

2019 Annual Meeting
October 7-8
Unicoi State Park Lodge
Be There!

Are Financial Woes Coming for SHBP?

The Department of Community Health (Board) gave members of the State Health Benefit Plan (SHBP) good news with NO Premium increases or Benefit changes in CY 2020. However, along with the stability in premiums and benefits, the winds of change are rumbling with reductions of \$235 million to the SHBP in June 2019, reduced State employer rate (projected at \$32.2 million less funding) beginning July 2019, SHBP CYs 2020-2021 budget information provided to Governor Kemp, and the requirement to begin including Other Post Employee Benefits (OPEB)¹ liabilities on department and school system financial records as of June 30, 2019. The good news is that for the last few years, revenues to the SHBP and

controlled medical costs have allowed accumulation of assets to offset a portion of SHBP OPEB liability. However, all fund balance assets can be “wiped” out quickly—just as they were in FY 2009-2010—leaving large increases for members to pick-up in increased premiums and/or reductions in benefits.

How healthy is the SHBP? Revenues and Expenses for FY 2014 through FY 2019 are reflected in the table below, along with the assets that are reported to have been set-aside during FY 2016 through FY 2018 for the OPEB Trust funds. The Office of State Accounting (or DCH) has not yet reported the assets set aside for OPEB liabilities as of the end of FY 2019.

SHBP Major Financial Components (Thousands)²

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020 Projected	FY 2021 Projected
Revenues	\$3,139,865	\$3,067,511	\$3,211,345	\$3,475,589	\$3,709,799	\$3,834,759	\$3,503,774	\$3,767,230
Expenses	2,770,550	2,703,332	2,807,581	3,006,639	3,160,257	3,349,852	3,628,411	3,987,017

¹ OPEB liabilities are future retiree health care benefits.

² From DCH budget reports to DCH Board and/or General Assembly

Surplus/Deficit	\$369,315	\$364,179	\$403,764	\$468,950	\$549,542	\$484,907	\$(124,637)	\$(219,787)
% Change in Revenue		-2.30%	4.69%	8.23%	6.74%	3.37%	-8.63%	7.52%
% Change in Expense		-2.43%	3.86%	7.09%	5.11%	6.00%	8.32%	9.88%
SHBP Fund Bal.(including OPEB Assets)	unknown	unknown	\$1,164,533	\$1,858,444	\$2,407,986	\$2,892,893	\$2,768,256	\$2,548,499
Office of State Accounting - OPEB Assets (Thousands)³ Carved from SHBP Fund Balance								
OPEB State	-		\$101,450	\$956,373	\$1,201,865	Incomplete		
OPEB Teachers	-		30,853	260,533	383,263	Incomplete		
Net SHBP Fund Balance			\$1,032,230	\$641,538	\$822,858	Incomplete		

It is helpful to reflect back to earlier years to see how the financial components have varied. At the end of FY 2012 (not shown above), the SHBP Fund Balance was \$16 million (less than two days of claim expense). During the FY 2009-2010 years after the economic downturn, fewer funds than were required for claim expense was appropriated for the SHBP and almost \$1 billion in reserves was depleted. In FY 2012-2013, total expense of the SHBP was ranging around \$2.8 to \$3 billion per year—more than was expended in any year from FY 2014 to FY 2017. A substantial member premium increase was passed along to members in FY 2013; benefits were dramatically restructured in January 2014 with a large increase in out-of-pocket cost to members at the point of medical service. In addition, some options came with premium increases. All of these changes resulted in fluctuations in SHBP claim cost and premium revenue during the next several years..

As shown in the SHBP Major Financial Table, the percentage change in revenue has been, for the most part, positive as a result of increases in member premiums and in

employer rates for school systems. The FY 2019 percentage change in revenue was lower than in previous years. However, it represents “no increase” in member premiums for 1/1/19 and the \$235 million forgiven employer contribution payment during the month of June 2019. Even with the reductions in SHBP revenue for FY 2019, it was still \$485 million greater than expense. The revenue pictures for FY 2020 and FY 2021 are not projected to be as rosy. As the table shows, revenue for FY 2020 is projected to decrease 8.63%, partly as a result of a reduction in the State contribution for State employers from 30.45% to 29.45% of salaries (valued at \$32.2 million) and for other unexplained items.

As DCH has indicated in their budget reports (actual revenue and expense for FY 2014 through FY 2019), SHBP expense has steadily increased without substantial change in the benefit structure since January 2014 and the approval of HMOs in January 2015. DCH did not provide any reason for the substantial increases expected in expense for FY 20 (8.32%) and FY 21 (9.88%). Even with the projected

³From Comprehensive Annual Financial Report (CAFR).

increases and deficits, the overall fund is projected by DCH to have sufficient reserves during these two fiscal years to cover expenses. However, one should be vigilant in reviewing what is happening with the SHBP since very little information about the finances of the plan on a regular basis is available and a “replay” of FY 2009 and FY 2010 reductions are not beyond the realm of possibility.

The final point about the health of the SHBP is about funding OPEB liabilities for retirees. The State has opted to pay retiree health care expenses on a “pay-as-you go” basis; however, the total actuarial liability must now be reported on the State’s and School Systems’ financial statements. In March of 2008, the FY 2009 OPEB liability was projected at \$19 billion. Since this time, the total liability has been reduced to about \$16.9 billion as a result of several changes in policy and methodology, Two of these policies are to

require all retirees to enroll in a Medicare Advantage plan (or pay a very high premium) and to modify the rate at which the SHBP will subsidize member premiums from around 75% to 0% depending upon length of state/school system service. Effective for FY 2019, the Governmental Accounting Standards Board (GASB) requires that each employer include its relative portion of the OPEB future liability in its financial records. OPEB reporting is much like the process that is required for future liabilities of a retirement plan. The actuarial firm that completed the projections for the SHBP reports the liabilities as shown below for FY 2019 although the CAFR lists these same amounts as of June 30, 2018. FY 2019 is apparently a transition year for each employing entity who must report their respective liabilities.

OPEB Liability - SHBP		
	FY 2017	FY 2018
State	\$4,706,971	\$3,817,453
Assets	956,373	1,201,865
Net Liability	\$3,750,598	\$2,615,587
Schools		
Schools	\$14,508,999	\$13,092,956
Assets	260,533	383,263
Net Liability	\$14,248,466	\$12,709,693
Total OPEB Liability SHBP		
Total Liability	\$19,215,970	\$16,910,409
Assets	1,216,906	1,585,128
Net Liability	\$17,999,064	\$ 15,325,280

All entities (Office of Accounting, the State Auditor, and the actuarial firm) report that the SHBP has set aside \$1.6 billion (a portion of the SHBP Fund balance) in assets for funding the retiree OPEB liabilities. With the total

liability at \$16.9 billion and net liability (after assets) at \$15.3 billion, about 31.5% and 2.9% of liabilities are funded for the State and School Systems, respectively.

State laws provide for DCH to transfer idle SHBP funds to the State Treasurer for investing. However, when legislation was approved for separate State and School OPEB Trust Funds, investment services were to be provided by the same group that invests the State and Teacher retirement funds. Subsequently, the State Treasurer and the Division of Investment Services (DIS) in conjunction with the DCH Commissioner approved an investment policy for the OPEB trust assets. As of June 30, 2019, the Treasury department reported an investment balance for the SHBP at \$411,910,290 some 26% of the OPEB assets. GSRA has questioned DCH about the total invested funds since it would seem that all of the \$1.6 billion should be invested, especially since a total of over \$2 billion (as reported) is available for investment (short and long term).

In conclusion, the SHBP appears to be “safe.” However, it is easy for conditions to change quickly. Vigilance about funding is required. In addition, members should be aware that DCH intends to solicit proposals for administering the SHBP with implementation in the CY 2021 period. New vendors may bring on new benefit arrangements, especially in the Medicare Advantage (MA)

policies, since it is an insured contract. Regardless, policies for the SHBP must provide for its major population—the active groups.



Jim's View: Another Milestone Bears Fruit

In late August in accordance with the Memorandum of Understanding (MOU) between the Employee Retirement System (ERS) and GSRA, an email was sent out by ERS to all of those ERS members (active and retired) who were not currently GSRA members. The purpose of the email was to introduce GSRA to those ERS members. The email contained a link to GSRA's website.

The results from that email have been pretty good. Since the email went out, we have seen a significant increase in the number of "clicks" to our website and approximately 200 new GSRA memberships. We are excited to have so many new members join GSRA!

So to all of you who are receiving a GSRA newsletter for the first time, welcome to the only organization that advocates on your behalf. We welcome your support and participation in our many efforts to ensure that you receive the dignified and comfortable retirement that you were promised by the State of Georgia.

I am Jim Somerville and I have the honor of serving as the President of GSRA. I look forward to having an opportunity in the future to meet and talk with you about GSRA and our efforts to advocate on your behalf.

You may be asking yourself how you can become active in GSRA or help in our many legislative and lobbying efforts. A great way to learn more about GSRA is to go to our website and find a local chapter that may be within driving distance of you. Come to one of the chapter meetings and meet other retirees and learn more about GSRA. If there is not a chapter near you, you can go to our website to learn more about GSRA and how you might become a more active member.

Although it is rather short notice, I would encourage you, if you are able, to attend our Annual Meeting. The

Annual Meeting this year is being held October 7th and 8th at Unicoi State Park and Lodge near the town of Helen in Northeast Georgia. At the Annual Meeting, you will be able to hear from key state officials such as the Commissioner of the Department of Community Health, the State of Georgia Chief Financial Officer Greg Dozier and Jim Potvin, Executive Director of ERS. You can go to our website for further information on the agenda of the Annual Meeting and on how to register for the meeting. I hope to see many of you there.

An easy way for you to immediately help GSRA is by spreading the word about GSRA to fellow retirees or active employees whom you know are not currently GSRA members. Encourage them to join GSRA. There is strength in numbers and you can help continue the upward membership trajectory of GSRA.

On another note, we are continuing our efforts to have the annual cost of living adjustment (cola) restored for all retired state employees. I recently met with Representative Terry England, House Appropriations Chair, and spoke with Tim Fleming and David Dove, Governor Kemp's Chief of Staff and Executive Legal Counsel respectively. I have a meeting with Senator Jack Hill, Senate Appropriations Chair, in early October. We are continuing to talk with as many legislators as we can as we strive to build support in the General Assembly for the restoration of the cola.

Thank you for your support of GSRA. Your support can and does make an impression on the state legislators and the leaders of the executive branch of state government.

See you at Unicoi.

Jim

Local Chapter News

East Metro

The East Metro chapter met at the First Baptist Church Annex in Covington at noon August 19 with 41 members and guests present. After being treated to Teresa Belcher's BBQ and banana pudding, President David Taylor introduced special guest speaker, Senator Brian Strickland of District 17. Senator Strickland is an Administration Floor leader, a member of numerous committees including Appropriations, Banking and Finance, Ethics, Higher Education, Judiciary, and he serves as an Ex-Officio member of State and Local Governmental Operations. Prior to being elected to the Senate in 2018, he served in the House. Senator Strickland covered several issues and priorities in which he was involved the last session and entertained questions after his presentation.

President Taylor then introduced B.J. Bennett and Kip Mann who updated members on issues of concern such as health insurance, membership recruitment initiatives including an MOU with ERS and ongoing efforts to restore COLAs. Members were encouraged to attend the Annual Meeting to be held at Unicoi State Park Lodge in October.

As always, door prizes at East Metro are a treat and a number of nice prizes were awarded to members with one of the most popular set of items being handcrafted wooden bowls and cups made and donated by Richard Roberts.

Silver Sneakers is Not Going Away!

Some GSRA members may have heard a rumor that the Silver Sneakers program is going away in 2020 for UnitedHealthcare Medicare Advantage Plans. While it is true that UHC is discontinuing Silver Sneakers for individual MAP plans, it is not discontinuing the program for group MAP plans, such as the SHBP MAP.



Senator Strickland address East Metro meeting

Savannah Coastal

The Savannah Coastal chapter held a joint meeting with the GPHSA Retiree Auxiliary on August 27, as part of the GPHSA Annual Training Conference in Savannah. Between the two groups, 47 persons attended the meeting.

Guest speaker for the meeting was Jim Potvin, Executive Director of the Employees Retirement System. Jim gave a comprehensive, informative presentation about the ERS Fund and everything that goes into the making of ERS pensions. He was candid, very responsive to questions and was well received by those present.



Jim Potvin provides the joint Savannah Coastal and GPHSA Retiree Auxiliary meeting with a presentation on the ERS Fund

Tri-County

The Tri-County chapter met Tuesday August 27, 2019 for its quarterly meeting at Roosevelt Institute. After a short business meeting, Carolyn McKinley, Executive Director Meriwether County Chamber of Commerce and Tourism, gave an informative and entertaining program highlighting

the 2020 census, TSPLOST vote and the Get Meriwether Reading program. After her presentation members enjoyed a delicious meal and a time of fellowship.



With a little help, Carolyn McKinley addresses the Tri-County chapter

SHBP Retiree Option Change and Open Enrollment

The State Health Benefit Plan (SHBP) Retiree Option Change and Open Enrollment for active members for CY 2020 both begin on October 21, 2019 and end on November 8, 2019. Although the mail copy of the SHBP Decision Guide has not been completely distributed, the [Decision Guide](#) is posted to the DCH website. The schedule of [education meetings](#) for retirees has also been posted to the website. The open enrollment site for SHBP enrollment requires the computer to have adobe flash downloaded.



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