



## 2016 GSRA Annual Meeting

*Celebrating Our Success!*

October 17-18

Anderson Center, Macon

**Official announcement/registration  
available August 1**

## GSRA Leads Request to Appoint SHBP Customer Advisory Council Quickly

On June 28, GSRA sent a letter ([see link](#)) to the Governor requesting his support for the Commissioner of Community Health to expeditiously create a State Health Benefit Plan Consumer Advisory Council as encouraged by HR 1382. The letter, suggested by HR 1382 author Rep. Debbie Buckner, was also signed by seven other active and retired state employee and educator organizations contacted by GSRA. They are the Georgia Association of Educators, Georgia Association of Educators-Retired, Georgia Department of Transportation Employees Association, Georgia Professional Human Services Association, Georgia Retired Educators Association, Professional Association of Georgia Teachers, and Teachers Rally to Advocate for Georgia Insurance Choices (TRAGIC).

The letter also requested the Governor to support the

Commissioner in expeditiously appointing members to the Consumer Advisory Council and included council nominations from each of the eight organizations. GSRA nominees are former GSRA president Bobbie Jean Bennett, Policy and Operations Committee members Gelane Hamilton and Bob Pollock, and former Piedmont Technical College human resources director Gale Belton.

Copies of the letter were sent to DCH Commissioner Clyde Reese and Board Chair Norman Boyd. As of July 16, no response had been received. It is anticipated that final decisions on SHBP plans' coverages, premiums, and member costs will be made by the DCH board at its August meeting. Meanwhile, GSRA and its partner organizations will continue to follow this issue and press for the council to be formed at the earliest possible time.

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## TRS Actuarially Projected Unfunded Liability Rises

The Board of Trustees, Teachers Retirement System, approved on May 18, 2016, the actuarial report by

Cavanaugh Macdonald for the period ending June 30, 2015, established the employer contribution rate for FY 2018, and

adopted maximum salary increases that can be used by the TRS to compute a member's highest two-year average salary. Actuarial projections for the TRS funded ratio decreased from 81.9% to 79.1% during FY 2015, and the employer contribution rate for FY 2018 was projected and approved at 16.81%, an increase of 2.54%.

The actuarial consulting firm, Cavanaugh Macdonald, completed the actuarial projections for the period ending June 30, 2015. While the market value of TRS assets increased by \$333 million, the actuarial value of the assets increased \$3.4 billion, and the unfunded actuarial accrued liability rose by \$3.6 billion. Therefore, the "funded ratio" dropped from 81.95% to 79.1% during the 12-month period. Therefore, the Actuarially Determined Employer Contribution Rate (ADEC) employer contribution rate was recommended and approved for FY 2018 at 16.81%, an increase of 2.54% over FY 2017.

The actuarial report pointed out that various assumptions (mostly demographic) and methods regarding the experience for the five-year period ending June 30 2014

were modified to more closely match the actual experience. Active members as of June 30, 2015 totaled 213,990 with average compensation of \$48,354, an increase of 1.5% during FY 2015. The number of retirees/beneficiaries as of June 30, 2015 was 113,124 (an increase of 4.6% in FY 2015) with an average retirement allowance of \$35,939 or an average increase of 1.4%.

Based on the funding requirements and factors included in the actuarial report, the TRS Board took steps to limit the percentage compensation increase that could be used in determining the member's highest two-year average salary, which is the basis for determining the individual's retirement benefit. The Board adopted 5.50% as the maximum percentage compensation increase that can be used for employees of the Board of Regents and 4.34% as the maximum compensation increase for all other members of TRS.

The full actuarial report is available by contacting the Teachers Retirement System.

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## DCH Transfers Additional Funds to OPEB Reserves in FY 2016

During the FY 2017 budget process, there were two State Health Benefit Plan (SHBP) issues for which GSRA provides additional explanation. The first issue is the statement that the Department of Community Health (DCH) will add \$478,094,972 from FY 2014 and FY 2015 revenues and \$314,627,314 from FY 2016 revenue to reduce the **Other Post-Employment Benefits (OPEB)** unfunded liability, which is assessed at \$13.94 billion as of June 30 2015. The second issue is the UnitedHealthCare's increase of \$91.6 million in costs to the SHBP for the Medicare Advantage options in CY 2016. The 2015 and historical OPEB reports and various DCH financial statements have been reviewed to provide reported liabilities, revenues, costs, and balances shown in this article.

### OPEB

Financial institutions (and bond rating entities) are continuing to emphasize that public employers who provide medical insurance for retirees should begin to fund the

liabilities for the Post-Employment benefits in much the same way as retirement plans are funded. Although Georgia has established two SHBP trust funds (State and Schools) for retired members, funds that were dedicated in FY 2008 to OPEB liabilities were used to pay retiree benefits in FY 2009 and FY 2010. Thereafter, DCH has paid the retiree medical insurance for retired state and educational persons on a "Pay-as-You-Go" basis, which was generally about 50%-55% of the actuarial "Annual Required Contribution (ARC)".

Each year, the DCH contracts for an actuarial assessment of the OPEB liabilities. The most recent actuarial report (June 30, 2015) shows the unfunded SHBP liabilities for 2014 and 2015 and the projected ARC. The report also provides the percentage of the ARC that was paid by the DCH. The liabilities (funded and unfunded) and the percentage of the ARC paid are shown in the table on the following page.

	FY 2015		FY 2014		Inc. State	Inc. School
	State	School	State	School		
Total Liability	\$3,529,009,722	\$10,543,010,00	\$2,871,842,791	\$8,514,320,187	23%	24%
Funded	101,450,424	30,853,207	0	-		
Unfunded	\$3,427,559,298	\$10,512,156,883	\$2,871,842,791	\$8,514,320,187	19%	23%
<b>Annual Required Contributions -- &amp; Paid Toward ARC</b>						
Annual Required Contribution	\$275,680,773	\$873,277,873	321,455,891	943,310,062		
FY 2015 Paid	267,235,185	408,537,847	177,045,380	408,422,277		
Paid Percentage	96.9%	46.8%	55.1%	43.3%		

Although the total **unfunded liability** for the SHBP is \$13.94 billion (June 30, 2015), an increase from \$11.39 billion (June 30, 2014), the 2015 unfunded liability is still less than the \$15.73 billion 5-years passed (June 30, 2010). During this same period, no additional appropriations have decreased the accrued liability, although the number of retirees has increased from 124,291 (92,395 retirees and 31,896 spouses) to 150,705 (117,621 retirees and 33,084 spouses). The most significant reasons for the reduction are that: (1) a higher percentage of retirees is over age 65 in 2015 than in 2010, (2) DCH shifted a great amount of medical costs to actives and retirees by increasing deductibles and out-of-pocket costs, and (3) the Medicare Advantage option was exclusively implemented for retired persons and spouses.

As of March 31, 2016 (FY 2016), DCH has transferred \$611,046,042 (\$515,735,353 State and \$95,310,689 Schools) to the OPEB trust funds. Although the transfer is \$181,676,244 short of the budget statements, the SHBP financial statements reflect sufficient revenue to transfer the budgeted amount by the end of FY 2016. While most of these funds have been contributed by State Departments and, therefore, are placed in the State OPEB Trust fund, the remaining liability is anticipated to be amortized over 30 future years.

One of the reasons that the School Trust Fund has a larger unfunded liability and a lesser percentage of the ARC contributed than the State Trust Fund is that the State discontinued a direct appropriation for the Public School employees in FY 2010; thereby creating much of the

revenue shortfall to be absorbed by the certificated personnel group. Several increases in the Public School (non-certificate) local employer rate have been absorbed by the local school systems for the Public School Employees (non-certificate). The latest increases in employer rates per enrolled member were from \$596.20 to \$746.20 for CY 2016 and from \$746.20 to \$846.20 for CY 2017.

The SHBP revenues, expenses, revenues over expenses, and Fund Balances (solvency of the SHBP) for FY 2010 through FY 2015 and FY 2016 (9 months) are taken from the SHBP Financial statements and are shown in the chart on the following page.

**Save the Date!**

*GSRA Day at the Capitol*

**February 1, 2017**

**GSRA is already making plans for our next big event. Please mark your calendars for this date and make plans now to join us!**

## State Health Benefit Fund Financial Reports<sup>1</sup>

	Total Revenue	Total Expense	Difference Revenue less expense	Fund Balance (Basic Solvency)
<b>FY 2010</b>	\$2,506,379,659	\$2,905,695,783	<b>\$(399,316,124)</b>	<b>\$(194,265,244)</b>
<b>FY 2011</b>	2,873,628,500	2,820,557,844	53,070,656	<b>(141,194,587)</b>
<b>FY 2012</b>	2,988,575,040	3,050,555,421	<b>(61,980,381)</b>	<b>(189,752,968)</b>
<b>FY 2013</b>	3,082,599,521	2,844,805,919	237,793,602	48,047,635
<b>FY 2014</b>	3,158,008,270	2,787,383,417	370,624,853	418,672,488
<b>FY 2015</b>	3,087,179,939	2,719,273,504	367,906,435	786,578,924
<b>FY 2016 (Only 9 Months)</b>	2,421,812,130	2,109,571,796	312,240,334	355,499,286 plus \$743,349,673 in OPEB reserves

The economic recession of 2008 resulted in the State underfunding the SHBP, and by FY 2010 all reserves had been absorbed and a debt of \$194 million created. The fund did not start to recover until FY 2013 when additional money was appropriated, substantial increases in member premiums approved, and major changes to the SHBP benefits—increasing deductibles and out-of-pocket costs for members. Total expenses decreased in FY 2013, FY 2014, FY 2015, but will likely increase a little in FY 2016. The revenues over expenses has accumulated to hundreds of millions during the last four years (including FY 2016). The increased member premiums and member out-of-pocket costs have greatly contributed to the return to solvency for the SHBP and the ability to increase the OPEB funded liabilities from \$132 million to \$743 million.

### Increase of \$91.6 million for Medicare Advantage

<sup>1</sup> SHBP audited statements will differ in detail from the department's financial reports. The difference is primarily a result of how revenue is treated between fiscal years.

The DCH budget presentation to the General Assembly for FY 2017 shows that an increase of \$91.6 million in Medicare Advantage payments will be required by the vendor. Expenses in the SHBP financial reports for the MA option show a large increase in CY 2013 when the benefit plan administrator was changed from UnitedHealthCare to BlueCross BlueShield. However, DCH reassessed the cost and reduced the MA costs by \$233.3 million in CY 2015 by returning to UHC. Effective for CY 2017, UHC is raising the MA rates by \$91.6 million.

The OPEB actuarial reports show the premium cost charged by the MA vendors (UHC or BCBS). Beginning January 1, 2015 the reported "blended"<sup>2</sup> rate per person is \$1,219 per month. However, this blended rate is increasing to \$1,489 on January 1, 2016 (22%).

Commissioner Reese has publicly stated to news reporters that DCH is seeking another MA provider, hopefully at a better premium. We await the response to the

<sup>2</sup> The blended rate includes the per person rate regardless of the MA option (Standard or Premium) and regardless of the member's eligibility for Part A (hospitalization) Medicare.

proposals and hope that the member premiums will not be increased.

Although the (OPEB) retiree unfunded liability for the SHBP is staggering to us as individuals, a portion of this

liability is being funded by both the employers and the members. GSRA encourages DCH to continue to seek additional options that provide equal or better benefits for retirees.



## **Kip's View: Help Us Grow the Membership!**

On July 28th you should receive, either through direct deposit or shortly thereafter through the mail, a check from ERS for your one-time adjustment. This should provide a small hedge against inflation, and is the first benefit adjustment since FY2008 for ERS retirees.

It has continued to be a busy time for your GSRA Board. We are preparing for the Annual Meeting in Macon. We are working to assist the Department of Community Health in establishing an Advisory Board comprised of active and retired state employees and teachers that receive health insurance benefits through DCH. We are also working on a long term solution to address annual increased costs of living benefit increases to maintain our current purchasing power in retirement.

You also should be working with us to grow our membership by contacting three of your fellow retiree friends, tell them what we accomplished, and seek their help by getting them to join GSRA to grow our membership and

our influence. Tell them it's time for them to get up off the sidelines, join the effort, and contribute to our further success! We'll need their help if we're ever to return to a time when annual COLAs are a possibility. We've started down the road to achieve this but tell them their help is needed!

Then when we contact our legislators next year the budget should be in better shape to address our long term needs, and our numbers will be greater when we call to ask for their support!

Keep up the good work and your Board will work to make your efforts pay off! Remember the phrase: Each GSRA Member Get Three New Members for a Chance at 3%!

Thanks!

Kip Mann

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## **Local Chapter News**

### **Savannah Coastal**

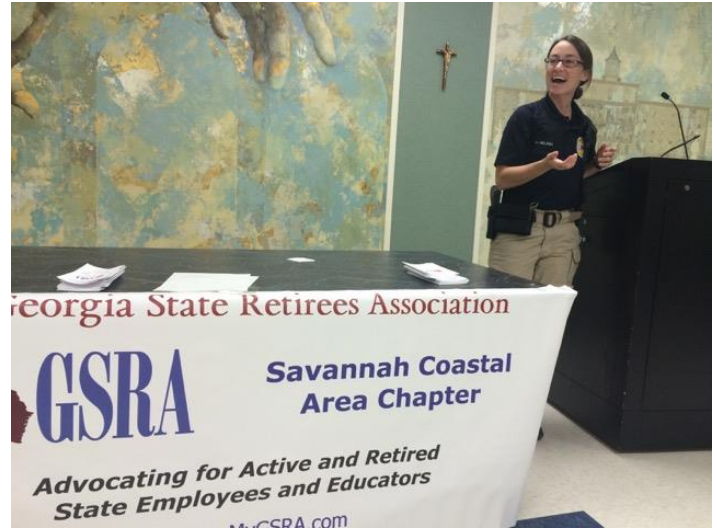
Thirty-eight members of the Savannah Coastal Chapter of GSRA gathered on June 27<sup>th</sup> at the Marsh Auditorium at Candler Hospital for a chapter meeting. The featured speaker was APO Hillary Nielsen, Crime Prevention Officer with the Savannah Chatham Metro Police Department. Officer Nielsen gave a very informative presentation on being aware and vigilant throughout the day, with advice on protecting one's self and one's home. She provided tips on making homes safer from break-ins, with common sense measures such as outdoor lighting and trimming of shrubs in front of windows. She also

talked about members keeping themselves safer while out and about running errands, shopping, or visiting friends. She had common sense advice about using remotes to unlock one's car in the parking lot and at night, keeping purses out of sight and never leaving a car running while away from it. It was a very insightful and timely talk, very well received by those present.

After Officer Nielsen, Beth Odum of GSRA's collaborative partner TRAGIC gave an update on the proposed Constitutional Amendment on the Opportunity School District. Members also discussed and celebrated the upcoming bonus from

ERS, thanks to the continuing efforts of GSRA. Even though it fell short of the COLA all had hoped for, the very fact that the Legislature recognized State retirees and their needs was a great accomplishment. Without the advocacy of GSRA, not just this year but for the past several years, state retirees would not have gotten this bonus.

Finally, several members of the chapter undertook a recruiting initiative. Thanks to Jody Lane and Dee Dee Redding, Savannah Coastal will be reaching out to all local members to encourage their help in attracting new members. There is strength in numbers.



Officer Hillary Nielsen addresses Savannah Coastal members

## 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, Association Member Benefits Advisors (AMBA) at:

[www.myAMBAbenefits.info/association/gsra](http://www.myAMBAbenefits.info/association/gsra).

You will see many discounted products (electronics, travel, etc.) 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 or Email: [help@mygsra.com](mailto:help@mygsra.com)

**We'll do our best to help!**

### GSRA Members!

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## 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](http://www.myAMBAbenefits.info/gsra)



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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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