



Newsletter --

EXTRA!

Vol. 4, Number 11

www.MyGSRA.com

September 15, 2010

**WE ARE PROUD TO ANNOUNCE THE FOURTH ANNUAL MEETING
OF YOUR**

**GEORGIA STATE RETIREES ASSOCIATION
TUESDAY, OCTOBER 19, 2010**

**GEORGIA PUBLIC SAFETY TRAINING CENTER
1000 INDIAN SPRINGS DR.
FORSYTH, GA. 31029**

Registration and "Meet & Greet" Begins at 12:00 noon

Featured Speakers:

2010 Gubernatorial Election Candidates

**Roy Barnes, Nathan Deal and John Monds
In a Candidates' Forum on the Issues!**

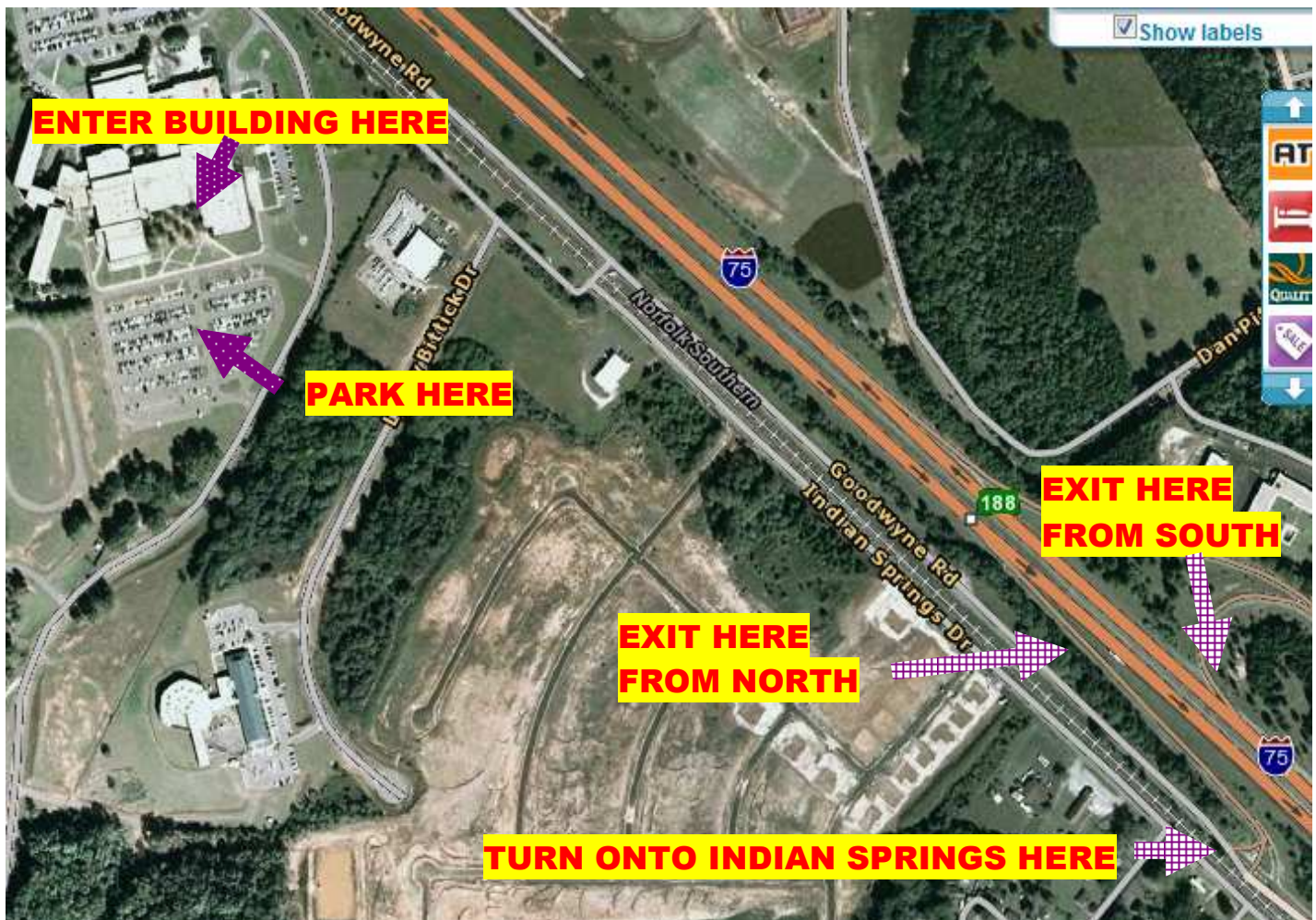
Also hear other featured speakers discuss issues near and dear to all of us: the latest State Health Benefit Plan changes and what they mean for retirees and employees; the many budget challenges facing the state in meeting the needs of its citizens; and how the work of the new Georgia Tax Reform Council may affect us. Finally, join the plenary session to discuss the latest GSRA activities and to elect your GSRA Officers for next year. We will adjourn at approximately 5 p.m.

Note: Our auditorium is right next to the Center's full service Cafeteria, which opens at 11 a.m. Come early for lunch at the cafeteria before the "Meet & Greet" at noon. Bottled water will be provided at the "Meet & Greet" and during the afternoon break.

IMPORTANT: Please RSVP by email to rsvp@mygsra.com (include in subject line the number attending), or by regular mail to GSRA, Inc., PO Box 108, Bethlehem, GA 30620, & **INCLUDE QUESTIONS YOU WOULD LIKE TO ASK THE CANDIDATES!**
(Questions for the candidates must be received by October 1 in order to be considered.)

Directions: The city of Forsyth, GA is located off I-75 just north of Macon. Take Interstate 75 to Exit #188. Ga. Public Safety Training Center (GPSTC) directional signs are posted prior to the exit. If northbound on I-75, take exit #188; turn right, go under the I-75 overpass to the stop sign and turn right; Go 0.5 mile and turn left across the railroad tracks onto the Training Center access road (Indian Springs Drive). Turn right and proceed to the GPSTC entrance. Bear left and drive to the parking lot on the left (south) side of the building. The entrance to the auditorium is on that side of the building. If southbound on I-75, take exit #188; turn right at the stop sign. Go .5 mile and turn left across the railroad tracks onto the Training Center access road (Indian Springs Drive). Turn right and proceed to the GPSTC entrance. Bear left and drive to the parking lot on the left (south) side of the building. The entrance to the auditorium is on that side of the building.

DON'T MISS THIS IMPORTANT MEETING! See AGENDA next page.



AGENDA – GENERAL SESSION - Annual Membership Meeting

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| 1. Registration – “Meet & Greet” with and Friends | 12:00 p.m. |
| 2. Opening Remarks and Introductions <i>Bobbie Jean Bennett, President</i> | 1:00 p.m. |
| 3. Gubernatorial Candidates’ Debate on the Issues – <i>Jim Lyle, Moderator</i>
<i>Guests: Roy Barnes, Nathan Deal and John Monds; and Thomas Turner, Timekeeper</i> | 1:10 p.m. |
| 4. Retiree Health Insurance Changes <i>Bobbie Jean Bennett, Moderator</i>
<i>Guests: Jean Giles & Bill Tierney, SHBP, DCH; & United Health Care/CIGNA Representatives</i> | 2:10 p.m. |
| 5. Break – Bottled water provided in the lobby | 2:55 p.m. |
| 6. State Budget Issues and Challenges
<i>Guest: Sarah Beth Gehl, Asst. Director, GA Budget and Policy Institute</i> | 3:15 p.m. |
| 7. The Georgia Tax Reform Council – Guest: <i>A. D. Frazier, Chairman (Invited)</i> | 3:45 p.m. |
| 8. GSRA Plenary Session (See Agenda Below). | 4:30 p.m. |
| 8. Adjourn | 5:00 p.m. |

(NOTE: Got a question for our speakers from SHBP about retiree health insurance, Medicare Advantage, etc., etc.? Send them by email to communications@mygsra.com or by regular mail to GSRA, Inc., PO Box 108, Bethlehem, GA 30620, by October 1. Time permitting, we will ask as many as possible!)

AGENDA – PLENARY SESSION - Annual Membership Meeting

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|--|---------------------------------------|
| 1. Call to Order | <i>Bobbie Jean Bennett, President</i> |
| 2. Presentation of Minutes | <i>Rachel Davis, Secretary</i> |
| 3. Treasurer’s Report | <i>Kaye Carter, Treasurer</i> |
| 4. Review of GSRA Committee Activities | <i>Bobbie Jean Bennett</i> |
| 5. Review/Discussion of Legislative Issues/Activities | <i>Bill Tomlinson</i> |
| 6. Membership Drive - Local Chapters | <i>Reuben Lasseter, Membership</i> |
| 7. Old Business | <i>Bobbie Jean Bennett</i> |
| 8. Report of Nominations Committee | <i>Claude Vickers, Nominations</i> |
| 9. Election of Officers and Board of Directors | <i>Bobbie Jean Bennett</i> |
| 10. Adjourn | |

YOUR PRESENCE IS CRITICAL FOR THIS ANNUAL MEETING!

Remember last year’s Annual Meeting, with the outstanding roundtable discussion by seven candidates for the gubernatorial primary elections? Remember the urgent appeals in this newsletter for your attendance? Remember how we challenged you to do whatever it would take to FILL the 500-seat venue at the PSTC, never dreaming that well over that many would show up? We termed last year’s meeting ‘the most important meeting our young organization has held to date,’ and it was.

Well guess what, Folks: This year’s meeting is even more important! It will be held at the very same place as last year’s meeting, and once again, we need a FULL HOUSE, even more than we did then. More than one candidate last year mentioned to us how surprised they were to see such a huge crowd, and mentioned that GSRA had become a ‘group to be reckoned with.’

CAN YOU DO IT AGAIN, GSRA??

A packed auditorium will once again send the very strong message to both candidates that we are involved ----- and we are for real --- and that we will be listening carefully to their plans for ensuring that benefits promised to us are not taken away. We have arranged for overflow seating in the adjacent conference center if needed, complete with a video feed of the proceedings, so bring your friends and family – there’s room for all!

Come early and enjoy lunch at the full-service cafeteria on the premises of the Public Safety Training Center before our Registration and “Meet & Greet” starting at noon.

RSVP’s Requested (But not required) for this important meeting!

To give us an idea of how many to expect, please RSVP by email to rsvp@mygsra.com by October 1, and include in your subject line the number attending, or by regular mail to the address below. (NOTE: Don’t worry if you forget to RSVP. An RSVP is NOT required! Come to the meeting anyway!) And include any questions you would like to ask each of the candidates.

Everyone (even those who RSVP) will need to sign in at the Registration tables and pick up a name tag. To allow us time to set up the registration area, please do not approach the tables before 12 noon, when they will open for business.

You are all challenged to bring as many of your fellow retirees as you can! Bring your family members and active state employees ---- they all have an interest in what these candidates have to say about the issues that affect us all.

**Pension Benefits: How We Got Here
Comparing ERS Actuarial Reports Year to Year**

The Employees Retirement System (ERS) website at www.ers.ga.gov/ displays complete actuarial reports for ten fiscal years; however, comparative information within the reports is limited. GSRA has gleaned information for this article from various ERS reports about “cost-of-living” adjustments, comparative investment returns, comparative statistical information, and comparative components of unfunded liabilities.

ERS members have historically received semi-annual 1.5% cost-of-living adjustments—until FY 2008. At that time, the Board of Trustees and current Administration, expressing concern about the unfunded liabilities being created, reduced or eliminated the adjustments as follows:

- Reduced the annual adjustment rate in FY 2008 from 3% to 2% (1.5% on 7/1/07 and .5% on 1/1/08),
- Reduced the adjustment rate in FY 2009 from 3% to 2% (1% on 7/1/08 and 1% on 1/1/09),

- Eliminated adjustments in FY 2010, but in October 2009 provided a one-time payment of 1.5% of the annual benefit.
- Eliminated adjustments for FY 2011 and chose not to provide any one-time payment.

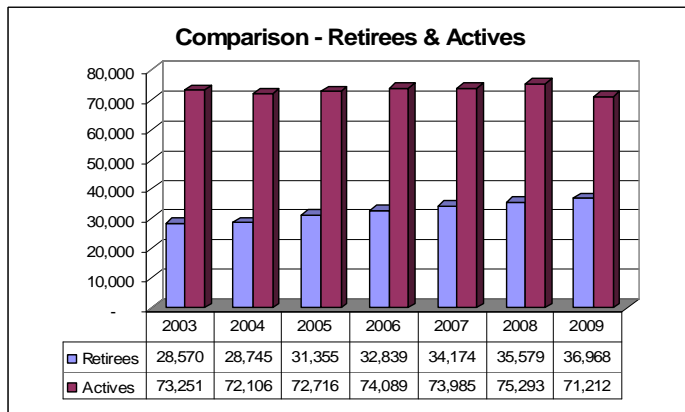
The funded percentage for ERS liabilities dropped to 85.7% on June 30, 2009 from 100.5% on June 30, 2003. A decrease of almost 15% in only six years is substantial and some of the reasons for the decrease are discussed here.

One of the major factors for the reduced funded percentage is the investment rate of return. The ERS reports that the market asset value for the ERS system as of July 31, 2010 is \$11.3 billion – up \$1 million from May 31st. Although the simple average for investment returns for 8 years, FY 2003 through FY 2010, approximates 5%, the market asset value for FY 2010 is a little less than it was at the end of FY 2007. (Nevertheless, Georgia’s plan fared better than many other states.) Historical investment return rates, as shown on the ERS website, are reprinted below.

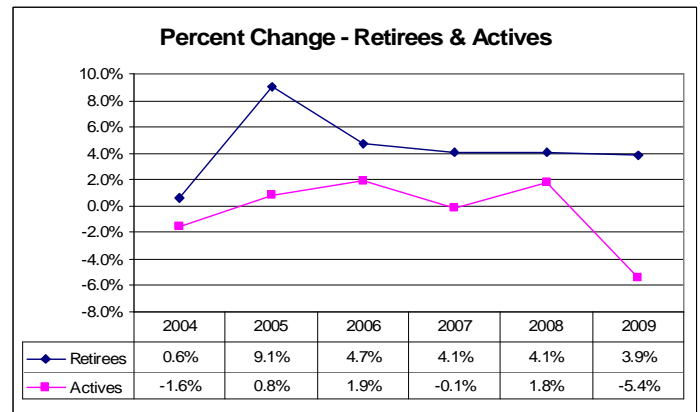
FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
4.5%	9.8%	7.8%	6.2%	14.7%	(3.5)%	(12.97)%	14.25%

Other causes of the reduced funding percentage are reported in previous GSRA newsletters. Comparative charts show these reasons---the increased number of retirees receiving benefits, decreased number of active employees on which the employer contribution is paid, and the limited salary increases awarded to active employees---are shown below.

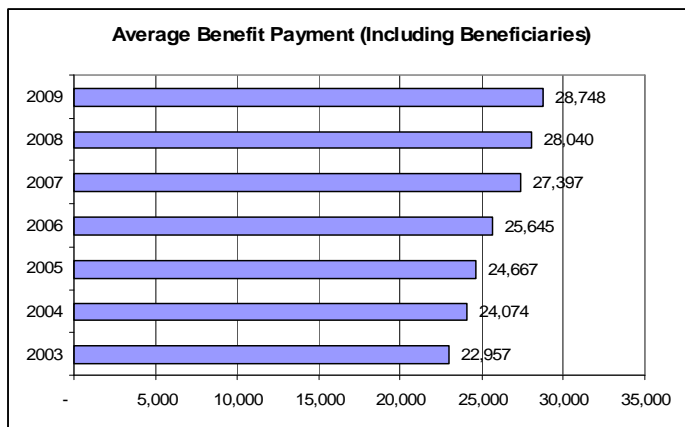
Comparative number of retirees and Actives is shown below:



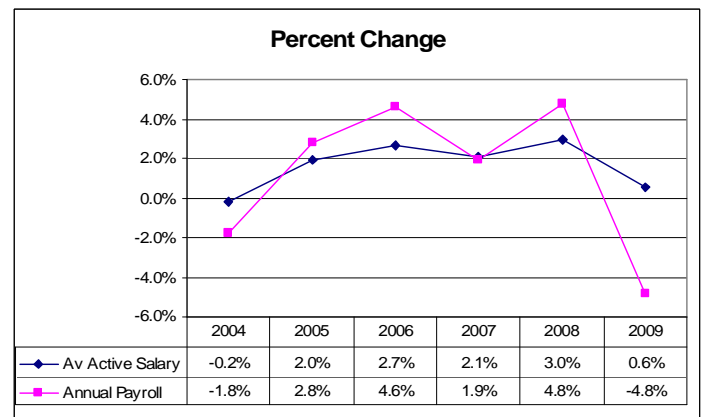
Comparative percents change in the number of Retirees and Actives are shown below:



The chart below shows that the average pension benefit is slowly increasing. All retirees and beneficiaries are reflected in the average benefit payment.



The chart below reflects the annual percentage changes since FY 2003 in the average active employees' salaries and the annual payroll for active employees.



Given all of the facts that resulted in decreased revenue or increased payments---without increased contributions from the state---the Board of Trustees chose to reduce and then completely eliminate Cost-of-living adjustments.

The latest actuarial report shows that the employer contribution rate must be increased in FY 2012 just to pay the annual required contribution—without awarding COLAs. The actuarial report also extends to 30 the number of years in which to amortize the unfunded liabilities—the maximum allowed by the Internal Revenue Code for a qualified pension plan. It is, therefore, instructional to review the components or causes of the rapidly increasing unfunded liabilities—from \$309.3 million in FY 2004 to \$2,264.4 million in FY 2009.

Actuarial reports show the increases in unfunded liabilities by category. In FY 2004, the unfunded liability was \$309.3 million and by adding the total amount in each column to the previous year's unfunded liability—the FY 2009 unfunded liabilities total \$2,264.4 million—an increase of 732% in 5 years.

Analysis of the Increases in Unfunded Accrued Liability (Millions)					
Component	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Interest on Previous Liability	\$ 23.2	\$ 28.4	\$ 58.6	\$ 78.1	124.8
Accrued Liability Contribution	7	7.4	(35.3)	(86.3)	(99.7)
Valuation asset growth	102.4	140.2	(59.5)	129.3	609.1
Pension's mortality	(24.2)	50.1	51.0	51.3	65.4
Turnover & Retirements	39.1	28.1	115.7	103.0	107.3
New Entrants	39.4	34.4	35.7	22.9	16.7
Salary Increases	(109.2)	(84.2)	(33.2)	(22.7)	(296.9)
Method Changes	(66.0)	(69.0)	0.0	0.0	0.0
Law Changes & COLAs	225.8	245.2	5.9	188.8	(358.6)
Assumption Changes	(168.5)	0.0	0.0	0.0	0.0
Lawsuit (Willis vs ERS) ¹					75.9
Data Changes					270.5
Miscellaneous changes		22.8	120.9	157.6	86.4
Totals	\$ 69.0	\$ 403.4	259.8	\$ 622.0	600.9

Major components in the above table can be explained:

- Interest on Previous Liability is calculated at 7.5% on previous unfunded liability;
- Valuation asset growth is indicative of how assets have increased and decreased during the years;
- Pension Mortality reflects an increase in "longer lives";
- Turnover and retirements reflects the increasing number of retirees;
- Active employees' salary increases were sparingly awarded and less than actuarially projected thereby reducing the projected higher pension amount;
- Amendments (COLAs) reflects the fact that COLAs were decreased in FY 2008 and FY 2009 and eliminated in FY 2010, thereby decreasing the unfunded liability projection;
- Lawsuit – refer to footnote number 2 below;
- Data Changes reflects the acknowledgement that over 4,000 terminated employees are vested and are eligible for a pension at a future date.

All of these factors together, coupled with a substantial decrease in state contributions in FY 2002, form the Board of Trustees' rationale for eliminating the COLAs. However, the actuarial reports, and the factors addressed by the Board in public meetings LEAVE OUT a critical consideration: the reduced level of employer (State) contributions to the fund since at least Fiscal Year 2004. That was the third year that the employer contribution rate had been slashed and the second year in which the funding ratio had dropped considerably. GSRA does not have an actuary among our membership, but we roughly calculate that more than one-half of the decline in the funding ratio was caused by the failure to reinstate the employer contribution percentage to its former level. With the reinstatement, we estimate that the FY 2009 year-end funding ratio would have been between 93% and 94% rather than the 85.7% reported by the actuary. With a responsible level of employer funding, there would have been plenty of money for at least some level of cost of living adjustments during the past two years and the coming year.

We hope that this article helps GSRA members to understand all the various factors that have negatively impacted the financial health of the ERS.

ABOUT YOUR MEMBERSHIP - - - PLEASE RENEW!

As your GSRA membership comes up for renewal, you should receive an e-mail (or a post card if you do not use e-mail) advising you to renew. If you provided an e-mail address when you joined, and you are not hearing from us by e-mail, it means that we do not have your correct e-mail address. Or maybe you have a new e-mail address and haven't

¹ Willis vs ERS cost is not included in Miscellaneous Changes in years prior to FY 2009. As of 6/30/09 \$74,850,393 had been paid to members and defendants' attorneys with the future liability projected at \$94,830,090 making a total liability for Willis vs ERS of \$169.68 million

notified us. PLEASE go to the website, log in, and update your profile with your correct e-mail address. (If you now have an e-mail, and didn't when you joined, please add that information to your profile so that you can receive GSRA information electronically.) If your mailing address has changed, you must let us know by mail so that you don't miss out on anything. **If you suspect that you are not receiving GSRA materials as you should, please send an e-mail to communications@mygsra.com, or send a note to the mailing address below. Thanks!**

GSRA LOCAL CHAPTERS CONTINUE TO GROW --- START ONE IN YOUR AREA!

Local level chapters of GSRA continue to organize, with our total now numbering 18. Since last year's annual meeting we have added chapters in Columbus, Covington, Savannah, and Baldwin and Toombs Counties. Others are emerging in Augusta, Brunswick and Douglas (Coffee County). Congratulations to all of these new chapters! We are sure that their newly elected officers would tell you that finding a meeting place and calling together some of their retired friends was not a lot of work --- YOU can do it too! Just check out the Guidelines on the Website! If you have no computer, just send a card or letter to the Membership Committee at the address below for more information and assistance in getting started.