

Benefit Ramblings

Several unconnected news or benefit actions over the past several months reflect issues that are of interest to various groups of GSRA members. In fact, the items may be considered the ramblings of concern and run the gamut of State Health Benefit Plan finances and policy, Employees Retirement System meetings and the Teachers Retirement System's recent action to repeal the Tax Offset.

State Health Benefit Plan Financial Comparison

The State Health Benefit Plan FY 2010 and FY 2011 audited expenses and FY 2012 six-month's unaudited expense are:

| (Millions) | FY 2010 | FY 2011 | ½ FY 2012 |
|-----------------|-------------------|-------------------|-------------------------------|
| Active Members | \$ 2,298.4 | \$2,224.2 | \$ 1,191.7 |
| Retired Members | 614.8 | 612.5 | 356.9 |
| Total | \$ 2,913.2 | \$ 2,836.7 | \$ 1,548.7¹ |

The Department of Community Health projected² in September 2011, savings to the SHBP of \$91.7 million and a total expense of \$2,908.8 million in FY 2012. A simple calculation of FY 2012 expense (double expense for the 1st half of FY 2012 and reduce the product by \$91.7 million) produces an expense of \$3,005.6 million or about \$95 million more than projected for FY 2012. Without any reserves for Incurred But Unreported claims, the SHBP seems awfully close to a "cash deficit." Of course, there is the possibility that revenues have increased sufficiently to cover the expense or that the last half of FY 2012 will not have the expense level as reported for the 1st six months of the fiscal year. We will know in a few months.

As reported in the April GSRA Newsletter, the FY 2013 budget that has been signed by Governor Deal includes a provision for the SHBP that the anticipated deficit of \$63 million will require benefit changes so that the premium increases will be no more than 10% on January 1, 2013. Benefit changes usually mean increased deductibles, copayments, and out-of-pocket maximum.

¹ Rounding difference.

² GSRA computed the possible FY 2012 expense deficit based on State Budget reports, DCH financial reports and presentations.

DCH has not reported any method (as of yet) of handling the deficit that was projected in September 2011.

SHBP Retiree Premium Subsidy

GSRA reported earlier on a policy adopted on December 8, 2011 by the Board of Community Health regarding the premium subsidy for retiree health insurance coverage. While the policy **will not affect most current retirees**, there is one aspect that—if implemented—on January 1, 2013 may affect retirees who include the spouse under his/her coverage.

Retirees, age 65 and older, have been subjected to the limitation of options since January 1, 2010, although a formal policy or regulation was never formally adopted by the Board of Community Health. In December 2011, by resolution, the Board formally adopted the policy that the only SHBP option for which the state will make any contribution toward the **retired member's premium** is the Medicare Advantage Plan **if the member is Medicare eligible**. The expanded policy creates what is referred to as a "defined contribution" health insurance plan for **future retirees**.

The impact of the expanded policy on **future retirees** is to establish a premium that reflects years of service. In other words, the **retiree's premium** would be set at 25% of the premium with 30 or more years of service and 90% of the premium with only 10 years of service. The policy will affect future retirees who have less than 5 years of service as of January 1, 2012.

However, there is one aspect of the policy that if implemented for current retirees, the premium for spousal coverage may be impacted. The policy states that the subsidy value is similar to the subsidy offered to a dependent of an active employee, which by policy is around 55%. The subsidy for the "member only" is around 75%, based upon the policy language. **If DCH** applies the 55% policy for MAP retiree dependents on January 1, 2013 rates for spouses may increase at a higher rate than for "member only" coverage.

GSRA is requesting information from DCH to clarify how the new policy will be implemented.

Alternative Investments – ERS (SB 402)

The Atlanta Business Chronicle³ reports, “Half a loaf of new investment capital in Georgia was better than none, Gov. Nathan Deal said April 17 in assessing this year’s legislative session.

“Deal praised the General Assembly for passing legislation authorizing Alternative investments of state employees’ pension fund assets; a step he said will hopefully yield higher returns.”⁴

GSRA notes that Julie Creswell for the New York Times wrote on April 1, 2012, “Pensions Find Riskier Fund Fail to Pay Off.” In this article, Creswell compares the Pennsylvania State Employees Retirement System investment returns with Georgia Employees Retirement System for the last five-year period. Pennsylvania, with 46% of its assets in alternatives (private equity, venture capital and real estate), earned a reported five-year rate of return of 3.6% after paying \$1.35 billion in management fees in the five years. Georgia, on the other hand, with “zero” investments in alternatives earned 5.3% for the five-year period and paid about \$54 million in total fees.

Although only 1% of the ERS assets can be invested in alternatives during the year, the amount is around \$142 million (1% of \$14.2 billion as of March 31, 2012). The ERS Investment Committee will meet (in closed session) around the middle of May. If GSRA has any information about the Committee’s plans to implement SB 402, a future article will keep you informed.

ERS Annual Meeting – April 19, 2012

The Employees Retirement System Board of Trustees held the Annual Meeting on April 19, 2012. As expected, the Board **did not approve** a COLA for any member of an ERS administered retirement system, including the Legislative Retirement System.

The Board reelected Harold Reheis as Chair and elected Frank Thach, Jr. as Vice Chair. Both Reheis and Thach are retired members of ERS and have been elected by the remaining members of the Board of Trustees.

³ The Atlanta Business Chronicle, April 20-26, 2012. Williams, Dave.

⁴ Ibid

TRS Board of Trustees Repeals Discretionary Tax Offset

The Teachers Retirement System Board of Trustee recently repealed the 3% discretionary tax offset for TRS members retiring after January 1, 2013.

The discretionary tax offset was allowed to compensate for a change required by the US Supreme Court in 1989 when the Court ruled that every state must treat the taxation of federal and state retirement benefits in the same manner. Georgia law was changed so that retirement benefits would be taxed, but it allowed the trustees to increase a retiring member’s 2-year final average salary by 3% (limited to the first \$37,500 in annual retirement benefits).

The TRS Board concluded that the discretionary tax offset adjustment is no longer necessary because Georgia tax law now provides for a retirement income exclusion of \$35,000/\$70,000 annually. The new tax law, adopted in the 2012 Session, allows the exclusion to rise to \$65,000 for retirees age 65 and older.

Note: The TRS Board’s action **does not affect** ERS retirees. Given that the TRS and ERS Boards sometime act together, the ERS Board has not indicated an action to repeal the 3% tax offset for ERS members.

HB 297 – Thanks!

GSRA would like to thank House Retirement Committee Chairman Howard Maxwell for his role in introducing and supporting passage of HB 297 (referred to as Dead Peasants legislation) during the past two legislative sessions. The bill prohibits a public retirement system from having an insurable interest in members of the retirement system and prohibits the expenditure of funds to purchase life insurance except where all benefits are paid to the beneficiary designated by the member.

GSRA would also like to thank its members for responding so quickly and decisively to the “Dead Peasants” legislation Action Alert sent out near the end of the 2012 session. Using the “new” Advocacy System, GSRA members sent over 13,000 emails to their elected officials in response to the Action Alert regarding HB 297 (Dead Peasants). No doubt GSRA members helped speed passage of HB 297.

Employee Pickup – Setting the Record Straight Again

During the recent public discussions around the introduction and passage of SB 402, allowing large public pension systems in Georgia to invest a percentage of their funds in riskier, alternative investments, a rationale for continuing disparate treatment of retirees of the Employees Retirement System and the Teachers Retirement System surfaced. Legislators related the disparate treatment for exempting the TRS from SB 402 and the awarding of COLAs to the percentage of salary paid by members to the respective retirement systems. GSRA has attempted on several occasions to explain why there is a surface difference but that in reality, the members of ERS have contributed just as much through reduced salaries. A historical perspective of the 1980 financial decisions, the reasons and context of the differences in member contributions has been lost. What is even more disturbing is a trend, by legislators and state leadership, to dismiss those decisions as being irrelevant in today's economic environment.

In an effort to educate those who weren't around in 1980 and are not familiar with the original context of why there is a difference in the amount contributed by members of the ERS and members of TRS, GSRA would like to set the record straight.

- The financial decisions made by state leadership in the 1980s to replace most of the ERS member's contribution (5% of salary) by the State "picking-up" 4.75% of the 5% of the employee's retirement contribution and limiting "salary increases" for that fiscal year was of great benefit to the State. It reduced the state funds required to provide a salary increase by increasing the employee's "take-home" pay equivalent to a much higher percentage salary increase. The downside for the employee is that it depressed salary levels for equivalent jobs for the future.

- Former GSRA President Claude Vickers explained the state budget decision as well as the actual long-term adverse effect on state employee salaries to the ERS Board in December, 2007. He stated that, "Prior to 1980, the employee contribution for the "old plan" was 5%. In 1980 the Employee contribution was reduced to .25% of 1% because of the decision to "pick-up" 4.75% of the employee contributions in lieu of an 8.5% salary increase. TRS members preferred and were awarded a 9.5% salary increase, which has compounded for 28 years. Conversely, the salaries of State employees have not grown at the same rate—for a number of reasons. The State has benefited financially from this retirement "pick-up" because of the failure to compound [salaries] for 28 years."

Vickers also offered an open letter to GSRA membership in the [2007 October Newsletter Extra edition](#) to explain these facts. Vickers, as State Auditor and the State's Fiscal Division Director, was an ex-officio member of the ERS Board for many years, and he was on the Board at the time these decisions were made. He, therefore, had intimate knowledge of the context and discussions at the time.

GSRA encourages you to become knowledgeable about and make sure that your state legislators understand these facts. Current state leadership must not simply sweep history under a rug at its convenience. Our elected officials should understand that not only are state employees and retirees not the beneficiaries of some sweetheart deal, but that these 1980 budget decisions actually have had a deleterious effect on state employees' and retirees' lifetime incomes, while benefitting the state's bottom line for the past 30 years. For state lawmakers to suggest otherwise simply adds insult to injury.

Marketing GSRA at the GPHA Conference

As part of ongoing membership outreach efforts, GSRA Board members, Darnetta Simalton and Deborah Moore, recently took the GSRA message to active and retired state employees attending the Georgia Public Health

Association Conference (GPHA) on April 12-13, 2012 in Atlanta.

Simalton and Moore staffed a GSRA exhibit booth and explained the value of joining GSRA to conference attendees. They made a special effort to explain how

recent legislation affected active and retired employees, as well as how important the impact of GSRA members can be on proposed or pending legislation which affects state active and retired employees. In addition, they explained how valuable the constantly updated information from GSRA about employee benefits can be to active, as well as retired, employees.

A long-time GPHA and GSRA member, Mike Chaney, boosted GSRA's recognition factor by speaking to the value of GSRA membership. As a result, the booth was swamped the next morning with folks wanting to sign-up immediately and many others planning to become a member via the GSRA website.



New member, Olivia Mallichek, with long-time GSRA Member, Mike Chaney

As an added bonus, a drawing from the names of the new GSRA members was held and Theresa Clark of Valdosta won a First Aid Kit for her automobile.



GSRA Board member Darnetta Simalton talks with an Interested GPHA conference attendee+

GSRA members will be staffing the GSRA booth and spreading the GSRA message at other state conferences coming up later this spring and summer.

Local Chapter News

ABC of Douglas

ABC of Douglas held a meeting April 3, 2012, in Douglas, Georgia. The guest speaker was Mr. Claude Vickers. Mr. Vickers, founding member and first president of GSRA, held many important positions in Georgia state government, including State Auditor. He gave a very informative talk on new legislation from the 2012 session and how this will affect state retirees.

Any retired state employee or educator who would like more information regarding the GSRA should contact Elizabeth Forsyth at 912-384-3920 or email at mike122342@netscape.net.



Claude Vickers addresses ABC of Douglas meeting

Lake Oconee Area

The Lake Oconee Area Chapter will host a legislative forum on May 17th at the Family Life Center of the Greensboro First United Methodist Church. A social gathering with refreshments will begin at 5:30 p.m. followed by the forum at 6:00 p.m.

Tri-County

The Tri-County Chapter of GSRA met April 18th in Warm Springs at the Roosevelt Warm Springs Institute. The guest speaker, BJ Bennett, State GSRA Treasurer and immediate past president, provided members with an update from the recent session on items of interest to GSRA members. Tri-County President, Judith Railey scheduled the meeting at Noon in one of the Warm Springs Rehabilitation buildings and invited active employees to attend the chapter meeting. Several active employees joined retirees for the meeting.



Tri-County President Judith Railey presents speaker BJ Bennett with a token of appreciation

Member Spotlight



Deborah Moore is this month's GSRA Member Spotlight. Deborah, current GSRA Secretary and Coosa Valley Area/Rome local chapter member, began her public service career in 1981 as a staff member of the Property Tax Office of the Lowndes County Tax Commissioner in Valdosta. After a move to Atlanta in 1986, Deb transferred to the Department of Revenue, Tucker Field office as a Tax Field Agent. In 1989 she transferred again to the Management Review Division of the Office of Planning & Budget as a Management Consultant. She was assigned to performing lottery research between the passing of the legislation and the implementation of the lottery. After former Governor Miller named the Georgia Lottery Corporation Board and a Director, Deb worked with the lottery for seven years. Deb then took a break from public service to develop Dalriada, a parrot farm in NW Georgia near Summerville. In 2008, Deb returned to State service at the NW GA Public Health District Office in Rome as a Program/Nutrition Assistant. She retired effective April 1, 2011.

We asked Deb to answer the following questions related to her public service career and retirement.

Q – What was your first job in state government? Why did you want to work in public service/state government?

A – My first governmental position was in the county tax office in Valdosta. (At that time, employees of county tax offices were eligible for state retirement benefits, so this is when my ERS contributions began.) I wanted to give something back to the community in which I lived and was raising my children. In addition, I was looking for job-security and good benefits and, at the time, local and state government jobs offered the best of those.

Q - Did you have a role model or mentor in your public service career? If so, who was it and how did they help?

A – I would have to say my father was my first mentor – he taught me that my first obligation was to make my employer's life easier, to take pride in giving each task my all, and that girls can do anything. Perhaps because he died young, I've spent my life trying to make him proud of my work. At the Tax Office in Valdosta, my mentor was Robbie Hendley, who showed me how to be assertive without appearing aggressive (something on which I still have to work), and that efficiency is to be strived for in government work. These two people helped form my work standards and I will always be grateful to them.

Q – What's the biggest challenge you faced in your public service career?

A - The biggest challenge I faced would probably be that the positions I held were usually ones held by men rather than by women, so I constantly had to prove I "could". I remember being told the first day on the job as a Tax Field Agent that no woman had ever been a member of the Commissioner's Million Dollar Club - as an agent who collects at least 1 million dollars of delinquent taxes during a fiscal year. I was determined to do it and the first full fiscal year there, was indeed in the "club". The "prize" was a very nice lunch with the Commissioner and a Braves game at the stadium!

Q - What was the best thing about your public service career?

A - By far, the thing of which I'm most proud is my work on the Williams Commission (Governor Zell Miller's Commission on Efficiency and Economy in Government) at OPB. This was a public/private effort in which our task forces studied problems submitted and came up with recommendations for more effective ways of handling the issues. I worked with many prominent businessmen of Atlanta and all over the state and some top-notch state employees from the agencies involved. I learned so much and felt like we came up with some worthwhile solutions to problems in state government.

Q - What was the worst thing about your public service career?

A - I would have to say the erosion of the possibility of advancement in state government. With the economy in trouble, no raises for years when the cost of living is rapidly increasing, means more and more people look to private industry for work. When there is no advancement (in addition to no raises), all incentive - other than personal pride - to excel is dashed. I worry about what this does to the quality of workers - even personal pride has to take a back seat when you have to pay the bills.

Q - What do you think is the biggest change in state government we will see in the next 10 years?

A - Definitely more on-line and less face-to-face services. Now you can renew your driver's license, pay your taxes and apply for assistance on-line. This will only grow and that means fewer facilities will be needed, more cost-efficiency, fewer cars on the road,

etc. I'm confident that in this age of children in kindergarten using computers (and many are already experienced by then), everyone will want to use those skills and the technology available for most government services.

Q - What have been your favorite hobbies or activities in retirement?

A - I have a parrot farm where much of my time is spent caring for the adults so they will have lots of babies. We teach these babies to be good pets for the folks to whom we sell them. This leaves a little time to go to schools and talk about conservation of wild animals in general and the domestication of parrots in particular. We have African, South American and Australian yards where the birds are kept with others from the same country. This is hard work but there is lots of joy, too. This is a great cure for "empty nest syndrome" when your kids are grown!

Q - What makes retirement rewarding for you?

A - More time to spend on our business and with friends and family. Having time to work with the GSRA to grow in number and influence to safeguard our much-deserved benefits is also rewarding.

Q - What is the biggest challenge you see for state retirees in 2012 and beyond?

A - Definitely the increases in the cost of living and the lack of any increase in our retirement checks! In addition, the decreases in health insurance coverage and the increases in the premiums for that coverage make the economic outlook bleak. Factor in the low returns on investments - well, financial disaster has to be on many of our minds.

Q - How do you think retirees could address that challenge?

A - I'm very glad to answer that question - GET INVOLVED! Join GSRA; convince friends and co-workers to join so our numbers are large enough that we can STOP legislation that could/will hurt us. Read the newsletters to keep informed and push that 'Take Action' button on the Action Alerts. We must ensure that our benefits remain intact for ourselves and for future retirees.

GSRA New Members in April

| Name | County | Name | County | Name | County |
|-----------------|---------------|-----------------------|---------------|------------------|---------------|
| Vernita Adams | Richmond | Wanda Gray | Dekalb | Franklin Shumake | Oconee |
| Ron Barker | Fayette | Jeanette Grindle | Forsyth | Dot Sims | Dekalb |
| Brenda Blackman | Spalding | Keebler Harville, Sr. | Bulloch | William Tatum | Troup |
| James Brinson | Meriwether | Olivia Mallichek | Schley | Ollie Vickers | Upson |
| Dian Chastain | Meriwether | Susan Malone | Chatham | Diane Weems | Chatham |
| Theresa Clark | Lowndes | Gail Mason | Lowndes | Jack White | Houston |
| Tony Clark | Lee | Andrew Mathis | Union | John White | Colquitt |
| John Conley | Tattnall | Charles McMichen | Upson | Linda Wright | Glynn |
| Joseph Curlee | Hall | Joan Moran | Meriwether | | |
| Dennis Dixon | Troup | June Pitman | Walton | | |
| Harvel Estes | Upson | Lana Redding | Floyd | | |
| Lynne Feldman | Lowndes | Mary Richardson | Lowndes | | |
| Anne Fletcher | Coweta | Karen Rowe | Glynn | | |
| Malcolm Ford | Crisp | Phil Scott | Glynn | | |
| Donna Forth | Laurens | Larry Shelley | Dekalb | | |

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 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.

Questions for GSRA?

If you have questions or concerns about anything “GSRA”, please address them to:

help@mygsra.com.

Georgia State Retirees Association

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- Long Term Care / Home Health Care Insurance
- Cancer Treatment Policy
- Medical Air Transportation Services
- Final Expense Whole Life
- Medicare Supplement Plans
- Dental & Vision Plan
- Annuity
- Travel Discounts
- Computer Discounts
- Hearing Solutions
- Hotel Discounts
- Rental Car Discounts

For information on
benefits, call AMBA at
800.258.7041
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