



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

February 6, 2024

The Honorable Rick Williams
Chairman, Senate Retirement Committee
Coverdell Legislative Office Building, Room 327-B
Atlanta, GA 30334

SUBJECT: Actuarial Investigation
Substitute to Senate Bill 322 (LC 56 0100S)
Sheriffs' Retirement Fund of Georgia

Dear Chairman Williams:

This substitute bill would amend several provisions relating to the Sheriffs' Retirement Fund of Georgia. Specifically, this bill would (1) increase the cost to purchase creditable service from \$37.50 per month of creditable service to \$65 per month; (2) increase the monthly membership dues from \$45 to \$65; (3) increase the death benefit from \$15,000 to \$35,000; and (4) prohibit the payment of retirement benefits to any person who becomes a member on or after July 1, 2024 and is convicted of a felony related to his or her employment.

Furthermore, this substitute bill would provide for the increase in fees collected on behalf of the Fund. Specifically, this substitute bill would (1) increase the fees collected from each civil filing from \$1 to \$5; and (2) allow the Fund to receive \$2 from each fee collected prior to the adjudication of guilt for purposes of pretrial diversion pertaining to any criminal or quasi-criminal case for violation of state statutes, county ordinances, or municipal ordinances. Currently, no portion of the fee is remitted to the Sheriffs' Retirement Fund.

The first-year cost to the Sheriffs' Retirement Fund would be \$29,445 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. However, under the provisions of this substitute bill, the Fund would realize an increase in collections from fees of \$2,250,000 annually. This increase includes an additional \$2,217,000 for the \$4 increase to the civil filing fee and \$33,000 for the \$2 fee related to pretrial diversions. Based on current revenues and the projected additional revenues outlined above, the Fund would have sufficient funds to cover this first-year cost. This cost estimate is based on current member data of 157 active sheriffs, actuarial assumptions, and actuarial methods. It should be noted that changes in any of these variables cost affect the cost of this legislation. Any future costs would be paid through a portion of fines and bond forfeitures.

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



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February 5, 2024

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 322 – SUBSTITUTE (LC 56 0100S)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Senate Bill 322 – Substitute (LC 56 0100S) on the Sheriffs' Retirement Fund of Georgia (Fund) in accordance with the requirements of Code Section 47-20-36.

This bill would increase the amount of the death benefit paid to beneficiaries of members from \$15,000 to \$35,000 effective on July 1, 2024. This portion of the bill increases liability and cost for the Fund.

In addition, this bill would increase the membership dues for each active sheriff from \$45 per month to \$65 per month. This portion of the bill would increase liabilities slightly for the Fund, but it would decrease annual costs for the Fund by approximately \$37,000.

Lastly, the bill would also increase the fees collected for the Fund as follows:

- Two dollars of each fee collected prior to adjudication of guilt for purposes of pre-trial diversion pertaining to any criminal or quasi-criminal case for violation of state statutes, county ordinances or municipal ordinances as provided for in subsection (f) of Code Section 15-18-80. The additional fee from pre-trial diversions is approximately \$33,000.
- Increase from \$1 per civil case to \$5 per civil case for superior court and any court of the state including magistrate courts where a Sheriff serves. The additional fees from these three courts are determined to be approximately \$2,217,000.

While this portion of the bill does not increase or decrease liability, it does significantly offset the cost incurred by the death benefit increase and provides additional contributions to the Plan that will help in the funding of the Plan for many years.

As shown on the next page, there would be an increase in the unfunded accrued liability to the Sheriffs' Retirement Fund of Georgia of increasing the death benefit and membership dues of \$2,250,596 as a result of this legislation. The combined annual normal cost and amortization of the increase in the unfunded accrued liability is estimated to be \$29,445 for this legislation.

However, the increase in fees as explained above is estimated to be \$2,250,000 yearly. This annual increase in contributions more than offsets the annual increase in cost.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144
Phone (678) 388-1700 • Fax (678) 388-1730
www.CavMacConsulting.com
Offices in Kennesaw, GA • Bellevue, NE

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>2,250,596</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>185,111*</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>(37,271)</u>
(5)	The employer contribution rate currently in effect for members of the Sheriffs' Retirement Fund.	<u>Fines and Bond Forfeitures</u>
(6)	The employer contribution rate recommended for the Sheriffs' Retirement Fund (in conformity with minimum funding standards specified in O.C.G.A. §47-20-10).	<u>Fines and Bond Forfeitures</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>

*The increase in unfunded actuarial accrued liability will result in an annual amortization cost of \$185,111. However, since the Fund currently has a surplus amortization amount, the actual cost is only \$66,716 each year for the next 20 years.

** The first-year cost would be \$29,445. However, it is projected that the Fund would generate an additional \$2,250,000 from fees collected from fines and bond forfeitures. This additional revenue is more than sufficient to cover the recommended employer contribution if Senate Bill 322 (LC 56 0100S) is enacted.

It should be noted that 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



Honorable Greg S. Griffin
February 5, 2024
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The attached table shows the unfunded actuarial accrued liability and recommended employer contributions under the Fund before and after the proposed legislation. The recommended employer contributions are in conformity with the minimum funding standards specified by Code Section 47-20-10.

In order to prepare the results in this report, 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.

Sincerely yours,

A handwritten signature in cursive script that reads "Edward J. Koebel".

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

A handwritten signature in cursive script that reads "Ben Mobley".

Ben Mobley, ASA, FCA, MAAA
Consulting Actuary

Enclosure

Copy to: Kelly Stiles

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SHERIFFS' RETIREMENT FUND OF GEORGIA
SENATE BILL 322 – SUBSTITUTE (LC 56 0100S) *

Cost	Before Legislation**	After Legislation	Increase Due to Legislation
Unfunded Actuarial Accrued Liability	(\$2,388,619)	(\$138,023)	\$2,250,596
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	(\$118,395)	\$66,716	\$185,111
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	22.0	21.9	20.0
Annual Contribution (Actuarially Determined Contribution)			
Normal Cost	\$1,967,250	\$1,929,979	\$(37,271)
Accrued Liability***	<u>0</u>	<u>66,716</u>	<u>66,716</u>
Employer Contribution Recommended due to Minimum Funding Standards	\$1,967,250	\$1,996,695	\$29,445
Employer Contribution Currently in Effect	\$1,773,375	\$4,023,375	\$2,250,000

* As provided by SRF staff, the increase in fees collected from \$1 per civil case to \$5 per civil case for superior court and any court of the state including magistrate courts where a Sheriff serves and the \$2 of pretrial diversion fees is estimated to be \$2,250,000 yearly. This annual increase in contributions significantly offsets the cost incurred by the death benefit increase and provides additional contributions to the Plan that will help in the funding of the Plan for many years.

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 Fund. This includes 157 active sheriffs in the Fund.

** Includes 1.5% COLA adjustment granted on January 1, 2023.

*** Per the Funding Policy, the Actuarially Determined Contribution cannot be less than the employer normal cost plus the contribution amount for administrative expenses, so therefore, the Accrued Liability contribution has been set to zero.