estimated increase in the unfunded actuarial accrued liability would be \$7,125,844. **However, since the System will continue to be in a fully funded position and the recommended contribution would still be zero after this legislation, there is no increase in the employer contribution rate as a result of 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, EA, FCA, MAAA
Chief Executive Officer

Ben Mobley, ASA, FCA, MAAA
Consulting Actuary

Enclosure

Copy to: Jim Potvin

S:\2023\GA Dept of Audits\Legislation_Do_Not_Archive\2023\LRS Legislation SB 308.docx



LEGISLATIVE RETIREMENT SYSTEM

SENATE BILL 308 (LC 43 2708)

Cost	Before Legislation		After Legislation		Increase due to Legislation	
Unfunded Actuarial Accrued Liability	(\$9,599,638)		(\$2,473,794)		\$7,125,844	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	(\$1,134,092)		(\$450,969)		\$683,123	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	20		20		20	
Annual Contribution	\$ per active Member	Annual Amount	\$ per active Member	Annual Amount	\$ per active Member	Annual Amount
Normal Cost	\$ 1,920.64	\$ 416,778	\$ 1,920.64	\$ 416,778	\$ 0.00	\$ 0
Accrued Liability	(5,226.23)	(1,134,092)	(2,078.20)	(450,969)	3,148.03	683,123
Employer Contribution Rate Currently in Effect	\$ (3,305.59)	\$ (717,314)	\$ (157.56)	\$ (34,191)	\$ 3,148.03	\$ 683,123
Employer Contribution Rate Recommended due to Minimum Funding Standards (above not less than zero) *	\$ 0.00	\$ 0	\$ 0.00	\$ 0	\$ 0.00	\$ 0

*Since the System is in a fully funded position and the required contribution is zero before the legislation, the actual increase in the employer contribution is \$0 as a result of this legislation.

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 217 active members.