



# *Member Update*

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October 20, 2007

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## ***ERS Board Approves Partial COLA Increase***

The Board of Trustees of the Employees Retirement System of Georgia met on Thursday, October 18, 2007 and among the items on the agenda was the consideration of a .5% increase in the cost-of-living adjustment (COLA) for retirees. A presentation was made to the Board by ERS Executive Director Michael Nehf regarding the reasons for limiting the increase to one-half percent. In an apparently well-rehearsed presentation to an eager-to-please Board, the Executive Director bemoaned the financial condition of the System, explained his concerns for the long range stability of the system, brought up the startling fact that retirees had somehow received increases over the past several years that exceeded the Consumer Price Index (CPI), and concluded saying that ERS has to change to be able to meet its financial responsibilities.

GSRA Vice-President Bill Tomlinson was allowed to address the Board and his presentation included historical insights into the true rates for employee and employer contributions, alternative perspectives as to the causes of the plan's deficit funding position, and recommended actions. Mr. Tomlinson discussed the retirement pick-up that occurred in 1981 and the ramifications of that action. In regard to the CPI, Mr. Tomlinson asserted that the 3% annual rate for retirees' COLAs was chosen because, on average, it had closely tracked actual increases in the cost of living. It has never been intended as a "bonus" to be increased in good financial years and decreased in bad years. Tomlinson urged the Board to award the regular full 1.5% COLA increase.

After the presentations were made for both sides, the Board voted unanimously to award only a one-half percent increase on January 1, 2008. This saves the administration from being labeled the first to renege completely on a COLA in over 25 years, yet gives them opportunity to belabor the weakness of the system, blame the limited increase on that, and attempt to pass legislation that would allow for greater investment opportunities for the ERS. Please note that all other retirement system's retirees were given a **1.5% COLA**, three (3) times what ERS retirees had to fight for.

Interestingly, in a somewhat related matter, two Board members advocated seeking expanded investment options as a major way to increase the fund's income. Even more interestingly, no one brought up that the ERS fund had realized investment income during fiscal year 2007 of **\$1.867 BILLION**. Had they, then they could have related how this **14.72%** return was the 2<sup>nd</sup> largest investment income ever earned by the fund in its entire history. Makes it hard to believe that there really is a financial crisis, doesn't it.

GSRA will attend the Joint Retirement Committee meeting on October 23<sup>rd</sup> and of course, will hold its own General Meeting on October 24<sup>th</sup>. After these meetings are concluded, we will send out information to our membership in our November Newsletter regarding what courses of action we feel our membership should take. Until then, please visit the new website at [www.MyGSRA.com](http://www.MyGSRA.com) and click on the COLA loss Calculator to determine how much this failure of the Board to pass the full increase will affect you.