



## *House Budget and Research Office*

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### **2020 SESSION: RETIREMENT BUDGET AND LEGISLATIVE HIGHLIGHTS**

The General Assembly considers two types of retirement bills – fiscal and non-fiscal. Non-fiscal retirement bills may be considered and passed in either year of the legislative biennium, while fiscal retirement bills (that would have a financial impact on the system or benefits) must be introduced during the first year of the biennium, receive an actuarial study, and be passed and funded in the second year of the biennium in order to become law. The 2020 Session was the second year of the biennium and seven fiscal retirement bills passed and were signed by the governor.

All retirement systems in Georgia undergo an annual actuarial valuation of the assets and liabilities of the system. The valuation determines the funds needed for the system to remain fiscally sound. In Georgia, retirement systems have three fund sources: employee contributions, employer contributions, and return on investments. Since return on investments is not a controlled variable, when the valuation determines the system needs additional funds to maintain fiscal soundness, the actuary recommends the employer or employee contribution rate be adjusted.

#### **Employee's Retirement System of Georgia**

Established in 1950, the Employee's Retirement System of Georgia (ERS) provides retirement benefits to state employees. Currently, ERS has 59,207 active members, 52,085 retired members, and 6,370 deferred vested members.

##### System

- The average monthly benefit for retirees is \$2,245.
- Approval for a cost of living adjustment (COLA) for retired members is determined by the Board of Trustees of ERS. The board has approved a policy that allows for a 1% COLA when the system reaches an 80% funding ratio.
- The fair value of the system's assets is \$13.6 billion, and the actuarially accrued liability is \$17.9 billion. Currently, the system is 75.6% funded, and considered fiscally sound.

### Budget

- Despite urging language in HB 793 (FY 2021 Appropriations Act), the ERS Board of Trustees did not approve a one-time benefit adjustment for retirees. FY 2009 was the last time retired members received a COLA.
- In FY 2021, there was a slight roll back in the employer contribution rate to the GSEPS plan, but it did not require a budget adjustment. The current employer contribution rates are as follows:
  - GSEPS: 21.57%
  - New Plan: 24.66%
  - Old Plan: 19.91%
- For FY 2022, the Board of Trustees approved a slight rollback (.03%) to the New Plan and Old Plan rates that will not require a budget adjustment; the employer contribution rate for GSEPS stayed the same.

### **Teachers Retirement System of Georgia**

Created in 1943, the Teachers Retirement System (TRS) of Georgia is the largest public retirement program in the state. TRS serves certificated teachers and administrators in local school systems and faculty and staff in the University System of Georgia and the Technical College System of Georgia. Currently, TRS has 226,366 active members and 131,820 retired members.

### System

- The average monthly benefit is \$3,298 per month.
- Retirees receive a twice a year cost of living adjustment if the Consumer Price Index (CPI) is equal to or higher than when they retired.
- The fair value of the system's assets is \$78.8 billion, up \$3.3 billion from 2018, and the actuarially accrued liability is \$102.5 billion. The system is 76.7% funded, and considered fiscally sound.
- Retired teachers qualify for the same Blue Cross Blue Shield of Georgia health insurance rates and benefits as active teachers. Also available to retired teachers are Medicare Advantage plans through Blue Cross Blue Shield of Georgia.

### Budget

- In FY 2021, the employer contribution rate decreased by 2.08%, from 21.14% to 19.06%, totaling (\$183.1 million).
- For FY 2022, the employer contribution rate increases .75%, from 19.06% to 19.81%, resulting in an estimated \$66 million adjustment.

### **Public School Employees Retirement System of Georgia**

Established in 1970, the Public School Employees Retirement System (PSERS) is administered by the Employee's Retirement System of Georgia. The plan provides retirement benefits for non-certificated school employees, such as bus drivers, custodians, and lunch room workers. Currently, PSERS has 34,767 active members, 18,928 retired members, and 5,256 deferred vested members.

## System

- The average monthly benefit for retirees is \$281.16.
- On January 1, 2020, certain retired members and beneficiaries received a 1.5% COLA.
- Retired members currently receive \$15.50 per month per year of creditable service.
- The fair value of the system's assets is \$941.6 million, and the actuarial accrued liability is \$1.12 billion. The system is 84% funded, and considered fiscally sound.
- <https://www.trsga.com/uploads/June-30-2019-Actuarial-Report.pdf>
- [https://www.trsga.com/uploads/CAFR\\_2019.pdf](https://www.trsga.com/uploads/CAFR_2019.pdf)

## Budget

- The FY 2021 budget includes the actuarially determined employer contribution of (\$2,232,000). This reflects a per member rate of \$865.85.
- For FY 2022, the actuarially determined employer contribution is a \$627,000 increase over the prior year, which reflects \$888.52 per member.
- The employee contribution rate is \$10 per month for the nine months during the school year; a total of \$90 per year.

## **Resources**

- ERS June 30, 2019 Actuarial Valuation: [https://www.ers.ga.gov/sites/main/files/file-attachments/ga\\_ers\\_06-30-2019\\_valuation\\_report\\_final.pdf?1587730425](https://www.ers.ga.gov/sites/main/files/file-attachments/ga_ers_06-30-2019_valuation_report_final.pdf?1587730425)
- TRS June 30, 2019 Actuarial Valuation: <https://www.trsga.com/uploads/June-30-2019-Actuarial-Report.pdf>
- PSERS June 30, 2019 Actuarial Valuation: [https://www.ers.ga.gov/sites/main/files/file-attachments/ga\\_psers\\_6-30\\_-2019\\_valuation\\_report\\_final.pdf?1587730667](https://www.ers.ga.gov/sites/main/files/file-attachments/ga_psers_6-30_-2019_valuation_report_final.pdf?1587730667)

## **Legislation**

### Fiscal Bills Passed and Signed by the Governor

- HB 195 increases the death benefit for members of the Georgia Firefighters' Pension Fund from \$5,000 to \$10,000. This bill is certified by the Georgia Department of Audits and Accounts as a fiscal retirement bill. The actuarial investigation estimates the first-year cost is \$24,441. The current revenue generated from the one percent tax on premiums from fire insurance companies is sufficient to cover the cost of this legislation.
- HB 245 allows surviving spouses of members of the Peace Officers' Annuity and Benefit Fund to retain spousal retirement benefits if the spouse remarries. This bill is certified by the Georgia Department of Audits and Accounts as a fiscal retirement bill. The actuarial investigation determines there is no cost to this legislation.
- HB 292 repeals the requirement for an accrued liability to be paid to the Teachers Retirement System (TRS) of Georgia on behalf of participating Regent's Optional Retirement Plan (ORP) members and the normal contribution rate resulting from employees who cease to be members of TRS. This bill is certified

by the Georgia Department of Audits and Accounts as a fiscal retirement bill. The actuarial investigation determines there is no cost to this legislation.

- HB 663 allows employees of the newly created Georgia Business Court (HB 239, 2019 Session) to become members of the Judicial Retirement System of Georgia (JRS) if they are employed full-time and are in good standing with the State Bar of Georgia. All other employees of the Georgia Business Court will be members of the Employees' Retirement System of Georgia (ERS). ERS is required to transfer employee and employer contributions to JRS and the member will receive service credit in JRS equal to the amount of service they earned while a member of ERS. This bill is certified by the Georgia Department of Audits and Accounts as a fiscal retirement bill. The actuarial investigation determines there is no cost to this legislation.
- HB 664 requires individuals hired by the Office of Legislative Counsel after July 1, 2020, to be members of Judicial Retirement System of Georgia (JRS), if they are employed full time and in good standing with the State Bar of Georgia. Employees of the Office of Legislative Counsel hired before July 1, 2020 can elect to remain members of Employees' Retirement System of Georgia (ERS) or transfer to JRS. If the member elects to transfer to JRS, ERS will transfer all employee and employer contributions, with interest to JRS. The transferred member receives credit under JRS for all service rendered if the individual pays the full actuarial cost of that service. This bill is certified by the Georgia Department of Audits and Accounts as a fiscal retirement bill. The actuarial investigation estimates the annual employer contribution rate will increase from 21.570% to 21.571%, for a total state cost of \$26,000. Funding for this legislation was included in the FY 21 budget and, therefore, meets the concurrent funding requirements.
- SB 26 allows members of the Employees' Retirement System (ERS) to receive creditable service for prior membership under the Georgia Defined Contribution Plan. The member must have five years of creditable service with ERS and transfer all funds from their Georgia Defined Contribution Plan to ERS. The member must pay the Board of Trustees an amount determined to cover the full actuarial cost of granting service after accounting for funds transferred from their Georgia Defined Contribution Plan. This bill is certified by the Georgia Department of Audits and Accounts as a fiscal retirement bill. The actuarial investigation determines there is no cost to this legislation.
- SB 249 allows jail officers who are certified by the Georgia Peace Officer Standards and Training Council to become members of the Peace Officers' Annuity and Benefit Fund. The monthly member contribution increases from \$20 to \$25 per month. The benefit increases from \$17.50 to \$25.15 for each full year of creditable service on July 1, 2020, and automatically increases to \$30 per month for each year of creditable service on July 1, 2021. SB 249 revises the fee structure for forfeited and collected bonds in any quasi-criminal case from a graduated fine to the greater of \$10 or 10%. The bill also revises fees collected before pretrial diversion in any quasi-criminal case to \$5 or five%, whichever is greater. This bill is certified by the Georgia Department of Audits and Accounts as a fiscal retirement bill. The actuarial investigation determines the first-year cost is \$13,798,000, with an estimated total cost to the fund of \$27,838,000; however, the new fee structure generates \$29,772,000 in revenue, and the fund will continue to meet minimum funding standards.

### Non-Fiscal Bills Passed and Signed by the Governor

- SB 176 allows retired members of the Employees' Retirement System of Georgia (ERS) to return to service, but employers must pay the employee and employer contribution rate. Members continue to receive their retirement benefit as long as they do not exceed 1,040 hours of paid employment during a calendar year, but they will not earn any additional creditable service. The Department of Audits and Accounts has certified SB 176 as a non-fiscal retirement bill.
- SB 294 includes the Teachers Retirement System of Georgia under the definition of an "eligible large retirement system" for the purpose of participating in alternative investments. The Department of Audits and Accounts has certified SB 294 as a non-fiscal retirement bill.