

GSRA Addresses ERS Board Regarding Impacts of Lost COLAs to Retirees

On Thursday March 15, 2018, five GSRA Board members spoke to the Employees Retirement System Board about issues of importance to GSRA members, specifically the impacts to ERS retirees after years of receiving no COLAs. The meeting was a special called Board meeting to consider changes to the 2015 Funding Policy for the ERS. The changes, along with analyses of the impact of the changes on the liability of the ERS pension plan, were originally presented to the Board by Executive Director Jim Potvin on February 15, 2018. In an unprecedented action, ERS Board Chair Lonice Barrett and Director Jim Potvin subsequently extended an invitation to GSRA to speak to the Board about the need for adjustment in retiree benefits. GSRA President Steve Herndon selected current GSRA members, BJ Bennett, Chuck Freedman, Jim Sommerville and Kip Mann to speak to the Board, with remarks limited to three minutes each. Their' remarks are included at the end of this article. In addition to the presentations by GSRA representatives, GSRA also submitted a 24 page document to the ERS board containing [75 individual testimonials from GSRA members](#) regarding the impacts that nine years of no COLAs have had on their purchasing power and lives.

Each speaker took the opportunity to address the Board on the critical importance of ERS retirees receiving a cost of living adjustment (COLA) as soon as possible. About 60 GSRA members also attended the meeting and after the meeting, many members expressed their positive feelings about the meeting and the fact that our membership had the chance to be heard by the Board on issues of importance. ERS Board Chairman Lonice Barrett expressed his thanks to the GSRA presenters for their passion and the manner in which they presented the retiree issues. He committed the Board to doing what they can for retirees at the April Board meeting.



President-Elect Jim Sommerville, GSRA President Steve Herndon, Past President BJ Bennett, Legislative Committee Chair Chuck Freedman and Past President Kip Mann at the ERS Board meeting

Since Chair Barrett had called this special meeting to finalize changes to the 2015 Funding Policy, Executive Director Jim Potvin reviewed two options that were presented and discussed at the February 15th meeting. These two options under consideration are to reduce the amortization period from the 25 years (closed period) to 20 years and to reduce the assumed 7.5% investment rate of return to 7.0%

Director Potvin explained that the 25-year amortization period is well within actuarial practices and to shorten the period would introduce additional risk. He recommended that the 25-year amortization period be retained. The Board voted unanimously to make no change in the amortization period.

Director Potvin then discussed the other funding consideration--a possible change in the investment return assumption which now stands at 7.5%. The Board voted unanimously to reduce the long-term target for the rate of

return / discount rate assumption from the current 7.5% to 7.0%. However, the changes will be made in increments of 0.1% (10 basis points) over a period of several years--in years where the actual investment return exceeds the target rate of return for that year.

As ERS Director Jim Potvin explained, "Reducing the rate of return / discount rate assumption has the effect of increasing the system's liability calculations. However, current projections show that no change to the rate of return assumption will alter the ADEC rates in the short term. In the longer term, of course, there is increasing uncertainty in our projections, but having the lower rate of return assumption should position the system to be a little better able to withstand and/or recover from future investment market downturns."

[You can refer to the ERS power point on the GSRA website for more details on the options that were presented and discussed.](#)

The next ERS Board meeting will be April 20, 2018, at which time a decision will be made about a possible cost of living adjustment and/or onetime non-compounding bonus payment. It is important that retirees attend this meeting to learn of the Board's action first hand. GSRA will issue a meeting reminder to encourage retirees to attend.



Some of the nearly 60 GSRA members who attended the ERS Board meeting

GSRA Representatives' Comments to the ERS Board:

GSRA President Steve Herndon: Mr. Chairman, members of the Board, Mr. Potvin and staff, thank you for the opportunity to address the Board for our some 50,000 retirees, families and beneficiaries. We thank you for your service and stewardship of the system that is the lifeline for retirees who faithfully served our state.

Today is a time of relative plenty for GA state government. We know that when revenues rise, there is greater competition for resources from all interests, and certainly the wants and needs outstrip resources. However, retirees only seek what they have traditionally received, deserve and have been promised. Retirees have played by the rules, served the state and earned their benefits - which are not a gratuity. Retirees served under the motto, "Wisdom, Justice, Moderation", adopted as the state seal in 1799. Historians have said that the "Moderation" virtue was meant to apply to the executive branch of government.

Retirees understood that state government was not a workplace with the highest salaries or the easiest work. Imagine the work of a CO, caseworker or Trooper. Retirees readily accepted state employment, partially because of the reliability of the state as an employer and the promise of a decent retirement benefit for those who worked and paid into the system long enough.

In recent years, our retirement benefit has greatly eroded. We appreciate the reliability of our base benefit, and the support of the legislature and this Board for the onetime non-compounding bonuses we have received in recent years, but retirees have lost somewhere close to 30% of what they anticipated receiving in retirement, based on decades of experience of previous retirees. This erosion has hurt all, but particularly those with lower benefits, as they have been stuck at that level for about 10 years now - which represents a huge portion of their lives during retirement. No retiree will make up those losses. Yet, reduction and elimination of COLAs over the last decade have significantly contributed to the state's favorable current financial status and surplus.

We urge the Board to adopt such policies that can, with executive and legislative support, restore full and regular COLAs in the manner which retirees have planned for and expect. Continuation of another extended period such as the

last 10 years without full and regular COLAS does not seem fair, reasonable nor a moderate approach to supporting retirees, as they anticipated and deserve.

Thank you for your consideration.

Bobbie Jean Bennett, GSRA Past-President: Mr. Chairman, Members of the Board, and Executive Director. Thank you for listening to us today about our requests for adjustment in our retirement benefit.

I served the state for 38-years and retired as a Commissioner of the State Merit System. As such, I was privileged to serve on this Board in the 1990s. I therefore appreciate your fiduciary responsibilities to maintain the soundness of the retirement plan while addressing the needs of the retirees. Today we ask you to balance those needs and the financial aspects of our pension system.

State government exists for the purpose of serving and protecting its citizens. In order to do that, a wide range of education and skills is required in the workforce. Some of those diverse disciplines are: all medical disciplines, engineering, police and investigative, financial, management, technology, skills for staff support, and other workers. It is not sufficient just to hire these individuals, their competency and efficiency depends on the ability to train and retain these individuals. And that takes the joint efforts of leadership and future promises to the workforce. As a general rule, all employees' needs are the same – to receive adequate pay while working and to save for the future.

I and many other employees devoted our lives to serving the citizens of this State. It was not just an occupation, it was a calling to serve. When we interviewed persons applying for state employment, we explained that our salaries were not at market level – but that they would not starve either. We explained that the compensation package included a long-service view--a trade-off between current pay with future benefits of long-term security and safety. Historically, the profile of state employees was a cadre of persons concerned for people and about public service. These individuals saw the value of the tradeoffs between the combination of current and future lifetime pay.

Throughout the retirees' working years, they received printed materials and explanations that seemed to promise adjustments in retirement benefits so as to maintain one's purchasing power. In addition, they knew that the State had, by policy, provided these adjustments after retirement throughout their careers, regardless of the difference between actual and implied legal contractual issues.

This year, the State's revenue is much above projections. As a group, we are asking the Board to recognize the dire needs of our retirees and approve an adjustment in our retirement benefit.

In closing, I mention my only living aunt for whom I am her POA. At age 84, she has been moved to a Memory care unit in Bethlehem. The facility cost is \$72,000 with an expected inflationary cost of 2% each year. This cost does not include prescription drugs, medical cost sharing, or personal care items. Therefore, all saved resources will be exhausted within a few short years—and before the end of her expected life. If she had been awarded the COLAs during these 10 years, her total income would cover most of the cost. Again, I ask for your support and thank you for your consideration of our requests.

Charles (Chuck) Freedman, Legislative Committee Chair: I was director of program evaluation and management services in OPB, retiring in 2003 with 34 years of service. Thank you for the opportunity to address you today and for your hard work and dedication in maintaining the integrity of our pension fund. But as you have a fiduciary responsibility¹ to do that, we see you as also having a moral and ethical obligation to protect our purchasing power.² Yes, there are constraints to legislative intent, but we see it as your responsibility to represent us and to provide for us as we understood you would when we began our state employment and through our subsequent years of dedicated service. Those of you with state service know exactly what I mean: you were told this when you first came to work and most of you probably told the people you wanted to hire the same thing.

We have heard many times your reluctance to ask for the requisite COLA funding because you feared the General Assembly might not fully fund the ARC (ADEC). We believe it your job to ask anyway – to represent US! – to represent us by providing for us the same way the TRS board provides for its members – and let the General Assembly

make its own decisions.³ And we need you to begin prefunding the COLAs so that we do not have to fight this battle every year, caught between your excuse that there is no money in the budget and the General Assembly's excuse that you have not asked for the COLA.

Your members worked for low pay for decades with the promise they would be rewarded with their retirement benefits. Yes, we have been told there is nothing in writing that is legally binding, but that is not the word that was given or the practices that were followed that resulted in justifiable expectations. Your people fulfilled the expectations placed on them and now we need help that only you can provide, and which we believe is your responsibility to provide.

We ask that as you deliberate about numbers and what they mean, that you keep in the front of your minds that your decisions gravely affect PEOPLE'S lives and welfares. To help you with this we have provided you descriptions from some of your members of the hardships we are encountering as a result of past decisions to withhold COLAs.

We have heard many reasons for our ten-year plight, most of them blaming the 50,000 of us for the conditions causing it. We disagree with those assessments and have our own thoughts as to the causes of our current condition. But fighting the blame game won't do anything to get the ship back on course. So we ask that finger pointing be put behind us and that you begin helping us today, next month, and the years ahead.

All retirees are seeing their lifestyles downgraded every month. The CPI is up almost 18% since our last limited COLA, an average of 2% per year. It is expected to get worse, perhaps much worse in the near future. Housing, food, used and new cars, auto insurance and gasoline are among items with dramatically increasing prices. But even those examples do not adequately reflect the increased costs experienced by the elderly, starting with dental and medical care. Many retirees cannot afford dental policies. Even if they can, no dental policy adequately covers the staggering costs of gum surgery, bridges, implants, root canals, extractions, plates, etc., meaning that many retirees suffer from not being able to afford the potentially tens of thousands of dollars for necessary dental work. Thankfully, the costs for the SHBP have generally stayed relatively constant the last three years, but before that, premiums and out-of-pocket costs rose faster than CPI – and pharmaceutical costs have jumped dramatically. Younger retirees have been vulnerable to surprise billing from hundreds to tens of thousands of dollars.

The most senior and vulnerable retirees are faced with the staggering costs of assisted living, memory care, skilled nursing care, and full-time caretakers. Metro Atlanta assisted living can cost over about \$75,000 per year. Memory care is around \$20,000 a year more. A full-time care taker costs roughly \$175,000 per year. To adequately safe-guard against these steeply rising costs, long-term care insurance taken out at age 60 may cost more than \$4,000 per head, and the cost of that has been increasing greater than inflation also, over 15% in just two years.

All of your charges are seeing their standards of living eroded through the deadly combination of skyrocketing costs and fixed income. But many of your members are in downright jeopardy. Many of us have exhausted credit options and must forego essential goods, services and/or care. We are desperate. Only you can help us. Please, please, do so.

Notes

1. A fiduciary is a person or organization that owes to another the duties of good faith and trust. The highest legal duty of one party to another, it also involves being bound ethically to act in the other's best interests. (Investopedia.com)
2. ...the board of trustees is authorized to adopt a method of providing for postretirement benefit adjustments for the purpose of maintaining essentially no less purchasing power for a beneficiary in his postretirement years." (OCGA 47-2-29)
3. Paragraph 1. (a) Property held by the retirement systems is not held for the benefit of private citizens; it is held for the benefit of public employees for whom the General Assembly has created retirement systems. (Arneson *et al.* v. Board of Trustees of the Employees' Retirement System of Georgia *et. al.*)

Jim Sommerville, GSRA President Elect: Chairman Barrett, Members of the Board and Executive Director. Thank you for your service to our State and your efforts to date to manage the ERS for the benefit of retired state employees.

My name is Jim Sommerville. I retired after 34 years of service as a Branch Chief of the Georgia Environmental Protection Division within the Department of Natural

Resources. I had the pleasure and honor of serving under the leadership of Chairman Barrett and Mr. Reheis during my career.

I recall attending a mid-career workshop put on by the ERS staff. Two things that were said in that course have stuck with me ever since. First, the ERS staff member said that our pension benefit was guaranteed from the day we retired until the day we died. The second thing they said was that we could expect to receive a Cost of Living Adjustment (COLA) of 1.5% every January and July pending approval by the ERS Board. The ERS representative said that while the Board had to vote to approve the COLAs, it was just a formality and that the Board had never voted not to approve the COLA. That was true for approximately 40 years until 10 years ago.

I want you to consider that the median benefit payout is approximately \$21,000. That is less than \$1750 per month or approximately \$435 per week. Please note these amounts are prior to taxes and health insurance being deducted from the benefit check. Imagine having to live on less than \$75 per day. On Monday of this week, I went to the pharmacy to pick up one of my maintenance drugs for high blood pressure. My cost out of pocket was \$250. On Tuesday, my car mechanic told me that my car needed 4 new tires at a cost of \$650. Imagine if you had to choose between getting new tires or buying food or paying for needed medicine when you are living on less than \$450 per week. Ten years of no COLAs have adversely impacted our members' standard of living.

In closing I want to leave you with this. Governors come and go, legislators come and go but the needs of the state retiree do not. In fact they continue to grow with each passing year. I urge the Board to restore the buying power of our retirees through the approval of a COLA for this year and to take steps to reestablish an annual COLA of 3% in 2019 and each year thereafter.

Kip Mann, GSRA Past President: I retired in December of 2003. I was president of GSRA for the past two years. A social worker by training, a manager by experience, I have become a master at accomplishing more with less for 34 years in state government and 14 years in retirement. I fully

understand the dedication and service of state employees. I have seen them do whatever it takes, and to work across department lines to make services better than limited state funds would have allowed otherwise.

I have also developed a fuller understanding and appreciation for ERS's duties and responsibilities.

Insuring the continued soundness of the retirement system while maintaining individual retiree's benefits, without incurring excessive cost to the State, is much harder than I first thought. Sometimes these responsibilities seem to be at cross purposes.

GSRA **wants** the ERS retirement system to remain financially sound, but we **want** to see a return to the practice of the granting of COLAs to keep our benefits from eroding due to rising costs and expenses.

Understand, most if not all, ERS retirees and GSRA members **think** that a return to the granting of annual COLAs of 3% is what retirees were promised and what we need. I and others in GSRA have come to realize, however, that **wants** and **needs** are not the same; while I might **want** to see a COLA, I **need** to see the ERS retirement system continue to be financially sound, but retirees **need** to keep pace with ever-increasing costs of living. For those with smaller annual benefits, **wants** and **needs** are almost the same thing.

In the past several years we have worked with ERS, the Governor's office, and legislators to advocate for assistance in helping ERS meet the **needs** of its retirees. Together we've begun the process: For the past two years funds have been made available thru the state budget process to assist with a one-time adjustment to retiree benefits, and the 2019 House budget includes wording for a third one-time adjustment.

- You, the Board, have approved the granting of one-time adjustments for the past two years and taken action to make this happen.
- GSRA, however, continues to advocate for funds necessary to provide for a 1% prefunded COLA this coming year.

Given the current financial status of the fund, possible market volatility, and the amount of money required to return the fund to the position of granting 3% COLAs, we

advocate and recommend that the Board of ERS award a 1% COLA in July of 2018, adopt an interim policy for the **prefunding** of an annual COLA of some amount for all ERS retirees beginning in July of 2019, and work to return to the

granting of full 3% COLAs as circumstances permit. We look forward to continuing to work together. Thank you!



Steve's View: GSRA is Busy for Retirees!

As winter ends and we look forward to spring, GSRA has been busy for retirees! The legislative session is almost over, the Employee Retirement System Annual Board meeting where benefit changes are considered will soon take place. Many GSRA members have been busy in a variety of activities. Some members have been sick and look forward to warmer weather and being able to get out and about! Thank you for your support of the activities your GSRA has planned and delivered - and thanks to the volunteers that make the events happen.

Since late January, when we met at the capitol for our Annual GSRA Day, members have responded in sending many emails, letters and calls to members of the House and Senate regarding issues of importance to retirees. The session is almost over but our work is not done!

As you have read further up in the Newsletter, GSRA was given the opportunity to speak to the Employee Retirement System Board about issues of importance to us. I want to thank our GSRA Board Members for their time in preparing to represent you and speaking directly to the ERS Board about our critical need for a cost of living adjustment. BJ Bennett, Chuck Freedman, Jim Sommerville, Kip Mann and I feel fortunate to have represented GSRA and let the Board know as honestly and earnestly (but respectfully) about how harmful the erosion of your purchasing power is and how much you need a benefit adjustment! We believe our comments were well received. In addition to our remarks, we provided the

Board and Mr. Potvin with a compilation of about 75 statements submitted by members on how the lack of COLAs has harmed their individual or family circumstances. We hope this will be the first of other opportunities to speak with ERS on your behalf and we thank the 60 or so GSRA members who showed up in person at the meeting to show their support for GSRA and to demonstrate their own interest, as retirees, in what ERS does.

As much as retirees need a regular cost of living adjustment, we have received good support again, from the House Appropriations Committee under the leadership of Representative Terry England, who communicated the expectation for a "13th check" bonus to the ERS. Once again we have benefitted from good work done by many people too numerous to name but in particular, Chuck Freedman, Chair of the GSRA Legislative Committee has done a great job in representing retirees with the legislature and keeping us all informed of needed actions to support our agenda.

At this time we are awaiting what action will be taken in the Senate and then by ERS. Thank you for your effort in responding when GSRA sends out a call for action.

We wish a pleasant spring for all retirees. Following the legislative session our attention will turn to the coming election season, and then in the fall, the Annual Meeting, which this year will be held at the Anderson conference center in Macon.

Steve



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Endorsed GSRA Benefits

The Georgia State Retirees Association (GSRA) makes many member only benefits available to its members. GSRA endorses the following member benefits:

- Long Term Care / Home Health Care Policy
- Life Insurance
- Medical Air Services Association (MASA)
- Travel Discounts
- Car Rental Discounts
- Tax-Deferred Annuity
- Cancer Treatment Policy
- Medicare Supplement Insurance
- Identity Theft Protection
- Hotel Discounts
- Computer Discounts

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This credit union is federally insured by the National Credit Union Administration.

APCU partners with Members Wealth Management, a financial services program, to help our members with financial planning, investments, insurance, as well as retirement and estate planning strategies.

APCU has invited Sharen Roman, a Managing Associate with Members Wealth Management, to offer a great workshop, "Money Talk 101," at GSRA. This seminar is designed to facilitate conversations around financial milestones for retirees.

Topics will include:

- ★ The importance of setting financial goals
- ★ Understanding your current financial position
- ★ Preparing for a successful retirement
- ★ Income tax considerations
- ★ What your loved ones need to know

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