



# Newsletter

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## **ERS BOARD'S VOTE FOR ERS COLAS FALLS SHORT FOR SECOND STRAIGHT YEAR**

The ERS Board of Trustees conducted its annual meeting on June 19, 2008, which was attended by about 50 retired state employees. Of greatest interest to retired state employees, the board voted two 1% cost of living adjustments for FY 2009. The first adjustment is effective July 1, 2008, and the second is effective January 1, 2009. This vote effectively reduces the historical 3% annual COLAs to 2% for the second consecutive year.

The board took this vote after its actuary stated that *any* COLA would reduce the system's assets and further erode the system's funding ratio. The actuary reported that the system is currently funded to meet about 95% of its projected liabilities, but that each 1% COLA would effectively reduce the system's funding ratio about 1.1% for the coming fiscal year. Accordingly, the board's vote would have the projected action of reducing the system's funding ratio to 93.0% on July 1, 2009. These projections assume no action to increase the system's assets such as an increase in investment income, an increase in employee contributions, and/or an increase in employer contributions.

GSRA continues to be concerned about the apparent insufficient level of employer contributions provided by the state. Employer contributions remain almost *six* percent lower than the average contribution rate for FY 1982 - FY 2000, and almost *four* percent lower than the current contribution rate for the Teachers' Retirement System. To determine the best actions to address these concerns, GSRA will

carefully scrutinize the actuary's report when it is published, as well as observe and study actions of the Teachers' Retirement System. GSRA will also provide information to the new House COLA Study Committee, as appropriate.

## **OTHER ERS BOARD ACTIONS**

Also on the 19<sup>th</sup>, the Board of Trustees took the following actions for other retirement systems:

- Investment Committee -- conducted in executive session, not open to the public.
- Public School Employees Retirement System (PSERS) -- approved two 1.5% COLAs. Endorsed a General Assembly action to increase the benefit formula from \$14.25 to \$14.75, even though the actuary reported that previous benefit increases have reduced this system's funding ratio from 115% to 105% since 2002.
- State Employees' Assurance Department -- based on the actuary's report that the state's group term life insurance is adequately funded, the board voted to continue this program unchanged.
- Georgia Legislative Retirement System (LRS) -- approved two 1.5% COLAs.
- Georgia Defined Contribution Plan -- approved the Investment Committee's recommendation for establishing a 3% interest rate for withdrawals.
- Georgia Military Pension Fund -- approved the actuary's report.
- Georgia Judicial Retirement System (JRS) -- approved a single 1.5% COLA. No reason was given for withholding

a second 1.5% COLA. The actuary stated that the JRS has a positive funding ratio.

The board was provided a legislative update. It was mentioned that for the newly created hybrid (defined benefit and defined contribution—401k) employees' retirement plan, the liabilities for the defined benefit portion of that plan will be added to the liabilities of the two existing plans. It was also stated that the House COLA Study Committee will be conducting three meetings this fall, and that the retiree member of that committee has yet to be appointed.

### **MESSAGE FROM GSRA PRESIDENT CLAUDE VICKERS**

At the ERS Board of Trustees meeting on June 19, the Board approved a 1% cost-of-living increase to be effective July 2008 and a 1% increase to be effective January 2008. What the Board did not address was the employer contribution rate.

Your President addressed the Board last December to point out the inequity in the funding of the ERS compared to other systems. In that presentation, I pointed out that the current employer funding rate of 5.66% of salary and the 6% employee rate—including the retirement pick-up of 4.75%--for a total of 11.66% was much less than the 14.28% provided for the other large state sponsored system. I made the point that the lesser percentage created the inequity and caused the funded percentage to decline.

I asked the Board to review the situation and consider increasing the employer contribution rate by 2.62% to make the total paid into the retirement systems equal at 14.28%. This June meeting should have been the meeting when the employer contribution rate was addressed. As you will note, the Board did not address my request. Until the actuarial study is made

available for study, it is difficult to comment on the Board's action or lack of action.

However, before the Board took any action about the COLA, the acting Chair asked if anyone in the audience wished to make a comment. Normally anyone who wishes to address the Board must request to be placed on the agenda. Since the Board had not addressed my December request and I had not been able to review the new actuarial study, your President chose not to address the Board at this meeting because it would simply be a repeat of the December appeal. Additionally, I did not and do not want GSRA to be in a position of having to thank the Board for the reduced COLA since it is such an inequity to state retirees.

GSRA Officers greatly appreciate the support demonstrated by the attendance of around 50 GSRA members.

### **NEW ERS EXECUTIVE DIRECTOR AND NEW ERS BOARD MEMBER**

Executive Director Michael Nehf is being replaced by Pamela Pharris effective July 2, 2008. Neither Director Nehf nor Ms. Pharris was present at the June 19<sup>th</sup> meeting.

Since ERS Board Chairman Russell Hinton was not present, the acting Chairman introduced the newly appointed Board Member Harold Reheis. Mr. Reheis is a retired state employee who last served as director of the state's Environmental Protection Division. of the Department of Natural Resources. Mr. Reheis achieved widespread and national recognition for his expertise and outstanding stewardship of Georgia's environmental resources. Mr. Reheis is presently senior vice president for Joe Tanner and Associates.

## STATE HEALTH BENEFIT PLAN MONITORING

The Board of Community Health met on June 12, 2008. The only item affecting the State Health Benefit Plan was an amendment to a Resolution that established employer rates. The Resolution reflects a pre-funding in FY 2008 of \$30.3 million for Public School Employees that will be expended in FY 2009.

The Department of Community Health staff reported that additional study is needed for the transition of the SHBP to the State Personnel Agency (former State Merit System). The additional study will delay the implementation of the transition.

## HOUSE PUBLIC RETIREMENT SYSTEM COLA STUDY COMMITTEE

During the 2008 session of the General Assembly, House Resolution 1271, creating a House Public Retirement System COLA Study Committee, was passed. The authors, Representatives Pat Gardner, Ben Bridges, Debbie Buckner, Brooks Coleman, Kathy Ashe, and others, recognized by resolution that:

- The ERS Board of Trustees is authorized to provide postretirement benefit adjustments;
- For the first time in four decades, the retired members of the ERS were not granted the standard cost of living allowance;
- That state employees are compensated at only 80% of industry standard wages and without annual cost-of-living adjustments many retirees may subside into poverty;
- That the percentage of employer contribution is at an historic low;
- That other state-sponsored retirement systems project to grant the rate of 3 percent per year to those retirees into the future; and

- Concerns of equity and basic humanity demand that the General Assembly not abandon its promise to state employees.

House Speaker Glen Richardson appointed Representative Pat Gardner to chair the Committee. Other members appointed are Representatives Debbie Buckner, Mike Coan, Brooks Coleman, John Meadows, and Roger Williams. At this writing, Speaker Richardson had not appointed the ERS retired member, as permitted by the Resolution.

GSRA President Vickers and other GSRA Board Members met with Representative Gardner and offered GSRA assistance. We anticipate that President Vickers will present comments at the first Committee meeting, which is tentatively scheduled for September, 2008. GSRA will, of course, monitor all meetings and assist, as appropriate and requested, in gathering information so that the Committee can study the conditions, needs, issues, and problems and recommend actions or legislation to address the issue.

## SAFETY IN A STORM – LIGHTNING

There are some 100,000 thunderstorms in the United States each year, with over twenty million lightning strikes from them. In the last 30 years lightning has killed an average of 62 people per year, about the same number of deaths caused by tornadoes. Lightning generally causes little property damage, and usually claims only one or two lives at a time.

With common sense, you can greatly increase your safety and the safety of those around you. The National Weather Service recommends the following steps to increase your safety:

- **What to Look for:** Continuing heat can cause clouds to grow into towering cumulus clouds, often a sign of a developing thunderstorm.
- **If a Thunderstorm Approaches:** Lightning can strike as far as 10 miles

from an area where it is raining. If you hear thunder, you can be struck by lightning. Seek shelter immediately.

- **If Indoors:** Avoid corded telephones, computers, and all types of plumbing during a thunderstorm. Wait at least 30 minutes after the last clap of thunder to go outside.
- **If Outdoors-** If buildings are not available for shelter, you can find protection in a cave or ditch. Do not stand under trees, as they attract lightning. If only isolated trees are nearby, your best protection is to

crouch in the open, away from them. If your hair stands on end or your skin tingles, lightning may be about to strike. Drop to the ground immediately.

If a companion is struck by lightning, call 911 immediately. Cardiac arrest, burns, and nerve damage are common injuries. You are in no danger helping a lightning survivor since they carry no electrical charge.

Most people tend to underrate lightning as a risk--- Don't be one of them!