GSRA Newsletter

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2012 Annual Meeting a Big Hit!

GSRA members at the 2012 Annual Meeting

Bracketed by a pair of “firsts” and featuring an expanded vendor lineup, the GSRA 2012 Annual Meeting scored a big hit as GSRA members came together in Forsyth for important information, fellowship and a chance at some great door prizes. Annual Meeting day started off with training for local chapter officers and ended with a drawing for door prizes that exceeded $1800 in value. In between, GSRA members had the opportunity to visit and ask questions of vendors representing the health insurance, pension, financial and retiree benefits areas. In addition, the Employees Retirement System and Department of Community Health managements provided critical information related to the ERS and SHBP areas, and Wes Moss, WSB Radio *Money Matters* host, provided insightful, as well as important, information about financial planning and common sense self-help ideas.

GSRA opened the 2012 meeting by debuting a two hour Local Chapter Officers Session (LCOS) open to all local chapter officers from GSRA chapters throughout the state. The LCOS was designed to provide local chapter officers with information about how local chapters fit strategically in the larger organization and specific information regarding ongoing operations and financial support. In addition, the LCOS provided a perfect opportunity for local chapters to share experiences of what works for them regarding attracting new members, creating meeting programs, reaching out to local elected officials, mobilizing members to respond to calls to action, and more. Created by a team of local chapter presidents, with presentations by GSRA statewide officers and committee chairs, the inaugural session was well attended and was deemed a definite success by all involved.

As the LCOS was winding down, the 2012 Annual Meeting Vendor Area was up and running. Anchored by GSRA’s vendor partners, Associate Member Benefits Advisors (AMBA) and Georgia United Credit Union, this year’s Annual Meeting featured more vendors than ever before. Department of Community Health staff, along with SHBP vendors, United Healthcare, Cigna/Humana and Tricare, provided members the opportunity to obtain important health insurance and Open Enrollment information. The Atlanta Postal Credit Union joined the Georgia United CU, allowing GSRA members to speak with two different vendors about credit union products and services. ERS/Peach State Reserves staff was available to address questions and concerns about members’ retirement and their accounts in the 457 or 491(k) plans. Wes Moss’ Capital Investments Advisors staff fielded members’ questions about fee-only financial planning and investing.

After a couple of hours of mingling in the Vendor Area, visiting with old friends and colleagues, GSRA members made their way into the auditorium where they were greeted by the 2012 version of the GSRA Slideshow. Set to a memorable soundtrack, it featured photos from the 2011 Annual Meeting, 2012 Day at the Capitol, various GSRA functions throughout the year and beautiful and historic images of the State of Georgia.

At the appointed time, GSRA President Bill Tomlinson opened the General Session and introduced ERS Executive Director Jim Potvin and Investment Manager, Mike Majure, who spoke about several pension related areas: terminating the Stable Value Fund, alternative investments, and funding the ERS.

GSRA Vice-President Chuck Freedman then introduced the second programmatic topic and WSB Radio *Money Matters* host and Certified Financial Planner, Wes Moss. Moss provided members with a serious, yet upbeat, look at some of the factors affecting our economy and offered practical, easy to understand financial planning advice. He encouraged members to take control over their financial futures in an era of increasing expenses and flat or shrinking pension and health insurance benefits.

Following GSRA Secretary Deborah Moore recognizing each local chapter and its members in attendance, GSRA Treasurer BJ Bennett introduced the final presenter of the General Session, Department of Community Health Commissioner David Cook. DCH staff member Jean Giles and United Healthcare and Cigna/Humana vendor representatives Kerry Searles-Phillips and Phil Wasden joined the Commissioner for the Q&As.

After the Annual Meeting program, GSRA President Bill Tomlinson opened the plenary session. He provided a report from the Nominations Committee for 2013 officers. The nominations were Bill Tomlinson for President, Deborah Moore and Kip Mann as Co-Vice-Presidents, Deborah Moore as Secretary, and BJ Bennett as Treasurer. In addition, the Committee submitted Lynell Hayes, Luther Lewis, and Ernie Melton as nominees for "at-large" board members to serve 2013-2014. After nominations were closed, Tomlinson asked for election by acclamation. Tomlinson also appointed to the Board the Coosa Valley President, Jim Burton, the Golden Isles President, BJ Sellers, the Lake Oconee Area President, Lewis O'Neal, and the SW Georgia President, Bob Pollock, to represent members in the North, South, East and West areas of state.

Following approval of the 2011 plenary minutes and acceptance of the 2012 financial report, a healthy crowd of GSRA members waited to see if they were winners of one or more of the impressive door prizes donated by local chapters and others across the state. Lucky members went home with door prizes that ranged from beautiful hand carved beeswax candle holders to guided coastal fishing trips in Savannah and St. Simons Island and many more.

GSRA Treasurer BJ Bennett presents lucky GSRA member with his door prize

Executive Director Potvin Addresses Retirement Issues[1]

ERS Director Jim Potvin and Mike Majure of the investment division gave a presentation at the GSRA Annual Meeting in Forsyth, Georgia on October 17, 2012. This presentation gave an excellent overview of many issues of importance regarding our retirement funding. For your reference I have added some background notes to provide some historical context for some of the remarks. Longer-term members who have tracked these issues may find this redundant; newer members or those who do not study these systems may find these parenthetical remarks helpful. I have also included some analysis and commentary.

As a quick summary:

- Peach State Reserves has changed the plan and approach for stable investment funds.
- ERS is developing the capacity to prudently invest some funds in alternative investments that are intended to produce higher returns in excess of higher risks and fees.

[1] Written by Drummond, Wayne, GCWA Executive Director. Georgia County Welfare Association website. Reprinted by permission.

- The ERS fund is funded at 76% and to date the Governor and General Assembly have funded required contributions. (wd: 80% is a general construct for the minimal threshold of healthy). Additional plans to assure a higher funding ratio are being explored.
- Changes in the way the Governmental Accounting Standards Board (GASB) requires retirement liabilities to be reported will negatively impact state balance sheets.
- New hires in the Georgia State Employees Pension and Savings Plan (GSEPS) need to look carefully at what they are putting into the savings plan; 80% of participants are not presently building a retirement plan that will work.

Peach State Reserves

Mr. Potvin indicated that the closed Stable Value fund was replaced with new options. A large number of members have had funds in this program for a long time. He shared information about stable value funds. Historically insurance companies have provided contracts that protect the fund by insuring that the underlying assets do not experience wide variations in market value. After the 2008 fiscal decline insurance companies added higher fees and a large number of clauses allowing them to bail out on the insurance provisions intended to protect the fund. Presently the fund is trading at 100 cents on the dollar. If the underlying asset value were to decline then members could lose investments if a decision was made to go to a different type of investment vehicle. It therefore seemed good to move to a different type of stable investment that has less risk while the Stable Value fund is trading at 100%.

The new program goal is to have targeted date bond funds. Bonds are grouped into funds with the same maturity date and associated low interest rates. If they are held for the entire period they will allow a predictable investment with minimal risk. The ultimate goal is to establish 5 bond funds with different maturity dates—one for each year. Presently there are 2 funds-- 3-year and 5-year dates; next year these bond funds will be the 2 and 4 year dates and a new one will be created for the 5-year date. In discussing how to use these options it is good to think of the funds as a single investment option. You can then spread the investment according to the length of time you believe you would like to commit the money (1-5 years). If you hold the bonds to maturity you should realize the projected interest rate. If you liquidate the bond earlier than the target date you expose yourself to the market rate at the time of sale. ERS also implemented a money market option that can be effectively used for distributions that are needed (or required) in the next time period –say 3 years. Use of the Money Market fund will provide very limited return, but safeguards the principal so that the whole amount is available when distribution is needed or required.

Alternative Investments

*Background (wd)**:*** Over the past several years a number of bills were advanced in the General Assembly to allow the ERS to invest funds in alternative investments that are generally characterized as having a higher risk, with the potential of a higher return on investment. GCWA joined with GSRA and others to prevent the passage of these bills. We believe that if this is a good idea for us it is also a good idea for teachers. Last session the bills passed and we supported GSRA's successful efforts to add transparency and an ethics measure to these investments.

Mr. Potvin noted that ERS can now make investments in alternative investments. Over the past 10 to 12 years ERS has loosened restrictions on the types of investments that can be made. 10 years ago ERS was below the median in returns on investments and since then we are above the median. Mike Majure noted that ERS is being very deliberate in approaching this option. There is no requirement that ERS make investments in alternatives but now has permission to invest up to 1% per year up to a total of 4 ½% of the fund over five years. ERS has no particular expertise in this type of investment. A search for personnel with expertise in this area is under way. Staff will be retained and the investment group will sit with them and senior management to think about where the system should go from both policy and risk standpoints. The goal will be to trade off an inevitable increase in fees and charges with higher returns that benefit the fund. What is paramount is to increase the rate of return.

Financial Health of the ERS

ERS Director Potvin noted that as of 6/30/11 the ERS is 76% funded. Market hits in 2008 and 2009 had negative impacts on the fund. The past two years showed double digit increases in return on investments, but the fund is under expectations in the present year. The 76% funded ratio is a ratio of assets and total liabilities. The difference in this ratio is defined as unfunded liability. Having an unfunded liability does not mean that the fund is not healthy. (wd: a number of sources indicate that an 80%

funded ratio is the boundary for soundness; we are close). Mr. Potvin indicated that he has worked closely with the Office of Planning and Budget (OPB) and the General Assembly. He is proud to say that for the past several years Georgia has always provided 100% of the required annual required contribution. The annual required contribution is calculated to resolve the unfunded liability (i.e. if it is made consistently over time the unfunded problem will be resolved).

Governmental Accounting Standards Board (GASB)

Background (wd): When I first heard about GASB I thought they were talking about that gastric distress that causes me to wake up in the middle of the night occasionally. As it turns out this was probably not too far from the truth and given upcoming changes in GASB the bouts could be more frequent. Briefly, and wholly from a lay perspective, I understand GASB to generally be the governmental response to assure that an Enron like fiscal disaster doesn't occur in the public sector. They have perpetrated foolish notions such as if you owe current and future retirees $16 billion in promised retirement and medical benefits you should reflect your ability to pay for these on your balance sheet; sort of like asking that I list my charge card debt on an application to refinance my mortgage to generate funds to invest in guitar string futures. Georgia (the figure wiggles around) owes $14B to $16B in unfunded promised benefits to retirees and GASB would require that this liability be reported on balance sheets. A weak balance sheet means you can impact the ability to obtain favorable bond rates and could disrupt our state's AAA bond rating. This is what has been behind the new retirement system and the recent change to remove the 3% tax offset from retirement benefits effective 7/1/2013.

Director Potvin shared upcoming changes in GASB reporting requirements. The unfunded liability of retirement systems will have to be listed as a liability on the balance sheet. Prior to the upcoming requirements, systems could "smooth" year to year over some period of time. (wd: An example of "smoothing" is that recent double digit 20% + increases in investment revenues are "smoothed" over some period of time to estimate a longer return of 7% which could leap up and down on a yearly basis). New rules will require that instead of "smoothing" the balance sheet reflect the market value

Director Potvin re-iterated that the General Assembly and OPB have maintained commitments to adequate funding. He feels the ERS needs to manage liabilities as well. The recent decision to end the 3% tax offset adjustment will result in $18M per year in savings to ERS. He stated that it would be a great day when the ERS again was able to grant a cost of living increase (cola); that each cola costs $300M. He noted that the ERS Board had weighed a number of options in addition to ending the tax offset and that most of the other of several options considered were not viable. Options to make changes for future state employees in items such as employee contribution, years of service, and the formula for calculating benefits were presented at the June meeting. Of these, two appear viable but there is no direction to work on these.

Director Potvin shared thoughts on what is coming down the pike. It is not certain. A year ago the General Assembly prohibited dead peasants insurance. (wd: The General Assembly introduced a bill a couple of sessions ago enabling the state to take your retirement money and use it to buy life insurance on you and then when you kick the proverbial bucket the money goes back to the state of Georgia.) This perhaps sheds some light on the question "why are they trying to work us to death?" "Dead Peasants" is a term from the insurance industry, to figure out who the peasant is in this scenario go look in the mirror and write down the name of the person you see. We and others successfully and narrowly defeated this bill and last year GCWA supported GSRA sponsored legislation prohibiting this type of purchase.) Mr. Potvin noted that preventing the purchase of this insurance gives a level of protection for fund that doesn't allow fund to be used for other purposes. It will be important to pass legislation that assures that any changes to the system are introduced in the first year of a two-year session and that bills are fully vetted through a fiscal note.

Georgia State Employees Pension and Savings Plan (GSEPS)

Mr. Potvin discussed GSEPS. Everyone is automatically enrolled at 1% and this seems to be working. There are anticipated problems in that 80% of enrollees stay at the 1% level and do not get the full state match. If savings are too low for too long they will not build the kind of savings needed for retirement. (wd: In promoting the GSEPS in the General Assembly the assertion was made that GSEPS would produce the same retirement as the "New Plan" at 30 years if folks put in the full 5% that can be matched. One legislator, Robbie Mumford of Conyers, asked how long would the savings portion of the plan last on a 30 year retirement? After some head scratching the answer was 14 years. Those folks who retire and are smart enough to croak 14 years into retirement will have the same benefits as the "New Plan". Folks in GSEPS need to take a very serious look at the level of their investment in thinking about their future).

Commissioner Cook Addresses Members About SHBP

The Department of Community Health Commissioner, David Cook, presented information about the funding and status of the State Health Benefit Plan for FY 2013 and FY 2014. Following Commissioner Cook's remarks, he and staff person, Jean Giles, CIGNA's Government Sales Vice President, Phil Wasden, and UnitedHealthcare's Strategic Account Executive, National Accounts, Kerry Searles-Phillips, responded to questions.

Commissioner Cook explained that as of the end of FY 2012, the Plan's cash balance was $16 million; however, FY 2013 and FY 2014 are projected to have deficits of $89 million and $418 million, respectively. He explained that part of the funding problem is the reduction and eventual elimination of state appropriations to support the local school system non-certificate personnel. In 2008, the state contributed $250 million for this group, but that the appropriated amounts continued to dwindle until in FY 2012, all support was eliminated. The result of this decision is that the state departments and local school systems, through the teachers group, subsidized the health insurance for non-certificated personnel. In order to maintain a plan to meet its obligations—recognizing that the member premiums have substantially increased for some options—DCH is requesting $7.9 million increased employer funding for the SHBP in FY 2014.

Commissioner Cook explained that DCH and the Board are working with the reduced employer funding and increased health care cost in a manner to decrease SHBP cost while maintaining a reasonable benefit for SHBP members. He stated that participation in the SHBP wellness options has made the SHBP the largest wellness plan in the country, and that members indicate that the new wellness options have assisted the members—some even to the extent of probably extending their lives—in assuring preventive actions. In addition, the Board took another step toward recognizing the plan cost for spouses by approving increased member premiums that reflected that cost.

Following Commissioner Cook's comments, moderator BJ Bennett presented questions to the Commissioner, Jean Giles, Phil Wasden, and Kerry Searles-Phillips. Some of the questions and SHBP responses are printed.

1. The department has released a Request for Qualified Services (RFQS) for the purpose of eventually selecting vendors for providing services for the State Health Benefit Plan. What is your process and timeframe for implementing a new contract for these services?

   ***<u>Answer:</u>* DCH's intention is to award the business and finalize contracts by April 1, 2013. This will allow six months to implement any new vendors and have them ready to service the SHBP membership in time for Open Enrollment/Retiree Option Change Period beginning in October 2013.**

2. We understand that the Retiree Option Change Period (ROCP) is October 9 through November 9, 2012 for coverage on January 1, 2013. You stated that "If you return to work after retiring, you will need to have your health insurance deductions taken as an active employee. Does this include returning to work on less than a full-time basis (30 hours each week)? What if the return to work is on a consultant basis?

   ***<u>Answer:</u>* To clarify, health insurance deductions must be taken as an active employee if you return to work in a 'benefits-eligible' position. Positions on less than a full-time basis in state government and those individuals brought in on a consultant basis are not in benefits-eligible positions**

3. Explain the statement, "When you terminate your active employment, you will need to complete a Retiree Surviving Spouse Form to have your deductions taken from your retirement check or to set up direct pay."
   a. What are the conditions of this requirement? Is the active employee a SHBP eligible employee or a spouse of a SHBP eligible employee/retiree?
   b. Is the Surviving Spouse Form a general form or used only as a surviving spouse whose employment is not a SHBP eligible employee/retiree?

   ***<u>Answer:</u>* This statement applies to those employees who retire, then return to active employment, yet continue to receive an annuity. The SHBP receives a monthly file from the Employee Retirement System (ERS) of new annuitants that is compared to SHBP**

files of employees who have health coverage. When there is a match, SHBP notifies ERS to deduct the health premium from the new annuitant's monthly check. No SHBP paperwork is required of the new annuitant as it is an automated process. However, when an annuitant returns to active employment without stopping their annuity, ERS has nothing to send in a file when the employee stops active work again so SHBP has no way to know that employee already receives an annuity – unless the employee/retiree tells SHBP. Therefore, SHBP requires an employee, in this situation, to complete the form so deductions can be restarted from their annuity or as a direct pay to DCH.

4. I understand that this 2012 Retiree Option Change Period is the last time that I will automatically receive decision guide information mailed to me. Explain how I can receive enrollment information after this year.
   ***Answer:* In April 2013, SHBP will mail out a postcard to all retirees to remind them that SHBP is "going green" for the Retiree Option Change Period. However, SHBP understands that not every retiree has access to a computer, a smartphone, or other device that provides Internet access. This postcard will have instructions on how to 'opt in' to continue to receive physical mailings from SHBP of ROCP materials.**
5. You state that it is the member's responsibility to "read the Plan documents in order to fully understand how that Option pays benefits." In this same notice you list all of the documents that are included in Plan documents. Are these documents in one place on the SHBP website? If not, provide website information for locating the materials.
   ***Answer:* DCH provides these documents in several places. The Open Enrollment/ROCP site at www.myshbp.ga.gov has all of the links to the Plan documents. Another place to view these documents is www.dch.georgia.gov/shbp .**
6. The rates approved by the Community Health Board provides for subsidizing wellness options at a higher amount than the standard options even though the wellness options have a higher total cost than the standard options. Since many employers evaluate the success of a wellness program as a "reduction in claims", how will you evaluate success of the wellness options? Do you expect the claims cost to be reduced?
   ***Answer:* DCH expected costs under the Wellness Plan to increase because of the increased utilization of preventive care services, such as annual physicals, biometric screenings, and other care that are requirements of the Wellness Plan. In addition, DCH expected that there would be findings by the physician that would increase other costs, such as prescriptions for newly found high blood pressure or high blood sugar that a member was not previously aware of before getting these screenings. Through early intervention, DCH hopes to thwart future heart disease, stroke, dialysis, and other high cost claims as studies have demonstrated that early intervention helps plans avoid long term expensive claims costs. DCH will be tracking the incidences of disease – and the costs associated with treatment of diseases - over the next few years as the expectation is that these rates will decline as will the costs.**
7. The Decision Guide lays out the requirements of the wellness options, but please explain the requirements/provisions of the "health education module."
   ***Answer:* Members and their spouses (if covered) who have enrolled in the Wellness Plan options will each need to log in to the new member education portal at www.AHealthierSHBP.com between January 1, 2013 and 4:30 pm EST on May 31, 2013. They each must complete one 7 - 10 minute health education module to meet this requirement for the 2013 Wellness Promise. There will be a confirmation screen at the end of the module confirming completion. A copy of this confirmation page should be retained.**
8. Explain how the HRA deductibles and out-of-pocket maximum work with the prescription drug provisions (copayments.)
   ***Answer:* The HRA account provides first dollar coverage for eligible medical and pharmacy expenses. Pharmacy claims are not applied to the deductible or out-of-pocket maximum including any amounts paid out of the member's HRA funds for pharmacy expenses.**
9. Explain how any unused credits in the HRA will work if I turn age 65 during the year and enroll in the Medicare Advantage option.
   ***Answer:* If there is $100 or more of unused credits in the HRA, SHBP will set up a 'stand-alone' HRA account that the member may use to offset out of pocket expenses under the Medicare Advantage option.**

10. Are any unused HRA credits carried forward from one option to another – especially between the HRA wellness and standard options?

    Answer: ***Yes. HRA credits are lost only if a member switches from an HRA option to an HMO or HDHP option (but not Medicare Advantage). The member retains HRA credits between Wellness or Standard HRA options regardless of the vendor. In other words, the member can change from Cigna HRA to UnitedHealthcare HRA or vice versa and still retain their HRA credits.***

11. What are the Medicare Advantage contract rates for CY 2013?

    Answer: **The Medicare Advantage contract rates are as follows:**

    Standard: $147.25; Part B only: $574.79

    Premium: $207.01; Part B only: $627.21

Wes Moss: *Filling the Income Gap*

Hoping to provide members with a positive counterpoint to the continuing sober realities surrounding their pensions and health insurance benefits, GSRA invited Certified Financial Planner and WSB Radio *Money Matters* host, Wes Moss, to address members about common sense financial planning around the areas over which they have control to help ensure an adequate retirement income. Moss did not disappoint. Obviously at home in front of an audience, Moss was both reassuring and entertaining as he provided context for the tough economic times we all find ourselves in and offered suggestions for areas where members can take control of their financial well-being.

Moss started his presentation by identifying for members the ten current fiscal conditions that cause him and other financial planners, as well as economists and politicians, concern: *the looming Fiscal Cliff, the fall elections, fears of another recession, European debt crisis, out-of-control debt, oil prices and the problems of the Middle East, inflation, high unemployment and the housing market malaise.* He then discussed the more positive current conditions we're seeing: new home starts up, low interest rates, positive employment numbers, GDP at 1.3%. He stated his opinion these conditions indicate that we are not going into another recession and that he expects the next five years will be better than the last five.

Next, using an "average couple" at or near retirement and their average "income gap", the difference between what they receive in pension and/or Social Security and their actual "spending need", Moss illustrated an easy to understand bucket approach to investing where cash equals income (bonds) plus growth (stocks) or income equals interest plus dividends and distributions. He talked about income investing and the importance of dividends in total returns and emphasized the importance of keeping up with the withdrawal rate in order to ensure income lasts through retirement.

Finally, Moss discussed the differences between Fee-only and Commission-only Financial Planners and gave his opinion on what to look for in a financial planner, discussed annuities and, in response to a question from GSRA Vice-President Chuck Freedman, provided his opinion and grade (C-F) for reverse mortgages.

Over 350 GSRA members and guests attended the 2012 Annual Meeting, where, we are happy to report, a number of people decided to become new members. This newsletter is devoted to the Annual Meeting so that those of you who did not attend get a flavor of the enjoyment in seeing your old friends and the value of learning about issues that have a profound effect on you. We hope that you will make an extra special effort to attend the membership meeting in 2013. In the meantime, be sure to attend a local chapter meeting in your area (visit www.mygsra.com to find the one nearest you). The local chapter meetings are invaluable in the information provided to you.

Lasting Images of the 2012 Annual Meeting


GSRA Endorsed
MEMBER BENEFITS
GSRA
Long Term Care / Home Health Care Insurance
Cancer Treatment Policy
Medical Air Transportation Services
Final Expense Whole Life
Medicare Supplement Plans
Dental & Vision Plan
Annuity
Travel Discounts
Computer Discounts
Hearing Solutions
Hotel Discounts
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