GSRA Newsletter

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First Annual Meeting a Success!

In this Issue

President Claude Vickers called to order the first Annual Meeting of the Georgia State Retirees Association and welcomed a standing-room-only crowd of over 200 individuals. He gave a brief history of the Association's formation around the two issues that are common to all state retirees: Pension benefits and health insurance coverage.

President Vickers then introduced Mr. Michael Nehf, Executive Director of the Employee Retirement System, whose presentation "ERS: Financial Analysis of a Maturing Retirement System" included various data charts to explain the current funding status of the ERS compared to that of the other pension systems also administered by his agency (Legislative, Judicial, and Public School Employees Retirement Systems, etc.). Mr. Nehf gave a brief history of the defined benefit plans of Georgia's retirement systems. The ERS funded ratio has dropped from over 100% a few years ago to 94.5%, while the Public Schools Employee Retirement System, for example, is at 110.8%. He explained that all COLAs for the ERS are being reconsidered, with the goals of both returning the ERS to full 100% funding and pre-funding future ERS members' COLAs. The full presentation can be seen at www.ersga.org. He stated his personal support of full 3% annual COLAs for ERS, and during an enthusiastic question/answer exchange with attendees, also voiced his support for Senate Bill 80 which would allow for 'alternative investments' by ERS. Mr. Nehf indicated an interest in building and maintaining a continuing working relationship with GSRA and its officers as work continues on assuring the long-term financial health of the retirement system.

Our next guest, Ms. Nancy Goldstein, Director of the State Health Benefit Plan Division of the Georgia Department of Community Health, discussed future plans and goals for the State Health Benefit Plan. She described the mission of the SHBP, which includes:

- Access to affordable, quality health care in our communities.
- Responsible health planning and use of health care resources.
- Healthy behaviors and improved health outcomes.

With health care expenses increasing faster than wages and inflation, the DCH has developed a five-year health care strategy featuring consumer driven health care and consumerism to meet the key objectives of meeting financial targets, providing member choice, and creating opportunities for long term success of the SHBP.

President Vickers thanked both speakers for being so generous with their time and for responding so thoroughly to all the many questions from an active and engaged audience.

Next he opened the Plenary Session by directing the members' attention to the list of changes to the By-laws as requested by the Steering Committee. Motion was made and seconded that the proposed changes be accepted as written. The motion passed by unanimous voice vote.

President Vickers next introduced the slate of GSRA officers for 2008 as recommended by the Nominating Committee:

President	Claude Vickers
Vice President	Bill Tomlinson
Secretary	Bobbie J. Bennett
Treasurer	Ronnie Mesimer

He asked for any nominations from the floor for any officer positions, and there were none. Motion was presented and seconded that the slate of officers be elected. The motion passed by unanimous voice vote. The chairs of the various Standing Committees were introduced as follows:

Membership	Luther Lewis
Communications	Art Finley
Legislative	Bill Tomlinson
Education	Jerry Newsom
Audit	Jerry Crockett
Website Administration	Harvey Nation

Further discussion by the members centered around the activities that are needed over the next weeks and months to make legislators and ERS Board of Trustees aware of GSRA's support for increasing the employer's share of contributions to the ERS to restore its funding ratio to 100% or above, and to pre-fund COLAs to the 3% level as provided by law. GSRA will have further information on the website (www.MyGSRA.org) as soon as possible. President Vickers emphasized that everyone's help is needed in this effort, and that sheer numbers will get the job done. He asked for everyone's help in recruiting new members for GSRA in every area of the state and described plans for regional chapters of GSRA.

The meeting adjourned at 12:30 p.m.

On Our Radar

>>> SHBP Monitoring

Nancy Goldstein, State Health Benefit Plan Division Director, presented the five-year strategic SHBP Plan to the Board of Community Health at its November 8, 2007 meeting. The key objectives of the five-year plan are:

- Promote consumerism
- Meet financial target
- Provide meaningful member choice through streamlining options
- Provide an opportunity for long-term success.

Goldstein provided the following current enrollment percentages in the Plan Options:

Plan Option Category	Percentage
Preferred Provider Option	43%
BlueChoice HMO	23%
UnitedHealthcare HMO	23%
Kaiser HMO	6%
Cigna HMO	3%
Indemnity	1%
HDHP/CDHP/Tricare	1%

SHBP benefit costs are projected to increase at a rate of 9.3% per year and raise the costs per employee/retiree from $7,751 in 2008 to $11,074 in 2012. This projected cost growth plus a 2% assumed membership growth rate raise total expenditures from $2.69 billion in 2008 to $4.16 billion in 2012.

One of DCH objectives is to reduce the growth rate of 9.3% to no more than 7.2% per year per employee/retiree. As noted above, part of the restraint can be accomplished by encouraging enrollment in consumer driven health plans. DCH listed the following advantages of consumer driven health plans (CDHPs):

- Provide individuals better access to health information and more control over their own health care;
- Reduce total plan costs by increasing consumer involvement and raising awareness about the real cost of health care;
- Lower monthly premiums;
- Encourage healthy behavior by generous coverage of routine physicals, child immunizations, mammograms, etc.

In order to meet the stated objectives, the following strategies are planned for implementation from 2008 through 2012:

- Offer only two statewide health plan vendors, e.g. Blue Cross and Blue Shield and UnitedHealthcare, with each vendor offering five options (PPO, HMO, HRA/CDHP, HDHP/CDHP, Medicare Advantage);
- Integrate pharmacy with medical;

- Improve the CDH plan design each year by increasing the actuarial benefit value by 1% each year;
- Add consumerism features to the HMO and PPO options each year so that the actuarial benefit value will be reduced by 2% each year;
- Price premiums to provide an incentive for enrolling into the CDH plans;
- Gradually shift member enrollment from HMO/PPO plans to CDH (HRA) and High Deductible Health Plan options.

The total projected saving over the five-year period (2008-2012) is $835,224,299. At the end of 2012, costs are expected at $3.83 billion rather than the originally projected $4.16 billion.

On Our Radar

>>> ERS Monitoring

The ERS board conducted its regularly scheduled October meeting. The highlights of the discussion were the financial condition of the state employees retirement plan and whether to grant the normal January, 2008 cost of living adjustment of 1 1/2%, whether to take actions to offer plan members the option of investing in a Roth IRA, and whether to implement a program for automatically enrolling employees in the deferred compensation program.

In a matter directly affecting retirees, the board considered the financial condition of the plan and recommendations for a cost of living adjustment (COLA) for retired plan members. Bill Tomlinson, Georgia State Retirees Association (GSRA) vice president, was granted an opportunity to present GSRA's position on the Jan. 1 COLA. The presentation included historical insights into the real rates for employee and employer contributions, alternative perspectives as to the causes of the plan's deficit funding position, and recommended actions. Mr. Tomlinson reminded the board that the state "picked up" 4.75% of employees' salary for retirement contributions in 1980 in lieu of funding pay raises of 7%. He explained the reasons for this action and said that this rate of contribution has always been intended to be made on behalf of employees and not to be considered as employer contribution. Based on that, state employees' contribution rates are comparable to those of members of other plans, whereas the state contributes a lower percentage for other plans. Mr. Tomlinson asserted that the 3% annual rate for retirees' COLAs was chosen because it on average closely tracked actual increases in the cost of living. It has never been intended as a "bonus" to be increased in good financial years and decreased in bad years.

Mike Nehf made a formal presentation to the board that tracked two documents which were subsequently published on the ERS website - - -

> http://www.ersga.org/news/Financial_Condition_October_18,_2007.pdf and
> http://www.ersga.org/news/Pension_Financing_Study_101807.pdf.

In summary, Mr. Nehf said that there were several causes for the decline in the plan's financial condition. He has become alarmed that that this decline appears to be the start of a long-term trend. He has concluded that long-term changes are need for ERS to provide continuing COLAs and meet other financial responsibilities. Mr. Nehf presented the following recommendations:

- Have the board's actuary propose an actuarially sound method of providing retiree COLAs
- Continue to study the need for additional funding:
  - Expanded investment options to improve returns
  - Increased employee contributions
  - Increased employer contributions
- Continue to study more affordable retirement options for new hires
- Continue to be prudent and responsible in avoiding further erosion

The board approve a Jan. 1, 2008 retiree COLA of 0.5%
The board voted to accept these proposals. Board members Celeste Osborn and Dan Ebersole both advocated expanding investment options as a major way for increasing the fund's income.

Mr. Nehf reported that the Pension and Retirement Information System (PARIS) was on schedule and on budget, and it would be completed by mid-November. At this early date, about 2,000 active employees and 1,000 retirees have signed on.

George Ducasse of CitiStreet reported on three activities.

CitiStreet has initiated auto-mailing deferred compensation enrollment information to new employees and is seeking to retain retirees in the program.

CitiStreet reported that the initiation of a Roth IRA offering would be feasible. The greatest challenge would be implementing payroll deductions at remote payroll sites around the state. CitiStreet estimated that the implementation cost would be about $149,000 and that the program could begin by July, 2008.

CitiStreet has continued its analysis of auto enrolling new hires and current employees into the deferred compensation program. This analysis included benchmarking similar programs in other governmental jurisdictions, of which there are only two at present, and obtaining more detailed information on legal and regulatory constraints. Among the information presented:

- Employees would be given a 30 day notice and opportunity to decline before the enrollment took effect.
- Probably the best authorized investment for employees would be a lifecycle fund. The US Department of Labor prohibits a conservative stable investment for auto-enrollment.
- Employees would be permitted to opt out within a 90 day period at which time they would receive the current value of their contributions.
- The board could choose various other optional features including a percentage of salary not to exceed 3% and automatic escalators.

The Law Department has opined that this program would require a law change. This program could be implemented by January, 2009. The cost would be about $15,000 for further analysis and $41,000 for final implementation.

The board voted to table a decision until its December meeting.

COLA News

>>> Letters to the AJC

In the latter part of October, the Atlanta Journal-Constitution (AJC) printed a James Salzer written news article entitled "State Retirement System Crippled." On the heels of that article was an editorial board opinion column penned by Jim Wooten followed several days later by one that Jim Wooten wrote on his own. Michael Nehf wrote a letter to the AJC also. All of these are posted on the home page of the ERS website should retirees wish to read them. Interestingly a powerful letter which took a different approach to the problems written by a retiree is not on the website. This retiree, who is a GSRA member, summed up many of our thoughts and concerns. The newspaper listed him as Joseph D. Harper but most of us know him simply as Danny Harper. Danny said we could reprint his letter to the editor just as long as we referred to him as Danny. Below is the letter which Danny wrote . . .

Your recent editorial "Workable solutions: The state's future pension-fund crisis demands that legislators do something in the here and now" (@issue, Oct. 25) was helpful and informative as far as it went. But you failed to seriously address the real reasons for the coming pension fund shortfall. Instead you relied heavily on information from Michael J. Nehf, the director of the Employees Retirement System.

Nehf is an employee of the ERS board of trustees. The governor appoints, directly or indirectly, six of the seven members of this board (one, the state auditor, is selected by the Legislature). The board has a fiduciary responsibility to active and retired state employees. Unfortunately, this board must also operate in a very political environment. Retired state employees do not have a board seat. Nehf has claimed that much of the ERS funding problems are related to "baby boomers" reaching retirement age. This is simply not the case. The real problem has been the level of funding for this system over the last 15 years, and especially the last six years.

This retirement system has three sources of funding: employer contributions, employee contributions and investment earnings.

From 1982 to 1990 employer funding grew from about 14 percent of employee salaries to almost 18 percent. Beginning in 1991, this funding steadily dropped from about 17 percent to just above 14 percent in 2000. In 2001, funding fell to just below 11 percent and in 2001 it dropped again to 10.41 percent where it remains today. In 2000, this retirement system was fully funded. In fact, it was funded at 104 percent. By 2006, the system was underfunded at 94.5 percent.

This shortfall has nothing to do with baby boomers retiring and has everything to do with state underfunding.

What has the board of trustees done to remedy this? It has voted to reduce the retirees' cost-of-living-adjustment by 67 percent. A retiree receiving $2,000 each month would have *gotten a 1.5 percent adjustment, an additional $30 per month. But this adjustment has been reduced to 0.5 percent, only $10 more.*

Another major source of ERS funding is investment income. Nehf's actuarial calculations assume an annual return of 7.5 percent, but in fiscal year 2007, actual earnings are 14.72 percent. That return is one of the highest in the fund's history, but it does indicate that things may not be as serious as Nehf claims. However, Nehf and the board are pushing Senate Bill 80 which will allow the fund to invest in so-called "alternative" investments that potentially have a higher return but also more risk. More important, these investments must be excluded from the state's open records act. No one will really know what is going on.

The final source of income is employee contributions. State employees pay only 1.25 percent of their salaries into the fund. Teachers pay 5 percent into their fund. Why is the state employee contribution so low?

In 1981, the state reduced employee contributions from 5 percent to 1.25 percent in lieu of a cost of living pay raise. In other words, the state was supposed to pay a portion of the employee contribution. It appears that this did indeed happen for a while, but beginning in 1991 this agreement seems to have been forgotten as the employer contribution started to fall.

As your editorial states, something must be done now, but reducing retirees' cost of living adjustments to almost nothing is not the right solution nor is investing in secretive, high-risk investments. Many state retirees are former state troopers, correctional officers, social workers and construction workers who did dirty and often dangerous jobs. They deserve better.

— Danny Harper is a CPA and retired state employee living in Hampton.

Thanks go to Danny for telling it like it is.

Education Corner

>>> When Should I Provide My Social Security Number?

When Social Security numbers were issued in 1936 the federal government assured the public that use of social security numbers would be limited to the calculation of retirement benefits. Today, the social security number has become the de facto national identifier. Government agencies and private businesses use social security numbers for such items as employee files, medical records, credit and banking accounts and much more. The use of social security numbers as an identifier makes these numbers highly desirable to criminals in order to commit identity theft.

Identity thieves seek out social security numbers so they can assume your identity to gain access to your banking accounts and steal your money. The thieves will also establish credit card accounts in your name, seek medical care, or even seek employment using your name. Therefore, it is wise to limit access to your social security number whenever possible. By doing so, you will reduce the chances of joining the list of 9-10 million Americans whose identities are stolen each year.

Are you required to provide your social security number to governmental agencies? The answer depends upon the agency. Some governmental agencies, including tax authorities, welfare offices, and motor vehicle departments can require your social security number since it is mandated by federal law. There are other governmental agencies that request your social security number, leading you to believe that you must provide the number. *The Privacy Act of 1974 requires all governmental agencies that request your social security number to provide you with a disclosure statement explaining whether you are required to give your social security number, or if providing it is optional. The Privacy Act prohibits the government from denying your benefits solely because of your refusal to furnish your social security number, unless you are required by federal law to do so.*

Must you provide your social security number to private businesses? Usually no. You are not legally required to provide your social security number unless you are in a transaction in which the Internal Revenue Service requires notification. There is no law that prevents businesses from requesting your social security number. However, even though you are not required to disclose your number, the business can refuse to provide you with service if you refuse to provide the social security number. If someone asks you for your social security number ask them the following questions.

1. Why do you need it?
2. How will it be used?
3. How do you protect it from being stolen?
4. What will happen if I don't provide it to you?

Getting satisfactory answers to your questions will help you decide whether to share your social security number. The decision is yours.

Here are a few tips to protect your social security number:

1. Adopt a policy of not giving out your social security number unless you are convinced it is required or it is to your benefit.
2. Never print your social security number on checks, business cards or address labels.
3. Do not carry your social security card in your wallet except when you might require the card such as the first day on a new job.
4. Review the annual Social Security Statement sent to you each year just before your birthday. Be sure the information is correct. If you have not received a statement call the Social Security Administration at 1-800-772-1213 and ask for a statement.
5. Order your free credit reports each year from the three major credit bureaus by calling 1-877-322-8228 and use the automated telephone system to order your credit reports.

Protect your social security card number. If you don't, it could cause you a lot of hard work to convince all types of folks that your social security number has been stolen and that a thief is stealing and using your good name.

>>> Being "Credit Smart"

When you are out shopping or surfing the web do you reach for plastic when it is time to make a purchase?

Credit analysts are cautiously urging Americans to be credit smart. Being smart with your credit cards is very important for retirees who are on a fixed income. The average credit card holder has a $7,000 debt. If you are not careful with your credit your standard of living in your golden years could suffer if you have to make large credit card payments each month.

Credit card companies have been flooding consumers with almost too-good-to-be-true credit offers. Offers for new credit cards are also coming into electronic mailboxes. Many of these companies are touting extremely low interest rates with no annual fees. Transferring existing balances to a low-interest card can be an excellent way to save money. Here is the caveat: many of these low interest offers are designed specifically for card holders with good or excellent credit histories. If you have been late on a couple of payments in the past year, you may be approved for a credit card, but then discover that it has a higher interest rate than you initially thought, or you might not be approved for the card at all. It is important for a retiree to read the fine print on credit card offers. Once you have a new credit card, you should note all fees attached to it. For example, credit card companies subsidize low rates with higher late fees and over-limit fees. Some credit card companies have begun charging a fee for certain types of customer service.

Several factors have been driving the credit cost for American consumers. Banks are under a lot of pressure from their stockholders to turn a profit. The credit card divisions in banks have been losing money due to greater numbers of bankruptcies caused in part by the low interest rates offered in the first place. Needless to say, credit cards companies are getting a little pickier about who they extend credit too.

However, the credit card companies' focus on the bottom line does not mean you can't save money by being a credit-conscious retiree. A good credit rating can provide you with easier access to emergency financial assistance when you need it, so protect your credit with wise decisions.

Association News

>>> ERS allows deductions for SECU

When many of us first retired, we were shocked that we could no longer have deductions made from our monthly checks and sent to our credit union. Retirees have long wished to have that capability, and GSRA, in discussions with ERS, has always advocated allowing these deductions. We are very glad to report that ERS has approved this deduction. As printed in the recent ERS Newsletter, State retirees can now have a deduction made from their benefit payments and deposited into their account at the State Employees Credit Union (SECU) and allocated in any amounts the retiree chooses to any of several SECU accounts, including: Christmas Club Accounts, Regular Share Accounts, Individual Retirement Accounts, Checking Accounts, Personal Special Savings Accounts, and Loan Accounts.

To sign up for payroll deduction, forms are available on the credit union's website at www.secuga.org under the "Forms and Applications" menu. In that menu, choose "Payroll Deduction Authorization," and then "Retired State Employee." Retirees can stop by a branch or call the credit union at 404-656-3748 and have forms mailed to them. But what if you retired from a state department that was not included in the State Employees Credit Union? Not to worry --- as a retiree, you may become a member of the SECU by simply filling out the forms.

State Employees Credit Union is a member-owned, non-profit, financial cooperative providing banking services to employees of the state of Georgia and their families. Membership in State Employees Credit Union is an ongoing benefit to employees or retirees of any Georgia State agency, department, authority, bureau, board, commission, college, university, or elected officials and their immediate family.

>>> MyGSRA.com website a success

In recent months GSRA has moved to a new website, www.MyGSRA.com, and now has additional capabilities not previously available on the first website. We hope you will visit the site and provide us with your thoughts about how the Association can make it better. We have provided members with the ability to provide their membership information online as well as to join and pay dues online. Initial membership applications as well as renewals can be charged to your credit card on the website eliminating the need to mail checks to our bank. Our plan is to have many "Members-only" pages and content that is available to our dues-paying members only. This will be accomplished in the upcoming weeks.

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