



# Newsletter

Vol. 1 – Number 7

July 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 May 10, 2007 and June 14, 2007 monthly meetings of the Board. The following items were presented to the Board:

### **May 10, 2007 Meeting**

The Board of Community Health (BCH) in its role of setting policy for the State Health Benefit Plan (SHBP) and the Medicaid/Peach Care programs, met on May 10, 2007. Most of the discussion and reports concerned the Medicaid and Peach Care plans.

The Department of Community Health's (DCH) Commissioner Rhonda Medows briefed the BCH about the recent loss of personal information on enrollees in the Medicaid and Peach Care programs, and the actions taken by Accelerated Computer Solutions (ACS). She stated that the company was taking appropriate actions for mitigating the consequences for the data loss. Other reports were as follows:

DCH's Legislative Affairs Director reported that

- No laws affecting Peach Care or the Certificate of Need programs passed the General Assembly;
- Legislation (S.B. 172) clarifying the requirements for the Georgia Retiree Health Benefit Fund passed;
- S.B. 212 passed and prohibits news media access to State employees' personal data;
- H.B. 24 was amended to provide for DCH to contract for development of a consumer health information website. The bill passed on the last day of the General Assembly Session.

*(Note: The Governor has signed all three of these bills into law.)*

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DCH's Chief Financial Officer's report included

- A summary of 2007 and 2008 budget changes made by the General Assembly.
- Presentation of the SHBP employers' rates for Board approval. Among the employer rates are 22.843% of salaries for all State agency personnel and 18.534% of state-based salaries for teachers. The 22.843% provides \$100 million for the unfunded actuarial accrued liability (UAAL) for State retirees. The General Assembly did not specifically provide funding for the UAAL of retired teachers and other school employees.

The Chair of the Board's Audit Committee, Mark Oshnock, stated that the Audit Committee devoted most of its meeting time to addressing the issue of the Georgia Retiree Health Benefit Fund. A presentation outlining the issues discussed can be viewed at the DCH website. First, go to DCH's home page at [www.dch.ga.gov](http://www.dch.ga.gov). Then click on About Us, then click on The Board of Community Health, then click on Presentations and Handouts. The presentation was for the April 12, 2007 board meeting. Most presentations to the Board over the past year are also available at this location.

Board Member Oshnock stated that the Audit Committee is expected to submit a resolution on the workings of the Fund at the June Board meeting.

### **June 14, 2007 Meeting**

The Board of Community Health (BCH) in its role of setting policy for the State Health Benefit Plan (SHBP) and the Medicaid/Peach Care programs met on June 14, 2007.

The Department of Community Health's (DCH) Commissioner Rhonda Medows announced that on July 12, 2007, DCH would resume enrolling eligible children in the Peach Care program. Several items affecting reimbursement rates for services under the Medicaid and Peach Care programs were approved.

The DCH Chief Financial Officer, Carie Summers, discussed the initial funding of the Georgia Retiree Health Benefit Fund. The Resolution approved by the Board provided for segregation of funds for active and retired members. The employer amount to be transferred to the Retiree Fund for FY 2007 is based upon the paid and incurred claim amount. Additional processes will be adopted during August and September, 2007 for increasing the Retiree Fund balance during FY 2008.

### **>>> Retirement Legislation**

The House Retirement Committee met on Tuesday May 22<sup>nd</sup> and Wednesday May 23<sup>rd</sup> to review legislation introduced during the past legislative session which needed a request for a fiscal note. An Association representative sat in on most of the discussions. Listed below is a summary of all bills discussed by the committee, in bill-number order grouped by the status of the committee action. Over the coming weeks and months, GSRA will be reviewing these bills and others to determine what action the association believes would be in the best interest of both retirees and the State. You can review the latest version of any of these bills by clicking on [http://www.legis.ga.gov/legis/2007\\_08](http://www.legis.ga.gov/legis/2007_08).

Bill	System	Author	Bill Caption	Status
HB 157s	TRS	Coleman	Return to work	Forward (SUB)
HB 170s	ERS	Beasley/Teague	Credit Service, temp. full-time, no GDCP	Forward (SUB)
HB 209s	ERS	Rogers	Creditable service – Narcotics agents/GBI	Forward (SUB)
HB 323	Peace Off.	Stephens	GA. Drugs & Narcotics Agency join fund	Forward
HB 344	Judicial/ERS	Mumford	Circuit public defenders elect Judicial or ERS	Forward
HB 358	Sheriffs	Talton	Raise Beneficiary benefit to \$15,000	Forward
HB 360	Judicial/ERS	Mumford	Move membership from Judicial to ERS	Forward
HB 373	ERS	Bridges	Return to work – state patrolmen	Forward
HB 521	ERS/Judicial	Harbin	Creditable service, prior Judicial service	Forward
HB 545	Judicial	Yates	Creditable service, superior court judge or DA	Forward
HB 614s	TRS	Mumford	Creditable service, independent system	Forward (SUB)
HB 639s	ERS	Sims	Pardons & Paroles, increase factor 3%	Forward (SUB)
HB 656	TRS	Williams, E	Survivor's benefits, divorce, revoke election	Forward
HB 659	ERS	Powell	Creditable service, military service	Forward
HB 707s	TRS	Dickson	Credit service, government supported school	Forward (SUB)
HB 730s	ERS	Powell	Credit service, hourly DNR employees	Forward (SUB)
HB 732	Peace Off.	Stephens	State Board Medical Examiners join fund	Forward
HB 815	ORP	Rogers	Expand eligibility to join ORP	Forward
HB 837	ERS	Bridges	New Hire Plan – defined contribution	Forward
HB 839	ERS	Ralston	Creditable service asst. DA on 6/30/79	Forward
HB 841s	ERS	Bridges	New Hire Plan – defined cont & defined benefit	Forward (SUB)
HB 843s	ERS	Bridges	New Hire Plan – defined benefit – 1.5%	Forward (SUB)
HB 855	ERS	Bridges	New Hire Plan – appellate ct. Judges	Forward
HB 856	Judicial	Bridges	New Hire Plan – superior court judges	Forward
HB 865s	TRS	Parsons	Creditable service, prior service ORP	Forward (SUB)
HB 873s	ERS	Lane, Roger	Creditable service, full-time law asst, circuit	Forward (SUB)
HB 875	ERS	Coleman	Retirement benefit factor 2%	Forward
HB 876	TRS	Coleman	Postretirement benefit 2%, 1987/1995	Forward
HB 146	TRS	Buckner	Retire 29 years (currently 30 yrs.)	Not Forwarded
HB 150	ERS	Sims	State Patrol, increase benefit factor 3%	Not Forwarded
HB 379	ERS	Coleman	Creditable Service, temp. full-time, GDCP	Not Forwarded
HB 691	ERS	Harbin	Creditable service, SE Boll Weevil Foundation	Not Forwarded
HB 842	TRS	Sims	Credit service, Trial Judges & Solicitors Fund	Not Forwarded
HB 309	ERS	Fleming	Appellate Ct. Judge, retire age 60	No Motion – bill lost
HB 348	Judicial	Mumford	Membership superior ct. judge's secretary	No Motion – bill lost
HB 678	ERS	Houston	Creditable Service, temp. full-time, GDCP	Author not present. Bill not discussed.
HB 794	ERS	Coan	Creditable service, military service	Author not present. Bill not discussed.
HB 846	ERS	Burkhalter	Earnable income, tax commissioners-change	Author not present. Sent note to Chair.

Both Senate Bill 80 (to approve alternative investments) and Senate Bill 160 (to discontinue the long-established practice of increasing benefits for members to offset taxation of retirement benefits) were not considered since these bills did not require a fiscal note.

## **Education Corner**

### **Drawing Your Social Security**

State employees approaching retirement face a tough but critical decision: When to begin drawing Social Security benefits. For the oldest of baby boomers, the retirement age for full benefits is 66. Social Security beneficiaries can opt to start benefits as early as age 62, but the tradeoff for this option is a lower monthly benefit check for life. Conversely, one can delay the start of benefits up to age 70 and receive larger monthly benefits. On average, it's not supposed to matter. Retirees on average receive similar lifetime benefits whether they start early or later. But who is average? Live longer than average, 80 to 90, and you would be better off delaying your benefits. If you kick the bucket at age 64 you would have been better off starting at age 62. When to start your benefits is a gamble for everyone.

Everyone approaching retirement should consider a variety of factors to determine when it is best to start drawing social security benefits. The main factor, and the most difficult to know, is how long will you live. Social security is a game of life expectancy. If your family health history suggests your retirement is likely to be short, then it may be wise to grab benefits when you can. Some may not have a choice since they need the social security benefits at age 62 to make ends meet. Some may choose to draw at age 62 because they feel they can simply get more enjoyment out of the increased monthly income at a younger age rather than waiting until later when their health might not be as good. Some may elect to draw social security at age 62 and invest the money if the monthly Social Security income is not needed for living expenses. This strategy may work if you are a disciplined investor and you do not spend the benefits until after normal retirement age. If you are not an investor and you have a long life expectancy your best option may be to wait until age 66 or age 70 to draw your benefits.

State employees should remember they will need enough income to live on comfortably during their retirement, so it is to their benefit to stretch every penny from every income source including Social Security. For more information and assistance, visit the Social Security Administration website at <http://www.ssa.gov/>.

### **Annuity Service Center Notices**

Your Communications Committee Chair recently received by mail a post card from the Annuity Service Center. The card got my attention because it said, "*This notice is to inform you that you may have an annuity that has reached the end of its surrender period.*" Since I don't own any annuities, I thought at first that they were trying to tell me that I did. Now the card had my full attention, and I read on. "*If you hold an in-force annuity contract, the end of the surrender period means an owner may cash in an annuity or make withdrawals without incurring a surrender charge. A*

*surrender charge is a fee levied by an insurance company on an annuity contract for withdrawals before the end of the time set by the contract. "*

Then came the disclaimers. *"The Annuity Service Center provides referrals to insurance agents to address your questions. The Annuity Service Center is not affiliated with the carrier with whom you may have an annuity. Please disregard this card if you do not have an in-force annuity contract."* So I realized that the card really did not apply to me after all. So, I wondered, why had it come to me in the mail?

I kept reading. The card suggested that I use a toll-free number to contact someone at the Annuity Service Center to discuss my options. Instead, I went to my trusty computer and searched the World Wide Web for any references to the "Annuity Service Center." This simple search resulted in many hits consisting mostly of alerts from state insurance commissioners and some editorial articles. Most warned against calling the free toll-free number. Supposedly a call to the Annuity Service Center's number will lead to an offer of a free "asset review" in the caller's home by an insurance agent licensed in the caller's state.

This review may sound like a good idea. To the unwary, the Annuity Service Center might appear to be an insurance-industry program that assists annuity holders whenever their policies require some sort of attention. But in fact, it's run by a company by the name of Investors Union in Medina, Ohio. Investors Union purchases mailing lists of annuity holders throughout the country and then sends out about 30,000 postcards to these addresses every single day.

People who call the Service Center are told they can receive a free review of their annuities by a licensed insurance agent. If the caller agrees, an appointment is scheduled for the agent to visit the person's home. What callers aren't told is that insurance agents nationwide sign up with Investors Union for local referrals and they pay \$60 for every appointment scheduled on their behalf. I don't know about you, but to me this sounds like nothing more than a sales call. Why would an agent pay \$60 to review someone's annuities for free? Obviously, they want to come into your home to try to sell you something.

One of the articles on the internet quoted Pat McGinnis, Executive Director of California Advocates for Nursing Home Reform, a San Francisco consumer group, as saying "We see things like this from time to time. Once they get into someone's house, they get all the information they need, and then they try to sell a different product so they can get a commission. We try to educate people -- never let these people into your house," she said. "They're taught not to come out of there unless they sell you something."

So if you receive one of these little postcards in the mail, I suggest you trash it. Always be wary of something that comes in the mail offering you something for free. Somewhere in that enticing offer is a 'hook' with a sharp barb on it that might get you.

## News from Other States

### Texas

This will be an interesting state to watch. The Texas Legislature has passed a bill declaring Texas agencies exempt from requirements of GAAP (Generally Accepted Accounting Practices) in regard to Governmental Accounting Standards Board (GASB) Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. Statement 45 requires state and local governments to estimate their Other Post-Employment Benefits (OPEBs) and to reflect them as a future liability in their financial statements.

This Texas legislation would allow the state to sidestep fully reporting more than \$50 billion in unfunded health care benefits for retired state employees. The bill would also allow local governments to opt out of the GASB's pension fund requirements that non-pension retirement benefits such as medical and dental care be carried on the books as an actuarial liability. How this development plays out will be interesting.

### Texas again

Another area to watch involves the new CIO of the Teacher Retirement System of Texas, T. Britton Harris IV. Mr. Harris reportedly plans to overhaul the Texas TRS' \$106 billion investment program. He has extensive experience with alternative investments, most recently as the chief executive officer at Bridgewater Associates Inc., a Westport, Conn.-based alternative specialist with \$165 billion in assets under management.

Several months ago, Mr. Harris unveiled a proposal at a board of trustees meeting to move about \$38 billion into alternative investments over the next several years. If this proposal is followed, Texas could have the largest percentage allocation (34%) of pension assets to alternative investments of any public pension plan in the U.S.

More later . . . .

Published by the  
Georgia State Retirees Association  
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)