

HB 1380/HB 305—“DEAD PEASANTS INSURANCE”— DIES ON LAST DAY OF SESSION!

GSRA Members were instrumental in assuring that the provisions of HB 1380—“Dead Peasants Insurance”—were not attached to an insurance bill (HB 305) on the last legislative day of the 2010 General Assembly session. However, the proponents for establishing an insurable interest on the lives of all active and retired employees worked diligently on HB 305 with the author, Representative Tom Knox, to change the minds of the members of the House of Representatives.

The House votes are summarized: (1) When HB 305 was returned from the Senate to the House with an amendment, the House voted to not accept the Senate amendments; (2) Conference committee members were appointed, but it became apparent that many House members were opposed to having an insurable interest in the lives of active and retired employees and using the pension trust funds to pay the premiums; (3) As the hours of the last session day waned, Representative Knox asked the House to recede from its position to object to the Senate amendment to HB 305 so that the

original bill as amended by the Senate could be passed; (5) The House vote to recede failed with 105 “nays” and 41 “yeas.” The original provisions of HB 305 did not pass.

GSRA members should be proud of the hard work they put into the efforts to defeat this flawed bill. Once again, you were very instrumental in the defeat by making your local senators and representatives aware of the detrimental provisions of HB 1380. Had you not contacted your local senators and representatives, the provisions of HB 1380 could have been very quietly attached to HB 305 and passed almost unnoticed.

GSRA gratefully thanks all of the House Members who worked to oppose this “back door” attempt to pass a provision that was not affirmatively passed through regular processes. GSRA also thanks the ERS representatives and other GSRA friends, who dedicated long hours to protecting the pension funds against this action that would have been very harmful to the pension trust fund.

LEGISLATIVE COMMITTEE REPORT

The most exciting activity that the Legislative Committee encountered was around HB 1380/HB 305. Legislative Committee Members Bill Tomlinson and Chuck Freedman dedicated many hours during the longest calendar General Assembly Session in history. GSRA members have received updates on the legislation being introduced and passed, but the General Assembly was submerged in budget and appropriations. A list of bills that were tracked by GSRA can be viewed at www.MyGSRA.com and an article below includes a list of bills that passed.

The employer funding for the Employees Retirement System remained at 10.41%, funding for the Teachers Retirement System was increased from 9.54% to 10.28%, and funding for the State Health Benefit Plan is indeterminate by GSRA. The Governor’s budget for the SHBP, which was approved by the General Assembly, included a 10% increase in member premiums and a reduction in plan benefits to reduce the cost of benefits.

2009-2010 GENERAL ASSEMBLY - BILLS OF INTEREST (Final 2010 Report)

The Georgia General Assembly adjourned the 2010 session on April 29, 2010. All bills tracked by GSRA are listed on the website (www.MYGSRA.com) under Legislation Status, and the following table lists the bills that passed the Senate and House of Representatives and have been forwarded to the Governor for approval. The bills are shown in sequential order for those introduced in 2010 and then those introduced in 2009.

Bill Number	Short Description	Status (4/29/10)
2010 Introduced Legislation		
SB 310	Provides for regulating and licensing pharmacy benefit managers (PBMs), including mail-order PBMs that provide pharmacy services to Georgia citizens.	PASS
SB 316	Requires insurers who offer Medicare Supplemental policies to provide the policies to citizens under the age of 65 who have Medicare because of a disability.	PASS
SB 363	Authorizes Student Finance Authority to contract with the Department of Community Health for health insurance for its employees.	PASS
SB 436	Repeals obsolete and inoperative provisions of the Employees Retirement System Code.	PASS
HB 916	Provides for nullifying retirement for persons under age 60 who return to State Government work within two consecutive months as an employee or a contract employee, unless the contract work for State Government is incidental to the contract employer.	PASS
HB 969	Changes state law to comply with federal IRC regarding retirement issues and normal retirement age although TRS states that the TRS pension plan is administered in compliance with IRS retirement law. A section of this bill impacts the Public School Employees Retirement (PSERS) in that it provides for suspension of the retirement benefit for a person under age 60 returning to work within two months or to choose not to receive retirement credit for work.	PASS
HB 997	Transfers the state's administration of the federal social security plan for Georgia's state and local governments from the ERS to the State Personnel Administration.	PASS
HB 1023	Provides an unemployment tax credit for employers that hire someone who is receiving unemployment benefits.	PASS
HB 1086	Excludes release of e-mail addresses of employees of public and nonpublic schools to the public.	PASS
2009 Introduced Bills – Active during 2010 Session		
Bill Number	Short Description	Status (4/29/10)
HB 172	Amends the ERS law to require the periodic re-examination of a disability beneficiary to be performed by a physician designated by the ERS medical board and to include workers' compensation payments to the exclusions in the amount earnable by the beneficiary.	PASS
HB 194	Requires pharmacies to include both the brand and generic names for prescription drugs where the generic has been dispensed.	PASS
HB 249 Originally the same as SB 129	Original bill amended Public Retirement Systems Investment Authority Law to allow retirement funds to be placed in "alternative investments". <i>HB 249 was amended in the House Retirement Committee to apply only to the Firefighters Pension Plan. See GSRA's Feb. 13, 2009 Action Alert.</i>	PASS HB 249
HB 277	Amends methods of funding Transportation.	PASS

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Just click on the “Send Check” option and follow the instructions carefully. Don't forget: Make sure your full name and mailing address, plus the words “MEMBERSHIP RENEWAL” are on the check, payable to “Georgia State Retirees Association” and send the check to:

GSRA, PO Box 2391, Newnan, GA 30264

If you receive GSRA Newsletters by US Mail and not by computer, your membership expiration date is shown above your name on the mailing label. Please renew on time by following the check-mailing instructions above. If the expiration date shown on your mailing label is incorrect, drop a note to

GSRA, PO Box 108, Bethlehem, GA 30620

Keep your membership current! Don't miss out on important news and events!!

CALL TO ACTION: BE POLITICALLY ACTIVE THIS YEAR!!

For GSRA to become continuously more effective in educating state government leaders about the issues facing retirees and employees, it is *critical* that we build relationships with statewide office holders and with legislators. The best way of doing that is soliciting the candidates' opinions about the issues of concern to you and/or getting as actively involved in campaigns as you feel comfortable—the sooner the better. Soliciting information from the candidates who are unopposed is just as important as getting information and/or campaigning for those candidates who have opposition. Keep in mind that from your retiree or employee perspective, your mission is to have the office holder be responsive to your insights when the issues are compelling.

The process may take several easy steps. The first one is to find your house and senate districts. You can do this by following the instructions at the Secretary of State's website, <http://www.sos.georgia.gov/MVP/Login.aspx>. As of May 19, all candidates for statewide office had formally qualified to run. You can identify candidates for your senate and house districts at the following websites:

- State Senate: <http://qual.sos.ga.gov/QualifyingSearchResults.asp?RaceID=4>
- State House: <http://qual.sos.ga.gov/QualifyingSearchResults.asp?RaceID=2>
- Statewide races: <http://qual.sos.ga.gov/QualifyingSearchResults.asp?RaceID=5>

Note that the websites showing qualified candidates also provide contact information. So it will be easy for you to make the connection and find out what your candidates are all about. Many candidates have websites that provide much information about the candidate and his/her positions on issues.

During your working career, you were actively discouraged from participating in state office campaigns. In retirement, however, you are no longer restricted! Now you have the opportunity to discharge your civic responsibilities while freely expressing your opinions on issues of interest to you. So learn about your candidates, pick those you can support, make the contacts, get to know the candidates and their staffs, and if you feel comfortable sign up to participate. It will be an interesting experience to say the least, and you can also have fun meeting other volunteers and working with the candidates in this very important election year.

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.

REPORT: APRIL MEETING OF ERS BOARD OF TRUSTEES

ERS Secretary's (Exec. Director's) Report Highlights

The retirement trust fund assets grew slightly in the last two months, to \$11.8 billion as a result of investment appreciation. However, the revenue being contributed into the trust fund has decreased because of fewer employees and no growth in active employees' compensation. In addition, the Department of Revenue owes to the trust fund \$3.6 million in FY 2010 contributions, which has not been appropriated, for the local tax collectors who are members of the ERS.

ERS Planning Document/Cycle; Filing to IRS

The Internal Revenue Service is now requiring pension plan document updates about every 5 years, but this will be Georgia's first filing since 1982. ERS Staff has completed a draft of the employees' pension plan document; however, the staff will complete the plan documents for other ERS administered plans before filing with the IRS.

ERS Actuary Report

The Actuarial Report for the ERS shows a drop in the number of state employees (from 75,000 to 71,000) in FY 2009 which has had the effect of reducing the contribution amount that the State pays to the ERS. The state's contribution was further reduced because salary increases, as projected by the actuaries at 3%, were not awarded to active employees.

Unfunded liabilities increased from \$1.6 billion to \$2.3 billion, decreasing the funded percentage from 89.4% to 85.7%. In response to a question from board member Reheis, actuary Ed Macdonald said that the funded percentage had steadily decreased since 1999. At 85.7%, Georgia's funding percentage is still better than that of most states.

Employer contribution rate: For FY 2012, Macdonald recommended that the board raise the employer contribution rate by 1.22% from 10.41% to 11.66% for old plan and new plan members and from

6.20% to 7.42% for members in the Georgia State Employees Pension & Savings plan (GSEPS).

Each percentage increase in state contributions costs the state about \$27 million. However, the increases are critical for Georgia to maintain its AAA bond rating. ERS has already extended the amortization period to the maximum of 30 years that the Governmental Accounting Standard Board (GASB) allows. Extending the period has the effect of reducing the required annual funding amount to meet payment obligations.

The actuarial report also (1) lists the components of the increased unfunded liability on page two, such as the anticipated liabilities from the Willis v ERS lawsuit and the retiree FY 2010 "bonus" of 1-1/2%; and (2) shows the negative cash flow on page 12 including investment losses and another loss of \$800 million.

Board Member Dan Ebersole commented that GASB has a draft standard that will require pensions to recognize COLAs as liabilities if the pension system routinely awards *ad hoc* (NOT prefunded) COLAs. He anticipates the rule of thumb for this decision will be 5 consecutive years of awards.

The board unanimously approved the report which is published on the ERS web page (www.ers.ga.gov).

Georgia Legislative Retirement System Actuary Report

The GLRS assets' market value suffered the same decline as ERS. Unfunded liabilities rose to \$6.8 billion. The GLRS funding ratio remains at 128%. No contributions are needed, and none should be requested. The recommendation was approved.

Group Term Life Insurance (State Employees Assurance Department)

Active employees: No new members are being added to the pre-retirement (active) group resulting in the total membership declining. Therefore, the funding status for the GTLI trust fund will decrease. For FY 2008 – FY 2009, the decrease was from \$110 million to \$83 million

of OVERfunding. The program remains well funded and the actuary recommended no employer contribution. However, the actuary recommended changing the amortization method from a constant number of years to a constantly decreasing number of years as insured individuals die out.

Retirees: The liability for the post-retirement (retiree) group grew from \$700 million to \$734 million. The unfunded liability grew to \$105 million (85% funding ratio). The actuary extended the amortization period to 30 years. Even so, this program will require a 0.61% employer contribution for FY 2012 all things being equal.

The board then raised the issue of whether the current \$90 million in the Survivors Benefit Fund (created with GTLI surplus funds in 2007) could be used to fully or partially offset the required funding increase, and/or if

the surplus in the active employees' program could be used. Macdonald and Secretary Pharris said that:

- use of the "pre"-retirement surplus for the "post" retirement group was questionable from both a cash flow perspective and a legal one (Pharris reporting on Law Department advice).
- Survivors Benefit Fund moneys may be transferred only one time. But if less than the full amount is transferred initially, all or portions of the remainder may be transferred as needed to cover negative cash flow.

The actuary will need to know the board's decision by next spring in order to make the proper assumptions for the June 2010 report. The board approved the report.

In other business, the Board appointed Harold Reheis to the Investment Committee.

The board unanimously approved extending its contract with the current actuary.

DATE CHANGE ANNOUNCED FOR ERS BOARD ANNUAL MEETINGS

The Board of Trustees for the Employees Retirement System has advised that, due to scheduling problems, the 2010 Annual Meetings have been rescheduled for *one week later, on Thursday, June 24, 2010*, in the ERS Conference Room, Two Northside 75, Atlanta, GA 30318.

The schedule calls for all seven Retirement Systems' Annual Meetings to be held in succession, beginning at 10 a.m., with the ERS Annual meeting scheduled last.

ERS Board meeting dates for the remainder of the year remain unchanged: August 19, October 21, and December 16, all beginning at 10:30 a.m.

(See the box at right for TRS Board meetings.)

Call 404 350-6300 for more information or visit www.ers.ga.gov.

TRS Board of Trustees 2010 Meetings

May 26, July 21, Sept. 22 and Nov. 17
10:30 a.m.

**TRS Conference Room,
Two Northside 75, Atlanta, GA 30318
Call 404 352-6500 for more information
or visit www.trsga.com**

GSRA Meets with ERS Executive Director

At the request of GSRA President BJ Bennett, ERS Executive Director Pamela Pharris met with GSRA officials to discuss issues of interest to GSRA members.

President Bennett asked about legislation that was introduced and acted upon during the 4-month-long General Assembly Session. Pharris expressed a concern about HB 1380, “dead peasants life insurance,” and stated that should such legislation pass in the future, she would request a formal ruling from the Internal Revenue Service about the legality of using pension funds to pay premiums on such life insurance policies.

Pharris also expressed concern about SB 283 which would have removed future local tax collectors from becoming members of the ERS. The bill failed in the final days of the session; however, the General Assembly did not appropriate funds to the Revenue Department to pay the employer contribution to the pension fund for these employees. At this time, Pharris was not aware of the next actions to collect the amount owed to the ERS.

A complete list, explanation and status of all retirement legislation can be found on the ERS website (www.ers.ga.gov). Most of the ERS-sponsored retirement legislation passed during the 2009 Session, but a few bills were delayed until the 2010 session. By and large, ERS-sponsored legislation passed during the two-year General Sessions. Pharris was very active in providing information to legislative members—such as with the ‘early retirement’ proposal—that helped keep a few bills from passing that could have been harmful to the pension plans.

When asked about the expected increase in the number of retirements during FY 2010-FY2011, Director Pharris stated that ERS is experiencing an increase of 14% greater than the earlier retiree projections made by the staff. The

actuarial reports show that the number of ERS retirees increased by 1,389 between the end of FY 2008 and the end of FY 2009.

GSRA officials discussed the specific legislative goals adopted by the GSRA Board for pursuing in the 2011 session. These goals are to incorporate more transparency in ERS Board of Trustees decisions by requiring that the two elected board positions be reserved for retirees; obtaining retiree contact information from the ERS, and obtaining adequate funding for pension adjustments.

Pharris expressed concern about any association having too much influence over how a pension fund is administered, supports adequate funding for the pension funds and indicated that she will not block providing retiree contact information to GSRA—provided that any associated cost is paid by GSRA. GSRA officials expressed appreciation for her candor about these issues and reiterated that GSRA would like to support her in the appropriate administration of the ERS pension plans.

The group briefly discussed the actuarial reports for the ERS, pre-retirement Group Term life Insurance and post-retirement Group Term Life Insurance. Pharris stated that the proposed increase in employer contributions is critical, but the Governor and General Assembly retain the last word. She also confirmed that the dollar amount of the state’s contribution is less than at the same time in 2009 because of the reduced state payroll—a result of a reduced number of and the elimination of salary increases for active employees.

Director Pharris stated that the 5-year workforce study, now under way, is scheduled to be discussed at the ERS Board of Trustees’ Annual Meeting in June.

State Contribution to Benefits

A member asked GSRA to publish information about the State Contribution to Benefits. Therefore, the following information is accumulated from various published reports and statements.

Amount of money the State Contributes to our health insurance:

For retirees over age 65 in MAP: \$165 per Month

For retirees under age 65: \$283 to \$360 per month, depending upon option.

As a general rule, the State has contributed 75% of the benefit cost of the State Health Benefit Plan over the years, the equivalent of approximately 14-20% of compensation. In addition, the State has contributed from a high of 18%+ of active employees’ compensation to the current low of 10.41% to the pension fund. According to the actuary for the Employees Retirement System 75% of the funds for a properly funded pension plan are generated by investment income.

Note: Health Insurance amounts were calculated based on the Department of Community Health’s statement that the COBRA premiums are total costs per option. The absolute rate contributed by the State for FY 2009-FY 2011 has changed several times and GSRA cannot obtain a dollar amount other than rates as stated.

LOCAL CHAPTER NEWS

The **Oconee Area Chapter** sent the following Press Release to a number of local media in the area after their successful May meeting:



(standing l. to r.) State Senator Johnny Grant, GSRA State President B.J. Bennett, Lake Oconee Area Chapter President Lewis O'Neal, State Representative Culver "Rusty" Kidd (seated)

Ms. Bobbie Jean Bennett, President of the Georgia State Retirees Association (GSRA), was the featured speaker at a gathering of over 125 retired state employees in Greensboro on May 11th. Ms. Bennett served the state of Georgia for 36 years and retired as Commissioner of Personnel Administration (State Merit System). Also in attendance were Senator Johnny Grant and Representative Rusty Kidd. The meeting was sponsored by the Lake Oconee Area Chapter of the GSRA.

Ms. Bennett's presentation reported on the overall state of the Employees Retirement System, changes in the State Health Benefit Plan, and recent actions by the Legislature. Changes in health insurance funding, driven by the administration's budget, is a growing concern of state retirees,

particularly those over 65. Ms. Bennett shared that the reserve fund of the State Health Benefit Plan is critically low and that action is needed to sustain the fund. She praised members of GSRA for their efforts to educate and inform retirees and elected officials alike, and she encouraged those from surrounding areas to start their own chapters.

Senator Grant and Representative Kidd remarked on the difficult struggles that the current economy has brought to the budget process and retiree benefits and answered questions from the floor.

To learn more about GSRA, how to become a member, or to start a local chapter, visit www.MyGSRA.com.

Hassell Herrin, President of the Northwest Georgia Chapter in Dalton, also reports a very successful late April meeting, with the largest attendance yet since its formation not long ago. The crowd also enjoyed hearing from our President, Bobbie Jean Bennett, who gave a very interesting and comprehensive review of the activities in the 2010 Georgia General Assembly.

The Chapter signed up twelve new members at this meeting alone. The next meeting is scheduled for May 27 at 1:00 p.m. at the Western Sizzlin' Restaurant in Dalton. Members are urged to attend, as one agenda item will be to consider changing the chapter's established meeting schedule.

The Savannah Coastal Area Chapter meeting of May 18 treated almost 50 members (including 2 new members) to a session with State Representative Ann Purcell (R-District 159, parts of Chatham and Effingham Counties). Rep. Purcell spoke on the state budget, revenues received and the impact of federal stimulus funding. She provided the group with the details of what actually happens during the last two days of the General Assembly and specifically what

happened with the "dead peasant insurance provisions" that went through the Conference Committee process. Representative Purcell emphasized the importance of hearing from constituents about concerns they had with pending legislation and the impact GSRA had with the outcome of this proposed legislation. She also noted that there was a good chance that this same legislation would be introduced again next year.



Savannah Coastal Area Chapter Officers welcome Rep. Ann Purcell (R-159th):
(l-r): Treasurer Cecil Wilkerson; Vice Pres. Jenifer Chambers; Rep. Purcell;
President Ken McCorkle; Secretary Mary Hodges

Join a LOCAL GSRA CHAPTER TODAY!

Don't have one in your area? THEN START ONE – It's easy!

**Local Level activities and legislative contacts are the best way to get our message across
to your elected representatives.**

FIND OUT MORE: Visit www.mygsra.com today and click on "Local Chapters"

OR send email to: membership@mygsra.com;

**OR drop a line to: Membership Committee
Georgia State Retirees Association**

PO Box 108

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