



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 143 (LC 43 2619)
Employees' Retirement System – Appellate Court Judges

Dear Chairman Williams:

This bill would amend provisions relating to retirement benefits payable to 'appellate court judges' covered under the Employees' Retirement System of Georgia. As defined in O.C.G.A. §47-2-244 (a), 'appellate court judges' means any Judge, Presiding Judge, or Chief Judge of the Court of Appeals and any Associate Justice, Presiding Justice, or Chief Justice of the Supreme Court. If this legislation is enacted, an 'appellate court judge' would be eligible to receive normal retirement benefits once he or she reaches the age of 60 years. Currently, such members must reach the age of 65 to be eligible for normal retirement benefits.

The estimated first-year cost of this legislation would be \$756,000 in order to meet the concurrent funding requirements of O.C.G.A. §47-20-50. This cost represents an increase of 16.81% in the employer contribution rate for 'appellate court judges' based on the current projected payroll of \$4,500,000. The first-year cost includes \$285,000 each year for the next 20 years to amortize the unfunded actuarial accrued liability and \$471,000 each year to fund the normal cost. The administration for 'appellate court judges' is managed by the State's Administrative Office of the Courts. Therefore, the cost associated with this legislation would be covered solely by additional employer contributions from the aforementioned agency. 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>2,844,000</u>
(2)	The amount of the annual amortization of the unfunded actuarial accrued liability which will result from the bill.	\$ <u>285,000</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>471,000</u>
(5)	The employer contribution rate currently in effect for Appellate Court Judges	<u>55.85%*</u>
(6)	The employer contribution rate recommended for Appellate Court Judges (in conformity with minimum funding standards specified in O.C.G.A. §47-20-10).	<u>72.66%</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>756,000</u>

**This rate represents the employer contribution rate that has been recommended by the actuary beginning July 1, 2024, for appellate court judges 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 143 (LC 43 2619). 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

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September 1, 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 143 (LC 43 2619)

Dear Mr. Griffin:

As requested, we have made an actuarial investigation of the impact of Senate Bill 143 (LC 43 2619) on the Employees' Retirement System in accordance with the requirements of Code Section 47-20-36.

This bill would decrease the age of eligibility for retirement benefits, disability benefits and survivor benefits for appellate court judges from age 65 to age 60.

Currently, there is an additional employer contribution rate required for appellate court judges who receive special benefits under the Employees' Retirement System (ERS). This employer contribution rate, based on the June 30, 2022 valuation, is 55.85% of the appellate court judges payroll. This legislation would require an increase in this additional contribution rate equal to 16.81% or \$756,000 in the first year based on an estimated payroll for appellate court judges of \$4,500,000. The estimated increase in the unfunded accrued liability would be \$2,844,000.

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.

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 143 (LC 43 2619)
(All amounts are in \$ thousands)**

Cost	Before Legislation		After Legislation		Increase Due to Legislation	
Unfunded Actuarial Accrued Liability – ERS Total	\$5,628,490		\$5,631,334		\$2,844	
Amount of the Annual Amortization of the Unfunded Actuarial Accrued Liability – ERS Total	\$639,740		\$640,025		\$285	
Number of Years that the Unfunded Actuarial Accrued Liability would be Amortized	18.0		18.0		20	
Annual Contribution: Appellate Court Judges Only	%	Annual Amount	%	Annual Amount	%	Annual Amount
Normal Cost	33.79 %	\$ 1,521	44.27 %	\$ 1,992	10.48 %	\$ 471
Accrued Liability	22.06	993	28.39	1,278	6.33	285
Employer Contribution Rate Currently in Effect	55.85 %	\$ 2,514	72.66 %	\$ 3,270	16.81 %	\$ 756
Appellate Court Judges Only Employer Contribution Rate Recommended due to Minimum Funding Standards	55.85 %	\$ 2,514	72.66 %	\$ 3,270	16.81 %	\$ 756

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. An estimated payroll of \$4,500,000 was used for the 2024-2025 Plan Year for Appellate Court Judges.