

SAVE THE DATE!

GSRA Annual Meeting
Georgia Public Safety Training Center - Forsyth
October 18, 2011
1:00 – 5:00 PM

ERS Retirement Fund at 80.7% Still Considered Sound, But Accelerating Downward Trend Causes Concerns

The Employees Retirement System actuary in the [actuarial report issued on April 11, 2011](#) states that, “In our opinion the System is operating on an actuarially sound basis.” However, this report also shows that the funded percentage dropped from 85.7% on June 30, 2009 to 80.1% as of June 30, 2010, therefore, the accelerating downward trend causes new concerns. These new actuarial projections require the employer contribution rate to be increased by 3.27% of payroll, from 11.63% to 14.90%, in FY 2013 in order to meet the Annual Required Employer Contribution, without awarding COLAs. The causes of the decreasing funded percentage of pension liabilities are several. Losses in market assets and investment income were major contributors to the decrease, in addition to a change in actuarial assumptions, an increased number of retirees, and a decreased number of active employees.

ERS Funded Percentage

In a report to the US Senate Committee on Finance, the US Accountability Office issued a report that states that, “Many experts consider a funded ratio of about 80 percent or better to be sound for government pensions. . . . pension benefits are generally not at risk in the near term because current assets and new contributions may be sufficient to pay benefits for several years.”¹ Therefore, the fact that the ERS retirement funded percentage has fallen from 85.7% to 80.1% is not good, but the fund is still considered funded in the “good” range.

¹ Gloria Jarmon. State and Local Government Retiree Benefits. January 2008. US Accountability Office. 24 May 2011. <http://www.gao.gov/new.items/d08223.pdf>.

Over the past several months, you have probably seen much press about how public pension plans are poorly funded and that public employers will probably not be able to sustain pension plans. Much discussion has occurred in the press, state houses, and Congressional Committees regarding the future liability of pension funds and how the assets should be valued. Dean Baker, an expert from the Center for Economic and Policy Research, testified that, “The shortfalls facing most state and local pension funds have been seriously misrepresented in public debates. The major cause of these shortfalls has not been inadequate contributions by state governments, but rather the plunge in the stock market following the collapse of the housing bubble.”² While it is a fact that the market asset losses have negatively impacted the funded percentage for the ERS, other factors are also negatively impacting the decreased funded percentage.

Change in Actuarial Assumptions

New actuarial assumptions that decrease the funded percentage and increase the unfunded liabilities of the ERS plan were adopted by the Board of Trustees on December 16, 2010. The assumptions are reviewed on a periodic basis to determine if factors, such as investment returns, salary increases, turnover rates, retirement rates, etc., have changed and if the change impacts the liability of the

² Dean Baker. The Origins and Severity of Public Pension Crisis. February 11, 2011. Center for Economic and Policy Research. 24 May 2011. <http://www.cepr.net/documents/publications/pensions-2011-02.pdf>.

pension plan. The 2010 review of the actuarial assumptions resulted in the Board approving a change in some of the factors that had been used for the past five years. The major changes are discussed in the following paragraphs.

- a. **Valuation Interest Rate:** The rate of investment return was not changed from the annual 7.5%; however, the new rate reflects a 4.5% real rate of return with a 3% inflation factor making a total rate of 7.5%.
- b. **Salary Increases:** In previous years, the estimated inflation and performance/promotional annual increases ranged from 9.25% to 5.45%. The actuaries project that salary increases in FY 2011 will be “zero”, will be half of the pre-FY 2010 projected salary increase rates during FY 2012 and FY 2013 and then will be restored to the pre-FY 2010 rates beginning with FY 2014. The actuarial assumption recognized that payroll contributions from both the employer and member base would at best remain level, but probably decrease based upon the increasing “higher-paid” member retiree rate.
- c. **Separations Before Retirement:** the separation rates for death and disability before retirement were decreased—recognizing that fewer members decrease or become disabled before retirement.
- d. **Rates of Withdrawal (Turnover):** Turnover rates for males with less than 5 years of service, 5-9

years of service and over 10 years of service were increased. The only male age group for which the turnover rate did not increase was age 55 males with 10 or more years of service. The turnover rates for females age 40 and above with less than 5 years of service and with 10 or more years of service was lower. Other females regardless of service had higher turnover rates. Many ERS members with less than 5 years of service participate in the reduced (GSEPS) pension benefit with the optional 401(k) plan, and the turnover rate for these employees was increased. (**Note:** The employer contribution rate for these members is less than the rate for “old” or “new” plan members, in addition to the dollar amount being less because the salary of a new employee is usually less.)

- e. **Retirement Rates:** A higher percentage of members in the “old” plan is retiring as soon as they reach 34 years of service and a greater percentage of members in the “new” plan is retiring in the year in which they attain 30 years of service than was previously assumed.

The **impact of these changes** to the actuarial assumptions **increased the unfunded accrued liability by \$250.7 million** and decreased the funded ratio by 1.5%. If the assumptions had not changed, the funded ratio would be 81.6% rather than 80.1%.

Make-up of ERS Membership

The make-up of the ERS membership has changed substantially over the 2008-2010 period. Generally, active employees have decreased, retirees have increased, total payroll has decreased, and unfunded liability has increased. The following table compares the reported makeup and financial factors of the membership for three years.

Employees Retirement System (Dollars in Thousands, except for averages)				
	June 30, 2008	June 30, 2009	June 30, 2010	Percent Change
Number of active Members	75,293	71,272	68,566	(8.9%)
Annual earnable compensation (active)	\$2,809,199	\$2,674,155	\$2,571,042	(8.5%)
Number of retirees & beneficiaries	35,579	36,968	38,582	8.5%
Annual Pension Allowances	\$997,623	\$1,062,758	\$1,110,728	11.3%
Market Value of Assets	\$13,080,653	\$10,550,357	\$10,872,348	(16.9%)
Actuarial Value of Assets	\$14,017,346	\$13,613,606	\$13,046,193	(6.9%)
Average Annual Compensation (Actives)	\$ 37,310	\$ 37,520	\$ 37,497	.5%
Average retirement allowance (All)	\$ 28,040	\$ 28,748	\$ 28,789	2.7%

Unfunded Accrued Liability

The unfunded³ accrued liability increased by \$984.7 million in FY 2010—raising the total unfunded liability to \$3,249.1 million. Almost 60% of the liability has been generated during the three last fiscal years—2008 through 2010. Investment losses and interest on previously accrued liability account for a major portion of the increase in total liability. Other factors mentioned in this article in addition to litigation (Willis vs ERS) also increased the unfunded liability.

Summary

Many experts project that a pension plan that is funded at 80% or above is satisfactory. However, a major concern is that the funded percentage for ERS has decreased from 93% in 2007 to 80% in 2010—just three years, even though the expected 3% annual adjustments were not awarded to members and the actuarial assumptions **do not assume funding any COLA in the future**. Therefore, substantial investment losses, increased retirements, reduced annual compensation because of “no” salary increases and reduced number of active employees, reduction in employer contribution of about one-third in 2001-2001, and no pre-funding of the COLAs have resulted in a “perfect storm” for the retirement system.

Executive Director Pamela Pharris’ report to the Board of Trustees indicates that the ERS plan is somewhat improved in FY 2011:

- While the market value of the assets has partially recovered from the significant losses in 2008-2010, these losses will have a negative impact on the plan for several years;
- Employer and employee contributions to the plan of about \$290 million annually are insufficient to pay pensions of \$1.12 billion annually; therefore, substantial investment income and/or liquidation of assets will be required just to pay the pensions.

³ Unfunded means that the discounted assets are currently insufficient to pay promised benefits; however, the Annual Required Contribution rate over the 30-year period is expected to fund the required pension payout.

The actuary shows that an increase of employer contribution of 3.27% for “old” and “new” active members and 4.12% for Georgia State Employees’ Pension and Savings (GSEPS) active members is required in FY 2013 just to meet the “Annual Required Contribution” without a COLA. In 2008, ERS stated that the total cost of a 3% COLA was \$250 million. Given that the pension payouts have increased by 11%, the updated COLA cost would be in the range of \$275 million.

Substantial work on the part of state retirees will be required to convince the Governor and General Assembly that an additional \$275 million annually (compounded) should be transferred to the ERS to provide state retirees equity with the other two-thirds of retirees in publicly funded pension plans. GSRA recognizes that the task is not absolutely out-of-reach, but until state revenue improves and competing needs are also met, such as active employee increases being awarded, COLAs are probably not going to be awarded.

Life Insurance Actuarial Reports

The actuarial reports for the life insurance benefits (Post-Retirement) and the life insurance benefits (Pre-Retirement) were provided to the Board of Trustees for the Employees Retirement System at the annual meeting on April 21, 2011. The life insurance plan covers “Old” and “New” plan members of the ERS, the Legislative Retirement System members, and the Judicial Retirement System members.

The Post –Retirement benefit plan has 33,387 members with an insurance amount of \$1,463.5 million and an unfunded actuarial accrued liability of \$10.5 million. Board action to resolve the unfunded accrued liability has been taken.

The Pre-Retirement benefit plan is NOT available for ERS members who are included in the Georgia State Employees’ Pension and Savings (GSEPS) pension plan. Currently, there are 62,305 active members with an actuarial accrued liability of \$40.5 million and assets with a market value of \$156.1 million.

Reflections on GSRA



First president and founding member, Claude Vickers, reflects on the founding of GSRA and the challenges facing it currently.

At a recent GSRA Board of Director's meeting we spent a considerable amount of time discussing several proposals on growing GSRA membership. Although membership growth has been a high priority of our organization since inception, "getting the word out" has been slow since it has all been by "word of mouth." As GSRA's first President, I reflect on the impetus to establish the association, how far we have come – and how far we have to go.

In late 2006, when several recently retired folks were having their monthly lunch gathering at Manuel's, we learned that our health insurance benefits were under attack by the Administration. The discussion about the proposed changes in our health benefits switched to the fact that state retirees had no one to represent their interests to the Department of Community Health, the Employees Retirement System Board, and the Governor's Office or to the General Assembly. That small group of about twenty folks then came up with the idea of creating the Georgia State Retirees' Association.

Over the following few weeks and early 2007, an organizational structure was developed, officers were selected, and by-laws were written. The organizational group was immediately overwhelmed by interested and potential members. With no funding, the recommendation for using the internet and e-mail to communicate was quickly adopted, and the first database of potential members was initiated. From those humble beginnings, the organization has grown to approximately five thousand members, but is still small in terms of our potential membership.

While some of the members of the organizing group of twenty have faded away, others have stepped up and taken their place. Even today, however, the bulk of the work is

still being performed by about twenty folks who volunteer their time and effort. Several of those who now attend the monthly meetings and are very active board members drive from Waycross, Valdosta, Greensboro, Rome, Albany and Athens.

Establishment of Local Chapters has greatly assisted in membership growth. GSRA now has nineteen active local chapters from Dalton to Valdosta, from Augusta to Columbus, and from St. Simons to Albany. Each local chapter has been active with the local Representatives and Senators who have attended local meetings and participated in discussion forums. These interactions allow the GSRA members to establish a more personal relationship with their elected representatives and to build confidence in expressing an opinion on proposed and/or desired legislation. As someone once said, "all politics are local."

Although our first "Day at the General Assembly" met expectations, the GSRA members who attended made it successful. The attitude among many retirees seems to be that "someone will take care of us, they always have." Apathy is rampant. If the events over the last three years did not change that attitude, I don't know what it will take. We continue to see our health benefits erode; our pension purchasing power shrink as a result of the increasing cost-of-living with no COLAs; attempts to use our pension funds for such things as "dead peasant's insurance" and consistent under-funding of the retirement and health insurance plans.

At the last GSRA Board meeting, someone noted that trying to motivate retirees was like herding cats. I disagree; it's like herding rocks. My purpose in writing this article is to let our members know how important it is to get involved. If you are not a member of a local chapter, join one or start a local chapter in your area. But just as important to a successful association is increased membership. So ask five or more of your retiree friends who are not members to join GSRA. If we don't get involved, get active and get concerned, and grow our membership, **we may face a future without any of our benefits.**

GSRA Plans for Strategic Needs

GSRA President Bennett appointed a Strategic Planning Committee to begin planning how GSRA can help members meet the future challenges facing

state retirees. The committee is chaired by President Bennett and is composed of Vice President Chuck Freedman, Past President Claude Vickers, Ernie

Melton, Darnetta Simalton and Luther Lewis. Issues being discussed are membership expansion, legal consultation, governmental outreach, full-time staffing and funding needs.

Since GSRA's inception five years ago, it has been managed and staffed only by volunteers even as GSRA membership has grown to over 5,000 members, and the challenges faced by state retirees have grown tremendously. GSRA leadership

recognizes that it needs plans to meet immediate as well as long term goals. The committee encourages members to contact the committee with any concerns and ideas you might have related to the organization and where it's headed. Send all related correspondence to communication@mygsra.com.

Member Spotlight – Burton Carter



Burton Carter, the current president of the Southeast Georgia Chapter (Waycross), is spotlighted this month. Burton retired from the Dept. of Transportation following a career where he started as a Chainman on the Survey Party at Baxley. He was transferred

many times and promoted through the ranks and retired as Area Engineer in Waycross with 34 years of service. Since retirement, Burton and his wife, Daisy, have continued to live in Waycross near their Grandchildren and Great Grand Children. Following are some questions we asked Burton to answer:

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

A – I started as a member of the Survey Crew on Construction with DOT. I thought a position with the State would give a steady and reliable income and would provide a good retirement.

Q - Did you have a role model or mentor in your career?

A – I would say my Dad was my mentor, he was always a hard worker in any task and believed in doing a good days work every day.

Q - What's the biggest lesson you learned in your public service career?

A – Treat everyone as you would like to be treated, in every situation, be open minded and fair and

this has a way of returning great rewards of accomplishment.

Q - If you could turn the clock back on one aspect of technology-examples being email, automated phone systems, cell phones, PDAs, etc.- what would you most like to see go away?

A – Absolutely, the automated phone systems. Very impersonal and not customer friendly. If anyone honors you with their time in calling you, then you should return the honor by answering their call personally, not with some machine.

Q - Best thing about your public service career?

A – Meeting and working with some of the most dedicated people and having them as friends.

Q - Worst thing about your public service career?

A – Never enough funds to really do the job the citizens actually need and deserve.

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

A – Well, I'm afraid that the trend is to dismantle funding and operations of one of the finest D.O.T's in the Nation and the citizens will not get the benefits they're paying for.

Q - What did you do in your first year of retirement?

A – Operated some long-haul trucks that I had leased in to a Texas firm.

Q –What are your favorite hobbies or activity in retirement?

A - Spending time with my grandchildren, great-grandchildren, traveling, gardening and being involved in Church.

Q - What was the last book you read? Do you have things you read daily or regularly? If yes, what do you read regularly?

A – Western books, our local newspaper and my Sunday School Lesson.

Local Chapter News

Coosa Valley Area

The Coosa Valley Area Chapter held a lunch meeting Thursday May 5, 2011 attended by thirty-five members and five guests. Representative Howard Maxwell (House District 17, Chairman of the House Retirement Committee) was our guest speaker. Representative Barbara Reece (House District 11), a GSRA and Coosa Valley Area chapter member, was also present.

Representative Maxwell presented an interesting and informative program on the State Health Benefit Plan, the Employees Retirement System and legislative activities during the past session. Representative Reece discussed actions taken during the recent session regarding the closure of Northwest Georgia Regional Hospital.

All members present were encouraged to get to know their local representative and senator in an effort to help educate them on legislation and budget matters that are important to retirees and their families.



Coosa Valley Area President Jim Burton, Representative Barbara Reece, Representative Howard Maxwell

Northeast Metro Atlanta

The Northeast Metro Atlanta Chapter sponsored a “GSRA Night” at the Gwinnett Braves in Lawrenceville May 19th. Members were able to buy discounted tickets and sit as a group in great seats. Members brought their friends, spouses, grandchildren. The weather was perfect and the

G-Braves won the game! A total of 67 people attended the game with Belinda Dickey winning a G-Braves tomahawk lapel pen. Belinda brought 25 members of her family, 10 were grandchildren.



Northeast Metro crowd enjoys GBraves game

What kind of GSRA Annual Meeting do YOU want?

Take the poll and tell us at (www.mygsra.com). The GSRA Annual Meeting Committee has distributed a notice to all e-mail members to ask them to complete the poll no later than June 13, 2011. The poll will provide feedback to the committee about your program preferences. If you have an e-mail address, please respond to the request for completing the poll and tell us what YOU WANT!

GSRA New Members in March/April

Name	County	Name	County	Name	County
Edna Reed	Baldwin	James Connolly	Dekalb	Gail Lang	Henry
Vivian Culpepper	Bartow	Duane Johnson	Dekalb	Linda Parker	Henry
Hazel Stone	Berrien	Mae Parks	Dekalb	Sharon Cowart	Jones
Christi Webb	Bibb	Carolyn Richards	Dekalb	Larry Shaw	Lee
Leola White	Bibb	Mary Wilder	Dekalb	Earnest Green	Liberty
Saralyn Wilson	Butts	Dom Wilkinson	Dekalb	Ronnie Anderson	Lowndes
Donald Ethridge	Carroll	Sharon Styles	Dougherty	Alice Blaine	Meriwether
Judy Parmer	Carroll	Jacqueline Conort	Douglas	Joy Evans	Meriwether
Mary Ragsdale	Chatham	Bernice Reid	Effingham	Gwendolyn Jackson	Muscogee
Kathy Torres	Chatham	Jane Richards	Fannin	Elizabeth Allen	Newton
Deborah Moore	Chattooga	Pattie Hester	Fayette	Nancy Butler	Newton
Harriett Wren	Clarke	Dianne Ryan	Fayette	Donald Watson	Newton
Wisteria Inman	Clayton	Nancy Busby	Floyd	Elaine Pappas	Oconee
Geraldine Thomas	Clayton	David Echols	Floyd	Sharon Reid	Oconee
Betty Smith	Clinch	Winston Dinwiddie	Fulton	Charles Sikes	Pierce
Michael Bryar	Cobb	Brenda Elzey	Fulton	Lennell Sikes	Pierce
Joyce Cothran	Cobb	Patricia Mulligan	Fulton	Emory Farrer	Rabun
Charles Gregory	Cobb	Cora Seals	Fulton	Perry Thompson	Rabun
Paul Radford	Cobb	Carol Steiner	Fulton	Sandra Hasser	Rockdale
Peggy Thompson	Cobb	Michael Wing	Fulton	Helen Ricks	Rockdale
Kay Turner	Cobb	Jerry Morris	Glynn	Deborah Jarrell	Screene
Ken Turner	Cobb	Landon Thrower	Glynn	S. E. Smith	Tattnall
Ruth Williams	Cobb	Margaret Thrower	Glynn	Julia Musgrove	Toombs
Wanda James	Coffee	James Blankenship	Gwinnett	Ronnie Waller	Upson
Joe Haile	Cook	Don McClanahan	Gwinnett	William Bagnuolo	Walton
Sandra Duckworth	Crisp	Kathleen Morrison	Gwinnett	Sally Wasdin	Wayne
Tommy Duckworth	Crisp	Luann McGonigle	Hall	Lillian Dewsnap	Whitfield
Susan Anderson	Dekalb	Linda Jordan	Henderson (NC)	Carolyn Hayes	Whitfield
John Buffum	Dekalb	Mary Esposito	Henry	Joyce Willis	Whitfield

GSRA Administrative Aide Wanted

GSRA needs a full-time aide to manage and audit membership records, deposit and record membership receipts, answer phone calls and perform other administrative work. Work at home is an option. Salary is open depending upon experience and skills.

Individual must be proficient with computer entry, including Word and Excel, computer research and have excellent customer service skills. Individual must work independently in performing administrative duties for the association.

Please apply on-line at membership@mygsra.com and send resume with the notice of interest.

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 and click on the Account Access button on the home page.