GSRA

Newsletter

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2013 Annual Meeting Takes a Fresh Approach!

Based on member responses to the Annual Meeting Survey (summary survey results on page 7) that was sent to members earlier this year, GSRA is taking a decidedly different approach for its seventh Annual Meeting. While the meeting date will still be in October, the Board—after much consideration—decided to hold the 2013 Annual Meeting at the Classic Center in Athens, Georgia over the course of two days, Monday and Tuesday, October 14th and 15th. Athens' Foundry Park Inn will serve as the host hotel for the event and will provide reasonable overnight stay rates.

The conference is tentatively planned to begin on October 14th with on-site registration opening at 10:00 am, followed by a general welcoming session for all members at 12:00 pm and a training session for local chapter officers later that afternoon. A complimentary tour of the Georgia Museum of Art and the Special Collections Library at UGA will be open to any registered attendee and/or guest in the afternoon. The evening will be topped off with a reception for members, officers, vendors, special guests and spouses and significant others with dinner on your own in downtown Athens, a short walk from our host hotel and other hotels in the Classic Center vicinity.

Day 2 will start with the opportunity to attend two break-out workshops and will be followed with a box lunch. A general session and business meeting will round out the day with adjournment around 3:45 pm.

A small registration fee of $20 per participant will be charged for attendance at the conference to cover the charge for lunch and a small portion of other conference costs. Vendors will also be solicited to help defray the cost of the conference. If you know of any agency or organization that would like to support our conference, please contact us at help@mygsra.com.

Detailed information regarding registration, lodging and meeting agenda will be provided in subsequent newsletters and communications to members. Mark your calendar for October 14 and 15, 2013, and make plans now to attend this important event!

ERS Annual Meetings for All Plans: No COLAs

The ERS boards in their various configurations (core seven members plus additional appointments for Judicial Retirement System and Public School Employees Retirement System) conducted their annual meetings on April 18, where a representative from GSRA was in attendance. The meetings generally included the following substantive items: secretary's report including earnings, other statistics, and legislative report; actuary's report; COLA decision.

The JRS met first. Trends in funding, benefits and earnings were discussed, as was the fact that active employees were again not receiving any COLAs. Executive Director Jim Potvin reported that, after a banner earnings year of over 21% in FY 2011, the pension funds earned only 2% in FY 12. Fortunately, earnings were back up for CY 2013 by more than 12%. Nonetheless, the board agreed that it would be "irresponsible" to grant COLAs to retirees of any system, and the die was cast for the remainder of the meetings.

In discussing the ERS, Mr. Potvin observed there had been major declines in the number of active employees and the payroll during the last year, while the number of retirees had risen dramatically. The projected number of new retirees for 2013 is 2900, of which 400 - 600 members will be retiring prior to July 1 so that their benefit will include the 3% tax offset. Mr. Potvin said that the proportionate decline in the number of active employees relative to retirees is raising the annual required contribution (ARC) percentage.

Ed Macdonald of Cavanaugh Macdonald presented the actuary's report. He said the percentage of funded liabilities again dropped in FY 2012, this time from 76.0% to 73.1%. Considering this and the information above, the ARC for FY 2014 would have to rise 3.5% of state payroll to

17.21% of payroll. Mr. Macdonald said also that Georgia's plan still remains in the top one-third of retirement plans nationally and will continue to be secure so long as the ARC is funded.

Throughout the actuary's report on ERS, no mention was made of the impact of the new Governmental Accounting Standards Board (GASB) standards, or Moodys' standards for that matter. Board member Frank Thach asked how GASB reporting would affect the current actuary reports' findings. Apparently Mr. Macdonald was about to discuss this, as he presented a letter (requested by Mr. Potvin) addressing the issue.

Macdonald's comments on the GASB impact were as follows:

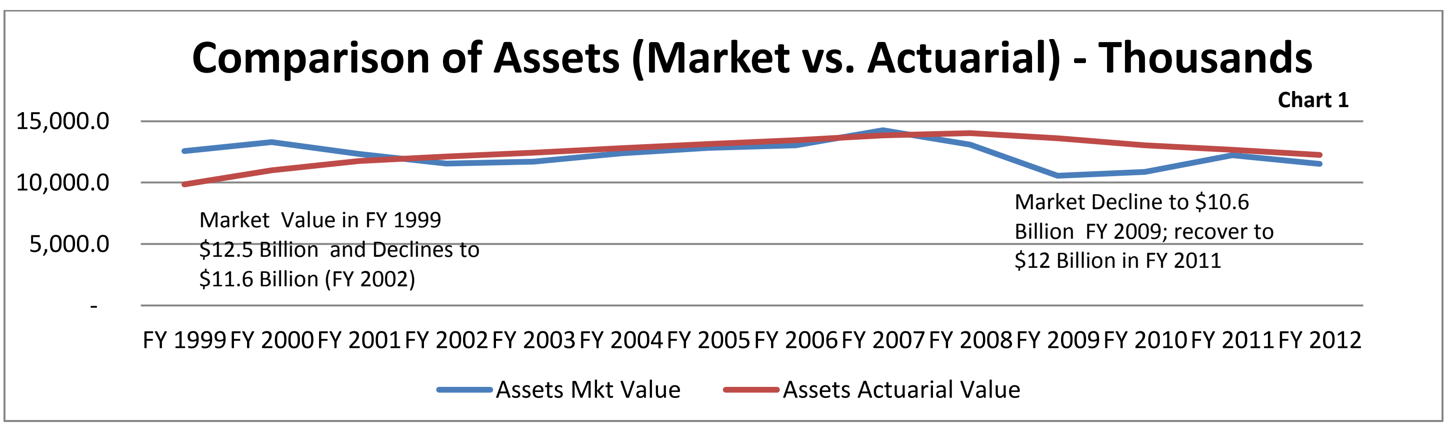
- Standards won't impact plans "for awhile" (according to the letter, not until the end of FY 2014).
- If the state were to use GASB standards to report for the current period, reported liabilities would vary from those presently reported with the assumed discount (investment return) rate of 7.5%. For example, if the discount rate were to fall to 6.5%, the plan's unfunded liability would increase by more than $1.7 billion.
- The state will have two reports, one for funding and one for disclosure (and probably a third for Moodys). The Auditor is primed to respond to questions that all reports are correct (this was confirmed by the Auditor).

Once again we in GSRA are disappointed that revenues have been too weak to support a COLA or even a bonus, particularly in light of modest overall inflation. The GSRA representative discussed with the ERS Executive Director and several board members that GSRA will be monitoring revenue collections even more closely than usual between now and the August and October meetings (when the Board will be approving the ERS budget requests) for the purpose of encouraging the request to include funding for COLAs should the revenue growth warrant it.

A Decade+ of Retirement Fund Comparisons

GSRA, in an effort to provide members with additional information regarding the Employees Retirement System defined benefit plans, has compiled and compared historical information from actuarial reports, audit reports and Executive Secretary reports. The fact that retirees of ERS and other retirement systems administered by the ERS have not received cost-of-living adjustment (COLAs) since 2009 is a function of many factors. The absolute market value of the ERS assets has not changed substantially since FY 1999, but the liabilities have ballooned, the number of active employees to retirees has decreased, active employees' salaries have flattened, and investment income has not reached the assumed 7.5% consistently since 2000. To counteract many of the mentioned factors, the state contribution rate to fund the annual required contribution—although reduced in 2001 and flat for 12 years—began to increase in FY 2011 and will continue to increase through FY 2015 by about 3.5% each year.

Chart 1 compares the market value and the actuarial value of the ERS retirement fund assets for the period since FY 1999. As shown in the chart, the asset market value has more variability, while the actuarial value of the assets takes into account the value of money over time.



Although the market value of assets has fluctuated to some extent, the funded percentage of the plan has declined from 104% in 2000 to 73.1% twelve years later. Basically, the money paid into the fund, along with the net investment income, has been used to pay benefits to retirees, while the dollar amount of the unfunded shortage has increased by a substantial amount—from $309 Million in 2004 to $4.5 billion in FY 2012.

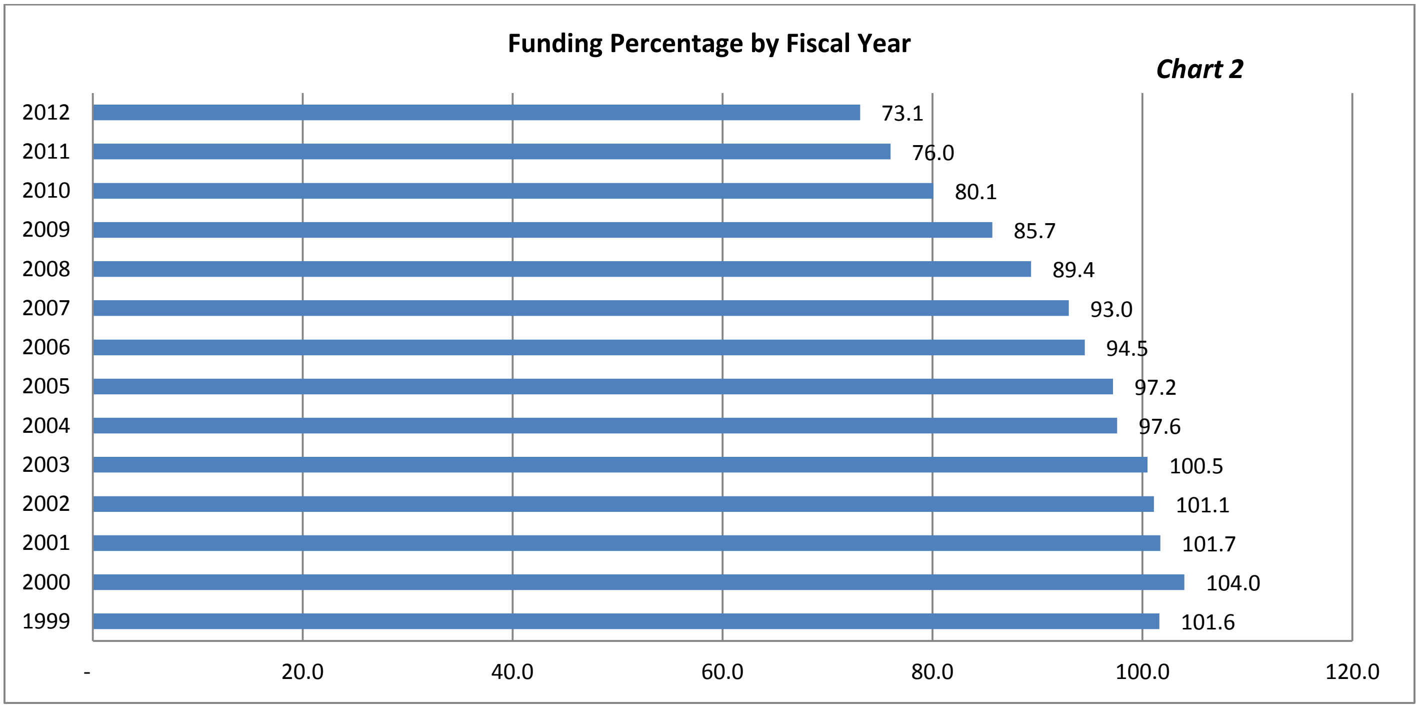
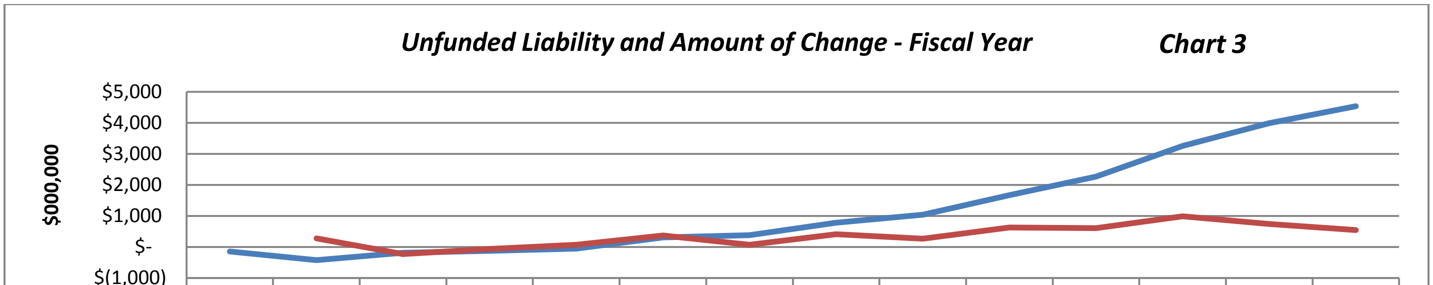
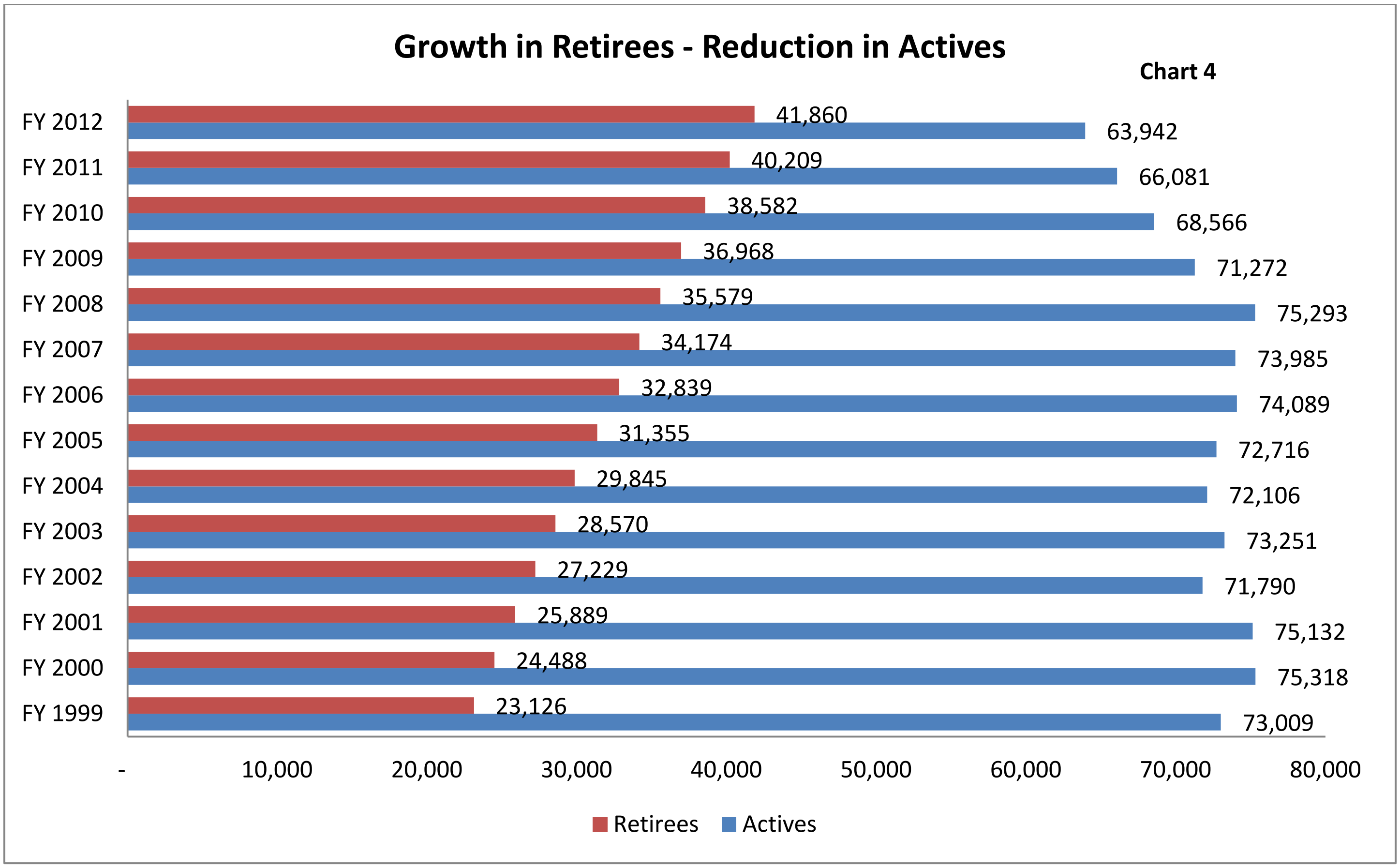


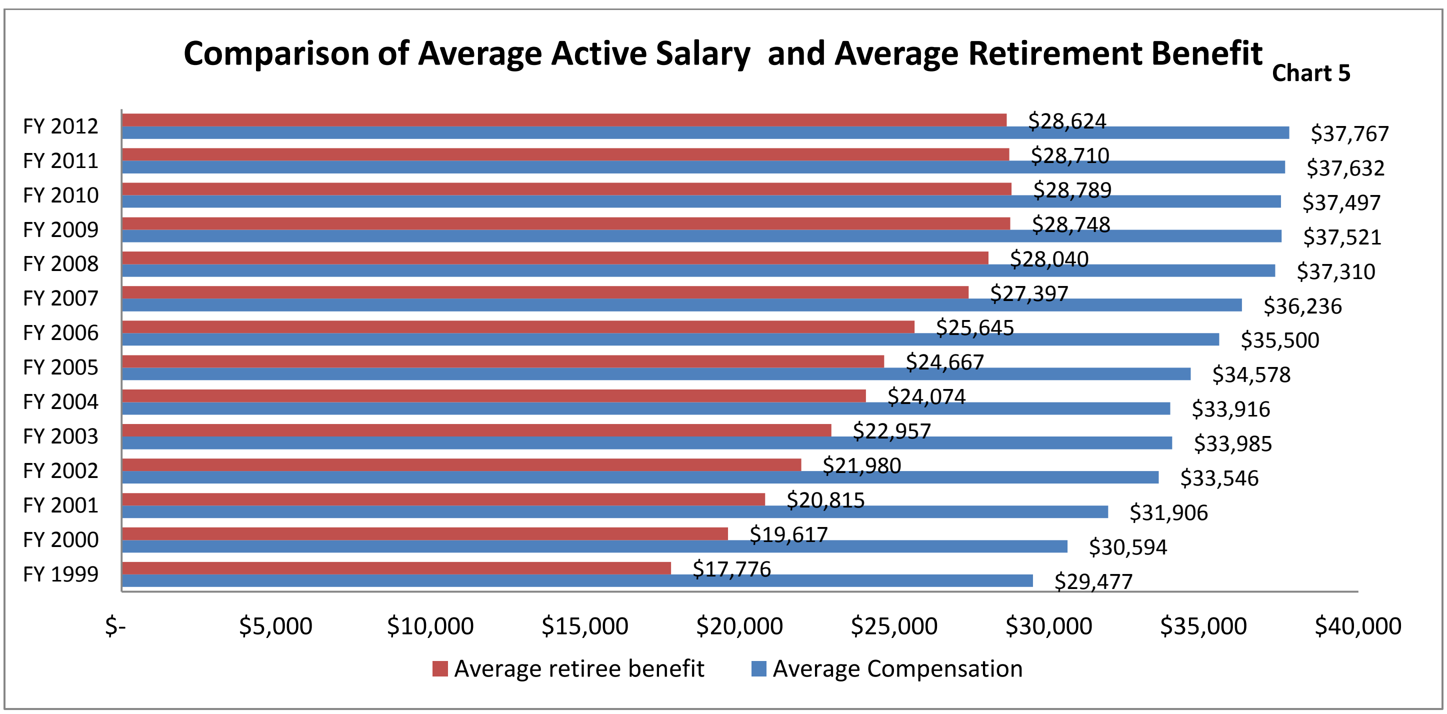
Chart 3 graphs the cumulative liability (from a negative $153 million in FY 1999 to a $4.5 billion deficit in FY 2012) for each year and the amount of the increase during each year. The graph shows that the increase hit its **ANNUAL** high of $985 Million in FY 2010 with the ANNUAL dollar increase somewhat reduced in FY 2011 and FY 2012.



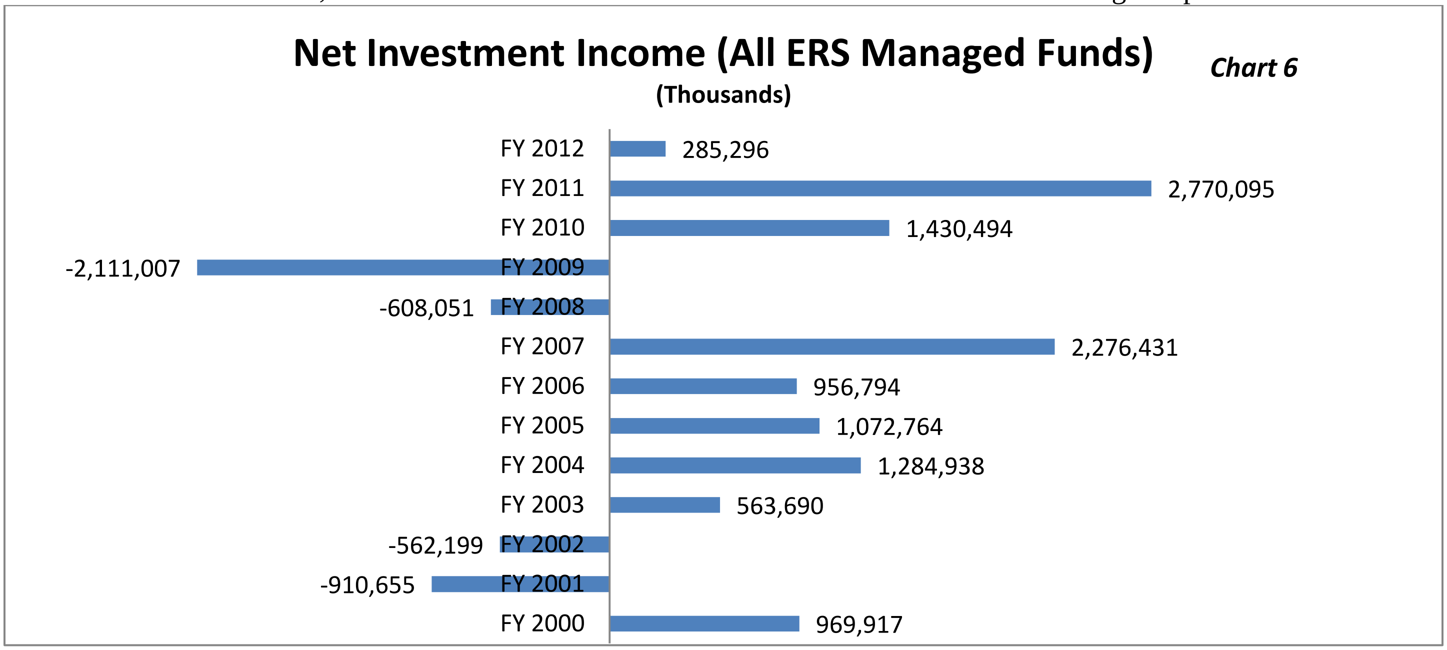
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
UAAL	$(153)	$(427)	$(193)	$(130)	$(58)	$309	$378	$782	$1,042	$1,664	$2,264	$3,249	$3,989	$4,527
Change		$274	$(233)	$(64)	$71	$368	$69	$403	$260	$622	$601	$985	$740	$538

Reasons for the increased liability are several; however, the increasing number of retirees, the decrease in number of active employees and the flat compensation as shown in Charts 4 and 5 contribute to the increased liability. In FY 1999 there were 3 actives to every retiree, but in FY 2012, the number of actives to retirees dropped to 1.5. Director Potvin estimates that retirees will increase in FY 2013 by another 2,900.

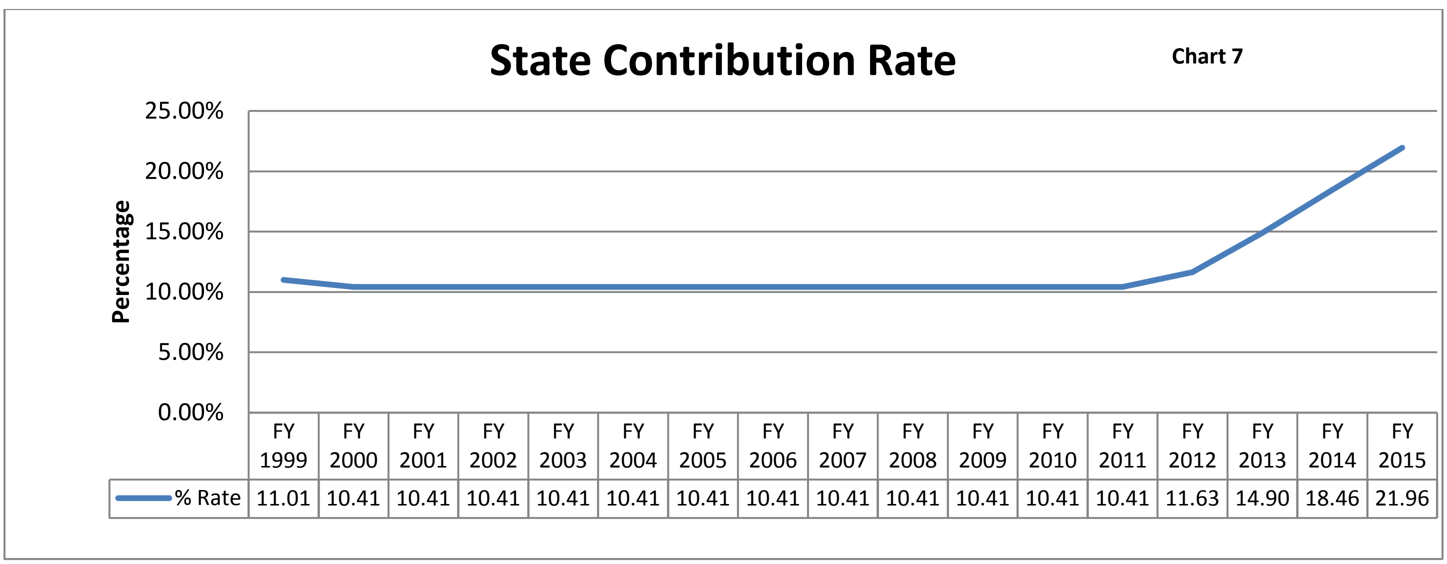

Growth in Retirees - Reduction in Actives
Chart 4
FY 2012
41,860
63,942
FY 2011
40,209
66,081
FY 2010
38,582
68,566
FY 2009
36,968
71,272
FY 2008
35,579
75,293
FY 2007
34,174
73,985
FY 2006
32,839
74,089
FY 2005
31,355
72,716
FY 2004
29,845
72,106
FY 2003
28,570
73,251
FY 2002
27,229
71,790
FY 2001
25,889
75,132
FY 2000
24,488
75,318
FY 1999
23,126
73,009
- 10,000 20,000 30,000 40,000 50,000 60,000 70,000 80,000
Retirees
Actives


Comparison of Average Active Salary and Average Retirement Benefit
Chart 5
FY 2012
$28,624
$37,767
FY 2011
$28,710
$37,632
FY 2010
$28,789
$37,497
FY 2009
$28,748
$37,521
FY 2008
$28,040
$37,310
FY 2007
$27,397
$36,236
FY 2006
$25,645
$35,500
FY 2005
$24,667
$34,578
FY 2004
$24,074
$33,916
FY 2003
$22,957
$33,985
FY 2002
$21,980
$33,546
FY 2001
$20,815
$31,906
FY 2000
$19,617
$30,594
FY 1999
$17,776
$29,477
$- $5,000 $10,000 $15,000 $20,000 $25,000 $30,000 $35,000 $40,000
Average retiree benefit
Average Compensation

In addition to the reasons reflected in Charts 4 and 5 for the increased unfunded liability, other factors impacting the liability are: (1) the lawsuit of 2007, (2) changed actuarial assumptions for turnover and employee salary increases, and (3) investment losses and/or lower investment income than the actuarially assumed 7.5% over a moving seven-year period. Chart 6 shows the investment income over the last 13 years. With the several years of losses and lower than assumed investment return, the assumed 7.5% investment income has not been achieved during this period.



Because of the factors in Charts 4, 5, and 6, just to continue to produce the same dollar contribution—which is based on active employees' salaries— into the retirement fund requires the State to increase the contribution percentage. In the 1980's and 1990's, the state contribution rate ranged from almost 18% to 14.5%, but the rate was reduced to 10.41% in FY 2000 and remained at the reduced rate of 10.41% for 12 years (2000-2011). However, the actuarial report shows that to produce the amounts for the Annual Required Contribution (ARC), the state employer rate must be increased about 3.5% per year for fiscal years 2013 through 2015.



Director Potvin's report of April 18, 2013, states that FY 2013 revenue from the active employees and state departments will approximate $383 million. The report also shows that the FY 2013 retiree benefit payments will approximate $1.3 billion; therefore, about $917 million in net income will be required to pay benefits during FY 2013. GSRA members are encouraged to review these facts and be conversant about the need for funding, that the active employees should be awarded salary increases, and that the one-third of state supported retirees in the ERS, PSERS, and other retirement systems administered by the ERS should be treated equitably with other state supported retirement plans.

Local Chapter News

Dublin

The organizing GSRA local chapter in the Dublin area met on Tuesday, April 30th at the Cloverleaf Restaurant in East Dublin, Georgia. Tommy Craft welcomed the participants who came from Laurens County and several neighboring counties to hear Mr. Jim Potvin, Executive Director of the Employees Retirement System of Georgia, speak. Jeff Bacon introduced Mr. Potvin and was Master of Ceremonies for the meeting. Barbara Flanders, Bobbie Davis and Betty Holland assisted in registering everyone.

Mr. Potvin described how the Employees Retirement System of Georgia is organized; the number of Board Members and who the Board Members are. He provided information on the numbers of active state employees, retired employees and beneficiaries of retirement funds. He explained how the various retirement funds were invested and how those investment decisions were made. The Division of Investment Services determines the investments for both the ERS and TRS (Teachers' Retirement System). He went on to discuss the three retirement plans: the "Old Plan", the "New Plan" and "GSEPs" – the plan in effect for those hired after 1/1/2009.

Participants appreciated the information that Mr. Potvin shared and many enjoyed lunch at the Cloverleaf Restaurant afterward. The group planned their next meeting for Tuesday, May 28th at 11:00 am. The speaker will be announced at a later date.

ERS Executive Director Jim Potvin with Dublin meeting attendees John Buffum and Annie Curry

Thomasville

Thomasville Local Chapter hosted GSRA's first regional meeting on April 12th at the Thomasville Public Library. After a rendition of the National Anthem by Jackye Saunders, former Thomasville Mayor and current Councilman Roy Campbell welcomed attendees from Seminole, Decatur, Grady, Mitchell, Colquitt, Brooks, Lowndes, Thomas and Jefferson counties, as well as Florida. GSRA statewide officers and chairs provided the program, which included in-depth presentations on the purpose, goals and accomplishments of GSRA, the legislative process, and the financial status of ERS and SHBP. AMBA District Manager Zac Ethrige rounded out the program by explaining the benefits available to GSRA members through AMBA. Refreshments and door prizes completed the highly successful meeting.

Kay Willis, Gwen Williams, Mildred Ross and Paula Watts (back) attend the first ever GSRA Regional Meeting in Thomasville

Annual Meeting Survey Analysis

GSRA thanks all of you who took the time to respond to the on-line survey about the annual conference! The survey was sent to all members having an e-mail address on record. The survey process proved to be so successful that we will continue to use it in the future to solicit membership input. The GSRA Board was pleasantly surprised at the number of responders to the survey. In fact, we had to expand the number of responses the survey could receive from the initial 150 response capacity, which was reached in the first hour! In all, we received over 300 member responses, with the following summary:

- 71% of all responders did not attend last year's conference.
- Many suggested a change in location to a more interesting location
- 87% wanted a variety of topics
- Topics:
  - Long Term Care
  - Travel Options
  - Investing
  - Plans for Preserving Your Past and Protecting Your Family's Future
  - COLAs
  - Health Insurance
- 84% wanted a different location than past conferences and 69% wanted a destination location
- 59% wanted an overnight stay
- 91% said a small registration fee would not discourage attendance
- 65% of all responders were members of a local chapter

GSRA Needs Your Skills!

As a volunteer organization, GSRA continually needs the skills and fresh perspectives of its members on the various committees which keep it running. If you are interested in being more involved with your GSRA, please contact help@mygsra.com for more information.