

DCH ANNOUNCES MAJOR RESTRICTIONS ON RETIREE HEALTH CARE BENEFITS

The Department of Community Health (DCH) recommended to the Board of Community Health (Board) on October 30, 2008, major policy changes for retirees age 65 and older to take effect July 1, 2009 and January 1, 2010. The changes are proposed in response to Georgia's financial condition and future liabilities of retiree benefits.

July 1, 2009 Changes

Effective July 1, 2009, the premiums will be increased for retirees who are age 65 and older and who do not participate in Medicare Part B. The amount of the increase was not presented. In lieu of paying a substantially higher premium, the retiree can enroll in Medicare Part B—if eligible—between January and March 2009 (for July 1, 2009 Medicare coverage) and the SHBP will pay (on behalf of the participant) any late entrant penalty that is required for the 2009 late enrollee. DCH did not present any discussion about the premium policy for those retirees who are 65 or older and who are not eligible for Medicare Part B. Presumably, the premium rates will be increased with the SHBP option continuing to be the primary payor.

January 1, 2010 Changes

Effective January 1, 2010, retirees who are 65 and older **will be required** to enroll in a Medicare Advantage Plan to obtain continuation of any state contribution to their health care. Although a retiree who does not participate in the Medicare Advantage Plan will be allowed to continue in other SHBP plan options, the retiree will not receive any subsidy toward his/her

premium. Presumably, the retiree will pay the entire cost of the health plan option. DCH did not discuss the amount of the premium for such retirees; however, the actuarial report for the Other Post Employment Benefits (OPEB) liabilities reflect the cost of each pre-65 retiree at around \$10,000 annually—that is \$833 each month per person. Without the State's subsidy, one should expect the premium for retirees age 65 or older to be **VERY HIGH** in options **OTHER** than the Medicare Advantage.

A retiree must be enrolled in Medicare Part A and Part B to be eligible to participate in the Medicare Advantage Plan. Medicare allows eligible persons to enroll in Medicare each year between January and March; therefore, a person who did not enroll in Medicare when first eligible can enroll for Medicare coverage between January and March 2010 for coverage effective on July 1, 2010. GSRA recommends that if you are over age 65 and are not enrolled for Medicare Part B that you review your situation and make a decision about Part B coverage between January and March of 2009—hopefully to lessen the impact of a higher premium in 2010.

At the called telephonic conference Board meeting of October 30th, the Board asked Commissioner Rhonda Medows to communicate to Governor Perdue's Office that the Board desires to move these changes to July 1, 2009 instead of January 1, 2010.

DCH PRESENTS FINANCIAL INFORMATION & OPEB LIABILITIES

DCH has received and released SHBP Retiree Trust Fund financial information to the Board and the Senate and House Appropriations Committees. In addition, the Cavanaugh Macdonald's actuarial report on OPEB liabilities for retirees and future retirees was also released.

DCH continues to refine FY 2008 financial information that is released for the SHBP retirees. The following tables show the Revenue & Expense for Retirees and the status of the Retiree Trust Fund as of the end of FY 2008.

Retiree Revenue & Expense FY 2008 (In Millions)	
Retiree Premiums	\$ 125,064.7
Employer Contributions	424,308.1
Employer (OPEB Trust)	184,922.5
Total Revenue	\$ 734,295.3
Benefit Payments	\$ 517,229.7
Administration Exp	32,140.6
Total Expense	\$ 549,370.3
Total for Retiree Trust	\$184,925.0

Retiree Trust Fund (In Millions)	
Employer Contributions FY 2008	\$ 125,865.0
Retiree Portion of FY 2007 Fund Balance Transferred	57,290.2
Interest	2,135.1
Realized & unrealized loss	-9,076.4
Balance FY 2008	\$ 176,213.9

As previously reported, the assessment for OPEB liability is required by the Governmental Accounting Standards Board (GASB). The ultimate cost of retiree health care must be assessed in much the same way as retiree pensions are assessed and reported on the financial records of the public employer. Although GASB does not currently require funding, the unfunded portion of the Annual Required Contribution is required to be included as a liability on the State’s financial statements.

Cavanaugh Macdonald Consulting firm assessed the total OPEB liability at \$16.5 billion, which is a decrease

of \$2.7 billion from the last report (from \$19.2 billion). The decrease in liability is primarily a result of lower claims experience and projected voluntary enrollment in the Consumer Health Driven Plans—HRA or HDHP—and the Medicare Advantage Plan.

SHBP’s administrative actuarial firm, AON, was asked to assess the reduction in the annual benefit costs for a change in active and retiree strategies. AON projects that annual benefit expenditures will be reduced by over \$360 million between FY 2009 and FY 2012 by changes in policy to require on January 1, 2009 that new employees enroll in either the HRA or the HDHP, to increase on July 1, 2009 retiree premiums to force more retirees in Medicare and to eliminate on January 1, 2010 any premium subsidy except for the Medicare Advantage Option.

Cavanaugh Macdonald projects that these two retiree changes also reduce OPEB liabilities by \$785.5 million.

MEDICARE ANNOUNCES 2009 PREMIUMS AND DEDUCTIBLES

Medicare announced on September 19, 2008 that the Medicare Part B Premium and Part B Deductible will remain the same for 2009 as it was in 2008. Therefore, the standard Part B monthly premium will be \$96.40 in 2009 and the Part B deductible will remain at \$135.

You Pay	If Your Yearly Income is	
	Single	Married Couple
\$96.40	\$85,000 or less	\$170,000 or less
\$134.90	\$85,001-\$107,000	\$170,001-\$214,000
\$192.70	\$107,001-\$160,000	\$214,001-\$320,000
\$250.50	\$160,001-\$213,000	\$320,001-\$426,000
\$308.30	Above \$213,000	Above \$426,000

However, as required in the Medicare Prescription Drug, Improvement, and Modernization Act, the Part B premium a beneficiary pays each month is based on his or her annual income. The chart to the left shows the 2009 Part B monthly premium amounts for 2009 (per beneficiary not including any late enrollment penalty).

ERS BOARD OF TRUSTEES APPROVE EMPLOYER RATE FOR HYBRID RETIREMENT PLAN

The Board of Trustees for the Employees Retirement System, in a special called meeting, approved the employer rate of 6.54% for the new Georgia State Employees Pension and Savings Plan (GSEPS). General reporting occurred at the regular bi-monthly meeting of October 16, 2008.

Although the ERS technically complied with the Open Meetings Act by posting at its office a notice of the special meeting on September 18, 2008, the agency did not post an announcement on its web page and, therefore, a GSRA member was not present at the meeting.

At the special meeting, ERS considered and approved an employer contribution rate at 6.54% of salary for the

defined benefit portion of the GSEPS that takes effect for new employees on January 1, 2009. This rate is 3.87% less than that paid on current employees salaries and represents a reduction by one-half of the retirement benefits under the current defined benefit plan. In addition, the employer may contribute up to 3% of salary for the defined contribution portion of the GSEPS to match an employee’s voluntary contribution of up to 5% of his/her salary. A description of the GSEPS can be found on the ERS website at www.ersga.org.

At the regular Board meeting on October 16, the Executive Director reported that ERS is in compliance with a new act requiring identification and reporting for

the divestment of investments in terrorist organizations or countries which support terrorist organizations.

In addition, Milford McGirk of KPMG presented the annual independent audit report. This report provided an

unqualified opinion that ERS financial activities and reporting comply with Generally Accepted Audit Standards.

GSRA ANNUAL MEETING – OCTOBER 15, 2008

Approximately 125-150 retirees attended the 2nd annual GSRA membership meeting on October 15, 2008. The membership had an opportunity to ask questions from experts from the State Health Benefit Plan, Employees Retirement System, and the House Public Retirement COLA Study Committee.



Trudie Nacin and Jean Giles spoke about the Department of Community Health's (DCH) mission and strategy in providing health care benefits to over 690,000 members and dependents of the State Health Benefit Plan (SHBP). Benefit options were then discussed and GSRA members given an opportunity to clarify understanding.

The second speaker was Pamela Pharris, the Executive Director of the Employees Retirement System. She reported that the ERS:

- Has 74,000 active employees and 34,000 retirees
- Pays an annual amount to retirees totaling \$1 billion
- Increases the annual payment by \$100 million annually when a 1% COLA increase is approved
- Investments have lost about 4% in market value in 2008.

Ms. Pharris commented on Senate Bill 80 regarding "Alternative Investments." When asked about the failure to provide disclosure of the investments, she replied that the bill that she was reading provided the same kind of openness that other investment activity provided. She made no commitment about supporting such legislation in

the 2009 session. Ms. Pharris was asked if the ERS had a stop-loss investment policy to which she responded "no". However, she stated the Investment Committee was reviewing policy issues.

The next speaker, Representative Debbie Buckner stated that Representative Pat Gardner, the Chair of the House Public Retirement COLA Study Committee was unable to attend the GSRA meeting. Therefore, she was speaking as a member of the COLA Study Committee on behalf of the Chair. The Representative discussed some of



the retirement legislation that was considered in the 2007-2008 General Assembly Session. She also reported on the 1st meeting of the Study Committee.

You can view the video of first House COLA Study Committee Meeting at the General Assembly website. A link to the video has been placed on the GSRA website (www.MyGSRA.com)

Representative Buckner invited the retirees to attend the 2nd COLA Study Committee meeting, which is scheduled for November 12, 2008. When asked what members could do about the COLA inequity, she stated that each should talk to his/her legislator.

Don't miss the 2nd House Public Retirement COLA Study Committee meeting on November 12, 2008. The specific location will be announced at a later date.

GSRA ELECTS OFFICERS AND BOARD MEMBERS

At the Annual Meeting, the current officers were reelected for 2009. Officers are:

- Claude Vickers, President
- Bill Tomlinson, Vice President
- BJ Bennett, Secretary
- Ronnie Mesimer, Treasurer

At-Large Board of Directors and terms of office are:

- Luther Lewis One Year
- Joan Couch One Year
- Harvey Nation One Year

- Harold Grindle Two Years
- Zelda White Two Years
- Chuck Freedman Two Years

In addition, President Vickers appointed four Local Chapter Presidents to the Board of Directors as follows:

- Jim Burton Rome Chapter
- Burton Carter Waycross Chapter
- Bob Pollock Albany Chapter
- Lewis O’Neal Lake Oconee Chapter

E-MAIL ADDRESS

Is your e-mail address with GSRA correct? Help us to maintain your information by updating your e-mail address when it changes. You must log-in under your old e-mail and select “Our Members” and “My Profile.” You can then change your information through the “edit” feature.

ISSUES/SERVE

Do you have a specific question or issue that you would like GSRA to discuss? If so, please let us know by contacting the Communication Committee via the GSRA website.

If you would like to serve on a GSRA Committee, notify the President via the GSRA website.