

Final Legislative Update

The General Assembly adjourned “sine die” on March 28, after a session that remained benign for GSRA members. Just as reported in our last newsletter, no legislation directly affected current ERS and SHBP members, and only one bill -- HB 263 -- addressed SHBP premiums for future state employees, K-12 employees, and Technical College System of Georgia employees. HB 263 did not pass the House and was not resurrected by amendment or substitute. However, HB 263 did seek to address a situation that is widely regarded as a fiscal problem—that being the almost complete lack of SHBP reserves to pay future benefit liabilities. The recognition of the liabilities – which are generally regarded to be more than \$15 billion – is required to be reported by Governmental Accounting Standards Board Statement. GSRA expects this issue to be raised again in the future.

In the last month two bills were amended containing provisions which may be of concern to GSRA—HB 318 and HB 246. HB 318 (started as SB 224) may be a problem. HB 318 was pushed by the Lt. Gov. and passed. It is characterized as an economic development bill that is to be accomplished through setting aside money to be invested in new and expanded Georgia firms. The bill creates an Invest Georgia Fund as a component of the existing Seed-Capital Fund for venture capital, and authorizes the state to provide \$10 million to the Invest Georgia Fund in its first year; \$15 million in the second and third years; \$25 million in the fourth year; and \$35 million in the fifth year. The catch is that current law regarding the Seed-Capital Fund could potentially authorize (through the adoption of last year’s infamous SB 402 alternative investment bill) our retirement pension money to be moved to the Seed-Capital Fund, then to the Invest Georgia Fund, and thence out into venture capital instruments. We were told by the ERS executive director and other state officials that there is little chance that this could happen. Nevertheless, we are concerned because the investment return is quite doubtful considering the allowable investment management fees, and the apparent repayment forgiveness of 20% of the invested funds. GSRA attempted several times to contact the Lt. Gov. and Sen. Golden to request additional language clarifying that

pension funds would not be used for HB 318 (SB 224)-authorized investments, but our calls and messages were not returned.

The second bill is HB 246, which started off simply to provide flexibility to Georgia World Congress Center employees in choosing benefits. However, this bill was amended to prohibit the SHBP from “...offering coverage for abortion services unless needed due to the mother’s medical necessity or to preserve mother’s life.” HB 246 failed to pass, but the Governor committed to implement its intent either through executive order or administratively through the Department of Public Health.

Other bills of potential interest to GSRA members include:

- HB 71 by Lynn Riley (71st) to authorize the Georgia Municipal Employees Benefit System and associations of political subdivisions to invest up to 10 percent of the total assets of their respective funds in real estate. GSRA is concerned about future use of this bill as a precedent to authorize ERS to do the same. (passed)
- HB 361 CS by Lindsey (54th) to, among other things, require employees' written authorization in order for employers or labor unions to be able to deduct member dues. It is unclear as to whether this bill might apply to GSRA or GREA members. (passed)
- HB 454 by Martin (49th) to authorize reviews of tax breaks to help determine if they are achieving their intended goals. This is a good government bill. (passed)
- HB 511 CS and HR 603 by Dempsey (13th). HB 511 was originally brought to GSRA legislative committee attention by member Aileen Hycner in our Metro Chapter. The bill authorizes DCH to undertake a 2 year pilot study of bariatric (obesity prevention and/or correction) surgery results for up to 75 SHBP members, to include covering the costs of the patients' care. HR 603 directs DCH to use existing data for the same purpose. HB 511 did NOT pass. HR 603 passed the House but not the Senate.
- SB 24 by Bethel (54th) to authorize DCH to assess hospitals for provider payments for the purpose of obtaining federal Medicaid matches (flew through both houses and signed by Governor).

This year there are only two retirement bills that must be carried over for a fiscal note before being addressed next year. Neither bill applies to the ERS plans. See the complete list of retirees' bills of interest, including descriptions and status, by [clicking here](#).

Of course there were many other bills of more general interest such as HBs 142 and 143 which purported to tighten up ethics restrictions for legislators and lobbyists, the "big" and "little" budgets, and gun-carrying changes. GSRA recommends that you subscribe to your own legislators' newsletters to receive updates on these types of bills and also to learn about your legislators' positions.

One area which causes us concern was not addressed with legislation this year until the last day. HB 688 would abolish the income tax for both persons and businesses and would increase the sales tax by a percentage to be

determined by the General Assembly with other legislation. The extent to which the revenue shortfall would be made up is undetermined as are many other factors. GSRA leadership believes that this will result in most GSRA members paying more in taxes than we do at present. We are also fearful that this action will further reduce revenues, jeopardizing required appropriations to meet retirement and health benefit obligations, as well as making cost of living adjustments even more unlikely than for the last several years.

We reported in last month's newsletter that we provided Senate Retirement Committee chairman Fran Millar an updated list of GSRA top legislative priorities. This list is available on our GSRA website and you can see it by [clicking here](#).

SHBP Values Document Cost-Shifting To Members

[SHBP Financial Perspective and Legislative Approved Budgets FY 2013 and 2014](#)

The Department of Community Health's FY 2012 audit report and the State Health Benefit Plan budget documents show the magnitude of cost shifting to members. The SHBP's **net deficit in FY 2012 of \$89 Million with an \$18 million cash balance** resulted in premium increases and out-of-pocket increases for medical expenses on January 1, 2013. Based on the financial projections, the Board approved member premium increases of 7.5%, plus 2% for the Affordable Care Act, plus \$7 for United Healthcare options, and modified the member's share for spousal coverage. The **combination of these increases** resulted in the range of total percentage increase for options **from 0.0% to 39.2% on January 1, 2013**. In addition, deductibles, copayments and out-of-pocket maximums were increased and HRA credits were reduced for Standard Options' enrollees. A few benefits and contractual modifications were also made. DCH's FY 2013 and FY 2014 budget request for the SHBP to the Governor and General Assembly showed the dollar value (reflected in the opposite chart) of the premium increases, benefit changes and increased employer contributions.

The overwhelming majority of the increases in the chart can be attributed to the active population (approximately 225,280) and the under age 65 retirees (approximately 41,563). **The average increased cost per member for the 6 months in FY 2013 is approximately \$470 and for the 12 months in FY 2014 approximately \$1,210**. Of course, members covering a spouse will experience a greater increased amount than these averages. Although retirees

over age 65 also received a 7.5% premium increase (estimated at \$1.8 million annually) that is included in the above increased premium amounts, the out-of-pocket medical expense did not change under the Medicare Advantage Plan.

<i>Value of Members Increased Costs</i>		
<i>Increase in Member Premiums</i>	FY 2013	FY 2014
<i>Increase for spousal coverage & 7.5% for all family covered options</i>	36,379,788	118,977,414
<i>7.5% increase across employee & employee plus children options</i>	6,419,963	11,966,438
<i>Increase premiums 2% for PPACA¹</i>	6,881,250	14,834,463
<i>Increase premium for \$7 add on fee</i>	8,994,000	17,988,000
<i>Total Member Premium Increases</i>	\$58,675,001	\$163,766,315
<i>Increased Deductibles, etc. 1/1/13</i>	66,519,000	160,796,000
<i>Total Increase to Members</i>	\$125,197,001	\$324,562,315

Another way to express how much additional cost has been passed along to members is to review the aggregate dollars (shown above) paid by the members in premiums added to the amount that DCH reports as revenue from member premiums in FY 2012 (**\$743,420,650**) Given that

¹ Patient Protection Affordable Care Act

the increased premium revenue for the six months in FY 2013 is **\$58,675,001**, the percentage increase in members' premium cost for the 6 months is 7.9% (\$58,675,001/\$743,420,650) or approximately 20%

annually. However, when the members **true increased** cost (premiums and increased out-of-pocket for medical expenses) is considered, the members' cost about **doubles** the 7.9% and 20%.

Value of Employer Increases		
Employer Increases	FY 2013	FY 2014
<i>Certificated \$912.34 to \$937.34 (3/13) and to \$945 (7/13) per covered member</i>	7,450,121	37,877,566
<i>State agencies (29.781% to 30.281%) to 30.781% (7/13) of salary</i>	6,085,658	26,223,099
<i>Non-certificated (\$446.10 to \$596.20) (7/13) per member</i>		107,693,937
<i>Total Employer Increase</i>	\$13,535,779	\$171,794,602
Value of Benefit Changes		
	FY 2013	FY 2014
<i>Eliminate prior authorization for (ADHD) drugs</i>	\$(107,500)	\$(232,200)
<i>Revises Rx step therapy</i>	(1,400,000)	(1,711,000)
<i>Revise Rx drug list</i>	(3,425,000)	(7,398,000)
<i>Revised hospital network rates</i>	(5,250,000)	(6,418,000)
<i>Administering Wellness</i>	7,122,000	12,838,000
<i>Childhood Obesity</i>	4,000,000	8,000,000
<i>Net Increase of Benefit Changes</i>	\$939,500	\$5,078,800

The Governor and General Assembly increased the employer cost at about one-half the amount that members are expected to pick-up. The chart shows the DCH stated value of the increases in the employer rates. As a part of the budget negotiations, the House of Representatives approved increasing the certificated personnel per member rate to \$1,016.39 to generate another \$83,551,421, which is the amount budgeted and paid to the school systems for the SHBP. . The Senate reversed the additional amount and the Conference Committee agreed to allow a range of increased amounts to be determined by May 15, 2013.

The third cost component that affects the total budget for the SHBP is a change in specific benefits or for administering those benefits. DCH reports the value of the benefit changes at a net increase of \$939,500 (FY 2013) and \$5,078,800 (FY 2014). The largest component of increased cost is that reflected in the chart, for administering the "Wellness" benefits. .

The following chart shows the total expense of the SHBP for FY 2011 and FY 2012 (State Audit Report) and the total approved budget for FY 2013 and FY 2014. . DCH's projection adjustments make it impossible to calculate exact numbers; however, the increased \$58.7 million in member premiums and increased \$13.5 million in employer contributions, should go a long way toward compensating for the \$89 million underfunding in FY 2012. Based upon the FY 2014 cost of \$163.4 million more than in FY 2013, we hope that the increased revenue

projections exceed the 2014 cash need and that there is a plan to increase reserves into the SHBP. Of course, the fact that there is a declining active workforce and an increasing number of retirees means that projections are imprecise at best. We will wait to see how DCH pursues benefit changes and premium increases effective January 1, 2014; **however we hope that the value of the premium increases satisfies the increased cost of the plan without another round of premium increases or benefit reductions.** .

	FY 2011	FY 2012	FY 2013	FY 2014
<i>Total Expense²</i>	\$2,836,734,077	\$3,051,502,445	\$3,090,119,428	\$3,253,537,402

² FY 2011 and FY 2012 actual expense from the State Audit Report; FY 2013 and FY 2014 budgeted expense from the Governor's Budget Report and Tracking Sheet from General Assembly.

Membership – January 2013

In CY 2012 as reflected in the chart below, the number of active members dropped 12,709 (5.3%), retirees increased by 5,666 (5.5%) and the total membership declined 7,043. Most of the retiree increase was in the over age 65 as a result of aging rather than members working beyond age 65.

In just **one year** (2012 vs 2013), active **state agency members** in the SHBP **decreased by 6.0% (3,511)** and active **school system members decreased by 5.1% (9,007)**; however, active state agency members have **decreased 11,526 (17.2%) in just 4 years (2009)**, and active **school system members have decreased by 25,023 (12.9%) in the four years**. As a result of these changes, the ratio of active members to retirees grew to 2.08 in CY 2012. These changes impact the Plan in three ways:

- A reduction in active member reduces the dollar amount of the employer contribution paid into the SHBP much more than the benefit cost is reduced.
- Just as important as the reduced number of employees is the fact that most senior workers have a higher salary average than replacement workers.
- The benefit cost for the number of retirees is increasing while the multiplier for revenue is declining.

The declining number of SHBP members is not the same as a declining workforce, however, the workforce numbers generally track the SHBP numbers, and we know that the workforces in state departments and school systems have been reduced over the last 5 to 7 years.

Membership January 1, 2013

	Membership – January 2013					Change from January 2012			
	Active	Retirees Under 65	Retirees over 65	Total	Percent of Total	Active	Retirees Under 65	Retirees over 65	Total
State	55,484	13,243	20,410	89,136	26.7%	(3,511)	(127)	1,304	(2,334)
School Systems	168,716	27,075	46,023	241,814	72.5%	(9,007)	666	4,130	(4,211)
Contract	1,080	16	17	1,113	0.5%	(191)	(2)	3	(190)
COBRA		1,229	40	1,269	0.4%		(306)	(2)	(308)
TOTAL	225,280	41,563	66,490	333,333	100.0%	(12,709)	231	5,435	(7,043)
Total Retirees			108,053					5,666	

Another factor affecting the premium revenue and the benefit cost is the number of enrollees in the Wellness options. In January 2013 enrollment in the Wellness options decreased from 60% in 2012 to 45%. The member premiums for the Standard options are greater than the Wellness options, therefore, the CY 2013 premium revenue paid into the SHBP will increase. Further, as required by the ACA, each member’s W2 form (for 2013) must include the total value (cost) of the SHBP option selected by the member. DCH shows that value (cost) of the Wellness

options to be greater than the value (cost) of the Standard options. Therefore, a sizable decline in members’ selections from the Wellness to the Standard options will decrease overall cost in addition to increasing premium revenue.

The bottom line is that the continuing decline in active members and increased ratio of retirees to actives will continue to force discussion about costs and policy about retiree coverage. Vigilance by retirees is very important.

Member Spotlight



This month's Member Spotlight is Chuck Freedman. Chuck is a cofounder of the Georgia State Retirees Association and has served on the Policy and Operations Committee since its formation in

2006. He was vice president for three years and continues to chair and serve on several committees, as well as representing GSRA with the Georgia General Assembly as a registered lobbyist.

Chuck began and spent the bulk of his career with the Governor's Office of Planning and Budget (OPB) where he performed and managed consulting studies and program evaluations to improve government operations and citizen services, and to reduce costs. He rose through the ranks, becoming division director before his departure, and was involved with major management improvement and legislative initiatives of six governors. He was also instrumental in the creation and implementation of the Technical College System of Georgia, including its Adult Literacy program, and of the Georgia Technology Authority.

Chuck completed his state career with the Georgia Technology Authority (GTA) where he initiated and directed GTA's first asset management program. He then helped establish a smooth procurement process and managed several large scale procurements in addition to performing other complex projects for GTA leadership.

Prior to his state employment, Chuck obtained degrees at both Georgia Tech and Georgia State, worked as an industrial engineer in private industry, and served in the U.S. Army.

In addition to his activities with GSRA, Chuck is a volunteer supervisor for the Zaban Homeless Shelter, and he serves on two advisory committees for Jewish Family and Childrens Services. He also plays and coaches various sports at the adult and high school levels.

Chuck is married to the former Kim Tappan with whom he has four sons and four grandchildren. GSRA asked Chuck to answer the following questions related to his public service career:

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

A – **I was a management consultant in what was then the Office of Planning and Budget's (OPB) Management Review Division. Out of graduate school I**

did not know about state government and once I learned about it, I only planned to stay until I could find a "real" job in the private sector. Solving difficult problems in a team environment and seeing clients pull together to implement the solutions was immensely gratifying. After two years of working with agency managers and governors and selling recommendations that improved services and/or operations, and/or reduced costs, I stopped thinking about the private sector.

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 – **The great Bill Roper who directed OPB's Management Review Division, which he started under Gov. Maddox. He had managed Jimmy Carter's Reorganization which was just being implemented when I began work. Bill led by example, continuously espousing, "management is a reflective phenomenon!" He developed and delivered massive numbers of training programs and delegated as much responsibility (often much more) as he thought staff could handle. He patiently tutored and guided this brusque, overly "Yankeeified" rookie to develop some degree of collegiality and persuasiveness in working with project teams and clients. I was privileged to have worked for and learn from him for 25 years.**

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

A – **The most difficult challenge for me was not in solving any individual problems, but to develop and successfully use "people skills" to build, work with and lead teams of people with diverse backgrounds, personal objectives, and professional objectives to solve the problems and to persuade clients to implement the solutions.**

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

A – **First, the opportunity to do good – improve government performance and/or economy -- for the people of Georgia in a fun, challenging, gratifying environment was constantly motivating. Second, I was continuously building relationships and working in team environments with professionally and personally outstanding people.**

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

A – There were a few recommendations I made that did not work out in implementation the way I had hoped. These included pay for performance, the elimination of the Merit System’s classified service, and the creation of the Georgia Technology Authority – although the Authority now appears 13 years later to be fulfilling at least some of the promise it originally had.

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

A – I would love to say that there will be a turnaround in agency hiring, employee compensation, and retiree benefits as the economy picks up. However, like Bobby Jean last month, I see the continuation of the current trend of downsizing and decreasing of compensation and benefits relative to the market. The mantra of “government should be run like a business” works fine for the leadership when they’re talking about cutting – it disappears when it comes to “our employees are our most valuable resource” and “our [company] owes its success to our [competent, motivated, highly trained] staff.”

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

A – I have totally enjoyed the enormous amount of time I have devoted to GSRA. I have served on two policy boards for a social services agency, and I regularly volunteer at Atlanta’s only homeless shelter for couples. But my favorite hobby is playing the team sports of basketball, touch football, and especially baseball. I play in a Sunday baseball league and an annual week-long tournament on major league spring training fields. I have gone on four goodwill baseball trips overseas playing and socializing with local teams, and I am looking forward to doing so again this summer. To top it all off, I got to play in Fenway Park last year. I also

enjoy coaching youth, hopefully inspiring them to play and live the right way. And there is golf to fill in the time, although my performance level is well below what I would like.

Q – What makes retirement rewarding for you?

A – I am so thankful that both of my parents are still with me, and that I am able to devote progressively more of my time to helping and caring for them as they need it. All four of my grandchildren have been born since I retired; I am able to spend a great deal of time with the ones in Atlanta, and I also travel frequently to California for the ones there. My wife Kim and I just celebrated our 20th wedding anniversary. She is just as sweet, caring and patient with me as when we first married, and I thank God for her every day. We have been fortunate to be able to travel extensively together.

Q - What is the biggest challenge you see for state retirees in 2013 and beyond?

A – We have seen things happen—y’all know what they are -- that we never would have believed possible. We also need to develop more of a presence in the Capitol.

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

A – Fortunately GSRA has been able to head off most potential disasters and mitigate the rest. But GSRA needs to carry more weight to become more effective. We must become MUCH bigger and have a larger portion of our members be active. We need to at least triple our membership to receive the attention we deserve from decision makers. For current members to help themselves, we need to continuously recruit more of our former colleagues and encourage their participation. We also need a professional legislative liaison. Although I and GSRA President Bill Tomlinson have had many successes, we lack the skills and the time to be as effective as GSRA needs.

GSRA Night at the Gwinnett Braves

ALL GSRA members are invited

Ticket price is \$8 per seat.

Location: Gwinnett Braves Stadium, Lawrenceville
Gametime: 7:05 PM

May 6th is the cut off to receive checks. Contact Ernie Melton. [770-963-0561](tel:770-963-0561) or ErnestMelton1@bellsouth.net.

Save the Date Announcement

2014 GSRA Day at the Capitol and Legislative Reception is scheduled for January 29, 2014. Please mark this important date on your calendar!

New Members in March

Name	County	Name	County	Name	County
Donna Adams	Jones	Karen Fisher-Ford	Coweta	Denise Johnson	Muscogee
Lisa Bessent	Glynn	Harold Fowler	Whitfield	Patricia Mason	Chatham
Rebecca Boston	Effingham	George Gray	Dekalb	Ramona Mikel	Bulloch
Patricia Brisbon	Chatham	Charles Griffin	Lowndes	Marva Pollard	Chatham
Lonnie Brown	Chatham	Jimmye Grimes	Floyd	Jamie Rhodes	Chatham
Jackie Bryant	Glynn	Marie Hall	Wayne	Vickey Sainz	Chatham
Barbara Byers	Whitfield	Nancy Hallonquist	Harris	Michael Steele	Harris
Thomas Causey	Thomas	Robin Hancock	Gwinnett	Tammy Wells	Liberty
Jacqueline Chenster	Newton	Bonnie Heath	Rockdale	Phyllis Wiggins	Bulloch
Janice Ellis	Bulloch	Joette Hoenie	Bulloch		

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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.