



Dear Fellow Retiree,

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A Review of the Budget Hearings:

Last week the House and Senate Appropriation Committees held their annual joint hearings from selected state agencies on their FY 2007 amended and FY 2008 budget requests. On Wednesday, January 11th the State School Superintendent presented the Department of Education (DOE) budget request and the Department of Community Health (DCH) Commissioner presented her budget. In actuality, other than a few aside remarks, these agency heads presented the Governor's request, not the agencies'.

The Governor's DOE budget request makes a distinction between the employer health insurance contribution rate for teachers (interesting that "teachers", not the more inclusive "educators" is used) and the contribution rate for state employees. This difference, the amount generated and its implications were mentioned by the Superintendent. The teacher rate was increased from 16.713% to 18.534%. The state employee rate was increased from 16.713% to 22.843%. Why the difference of 4.309% between the two?

That difference, when applied to all state employees, generates the estimated \$100 million for the Other Post Employment Benefits (OPEB) that represents part funding for retiree healthcare future liabilities. The Superintendent makes it clear that the teacher rate did not include any OPEB funding. Subsequent staff comments were to the effect that the administration considered teachers to be local school, not state, employees. A reminder to the reader that state funds for educator's health insurance is through the QBE formula and is based on the state salary schedule portion of each salary, not the total salary of each educator. Not considering the state to be responsible for retired teacher (educator) health care would be a departure from the current state policy. All positions both heard at the hearing and as seen in written legislative responses, have been adamant in their (legislators) support of the state's responsibility to all eligible retirees from both groups. The difference between the proposed rates, if applied to educators would generate (or cost) an additional \$251 million for OPEB. Staff rumors at the hearing were that the Governor's Office of Planning and Budget (OPB) had reserved the funds for that purpose earlier in the budget formulation process, but that was reduced in November and December to the \$100 million.

The DCH commissioner came after the Superintendent and noted that the additional \$276,102,603 in total other funds in the DCH budget for the employer contribution to the State Health Benefit Plan (SHBP) included \$176 million for FY 2008 SHBP cost increases and \$100 million for OPEB for state employees.

She (the commissioner) then added that the total expected SHBP cost increase was \$215 million. When asked about the \$39 million difference between projected costs, she revealed that that OPB had directed it be obtained by increasing employee (teacher and state) premiums by 10% next January. This is the first time that a proposed increase was not included in the Governor's budget request. Also not included for the first time were any other proposed changes, such as increases in deductibles, co-payments, etc.

The change in the annual health care year from a fiscal year to a calendar year has presented the current administration with an opportunity to try a by-pass the legislator. And the administration has seized the opportunity.

In the past, SHBP plan changes were current with the fiscal year and changes such as employee premium increases were included (with a "yes") in each Governor's budget request. By changing to a calendar year, the DCH board now can make SHBP policy changes in September and October after the prior General Assembly has departed and enacts and implements those changes on January 1 before the next session starts thereby excluding the legislature from any consideration as to the impact of changes and the ability to alter administration changes. This exclusion of the legislature from the process gives tremendous additional control to the executive branch.

In summary, much was left unsaid at these hearings: The administration's long term plans for any OPEB funding, the projected annual cost for SHBP based on the current Pay-As-You-Go method of funding, and no discussion of the depletion of the \$450 million SHBP reserves while at the same time the Revenue Short Fall reserve grew by over \$700 million.

Report on the Dept. of Community Health Board Meeting of 1-11-07

Nothing new concerning future funding for retiree healthcare was discussed. Most people saw the Governor's action of appropriating the 100 million dollars as a very positive move on his part. A DCH staff member mentioned the possibility of seeking funding from our Retirement Systems in the future to pay for Health Care Benefits. This was not mentioned in the plans, but only that it could be a possibility in the future.

GSRA Monitoring: The newly elected Officers and the Steering Committee are pleased that Governor Perdue recognizes the need for fulfilling the State's commitment to its retired employees, teachers, and school employees. We realize that this funding commitment is partially due to the credit of retirees acting together and talking to their Representatives and Senators. We thank you for your dedication and interest.

However, there are many competing priorities for state funds. While the General Assembly members have good intentions, a constant reminder of the needs of the

retirees for adequate SHBP funding will be required.

Issues facing the SHBP: As an outgrowth of issues about the SHBP recently identified by a number of news articles and press releases; a group of concerned retirees formed a Steering Committee for formalizing the Georgia State Retirees Association. The Steering Committee was concerned about the:

- The financial crisis facing the SHBP
- The impending actuarial determination of the future liability of providing health benefits for retired members of the SHBP, and
- The potential impact on retirees participating in the SHBP.

The GSRA Newsletter of January 10, 2007 provided background information about the SHBP and how the financial crisis developed. Because the revenue was much less than expenses, the fund balance reserves dropped from \$438 million in 2002 to \$79 million in 2006 (as reported by the Performance Audits Division of the Department of Audits).

Continuous and close monitoring of the budget process is a necessity. As a member of the Association, you will receive regular updates as the General Assembly session progresses. From time to time you may also be asked to contact your Representative or Senator.

Georgia State Retiree Association By-LAWS Adopted: By-Laws for the Georgia State Retirees Association were adopted on January 11, 2007 by the Steering Committee and have been filed with appropriate state and federal entities. You may review these By-Laws at www.GeorgiaRetirees.org from the About Us page.

2007 Officers Elected:

The Officers of the Georgia State Retirees Association who have been elected for 2007 are:

- Claude Vickers, President (former State Auditor)
- Bill Tomlinson, Vice President (former OPB Director)
- B. J. Bennett, Secretary (former Merit System Commissioner)
- Ronnie Mesimer, Treasurer (former Assistant State Auditor).

BECOME A MEMBER:

The Steering Committee wants you to become a member of the Association. Members will begin immediately to receive:

- Regular updates on SHBP funding issues
- Information about any other legislation affecting the SHBP or other retiree benefits
- Information and education about other retiree benefits and coordination with Medicare.

The Association plans to divide the State into ten regions to promote better communication through regional meetings.

Although the Steering Committee members are volunteering their services, there will be administrative costs to maintain and update the website, post office box rental, etc. Therefore, the 2007 dues have been set at \$15, a bargain for the services. You will soon receive instructions of how and where to send your dues.

We hope that you will join the Association and become a better informed member of the SHBP. See the "About Us" section of the website for information on how to join.

DO YOU HAVE A QUESTION? Access the "Contact" section on the website, <http://www.georgiaretirees.org/>, for the address for member's questions.

Questions of general interest will be repeated and responded to in future Newsletters.

TELL A RETIRED FRIEND

We hope you benefit from receiving this newsletter and being a member of the GSRA. Tell a state retired friend about the Association and encourage him or her to become a member. We promise that we will never spam you and we won't give or sell your e-mail addresses to anyone. If you have friends who do not use e-mail, begin to collect their mailing addresses. You will be advised soon of where to e-mail these so we can begin to inform them of the happenings about their benefits.

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