

Georgia State Retirees Association
Retiree Action Alert
Requesting your Immediate Attention to a Matter that Affects You

February 27, 2007

In our first Retirees Action Alert we notified you of SB80 and its intention of allowing the investment of retirement funds in "alternative investments." These are the most risky investments in the market. (Refer to the website for the content of this earlier Action Alert at <http://www.georgiaretirees.org/resources/ActionAlert2007Feb4.pdf>.)

In that notification we asked that you contact your Senator and express your opinion of SB 80. Many of you did contact your Senator and apparently we were heard. The bill was presented at the Retirement Committee meeting last week and did not receive a "do pass" vote. The vote was tied, 3 to 3. That's good news but it's not over. It will come up again and very shortly. We need to have SB 80 soundly defeated in the committee. **Please contact your Senator again and reconfirm your position.**

Many of our members actually received a response from their Senator. The following is a part of one of those responses which we felt obligated to make known to you:

"Thank you for contacting me about an issue that is important to you. Our republic depends on active and educated citizens like you to survive.

Senate Bill 80 opens up a proven mainstream investment class to only our Employee Retirement System. SB 80 allows a gradual, limited optional investment into alternative investments. Alternative investments include secure private equity funds, mezzanine funds, leveraged buy-out funds and venture capital funds.

The future of the pension plans in Georgia is at increasing risk for 2 reasons. First, the number of retirees is expected to grow almost 20% by 2010 alone due to baby boomers reaching retirement age this year. Secondly, with mounting healthcare costs and increasing numbers of retirees, next year every state pension plan is required to account for the future healthcare costs of its current employees. This is projected to cost the ERS and TRS plans about \$20 billion. These two factors will severely negatively impact our ERS plan unless something is done now to help strengthen and stabilize returns."

Please reread the last paragraph very carefully.

Here's the frightening problem with this Senator's reasoning: 1.) Actuarial studies are performed regularly on both the ERS and TRS, and are continuously evaluated. Any event that is anticipated to have an impact on the retirement funds, either positive or negative, is factored into the formula that calculates the funding levels needed for the next several years. The increase in the number of baby boomer retirees is already factored in the projections. 2.) This is the first instance of the Senate Leadership indicating that they are considering using TRS and ERS funds to solve the State Health Benefit Plan problem. 3.) It's questionable that the risky investments proposed in SB 80 will "strengthen

and stabilize returns" as the Senator states.

In case you don't think this is serious, you need to know that the author of this response to his constituent is Senator Eric Johnson, Senate Pro Tempore, a member of the Senate Leadership. His response appears to clearly indicate which side the leadership is on.

Once again, please contact your Senator and reconfirm your position. If you did not contact your Senator originally, please do so immediately.

~GSRA~