

## ERS Audit Shows FY2012 Investment Income At 2.2%

The Employees Retirement System’s independent auditing firm, KPMG, issued its audit report on the financial operations of the Employees Retirement System and opined that the financial statements present fairly the System’s financial position as of June 30, 2012. The report provides information about the financial activity—investment rate, investment dollar income, investment mix, and comparative number of ERS members.

2012 to 2.9%, with a (.0.5)% return on equities and a 7.4% return on fixed income investments.

Assets for all funds administered by the ERS totaled \$14.7 billion or \$727 million less than on June 30, 2011. Changes in Net assets are reflected below:



**SAVE THE DATE!**  
**JANUARY 30, 2013**  
**GSRA DAY AT THE CAPITOL**  
**11:00 AM**  
**RSVP to [RSVP@mygsra.com](mailto:RSVP@mygsra.com)**

**LEGISLATIVE RECEPTION**  
**5:00 PM**  
**Floyd Building/Empire Room**  
**Reception Registration Fee \$37**  
**Required**

**Additional information to follow**

Fiscal Year 2012 investment rate of return was better than the return rate for many public retirement plans, but was less than the 7.5% actuarial rate used for projections. The return rate was 2.2% with a (0.2)% return on equities and a 7.9% return on fixed income investments. This brought the five-year annualized rate of return on investments at June 30,

	2012	2011	% Change
<b>Income</b>			
Employer Contributions	\$ 299,719	\$ 297,763	0.7%
Member Contributions	120,267	121,742	(1.2)%
Participant fees	800	785	1.9%
Insurance Premiums	6,303	7,284	(13.5)%
Net Investment	285,296	2,770,095	(89.7)%
Other	7	7	
<b>Total Additions</b>	<b>\$712,392</b>	<b>\$3,197,676</b>	<b>(77.7)%</b>
<b>Deductions</b>			
Benefit payments	1,368,511	1,327,325	3.1%
Refunds	21,085	19,492	1,593
Death Benefits	30,873	28,257	9.3
Administrative expenses	18,936	21,465	(11.8)%
<b>Total Deductions</b>	<b>1,439,405</b>	<b>1,396,539</b>	<b>3.1%</b>
<b>Net increase (decrease)</b>	<b>\$(727,013)</b>	<b>\$1,801,137</b>	<b>(140.4)%</b>

Total contributions increased 0.11%, primarily because of an increase in employer contribution rates offset by a prior year appropriation of state funds from the Department of Revenue. Total deductions increased 3.1% primarily because of a 3.1% increase in benefit payments.

Net investment income of \$285 million in 2012 (comprised of interest and dividend income, the change in fair value of investments and other, reduced by investment expenses) represents a \$2.5 billion decrease compared to the net investment income of \$2.8 billion for the year ended June 30, 2011. The decrease is due primarily to flat returns in the equities market in 2012.

Investment allocation is key to maintaining an acceptable long-term investment return. Allocation by major categories as of June 30, 2012 is detailed in the table below.

INVESTMENT ALLOCATION – June 30, 2012				
	2012	%	2011	%
Equities				
Domestic	7,320,797	50.3%	7,556,866	50.5%
International	2,279,125	15.6%	2,503,496	16.7%
Domestic Obligations				
US Treasuries	2,286,690	15.7%	2,361,012	15.8%
US Agencies	13,182	0.1%	22,272	0.2%
Corporate & Other bonds	1,439,459	9.9%	1,212,752	8.1%
International Obligations:				
Governments	151,527	1.0%	218,352	1.5%
Corporates	81,180	0.6%	87,213	0.6%
Other	995,115	6.8%	991,710	6.6%
GRAND Total Investment	\$ 14,567,075		\$ 14,953,673	

The number of active plan members decreased by 2,118 or 3.2% during FY 2012, and the number of retirees and

beneficiaries increased by 1,803 or 4.5% during FY 2012 as shown in the following table.

Plan Members – June 30, 2012		
	2012	2011
Receiving Benefits	42,053	40,250
Terminated (Entitled to Benefits)	76,736	72,918
Active Plan Members	63,963	66,081

Happy Holidays!

Your GSRA President, Officers, and Committees thank you for your participation in GSRA in 2012 and wish you and your loved ones the happiest of holidays and best wishes for the new year! With YOUR HELP, GSRA looks forward to a successful 2013.

## Health Care Reform Implements New Taxes for 2013

The national health care reform law (Affordable Care Act—ACA) has impacted health insurance plans, including the State Health Benefit Plan, throughout the US with many changes between 2010 and 2012. However, 2013 will see additional changes, including several taxes to become effective on January 1<sup>st</sup>.

**A surtax of 3.8% will be assessed on investment income** for households making at least \$250,000 (\$200,000 single filer). The rate of Capital Gains will increase from the 2012 rate of 15% to 23.8% and the rate on Dividends will increase from 15% to 43.4%. **Each of these**

**increased rates includes the increase (capital gains from 15% to 20% and dividends from 15% to 40%)** that is scheduled to go into effect on January 1<sup>st</sup> regardless of ACA. Total increased federal tax revenue for the increased investment tax is projected at \$123 billion.

**The Medicare Payroll Tax rate** is scheduled to increase for households making at least \$250,000 (\$200,000 single filer). While **the employer rate** will remain at 1.45% on all wages, the **employee rate will increase** from 1.45% to 2.35% on all wages greater than the \$250,000/\$200,000. The increased Medicare Payroll Tax

is projected to produce \$86.8 billion in additional federal tax revenue.

**Medical deductions on the tax return 1040** for out-of-pocket medical cost will increase from 7.5% to 10% of "adjusted gross income." While SHBP members are generally protected against medical out-of-pocket expense at 7.5% (or 10%) of AGI, there are conditions under which the decreased reduction percentage will increase required federal and state income taxes. This change is projected to produce \$15.2 billion in additional federal tax revenue.

Prior to 2013, active employees, as a part of the State's **Flexible Benefit Plan-Spending Account**, had the ability to set aside up to \$5,040 non-taxable income to cover medical expenses not covered by insurance plans. Effective January 1, 2013, the ACA reduced the maximum allowable contribution to Spending Accounts to \$2,500. This change is projected to produce \$13 billion in increased federal tax revenue.

**A 2.3% excise tax on gross sales for medical devices** is imposed in 2013, whether or not the company has a positive income. The new tax is projected to produce \$20 billion in increased federal tax. "AdvaMed, an industry trade association, reports that the tax could cost more than 40,000 jobs<sup>1</sup> and Stryker Corp said it plans to idle 1,000 workers." In addition, the tax is projected to increase costs on hospitals, doctors and people who require treatment by a medical device.

All of the new taxes are being imposed to reduce the federal cost of the Patient Protection and Affordable Care Act.

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## Local Chapter News

**Athens** The Athens local chapter hosted its second annual *Eggs and Issues* breakfast, Wednesday October 24, 2012 at Brett's Restaurant on the Atlanta Highway. Forty chapter members met, ate and discussed issues with six current elected officials or challengers running against sitting legislators.

GSRA President Bill Tomlinson and Athens Chapter President Kip Mann stressed the importance of keeping health insurance costs under control, telling legislators that for the last five years health insurance costs have continually risen while retirees have received no cost of living increases, causing a net loss of income. President

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<sup>1</sup> Medical device makers brace for impact of new tax. Atlanta Business Chronicle, page 21A. November 30, 2012.

Tomlinson stressed what he called shadow health insurance increases that he feels are not adequately considered when the legislature reviews requests for health insurance premium increases. These shadow costs include, but are not limited to, changes in the increase of prescription drugs costs to individual plan members when the cost to the state is lowered, increases in the deductible limits that plan members have to cover, and potential increases in co-pays. All of these items reduce the cost of health insurance to the state but are not always reflected as an increased cost to retirees and current employees when DCH reports health insurance premium increases to the legislature. Both Bill and Kip encouraged legislators to inquire about the actual increased cost to plan members, including retirees, of all future changes to our health insurance premiums and plans including these shadow costs.

Bill also spoke to the current inequity of treatment between state retirees who worked for an agency covered by either TRS or ERS. He pointed out how persons who worked and retired under TRS are eligible for raises each year, and once they retire get COLAS each year automatically, whereas a state employee who retired under ERS this year has not received a raise for the past five years and in all likelihood won't receive a COLA in the near future. This creates an inequity in retirement benefits even if the two people were hired on the same date and at the same pay for the same position title. Since GSRA represents current employees, as well as retirees, under TRS and ERS retirement plans, this creates an inequity readily apparent to our members and one which should be watched carefully to minimize this unequal treatment.

House Appropriation Committee Chair Representative Terry England from Statham, Representative Tommy Benton from Jefferson (a current state retiree and sponsor of past legislation to prevent "dead peasant insurance policies" being taken out on retirees), Representative-elect Regina Quick from Athens-Clarke Co. and State Senator Frank Ginn from Elberton were all very open to our concerns, but keenly aware of how tight a budget the state may be facing in the coming year. Each said they looked forward to working with us during the coming session.



Athens members at the recent *Eggs and Issues* breakfast

and are: Ernie Melton, President; Mike Murdock, Vice President; Holly Pounders, Secretary; and Darrell Thompson, Treasurer.



Featured speaker Bob Hahl, from Transamerica, with Landon Weeks and John Mason of Morgan Stanley at the Northeast Metro meeting

### Northeast Metro

The Northeast Metro local chapter held a meeting in November at the Bethesda Senior Center in Lawrenceville. The meeting featured two speakers, Richard Crippen of the Employees Retirement System and Bob Hahl from Transamerica, who spoke about Social Security. Both presentations were excellent and filled with information useful to GSRA members.

About 45 people attended the meeting, and free coffee mugs were awarded to new members, as well as any member who invited them. Officers were elected for 2013

## Member Spotlight



This month's member spotlight is on Paula Watts. Paula, a member of the Thomasville local chapter, was employed in September 1973 as a Stenographer I with the Department of Human Resources at Southwestern State Hospital in Thomasville. She worked in the Human Resources department her entire career, holding various positions within that office and ultimately being promoted to Human Resources Director in July 1993. As Paula was nearing retirement, she decided to apply and was selected for the Assistant Human Resources Director position in April 2003, but continued to serve as the Acting Human Resources Director until that position

was filled. She retired with 34 years of service on May 1, 2006. Paula and her husband, Neal, live in Cairo, Georgia and have one son. We asked Paula to answer the following questions related to her public service career and retirement.

**Q -** What was your first job in State Government? Why did you want to work in public service/state government?

**A –** **My first job was as a Stenographer I in the Human Resources Department at Southwestern State Hospital, which is where I spent my entire career. When I was in high school, we had various agencies come to the school for “career day” to discuss various careers. I always knew that I wanted to either work for the Federal or state government and had applied for jobs with both.**

**Southwestern State Hospital was the first agency to call and give me an interview and I was fortunately hired.**

Q - Did you have a role model or mentor in your public service career? If so, who was it and how did they help?

**A – I think I would have to say that I had many throughout my career, starting with my supervisors. I was fortunate to work under the direction of some great people who always gave me clear expectations, were fair, provided me with good leadership and helped mold me into the worker that I was. I would also say that my co-workers always inspired me to try to be the best I could be. I always learned a lot from the people around me.**

Q - What's the biggest challenge you faced in your public service career?

**A – I would have to say budget reductions and employee discipline. We always seemed to be in a budget cutting process and experienced many closures of unit programs, including closing our satellite hospital in Bainbridge. That was always a stressful process, as you were not only impacting the lives of other employees, but impacting the services for the clients you served. And, of course, it is never easy dealing with disciplinary issues.**

Q – What was the best thing about your public service career?

**A - The people I worked with. I was blessed to work with a great group of people who were always supportive of me and always made my job easier.**

Q – What was the worst thing about your public service career?

**A – Going through the many budget reductions through my career to include the closure of our satellite hospital. It wasn't easy to be a part of a budget cutting process impacting other people.**

Q - What do you think is the biggest change in state government we will see in the next 10 years?

**A – I think just the continuation of the increase in technology and how services are provided. I think there will certainly be more self service as opposed to personal customer service. I think that presents more challenges to the citizens of Georgia in accessing the services they need. I also think the economy will continue to challenge state government budgets, leading to continued streamlining and cutting of services.**

Q - What have been your favorite hobbies or activities in retirement?

**A - I love to read and swim. I am able to do more activities with my church. I enjoy being at home and being able to do the things I want to do.**

Q – What makes retirement rewarding for you?

**A – Just being able to enjoy living at a slower pace and having the time to do the things I need and want to do.**

Q - What is the biggest challenge you see for state retirees in 2012 and beyond?

**A – I think with the continued cost of living and the lack of any increases in our retirement checks, continuing to maintain the level of benefits we currently have. Health insurance is critically important to me and keeping up with the continued increase in cost and decrease in benefits coverage is difficult.**

Q – How do you think retirees could address that challenge?

**A – Keep yourself informed about legislation that could have a negative impact on retirees. Keep yourself involved with GSRA; keep in contact with your legislative leaders to let them know those things that are important to you. Take action when GSRA sends out alerts. We need to protect our benefits and benefits for future retirees as well.**

## New Members in September/October/November

Name	County	Name	County	Name	County
<b>September</b>		Clara Raines	Walker	Beverly James	Gwinnett
Edna Aaron	Bibb	Barbara Richards	Dekalb	John Johnson	Laurens
Larry Adams	Gilmer	Jimmy Robertson	Cobb	Susie Johnson	Laurens
Albert Barron	Sumter	David Rollins	Richmond	Adalia Johnston	Meriwether
Donn Blosser	Fulton	Sammy Roper	Gordon	Celene Kennedy	Rockdale
John Bouchillon	Rockdale	Rhonda Rowe	Wheeler	Mattie King	Walton
Imogene Bowen	Jones	Steven Solomo	Dekalb	Thomas King	Laurens
Patricia Bowers	McIntosh	William Spears	Carroll	Robert Kleid	Forsyth
Becky Boyd	Monroe	Sandra Swindle	Chatham	Dorothy Krause	Hall
Beryl Budd	Newton	Sue Terry	Cobb	Sylvia Lane	Brooks
Jack Catrett	Lamar	Lauri Tuten	McDuffie	Jeff Lukich	Wilkes
Hugh Chambers	Gwinnett	Charles Walker	Bartow	Mary Beth Lukich	Wilkes
Susan Chapman	Meriwether	Michael Walker	Baldwin	Diana Lunceford	Gwinnett
Clovis Clark	Dekalb	Thalrone Williams	Fayette	Gail Lynch	Grady
Dan Clarke	Dekalb	<b>October</b>		Ted Lynch	Grady
Buck Cooper	Gwinnett	Diana Aspinwall	Gwinnett	John Mallory	Talbot
Thomas Craft, Jr	Laurens	Edward Blaha, Jr	Dekalb	Jane Mann	Clarke
Ann Deibel	Dekalb	Janet Brown	Whitfield	Shirley Manning	Laurens
Tilton Denson	Paulding	Homer Bryson	Hall	Dollie Marshall	Ware
Lawanda Dominy	Laurens	Lisa Bryson	Hall	Alice McLauren	Jackson
Rehnee Dyer	Cobb	Bennie Butler	Crisp	Lynn Melton	Laurens
Michael Edwards	Thomas	William Cartwright	Meriwether	William Nelson	Bulloch
Edwin Fletcher	Crisp	Deborah Collier	Dekalb	Millie O'steen	Baldwin
James Grulke, Jr.	Gwinnett	Cheryl Copelan	Fayette	Beth Oxford	Upton
Cathy Hackle	Bibb	Annie Curran	Laurens	Lynn Pardue	Monroe
Michael Harrell	Wayne	Kimberly Darling	Lowndes	Beverly Pharr	Coffee
Madelyn Haynes	Coweta	Annie Dennis	Putnam	Robert Pruitt	Henry
Nancy Hazelrigs	Douglas	Helen Dennis	Putnam	Anne Raymond	Dekalb
Robert Hooten	Carroll	Sarah Draper	Dekalb	Arthur Riddle	Gwinnett
Thelma House	Floyd	Lawanda Drinks	Clayton	Elizabeth Rosenberg	Dekalb
Nancy Hunnewell	Fayette	Barbara Dunn	Gwinnett	Amber Samples	Upton
George Jackson	Pickens	Mary Eaddy	Dekalb	Charlotte Shlubach	Gwinnett
Leatrice Kight	Treutlen	Jerald Eunice	Appling	Frank Smith	Dekalb
Richard Lewis	Chatham	Patricia Farmer	Gwinnett	Lloyd Strickland	Monroe
Grace Lurry	Dekalb	Denise Forbes	Laurens	Lee Sweat, Jr	Appling
Wade Moore	Troup	Robert Green	Rockdale	William Tomberlin	Appling
Shelia Nation	Polk	John Gulley	Glynn	Becky Torbett	Jackson
Regina Parker	Chattooga	Dianne Hall	Treutlen	Janet Turner	Fulton
Patricia Peeples	Tattnall	Marian Hatch	Fulton	Arthur Vaughn	Rockdale
Teresa Pewitt	Chattooga	Alane Hickman	Jenkins	Cheryl Walsh	Jones
Marsha Pierce	Glynn	James Hill	Fulton	Claudia Wells	Union
James Pitts	Glynn	Danny Hunter	Upton	Randolph Willard	Cobb

Name	County	Name	County	Name	County
Gene Willbanks	Gwinnett	Linda Rooney	Glynn		
Lex Williams	Laurens	Marie Sawyer	Glynn		
Sandra Wood	Tift	Mark Scott	Muscogee		
<b>November</b>		Thomas Sigman	Fulton		
Dolores Blackston	Upson	David Sinclair	Laurens		
Kay Brantley	Glynn	Myra Smith	Rockdale		
Barbara Chapman	Meriwether	Debra Timms	Dekalb		
Larry Chapman	Meriwether	Helen Washington	Chatham		
Marta Daniell	Clarke	Jerry Whidby	Baldwin		
Benny Deloach	Appling	Ron Wood	Fulton		
Linda Dysart	Bartow				
Mary Humphrey	Glynn				
Joseph Hungate	Gwinnett				
Rhonda Koplín	Bibb				

### Legislative District Update/Contacting your Legislators

In 2012, GSRA sent several emails to members about upcoming Legislative Events and asked the members to notify their elected representatives. Because of the change in district borders and the general election, our data source will not be updated until the 2<sup>nd</sup> week of January 2013. Therefore, GSRA will not have tools to send this type of information until mid-January.

### 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](http://www.mygsra.com) using your old email address and password; select “Our Members” and “My Profile”, and then change your information using 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 at the bottom of this page.

# GSRA *Endorsed* MEMBER BENEFITS



- 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
- Rental Car Discounts

For information on  
benefits, call AMBA at  
**800.258.7041**  
or visit [www.AMBA.info](http://www.AMBA.info)

