

GSRA President Elect Speaks To ERS Board About COLAs

GSRA President Elect Russell Hinton spoke to the Employees Retirement System Board of Trustees on April 17, 2014, outlining the GSRA request to the Board for COLAs in FY 2015. Hinton talked about the need for an increase in benefits to compensate the retirees for their loss in purchasing power. Hinton reiterated that retirees benefit payment can now purchase only 91.4% of the goods that they could purchase in 2009. He pointed out that this loss in **purchasing power does not include the increases in retiree medical care cost.** When taking these facts into consideration, retirees have suffered greatly. Hinton also explained that GSRA is especially concerned about the retirees whose benefit is less than the median benefit amount. He stated that it is important to provide a larger percentage (dollar) adjustment for those individuals whose benefit is less than the 50% of retirees whose benefit is greater than the median.

ERS Executive Director Jim Potvin reported that the ERS had received several requests for COLAs from retirees/groups. He stated that the un compounded cost of a 1% COLA is \$13 million, but the ultimate cost projection for the compounded (year after year) is \$133 million or an additional 44 basis points.

Since COLAs are not pre-funded, the Board considered awarding what is referred to as "Ad Hoc COLAs." Lonice Barrett moved to deny the requests for COLAs for FY 2015. Barrett further moved that the Chair, Steve McCoy, appoint a subcommittee to review the COLA situation and develop guidelines under which COLAs could again be awarded. Harold Reheis seconded the motion and the Board

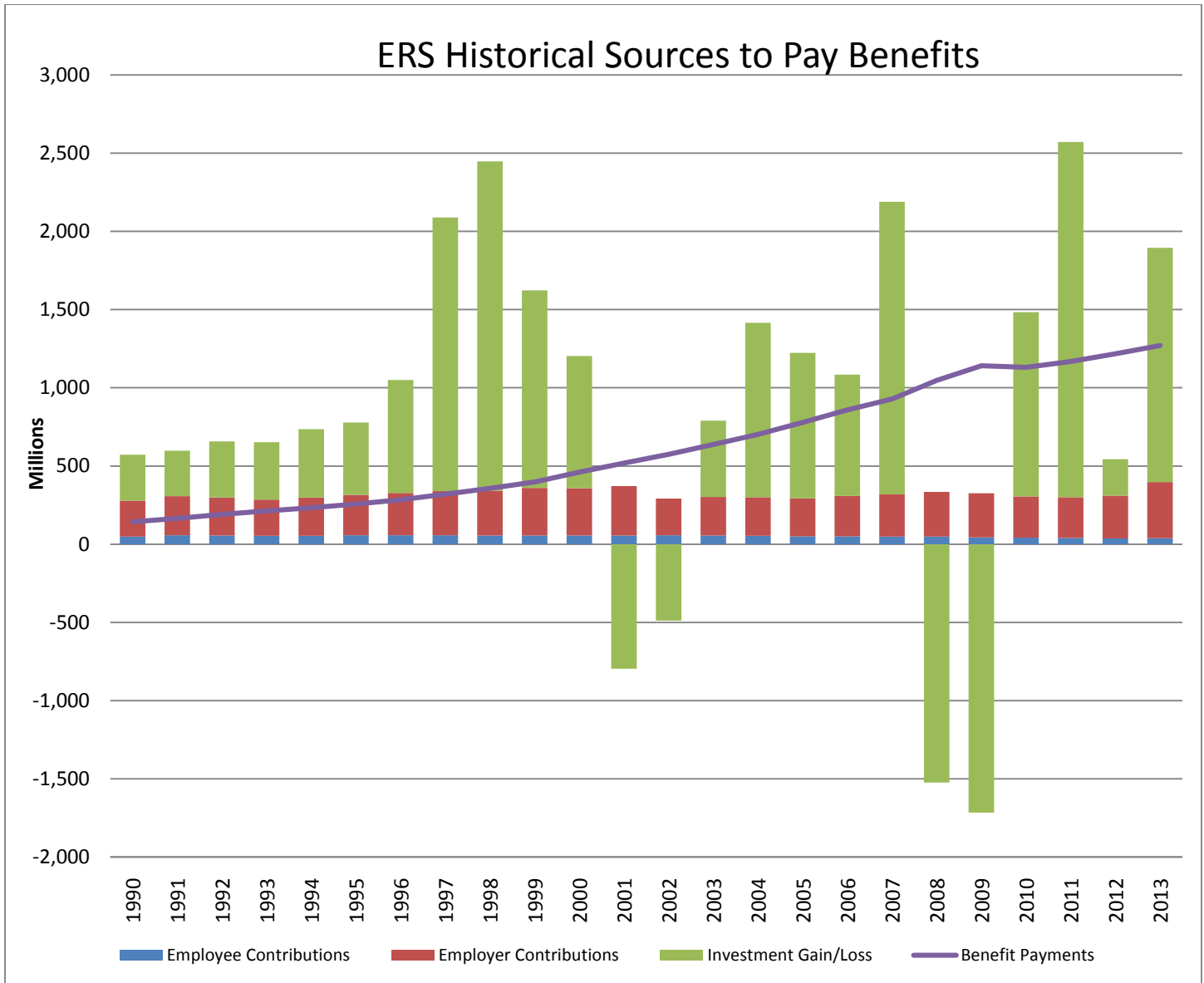
unanimously voted to pass the motions. Chair McCoy appointed Greg Griffin, State Auditor, to chair a subcommittee to review the COLA issue. He also appointed Board Member Frank Thach to participate on the subcommittee.

[Annual Board of Trustees Meeting – April 17, 2014](#)

Executive Director Potvin reported on the status of the Employees Retirement System and other retirement plans administered by ERS. A few of his comments regarding the ERS trust fund are:

- The trust fund recovery continues, assets are up \$700 million in FY 2014;
- Investment return in FY 2014 approaches 12% (11-13%) and represents about 60% of fund revenue;
- Employer and employee contributions are up;
- Distributions are up \$62,000 to \$1.3 billion;
- Online tools are up about 18%;
- PLOPS have also increased over time, but the amounts rolled over to IRAs are declining which may signal immediate spending rather than saving for future needs.

Potvin's "Secretary's Report" can be viewed in its entirety on the ERS Website by [clicking here](#). The Report includes several charts that reflect the status of plans that are administered by ERS. Of particular note, one of the charts that shows the source of funds that support the ERS trust fund and the outflow for benefits is reproduced on the following page.



The negative investment amounts in FY 2001, 2002, 2008 and 2009 were severe and substantially impacted the liabilities of the fund. One can also see the impact of the reduction in the employer contribution rate in 2002, although the employer’s rate has increased for years after 2011.

Another agenda issue considered by the Board was how to receive “public” comments to the Board. Chair McCoy appointed Sid Johnson, ERS Board member and Department of Administrative Services Commissioner, to work with Director Potvin to develop recommendations for how to receive public comments on behalf of the Board.

Edward Koebel, consulting actuary from Cavanaugh Macdonald, presented the actuarial reports for all of the retirement systems administered by the ERS and the group term life insurance plans. Koebel stated that the actuarial analyses are based on the funding policies that were adopted by the Board several months back. One of the major funding policy provisions is the adoption of a “closed amortization period” with the intent to return the ERS Trust Fund to 100% funded in 25 years (approximately 2038). Koebel stated that:

- the funded liability of ERS decreased from 73.1% at the end of FY 2012 to 71.4% as of June 30, 2013, making the unfunded liability \$4.5 billion;
- the smoothing technique for recognizing income has been changed from 7 to 5 years; therefore, FY 2013 will be the final year of recognizing 2009 investment losses.

Koebel pointed out that the employer contribution rate required for the **“Annual Required Contribution (ARC)” would be increased from 21.96% in FY 2015 to 24.72% of compensation in FY 2016.** Governors and General Assemblies have heretofore funded the increased ARC employer contribution rate, but the Board has demonstrated its concern about approving COLAs that will require an additional increase the employer contribution rate.

[ERS Actuarial Report](#)

The ERS actuarial report that was presented at the April 17, 2014 meeting can be viewed [by clicking here](#). Other points of interest that are reflected in the report as of June 30, 2013, are:

- Only 679 (1%) old plan members continue to work, 42,335 (69%) active employees are members of the New Plan, and 18,536 active employees are members of the GSEPS (Georgia State Employee Pension and Savings).
- The average annual compensation for 61,550 active members is \$37,949.
- There are 44,348 service/disability retirees and beneficiaries receiving benefits totaling the annual amount of \$1.3 billion.
- The average annual retirement benefit is \$28,427.

SHBP Update (Some Old, Some New)

State Health Benefit Plan offerings for CY 2014 caused much dissatisfaction among the SHBP members and resulted in limited benefit changes retroactive to January 1st, the Department of Community Health releasing an invitation for proposal to expand benefit offerings for 2015, inclusion of a teacher on the evaluation team and new FY 2015 employer contribution rates—one lower and others the same as FY 2014. In addition to these changes, the House and Senate adopted legislation that impacted administration and benefit provisions.

State Health Benefit Plan members—active employees/educators and retirees of state departments and local school systems—loudly expressed dissatisfaction with the level of benefits offered on January 1, 2014. The voices were heard and forced changes to the benefit offerings to be implemented retroactively to January 1st for all members under age 65. Benefits for retirees age 65+ in the Medicare Advantage options were not changed. Although the changes reduced member out-of-pocket cost for most office visits and will reduce cost for many members, the maximum out-of-pocket amounts were not changed. While the change moderated the amount to be paid by members enrolled in the “bronze” or “silver” options, members in the “gold” option began to question their choice of enrolling at the higher benefit and premium levels. DCH Commissioner Reese stated that another enrollment choice would not be made available until the 2015 change period.

Governor Deal agreed that benefit changes should be made for 2015. In line with this commitment, the Department of Community Health (DCH) released on April 15th an invitation for proposal to qualified companies. DCH states that in 2015 it plans to expand the type of plan design options. The options being considered are:

- Blue Cross Blue Shield GA -- Gold, Silver, Bronze HRA (exclusively), statewide HMO, Medicare Advantage,
- Second Statewide vendor administrator – High Deductible Health Plan (exclusively), statewide HMO, Medicare Advantage,
- Third Vendor that offers for Metro Atlanta area members an in-network-only, fully insured product,
- The current Pharmacy Benefit Manager (PBM) contract with Express Scripts Inc. and the current Wellness contract with Healthways Inc. would be renewed for the 2015 plan year.

Governor Deal subsequently issued an executive order that requires DCH to include a teacher representative in the State Health Benefit Plan invitation for proposals process. Deal said, “Teachers and their dependents comprise the largest group of SHBP members, and they deserve to have a strong voice in this process.” Governor Deal states, “Despite all of the changes required by the Affordable Care Act and other challenges, we want to give state employees a

strong, affordable coverage plan that meets their needs and provides them with options that best fit their family.”

The Board of Community Health met on April 10, 2014, to review and approve employer contribution rates for FY 2015. DCH presented and the Board approved a reduced rate from 30.781% to 30.454% for state agencies. Reductions in the number of employees in addition to no salary increases for a number of years has reduced the aggregate compensation and therefore the dollar amount to be transferred to the SHBP. In order to continue paying the same dollar amount to the SHBP, the percentage rate had to be increased, which has been the situation in the past several years. However, DCH staff reported that the reduced rate will produce the same dollar contribution in FY 2015 as received in FY 2014 because of the merit salary increases that are to be awarded to state employees. Although the SHBP revenue may be the same in FY 2015 as in FY 2014, one needs to question the statement since Governor Deal proudly reported in his Budget speech during the Legislative Session that “Over the last five years, as a result of budget cuts, we have reduced the number of state employees by 12,750, a 16.5% decline, although the FY 2015 budget included additional caseworkers to ensure that every child’s case receives the attention it demands. Our current workforce is serving a greater number of Georgians with fewer people, and I’d like to take a moment to thank them for their hard work and dedication in serving the citizens of this state.”

In addition to the state agency rate, the Board also continued in April the same dollar rates for each covered teacher (employee) as the school system paid in FY 2014. The dollar amounts are \$945 for teachers, \$843 for library personnel, and \$596.20 for public school employees. The Board approved in 2011 a three-year step increase for public school (non-certificate) members. The 2011 approved rates for FY 2015 was \$746.20 rather than the \$596.20. DCH staff reported that there was sufficient funds being paid to the SHBP so that the FY 2015 increase would not be needed.

GSRA reviewed the financial reports prepared by DCH and note that the funds received by the SHBP on behalf of the public school employees were \$248.6 million less than expenses; thereby, showing that other categories of employers are subsidizing this group.

SHBP Legislation

Legislation affecting the SHBP that was passed and submitted to Governor Deal for decision is reported in the following paragraphs.

- HB 490 clarified the number of work hours for a teacher to be eligible for SHBP coverage. The change to O.C.G.A § 20-2-880 requires the teacher (employee, librarian) to work at least 30 hours per week for eligibility to the SHBP. When signed by Governor Deal, HB 490 became Act 498.
- HB 511 requires the SHBP to conduct a two-year pilot program for covering treatment and management of obesity. The pilot program limits the number of participants to 75 each year. Although the bill was approved by Governor Deal as Act 499, the bill provides for implementation only if funds are specifically appropriated. Since the SHBP does not directly receive appropriated funds, the Governor’s and Legislative budget staffs have informed GSRA that the administration leaders anticipate implementation of the act.
- SB 281 requires the SHBP to offer a High Deductible Health Plan that allows members to be eligible for a Health Savings Account. Governor Deal vetoed SB 281 and provided a statement that it “would require that the State of Georgia offer a specific type of health insurance product in the state health insurance plan. The Department of Community Health has announced the plan to procure additional product offerings . . . which closely mirrors the general intent of this legislation; therefore, I veto this bill.”

GSRA Security Concious – Password Security

Identity theft is frequently in the news. GSRA is concious of the theft threat and encourages you to protect all of your passwords used to access various technology tools. At the time you join GSRA, the software assigns a password and sends you the information via the email that you entered. You have the option to change the password at any time by “logging-in” and selecting “My Profile” under “Our Members.” If you forget the password, use the link on the website “Forgotten your password?” You will be prompted by your email address and your password will be sent to you. In order to protect yourself, do not share your password or forward the email showing your password to anyone.

Local Chapter News

Savannah Coastal

Savannah Coastal local chapter held a meeting on April 16th. Jenny Koch of Candler Hospital's SmartSenior program was the featured speaker and addressed the members of the chapter with a delightful presentation on the many benefits of the SmartSenior program, from Lunch and Learn programs, fitness programs, bingo, line dancing and tours. A number of chapter members signed up for the program on the spot. Savannah Coastal thanks Jenny and all who attended.



Jenny Koch of Candler Hospital addresses Savannah Coastal members

Northeast Metro

GSRA members attended a G-Braves game Friday, May 2nd sponsored by Northeast Metro local chapter. Seventy-three members and their families attended. The weather was wonderful; it was a great night to be outside and the game was a lot of fun, as was the mid-inning entertainment. Fireworks completed the night as the night was lit up in beautiful colored explosions. This year the Mall of Georgia provided even more fun by offering coupon packs valued at over \$300 to anyone buying a ticket. Kristi Dabney, NE Metro member Belinda Dickey's daughter, won \$20 of Braves Bucks for bringing the most fans to the game



GSRA members enjoy the G-Braves game

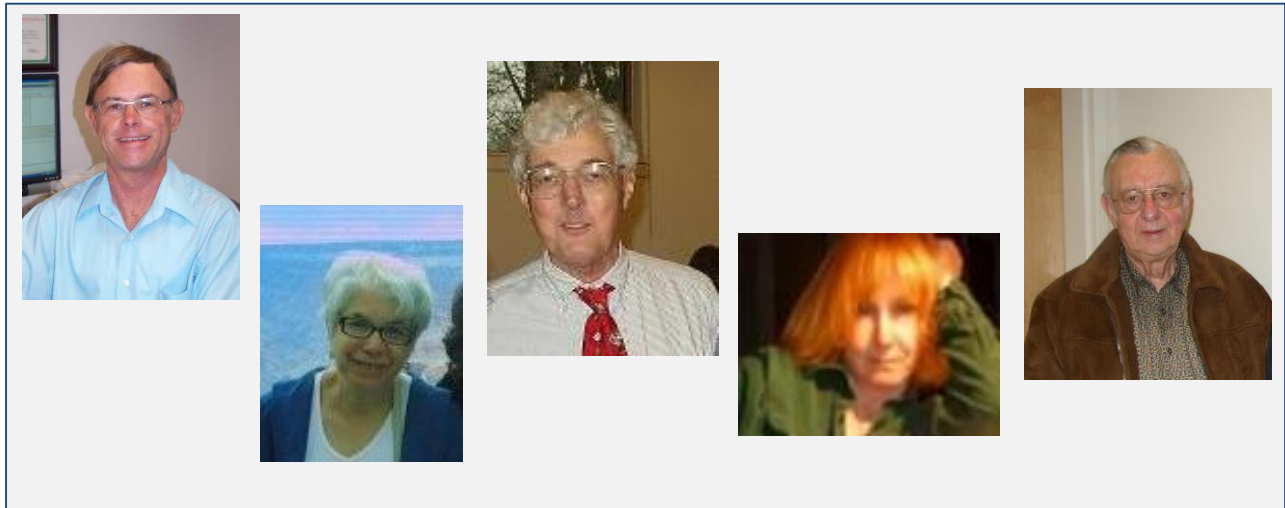
Thomasville

Thomasville local chapter recently presented the Thomas County Public Library Children's Program with a donation. This gift will assist the program in the acquisition of children's books and other materials to enhance the children's reading skills.



Thomasville President Lynell W. Hayes, Thomas County Public Library Director Nancy Tillinghast, Thomasville Treasurer Samuel Williams

Local Chapter Highlight – Central Metro



President Sam Shepherd, Secretary Barbara Landay, Membership Chair John Buffum, Vice-President Judith Byrnes, Treasurer Luther Lewis

Meeting Schedule	We meet four times a year
Meeting Location	Avis G. Williams Library, Decatur
Counties Covered	Dekalb and Fulton
Members From	DNR, OPB ,DHR, DOT, GBA, Secretary of State and various other agencies
Membership	We have over 400 people on our mailing list
Chapter’s Highlights last six months	We had a great speaker, a local attorney, talk about wills and trusts. Our most recent program was an officer from the Decatur Police Department who has investigated consumer fraud for a number of years. Her presentation focused on early retirees and seniors. We also had a comprehensive legislative session update by Chuck Freedman, GSRA’s Legislative Liaison.
Chapter’s 2014 Goals	Like everyone else, we need to increase the numbers of our active members. We are getting a pretty good response to our calls to action from GSRA. We are working to get actives and new retirees to join our ranks. We were also very vocal about the short-comings of our State Health Benefit Plan this year. As a result of that input, in conjunction with the TRAGIC teachers group, we will have more SHBP options next year. Since we are located close to Capitol Hill, we assist the GSRA Board as much as we can with showing up at the Capital and relevant Board meetings to help represent GSRA.
Chapter’s next program or fun event	To be determined

Get Your Motor Running

This summer, hit the road, or water, in a new recreational vehicle with a great low loan rate from APCU. For a limited time, if you finance your new or pre-owned recreational vehicle loan with APCU between April 1, 2014 through June 30, 2014 you can enjoy a 3.5% APR* discount on our already low RV loan rates!

Applying is simple! Call 1-800-371-6917 to start your loan application. Not a member of APCU yet? Give our Membership Development Coordinator, Matt Baum, a call today at 404-684-8056 or email him at mbaum@apcu.com.

*APR-Annual Percentage Rate



Membership in APCU is now open to all employees, retirees and family members of any agency, department, college or university working for the State of Georgia.



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