

SAVE THE DATE!

2012 GSRA Annual Meeting

Wednesday, October 17, 2012

Georgia Public Safety Training Center, Forsyth

Make plans to attend and stay tuned for more information about this important event.

ERS Funded Percentage Drops Again - Employer Rate Increase Required for FY 2014

The Employees Retirement System actuarial report—released in April—shows the funded percentage as of June 30, 2011 dropping to 76.0% (from 80.1% a year ago). In addition, the report requires an increase of 3.56% (from 14.90% to 18.46%) in the employer contribution rate in FY 2014 in order to amortize the liabilities over a period of 30 years. Some of the major contributing factors causing the decline in the funded percentage are discussed.

Funded Percentage¹

The funded percentage for the ERS has continued to drop since the early 2000s. In 2001, the funded percentage was 101.7% with an employer contribution rate of 14.5% (9.75% when the 1982 employer “pick-up” of employee contributions is factored in). Shortly after reaching the 100% funding level, the employer contribution rate was reduced to 10.41% (5.66% considering employer “pick-up) and investment income went negative. There have been good years and bad years for investments during the 1st decade in the 21st century, but overall the decline in asset value and negative investment returns have been major contributors to reducing the funded percentage. The actuarial report shows that asset value losses during three of the last seven years and less than projected investment return accounted for about one-half of the increase of \$740.2 million in unfunded liabilities during FY 2011.

¹ Funded Percentage means the percent of “present-value” assets held to meet the projected liabilities. Generally, retirement professionals consider an 80% funded percentage to be adequate.

In addition, the number of retirees has increased while the number of active employees has decreased during the last 20 years. Executive Director Jim Potvin’s report to the ERS Board on April 19, 2012 shows that the ratio of active employees to retirees has dropped from 4.41 to 1.64 between 1990 and 2012.

Taking into consideration the reduced employer contribution rates during most of the first decade of the 2000s, negative investment returns, a decreasing number of active employees, increasing number of retirees and flat compensation for active employees during the last five years, the funded percentage dropped by 25% (from 101% to 76.1%), even though an adjustment in retirement benefits has not been awarded retirees since 2007. To illustrate the depth of the changes, comparative statistics from the ERS actuarial reports for June 30, 2006 and June 30, 2011 are shown below.

	6/30/2006	6/30/2011	Total % Change (5 years)
Number of retirees and Beneficiaries	32,839	40,209	22.4%
Average annual Retiree Benefit	\$25,645	\$28,710	12%
Number of active employees	74,089	66,081	(10.8%)
Average Active Employee Annual Compensation	\$35,500	\$37,632	6%

FY 2014 Increased Employer Contribution

The regulatory authorities require that projected liabilities of a defined benefit plan, such as the ERS, be projected and a Required Annual Contribution (ARC) be calculated to amortize the retirement plan's future liabilities over a maximum of 30 years. The Cavanaugh Macdonald consultant's report shows that based on the assumed investment income, rates of retiring employees, number of active employees, their compensation, and other factors, the ERS employer contribution rate required to meet ARC in FY 2014 must be increased from 14.9% to 18.46% (3.56%). The dollar value of the increase (based

upon the 6/30/11 annual compensation) is approximately \$88.5 million. Although GSRA does not have a specific breakdown of state funds vs. federal and other funds, an estimate of state funds is around \$45 million (\pm). The ARC increase does not assume a "cost-of-living" for retirees.

GSRA members should begin now to ask their elected representatives to support the ERS request for increased funding. Continuing to fund the ARC amounts is important in order for the State to continue its excellent bond rating and for determining the State's credit worthiness.

GSRA Meets with ERS Executive Director

GSRA President Tomlinson and other GSRA Board members met on May 9th with the Employees Retirement System Executive Director Jim Potvin and two of the Retirement System's investment managers. Although several issues were discussed, the main topic was the implementation of SB 402—Alternative Investments.

Director Potvin and the Investment staff committed to earlier statements that they are in the planning stage of implementation and that it was their intent to implement the new legislation properly.

1. The investment managers stated that their plan is to employ a staff person who is knowledgeable about the "right" way to implement alternative investments.
2. The investment managers do not expect to use the new alternative investment authorization until at least early 2013 because of the changes required in many internal processes—accounting systems, operational controls, and information technology systems.
3. When asked what states have—in their opinion—implemented alternative investments in a responsible manner, the group named, Washington, Oregon, South Dakota, and Missouri.

Director Potvin stated that he was considering the possibility of recommending to the Board of Trustees that the Board eliminate the 3% tax offset that is currently being enjoyed at the point of retirement. He stated that since retirement income (currently \$35,000 and rising to \$65,000) is exempted from Georgia Income Tax after age 65 the original reason for the 3% tax offset has been eliminated. The TRS has already adopted a policy to eliminate this provision for all TRS members retiring on and after January 1, 2013. While GSRA attendees conceded the literal accuracy of Mr. Potvin's rationale, GSRA contends that the rational is offset by the discontinuation of ERS COLAs. The tax offset has the effect of granting new ERS retirees an effective one-time COLA. Whereas new TRS retirees will lose the offset, they and current retirees will continue to receive annual 3% COLAs. Therefore, retaining the tax offset for new ERS retirees will contribute minimally to a limited equity for ERS members. Chuck Freedman asked that if the proposal is presented to the ERS Board of Trustees that the elimination be phased in over a number of years to ease the burden on those employees now near retirement. Freedman also requested that ERS use GSRA for consultation in identifying and deliberating alternative implementation approaches.

(Note: An explanation of the tax offset can be found in the GSRA May issue.)

TRS Funded Percentage Drops to 84.0% - Employer Rate Increase of .87% for FY 2014

The Teachers Retirement System's actuarial report was released in May, 2012 showing the funded percentage dropping from 85.7% on June 30, 2010 to 84.0% on June 30, 2011. The report also shows that an increase of 0.87% (from 11.41% to 12.28%) in the employer contribution

rate is required to enable amortization of the liabilities over a period of 30 years. Comparative information for five years (FY 2006 and FY 2011) is shown in the following chart. (Note: GSRA will ask for an explanation of the

difference between the TRS and ERS reduced funded percentage.)

	6/30/2006	6/30/2011	Total % Change (5 years)
Number of Retirees and Beneficiaries	70,219	92,177	31.3%
Average Annual Retiree Benefit	\$29,058	\$33,656	15.8%
Number of active educators	206,592	216,137	4.6%
Average Active Educator Annual Compensation	\$42,528	\$46,726	9.9%

Although the number of active educators (206,592 to 216,137), has increased during the five-year period (2006-

2011) the number of active educators has decreased by 4.6% from June 30, 2009, (226,537 to 216,137). The number of active educators to retired educators decreased from 2.94 in 2006 to 2.34 in 2011.

Actuarial Reports for State Employees' Group Term Life Insurance

The actuarial reports for post-retirement and pre-retirement Group Term Life Insurance for state employees have been released. The funded percentage for the pre-retirement and post retirement members for the Group Term Life Insurance Plan were listed as 460.3% and 119.1%, respectively. Actuarial reports for all retirement systems managed by the ERS were also released in April and can be viewed at the ERS Website.

GSRA Monitors the Board of Community Health Meeting

One of GSRA's services is to monitor state departments and boards' administrative actions. At the May 10, 2012, meeting of the Board of Community Health, the FY 2013 employer contribution rates were approved for the local school systems and libraries. In addition, the Board was briefed about the new Open Meetings/Records Law that was passed in the 2012 General Assembly Session and has now been signed by Governor Deal as Act 605.

FY 2013 Employer Rates - SHBP

The FY 2013 budget presented by the Department of Community Health to the Governor and General Assembly proposed that the State Health Benefit Plan employer contribution rates for the local school systems be changed from a percentage of salary to a dollar amount per enrolled employee. The General Assembly through the appropriations act approved the DCH proposal but asked that the dollar amount be equal to the dollar amount that the percentage of salary would have generated. The Board of Community Health approved the following FY 2013 MONTHLY rates per enrolled, active employee/educator:

Public libraries:	\$743.00
Certificated person (teachers)	\$912.34
Non-certificated school employees	\$446.20

DCH recommended and all parties approved that the basis for the employer contribution for the state departments and agencies would remain a percentage of salary. As approved by the FY 2013 Appropriations Act,

the Board of Community Health established—at the April meeting—the employer contribution rate for the state departments and agencies at 29.781% of total salary cost.

The amount contributed for each enrolled active member or percentage of active salary was projected, by DCH, to cover the SHBP benefit cost with the assumption that \$63 million is either reduced from the benefit cost or a combination of premium increases and benefit reductions are made for FY 2013.

Briefing on New Open Meetings/Records Law –Act 605 (HB 397)

Although the new Open Meetings/Records Law affects all boards and departments, this description is included as a part of monitoring DCH since a member of the State Attorney General's office briefed the Community Health Board at the May meeting on the new Open Meetings and Open Records law. A summary of the comments follows:

Open Meetings:

- a. If a quorum of the Board or committee of the Board (formal or ad hoc) is gathered, the meeting must be open to the public. There must be a meeting notice, agenda, and minutes recorded (subject and action).
- b. If the members of a board—sufficient for a quorum—are traveling together or are attending a social event and they discuss any business of the board or department, it is a meeting subject to open meetings provisions.

- c. If members of the board (but not a quorum) informally meet—regardless of the setting and they discuss board or department business, it is a violation of the open meetings law.
- d. Board members can communicate by email, but it is subject to disclosure and can be problematic.
- e. The exception to “open” discussion is referred to as “executive session” and may be used for discussing personnel related items, i.e. a specific position or person. However, the executive session cannot be used when discussing a specific personal policy, i.e. furloughs, etc. The board chair has the responsibility to control the discussion and not allow the discussion to float into illegal actions. Minutes of the executive session must be recorded, but are not subject to public disclosure. Act 605

provides for other types of discussions to be closed, but were not discussed in this meeting

Open Records:

- a. Every record made that relates to the business of the department or is prepared on the department’s machines is subject to “open records”. This includes drafts, sticky notes, computer data, email and the like.
- b. Data is “open” if it is in a readable format, such as Excel, Ascii. However, the department is not required to produce data in a certain format that is not a part of the department’s regular data reporting.
- c. Requester’s cost for paper copies is \$.10 per page
- d. Charges assigned by the department for gathering the requested information should be a net wash—should not be a “money-maker” for the department.

Clarification - SHBP Retiree Policy Discussion/GSRA’s May Newsletter

GSRA reported in the May newsletter that the Community Health Board adopted a new premium subsidy policy affecting future retirees. The issue mentioned in the May newsletter was “at what point” would the Medicare retiree be required to increase his/her premium cost for dependent coverage to 45%, leaving the state to contribute only 55% (or the same percentage as active members’ premiums) toward the premium.

State Health Benefit Plan Division Director Trudie Nacin has clarified the policy. The resolution did not intend to affect current retirees. The new premium subsidy rate will apply to future retirees who—as of January 1, 2012—did not have five years of service.

The Community Health Board’s Resolution also provided that the policy did not create any contractual relationship. Therefore, the Board can adopt a new policy affecting retirees at its discretion.

Local Chapter News

NE Metro Meets August 14th

The Northeast Metro local chapter will meet August 14th at the Golden Corral in Lawrenceville, located at 2155 Riverside Parkway, off GA 316. The restaurant phone number is 678-442-8677. We will eat at 11:30, but plan to arrive by 11:15. An area is reserved.

This meeting is intended to be a Meet-N-Greet social meeting. However, we will provide a brief update about our experience with the new Advocacy System during this year’s legislative session. Please commit to bring other retirees to the luncheon. For every member who brings a new member, BOTH will receive a free GSRA coffee mug.

Golden Isles

The Golden Isles local chapter held its Meet and Greet in April at The Strike Zone in Brunswick. B J Bennett, GSRA Past President and current Treasurer gave a presentation regarding GSRA, legislation, and health care

issues. New board members Henry Ansley, Craig Brack, Bob Manor, Barry Cooper and Patrick Thornton were also elected at the meeting.



New Golden Isles board members Patrick Thornton and Henry Ansley with BJ Bennett

SW Georgia

At its May meeting, the Southwest Georgia local chapter members were updated on the 2012 Legislative session by Senator Freddie Powell Sims and Representatives Carol Fullerton, Winfred Dukes and Gerald Green. The legislators discussed Senate Bill 402, HB 297, Dead Peasants legislation, State Health Benefit Plan funding, reapportionment and the State budget. We learned that reapportionment will be a major issue impacting South Georgia as this area continues to lose representation with population shifts to metro Atlanta. The legislators responded to questions from the audience, encouraged them to stay involved and asked members to keep them informed on their concerns.



Representatives Winfred Dukes, Carol Fullerton, SW Georgia President Bob Pollock, Senator Freddie Powell Sims and Representative Gerald Green at the recent SW Georgia meeting

Valdosta

The Valdosta local chapter met on May 8th at Ryan's restaurant. Some 30 members enjoyed fellowship and lunch before Sally Mason called her first meeting as chapter president to order and introduced Senator Tim Golden, Chairman of the Senate Retirement Committee. Senator Golden spoke about the 2012 session and mentioned several items important to him that passed or

were funded, including the new Health Sciences and Business Education building at Valdosta State University, funding provided for a medical residency program at hospitals in the region and reinstatement of the state sales tax holiday in the budget. He also related how he had continued to work to get House Bill 297 on the Senate calendar and commended GSRA for its efforts which led to Senate passage and signature by the Governor.

Turning to the main topic of the meeting, Senate Bill 402, Golden said that his late father, Frank (a founder of the Valdosta GSRA local chapter), and his mother were members of ERS, giving him a vested interest in keeping the retirement systems sound (he felt they are). He detailed the considerable effort and research he conducted about the alternative investments issue and described the trends facing ERS, including fewer active employees, lack of pay raises and furlough days, which impact the stability of ERS. His conclusion was that, if done right, use of alternative investments by ERS can generate higher returns. He described Senate Bill 402 as having a "hard cap" of 5% which could only be changed by legislative action. He also applauded the House amendments made to the bill to provide for transparency and as complete information as possible for these investment vehicles. In closing he said he understood retiree concerns and said that if his father were still alive he would be "questioning me about this bill, too."

Workplace Wellness Programs (Health Affairs Policy Brief – April 2012)

Research literature indicates that wellness programs reduce health care costs. Thirty-six studies in large firms found that costs fell by \$3.27 for every dollar spent on wellness. Employers provide inducements to participate by reducing premium contributions; however, surveys show that 80% of US employers plan to use penalties through higher premiums for failing to participate. The Affordable Care Act of 2010 (also known as the Patient Protection and Affordable Care Act) will, as of 2014, expand the employers' ability to reward employees who meet health status goals.



Member Spotlight

Harvey Nation is this month's GSRA Member Spotlight. Harvey began his career with the Department of

Offender Rehabilitation in 1973, moved to the State Crime Commission in 1976 and then on to DHR in 1978. Thanks to his father, Sam, who worked in an

IBM mainframe shop for a manufacturer in Alabama and who's only career advice was the one word "Computers!" and thanks to his early exposure to SPSS (Statistical Package for the Social Sciences) and the Emory Computing Center in his second job at DOR in 1975, he ended up following his father's advice, which eventually led to his career in Information Technology. He retired from DHR in June, 2005 after 34 years of service and attended his first ERS Board of Trustees meeting later that same month and has attended most of their meetings since. He is proud to be a founding member of GSRA with Member Number 5. He has been the Webmaster for GSRA and a member of the state board since its founding in 2006. He and his wife, Susan Berry, live in Dekalb County and have two daughters, Shelley, a mechanical engineer with Eaton Corp. in Minneapolis and Amy, a nurse with Rockdale Medical Center in Conyers. We asked Harvey to answer the following questions related to his public service career and retirement.

Q – What was your first job in state government? Why did you want to work in public service/state government?

A – My first position in Georgia government was as a Research Assistant in the Department of Offender Rehabilitation. I was working on a federal grant at Walker Correctional Institution outside of Lafayette, GA. After graduating college I visited a friend in Atlanta to look for jobs in the private sector but while I was here I put in some applications at the Merit System as a Plan B. I was back home in Birmingham when my mother told me I had a call from a man in Lafayette, Georgia about a job opportunity. Plan B worked!

Q - Did you have a role model or mentor in your public service career? If so, who was it and how did they help?

A – In 1978 I moved from the Criminal Justice Statistics section of the State Crime Commission to the Planning and Evaluation unit of the Department of Human Resources. It was there I met my mentor, Rick Wingo. After a reorganization we ended up together in the department's Budget Office. Those were the days of zero-based budgeting (ZBB) and budget director Dotty Roach needed someone to manage the new Budget Development System, which was designed to crank out all the ranked budget packages for the massive DHR budget. Rick was a student of management; the first

person I ever knew who had a personal subscription to the Harvard Business Review. He took me under his wing and coached me the rest of my career. Rick was also the first person I worked with who understood what a good deal the Old pension plan was and encouraged me to “stay the course.” I am certainly glad I took his advice.

Q – What’s the biggest challenge you faced in your public service career?

A - Y2K: While at the DHR Budget Office I started taking courses in computer science at GSU. This led eventually to an MBIS in '83. It also led to a stint in the DHR MIS unit, the DFCS MIS unit and to the Office of Aging MIS unit where I spent a “fun” dozen years developing their statewide information system. In 1996 Commissioner Olmsted decided all of the DHR IT units needed to consolidate. In 1997 I was selected to be the Information Systems Unit Chief for the department. No sooner did we get the unit formed than we had to start ramping up our Y2K efforts for evaluating every application and either remediating systems or replacing them with new systems. It was a wild time! However, thanks to the efforts of the whole team and a lot of dollars for outside help, we made it without any major glitches.

Q – What was the best thing about your public service career?

A – The people. Over the years and around the state I made so many good friends in all areas of state government who were intent on doing a good job for the people of Georgia; all making the State a great place to live and raise a family, people who were loyal to the State and proud of their service to the State.

Q – What was the worst thing about your public service career?

A – The attitude of people in the private sector that somehow public employees were inferior in capabilities. I recall the management literature in the early 90's pointing to Japan as the culture where the best people were in the government sector, opposite the US culture. My experience was that there is no real difference in public and private sector employees.

Q - What do you think is the biggest change in state government we will see in the next 10 years?

A – Thanks to private sector shenanigans we are already seeing a huge impact on staffing levels and

benefit cuts across all departments. Unless this trend changes I expect we'll see shorter stays in state service and in the long run fewer people retiring from State service. As fewer employees are paying in to the pension fund and more people retiring this will put a lot of pressure on the fund and the Board of Trustees. The institutional memory of state government will get shorter and shorter. The General Assembly is already forgetting what promises were made to employees in years past. GSRA needs to preserve these promises as well as advocate for benefits for active employees to keep Georgia government strong.

Q - What have been your favorite hobbies or activities in retirement?

A – My number one goal in retirement is to keep breathing so I spend a lot of time exercising. I enjoy a lot of outdoor activities but my favorite is sailing. We recently bought a cruising sailboat on the Florida coast so now that our youngest daughter has graduated college and has a job I'm hoping to sail the coast of the Southeast and The Bahamas pursuing adventure while I still can. Volunteering with GSRA has been another big part of my retirement for the past five plus years and it has been very rewarding. I also like to help friends with any computer issues they experience.

Q – What makes retirement rewarding for you?

A – Volunteering: My motto is Be Good, Do Good. It's not all that exciting but I think the world would be a better place if we all would do that. I do a lot of community work, give blood to the Red Cross regularly and try to help my elderly neighbors when they need it.

Q - What is the biggest challenge you see for state retirees in 2012 and beyond?

A – Recruiting GSRA members. I wish we had 50,000 members instead of 5,000. That's not bad for a five year old organization but I know that we have 100,000 potential members. Another challenge is sharing the workload. We have relatively few members carrying the load for the entire organization. We need more members stepping up to do small portions of the work so everyone gets to enjoy their retirement. I encourage all members to think about what they can do for GSRA. With the technology we have today location (proximity to Atlanta) is not an excuse for not being involved.

Q – How do you think retirees could address that challenge?

A – Get involved with local chapters. If there's one in your area go to meetings and volunteer to find more members. If there's NOT one in your area ask for help from the state organization to start one. Give the gift of membership to people you know who are retiring. Print out a brochure, make copies and take some to any local events where you might run into other retired, or active, employees or teachers. If you happen to meet someone who is not a member, direct them to our web site www.MyGSRA.com. Go through your email address book and send an email to anyone you know who is eligible for membership. Encourage your spouse to join. Let your local legislators know you exist and that you have voting relatives!

GSRA New Members in May

Name	County	Name	County	Name	County
Vivian Amason	McIntosh	Barbara Flanders	Laurens	Gloria Miller	Burke
Gregory Brown	Fulton	David Freedman	Cobb	Janice Parker	Tattnall
Nancy Bruce	Oconee	Bonnie Garvin	Jenkins	Kimberly Pipkin	Glynn
Carol Burgess	Dekalb	Karen Hampton	Fulton	Debbie Reece	Paulding
Sharon Carson	Chatham	Cenie Jackson	Cobb	Marilyn Reid	Dekalb
William Couch	Newton	Gloria John	Chatham	Wanchianillie Roberts	Hancock
Cameron Craig	Laurens	Michael Johns	Forsyth	Patricia Smith	Clayton
Mildred Daniel	(PA)	Jayne Jones	Laurens	Lillian Taylor	Tattnall
John Erbele	White	Betty Lance	Houston	Jackie Whittle	Laurens
Frank Fields, Jr.	Laurens	Donna Martin	Fulton		

GSRA *Endorsed* MEMBER BENEFITS



- Long Term Care / Home Health Care Insurance
- Cancer Treatment Policy
- Medical Air Transportation Services
- Final Expense Whole Life
- Medicare Supplement Plans
- Dental & Vision Plan
- Annuity
- Travel Discounts
- Computer Discounts
- Hearing Solutions
- Hotel Discounts
- Rental Car Discounts

For information on
benefits, call AMBA at
800.258.7041
or visit www.AMBA.info

