

GSRA 2022 Annual Meeting

October 3-4

Lake Blackshear Resort

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WHAT “PREFUNDED” COLA? IT’S JUST LIKE TRS USES AND NOW WE HAVE ONE!

By Chuck Freedman

The ERS board conducted its annual meeting on April 21. The highlights are the following:

The board will award a COLA of 1.5% for FY 23. The amount is based on applying the formula developed by director Jim Potvin and ERS’s actuary, and approved by the board, to the variables specified by the formula.

- We believe that the actuary said that **similar COLAs to be determined by the ERS formula will be “prefunded” every year for the next 20 years** with \$150 million to be added to the actuarially determined employer contribution (ADEC) every year. **If so, that is a great gain for us.** (See below for an explanation why.)
- The actuary used a sophisticated statistical analysis method to estimate that the anticipated annual \$150 million prefunding would result in an **AVERAGE COLA over next 30 years of about 1.05% each year.** (We note that this is very close to the 0.86% average COLA that GSRA calculated that the

formula would have yielded for the fiscal years 2002 – 2023. GSRA used a much less sophisticated approach.)

Other items discussed were:

- The pension fund value is down about 2% this fiscal year. (The assumed rate of return to fully pay benefits is 7.3 %.)
- As expected, the number of retirees has just exceeded the number of active employees. This came about sooner than anticipated mostly because the number of active employees declined more quickly – there were 5,000 fewer employees in 2021 than there were in 2018.
- ERS had two major COLA goals. The first was to authorize COLAs for GSEPS retirees. As reported last month, GSRA’s desired provision was stripped from SB 343. The main remaining provision would increase the employer’s match of saved 401 (k) to

the extent that upwards of \$150,000 could be saved over an employee's 30-year career.

- The second major COLA goal, to award COLAs to eligible retirees, has been achieved through ERS receiving a substantial commitment from the governor's office, the general assembly, and others. ERS is moving forward with the strategy described above for implementing prefunded COLA. ERS has never had prefunding. It will not provide the full 3%, but will provide a starting point to an ultimate goal. This approach is less expensive than awarding COLAs ad hoc (directly from the pension fund without the ADEC formally including the cost of COLAs). The formula for determining COLAs is "dynamic" (It has several variables which change from year to year.) Director Potvin said that he "...Can't overstate how much had to come together ... to provide this unique opportunity."
- ERS is moving from a 25-year amortization to 20 years to allow for paying off liabilities that are "more aggressive."
- Projections assume the assumed rate of return will decline in three 0.1% steps to 7% as provided for by a recently approved funding policy.

The details of the new proposed funding policy incorporating the formula were presented.

- COLAs will be granted to eligible retirees who have passed normal retirement date by more than 12 months and who meet other narrow criteria.
- The board retains its *ad hoc* authority to provide whatever COLA it deems fit (implied reduce the COLA amount yielded from the formula) or to award a bonus.
- GSEPS retirees are not eligible for COLAs
- On motion, the policy was approved unanimously.

The actuary's report for FY 2021 included the following: (The report itself should be posted shortly in the ERS website at ersga.ga.gov.)

- The "transitional Unfunded Accrued Annual Liability will be "reset" over a closed 20-year period
- The size of COLAs will vary depending on the changes in the formula's variables.
- The funded ratio will decrease this year from 73.8 to 71.6%. (We will be asking why)

- The variable COLA will increase liabilities by \$1.6 billion. This increased liability is being pretty much absorbed this year and will not repeat. (Again, we don't know why.) This amount will be increased by the costs of this year's two bonuses (\$63 million) and the 0.1% reduction of the assumed rate of return (\$171 million). It will be decreased mainly by about \$770 million from actuarial rate of return and increased employees' salaries.
- The total projected liabilities including costs for the prefunded COLA will be \$5.7 billion over 20 years, or \$547 billion annually. (GSRA is seeking further information on how these amounts were derived and, in particular, how they have been impacted by the prefunded COLA.)
- Next year's report will have another line to include prefunding the FY 24 COLA.
- FY 2023 ADEC projections are for the following increases:
 - Old plan 19.92% to 24.6%
 - New 24.67% to 29.35%
 - GSEPS 21.59% to 25.5%
- The report was approved unanimously.

The calculation for the FY 2023 COLA from the newly approved formula was presented as 1.5%. It was approved unanimously.

Chair Niepoki thanked Director Potvin. She said the board was excited about the prefunding and employer match increases. She also said that the board seeks to maintain financial integrity of entire system and that Jim Potvin doesn't get much credit for that.

"Prefunding" COLAs is a term used by ERS to mean that at least the annually accumulated \$150 million will be included as continuation funding in OPB's and the governor's budget recommendation, and in the general assembly's appropriations bill. We ERS retirees will not have to fight for that money, and it will not show as improvement line items – as it did this year – to be picked off and used for some other purpose. Our fight will be "limited" to having the governor, OPB, and the general assembly add the amount of funds necessary to give us a full 3% COLA into the already established (continuation) prefund amount.

GSRA Strategic Plan Approved

By Jim Sommerville

In its April meeting, the GSRA Board approved the proposed GSRA Strategic Plan developed in conjunction with the Fanning Institute on Leadership at the University of Georgia.

Also approved at the April meeting were new Mission and Vision Statements for GSRA. The new Mission and Vision statements were also developed as part of the strategic planning process.

The strategic planning process would not have been as successful as it was without the tremendous feedback received from the member questionnaires and interviews. The thoughtful and frank answers to the questions you were

asked provided the Strategic Planning Committee with a firm understanding of GSRA's strengths and weaknesses. We sincerely thank those who participated for your strong support of GSRA.

GSRA will be rolling out the final results of the new Mission and Vision Statements and Strategic Plan in an upcoming issue of the newsletter.



Top of Mind: Rube Goldberg Kind of Session

By Beverly Littlefield

If you're around my age, you probably remember cartoonist Rube Goldberg's fanciful illustrations of complicated contraptions performing simple tasks in indirect, convoluted ways.

This is how this year's legislative and ERS Board activity surrounding all things retirement and pensions felt to me: a whole lot of "business" being conducted that, while convoluted, ultimately got us to a better place as retirees. But the whole process seemed unnecessarily complicated because of the elephant in the room. And that pachyderm's name is apparently that too many people in high places think that it will "cost too much" to make state retirees whole after 14 years of suspended post-retirement benefits. Never mind what the law says. But let me not dwell on that right now.

Instead, let's celebrate several really important things. First, the Governor signaled his support of retirees by including in his supplemental budget funding to increase the Actuarially Determined Employer Contribution (ADEC). This was the impetus leading to restoration, prefunding and a "jump start" for paying a COLA this year for ERS beneficiaries covered by the Old and New Plans.

GSEPS members got a boost to the matching funds for their 401(k) plans, and we applaud that "win", too. We were hopeful that the prohibition against a COLA for most current state employees (65% of the work force) would be lifted through the passage of SB343. At almost the last minute,

though, the one legislative initiative that would have made GSEPS retirees eligible for a COLA was derailed, when a substitute for SB343 was put through. The substitute bill increased the 401(k) match but nixed the COLA. Keeping the scorecard became a real challenge.

The most important thing in this "Rube Goldberg" scenario is that no legislation beyond the budget appropriation was ever necessary to restore our COLA. The really big deal, however, is that because of our education, communication and advocacy, and your participation, whatever happened in the Rube Goldberg world of the Legislature and the Employees Retirement System resulted in the adoption of a *formal change in policy* by the Board of Trustees of the ERS.

The formal change in ERS policy is the biggest news.

The Trustees approved the formula by which retirement fund conditions will be weighed against external economic factors to determine whether COLAs will be granted any given year. This is not our ideal solution, but it is a start.

The Trustees then voted to grant a 1.5% COLA *this year*, based on the monies appropriated through the Governor's budget initiative. Again, not ideal, but a start, and all successes worth celebrating.

So, your Board and Legislative team are catching our collective breath and planning our next steps. Our objective is to get commitments for even more funding to make a full and permanent 3% COLA a reality, sooner rather than later.

It is an aspirational goal, but one we believe possible to attain. We hope you will continue to work along with us to make the goal a reality.

Beverly

Local Chapter News

Tri-County

On April 26th, the Tri-County chapter resumed in-person meetings at the Roosevelt Warm Springs Institute. With 22 members in attendance, Representative Debbie Buckner provided an update and her perspective of the recently concluded Legislative Session.



Representative Buckner addresses Tri-County members

Get Involved and Vote!

Primary elections are May 24. Early voting starts this Monday, May 2. To build on the gains we have made in recent years, it is urgent that we do what we can to elect candidates who will support retirees achieving our goals. So learn where your legislative candidates stand on our issues and, at a minimum, be sure to vote for them.

Even better, do what you can to know the candidates and participate in their campaigns. As for the candidates for Governor and Lt. Governor, GSRA will be surveying them for their positions and inform you when we know.

New Facebook GSRA Business Page

Per advance notification by Meta/Facebook, our original 2009 Facebook account was disabled by the company on 4/22/22, as scheduled. We were required to create a new Page to conform to new FB/Meta security standards. All historical Facebook Posts, Comments, and Reactions since our original account was created in 2009 were downloaded and stored on our MemberClicks Media folder before the Page was disabled. Those historical groups can be accessed by clicking on 3 separate links which are posted in our new GSRA Facebook Business Page: (<https://www.facebook.com/GASTATERETIREESASSOC>). Also, a "Contact Us" button has been added to the new Facebook Page which takes the user to our homepage: www.mygsra.com, and the Facebook Icon at the bottom of the homepage has been updated to link to our new FB Page.



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Since 1926, we've guided ourselves on helping members build a solid financial foundation for their own families.

We're not salespeople, we're solutions people. That's why nobody can serve our members like we can.

APCU serves State and Federal workers, retirees and their families in Georgia. Visit APCU's exhibit table at GSRA. For more information, visit apcu.com, or call us at (404) 768-4125 or toll-free at (800) 847-9431.



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 Shanté 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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