GSRA Newsletter

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Happy New Year???

GSRA really hopes for a Happy New Year. However, the mounting attacks on retirees' benefits may result in this year being a not-so-pleasant one. Be sure to stay in touch with your elected General Assembly members to keep them aware of your interest in this issue.

In this Issue

On Our Radar

>>> SHBP Monitoring

The Board of Community Health met on December 13, 2007. Benefits, funding and services for the State Health Benefit Plan (SHBP) were not discussed at the meeting.

Since there is not much to report on from this meeting, we thought we would use this space to remind our members of the SHBP strategy for the future. Previous GSRA articles have reported on the Department of Community Health's (DCHs) multi-year strategic plan for the SHBP. The Plan's key objectives are restated below:

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

On December 3, 2007, the SHBP took a step toward furthering these objectives and strategies to be implemented on January 1, 2009 by changing to two health plan vendors and eliminating one HMO and the indemnity plan. The SHBP gave notice to begin the procurement process for identifying two vendors that are capable of offering to SHBP members the following five healthcare products:

- Consumer Driven Health Plan (CDHP) with a
  Health Reimbursement Arrangement (HRA)
- Qualified High Deductible Health Plan (HDHP)
- Health Maintenance Organization (HMO)
- Preferred Provider Organization (PPO)
- Medicare Advantage.

The first phase of the procurement process is to solicit a "Statement of Qualifications." This request is intended to verify vendors' current ability to implement the SHBP desired business strategy. A Qualified vendor must offer all of the above products as of January 1, 2008 and demonstrate the ability to offer on a statewide basis. Since the SHBP expects to eliminate one HMO and the indemnity plan, it anticipates a gradual shift in enrollment from HMO/PPO plans to the CDHP with an HRA or the HDHP plans.

DCH states that only those vendors identified as passing all requirements for the Statement of Qualifications will be invited to submit a Request for Approach (RFA). This second phase of the procurement process will entail an evaluation—weighted for the DCH desired business strategy—of all technical aspects of the proposed approach. The evaluation will, at minimum, incorporate a professional actuarial review of benefit costs, review of management practices, site visits of facilities, and oral and written presentations of services.

On Our Radar

>>> ERS Monitoring

ERS Board Meeting

The Board of Trustees for the Employees Retirement System held its bi-monthly meeting on December 13, 2007. The meeting was short with normal business actions, a presentation by CitiStreet staff about the Peach State Reserves, and a presentation by GSRA President Claude Vickers.

CitiStreet reported that:

- During the 3rd quarter, systems enhancements were implemented to provide a greater level of service to members;
- In August, a new participant web redesign was completed;
- The local Office conducted 140 meetings and met one-on-one with 798 employees;
- During the ten months since the CitiStreet implementation, the Average Speed of Answer by the Call Center was below the 30 seconds goal during 5 months, just over the 30 seconds during 2 months and seriously over the 30 seconds during 3 months;
- Sixty-one (61%) percent of all transactions during the ten months were processed on the Internet; and
- During the 3rd calendar quarter, 14 of the investment options had positive earnings while Large Value Active, Large Value Index, Small Mid Value Act, Mid Core Index, and Small Core Index—5 of the options—had negative earnings.

The GSRA President presented remarks relative to concerns about the funding of the Employees Retirement System. His comments along with the charts and graph used in his presentation are available for viewing on the GSRA website.

Joint Senate-House Retirement Committee Meetings

December 11, 2007 Meeting

The joint Retirement Special Subcommittee met December 11, Sen. Bill Heath and Rep. Ben Bridges presiding. The purpose of the meeting was to consider six bills (three each in the Senate and House) proposed last session for reducing retirement benefits for employees hired after July 1, 2008. Employees hired before that date would not be affected. The bills considered were the following:

1. SB 327/ HB 837: Replaces the current defined benefit plan with a defined benefit contribution plan for which the state would contribute up to 9% of salary for each employee hired on or after July 1, 2008 to be deposited in a 401(k) or 457(j) account that is administered by the Employees Retirement System.
2. SB 329/HB 843: Creates a new defined benefit plan which will pay between 1.5% and 2% of an employees' highest average 24 months' salary which "…may be different from the monthly pension…" paid by the current new retirement plan. The bill indicates that the ERS Board will determine the percentage to be paid depending on appropriations.
3. SB 328/HB 841: Provides for new employees to become members of both a different defined benefit plan (at the reduced benefit formula of 1%) and a defined contribution plan. The state will contribute up to 9% of salary to be deposited in a 401(k) or 457(j) account that is administered by the Employees Retirement System.

The purpose of the meeting was to explore alternatives for funding increased employees' salaries through reducing the cost of their retirement benefits. The motivation for this action is a year-old study sponsored by the State Personnel Agency which found that while overall state compensation is comparable with private sector competitors, salaries are much lower while retirement benefits are much higher.

The committee's agenda included hearing several speakers:

- Steve Stevenson, the new commissioner of the State Personnel Agency
- David Bundeman, Legislative Counsel
- Ed McDonald, actuary for the ERS Board, and his colleagues,
- Mike Nehf, ERS executive director, and
- Tommy Hills, state Chief Financial Officer

With few exceptions, all the speakers retread old territory, including the assertion that the state contributes 10.41% for new plan members (GSRA maintains that the contribution rate for both new plan and old plan members is only 5.66%, with the remaining 4.75% contribution being made by the state on behalf of members). The major new information was two sets of actuarial projections for various alternative benefit structures. One set of projections assumed the plan would pay out annual 3% cost of living increases (COLAs) in the historical ad hoc manner. The second set of projections assumed the plan would pay out annual 1.5% prefunded COLAs (that is, the cost of COLAs for all years in perpetuity are included in actuarial projections). None of the first set of alternatives projected a 100% funding ratio at the end of thirty years, while all of the second set of alternatives did project 100% funding ratios.

None of the information presented to the committee indicated the impact of the alternative plans on retiree benefits, a failing noted by various committee members. The actuary was asked to analyze the impact of defined contribution alternatives on the benefits of "typical employees of different ages."

Several Committee members asked questions concerning the board's failure to grant the customary 3% COLAs this year. Mr. Hills made the most emphatic response, stating that none of the considered options has sufficient funding to pay 3% COLAs without improving investment return. GSRA attendees quickly noted that none of the projections assumed 3% COLAs. This omission continues the practice of the ERS and the Administration of avoiding analyzing the cost of both providing 3% COLAs and fully funding the plan. The ERS and the Administration continue to state that there is not enough money to provide the COLAs without determining how much money that would cost.

GSRA vice president Bill Tomlinson was permitted to speak at the end of the meeting. He noted the following:

- When he was OPB Director, the difference between state salaries and private sector salaries was 8% less than it is now. He cautioned the committee that this indicates that it is more difficult to maintain salaries at a competitive rate than it is to make one-time adjustments. This issue should be addressed before making systemic changes to the retirement system.
- The ERS and the Administration are in error when they state that the employer contribution rate for new plan members is 10.41% of salaries. The 4.75% that the state began paying on behalf of members in 1980 applies to new plan members as well as old plan members. In FY '08 alone, the state has saved $142 million through the 4.75% pickup.
- The "problem" the ERS is facing (the trend towards progressively lower funding ratios – assets divided by total projected liabilities) has resulted from the continuation of the low employer contribution rate. If the state had reinstated the 2000 contribution rate in 2002, the funding ratio would be 103% today. The state is saving $100 million annually at the cost of the solvency of the retirement fund.
- The total annual savings (pickup plus under funding the employer contribution rate) amounts to 242 million, virtually the total state reserve fund.

In response to a question from a Committee member, Mr. Tomlinson said that as OPB director, he would have ensured that employee salaries continued to be at least 90% of market rates, and he would have seen that the employer contribution rate was raised as necessary to fully fund the retirement system.

Education Corner

>>> Preventing the Flu

What is the Flu? The Flu (also called influenza) is a viral infection of the nose, throat and lungs. About 10-20% of Americans get the flu each year. Each year about 130,000 people go to a hospital with the flu, and 20,000 people die of the flu and its related complications.

The flu may cause fever, cough, sore throat, headache, muscle ache and tiredness. Most people feel better after 1 or 2 weeks, but the flu leads to pneumonia in some people. The influenza vaccine (the flu shot) can help protect you from getting the flu. You should obtain the flu shot each fall before the flu season begins. Your body will have time to build up antibodies to the virus to protect you from getting the flu. You cannot get the flu from the flu shot or from a nasal spray vaccine. Some people who get a flu shot will still get the flu, but they usually get a milder case.

Some people are at a higher risk for flu complications such as pneumonia. If you are in any of the following groups you should get a flu shot every year.

- All children aged 6 to 59 months.
- All adults aged 65 years and older.
- Residents in nursing homes and long term care facilities.
- Individuals who have long term health problems.
- Health care workers who have direct contact with patients.
- Caregivers and household contacts of children less than 6 months old.

Is there anyone who should not get a flu shot? Yes, the following people should talk with their doctor before getting a flu shot.

- People who have had an allergic reaction to a flu shot in the past.
- People with an allergy to eggs.
- People who previously developed Guillain-Barre Syndrome (a reversible reaction that causes partial or complete loss of movement of muscles, weakness or a tingling sensation in the body) within 6 weeks of getting a flu shot.

In addition, the following people should talk with their doctor before getting the nasal spray vaccine.

- Children less than 2 years old or any child with asthma or breathing problems.
- Adults 50 years of age or older.
- People with long term health problems such as diabetics, kidney problems, heart and lung diseases or with a weakened immune system.

If you would like more information about flu vaccines, contact the Centers for Disease Control and Prevention's National Immunization Information Hotline at 800-232-2522.

>>> Internet Security

All retired State employees do not own a personal computer. However, for those who do, this educational article is written for you.

Most people select their computer access password based on the amount of perceived risk of someone stealing their computer data. Many times convenience is considered more important than privacy or security, and this could be a big mistake. Some people often use weak passwords and don't take precautions to ensure the safety of the data on their computer. In some instances, the information on your computer could provide a computer hacker all the information needed to steal all of your personal assets. Don't let that happen.

There are a few steps you can take for on-line identity safety.

1. Don't use log-ins that rely on words in the dictionary.
2. Don't use the same user name and password to access more than one account.
3. Don't conduct-on-line transactions with an unknown website.

Also, there are some simple steps to protect passwords and on-line accounts from identity theft.

1. Include capital and lower case letters as well as numbers and key board symbols in user names and passwords. Make your logins at least 8 characters long.
2. Never respond to an e-mail message asking for a user name, password, bank account number, social security number, or other personal or financial information.
3. If a master list of all passwords and user names is kept, store it in a locked container.
4. Use and routinely update spam blockers, spy ware detection software, pop-up blockers and anti-virus software. Keep firewalls up to date.
5. Routinely check your banking and credit card statements for unusual activity.
6. If you suspect fraud, immediately report it to your financial institution.
7. Order and review your free personal credit report annually from each of the three credit bureaus. You should stagger the ordering of these reports so that you receive a different one every four months.

We hope these simple steps will assist you in protecting your computer data.

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