



GSRA Day at the Capitol
GSRA/GPHSA Legislative Reception
February 3, 2016

Look for the official email announcement in early December with all the details you need to register for and attend these important events. Make your voice heard in February!

Critique of the Atlanta Journal-Constitution article, “Rising payouts cut into Georgia’s state workers retirement fund”

A recent article in the Atlanta Journal-Constitution highlighted rising payouts to state retirees and the impacts to both the Employees Retirement System and the state budget, but failed to provide adequate context for this situation. GSRA analyzes the statistics presented in the AJC article and provides the actual reasons behind them.

An article in the Atlanta Journal-Constitution on October 17, 2015—although correct in the absolute numbers presented—seem to imply mismanagement of the Employees Retirement System Pension Trust Funds, and that the retirement plans for ERS and the Teachers Retirement System consume an excessive percentage of state budget dollars. GSRA presents a more balanced look at the facts behind some of the statistics presented in the article.

Statement: The Employees Retirement System saw a \$300 million decline in assets while the Teachers Retirement System gains \$360 million in the same poor stock market. Although factually correct according to the audit report, the statement fails to provide adequate explanations.

- (a) The difference in asset change is not the result of different investment strategies. Both ERS and TRS use the same investment staff. The investment earnings and market values are based upon the representative portion of total funds invested for each system. The only major difference in investment policy is the authorization for ERS to use “alternative investment instruments” for up to 5% of portfolio assets. Both ERS and TRS show that the investment rate of return for FY 2015 was 3.7% (4.4% in equity and 2.1% in fixed income instruments). The ERS report also shows that there was a 16.4% investment income on alternative investments for the period October 2013 to June 30, 2015.
- (b) The ERS ratio of active to retired members requires that assets be available to issue benefit payments. The ratio of active employees to retirees is smaller in ERS

than in TRS, and is a direct result of the declining active state workforce in relation to retirees. Active members were reduced between 2008 and 2015 at a higher percentage than in the TRS as shown in the following table. The result of the reduction of active employees

decreased the fund’s revenue while the increased number of retirees in the ERS raises the benefit payouts to a level that requires liquidating some investments in order to pay benefits.

ERS and TRS Comparisons								
	Active Members			Retiree Beneficiaries			Ratio actives to retirees	
	2008	2015	change	2008	2015	% change	2008	2015
ERS	74,935	60,419	-14,516 -19.4%	35,186	47,180	11,994 34.1%	2.13	1.28
TRS Percent	225,024	214,015	-11,009 -4.9%	78,633	113,066	34,433 43.8%	2.86	1.89

As shown above, the state workforce has declined by 14,516 between 2008 and 2015, while the retiree population has increased by 11,994. In 2008 there were 2.13 active workers for every retiree, but by 2015 the ratio had dropped to 1.28. This simply means that the dollars paid for retirement benefits for the retirees is greater than the dollars being paid into the system based on the active employees’ salaries and investment income. When the amount of money being paid into the system is less than the amount being paid out in benefits, assets will be sold to pay for benefits.

By comparison, TRS active members have decreased and retirees have increased during the seven-year period such that the ratio of active to retired members has dropped from 2.86 to 1.89. In 2015, the revenue from active members and the state was by-and-large sufficient to pay retiree benefits without liquidating assets.

Statement: The government increased its funding to ERS by 20.7% and to TRS by 10.7%. This statement although technically correct, fails to provide adequate information to explain why the increases are required. As a result of investment losses and the ratio changes between active and retired members, employer contributions needed to increase to maintain the plans actuarially sound and to assure that Georgia maintains its stellar bond ratings.

(a) At the end of FY 2007, the ERS pension was projected at a 93% funded level, but by FY 2012, funding dropped to 73.1%. At the end of FY 2007, the TRS pension was projected at a 94.7% funded level and by FY 2012, the percentage had dropped to 82.3%.

(b) Probably, the greatest impact on the funded percentage of both the ERS and TRS was the great recession of 2008 and 2009. In these two years, the ERS Pension fund suffered a reduction of \$2.719 billion in investment income, and the TRS pension fund suffered \$8.347 billion less in investment income. Given these investment income losses, the actuarial firm recommended that the employer rates be increased in the future fiscal years so that the liabilities could be amortized over the 25 to 30 years. The ERS employer rate was increased by 19% and the TRS employer rate was increased by 7% in FY 2015. The absolute dollar amount of change (20.7% and 10.7%) also includes the increased employer payments on minimum salary increases for the active state and teachers workforces.

The bottom line about the reasons for “rising costs” for the retirement systems is a combination of factors: the reduction in active members, the increased number of retirees, minimum or zero salary increases for the active workforce on which the employer contribution is paid, and investment income losses during the great recession of 2008-2009 and other smaller market slowdowns. Although the increased cost may seem to be great, the cost of these plans is essential to maintaining effective workforces in State government, local school systems, and the university system. The services required by Georgia citizens, and the education delivered by Georgia’s educational schools and institutions are of utmost importance to Georgia’s future. The nature of the services and education can only be fulfilled by effective workforces.

SHBP Members pay 26.7% of the Reduced Benefit Plan Cost During FY 2013 Through FY 2015

In the GSRA October 2015 Newsletter, cost-shifting of medical expenses to members was explored, with the conclusion that most of the improved financial position of the State Health Benefit Plan was a result of a reduced SHBP cost because of members' increased out-of-pocket cost through increased deductibles, coinsurance amounts, and copayments. GSRA now examines the percentage of plan cost paid by members' premiums and finds that 26.7% of the reduced plan cost was paid by members' premiums during the same three fiscal years when the Fund Balance Reserves increased by a total of \$976 million¹.

A Joint Resolution passed by the General Assembly and signed by the Governor in 1982 established the overall state policy on cost sharing between the state and members of the SHBP. That policy states that "the allocation of the cost of the [SHBP] plan . . . shall be established at approximately . . . 25 percent to be borne by the employees of the state" and 75 percent to be borne by the state. Information supplied by the Department of Community Health² in the following table shows the revenue contributed by the members, the total cost of the SHBP and the percentage of cost contributed by the members.

Member Premium Revenue and Total Plan Cost Comparison (000s)

	FY 2012 Comparative	FY 2013	FY 2014	FY 2015	3-Yr. Total – FY 2013-2015
Member Premium Revenue	\$ 713,457	\$ 781,071	\$ 756,902	\$ 692,499	\$ 2,230,472
Total Plan Cost	3,050,555	2,844,806	2,787,383	2,719,274	8,351,463
Percent Paid by Member	23.4%	27.5%	27.2%	25.5%	26.7%

Over the three-year period (FY 2013-FY 2015), the members have paid 26.7% of the total cost of the SHBP--somewhat greater but probably within the "approximately" language in the 1982 policy. The real cost to the SHBP members has been the increased out-of-pocket cost when medical services are received. As stated in earlier articles, the AON Hewitt Benchmarking Report shows that, "After adjustment for four key cost drivers, the . . . SHBP's average employee member costs remain higher than all but one Comparator³." The DCH (Board of Community Health) recognized this conclusion and slightly reduced the premium cost burden on members for CY 2016.

However, the October GSRA newsletter about SHBP cost, emphasizes that the employers' costs for the SHBP has remained fairly stable (except for the Non-certificate group) over the three-year period. The article shows that the major components of change over this three-year period have been the member premiums (although approximately 25%) and the reduced claim cost SHBP paid on behalf of members. Therefore, the improved SHBP reserve of \$976 million (\$786.6 million balance plus the deficit of \$189.8 million) is primarily a result of cost-shifting to the members through increased out-of-pocket cost when medical services are received.

¹ See GSRA Newsletter, Vol 9, Number 11. P.3.

² The information supplied by DCH is on a cash basis and may result in revenue being received in one year to pay for insurance in a different fiscal year.

³ Comparators are the health plans used in the Benchmarking study.



Kip's View: GSRA Board Approves Future Plans

New GSRA President, Kip Mann, provides an update on the GSRA future plans, goals and objectives that were shared with members as proposed plans in Savannah at the Annual Meeting.

At its meeting in Macon, GA on November 5, 2015, the GSRA Board approved plans for GSRA future efforts to enhance, protect, and preserve the benefits of active and retired state employees. Those plans include the long term goals and objectives of GSRA, 2016 goals and objectives, and a legislative tool kit for achieving the coming year's goals and objectives. It was stressed that the Board, its officers and members, local chapter officers and legislative liaison Chuck Clay by themselves alone, could not achieve support for implementing these plans. Rather the membership's contacts with their local representatives and other fellow retirees and current state workers, in local communities across the state, will form the foundation of GSRA's success this coming year. A key piece of that is ensuring we have as many members as possible participating

in GSRA Day at the Capitol and the joint GSRA-GPHSA Legislative Reception on February 3, 2016. There won't be a better time to show legislators that GSRA members are well informed and monitoring actions that impact our promised retirement benefits. I encourage you to make plans to attend these important events.

Special thanks go out to outgoing President Russell Hinton, Legislative Committee Members Chuck Freedman and John Keys, Legislative Liaison Chuck Clay and his assistant Elizabeth Newcomb for their hard work in the goals and objectives development effort.

A separate action alert on this subject is currently being developed that will be sent directly to all GSRA members. Your Board looks forward to a very successful year!

GSRA Member Appointed to DCH Board

Governor Nathan Deal appointed Mark Trail, an ERS retiree with over 30 years of service and a GSRA member from the Southern Crescent Chapter, to the Board of the Georgia Department of Community Health. Mark's wealth of knowledge working as the Director of Medicaid for seven years, his past years' experience working in the field of mental health, and his current experiences as a retiree of the state and a current member of the SHBP retiree health plan will allow him to provide valuable insight to DCH in the future. GSRA welcomes and appreciates the Governor's appointment of Mark to the DCH Board!

Local Chapter News

Athens Area

Despite cold, rainy weather, the Athens Area local chapter had a great showing of local legislators and members at its 4th Annual Eggs and Issues Legislative Breakfast on October 27th. The legislators addressed issues and concerns in a very insightful manner and members appreciated their open communication and candid observations. Northeast Georgia legislators attending were Representative Alan Powell, Hartwell, Representative Chuck Williams, Watkinsville, Senator Frank Ginn, Danielsville, Representative Tommy Benton, Jefferson and Representative Spencer Frye, Athens.



Rep Alan Powell, Rep Chuck Williams, Sen Frank Ginn, Rep Tommy Benton and Rep Spencer Frye at the 4th Annual Eggs and Issues Legislative Breakfast

Savannah Coastal

Over forty members of the Savannah Coastal local chapter met October 29th at Spanky's Westside for a preview of GSRA Future Plans and Goals for 2015-2016, as well as a buffet lunch of Spanky's Famous Chicken Fingers. After going through the preview, chapter members agreed they are ready to meet the challenges of increasing membership and political advocacy.

Consider GSRA Dues Auto-Deduction!

For more information or to request the
signup forms call:

770-312-2799



Savannah Coastal members at their October meeting

SW GA

The SW Georgia local chapter met on October 29th at the Golden Corral restaurant in Albany, with over forty members attending. Jim Potvin, Executive Director of the Employees Retirement System (ERS) of Georgia discussed the history of ERS, the financial condition of ERS, COLAs, upcoming legislation related to ERS and responded to member questions.



Membership Chair Frances Barry, ERS Director Jim Potvin, and President Bob Pollock at the SW Georgia October meeting

NE Metro

The Snellville Discussion Group, a sub-group of the NE Metro local chapter, met October 15 at the Panera Bread Company in Snellville. The group, made up of NE Metro members who live in the Snellville area, gets together

about once a month to discuss anything that anyone wants to discuss, such as retirement benefits, local crime, volunteer opportunities, and other topics. Special guest for this meeting was Representative Brett Harrell (R-Snellville). His attendance was arranged by NE Metro member, Anna Shackelford. Representative Harrell met with the group, listened to their issues, asked serious questions and offered suggestions for follow up.



NE Metro chapter President Mike Murdock, member Anna Shackelford and Representative Brett Harrell at discussion group

GSRA Changing of the Guard Begins This Month

GSRA President Russell Hinton resigned this month, effective November 13, 2015, due to other personal and professional commitments. President-Elect Kip Mann assumed the duties of GSRA President a month and a half early on November 14. New President-Elect Steve Herndon also assumed his duties on November 14. Current GSRA Treasurer Harold Grindle will continue through 2016 and incoming GSRA Secretary Connie Smith will start her duties January 1, 2016.

The GSRA Board thanks Russell for his tireless and effective leadership in 2015 and looks forward to his continuing involvement in the association!

Don't Forget Your AMBA Benefits!

We encourage you to view the benefits available to you as a member of GSRA by visiting our contracted vendor, www.myAMBAbenefits.info/association/gsra or at [1-800-258-7041](tel:1-800-258-7041). You will see many discounted products (electronics, vacation) and benefits, such as long-term care or dental insurance.



Let us Help You

For your questions or concerns about anything related to GSRA:

Call: 770-312-2799

Email: help@mygsra.com

We will do our best to help!

Endorsed 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



Welcome SHBP RETIREES

We're back!

We are honored and look forward to serving you in 2015!



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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