

January 30, 2013

GSRA Day at the Capitol – RSVP at rsvp@mygsra.com

Legislative Reception – Register at www.mygsra.com

BE THERE!

GSRA Attends Biennial Legislative Session



Lieutenant Governor Casey Cagle addresses the Biennial Legislative Training Session (courtesy of the Carl Vinson Institute)

GSRA attended the Biennial Legislative Training Session in December 2012. The Carl Vinson Institute hosts a biennial training session to brief legislative members about some of the issues that the legislative bodies will be facing during the 2013 General Session. By attending the training session, GSRA officers shared information about the association as they greeted new and returning legislators. The program was full of a wide range of issues—updates on the 2013-2014 budgets and economic outlook, juvenile justice reform, job creation initiatives, controlling costs of the State Health Benefit Plan and other issues.

The budget update was only open to legislators. The speakers were Rep. Terry England (House Appropriations Committee Chairman) and Sen. Jack Hill (Senate Appropriations Committee Chairman) along with the directors of the respective legislative budget offices. Governor Deal's budget proposal will be available on

January 17th; however, as reported in the Atlanta Journal and Constitution, these Committee Chairmen are bracing for additional cuts to state departmental budgets. Chairman Hill is quoted as stating that Georgia is struggling to provide funds for services for a greater number of citizens while revenue increases are not keeping pace with the growth in citizens requiring services.

GSRA attended the session of “Controlling Costs of the State Health Benefit Plan.” The speakers were Department of Community Health Commissioner David Cook, Health Care Consultant Cindy Gillespie from McKenna, Long & Aldridge, Senate Appropriations Committee Chairman Sen. Jack Hill, and House Appropriations Committee Chairman Rep Terry England.

Commissioner Cook's presentation followed the same information that has been provided previously—SHBP costs have increased at a rate of 5.1% in comparison to the national average cost increase of 8.4%; non-certificate members have been underfunded since FY 2010; and plan changes totaling \$99.5 million will be addressed for calendar 2014.

Gillespie spoke about the Affordable Care Act's requirements. (GSRA Note: Governor Deal has announced that Georgia will not expand Medicaid eligibility up to 133% of the federal poverty level and that Georgia will leave the health care exchanges to the federal government to implement.) Gillespie stated that citizens between the current Medicare eligibility up to 133% of the FPL will not be eligible for subsidized premiums by the federal government. However, citizens having an income of between 133% and 400% of the FPL will be eligible for premium subsidizes.

Senator Hill stated that coverage in the SHBP is very important, and the General Assembly should continue to

provide health care benefits for employees and retirees. He stated that Georgia has a pretty good record for holding down the cost and that the employer portion for retirees has been funded throughout.

Representative England related a story about former Governor Perdue discussing the increased cost of the SHBP and that its cost was outpacing the increases in state revenues. He stated that a lot of people work for Georgia government and the local school systems because of the SHBP benefit, although providing the employer contribution becomes a problem for local school systems to fund. He said that it is important that we keep employees

covered. We've done our best to hold down cost, but we have also used all reserves. Tradition says that we would rebuild reserves, and he hopes that at some point we can rebuild reserves.

GSRA is concerned that the Department of Community Health and Governor Deal will present additional reductions in the benefits for FY 2014 and will increase member premiums substantially to compensate for a shortage of \$99.5 million in FY 2014. Additional information will be provided when the Governor's budgets for the amended FY 2013 and FY 2014 are presented.

GSRA –2013 State of the Association

As 2013 arrives, GSRA takes stock of the association's challenges and objectives for the New Year, as well as looks back at its 2012 successes. The greatest general challenge facing Georgia government is the continuing depressed economic status and its effects on State services. More is being required of employees and educators, thereby creating a temptation to limit past promises to retirees and prospective retirees. Budget reductions have created severe cutbacks in many services and educational areas requiring workforce furloughs and eliminated positions and encouraging early retirements. The continued economic slowdown also has the potential to generate legislation that will adversely impact the retirement plans and the State Health Benefit Plan; therefore, vigilance is the GSRA Watch Word.

2013 Platform and Objectives

In 2013, GSRA remains committed to its core mission of providing education and advocacy around retirement and health care issues affecting current and retired State of Georgia employees and educators. GSRA continues to believe, and will continue to communicate, that State of Georgia employee and retiree benefit programs are contractual compensation obligations, both current and deferred, to provide for financial security during the employees' working career and retirement, as well as essential components of compensation in order to attract and retain the competent and effective workforce the State of Georgia needs to provide the public services demanded

by its citizens. A key tenet supported by GSRA is that compensation and benefits of active and retired state employees and educators should be administered equitably and consistently across state entities and pension funds.

While GSRA understands and acknowledges the continuing economic challenges the State of Georgia faces and recognizes the dilemmas faced by state leadership in addressing a balanced budget for FY 2013, 2014 and beyond, GSRA continues to support:

- adequate funding for affordable health insurance benefits for active and retired state employees and educators, including policies to discontinue the disturbing trend to shift costs to health insurance members by instituting high premium increases and continuing increases for deductibles and copayments.
- ERS and TRS budget requests for adequate funding for state-supported retirees' pension funds. Although the ERS plan is funded at 76% and TRS plan is funded at 80%, both ERS and TRS Boards of Trustees have requested increased funding to meet the actuarially calculated annual required contribution. GSRA will add its voice in support of those requests.

GSRA will continue to oppose legislation or regulation that:

- increases the percentage of retirement plan assets allowed in riskier types of investment alternatives;
- targets or excludes specific state sponsored retirement systems and creates inequitable and disparate treatment among the various groups of covered members;
- imposes new taxes on purchases of food, drugs and health care;
- amends the constitution in order to place arbitrary limits on the state budget;
- limits retirees' access to state premium subsidies for health insurance options; and
- eliminates state subsidies to retiree health insurance premiums for options other than the Medicare Advantage Plan.

GSRA will continue to monitor proposed legislation and administrative actions about issues of concern to members and prospective members and will inform you of these issues. GSRA asks members to share information with other active and retired state employees and educators who may not be familiar with our organization or the issues. However, one of the most effective ways of making our voices heard is to participate in activities to honor elected representatives and to share this information with them at the GSRA Legislative Day and Reception on January 30, 2013.

The Legislative Day and Reception will be our third annual meeting to honor our elected officials. We will begin the day with a picture with Governor Deal. Members will then have the opportunity to visit with their elected representatives, as well as other legislative committee chairs, during the day and later that evening at the Legislative Reception. These activities are very important in a member's ability to make his/her voice heard regarding issues of importance.

Another area that will receive attention by GSRA is to continue to look for opportunities to increase the number of and participation in local chapters. In addition to outreach, GSRA will support the established local chapters by helping to identify opportunities for quality meeting programs.

2012 Successes

During the past year, GSRA had a number of high points for which leadership and membership can be proud. As for legislation and regulations impacting active and

retired state employees and educators, GSRA was successful in adding more transparency to the "alternative investments" reporting process, supporting passage of legislation that effectively curtailed the future impacts of any "dead peasants" legislation on retirement systems, and delayed the date until July 1, 2013 for eliminating the 3% tax offset on ERS retirees. In 2012, GSRA continued to advocate for COLAs for ERS retirees and equitable treatment for retirees of all state-sponsored retirement plans.

The high point of the 2012 legislative session was GSRA's second GSRA Legislative Day and its jointly held (with Georgia County Welfare Association) Legislative Reception. Legislative attendance at the reception more than doubled from 2011.

Another success came from GSRA debuting its "advocacy software" that allowed GSRA leadership to easily communicate urgent matters, including legislation of interest, to members. The software gave members a quick and easy click through method of communicating with their elected officials. Use of this system by GSRA members was a huge factor in allowing the Association to affect the outcome of at least two bills of interest during the 2012 session.

Administratively during 2012, GSRA took two actions to improve the communication of GSRA. It undertook and completed a redesign of its website in order to beef up content and improve the user experience. In addition, recognizing that social media is an important communication tool, GSRA began to utilize Facebook to a much greater extent than in previous years to provide more immediacy to its communications with membership.

GSRA also experienced its first full year utilizing a fulltime contract employee who filled the role of Administrative Assistant to the officers, Board and members. This position allowed GSRA to be much more responsive to members and prospective members. The Assistant also functioned as a "clearing house" for local chapter officers and allowed GSRA to operate in a more strategic manner befitting its status as a maturing organization.

Finally, GSRA closed out the year with its sixth successful Annual Meeting. 2012's event featured several "firsts", including a well received training session for local chapter officers, a non-state related speaker, a beefed up vendor area and a number of valuable door prizes. More than 300 members traveled from around the state to attend.

GSRA Reviews SHBP Financial Information

As mentioned in GSRA's article about the Biennial Legislative Training Session, Legislators were briefed on "Controlling the Cost of the SHBP." Based upon this concern, GSRA reviewed the cost increases to employees and retirees over the past 5 years and compared the audited financial statements for the State Health Benefit Plan over the last two (FY 2011 and FY 2012) fiscal years. Although substantial plan changes and member premium increases were projected to leave the plan "no worse", FY 2012 had a deficit of \$89 million.

The October 2012 GSRA Newsletter provided information to show that over the last five years member premiums increased for the most populous option under the SHBP by 25% (member only), 48% (family coverage) and 45% for retirees. At the same time, there were benefit options eliminated or limited (for retirees) and out-of-pocket maximum cost doubled at the point of medical service. The increased premiums produced increased

revenue for the plan while the plan changes were designed to reduce the total "payout" for benefits, thereby balancing the expenses with the revenue.

The Department of Community Health staff has repeatedly reported that the SHBP is being operated on a "cash basis", meaning that the funds are not in reserves to pay all of the incurred liabilities (for benefit claims) at any given point of time. GSRA notes that in FY 2012, the finances were worse than FY 2011. The Plan had a \$50 million cash reserves at the end of FY 2011, but was reduced to \$18 million in FY 2012. In fact, the audited financial reports show that the SHBP had a **"net operating loss" of \$89 million.** Had the employers not paid contributions early—by \$111.8 million—the SHBP would not have had sufficient cash to issue payment for the benefit claims received during the year unless funds were provided from other programs.

Financial Statement FY 2011 and FY 2012 Compare

	FY 2011			FY 2012		
	Active	Retirees	Total	Active	Retirees	Total
Assets						
Cash & Investments	\$ 50,595,478	\$ 26,864,036	\$ 77,459,514	\$ 18,029,739		\$ 18,029,739
Receivables	49,802,982	13,848,782	63,651,764	69,928,413	12,697,886	82,626,299
Due from other funds		12,656,512	12,656,512		40,943,235	40,943,235
Total Assets	\$100,398,460	\$ 53,369,330	\$153,767,790	\$ 87,958,152	\$ 53,641,121	\$141,599,273
Liabilities						
Cash Overdraft	\$ 9,688,053		\$ 9,688,053	\$ 247,613		\$ 247,613
Accounts Payable	1,763,880	232,388	1,996,268	3,458,707	504,682	3,963,389
Salaries Payable	5,427		5,427	6,231		6,231
Benefits Payable	200,136,036	43,586,453	243,722,489	203,402,862	41,769,980	245,172,842
Deferred Revenue	59,197,491	9,550,489	68,747,980	111,779,284	11,366,459	123,145,743
Due to Other Funds	12,656,512	12,656,512	12,656,512	41,225,879		41,225,879
Liability for Leave	129,985		129,985	152,864		152,864
Total Current Liab	\$283,577,384	\$ 53,369,330	\$336,946,714	\$360,273,440	\$ 53,641,121	\$413,914,561
Noncurrent liability for leave	181,922		181,922	175,868		175,868
Total Liabilities	\$283,759,306	\$ 53,369,330	\$337,128,636	\$360,449,308	\$ 53,641,121	\$414,090,429
Net Assets	(183,360,846)	0	(183,360,846)	(272,491,156)	0	(272,491,156)

As shown in the Financial Statement, operating the SHBP on a cash basis meant that in **FY 2011** the plan had revenue sufficient to pay only \$153,767,790 of its \$337,128,636 liabilities. In **FY 2012**, the Plan’s revenue was short by \$89 million, leaving the Plan with the ability to pay only \$141,599,273 of the \$414,090,429 liabilities. Most of the unfunded liabilities are reflected as “Benefits Payable”, which is frequently referred to as the “Incurred but not Reported” claim liability. This liability increased from \$243 million in 2011 to \$245 million in 2012.

As shown in the Total Revenue and Expense table below, the **total revenue increased by \$136.8 million** while the expense increased by \$214.8 million in FY 2012. DCH had projected total Plan expense at \$2.9 billion after major benefit changes were implemented in FY 2012. The comparison below means that **the FY 2012 loss of \$89 million will probably be incorporated in the FY 2013 revenue shortage**, and subject to being added to the premium increases in FY 2014.

Revenue and Expense Compare - SHBP				
	2011	2012	Increase	Increase Percent
Total Revenue	\$2,887,185,603	\$3,024,048,526	\$136,863,923	4.74%
Total Expense	2,836,734,077	3,051,502,445	214,768,367	7.57%
Net Income (loss)	\$ 50,451,526	\$ (89,130,311)		

In summary, the FY 2008 employer contributions were \$2,115 million and the employee contributions were \$624 million. In FY 2012, the employer contribution had risen to \$2,275 million (a 7.5% increase) and the employee contributions had risen to \$714 million or 14.4% during the five years. In addition, the employee’s out-of-pocket maximum doubled over the 5 years. Although GSRA appreciates the employer contribution, the members have

also contributed substantially by premium increases and increased costs at the point of medical services. The health plan is of upmost importance to State Government and local school systems to maintain a competent workforce. GSRA encourages the General Assembly to fund the plan at an affordable level for employees, educators, and retirees.

Local Chapter News

Central Metro

The Central Metro local chapter will hold a meeting on Thursday, January 17th, at 2:00 PM at the Avis G. Williams-Toco Hills Library at 1282 McConnell Drive, Decatur, GA 30033. The guest speaker will be Stephanie Williams of Healthways Silver Sneakers. Also on the agenda are chapter elections and a discussion regarding the upcoming GSRA Day at the Capitol.

Golden Isles

The Golden Isles local chapter had its first meeting of the new year on January 3rd, 2013. After lunch and fellowship, Susan Richards of Heartland Hospice provided a very informative program regarding quality end of life care and support for the terminally ill patient and family caregivers.



Golden Isles President Barry Cooper with Susan Richards

Southwest Georgia

At its December meeting, Southwest Georgia local chapter members were briefed on the upcoming 2013 Legislative session by Senator Freddie Powell Sims and Representative Ed Rynders. The legislators discussed the state's financial status and Governor Deal's latest budget update, which will require additional budget cuts. The legislators also offered suggestions on how GSRA can improve its influence, responded to questions from the audience, encouraged members to stay involved and asked members to keep them informed of their concerns.



SW GA President Bob Pollock, Sen. Freddie Powell Sims, SW GA Secretary/Membership Chair Frances Barry, Rep. Ed Rynders

Tri-County

The Tri-County local chapter will hold its first meeting of 2013 on January 22nd at 5:00 PM in the Meadows Classroom at Roosevelt Warm Springs Institute. Guest Speaker will be Brad Clements from the accounting firm of Abbott, Jordon, & Koon. Mr. Clements will be giving

members information on filing taxes and other money issues of interest.

West Georgia/Columbus

The West Georgia/Columbus Area local chapter held its fourth quarter 2012 meeting on November 13th. An excellent presentation on Identity Theft, especially as it applies to seniors, was given by Sergeant Karen Gaskins, Financial Crimes Unit, Columbus Police Department. A highly informative question and answer session followed the power point presentation. The importance of attendance at GSRA Day at The Capitol was discussed and plans were made for chapter representation at the Capitol. The next meeting was announced for February 12, 2013 at the Epworth United Methodist Church.



West GA Pres. Connie Smith, Sergeant Karen Gaskins, West GA Vice-Pres. Dean Crist

Don't Forget GSRA Day at the Capitol and Legislative Reception!

Participating in this year's GSRA Day at the Capitol/Legislative Reception is perhaps the most important thing you can do this year to safeguard your retirement benefits! Visit www.mygsra.com to see the Action Watch released earlier with specific details about both events and register for the Legislative Reception, stay tuned for the Action Alerts/Watches coming out later this month with additional information and **get involved**.

GSRA Member participation is the most critical factor in making these events successful!

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 2nd 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 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.