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FINAL REPORT OF THE SENATE RETIREMENT SECURITY FOR GEORGIANS STUDY COMMITTEE (SR 129)

Committee Members

Senator Randy Robertson, Chairman
District 29

Senator Chuck Hufstetler
District 52

Senator Elena Parent
District 42

Senator Nan Orrock
District 36

Mr. Greg Griffin
State Auditor

Director Jim Potvin
Employees' Retirement System of Georgia

Dr. John Campbell
University of Georgia

Prepared by the Senate Research Office, 2021

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STUDY COMMITTEE CREATION, FOCUS, AND DUTIES

The Senate Retirement Security for Georgians Study Committee was created by Senate Resolution 129 during the 2021 Legislative Session of the Georgia General Assembly.¹ The Study Committee was tasked with examining strategies for improving retirement security.

Senator Randy Robertson of the 29th served as Chair of the Study Committee. The other Senate members included: Senator Chuck Hufstetler of the 52nd; Senator Elena Parent of the 42nd; and Senator Nan Orrock of the 36th. Additional members appointed to the Study Committee included: Mr. Greg Griffin, State Auditor; Director Jim Potvin, Employees' Retirement System of Georgia; and Dr. John Campbell, University of Georgia. Senator Billy Hickman of the 4th served as an Honorary Member.

The following legislative staff members were assigned to the Study Committee: Katelyn Bickett, Senate Press Office; Hayley Williams, Senate Research Office; Tarika Jackson, Office of Senator Randy Robertson; and Blake Travis, Office of Legislative Counsel.

¹ S.R. 129, 156th Gen. Assemb., Reg. Sess. (Ga. 2021), <https://www.legis.ga.gov/api/legislation/document/20212022/202019>

SUMMARY OF TESTIMONY AND DISCUSSION

Meeting One – September 30, 2021 (State Capitol)

Chairman Robertson opened the meeting by explaining his decision to establish a foundation of knowledge about the overall landscape of Georgia's employment structure. He stated that his intention is to uncover information in order to go into the upcoming Legislative Session with a solid understanding of our system's strengths and weaknesses.

Major J. M. Lamb, Chief of Staff for the Department of Public Safety, testified about the recruitment, retention, and cost of hiring and training new employees. He explained the differences between sworn and unsworn employees and described the recent decline in morale among law enforcement due to ongoing unrest and public campaigns against police. Major Lamb went on to describe the hiring and onboarding processes. He stated that the process of training new officers takes about a year and costs approximately \$90,000. Major Lamb shared retention statistics, stating that the State currently has fewer State Troopers than it has ever had in his career. In 2020, at least 87 troopers left the department. Major Lamb also described various strategies to improve recruitment and retention, which have yet to prove effective. Major Lamb described the current 401k plan offered by the State, which deters officers from staying with the agency long-term. He stated that many troopers are lost to local law enforcement agencies which offer significantly better retirement and healthcare plans. He suggested changing the current 401k plan to a Defined Benefit Plan ("DB Plan") and finding ways to reduce the cost of healthcare coverage.

Sen. Robertson inquired about the testing processes required for law enforcement officers and which party bears the burden of the costs of testing and training potential new hires. Major Lamb stated that the vast majority of screening and other preliminary tests are paid for by the hiring agency prior to the applicant receiving an official job offer from the agency. Lorri Smith, Chief Financial Officer for the Department of Public Safety, clarified that there is a pre-screening interview process which leads to a conditional job offer. The applicant then undergoes various physical and mental evaluations. The cost of exams and background checks for troopers prior to entering the academy for formal training is approximately \$1500 per applicant. Sen. Robertson asked how many applicants successfully complete that process. Major Lamb said more applicants make it through than not, but many applicants are lost prior to the psychological and medical evaluations which are the most expensive components of hiring.

Sen. Robertson asked for an estimate of worker's compensation claims each year. Ms. Smith stated that she would gather that information. Sen. Robertson also asked about the overtime required in light of the shortage in troopers. Ms. Smith stated that there are enough troopers to cover the current needs of general services, and most overtime pay is related to special events and similar situations.

Sen. Robertson also asked about the number of slots available for DPS personnel. Ms. Smith stated that the number is debated among officials. There are currently 745 active troopers, and the ultimate goal is 1,000, but the actual number is in the high 900s. There is also a cap of 480 hours of compensatory time. If a trooper exceeds 480 hours, they must "burn down" that time, but the department strives to keep compensatory time around 200 hours per trooper in order to avoid cutting checks for accumulated compensatory time.

Sen. Parent asked about the pay scale not keeping up with the demands of the job, specifically how Georgia compares to pay and benefits in other states and what can be done to keep up with states where recruitment and retention is higher. Major Lamb stated that he only had a few examples from other states, but even within Georgia, departments in Sandy Springs and Atlanta set their starting salaries several thousand dollars higher than DPS. He also stated that a big problem for bringing in new officers is the lack of predictability in the pay scale, as it is currently difficult to predict the trajectory of an individual's financial future from the outset.

Sen. Orrock asked whether Major Lamb would agree that most employers no longer focus on retaining employees for the entirety of their careers by offering them pensions to encourage them to stay. She asked what percentage of the force is now just working out their tenure until they're able to retire. Major Lamb stated that career service retirees are extremely rare. Sen. Orrock also asked about his stance on Defined Benefit Plans. Major Lamb explained that 401k plans are typically portable and encourage troopers to shop around for new employers who will allow the plan to rollover and increase matching benefits, whereas a DB Plan can be seen as an investment in that particular agency and encourages them to stay there with more certainty in the long-term outcomes.

Dr. John Campbell, Economist and UGA Professor, asked whether any other jurisdictions have adopted DB Plans, and if so, whether those jurisdictions have data showing the impact of adopting that plan on recruitment and retention. Mr. Jim Potvin, Executive Director of ERS, explained that historically DB Plans were the rule, rather than the exception, and there is unlikely to be data showing the impact of moving *toward* such a plan. There is more likely to be data showing the impact of moving away from those plans. Mr. Griffin, State Auditor, stated that DOAA saw a decrease in retention and recruitment when the state moved away from the DB Plan.

Sen. Robertson asked Mr. Potvin whether an individual who starts with TRS and finds a different state job under ERS can transfer their service to ERS. Mr. Potvin stated that it depends on years of service – those with over 10 years can move to ERS and choose whether to transfer their service and contributions or start anew.

Commissioner Tyrone Oliver, Department of Juvenile Justice, testified on the same subject matter. He described the agency's structure and operations as the 181st public school district. Most of the teachers hired by DJJ come from TRS, often as retirees. Commissioner Oliver explained that the hiring process is similarly streamlined like that of DPS, and DJJ also covers the cost of screening applicants prior to hiring. Many of the issues DPS described also apply to DJJ, particularly within the Juvenile Correctional Officer ("JCO") workforce, which has a 97% turnover rate. Most JCOs are lost within the first six months due to issues with compensation, benefits, and stress. Commissioner Oliver shared with the committee the agency's strategy to "think outside the box" to improve recruitment efforts, including a social media campaign. He stated that the strategy has been successful, and some offices with previously critical staffing levels are nearly fully staffed. Sen. Parent asked to clarify what percentage of the 97% of JCOs are lost within the first six months. Commissioner Oliver stated that he does not currently have a number, but the trend is very clear – a ballpark estimate is around 70%. Sen. Robertson asked about DJJ worker's compensation claim versus DPS and other departments. Ms. Patterson stated that the rate is dramatically higher, and approximately 80% of those claims are the result of assaults by juveniles against officers.

Sen. Orrock asked for more insight on salary levels. Commissioner Oliver broke down the pay structures compared to other agencies. He also described the issue faced by many DJJ employees who do not opt into the State's healthcare plans because they cannot afford it. Additionally, many of those employees receive assistance from the State such as food stamps.

Mr. Paul Digby, Deputy Legislative Counsel, testified about issues related to recruiting and retaining attorneys in their office. He stated that recruitment is enhanced by the ability to offer benefits under JRS. Mr. Rick Ruskell, Legislative Counsel, testified that their office has been an integral tool for sharing institutional knowledge with members due to higher turnover among members, especially chairmen, in both chambers of the General Assembly. Mr. Ruskell stated that the attorneys in their office deserve to be paid well and enjoy improved retirement and healthcare benefits. Recruitment and retention is improved by participation in JRS, which offers a Defined Benefit Plan. Mr. Griffin asked about the average tenure in OLC. Mr. Ruskell said that in previous years, the average tenure was around 20-30 years, but today the average is closer to 8-10 years.

Mr. Rob Thrower, from the Department of Corrections, testified that they have 11,000 employees statewide, and around 6,000 of those are correctional officers. The department's primary issue is retention: over 100,000 people have been hired since 2019, and only 1,200 of those individuals are still with the department. Turnover seems to be extremely high due to problems with morale. Each facility has developed a unique recruitment and retention improvement plan, and the department is taking steps to improve recruitment statewide. No employees under the 90% plan have left the department. Turnover is very high among those with the new plan under ERS. Additionally, Georgia's starting salary for correctional officers is the lowest among many surrounding states. Mr. Thrower explained the differences between correctional officers and POST officers, which essentially boils down to arrest powers (held only by POST officers), and shared that there are currently ~3,500 vacant security positions within the Department of Corrections.

Ms. Arveeta Turner shared employment data from the Department of Education. There are 25 total vacancies within GaDOE, and the average employee tenure is around eight years. She stated that GaDOE has seen a 25 percent increase in applications since this time last year (2020), and explained that the department faces more issues with retention than recruitment. A primary recruitment issue is related to the time it takes to hire and onboard new employees. The average age of GaDOE's new hires is 40-45 years old, but many new hires are TRS retirees who are able to transition to ERS.

Ms. Colleen Forrester, Human Resources Talent Manager for the City of Savannah, testified about the city's employment practices. She stated that approximately 14.5 percent of Savannah's positions are vacant and 41.5 percent of the city's workforce is eligible to retire within the next five years. Additionally, the City of Savannah offers to its employees a Defined Benefit Plan which vests after five years.

Meeting Two – November 12, 2021 (State Capitol)

Jessica Eckman, Senior Legislative Representative for AARP, testified that approximately half of the population participates in a retirement savings plan. This is largely due to a lack of plans sponsored by employers. Relative to other states, Georgia currently scores worse than average on potential economic pressures facing future retirees. Individuals are 15 times more likely to participate in a retirement savings plan when given access through an employer. Ms. Eckman presented information about AARP's Work and Save (W&S) programs.

Senator Hufstetler asked about the portability of such W&S programs, expressing concern about inconsistent policies across different employers, and asked about the differences between W&S and Georgia's ERS plans. Ms. Eckman explained that W&S programs do not permit employer matching pursuant to federal law, and all asset growth is from investments. Senator Hufstetler also asked about management fees. Ms. Eckman explained that states that have already enacted these programs have a fee cap of 1 percent, as W&S plans are not intended to compete with the private sector, but rather to complement the private sector. Fourteen states have passed legislation authorizing programs, and three states have already launched a program. The fiscal impact varies heavily by state, but relative to the long-term savings, the investment is minimal. These programs are state facilitated with oversight and management, but the private sector runs the investments and handles community outreach to small businesses.

Michael Kramer, Legal Counsel to Fulton County Employees' Retirement System, testified that state-facilitated plans place zero responsibility on employers. The state would need to make an initial loan for the program rollout, which would be repaid through the investment fund. Mr. Kramer testified that there is a great deal of flexibility in the design for Georgia. Employees also have flexibility in choosing their investment risks and amounts. The trend is to set up plans like a Roth IRA so individuals have the option to withdraw funds without tax penalties in case of emergency.

Senator Robertson asked about employers that do not offer payroll deductions and whether those employers would be obligated to set up payroll deductions or if it would be an opt-in scenario. Mr. Kramer is unsure of the solution in that case, but it would have to be addressed by the legislature in the event that it enacts such legislation.


Finally, the committee discussed the importance of portability. Senator Orrock stated that portability is essential for an economy in which individuals now typically have multiple full-time jobs in their life, whereas it was historically custom for an individual to find a job and stay there for the majority of one's working life. Senator Parent added that portability encourages entrepreneurial growth.

RECOMMENDATIONS

1. The Study Committee recommends implementing a state-facilitated, portable retirement savings program for private employers and employees.
 - The program should offer private employers the option to give employees the opportunity to contribute to a retirement savings plan via payroll deduction.
 - The Study Committee recommends structuring the program to permit post-tax payroll deductions. In doing so, the plan will function like a Roth IRA, giving individuals the option to withdraw funds without tax penalties.
 - There should be a fiscal study to examine the feasibility and costs of such program.
 - There should be further study on the effectiveness of similar programs adopted in other states and tailor the “best practices” to Georgia’s unique demographic profile.
 - The General Assembly should consider developing a pilot program in both urban and rural areas of Georgia. Here, one could refine the “best practices” taken from other states so that it best fits Georgia’s unique retirement needs and constituency.
2. The Study Committee recommends investing in sophisticated, user-friendly software for compiling, analyzing, and tracking state government employment data.
 - Compiling employment data in an accessible and centralized platform is vital to promote data-driven decisions in the effort to improve recruitment and retention of state employees.
 - Such software should have the capacity to store non-identifying data reflecting the number of individuals employed by the State of Georgia; the number of active state employees receiving benefits; the number of retired state employees receiving benefits; and a breakdown of all staffing expenses for active and retired employees, including, but not limited to, training, salary, health benefits, and retirement benefits.
3. The Study Committee recommends enhancing salary and benefit packages offered to state employees in order to improve recruitment and retention.
 - There should be further study to quantify the cost of onboarding and training new employees versus the cost of retaining employees by increasing salaries and benefits.
 - Current state retirement savings plans should be reviewed for potential enhancements; particularly the 401(k) and 457 plans.
4. The Study Committee recommends restoring access to post-retirement benefit adjustments for various retirement populations across the state.
 - Allowing post-retirement benefit adjustments will improve the attractiveness of Georgia’s pension systems for current and prospective employees.
 - The General Assembly should consider implementing an annual inflation adjustment not to exceed three percent (3%) for current retirees.
5. The Study Committee recommends bolstering efforts to educate employers and employees on the importance of retirement savings plans.
 - There is a critical need for increased financial literacy among adults in Georgia.
 - The General Assembly should examine strategies and campaigns to make Georgians aware of the cost of retirement and the importance of contributing to retirement plans as early as possible.

Respectfully Submitted,

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SECURITY FOR GEORGIANS STUDY COMMITTEE
(SR 129)**



Senator Randy Robertson – Committee Chairman
District 29