



ERS Executive Director's Report to ERS Board of Trustees at August Meeting

The Employees' Retirement System Board of Trustees conducted its regular meeting on August 20. Retiree Cost of Living Allowances were not discussed.

Of greatest interest was an update on other states' pension plans, as discussed at the recent annual conference of the National Association of State Retirement Administrators (NASRA). Ms. Pharris reported that the conference focus was on pension plan sustainability. Over 30 pension systems reported on their efforts to reexamine actuarial assumptions, COLAs, and other benefit structures in order to improve funding ratios and provide the states with manageable contribution rates. During the discussion, Ms. Pharris also referenced two websites, <http://pensiontsunami.com/> and <http://www.californiapensionreform.com/calpers/> as examples of concerted attacks on public pension plans outside of Georgia. She further stated that NASRA had prepared a fairly detailed report comparing about 30 states' retirement plans. If the NASRA report becomes public, it will be posted on the GSRA website.

The Executive Director also reported on:

- The new SEC unit created to review public pensions;
- Comparative financial data for both FY 09 and FY08, noting that fund losses for the year had decreased to just under 13%, substantially down from well over 20% in the spring.

- Georgia's losses compare to a national average of over 18% loss relating to the economic downturn.

Ms. Pharris then discussed a plan to reallocate ERS expenses (administration, investment, and actuary and other contracts) among the various systems (ERS, JRS PSRS, etc.). The major impact of this will be to shift roughly \$4 million annually from the ERS fund to the others, primarily the PSERS and the GDCP. The proposed approach would be to track direct expenses including personal services and to allocate other expenses based on the sizes of the respective retirement funds. The Board voted to approve this proposal.

The Board also approved the FY 10 amended budget and the FY 11 budget request. These, and the FY 09 actual expenses, represent substantial reductions from the FY 09 appropriation.

Ms. Pharris discussed a handout showing deferred compensation activity and related statistics. The vast bulk of members' holdings are in the stable value and lifecycle funds. Also, the amount of contributions increases significantly as employees grow older.

The Board and guests honored Celeste Osborne who is vacating her Board post upon her retirement and pending move to Florida.

DOES GSRA HAVE YOUR CORRECT CONTACT INFORMATION?

Please be sure to update your email address with GSRA when it changes. Simply log in to www.mygsra.com using your old email address; select "Our Members" and "My Profile", and then change your information through the "edit" feature. If your mailing address changes, and you do not use a computer, please notify us of your new address by sending a card or letter to the address below. THANKS!

More SHBP Policy Changes from Department of Community Health August 13 Meeting

Retiree Change Option Added

At the Board of Community Health meeting on August 13, 2009, State Health Benefit Plan (SHBP) staff presented for adoption an additional condition for allowing retirees to change options. The initially adopted rule provides that a retiree may change from one of the SHBP options to the Medicare Advantage plan at any time upon approval by the Centers for Medicare and Medicaid Services.

This change adds a fourth time at which a retiree option change is allowed, in addition to the following

three: (a) at the time of retirement, (b) at the time that the pension amount is insufficient to pay the premium of the currently enrolled option, or (c) at the time the retiree (or spouse) member becomes eligible for Medicare coverage. Of course, a member can change SHBP options whenever a qualifying event occurs, such as marriage, divorce, death, birth, adoption, etc. Don't forget that all requests to change—other than during the Retiree Option Change Period—require notice to SHBP within 31 days of the occurrence.

Retiree OPEB Trust Fund Split

As required by SB 122 (Act 19) of the 2009 General Assembly Session, the Board of Community Health approved the split of the Retiree Other Post-Employment Benefits (OPEB) assets between the State Employee Retirees and the Teachers & School Service Personnel Retirees.

The Department of Community Health staff stated that the goal was to split assets in the same proportion as contributions of \$194,624,418. Long-term funding was contributed as follows:

- State Agencies 80.2%
- Teachers and School Personnel 19.8%

As of August 6, 2009, the market value of the contributions was \$170.8 million, a reduction of approximately 12%. Although the assets will be split as of August 31, 2009, the approximation of the assets to be placed in each of the OPEB Trust funds is:

- State Retirees \$ 156.1 million
- School System Retirees 38.5 million

Background on the OPEB Trust Funds. GSRA has published several articles regarding the Other Post-Employment Benefits (OPEB) requirements for the State Health Benefit Plan, funding for OPEB, and legislation requiring separation of the OPEB trust

funds by State Retirees and School System Retirees. Briefly stated,

- The Governmental Accounting Standards Board (GASB) requires public entities to fund promised retiree health care benefits in much the same way that pensions are required to be funded. A portion of the unfunded liability is required to be included in the State's Financial Statements as a liability each year.
- As of September 2008, the OPEB unfunded liability for the SHBP retirees was \$16.5 billion, of which \$4.7 billion was for State retirees and \$11.8 billion was for teachers and school service retirees;
- The projected decrease in OPEB unfunded liability for installing the Medicare Advantage plan was \$718.6 million;
 - The State appropriated \$137.3 million during FY 2008 to begin long-term funding for OPEB and the Board of Community Health transferred \$57.3 million from other funds making a total of \$194.6 million.

SHBP OPEB TRUST FUND LIQUIDATED: DCH TO USE FUNDS FOR RETIREE CLAIMS

The Board of Community Health then approved a resolution to liquidate the OPEB Retiree fund as of August 31, and use the cash to pay SHBP retiree claims during FY 2010. Using OPEB assets, with an estimated market value of \$170.8 million (see previous article), allows the State to reduce employer contributions to SHBP as a budget-cutting activity.

Employer contributions for State departments were reduced from 22.165% to 17.977% for August through November 2009; employer contributions for school systems were reduced from 18.534% to

15.503% for August through November 2009 and the payment for school employees was reduced by \$36.5 million. The reduced employer rates result in reduced revenue of \$146.5 million, thereby eliminating all assets of the long-term OPEB trust fund.

As presented by DCH staff, the Fund Balance for the SHBP will total \$154,489,420 as of the end of FY 2009. By reducing the employer contributions, liquidating the long-term investments, and using the cash to pay retirees' claims, the SHBP is projected to end June 30, 2010 with a Fund Balance of \$10.7 million with expenses approximating \$13.5 million each week.

SHBP MEMBERSHIP CHANGES JULY 2008-2009

Also at the August 13 meeting, Department of Community Health staff reported that the revenue and expense projections mentioned above were based upon enrollment information as of January 2009, the enrollment trends through March 2009, and savings generated by recent policy changes. These policy changes include requiring new enrollees to enroll in a

consumer driven plan, higher premiums for members not enrolled in Medicare Part B, and mandatory MAP enrollment beginning January 2010 for retirees over age 65 to receive State subsidy. GSRA asked for July 2009 SHBP enrollment information. Tables below reflect the membership by Group and category.

Membership – July 2009						
Group	Active	Retirees Under 65	Retirees 65+	Total Members	Total Lives	Percent
State	65,310	12,961	17,251	95,522	174,588	25.2%
School Systems	191,229	25,061	36,246	252,536	515,038	74.3%
Contract	1,215		2	1,217	1,891	.3%
COBRA	1,120			1,120	1,662	.2%
Total	258,874	38,022	53,499	350,395	693,179	100.0%
Total Retirees				91,521	128,764	
Membership Change – 2009/2008 (One year)						
Group	Active	Retirees Under 65	Retirees 65+	Total Members	Total Lives	
State	(3,322)	383	542	(2,397)	(5,894)	
School Systems	2,232	630	1,677	3,739	8,611	
Contract	169			169	282	
COBRA	(37)			(37)	(260)	
Total	(928)	1,013	2,219	1,474	2,739	
Total Retirees				3,232	4,161	

You will note that 74.3% of the total SHBP enrollment consists of local school system members with an increase of 3,739 during FY 2009; State department employees comprise only 25.2% with a decrease of 2,397 during FY 2009. The total increase in the retiree population is 3,232 (2,307 are teachers and school service and 925 are state employees). The total retiree membership is 91,521 (128,764 lives) with those age 65+ increasing by 2,219 during FY 2009. As

of July 2009 approximately 70,000 retirees and spouses will be affected by the State's policy to transfer age 65+ retirees to the Medicare Advantage Plan.

Other SHBP enrollment categories are shown in the following tables to show preferences for option and vendor and how the total population differs from the retiree population:

Total Lives		Total Lives		Total Retirees		Total Retirees	
Option	Percent	Vendor	Percent	Option	Percent	Vendor	Percent
PPO	36.1	United Health	88.5	PPO	66.7	United Health	93.7
HMO	46.0	CIGNA	6.6	HMO	15.5	CIGNA	3.0
HRA	16.1	Kaiser	4.9	HRA	12.6	Kaiser	3.3
HDHP	1.0			HDHP	0.6		
MAP	0.9			MAP	4.6		

The Board of Community Health also held a special meeting on August 27. In her opening comments, Commissioner Rhonda Medows, MD, gave a status report on the availability of flu vaccines. The vaccine for what is termed the seasonal flu virus is currently ready and statewide distributors are being arranged. The vaccine for the H1N1 virus should be available from the federal government in the near future. Everyone is encouraged to take both vaccines; however, local Public Health Department officials may be allowed to set priorities on initial availability.

There were two items on the agenda for this meeting. The first item, the State Health Benefit Plan (SHBP), listed the following subtopics:

- Plan Financials and Budget Instructions
- SHBP Plan Design Changes
- Resolution -SHBP Retiree rates for 2010
- Resolution -SHBP Employee Rates for 2010
- Resolution - Revision to Aug.-Nov. Employer Contribution Rates

Item two on the agenda was the Department of Community Health budget, with staff recommendations for the Amended fiscal year 2010 budget and proposed budget for fiscal year 2011.

The Board completely omitted any discussion of item #1 (SHBP) and gave no reason for going right to Item #2, the budget discussion, which concerned primarily the agency-wide reduction options of 4%, 6% and 8% required by the Governor's budget instructions. None of the budget options presented involved SHBP. The Board will vote on the DCH budget recommendations at its September meeting.

Of the above listed SHBP subtopics, only the last item relating to employer rates was presented. This item involved approving the employer rate reductions and resulting savings acted upon at the August 13 meeting.

No other SHBP items were addressed. Subsequent to the meeting it was learned that Commissioner Medows has deferred those items until the September meeting. No details of the pending proposals were revealed. **However, the recent moves toward grouping retirees and active employees separately (for premium rate-setting, coverages, etc.) remains a practice that GSRA will continue to monitor closely on behalf of its members.**

Got questions about your Health Insurance benefits and coverage? Medicare Advantage Plans? PPO? HRA? Medicare Supplements? Send them by email to communications@mygsra.com or by US mail to the address below. We will try to find answers.

GSRA LOCAL CHAPTER NEWS AND ACTIVITIES

An organizational meeting has been called for a new **Northwest Metro Chapter** of GSRA. If you are interested in this chapter, please come to the Vinings Public Library on Wednesday, September 9, at 10 a.m. The Library is located at 4290 Paces Ferry Rd. NW, Atlanta, GA 30339. Come early --- space is limited!

You do not have to be a current member of GSRA to attend. We will talk about the recent decisions made by the Employees Retirement Board, changes in health benefits, the future of COLAs and the benefits of a stronger Georgia State Retirees Association. If there is enough interest in starting a new Chapter of GSRA, we will discuss the next steps in the process.

GSRA's **Northeast Metro Chapter** mailed out over 100 GSRA membership flyers and invitations for a luncheon "Meet & Greet" to Rehab Services retirees who live in the area. We had an excellent turnout for the August 18 luncheon at the Golden Corral in Lawrenceville, where lively and serious discussions

took place about the 1 ½% one-time 'bonus' vs. the usual COLA. There was concern about the weak retiree attendance at the recent ERS Board meeting when the Board acted on this issue. Many in attendance agreed that while GSRA members, say, from South Georgia, may be unable to attend, members from Northeast Metro live close by and should plan to fill the room at the next important meeting of the ERS Board. Everyone's major concern---retiree health insurance---was also discussed at length.

Efforts to grow GSRA membership were also discussed, and attendees agreed that GSRA is the organization that will give voice to our needs. The chapter gained quite a few new members at the luncheon event, and many others took applications with them to pass along to friends. It was an enjoyable and informative social event where folks met up with old friends from the past and made new ones.



NE Metro Chapter members 'meet & greet' local retirees in Lawrenceville

The **Coosa Valley Area Chapter** is planning a Chapter meeting on September 17th at 2 pm at Second Avenue Methodist Church in Rome. Our special guest speaker will be Bobbie J Bennett,

former Commissioner of the State Merit System, and Secretary of GSRA. During a short business meeting before Ms. Bennett speaks, we will discuss the results of a recent survey sent to area retirees.

In early December the Coosa Valley Area Chapter will host a reception for elected officials, and our quarterly business meeting will follow. Members of the Coosa Valley Area chapter have been busy covering the area health meetings distributing information about GSRA and encouraging other state retirees to join GSRA.

The **Lake Oconee Area Chapter** is planning its next Legislative/Membership meeting, tentatively scheduled for November 12, 2009, at the Greensboro First United Methodist Church Family Life Center.

SAVE THE DATE! GSRA'S ANNUAL MEETING IS OCTOBER 21, 2009!

The third Annual Meeting of the Georgia State Retirees Association will be held Wednesday, October 21, 2009, at the Public Safety Training Facility in Forsyth, GA.

We have four very timely sessions planned:

- A 'roundtable discussion' with the gubernatorial candidates;
- A discussion on retirement benefit issues;
- A 'question-and-answer' session on health insurance with DCH officials, and
- An important announcement of a new "members-only" benefits opportunity for GSRA.

Our "Meet & Greet" (The candidates have also been invited for this) will start in the lobby at **12:15**, but we hope you will plan to arrive for an early lunch beginning at 11 am, at the full-service cafeteria just a few steps away from our auditorium. After the "Meet & Greet," our meeting will begin **promptly at 1 p.m.**

We are very excited about the roundtable discussion with announced candidates in the 2010 election for Governor.

And you will hear the latest on retirement issues from Russell Hinton, the newly reelected Chair of the Employees Retirement System Board of Trustees.

The "Question-and-Answer" session with DCH officials will address retiree health insurance issues such as the new Medicare Advantage Plans. We are collecting health insurance questions for DCH staff, and hope to have your questions answered in this session.

Bill Tomlinson, Vice President of GSRA, will be the guest speaker.

Legislators to be invited include: *State Representatives* Mickey Channell, Bob Smith, Doug Holt, Sistie Hudson, Bobby Parham, Jeff May, James (Bubber) Epps, Mack Jackson, Terry England, and Lee Anderson; *State Senators* Johnny Grant, Bill Jackson, Bill Cowser, Ralph T. Hudgens, and J. B. Powell. In addition to area legislators, the Chapter will also invite the 2010 gubernatorial election candidates.

You will also learn about GSRA's new 'members-only' benefits opportunity that will soon be formally announced to the membership. In short: **This could absolutely be GSRA's most important Annual Meeting EVER!**

SO - Here is a challenge to all members and future members of our Association: The auditorium on the Training Facility campus holds almost 500. Simply put: **WE NEED TO FILL IT UP!!**

To EVERYONE who can possibly make it to Forsyth for the day: Rustle up as many state government employees, teachers, and retirees as you can, and bring them to this meeting! Every taxpayer in Georgia has a stake in whatever happens in the next election for Governor, and every state retiree (and future retiree) has a stake in whatever happens to our retirement and health insurance benefits! The agenda is designed to help educate all our members on these vital issues that can so profoundly affect us and our future.

DON'T MISS THIS MEETING!! A formal announcement for members will soon be posted at www.mygsra.com and our non-email members will receive a notice by regular mail. Further details will be announced to members as they develop.

Local Chapters: Arrange car pools, rent a van or bus --- whatever it takes to bring in as many GSRA members (and potential members) as possible! Come and have your questions answered!

MEDICARE NEWS

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Part B Premiums in 2010: Frozen for Many, Higher for Some

No Social Security cost-of-living increase next year means higher costs for some beneficiaries and states.

By: Patricia Barry | Source: AARP Bulletin Today | May 7, 2009

For the first time in 35 years, older Americans will receive no cost-of-living increases (COLA) in their Social Security checks in 2010 according to [Congressional Budget Office estimates](#). The forecast is based on expected low inflation, in contrast to 2009 when the COLA added 5.8 percent to Social Security benefits.

Next year's zero COLA is bad news enough for many retirees living on fixed incomes during a recession. But millions of them also face much higher Medicare Part B premiums next year.

Under an obscure "hold-harmless" provision of federal law, basic Part B premiums in any year cannot rise higher than that year's COLA. So a zero COLA means that the basic premium (currently \$96.40 a month) must stay the same. "The intent of the policy is to protect the amount of the Social Security payment from being reduced by an increase in premium costs," says Peter Ashkenaz, spokesman for the Centers for Medicare & Medicaid Services (CMS).

The hold-harmless policy gives this protection to the majority of people enrolled in Medicare Part B who also receive Social Security, Railroad Retirement or Civil Service retiree benefits.

But it does not apply to one in four (or about 11 million) beneficiaries who:

- do not have their Part B premiums withheld from their Social Security checks, or
- pay a higher Part B premium based on higher income, or
- are newly enrolled in Part B.

Premium amounts are normally set so that beneficiaries actually pay for only about 25 percent of the costs of Part B benefits, which cover doctors' visits and other outpatient services. The remainder is paid out of federal funds. Next year, if the premium is frozen for most beneficiaries but costs rise, the shortfall in revenue for that 25 percent falls on the wallets of the one in four beneficiaries not protected by the hold-harmless provision.

"In the absence of a Social Security COLA, unless Part B premiums are increased substantially on those who are not held harmless, the Supplemental Medical Insurance trust fund, which finances Part B, is at risk of exhaustion," according to an analysis by the Congressional Research Service.

For these beneficiaries, the basic Part B premium could rise to \$119 a month in 2010, according to Congressional Budget Office projections. And if zero Social Security COLAs continue in later years, as CBO expects, it could rise to \$128 by 2012. For people with incomes over \$85,000 a year who already pay higher premiums—surcharges of between \$38.50 and \$211.90 a month in 2009—these amounts would be far more.

The result would be two levels of charges even for basic Part B premiums—the lower amount paid by three-fourths of enrollees, and the higher amount borne by the remaining fourth.

“Congress never anticipated a year when there would not be a Social Security COLA,” says John Rother, AARP’s director of policy. “This new situation raises issues of fairness unless Congress makes some changes before the end of the year.”

"To address this problem, one action the Congress might consider is to grant a flat Social Security COLA increase each year, during times of low inflation, to offset the impact of rising Medicare costs," Rother adds, "This would avoid the full burden of cost increases falling on a minority of beneficiaries and help keep Part B solvent in the long run."

About 7.5 million Medicare beneficiaries who don’t have their Part B premiums deducted from their Social Security checks are those whose premiums are paid for by their state Medicaid program. These low-income people are not affected—they still won’t pay the premiums themselves. But the states would have to pick up the tab for the higher premiums. This could affect the number of people covered by Medicaid if state governments, already strapped by falling revenue, cut back on services, consumer advocates say.

Everybody else who pays Part B premiums directly to Medicare by check will be affected by the higher amounts. These include people who, though enrolled in Medicare, have deferred collecting their Social Security benefits.

Also affected are many people newly enrolled in Part B who therefore did not have premiums deducted from their retirement checks the previous year. The hold-harmless calculation is made in November each year, CMS says. So anyone joining Part B in 2010 would have to pay the higher Part B premiums until November 2010 when they would become eligible for hold-harmless protection.

The hold-harmless provision applies only to Part B premiums and not to premiums for Part D drug coverage, which are also often withheld from enrollees’ Social Security checks. “If Part D premiums rise in 2010, the result would be that beneficiaries with Medicare drug coverage will still receive less money in their Social Security checks even if their Part B premiums don’t increase,” says Rother.

Patricia Barry is a senior editor at the AARP Bulletin and Bulletin Today.

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