



# Newsletter

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May 8, 2007

## On Our Radar

### ››› **SHBP – State Health Benefit Plan Monitoring**

*Most SHBP developments will be discussed in the meetings of the Board of Community Health and reflected in the actions of the Department of Community Health (DCH). Because of the importance of these discussions to State retirees, GSRA plans to continually monitor these developments.*

As a part of our ongoing efforts to keep you informed about the actions of the Board of Community Health regarding the State Health Benefit Plan (SHBP), an Association representative attended the April 12, 2007 monthly meeting. The following items were presented to the Board:

- Commissioner Rhonda Medows expressed concern regarding the breach of confidentiality with the Medicaid and Peach Care enrollee private information. She discussed the actions taken by DCH to protect the individuals.
- The Department's Chief Financial Officer briefed the Board on the FY 2007 amended budget information. All actions that she discussed affected the Medicaid or Peach Care budgets with no reported action on the SHBP.
- The Department's Legislative Affairs Director stated that most of the proposed legislation would not pass during this session. However, the bill modifying the Medicaid False Claims appeared to be headed for passage.
- The Chairman of the Board's Audit Committee stated that the resolution regarding how to handle the Other Post Employee Benefit (OPEB) for the SHBP would be ready for review at the May 10, 2007 meeting.

### ››› **Senate Bill 80 - Alternative Investments for ERS**

As the General Assembly completed its 2007 regular session, Senate Bill 80 passed the Senate and was sent to the House. It was read twice but never got out of committee. This bill will undoubtedly resurface again next year.

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### ***Results from 2007 General Assembly Session***

Here is a summary of the key legislation related to employee/retiree pensions and health insurance. GSRA is reviewing all the legislation and plans to provide more information to educate the membership about these various bills during the upcoming year.

#### **HBs 170, 379 & 678 - Employees' Retirement System; Defined Contribution Plan; provisions**

Sponsor: Coleman, Brooks 97th, Bridges, Ben 10th

Any member of the retirement system who was, immediately prior to becoming a member, employed in a position in which he or she was covered by the Georgia Defined Contribution Plan, may obtain creditable service for his or her prior service as a participant in the plan.

**Status:** *This bill was assigned to the House Retirement Committee where it is eligible for actuarial investigation during the interim and consideration next session.*

#### **HB 213 - Deferred compensation plans; state employees; special pay plan; repeal**

Sponsor: Bridges, Ben 10th

This bill deletes the code section that provides for the payment of a state employee's terminal leave into a tax deferred account. According to the ERS this compensation does not qualify for rollover under IRS regulations. Therefore terminal leave will be treated as regular compensation.

**Status:** *This bill passed the House and Senate and is on its way to the Governor.*

#### **HB 255 - Public retirement systems; public employment related crime; expand definition**

Sponsor: Bridges, Ben 10th

For all state employees hired after July 1, 2007, this bill expands the employment related crimes which can terminate an employee's membership in public retirement systems to include all felonies related to public employment.

**Status:** *This bill was assigned to Judiciary Non-Civil Committee where it will be eligible for consideration next year.*

#### **HB 318 - Public Retirement Systems Investment Authority Law; change certain provisions**

Sponsor: Benton, Tommy 31st, Coleman, Brooks 97th, Bridges, Ben 10th, Meadows, John 5th, Maxwell, Howard 17th

Public retirement systems would be authorized to increase their level of investment in foreign corporations from 10% to 20% under this bill.

**Status:** *This bill passed the House and Senate and is on its way to the Governor.*

#### **HB 390 - Community Service Board Employees under SHBP**

Sponsor: Ben Harbin, 118th

This bill authorizes the Board of Community Health to contract for the continuation of health insurance for persons with 10 years of service and at age 60 who retire as employees of community service boards.

**Status:** *The bill passed the House Insurance Committee but was recommitted.*

**HB 448 - Separate Group Term Life Funds for Active and Retired Members**

Sponsor: Bridges, Ben 10th, Maxwell, Howard 17th

The funds paid by active and retired members of the retirement systems operated by the Employees Retirement will be separated into two separate funds.

**Status:** *This bill passed the House and Senate and is on its way to the Governor.*

**HB 658 - Employees' Retirement System; disability benefit calculations; provisions**

Sponsor: Powell, Alan 29th

This bill provides for a new death/disability benefit for ERS members who die or become disabled before obtaining full service credit and reaching age 60. Under current law any disability retiree who reaches age 60 receives the regular service retirement.

**Status:** *This bill was assigned to the House Retirement Committee where it is eligible for actuarial investigation during the interim, and consideration next session.*

**HBs 659 & 794 - Employees' Retirement Sys; certain military service; extend purchase date**

Sponsor: Powell, Alan 29th

Extends the period of time in which a member can purchase prior military service credits for ERS purposes.

**Status:** *This bill was assigned to the House Retirement Committee where it is eligible for actuarial investigation during the interim, and consideration next session.*

**SB 80 - Public Retirement Systems; define terms; alternative investments;**

Sponsor: Hill, Judson 32nd, Thompson, Curt 5th, Hudgens, Ralph 47th, Smith, Preston 52nd, Heath, Bill 31st, Hill, Jack 4th

This bill provides that the employee retirement systems may invest retirement system assets in certain types of alternative investments, private placements, and other private investments.

**Status:** *This bill passed the Senate (29-23) and was assigned to the House Retirement Committee.*

**SB 160 & HB 449 - Retirement; authority to increase benefits; shall terminate; July 1, 2007**

Sponsor: Heath, Bill 31st, Tate, Horacena 38th, Murphy, Jack 27th, Schaefer, Nancy 50th, Stoner, Doug 6th, Davenport, Gail 44th

This bill removes the authority of a board of trustees of the ERS to increase benefits for members to offset taxation of retirement benefits.

**Status:** *It was voted out of committee but defeated on the Senate floor 18-34.*

**SB 161 - Retirement; disability benefits; physical exam done at convenient place of beneficiary; delete provisions**

Sponsor: Heath, Bill 31st, Murphy, Jack 27th, Stoner, Doug 6th, Schaefer, Nancy 50th  
Future ERS retirees who retire on disability would be required to undergo medical examinations at locations designated by the medical board of the ERS to confirm that a beneficiary is not fit to work. This bill also reduces the amount of disability a beneficiary can receive by an amount equal to any workers compensation benefits the retiree receives.

**Status:** *This bill passed the Senate and was favorably reported out of the House Retirement Committee but failed to reach the House floor in time for a vote.*

**SB 162 - Retirement; person who becomes member; disability benefit; actual years of creditable service**

Sponsor: Heath, Bill 31st, Tate, Horacena 38th, Murphy, Jack 27th, Schaefer, Nancy 50th, Stoner, Doug 6th, Davenport, Gail 44th

Any state employees starting work after July 1, 2007 would be ineligible for disability if they are eligible for service retirement benefits. Also, these employees would not become eligible for disability benefits until they attain 15 years of creditable service.

**Status:** *This bill passed the House and Senate and is on its way to the Governor.*

**SB 172 - Georgia Retiree Health Benefit Fund**

Sponsor: Goggans, Greg 7th

The bill amends provisions of current law regarding the creation and operation of the Retiree Health Benefit Fund. All individual contributions by retirees and contributions respecting retirees shall be deposited into the Georgia Retiree Health Benefit Fund and all incurred claims and administrative expenses will be paid from the fund.

**Status:** *This bill passed the House and Senate and is on the way to the Governor.*

**SB 174 - Public Officers/Employees; development of medical/physical fitness standards; appointment of medical review board**

Sponsor: Grant, Johnny 25th, Mullis, Jeff 53rd

This bill provides that the Merit System Commissioner will develop medical and physical fitness standards for those employed in state service.

**Status:** *This bill passed the Senate and was favorably reported out of the House Governmental Affairs Committee but failed to reach the House floor in time for a vote.*

**SB 240 - Employees'/Teachers Retirement; membership/participation in any public retirement system may be transferred or terminated; procedures**

Sponsor: Heath, Bill 31st, Hill, Judson 32nd

This bill provides that current members of the ERS and TRS can opt out of the retirement system and choose to manage their own retirement fund which would include the employer contribution to the retirement system. If the employee chooses this option they forfeit any future membership in any public retirement system.

**Status:** *This bill was assigned to the Senate Retirement Committee where it is eligible for actuarial investigation during the interim, and consideration next session.*

**SB 265 - Personnel/Merit System; define classified/unclassified service; employees; change certain provisions**

Sponsor: Wiles, John 37th

This is a comprehensive bill to clarify language in the code sections affecting the Merit System, the State Personnel Board and the State Personnel Council to reflect the new role of the Merit System.

**Status:** *This bill was assigned to the Insurance and Labor Committee.*

**SB 327 & HB 837 - Georgia State Employee Savings Plan; deferred compensation plan; employer contribution; provide rules/regulations**

Sponsor: Heath 31st, Schaefer 50th and Murphy 27th

Provides that state employees hired after July 1, 2008 would not be eligible to participate in the Employees Retirement System, instead these employees would be enrolled in a deferred compensation plan in which the state would contribute 9% of the employee's salary into that account. Employees would be immediately vested in this plan.

**Status:** *These bills were assigned to their respective Retirement Committees where they will be eligible for actuarial investigation during the interim, and consideration next session.*

**SB 328 & HB 841 - Georgia State Employee Savings Plan; deferred compensation plan; employer contribution; provide rules/regulations**

Sponsor: Heath, Bill 31st, Schaefer, Nancy 50th, Murphy, Jack 27th

Provides that employees hired on or after July 1, 2008 would have accounts in the state deferred compensation plan and receive retirement allowance through the Employee Retirement System at a reduced rate. These employees would be given the option of selecting either a 401(k) or a 457(j) plan with the employer contributing an amount not greater than 9% of the employee's salary. The bill would also reduce the percent of a member's compensation used to calculate a retirement benefit from 2 % to 1 %.

**Status:** *These bills were assigned to their respective Retirement Committees where they will be eligible for actuarial investigation during the interim, and consideration next session.*

**SB 329 & HB 843 - Retirement; authorize reduction of portion of member's compensation; benefit for future state employees**

Sponsor: Heath, Bill 31st, Schaefer, Nancy 50th, Murphy, Jack 27th

This bill creates a new employee retirement system for employees hired on or after July 1, 2008. It provides that retirement benefits be based on annual appropriations by the General Assembly. The percent of a member's compensation used to calculate a retirement benefit would be a minimum of 1.5% and a maximum of 2%.

**Status:** *These bills were assigned to their respective Retirement Committees where they will be eligible for actuarial investigation during the interim, and consideration next session.*

### HR 512 - State Health Benefit Plan Study Committee

Sponsor: Scott, Austin 153rd, Houston, Penny 170th, Meadows, John 5th, & Dollar, Matt 45th  
The Resolution establishes a Joint House and Senate Study Committee to review and make recommendations on the design of the State Health Benefit Plan.

*Status: This Resolution Passed the House of Representatives.*

### ***Report on the Compensation and Benefits Study***

A recent Compensation and Benefits Study on the competitiveness of Georgia State Government employment, conducted by Mercer Human Resource Consulting, has been released. The study covered the status of direct compensation, pre-retirement and post-retirement benefits. Below are some of the highlights from that report.

Department heads and senior managers ranked the following factors as most important to their respective departments' future success:

- Attracting and retaining talent
- Customer service focus and relationship building
- Quality of services provided
- Innovation and leadership

The study notes that 60% of new hires typically leave State Government within 5 years of employment, and that 12,500 (15%) of the current workforce would retire during the next 5 years. "Building talent", which has historically been the State's practice, may jeopardize State Government's ability to maintain the required skills because of current retirement and turnover rates. Therefore, if State Government is to meet its future goals by hiring and retaining people with the needed skills, current compensation and benefit practices must be reviewed.

Sixty percent of senior management ranked the current compensation and benefit packages as ineffective in attracting key talent. Approximately sixty-eight percent of senior management ranked the employees' opportunities for advancement and development as ineffective.

Mercer reports that cash compensation is equal to 84% of the cash compensation offered by other major employers, and that the total health and group benefits for active employees is only 73% of that provided by other major employers. However, the retiree medical plan is 170% and the defined benefit plan is 192% of that offered by major employers to their employees. When pre-retirement and post-retirement compensation and benefits are combined, the total compensation and benefits package is at 98% of those offered by major employers.

The State's management is working toward modifying the balance of compensation and benefits in the future. Some of the items being discussed are:

- Increase base pay for active employees
- Reduce pension benefits for future employees
- Enhance defined contribution benefits, e.g. 401(k) plan, for future employees
- Reduce or eliminate retiree health insurance benefits for future employees.

At present, strategies apparently include retaining current retirement benefits for existing and vested employees and to reevaluate the existing retiree health benefit plan.

Additional information will be furnished as it becomes available.

## **Education Corner**

### **Long Term Care Insurance**

Long Term Care (LTC) insurance provides funds for assistance services to persons unable to provide for themselves as the result of a disability, illness, injury, or the infirmity of old age. When outside help with physical or emotional needs is required over an extended period of time, this is long term care. LTC help may be for any of the normal activities of daily living that most of us take for granted, such as walking, bathing, dressing, eating, using the bathroom, shopping, managing money, etc. Experts estimate that at least 60% of all individuals will need extended help in one or more of these areas during their lifetimes.

An important part of planning for Long Term Care is deciding how to pay for these services, which can be very expensive. Many people think Medicare will pay for LTC, but Medicare will not pay for most LTC services. While some people may qualify for Medicaid, most will not. People with assets in excess of \$3 million should plan to pay for LTC services from these assets. People with almost no assets, who would probably be covered by Medicaid, probably should not purchase LTC insurance coverage. Everyone else needs LTC insurance coverage, but few choose to buy it. Most people buy insurance to cover loss from a home fire, but do not buy coverage for long term care expenses. Yet the likelihood of needing LTC coverage is 600 times greater than the likelihood of needing the fire coverage. The best time to purchase a LTC insurance policy is in your late 50s to early 60s. After that, the coverage can be very expensive. When purchasing a commercial LTC policy make sure the insurance company is rated A++ by A.M. Best, which means that the insurance company has the highest financial strength.

For more details about LTC insurance a good source of information is the National Care Planning Council, whose home page can be seen at [www.longtermcarelink.net](http://www.longtermcarelink.net).

### **Medication Management**

Over-medication or medication interaction occurs when more than one drug is taken and one interferes with the other. This may take the form of either impairing or enhancing the normal breakdown of a drug by enzymes in the body. As a result, one drug may cause another to be ineffective. Conversely, the action of one drug may lead to high and even toxic levels of another. The result can be serious and even life-threatening. Drug interactions may also result by taking over-the-counter (OTC) medication along with another drug prescribed by your doctor.

To prevent over-medication and/or medication interaction, the Mayo Clinic suggests:

- Be sure you know what medications you are taking and the reason for each.
- Inform your physician and pharmacist of all medications you take, whether they are by prescription or Over-the-counter (OTC).
- Be sure any medical specialists (i.e. diabetic, cardiac) are informed about all your medications.
- Do not add an OTC drug without checking for potential interactions.
- If possible, have all your prescription drugs filled by one pharmacy, where information is kept that will enable the pharmacy staff to check for any possible drug interactions when a new medication is prescribed.
- Always read the printed material that you should receive when a prescription is filled or refilled. Do not assume the instructions on refills will not change; as new interactions and problems are recognized, the printed information may change.

And if you are uncertain about any aspect of a medication you are taking, consult you physician or pharmacist. You owe it to yourself.

### **Volunteer Opportunities - Senior Corps**

Retired Americans have a wealth of experience to share that could make a real difference in their communities. Senior Corps is a little known program of the Corporation for National and Community Service, an independent federal agency created to connect Americans of all ages and backgrounds with opportunities to give back to their communities and their nation. Volunteers in the Senior Corps become mentors, coaches, companions, or contribute their job skills and expertise to community projects and organizations that need them the most. Senior Corps currently links more than 500,000 Americans to service opportunities, 6,000 in Georgia alone. Senior Corps offers several programs that need your volunteer service:

- The Foster Grandparent Program- connects volunteers age 60 and over with children and young people with exceptional needs. Volunteers mentor, support, and help some of the most vulnerable children in the United States.
- The Senior Companion Program brings together volunteers age 60 and over with adults in their community who have difficulty with simple tasks of day-to-day living. Companions help out on a personal level by assisting with shopping and light chores, interacting with doctors, or just making a friendly visit.
- RSVP connects volunteers age 55 and over with opportunities in their communities that match their skills and availability, from building houses to immunizing children. RSVP volunteers put their unique talents to work to make a difference.

If you are interested in joining or learning more about the Senior Corps, contact them through their home page at <http://www.seniorcorps.gov> or call them at 800-424-8867.



## **Membership**

Our little group of concerned retirees has steadily grown over the past several months. The officers, the committee chairs and the steering committee appreciate our members' efforts and assistance in influencing those in the legislature who can affect legislation concerning the stability and security of our retirement and insurance benefits. We feel that we made some progress since we began. That progress was made by the involvement of our membership. Over the remainder of the year our association will be reviewing what has taken place in the previous legislative session and also preparing for the next session.

We are in the process of further defining and growing our organization and will be seeking input from our members. To that end we are currently reviewing our website and attempting to find solutions that will allow for better communications among our members. During this time we ask you to help by encouraging your fellow retirees and current employees to join our organization.

## **News from Other States**

Many of our members may have read about the recently disclosed problem with pensions in New Jersey. New Jersey has been diverting billions of dollars from its pension fund for teachers and other state and local workers into other government programs over the last 15 years. The State used a variety of unorthodox transactions authorized by the Legislature and by governors from both political parties. New Jersey has acknowledged putting less money than it should into plans, but analysis shows that the State has overstated its contributions in many cases, sometimes by hundreds of millions of dollars. Officials have acknowledged that the State's retirement fund is in dire shape with a serious deficit but they say everything has been done legally. Governor Corzine has warned since taking office that the pension fund is in worse shape than people may realize and he has succeeded in getting the Legislature to contribute more to the fund, although it may not be enough to meet its future obligations. New Jersey is considering raising the retirement age, increasing employee contributions and instituting other changes to stem growth of future costs.

We are fortunate here in Georgia that our pension systems have been managed appropriately and have not been subjected to the mismanagement that appears to have existed in the case above. Apparently those in New Jersey were asleep at the wheel. We must remain ever vigilant to those who would weaken our pension systems for whatever reasons and steadfast in our resolve not to let something like this happen in our state.

In California several years ago there was a big scandal in the San Diego Pension funds. The funds were reportedly being mismanaged which resulted in a 1.7 billion dollar deficit. That story had died down a bit until March of this year when the San Diego County Pension Fund again hit the headlines when it sued Amaranth Advisors LLC, accusing the collapsed hedge fund of securities fraud. Seems that the \$7 billion San Diego County Employees Retirement Association (SDCERA) had invested \$175 million in Amaranth. When Amaranth, a multistrategy hedge fund with \$9.2 billion in assets at the end of August 2006, lost more than \$6 billion in September 2006, a huge chunk of the pension fund's investment disappeared. One may question why a pension fund is investing its funds into highly volatile hedge funds?

Hedge funds are lightly regulated private investment pools for institutions like endowments and wealthy individuals. It is true that investors can make big money by investing in these funds, but they can lose it too. However, you would not believe what the managers of these funds are paid. Combined, the top 25 hedge fund managers (these are individuals) last year earned \$14 billion, with the top earner making a cool \$1.6 billion. (Yes, Folks - that's Billion, with a "B"). They obviously enjoy one very advantageous fee structure.

If you come across news accounts like these, please forward them to us at our website. When you read them, you will really appreciate the state we live in, how fortunate we have been in the past, and understand the need to keep our funds as well managed as they have always been.

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P. O. Box 108  
Bethlehem, Georgia 30620

Visit our website at  
[www.GeorgiaRetirees.org](http://www.GeorgiaRetirees.org)  
or contact us at  
[info@GeorgiaRetirees.org](mailto:info@GeorgiaRetirees.org)