

DCH Board to Approve SHBP 2016 Plan/Rates

At its upcoming meeting August 13, 2015, the Board of Community Health is expected to review and approve the Department of Community Health’s 2016 plan design and rates for the State Health Benefit Plan. The Board will also be briefed on the SHBP Aon study, which was conducted at the request of the Governor and analyzed for GSRA members in the July Newsletter.

The DCH website information for the Board provides a link to the meeting. If you are interested in listening (and seeing), go to the DCH website, click on the Board information, and follow the directions.

Actuary Reduces Retiree Medical Liabilities by 21%

The annual OPEB¹ actuarial report for the State Health Benefit Plan shows that the unfunded liabilities for providing the medical plans for retirees decreased by 21% (\$3 billion) from June 30, 2013 to June 30 2014. Although the report does not specifically provide reasons for the decline, the consultant comments that the benefits offered in 2015 are used as a basis for projections and “reasonably related to the experience under the Funds.” The number of persons covered under the SHBP increased by .5% although the active members slightly decreased, the number of retired persons increased, and the percentage of retired persons over age 65 increased. The actuarial report also reflects a substantial reduction in the projected “claim cost/total premiums” for the Medicare Advantage enrollees.

The Department of Community Health has contracted with Cavanaugh Macdonald Consulting to project the OPEB “Unfunded Accrued Actuarial Liabilities” for the retiree medical insurance under the SHBP. Since state law provides for separate trust funds for state employees retiree benefits and for public school employees (teachers and non-certificate employees), the report provides liability amounts

separately. Table A provides the liabilities for 2013 and 2014 and reflects a 21% decrease between the two years.

| OPEB Actuarial Liabilities | | |
|----------------------------|------------------|--------------------------|
| Table A | | |
| Trust Fund | 2013 | 2014 |
| State Agencies | \$ 3,587,913,000 | \$ 2,871,842,791 |
| School Systems | 10,788,794,736 | 8,514,320,187 |
| Total | \$14,376,707,736 | \$ 11,386,162,97 |
| Difference | | \$(2,990,544,758) |
| Percent decrease | | 21% |

The actuary only states that the reason for **the net reduction** of almost \$3 billion is that the medical and drug benefits of the SHBP offered in 2015 are used as a basis for the actuarially calculated rate. Tables in the report show that the \$4 billion in liability is reduced “due to claims and contribution experience and plan changes” with \$1 billion of increased cost because of

¹ The Other Post-Employment Benefits (OPEB) actuarial assessment is required by the Governmental Accounting

Standards Board on a periodic basis for determining employer liabilities for benefits awarded to persons after retirement.

underfunding the “Annual Required Contribution”² for amortizing the liabilities over 30 years.

Costs are also increased as the number of active and retired persons increase. The report shows that the number of actives declined by 1.4% while the total number of members increased by .5% as shown in

Table B. With retirees and their spouses increasing around 3.4%, the OPEB liability would normally increase except for the change in the percentage and number of age 65+ members, which increased from 64% to 67.3% (Table C).

| Coverage Comparison – OPEB Report – June 30th | | | | | | | | Table B |
|---|----------------|----------------|-----------------|----------------|----------------|----------------|-----------------|----------------|
| Group | 2013 | | | | 2014 | | | |
| | Actives | Retirees | Retiree Spouses | Total | Actives | Retirees | Retiree Spouses | Total |
| State | 48,490 | 34,183 | 12,004 | 94,677 | 47,260 | 35,368 | 12,156 | 94,784 |
| Schools | 170,601 | 73,438 | 25,236 | 269,275 | 168,741 | 76,086 | 26,168 | 270,995 |
| Totals | 219,091 | 107,621 | 37,240 | 363,952 | 216,001 | 111,454 | 38,324 | 365,779 |
| Percent Change | | | | | (1.4%) | 3.6% | 2.9% | .5% |

| Retire Coverage Comparison – Under and Over Age 65 | | | | | | | | Table C |
|--|----------------|-----------------|----------------|---------------|----------------|-----------------|----------------|---------------|
| Category | 2013 | | | | 2014 | | | |
| | Retiree | Retiree Spouses | Total | Percent | Retiree | Retiree Spouses | Total | Percent |
| Under age 65 | 35,918 | 14,720 | 50,638 | 35.0% | 34,759 | 14,199 | 48,958 | 32.7% |
| Age 65+ | 71,703 | 22,520 | 94,223 | 65.0% | 76,695 | 24,125 | 100,820 | 67.3% |
| Total | 107,621 | 37,240 | 144,861 | 100.0% | 111,454 | 38,324 | 149,778 | 100.0% |
| Percent Change in 2014 | | | | | 3.6% | 2.9% | 3.4% | |

Piggy backing on the report’s display of OPEB’s Change in liability of \$3 billion, the actuary provides a recap of the assumptions and methods. In that information, known as Schedule C, the actuary indicates that the annual cost for a “Pre-Medicare” retiree increased by 9%--from \$9,446 to \$10,309 during the period 2013 to 2014. The Medicare Advantage blended rates are reduced to \$1,219³ annually. In the 2013 report the total monthly rates provided were \$168.35 and \$241.40, Standard and Premium options, respectively. These monthly rates translate to annual rates of \$2,020 and \$2,897 for Standard and Premium options, respectively. Such reductions in the Medicare Advantage cost

substantiates the decreased cost that DCH indicated in their budget presentations to the General Assembly in 2015. The increased cost for under age 65 retirees and the reductions for Medicare Advantage in the DCH budget presentations have been the subject of several statements by GSRA about the costs for the Medicare Advantage enrollees and the inability to obtain adequate information from DCH.

The bottom-line conclusion for the 21% decrease in the OPEB liability is that the changes in plan design for under age 65 retirees and in the adjusted cost assumptions for the age 65+ retirees decreased the liability. Such reduction should translate into less controversy over retiree medical benefits.

² The DCH is paying the required amounts on a “Pay-as-You-Go” basis rather than the annual amount required for amortization of future benefits for active and retired persons.

Such method of payment is common practice among public medical insurance plans.

³ Includes “an adjustment for current retirees with no Medicare Part A coverage.

TRS Actuarial Report – Improved Funded Ratio

The annual actuarial report for the Teachers Retirement System from the consulting actuarial firm, Cavanaugh Macdonald, states that the “funded ratio” improved to 81.9%--up almost 1%--as of June 30, 2014. Factors that increased the absolute amount of “Unfunded Actuarial Accrued Liability” by \$84.4 million are offset by other factors that decrease the absolute amount and, therefore, slightly increase the “funded ratio.” Members of the TRS include certificated personnel of local school systems and personnel of the University System of Georgia who have not chosen the separate retirement system offered to USG members.

The major components that increased “unfunded actuarial accrued liability (UAAL)” by \$84.4 million are: Employer and Member contributions, income and asset growth, increases and decreases in personnel/retirees, lesser salary increases than projected, and interest.⁴

The employer contribution rate for FY 2014 was 12.28% and has increased to 14.27% of salary for FY 2016 and FY 2017. This rate along with the member contribution at the statutory maximum of 6% of salary is a reduction of the UAAL.

Actuarial value of the TRS assets increased \$3.5 billion from \$58.6 billion to \$62.1 billion in FY 2014 and reduces the UAAL. As reflected in the report, the

investment return rate for the year was 17.17%. Although the rate was high for the year, other years will be less. The actuaries for TRS use a 7.5% interest smoothing in the projections.

Personnel numbers/changes affect the projections. The number of active members in FY 2014 decreased by 26 to 209,828, although the number of retired persons increased by 4,883 or 4.7% to a total of 108,154. Since people are living longer than previously projected, the retirement payments are greater than anticipated by a small percentage. Additionally, the actual terminations before retirement were less than expected, salary increases were less than projected, and the purchase of past service was greater than projected. All of these changes affect the UAAL positively or negatively.

A change in the interest smoothing methodology also increased the UAAL liabilities. This change was required by the Board adopted “Funding Policy.”

When the valuation of all of these effects were determined, the UAAL increased by \$84.4 million, but the estimated payroll for active members compensated for the increased UAAL and raised the “funded ratio” by about 1% to 81.9%. The report indicated that the employer contribution would remain in FY 2017 at the FY 2016 rate of 14.27%.

ERS Announces Investment Returns for FY 2015

ERS Executive Director Jim Potvin provided the FY 2015 investment return for the ERS Investment Fund, which was 3.74%. The table below includes the investment returns of the previous four years by way of comparison.

Historical Returns for the Defined Benefit Pooled Investment Fund

| FY Year | Investment Return Percentage |
|---------|------------------------------|
| FY 2015 | 3.74 |
| FY 2014 | 17.29 |
| FY 2013 | 13.33 |
| FY 2012 | 2.19 |
| FY 2011 | 21.27 |

GSRA will provide the breakdown between stocks/bonds and fixed income assets when it becomes available.

⁴ See the actuarial report, page 12.

Local Chapter News

West Georgia/Columbus Area

The West Georgia/Columbus Area local chapter held its quarterly meeting on August 11, 2015 at the Columbus Public Library. Guest speaker for the meeting was Mr. James Potvin, Executive Director of the Georgia Employees Retirement System (ERS). He delivered ERS pension information of interest to everyone in the room and also took questions from the over 50 members present. Also attending the meeting were State Representative Debbie Buckner, a chapter member and House Retirement Committee member, and State Senator Josh McKoon, both past recipients of the *GSRA Legislator of the Year* award. Both legislators delivered remarks of interest to the state retirees present and also answered questions. Mr. Russell Hinton, GSRA President, also attended the meeting, delivered remarks, and answered member questions.



ERS Executive Director Jim Potvin, Sen. Josh McKoon, Chapter President Gloria Coker, Rep. Debbie Buckner and GSRA President Russell Hinton pictured at West GA/Columbus Area meeting

Mark your Calendar Today for This Important Date!

Wednesday, February 3, 2016



GSRA Day at the Capitol and the joint **GSRA/GPHSA Legislative Reception** are two of our most important events during the year. We need the full support of the entire membership and we need as many of our members as possible to attend and participate in these events, so please mark your calendars now for February 3, 2016. The Reception will be held in the Empire Room of the Floyd Building from 5:00 to 7:00 PM. Details for Day at the Capitol will be provided later.

The 2016 General Assembly will convene January 11, but we need to start our grassroots efforts before then if we are to succeed. Progress was made at the Capitol last year, but much work remains to be done. Your benefits are at stake, and we need you to advocate for protection of your benefits.

Look for updates during the next few months with the official announcement and registration information during the first week of December. Also, expect updates and Alerts for contacting your legislators and key persons.

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
- Identity Theft Protection
- Hotel Discounts
- Computer Discounts

Review your benefits at: 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!



UnitedHealthcare

Plans are insured through UnitedHealthcare Insurance Company or one of its affiliated companies, a Medicare Advantage organization with a Medicare contract. Enrollment in the plan depends on the plan's contract renewal with Medicare.
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Can We Help You?

If you have questions or need help with anything to do with GSRA, please contact us by email at help@mygsra.com or call our number, 770-312-2799. We will do our best to help you!