



# Newsletter

Vol. 5, Number 8

www.MyGSRA.com

July 31, 2011

## YOU are GSRA! – Make Plans to Attend Annual Meeting

Department of Community Health Commissioner David Cook, House Minority Leader Representative Stacey Abrams, Senator Bill Cowsert, House Retirement Committee Chairman Howard Maxwell, Senate Retirement Committee Vice-Chairman Fran Millar and acting ERS Executive Director Jim Potvin are all confirmed as presenters at the annual meeting.

Make plans to attend *GSRA and You: Facing the Challenges* October 18, 2011 at the Georgia Public Safety Training Center auditorium in Forsyth to hear what they have to say and to show these Georgia Legislators and public officials that GSRA members are knowledgeable, committed and involved.

## FY 2012 Deficit of \$165 Million Projected for SHBP – Worse Than Previously Projected—Your Action Needed

At the July 14, 2011, meeting of the Board of Community Health, the Department of Community Health Chief Financial Officer, Vince Harris, stated that the State Health Benefit Plan is projected to have a deficit of \$165,149,660 in FY 2012—at the projected revenue and expenses. Since **all SHBP reserves were exhausted in FY 2009-FY 2010 by the state reducing its contribution to the SHBP**, the \$165 million deficit must be funded by the state and/or members **OR** the deficit reduced by decreasing the cost of the Plan through efficiencies or benefit reductions (increased deductibles, copayments, coinsurance, reduced services). Harris also stated that the expected FY 2011 reserve balance is \$50.6 million. This balance will be retained as partial funding for the Incurred But Not Reported (IBNR) reserve<sup>1</sup>, while the Other Post-employment Employee Benefit (OPEB) liability<sup>2</sup> reserve is “\$0.”

CFO Harris’ [presentation to the Board](#) reflects that the June 30, 2011 reserve balance for the entire plan is \$50.6 million or about five days of expenses—substantially less than the actuarially projected IBNR liability, which is \$463

million (two months of expenses). Therefore, the IBNR deficit is \$412.4 million (\$463 minus \$50.6).

Harris’ presentation shows that the \$50.6 million FY 2011 projected reserve balance **is less than** and the FY 2012 deficit **is greater than** the projections presented to the Board in May, 2011. Projections in May indicated a reserve balance of \$122 million at the end of FY 2011 and a deficit of \$109 million in FY 2012. Harris, however, stated that revenue is declining and expenditures are increasing for the following reasons:

- Expected funds from the federal government for a portion of the medical cost for retirees under age 65 are not materializing at the rate projected;
- The number of active employees is decreasing which decreases state revenue, and
- Retiree enrollment is increasing.

In order to help with cash flow for FY 2012, DCH presented a resolution to the Board, which was approved, to increase the teacher’s employer rate during nine months of FY 2012 from the appropriated 18.534% to 24%. The rate must then be lowered to 3.9% for the last three months of the fiscal year so that the overall rate will be within the legislated rate of 18.534%.

Harris further announced that the OPEB unfunded liability for the SHBP is at \$15.7 billion (\$4.478 billion for state and \$11.250 billion for local school systems). The liability was partially funded at the end of FY 2009 by a reserve of \$272 million. This reserve was used to pay

<sup>1</sup> IBNR is the reserve for payment of claims for health care services that have been performed, but for which the claim has not been received and/or paid.

<sup>2</sup> OPEB liability is the projected cost of providing health care to retirees (current and future).

retiree health care costs in FY 2010, leaving \$0 funding for OPEB liabilities.

Harris explained why it is important to be concerned about the OPEB unfunded liability. The Governmental Accounting Standards Board (GASB) sets standards to account for liabilities of public employers. It requires public employers to report the liability previously accrued and being currently accrued to provide health care for retirees—in much the same way that employers are required to report the liability for pension funds. GASB also requires the actuary to determine the funding required each year (Annual Required Contribution-ARC) to fund the liability in a maximum of 30 years. Georgia—as most other states—has chosen to pay for retiree health care as it is provided rather than “putting funds up” as the employees earn post-employment benefits, such as health insurance.

Harris made the point to the Board that the State should fund the actuarially determined Annual Required Contribution (ARC) in order to reduce the impact of retiree health care expenses on the State’s future budgets. The ARC amounts for FY 2013 for state employees is \$339 million or 12.91% of active payroll and for school personnel is \$982 million or 8.58% of active payroll.

In short, going into FY 2012, the SHBP is severely underfunded. As reported in earlier GSRA newsletters, DCH and Governor Deal presented the FY 2012 budget as needing a 10% member premium increase and a \$37 million reduction in benefit cost. During the legislative session, the House approved a 30% (10% originally planned and 20% more) premium increase; the Senate and

the Joint Conference Committee asked DCH to limit the member premium increase as close to 10% as possible. The facts remain that:

- the State underfunded the SHBP during the economic struggles of FY 2009 and FY 2010 and forced the use of \$900 million in reserves to pay claims;
- the State reduced and then totally eliminated its funding, which was over \$200 million each year, for the Public School Employees health insurance;
- the state (employer) contribution dollars have decreased because of a reduced number (retirements, layoffs, reduced budgets, outsourcing) of active employees and school system personnel, zero salary increases for state employees for at least 3 years, and furloughs for which employees/teachers were not paid.

**GSRA encourages you to talk to your representatives about obtaining state funding to address the FY 2012 deficit of \$165 million.** Although the OPEB ARC will not necessarily require funding this year, based on DCH projections, the \$165 million deficit must be funded in one of three ways—member premiums benefit cuts, or state contributions. If funded entirely by member premiums and benefit cuts, members will be paying much more in 2012 than they are currently paying. Regardless of how the combination of premium increases and benefit cuts are approved, members’ share of the SHBP costs will increase substantially for 2012.

## GSRA Meets with ERS Executive Director

GSRA President BJ Bennett and Vice-President Chuck Freedman met with ERS Executive Director Pamela Pharris about general issues. When asked about the negative press that public pension funds have and continue to receive, Director Pharris stated that the Georgia press had written only a few articles and that she knew of no additional news articles. However, she stated that the federal Governmental Accounting Office has decided to review pension plan design to determine if recommendations are appropriate.

President Bennett asked about the probability of additional legislation to permit insurance products (known as dead peasants insurance) to be purchased with pension plan assets. Pharris stated that we can expect new bills to be introduced in the 2013 General Assembly session and

that GSRA members should work with their local representatives to advocate for passage of the several house bills to limit or mitigate the impact of legislation allowing pension funds to be used for insurance type products.

Director Pharris stated that she would not actively lobby against the desired GSRA legislation to receive retirees’ contact information from the ERS. However, she stated that she is not in favor of the legislation because of the security of data. She is concerned about releasing the information and then having a “hacker” invade the GSRA database. Given that GSRA is requesting only information which retirees would authorize ERS to provide to GSRA – and which is less than that which GSRA has and will obtain from members providing the information directly to GSRA -- it appears that there is still a communications gap

on this issue. The bottom line is that this legislation will require additional work for gaining passage. ERS staff recommended that we look for other avenues to obtain retiree information.

VP Freedman asked if the ERS retirees would ever receive a COLA and, if so, under what conditions. Pharris did not comment specifically about the issue, except to state that the Teachers Retirement System legislation provides that the Board “shall” provide an adjustment to compensate for loss in purchasing power. On the other hand, the ERS legislation provides that the Board “may”, depending upon the funding, provide an adjustment to compensate for loss in purchasing power. GSRA officers asked Pharris to include the issue of COLAs—how, when, etc.—at the GSRA Annual Meeting session on retirement.

Since Pharris has resigned (see box), GSRA expresses appreciation for her service and for working cooperatively with GSRA during the last several years.

### ERS Executive Director Resigns

ERS Executive Director Pamela Pharris announced at the July 14<sup>th</sup> board of trustees meeting that she will be leaving ERS as of August 5<sup>th</sup>, 2011. Pharris is relocating to Nebraska. Jim Potvin, ERS Deputy Director, has been chosen as acting Executive Director while a search is conducted to find a permanent replacement.

## ERS Board of Trustees Meets in July

At the July 14, 2011 Board of Trustees of the Employees Retirement System meeting, the ERS staff presented several general items for action. In addition, Executive Director Pamela Pharris presented a [report on many of the financial](#) facts and updates on several projects.

- The good news is that the market value of the assets is up 14.5% since June 30, 2010—from \$10.86 billion to \$12.44 billion on May 31, 2011.
- The bad news is that revenue into the pension plan is down about 15-16% from FY 2010. Simple calculations based upon contribution amounts as of April 30, 2011 show the FY 2011 revenue for:
  - employee contributions of \$32.8 million will be less than the FY 2010 amount of \$46.95 million by about 16%, and

- state contributions of \$188.16 million will be less than the FY 2010 amount of \$264.16 by about 15% in FY 2011.

The lower employee and state contributions are a result of fewer employees, no salary increases, retirements of higher paid employees, and that some 10,584 new employees since January 2009 are included in the Georgia State Employees’ Pension and Savings plan (GSEPS). The state pays into ERS a lower contribution percentage for these 10,584 employees who also have a lower average salary than their predecessors. Therefore, the employer contribution amount will decrease to the ERS pension fund even if the number of employees remains stable.

## Meeting With Senate Retirement Committee Vice-Chair

On July 14, GSRA Vice President Chuck Freedman met with Senator Fran Millar of Dunwoody. Senator Millar is the newly appointed Vice Chair of the Senate Retirement Committee. Senator Millar has agreed to fill in for Committee Chair Senator Tim Golden on our annual meeting retirement benefits panel. Sen. Millar said that he supports GSRA’s tax reform positions, including retaining the pre-2010 retiree income tax exclusion of \$35,000 for single taxpayers and \$70,000 for married taxpayers.

Senator Millar also said that he is seeking a way to use a portion of all retirement funds (specifically including the TRS fund) for venture capital investments which will be agreeable to retirement beneficiaries. He listened respectfully to GSRA concerns and said he wants to work with GSRA in exploring mutually agreeable options. Finally, the Senator discussed retirees’ and employees’ needs for cost of living adjustments and asked GSRA to supply him with additional information on this subject.

## SHBP Membership Coverage & Changes

GSRA requested and received July 1, 2011 enrollment information for the State Health Benefit Plan. As written in several news articles, the Department of Community Health staff has frequently pointed to decreasing revenue and increasing cost as a result of fewer active members and increasing retiree members. DCH eligibility reports show that over the past two years, **active members have decreased by 17,589** or 6.8% and **retirees have increased by 7,919** or 8.7%. The distribution of the total members (employees, teachers, and school personnel) is shown in the following table.

Active & Retired Members Enrolled – July of each year					
Category	2009	2010	2011	Change	% Change
<b>RETIREEES</b>					
State	30,212	30,980	31,973	1,761	5.8%
Teachers	43,577	45,513	48,052	4,475	10.3%
School Personnel	17,730	18,392	19,413	1,683	9.5%
Other	2	2	2	0	0.0%
<b>Total Retirees</b>	<b>91,521</b>	<b>94,887</b>	<b>99,440</b>	<b>7,919</b>	<b>8.7%</b>
<b>ACTIVES</b>					
State	65,310	62,704	60,168	(5,142)	(7.9%)
Teachers	115,159	111,811	106,512	(8,647)	(7.5%)
School Personnel	75,913	74,735	71,631	(4,282)	(5.6%)
Other & COBRA	2,492	3,158	2,974	482	19.3%
<b>Total Actives</b>	<b>258,874</b>	<b>252,408</b>	<b>241,285</b>	<b>(17,589)</b>	<b>(6.8%)</b>
<b>Total Membership</b>	<b>350,395</b>	<b>347,295</b>	<b>340,725</b>	<b>(9,670)</b>	<b>(2.8%)</b>

As stated in several presentations, one of DCH's objectives has been to move members into a Consumer Driven Health Plan—HRA or HDHP. Enrollment for July, 2011 shows that 44.8% of total lives covered under the CDHPs is well beyond the percentage by other employer groups. The table at right shows distribution of the **lives (member and dependents) by option**.

Lives by Option – July 1, 2011		
Option	Lives	Percent
HMO	299,041	43.4%
HRA	285,148	41.2%
HDHP	25,178	3.6%
MAP Standard	40,831	5.9%
Map Premium	40,211	5.8%
<b>Totals</b>	<b>691,309</b>	<b>100.0%</b>

## Local Chapter News

### Augusta Area

The Augusta Chapter will be holding its next meeting Tuesday, August 23rd at 6:30 PM at Ryan's Steak House on Bobby Jones Expressway. All Augusta area members and state retirees are urged to attend.

### Coosa Valley

The next Coosa Valley Area Chapter meeting will be Thursday October 27, 2011 at 9:00 AM. The business meeting will start at 9:00 AM, followed by a legislative reception at 10:00 AM. The meeting will be held at Rome-

Floyd County Library, 205 Riverside Parkway NE, Rome, Georgia.

### NW Georgia

Northwest Georgia Chapter held its monthly meeting on July 28 at Western Sizzlin in Dalton with 35 members in attendance. Chuck Freedman, GSRA Vice-President, was the featured speaker. Mr. Freedman's presentation covered the following topics: why retirees should be concerned about their benefits eroding, why any retiree who cares about preserving his or her benefits can

do so most effectively by joining GSRA, an update on the last year's events, including those that do not directly impact benefits but which indirectly may impact retirees and their benefits even more, and what GSRA is doing through marshaling our members. Mr. Freedman gave a rundown on GSRA activities as they pertain to the Legislature and agencies affecting retirees such as DCH/State Health Benefit Plan and the Employee Retirement System. He outlined how the association has grown from a handful of people to over 5,000 members.



NW Georgia members enjoy meal

### Savannah Coastal Area Chapter

The Savannah Coastal Chapter held its quarterly meeting at local restaurant, Carey Hillard's, in Garden City on July 26, 2011. The group was honored to have State Senator Jack Hill, Chairman of the Appropriations Committee, as guest speaker. Senator Hill focused on the state budget and issues that are relevant to state retirees. He encouraged attendees to visit [www.senatorjackhill.com](http://www.senatorjackhill.com) which contains three July 2011 news posts he wrote regarding the state retirement system. The meeting was attended by 48 area retirees, some who traveled from as faraway as Emanuel and Jenkins Counties.



Senator Jack Hill addresses Savannah Coastal Area Chapter

### West Georgia-Columbus

The West Georgia/Columbus Area Chapter held their most recent meeting on May 3, 2011, at the Columbus Public Library. Three speakers from the Georgia Legislature were featured. They were: Representatives Debbie Buckner and Richard Smith and Senator Ed Harbison. Each spoke for a short time and then answered questions. Most of the discussions dealt with Georgia's state of affairs regarding the economy, health benefits, and COLAs. The next meeting will be August 9, 2011, at 11:30 AM at a new location, the Epworth United Methodist Church, 2400 Devonshire Drive, Columbus. All members are welcome and are asked to bring someone who would like to join.



West Georgia - Columbus Chapter meeting



## Member Spotlight

This month's Member Spotlight is on Ernie Melton, current President of GSRA's Northeast Metro local chapter. For most of his career, Ernie worked at DOAS and was involved with the State's Financial Computer Systems: accounting, payroll, budget, inventory, purchasing, etc. Part of the time he worked in the Computer Services Division. Later, he worked in the Fiscal Division as Director of Statewide Systems Services. Since retiring, Ernie has invested a lot of his time in GSRA. When baseball is in season, he works as an usher for the Gwinnett Braves. He also spends a lot of his time chasing his grandkids all over the Southeast watching them perform.

Following are some questions we asked Ernie to answer:

*Q: What was your first job in state government? Why did you choose public service?*

**A: Computer Programmer for the State Health Department. I can't really say that my goal in college was to grow up and work for state government. The truth is I planned to work for government two years, then move into private industry and make some big money. The people at the state were so good; the projects were so big and exciting; and the years flew by. The next thing I realized, I had worked for state government, and enjoyed it, for 10 years. I always envisioned myself as having one foot out the door ... for 32 years.**

*Q: Who was your role model/mentor during your career?*

**A: I experienced my best role model and mentor early in my career, when I needed one the most. It was the computer director for the State Health Department, Jim Woodward. He taught me work habits I practiced throughout my career.**

*Q: What was the biggest lesson you learned during your career?*

**A: You can't do anything worth doing, by yourself. It always takes team work.**

*Q: If you could turn the clock back on one aspect of technology what would you discontinue?*

**A: That is a tough one. Every technology has its strengths and its weaknesses. I tried to take advantage of every one of them. If I had to select one to go away, it would be the automated phone systems.**

*Q: What was the best thing about your career?*

**A: I loved providing a service. Every organization that I managed had the word "Service" as part of its name. That was not an accident. It gave our employees and the people we provided a service to an indication of what we were about.**

*Q: What was the worst thing you encountered in your career?*

**A: Lack of adequate funding. Leaders, me included, spoke often of wanting to be a world-class organization, but we were funded at a minimum level. State leaders wanted to attract high achievers, but we paid low salaries.**

*Q: In the next 10 years what change do you envision in the state government?*

**A: If we continue to reduce budgets like we have, good people will find work elsewhere, the state employees left will continue to be expected to do even more with even less, state government will become a poor performing organization, and everyone will wonder why.**

*Q: What did you do during the first year of your retirement?*

**A: Nothing, at first. I thought doing nothing was what I was supposed to do. Soon I decided I did not like doing nothing, then I got busy doing things I "wanted" to do and have been busy ever since.**

*Q: What are your favorite hobbies/activities?*

**A: Two things. One of the things I have enjoyed doing since retirement is working as an usher for the Gwinnett Braves, the triple A organization of the Atlanta Braves. I love talking with people, and the job includes zero pressure and zero stress. It is the perfect retirement job.**

**The second thing I have enjoyed is working in GSRA where I see a lot of old friends from state government and have made a lot of new friends.**

*Q: What are some of the things you like to read?*

**A: It takes too much time to read a book, so I don't. The last book I read was *Call Me Ted*, a book about Ted**

**Turner's life. I read a great deal, just not books. I read at least two newspapers and tons of magazines.**

**GSRA New Members in June**

<b>Name</b>	<b>County</b>	<b>Name</b>	<b>County</b>	<b>Name</b>	<b>County</b>
Lula Adams	Baldwin	George R. Guntharp	Oglethorpe	Martha Reynnells	Richmond
Ramona F. Alvis	Bartow	Linda K. Hamilton	Baldwin	Juanita Rich	Thomas
Henry G. Andrews	Baldwin	Betty M. Hill	Baldwin	Wanda Robinson	Fulton
Jerry M. Bethel	Thomas	Augustine Jackson	Baldwin	James R. Simpson	Rockdale
Charley Bliss	Dekalb	Theresa A. Jones	Clarke	Betty A. Smith	Newton
Charles W. Boone	Hancock	Jesse M. Justice	Baldwin	Allen P. Stone	Elbert
James Brown	Thomas	Glenn Langford	Dekalb	E.J. Stover	Wilkes
Sylvia S. Clark	Thomas	Annie G. Luke	Thomas	Fermon Thomas	Baldwin
Louise H. Davis	Elbert	John McCarty	Washington	Annie Walden	Thomas
Richard C. Dumas	Monroe	Larry N. McClure	Baldwin	Shirley D. Wall	Baldwin
Rosa L. Gendron	Baldwin	Mimi R. McClure	Baldwin	Leroy Williams	Thomas
Barbara A. Glover	Hancock	Karen D. Meyer	Richmond		
Sheila Gove	Dekalb	Jacquelyn Mullis	Colquitt		
Naomi Grishman	Fulton	Edward A. Parsons	Coffee		

***GSRA Contracts for Full-time Staff Person***

*Effective August 22, 2011, Donna Buffum will join GSRA as a full-time staff person to assist the Officers and Committee Chairs with fulfilling their responsibilities, while improving overall association efficiency and customer service. We are excited about this step forward at GSRA and confident that Buffum will be a great asset to our organization.*

**Does GSRA Have Your Correct Contact Information?**

Please be sure to update your **email address** with GSRA when it changes. Simply log in to [www.mygsra.com](http://www.mygsra.com) using your old email address and password; select "Our Members" and "My Profile", and then change your information using the "edit" feature.  
If your **mailing address** changes, and you do not use a computer, please notify us of your new address by sending a card or letter to the address at the bottom of this page.

***ERS Account Access***

*Don't forget to register for ERS Account Access to view and manage your ERS account. Go to [www.ers.ga.gov](http://www.ers.ga.gov) and select **Account Access** on the home page.*