

## GSRA Annual Meeting

August 17-18

Savannah

## GSRA President Requests Retirement Benefit Adjustment ERS Board of Trustees Declines

GSRA President, Russell Hinton, submitted a request to the Employees Retirement System Board of Trustees Chair, Steven McCoy, to provide an adjustment in retirement benefits for ERS members. President Hinton appeared before the Board on April 16, 2015 to present the request and make the points that (1) ERS Board of Trustees reduced or eliminated adjustments eight years ago that were designed to compensate for the decreasing purchasing power of the benefit; (2) the US Department of Labor inflation calculator shows that the purchasing power has been decreased by 9.02%

since 2008; and (3) that members have suffered with skyrocketing cost increases for medical insurance.

The actuarial report as of June 30, 2014 was presented to the Board by the Macdonald actuarial firm. For the first time in several years the funded percentage for ERS increased—from 71.4% to 72.8%. However, the Board of Trustees voted “not to award benefit adjustments in FY 2016.” A more complete report on the meeting will be provided in the May newsletter.

## SHBP FY 2016 Budget Approved by General Assembly

The March GSRA newsletter provided information about the State Health Benefit Plan budget for FY 2016. A substitute budget bill from the General Assembly was transmitted to Governor Deal on April 8, 2015; however, there were no additional changes made by the General Assembly than those presented in the GSRA March newsletter.

The most prominent change made by the General Assembly in opposition to the Governor’s proposal was to continue eligibility to SHBP coverage for bus drivers and cafeteria workers who work less than 30 hours per

week. Rather than the State Department of Education contributing employer funds for each of the “public school employees”, the budget bill provides for the local school system to pay an increased per month per covered employee rate. The Department of Community Health projects that the increased rate will result in increased cost to the local schools and, therefore, increased revenue to the SHBP of \$102.8 million in FY 2016. Refer to the March newsletter for more details on the budgeted amounts and changes for the SHBP.

## Legislation to Eliminate Retiree premium Subsidies for New Eligibles

Several GSRA newsletters have included articles about the projected cost of medical insurance for retirees.

Such cost is referred to as the “Other Post Employment Benefit (OPEB)” cost. HB 689 was introduced on

March 31, 2015 and assigned to the House Retirement Committee. The bill requires future retirees to pay the total premium cost (no subsidies) for State Health Benefit Plan coverage. It is unclear to this writer, but it **appears that only new employees who are hired on and after July 1, 2016 are to be effected.**

Employers in many areas of the United States are discontinuing medical benefits for their retirees. Many variations of the reduction in benefits is being adopted with some discontinuing any contribution to medical insurance for retirees, others reducing the percentage subsidy, or others simply providing a “flat” dollar amount without escalation. In January 2015, the Supreme Court reversed an appeals court ruling that said the benefits had vested for life. Justice Thomas wrote for the court, adding that “retiree health care benefits are not a form of deferred compensation.” The Supreme Court returned the case to the appeals court, telling it to use ordinary principles of contract interpretation to determine whether the collective bargaining agreement at issue had granted free lifetime health care.

The Board of Community Health has already adopted a declining percentage subsidy based on years of service for the SHBP. In December 2011, the Board adopted a resolution establishing a basic policy for subsidizing retiree health insurance premiums. Retirees having 30 or more years of service would receive the same subsidy as active members. For years of service less than 30 the subsidy would decline from 75% to 15% depending on years of service and for those having less than 10 years of service the subsidy would be reduced to 0%. There was a concomitant decline in the subsidy for beneficiaries of SHBP members—those having family coverage. The resolution for reducing the subsidy does not apply to any member who had at least five years of service on January 1, 2012.

Many employer actions to reduce or eliminate medical coverage have been based on an actuarially determined liability of providing medical insurance for retirees. In the case of the SHBP, the Department of Community Health contracts annually with an actuarial firm to project the liabilities of the SHBP retired members. The June 2013 report indicated that none of the liabilities are funded but are paid on an “as go” basis; therefore, the unfunded liability for the retirees’ medical insurance was \$14.5 billion (\$3.6 billion for state and \$10.9 billion for teachers and public school employees) as of June 2013. The good news is that the \$14.5 billion is a little less than previously projected because of the increased member payment and benefit plan changes.

As a practical matter, for SHBP retirees, under age 65 retirees pay the same premium as active members. That means that around 70% to 75% of the total premium is paid by the state and local school systems employers. Medicare eligible retirees receive a subsidy as long as they enroll for a Medicare Advantage option. GSRA is concerned about our State leadership’s continuing rumblings about reducing retiree medical cost or changing the process to what is referred to as a “defined contribution” basis. As reported in the March newsletter, the University System of Georgia has made plans to change the university plan for retirees to the “defined contribution” approach. That simply means that the retirees will assume more of the cost for rising premiums.

GSRA will continue to report on these types of changes and on HB 689 progress. The bill was not discussed in 2015, but will be ready for discussion and passage in 2016. Although HB 689 should not impact current retirees or those who are currently working, all of us should voice our opinions about the long-term impact of this bill on the state and local school system workforces.

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## **ACA Provision – Taxing “Cadillac” Medical Benefits**

One of the provisions of the Affordable Care Act is that in 2018, health care plans that exceed spending of \$27,500 for a family or \$10,200 for an individual will include a 40% surcharge on the amount over the threshold. The values will be indexed for inflation in future years (after 2018).

Benefit consultants are already recommending that employers consider the following actions:

1. Raise deductibles for plan participants
2. Establish higher out-of-pocket expenses for employees.

3. Provide lower subsidies to spouse and family members.
4. Limit contributions to Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs) and Health Reimbursement Accounts (HRAs).

As you have seen over the last several years, especially since CY 2013, the DCH has repeatedly increased the members' premium, deductibles, and maximum out-of-

pocket expenses. The "non-subsidized" premiums for the SHBP should reflect the total cost of the SHBP; therefore, for comparative purposes, the annual reported total costs of the SHBP for CYs 2013, 2014, and 2015 are reflected in the following chart. Although the regulations for the "taxing Cadillac plan" have not finalized, you can compare the SHBP total cost with the \$27,500 and \$10,000 Cadillac definition.

Total Cost of SHBP Options						
	2013		2014		2015	
	Single	Family	Single	Family	Single	Family
<b>Gold</b>	\$	\$	\$ 6,879	\$ 19,273	\$ 7,084	\$ 19,835
<b>Silver</b>			6,194	17,343	6,383	17,873
<b>Bronze</b>			5,685	15,919	5,871	16,440
<b>BCBS HMO</b>					6,611	18,512
<b>UHC HMO</b>					7,218	20,211
<b>UHC HDHP</b>					5,679	15,900
<b>Kaiser HMO</b>					6,300	17,640
<b>UHC HMO</b>	5,850	16,380				
<b>UHC HRA</b>	6,643	18,601				
<b>UHC HDHP</b>	6,271	17,558				
<b>CIGNA HMO</b>	4,859	13,604				
<b>CIGNA HRA</b>	5,517	15,449				
<b>CIGNA HDHP</b>	5,208	14,582				

Beginning for 2014 income tax returns, employers are required to report the total cost of the employee's chosen medical option on the W2 form. There are many

unanswered questions about how the excise tax will be applied to individuals, especially for public employers who do not pay corporate income tax.

## Final Legislative Update: We Fail in Passing Our Bill, but Block Bad Bills

As usual, the General Assembly passed many bills that both benefited the general public (HB 170 to provide much needed transportation funding is a great example) and negatively impacted the general public (most special interest tax bills, among others). Our year-end recap is devoted solely to those bills which directly impact GSRA membership.

Other than HB 689 discussed above, no new bills of concern were introduced in the waning days of this year's legislative session. And there were no changes in the status of the other bills we reported in last month's newsletter. In recap:

**HB 240:** GSRA's bill to provide that two members of the Board of Community Health shall be active participants of the Teachers Retirement System and Employees Retirement

System (one from each system - one actively employed, one retired), following the expiration of the existing Community Health Board members' terms. The bill would also create a State Health Benefit Plan Customer Advisory Council to the Department of Community Health and the Board of Community Health for the State Health Benefit Plan. The Council would consist of: 12 active and retired SHBP members (7 TRS, 5 ERS and at least 5 of the 12 members from retired members who participate in the health benefit plan).

Our legislative representatives met with the Governor's representatives but were unable to get movement on our bill for this session. It is still alive for next session and we plan on starting even earlier with the Governor to find mutually acceptable wording for the bill.

**HB 217:** This bill would permit public retirement funds to invest in mutual funds, commingled funds, collective investment funds, common trusts and group trusts. HB 217 passed both houses with minor modification.

**HB 269/HB 270:** These bills sought to make minor alterations in various administrative aspects of both the Employees Retirement System and Teachers Retirement System. Both bills died in the House.

**HB 383:** This bill would remove current consumer protections governing large retirement systems authorized to invest in certain alternative investments. This bill was withdrawn from committee consideration by its author and will be dormant for the 2015 session.

**HB 445:** This bill would reduce income taxes but increase sales taxes. **It would have substantially increased taxes for almost all ERS retirees.** Fortunately, the bill died in House committee even though it appeared to have the support of the Speaker and the majority leader.

**HR 305:** This bill proposed to amend the Georgia Constitution by arbitrarily limiting the rate of growth in the state budget. Such an arbitrary limit of revenue growth would make it very difficult to fund, among other things, active employees' salary, COLAs and health insurance cost growth, and make future retirees' COLAs doubtful at best. Fortunately, this resolution died in committee.

**HR 502:** This next disastrous resolution would authorize the General Assembly to dedicate revenues derived from fees or other assessments to the public for the purpose for which such fees or other assessments were imposed. This resolution was passed out of the Ways and Means Public Finance & Policy sub-committee, but it too died in full committee.

**SB 145:** This bill would provide that at least one member of the Board of Community Health is also a member of the State Health Benefit Plan. The bill passed the committee and the floor unanimously. It died in House committee, but it will potentially serve as a vehicle for us next session in lieu of trying to move HB 240 again.

**SB 152:** The so-called "Georgia Teachers Pension and Savings Plan" would establish a GSEPS-type hybrid retirement plan (half defined contribution and half 1% defined-benefit per year) for new TRS members beginning 1/1/17. This legislation also provided for the transfer of membership between the ERS and TRS systems. Other provisions under this legislation included the calculation of disability and death benefits, as well as membership service credits. This bill, being a retirement bill in need of a fiscal note, is on hold until next session when, having received a fiscal note, it will receive further hearing.

**REMEMBER, all bills which did not pass remain eligible to be taken up and passed in next year's session!** We will have to be vigilant when the time comes.

### GSRA Night at the Gwinnett Braves

Northeast Metro Chapter invites ALL GSRA members to *GSRA Night at the Gwinnett Braves* again this year on **Saturday, May 30th**.

If you live out of the area, plan a weekend trip with your family! Spend time at the Mall of Georgia (the largest shopping center in the state), take in the game that evening, then stay the night at one of the convenient hotels nearby.

We will sit together, close to the field. The games are VERY family oriented and offer fun for everyone, so bring the spouse, grandchildren, friends, and neighbors. If you want more information about the stadium, directions, parking, etc., please visit the G-Braves website, [www.gwinnettbraves.com](http://www.gwinnettbraves.com).

The discounted ticket price for our group will be \$13 per seat. **The cut off to receive all checks is May 9th, so we can purchase the tickets early.** This will allow us to get great seats right between Home plate and first base, so let Ernie Melton know as quickly as possible if you plan to attend. **Make checks payable to Ernie Melton and mail to 568 Dogwood Drive, Lawrenceville, GA 30036 or call him at 770-963-0561 for more information.**

## Save on Annual Meeting Hotel Rates!

We have contracted with six different hotels in the Savannah Historic District, all within walking distance of the Coastal Georgia Center, for special low rates for GSRA members. These rates are the lowest available in the Historic District; however, they are available only until July 16, at which time the rooms will be available at regular hotel rates. **DO NOT DELAY.** Make your reservations as soon as possible. All the hotels allow cancellations within at least 3 days of arrival; even if your plans are tentative, make a reservation prior to July 16 to take advantage of this offer. You can make your reservations directly with the hotel, being sure to tell them you are with the GSRA Annual Meeting. Some of the hotels have a dedicated website just for GSRA members. All of the hotels have agreed to offer these special rates from Sunday, August 16, through Wednesday, August 19. Following is the list of the hotels, rates, and contact information:

Hotel	Rates	Park/Breakfast	Phone/Website
<b>Residence Inn by Marriott</b> , 500 W. Charlton St.	\$129 studio, \$139 one bedroom suite	Some free parking/\$12 valet/free breakfast	912-233-9996
<b>Hampton Inn and Suites</b> , 603 W. Oglethorpe Ave.	\$119 standard, \$139 king suite, \$149 double suite	\$15 self-parking/\$20 valet/free breakfast	912-721-1600 <a href="http://hamptoninn.hilton.com/en/hp/groups/personalized/S/SAVHSHX-GSR-20150816/index.jhtml?WT.mc_id=POG">http://hamptoninn.hilton.com/en/hp/groups/personalized/S/SAVHSHX-GSR-20150816/index.jhtml?WT.mc_id=POG</a> Group code GSRA
<b>Embassy Suites</b> , 605 W. Oglethorpe Ave.	\$159 king suite, \$169 double queen suite	\$15 self-parking/\$20 valet/free breakfast	912-721-6900 <a href="http://embassysuites.hilton.com/en/es/groups/personalized/S/SAVESES-GSR-20150816/index.jhtml?WT.mc_id=POG">http://embassysuites.hilton.com/en/es/groups/personalized/S/SAVESES-GSR-20150816/index.jhtml?WT.mc_id=POG</a> Group code GSR
<b>B Historic Savannah</b> , 320 Montgomery St.	All rooms \$119	\$10 valet parking/no breakfast	912-921-5300
<b>Courtyard by Marriott</b> , 415 W. Liberty St.	All rooms \$119	\$10 valet parking/\$7.95 breakfast buffet	912-790-8287
<b>Springhill Suites by Marriott</b> , 150 Montgomery St.	All rooms \$124	\$12 valet parking/free breakfast	912-629-5300 <a href="http://cwp.marriott.com/savhd/gastateretireesassociation">http://cwp.marriott.com/savhd/gastateretireesassociation</a>

**The Annual Meeting official announcement will be published in May and will include all the information about the event, including registration.**



## Local Chapter News

### NE Metro

NE Metro local chapter met on March 17. GSRA President Russell Hinton and GSRA Legislative Coordinator Chuck Freedman made an excellent presentation about the state of affairs with the General Assembly, Department of Community Health (DCH) and the Employees Retirement System (ERS). The topics covered included:

- The GSRA Legislative Approach and Goals. These goals were adopted last year and are being pursued this year.
- Legislative Effectiveness. How to achieve it and what GSRA is doing.
- Legislative Report. A review of pieces of legislation being monitored with a summary of specific bills.

- GSRA Lobbying Structure. How GSRA has organized itself to work with the General Assembly and to critique pieces of legislation.
- Tracking Bills. How GSRA monitors the status and progress of bills through the legislative session.
- Advocacy Software. Review of the Action Alert System
- DCH and Retiree Health Insurance. Some facts and **possible** (not certain) changes in Medicare Advantage plans due to OPB health study.
- How to actively support GSRA issues.

Following their presentation, the chapter awarded a door prize to one lucky winner – dinner for two at one of several restaurants.

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## Have you submitted Your Pension Deduction Form?

You should have received a letter about the June 30<sup>th</sup> deductions from your retirement benefit for your GSRA dues. If you have submitted a form, we thank you. If you have not submitted a form, please help us reach the threshold of 25% of members who have agreed to deduction of \$1.67 from their ERS retirement benefit.

- a. **If I “sign-up” now, can I discontinue later?** You can discontinue the deduction by notifying GSRA in writing.
- b. **When will deductions begin?** Deductions will begin from the retirement benefit as of June 30<sup>th</sup> if your form is received by the end of May. Thereafter, the form must be received by the 5<sup>th</sup> of the month in order to be deducted that month. If not received by the 5<sup>th</sup>, the deduction will begin the following month.
- c. **What do I need to do?** If you are a retiree (or are receiving a benefit) from the ERS, complete and sign a Pension Deduction Authorization form and mail to GSRA.
- d. **Can I have a deduction for my spouse also?** No, you cannot “double up” on your

- e. **My GSRA membership is already paid until sometime in the future. Do I have to “sign-up” now?** We encourage you to begin “pension deductions” now although you still have a few months before your membership expires – it will show support for GSRA and cost you only a few dollars. Although we encourage you to “sign-up” now, you can authorize deductions at your discretion.
- f. **The advantages are:** Convenience for members, no more GSRA statements/emails to renew membership, no disruption in the member’s GSRA membership, easy pay, no checks to write, no stamps required, and GSRA expenses related to membership maintenance will be reduced.
- g. **Where can I find my pension number?** Many retirees know the pension number; however, the easiest way may be look at the form that was mailed by ERS to you for completing your tax filing. The “account number” on the IRS-1099R is the pension number.

**Endorsed GSRA Benefits**

The Georgia State Retirees Association (GSRA) makes many member only benefits available to its members. GSRA endorses the following member benefits:

- Long Term Care / Home Health Care Policy
- Life Insurance
- Medical Air Services Association (MASA)
- Travel Discounts
- Car Rental Discounts
- Tax-Deferred Annuity
- Cancer Treatment Policy
- Medicare Supplement Insurance
- Identify Theft Protection
- Hotel Discounts
- Computer Discounts

Review your benefits at: [www.myAMBAbenefits.info/gsra](http://www.myAMBAbenefits.info/gsra)

Benefits made available through  
**ASSOCIATION MEMBER BENEFITS ADVISORS**  
*Providing the Best-in-Class Benefits to Association Members*  
**800.258.7041**




**Welcome SHBP RETIREES**

**We're back!**  
**We are honored and look forward to serving you in 2015!**



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