



Newsletter

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September 2007

Retirement Alert !!! Jan. 1, 2008 1.5% COLA is in Jeopardy!

Average ERS retiree may lose about \$4,400 in retirement benefits

On average, ERS retirees will face a \$4,400 shortfall in their expected pension incomes over their lifetimes unless the ERS Board takes action between now and January 1, 2008. Each year at its June Annual Meeting, the ERS Board of Trustees typically passes a resolution for a 1.5% increase effective the following July 1 and a 1.5% increase effective the following January 1. This year the Board chose to grant only the July 1, 2007 increase. If the Board fails to approve, in a subsequent meeting this year, a motion for a 1.5% increase for January 2008, then our retirement checks will not increase for at least another ten months--July 2008. This means that the average retiree, who receives an annual pension of approximately \$27,000, will lose almost \$200 between January 1 and July 1, 2008. This may not sound like much, but that \$200 equates to at least \$4,400 if that average retiree has eleven years of remaining life expectancy. If this small increase is lost, it affects all future retiree income for as long as you live.

Please note that **NOT** everyone is losing this increase. The Boards of the Georgia Judicial Retirement System, the Georgia Legislative Retirement System, and the Public School Employees Retirement System all approved the 1.5% increase to take place in January 2008 for their covered retirees, and that action occurred on the same day that the ERS board took no action on a January 2008 increase for ERS retirees. It is interesting to note that the boards of each of these systems are comprised of practically the same board members that make up the ERS board. In the Board meeting of the Teachers Retirement System, those trustees approved the 1.5% increase in July 2007 and January 2008 for all of their members.

Wondering how long it has been since ERS retirees missed a COLA increase? Since the early eighties, for more than 25 years, (for 50+ consecutive semi-annual periods), the ERS Board has NEVER failed to grant a COLA increase to ERS retirees.

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Why has the ERS Board of Trustees not also approved the January 1, 2008 increase for the first time in a quarter century? The answer to that question is not readily apparent. Could it be that outside influences are in effect? Rest assured that GSRA is asking questions and looking for answers. Your Association will be in contact with you shortly with more information.

On Our Radar

>>> **SHBP Monitoring**

Most State Health Benefit Plan (SHBP) developments are discussed in meetings of the Board of Community Health (BCH) and reflected in the actions of the Department of Community Health (DCH). Because of BCH's role in setting policy for SHBP and other programs such as Medicaid/PeachCare and the importance of these discussions to State retirees, GSRA plans to continually monitor BCH meetings and DCH activities.

A GSRA representative attended the Thursday August 9, 2007 monthly meeting of the DCH Board. The following items were presented to the Board:

Budget Request

The main topic of discussion was the DCH budget request that must be submitted to the Governor's Office no later than September 1st. Highlights of the budget which affect retirees are:

- The SHBP budget request should be aligned with the strategic plan to promote the Consumer Directed Healthcare Plan option, eliminate new enrollment in the Indemnity Plan, reduce the HMO Options from 4 to 3 plans, increase employee premiums by 10%, and increase the state's contribution toward annual cost by 11%;
- Per Member Per Month cost for SHBP is projected to increase at 8% in FY 2008 and 8.5% in FY 2009, which is greater than the 7% the Governor and DCH have targeted as a goal;
- SHBP membership (without dependents) is projected to increase at 2% each year to 350,295 in FY 2009;
- SHBP retiree membership (without dependents) is projected to increase from 80,871 in July 2007 to 84,586 in FY 2009;
- The requested increase in SHBP total expenditures for FY 2009 is \$242.5 million.

SHBP Premium Increases

The BCH adopted a resolution raising the employee/retiree deduction rates by 10% and these rates will take effect on January 1, 2008. Based on our review, if you take your current premium, multiply it by 110%, then you will arrive at your new premium. You should receive a notice from DCH around the end of August or first of September explaining the rates and announcing a schedule of retiree meetings throughout the state.

Go to our website at
www.GeorgiaRetirees.org
to view a copy of the
Retiree Meetings Schedule.
Meetings begin Sept 10th.

The Board also adopted changes to the regulations of the SHBP to incorporate legislation relating to the Georgia Retirees Health Benefit Fund. This Fund has been created to account for retiree costs both current and future.

>>> Retirement News

Many retirement developments are discussed in meetings of the Board of Trustees of the Employees Retirement System of Georgia. The Board of Trustees meets in the months of February, April, June, August, October and December. Because of the importance of these meetings to State retirees, GSRA plans to continually monitor ERS board meetings.

A GSRA representative attended the Thursday August 16, 2007 bi-monthly meeting of the Board. The following items were presented to the Board:

Budget Request

The Executive Secretary, Michael Nehf, presented the agency's budget request for the Board's consideration.

Group Term Life Insurance

An actuary, previously retained to look into how to split assets and liabilities for group term life insurance between active employees and retirees, and how to split future contributions, presented his recommendations. The need for these actions is to comply with recent GASB standards and a law passed this past session requiring ERS compliance. The new standard includes a requirement for the related assets (\$933 million at that time, over \$1 billion today) to be held in trust.

The actuary recommended that 90% of current assets and liabilities be assigned to the retirees' trust, and the same percentage of future GTLI contributions also be placed in the retirees' trust. These recommendations have been presented to and approved by the state's CFO.

A contract between ERS and the State Employees' Assurance Department, which administers the GTLI program, has been drafted with the assistance of the Law Department. This contract was presented to the Board.

The actuary stated that the GTLI trust is fully funded for 30 years. The Board approved the actuary's report and said it would sign the contract.

Deferred Compensation Plan - Peach State Reserves

An executive from CitiStreet (the administrator of the state's deferred compensation program) stated that various customer services are being performed excellently. He then presented findings and recommendations responding to a previous inquiry by the Board concerning "automated enrollment" of employees into the program. This inquiry was prompted by the passage of a new federal law and the Board's uncertainty as to prevailing industry practices.

The executive appeared to indicate that "automated enrollment" would entail enrolling both new employees and existing employees into the program without their authorization and then making automatic monthly deductions amounting to 3% of their gross pay. After 90 days (and not before), employees would be permitted to opt out of the program and would have all of their contributions returned after being adjusted for the gain or loss of the invested amounts.

The executive appeared to state that existing employees would be given notice before these automatic deductions were made, and that new employees would have this feature explained to them as part of the hiring/orientation process. The executive stated that he believed that implementation of this recommendation in remote payroll locations would be a challenge. One Board member expressed concern about these recommendations, and the Board agreed to table the report.

The CitiStreet executive stated that the company was preparing to offer employees a Roth 401k post-tax investment option in addition to the existing pre-tax choices. The Roth choice would be through a different broker because of the need to maintain separate accounts for tax purposes.

PARIS System

Project managers provided a status report on the new ERS computer system (PARIS). The manager stated that the project was on target for implementation on September 10th, and that testing was beginning this week.

Georgia Department of Revenue

>>> *Net Revenue Collections*

Last month Governor Sonny Perdue announced that July 2007 Net Revenue Collections were \$1,299,683,000 compared to \$1,176,085,000 for July 2006, an increase of \$123,384,000, or 10.5 percent. The July 2006 prior year collections figure includes a reduction of \$64 million for an audit adjustment. Had the audit adjustment not been included, revenue collections would have increased by only 4.74%. Below is a summary of that report, which is unaudited.

	July 2007 Collections	2008 Fiscal Year To Date		
		Total Collections	Increase/ (Decrease)	Percent Change
Income Tax - Individual	\$ 631,034,000	\$ 631,034,000	\$ 33,039,000	5.52%
Net Sales and Use Tax - General	519,220,000	519,220,000	70,197,000	15.63%
Total Motor Fuel Taxes	79,649,000	79,649,000	1,395,000	1.78%
Income Tax - Corporate	33,099,000	33,099,000	40,586,000	542.09%
Tobacco, Alcohol, Estate, Property & Motor Vehicle Taxes	48,835,000	48,835,000	5,765,000	13.39%
Total Tax Revenues	\$ 1,311,837,000	\$ 1,311,837,000	\$ 150,982,000	13.01%
Other Fees and Sales	(12,154,000)	(12,154,000)	(27,384,000)	179.80%
Total Taxes/Other Revenues	\$ 1,299,683,000	\$ 1,299,683,000	\$ 123,598,000	10.51%

To view the complete report, visit the Georgia Department of Revenue website at www.dor.ga.gov and at the top of the page click on *News* and then *Press Releases*. The press release will have a title such as *Governor Perdue Announces Revenue Figures*.

Education Corner

>>> U. S. Justice Dept Alert: Don't Respond to Fraudulent E-mail

The U. S. Department of Justice has recently become aware of fraudulent Spam e-mail messages claiming to be from the DOJ. The messages may be addressed to "Dear Citizen", and claim that the recipient is the subject of complaints filed with the DOJ, and that the complaint has been forwarded to the Internal Revenue Service. In addition, the fake emails provide an official-looking case number, and state that the complaint was filed by Mr. Henry Stewart. A DOJ logo may appear at the top of the email message or in an attached file. Finally, the message may include an attachment that supposedly contains a copy of the complaint.

The Department of Justice warns the public that it did not send these unsolicited email messages and would not send such messages to the public via email. Similar hoaxes have recently been perpetrated in the names of the Federal Bureau of Investigation and the Internal Revenue Service. Be especially wary of unsolicited warning messages that purport to come from a U.S. governmental agency directing you to click on the attachment or to provide sensitive personal information. *These Spam email messages are bogus and should be immediately deleted. Computers may be put at risk by opening the attachment. Delete the email and then empty the deleted items folder.*

If you receive this type of hoax email, please file a complaint at www.ic3.gov and within the complaint; please list *DOJ Spoof Email* in the Business Name field of the complaint, your name, your mailing address, your telephone number; the name, address, telephone number, and web address, if available, of the individual or organization you believe sent the spoof email. If you were defrauded provide details of how, why, and when you were defrauded. Provide any other relevant information you believe is necessary to support the claim.

We can all learn more about protecting ourselves from malicious spy ware and bogus emails at www.OnGuardOnline.gov, a web site created by the Department of Justice in partnership with other federal agencies.

>>> IRS Warns Taxpayers of New E-mail Scam:

On August 24, 2007 the Internal Revenue Service warned taxpayers of a new phishing scam, in which an e-mail purporting to come from the IRS advises taxpayers they can receive \$80 by filling out an online customer satisfaction survey. IRS urges taxpayers to ignore this solicitation and not provide any requested information. IRS does not initiate contact with taxpayers through e-mail.

>>> Hunting Treasure – Unclaimed Property

Welcome to the Great Georgia Treasure Hunt. The Georgia Department of Revenue said, in a 1999 press release, that if you are among the 800,000 owners of unclaimed property, they have good news for you. The Department has an unclaimed property site on the web where you can initiate your own search for unclaimed property at <http://www.etax.dor.ga.gov>.

The Department of Revenue reports having over \$180 million in property consisting of assets received from banks, insurance companies, utilities, business dissolutions, and from the courts and other public and political organizations. Other types of unclaimed property remitted to the Department as custodian are: unpaid wages, sums owing on traveler's checks, safe deposit boxes, bequeathed property, and intangible property such as stocks and bonds.

The holding period for the time that property is considered abandoned ranges from one to fifteen years depending on the type of property. Unclaimed property is reported and remitted to the Revenue Department annually after the holding period has expired. If you search the Revenue Department for any unclaimed property, it is advisable to use various combinations of your name. Also, bear in mind that assets may be listed in a woman's maiden name. According to the Revenue Department, property becomes unclaimed for such reasons as marriage break-ups, misspelled names, business bankruptcies, job relocations, address changes and deaths. It would be advisable to search to see if any of your family members may have unclaimed property. If you find some unclaimed property that you own, then there is a form for you to complete to prove that it is your property.

Every state in America has an unclaimed property home site. If you or one your relatives ever lived in another state you can search another state's unclaimed property by signing into the National Association of Unclaimed Property Administrators at [HTTP://unclaimed.org](http://unclaimed.org). Avoid companies or individuals offering to find your unclaimed property for a fee, as there is no charge to perform these searches with the individual states.

Good luck and happy hunting.

Association News

>>> GSRA's First General Membership Meeting!

GSRA is finalizing plans for our first General Membership meeting, to be held on the campus of Clayton State College in Morrow, Georgia. The meeting will be held on Wednesday October 24, 2007 and will begin at 9:30 a.m. We expect the meeting to last two to three hours, and we will provide specific directions and further agenda information in the October newsletter.

>>> New GSRA Website Design

Our Association went through a detailed process of defining our website needs and selecting a vendor who could best suit those needs. GSRA has chosen MemberClicks, with offices in Buckhead, as our website designer and manager. Memberclicks is able to do just about everything we want our website to do, and their product appears to be an easy one to work with. Our own association members (mostly the Steering Committee and officers) will soon begin loading the website content onto the website pages. We hope to have the new site up and running very soon.

Special Offers

DSL service offer

There may be many of you who have phone service through AT&T/BellSouth. The merger of the two companies was accompanied by a requirement that BellSouth customers who have dial-up internet service can receive dsl service for \$10 a month. The company will provide you with a modem free of charge but this special offer does require a one year contract. You may be able to receive this special rate for up to 30 months. Those eligible and wanting to take advantage of this offer should go to the website at www.BellSouth.com and enter their phone number on the bottom right of the webpage. Those with questions can contact the company at 1-800-757-6500 and a representative will answer any questions you have. *(Editors Note: I try to check websites and phone numbers; however, if you do not enter a phone number on the website that qualifies, then the website ordering system will not provide you with this offer.)*

Just News

Hedge funds

The August 2, 2007 issue of the Atlanta Journal-Constitution carried an Associated Press article about investors in two of Bear Stearns hedge funds taking action against the firm for misleading the investors about the extent of the investment bank's exposure to risky mortgage-backed securities. The two funds recently filed for bankruptcy protection two weeks after the company told investors that one of the funds was worthless and the other fund has lost more than 90% of its value. There was no indication in the article if any pension plans had invested in either of the Bear Stearns funds.

This is just another example of the risk associated with these types of investments and a reminder to all retirees and employees that there are those who would like to see our retirement system invest our funds into this type of alternative investments. Senate Bill 80 is still alive and waiting for the 2009 General Assembly session to begin.

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