



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156

Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

March 8, 2022

The Honorable John Carson
Chairman, House Retirement Committee
State Capitol, Room 401-E
Atlanta, Georgia 30334

SUBJECT: State Auditor's Certification
Substitute to House Bill 824
(LC 43 2313S)

Dear Chairman Carson:

This substitute bill would amend provisions relating to retirement allowances under the Georgia Legislative Retirement System. Specifically, this bill would increase the monthly member contributions and the monthly retirement allowance payable to current and future members of the System. Currently, each member contributes 8 ½ percent of their salary towards their retirement benefit. Upon retirement, members currently receive a benefit equal to \$36 per month for each year of creditable service.

If this substitute bill is enacted, the member contribution for current and future members of the System would become \$165 per month. Upon retirement, such member would receive a benefit of \$50 per month for each year of creditable service. This bill would require the presiding officer of the House of Representatives to make an additional contribution to the System of \$660 per month. Such member would be eligible receive additional retirement benefits of \$200 per month for each year he or she served as the presiding officer of the House of Representatives. Under the provisions of this bill, the benefit paid to retired members of the System and vested inactive members would remain at \$36 per month for each year of creditable service.

This is to certify that this substitute bill is a reduction in cost amendment as defined in the Public Retirement Systems Standards Law. An actuarial investigation and State Auditor Summary for the substitute to House Bill 824 (LC 43 2313S) is attached.

Respectfully,

Greg S. Griffin
State Auditor

GSG/cs

H. B. 824 (SUB)



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STATE AUDITOR
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March 8, 2022

Honorable John Carson, Chairman
House Retirement Committee
State Capitol, Room 401-E
Atlanta, Georgia 30334

SUBJECT: Actuarial Investigation
Substitute to House Bill 824 (LC 43 2313S)
Georgia Legislative Retirement System

Dear Chairman Carson:

This substitute bill would amend provisions relating to retirement allowances under the Georgia Legislative Retirement System. Specifically, this bill would increase the monthly member contributions and the monthly retirement allowance payable to current and future members of the System. Currently, each member contributes 8 ½ percent of their salary towards their retirement benefit. Upon retirement, members currently receive a benefit equal to \$36 per month for each year of creditable service.

If this substitute bill is enacted, the member contribution for current and future members of the System would become \$165 per month. Upon retirement, such members would receive a benefit of \$50 per month for each year of creditable service. This bill would require the presiding officer of the House of Representatives to make an additional contribution to the System of \$660 per month. Such member would be eligible receive additional retirement benefits of \$200 per month for each year he or she served as the presiding officer of the House of Representatives. Under the provisions of this bill, the benefit paid to retired members of the System and vested inactive members would remain at \$36 per month for each year of creditable service.

The first-year cost of this substitute bill is \$271, 444 to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This first year cost includes \$274,343 each year for the next 20 years to amortize the unfunded actuarial accrued liability and a reduction in the annual normal cost of \$2,899.00. However, the Georgia Legislative Retirement System currently has a funded ratio of approximately 135 percent. In accordance with O.C.G.A. §47-20-36 (a)(5), the General Assembly is only required to appropriate sufficient funds to maintain the System in an actuarially sound condition. Based on the current funded ratio, the

H. B. 824 (SUB)

Fiscal Year 2023 Appropriations Act would not need to include any funds specifically for the substitute to House Bill 824 (LC 43 2313S) to meet the concurrent funding requirements outlined in O.C.G.A. §47-20-50. There would be no increase in the employer contribution rate, which is currently \$0.

The results of this actuarial investigation are based upon 219 active members in the Georgia Legislative Retirement System. The estimated cost is also based on current member data, 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 by the House 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.

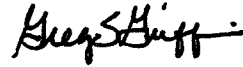
(1)	The amount of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>2,839,833</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>274,343</u>
(3)	The number of years that the unfunded actuarial accrued liability created by this bill would be amortized.	<u>20</u>
(4)	The amount of the annual normal cost which will result from the bill.	\$ <u>(2,899.00)</u>
(5)	The employer contribution rate currently in effect.	\$ <u>0.00 per active member</u>
(6)	The employer contribution rate recommended (in conformity with minimum funding standards specified in Code Section §47-20-10).	\$ <u>0.00 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>0*</u>

**The total first-year cost for this substitute bill (House Bill 824 (LC 43 2313S)) is \$271,444. This System is currently funded at a ratio of 135 percent and will remain overfunded if this legislation is enacted. Therefore, the FY 2023 Appropriations Act does not need to include any funds for HB 824 (LC 43 2313S) to meet the concurrent funding requirements of O.C.G.A. §47-20-50. Additionally, there will be no increase in the employer contribution rate which is currently \$0.*

Letter to Chairman Carson
Summary for substitute to House Bill 824 (LC 43 2313S)
March 8, 2022
Page 3

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

Respectfully,



Greg S. Griffin
State Auditor

GSG/cs

Attachment



Cavanaugh Macdonald
CONSULTING, LLC

March 7, 2022

The experience and dedication you deserve

Honorable Greg S. Griffin, State Auditor
Georgia Department of Audits and Accounts
270 Washington Street, S.W., Suite 1-156
Atlanta, GA 30334

SUBSTITUTE TO HOUSE BILL 824 (LC 43 2313S)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Substitute to House Bill 824 (LC 43 2313S) on the Legislative Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would provide that on and after July 1, 2022, each member shall contribute \$165 per month, except that the member serving as the presiding officer of the House of Representatives shall contribute an additional \$660 per month for a total of \$825 per month. In addition, this bill would provide that the monthly retirement benefit for active members on and after July 1, 2022 would be \$50.00 multiplied by the member's credited service, plus an additional \$200 multiplied by the member's creditable service as a presiding officer.

The cost of this bill would be about \$271,444 in the first year. The estimated increase in the unfunded actuarial accrued liability would be \$2,839,833. **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 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

H. B. 824 (SUB)

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



LEGISLATIVE RETIREMENT SYSTEM
SUBSTITUTE TO HOUSE BILL 824 (LC 43 2313S)

Cost	Before Legislation		After Legislation		Increase due to Legislation	
Unfunded Actuarial Accrued Liability	(\$9,118,413)		(\$6,278,580)		\$2,839,833	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability	(\$880,885)		(\$606,542)		\$274,343	
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	\$ 1,528.65 \$ 334,774	\$ 1,515.41 \$ 331,875	\$ (13.24)	\$ (2,899)	
Accrued Liability	(4,022.31)	(880,885)	(2,769.60)	(606,542)	1,252.71	274,343
Employer Contribution Rate Currently in Effect (not less than zero)	\$ (2,493.66)	\$ (546,111)	\$ (1,254.19)	\$ (274,667)	\$ 1,239.47	\$ 271,444
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, 2020 actuarial valuation of the System. The valuation included 219 active members.