



Newsletter

GSRA Day at the Capitol and Legislative Reception February 4, 2015

The official GSRA Day at the Capitol and Legislative Reception announcement was distributed to members December 5th. Be sure to read your announcement or:

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ERS Releases the FY 2014 Financial Audit

The Employees Retirement System auditor (KPMG, LLP) states that “In our opinion, the financial statements . . . in all material respects . . . changes in fiduciary net position . . . (are) in accordance with U.S. generally accepted accounting principles.” The good news reflected in the report is that the “net position” improved for all pension funds administered by the ERS; thereby, **probably** increasing the funded percentage for all systems administered by the Employees Retirement System. The improved net position is a result of a 17.3% investment return, increased employer contributions, and only a slight increase (.5%) in the amount of benefits paid. The report also shows how funds are invested and reflects the implementation of the Governmental Accounting Standards Board (GASB) statement 67 that changed how investment expenses are reported and disclosed.

The components of net position improvements are contrasted for FY 2014 and FY 2013.

Comparative Change (in Thousands) in Net Position(All ERS Funds) Table A		
	2014	2013
Employer Contributions	\$ 445,214	\$ 369,224
Nonemployer Contrib.	39,107	38,695
Member contributions	126,732	125,131
Participant fees	1,122	948

Insurance premiums	5,109	5,774
Net investment income	2,573,389	1,866,275
Other	7	7
Total Additions	\$3,190,680	\$2,406,054
Deductions:		
Benefit payments	1,472,803	1,465,545
Refunds	27,044	22,490
Death benefits	33,946	32,044
Adm Expenses	14,476	14,395
Total Deductions	\$1,548,269	\$1,534,474
Net Increase in Net Position by Year	\$1,642,411	\$ 871,580
Grand Total Value of Funds administered by ERS (Net Position)	\$17,266,692	\$15,624,281
Grand Total Value of ERS Defined Benefit Only (Net Position)	\$13,291,531	\$12,129,803

The above display shows that the FY 2014 net position was favorable by a **37.9% increase** in “net investment income”, **21.7% increase** in Employer/Non-employer contributions and only a .5% increase in benefit payments.

While the chart data represents all funds (seven defined benefit pension funds, three “life insurance funds” and three defined contribution funds), the ERS defined benefit plan represents about 77% of all funds.

Most of the increase in Employer contributions for the ERS plan was a result of an increase in the employer contribution rate, especially since the number of active ERS plan members decreased by 1,064 (from 61,554 to 60,490) in 2014. The small percentage increase in benefit payments indicates that the increase in number (from 44,546 to 45,819) of ERS retirees abated somewhat in FY 2014.

Given the Change in Net Position, GSRA anticipates some improvement in the funded percentage. However, speculation by GSRA is not appropriate on how much improved the funded percentage for the ERS will be. Various statements in the report demonstrate that when all factors are considered by the actuaries for evaluating the 2014 results, the funded percentage should improve from the current 71% to something greater. If the 2014 actuarial report is released about the usual time, the report should be available in April 2015.

Investment Information

The audit report states that investments are reported at fair value. Equity securities are valued at the last reported sales price. Private equity fair value is measured using the valuation of the underlying companies as reported by the general partner. These investments, in the form of limited partnerships, reflect values and related performance on a quarter lag basis due to the nature of the investments and the time it takes to value them. For fixed income securities, values are based primarily on quoted market prices. Investment income is recognized as earned. There are no investments in, loans to, or leases with parties related to the System.

GSRA has previously reported that the investment rate of return in FY 2014 was 17.3%. The following chart shows the breakdown by investment category and the 5-year annualized rate.

Investment Returns		Table B
Investment Category	FY 2014	Five Year Rate
Equities	23.7%	17.3%
Private equity (Beginning 10/3/13)	6.8%	---
Fixed Income	3.1%	4.4%
Total	17.3%	12.8%

The following tables compare the investment allocation (all ERS funds) for June 30, 2014 and June 30, 2013.

Asset Allocation (June 30 each year) - Percentages		
	2014	2013
Equities		
Domestic	49.5%	51.8%
International	17.7	16.3
Private equity	0.1	--
Domestic obligations		
US Government	9.4	13.3
Corporate & Other Bonds	14.0	10.5
International obligations	2.2	1.2
Mutual & common collective trust funds & separate accounts	7.1	6.9
Total	100.0%	100.0%

Asset Allocation (June 30 each year)–(Thousands)		
	2014	2013
Equities		
Domestic	\$ 8,372,234	\$ 7,887,778
International	2,999,387	2,485,682
Private equity	21,914	--
Domestic obligations		
US Government	1,583,747	2,037,569
Corporate & Other Bonds	2,374,957	1,605,803
International obligations	355,416	167,757
Mutual & common collective trust funds & separate accounts	1,209,580	1,057,421
Total	\$16,917,235	\$15,242,010

(Note: The difference between the investments and Net Position is cash, receivables, etc.)

GASB Statement 67 was implemented in the 2014 report. One of the changes was to modify the methodology for disclosing and reporting investment expenses. The ERS and auditors, therefore, recast the investment expenses for FY 2013 for comparison with FY 2014.

The total investment expenses (including GSEPS and other Defined Contribution plans) was \$19.4 million for FY 2014 and \$16.5 million in FY 2013. The investment expense reported for FY 2014 for the “pooled investment fund” and ALL ERS Defined Benefit Plans was \$16.5 million.

Historically, Investment Commissions and Transaction Fees are reported in the “Comprehensive Report,” however, these costs are reflected as reduced income and are not

reflected as investment expenses. The investment expenses include the Investment Advisors Fees and the State's Investment staff, recordkeeping, technology and other miscellaneous items.

The components of the FY 2014 investment income of \$2, 573,389 (thousands) as shown in Table A are:

Net increase in fair value	\$2,257,437
Interest & Dividends	335,323

Total Income	\$2,592,760
Less Investment Expense	(19,371)
Net Investment Income	\$2,573,389

The auditor's report can be viewed on the ERS website ([click here](#)). Additional information will be reported in the FY 2014 Comprehensive Report that will be published by the ERS within the ERS timeframe.

Turning 65 soon - what do I do about my health insurance?

Turning age 65 is a milestone in many ways, but it is especially important when you are a member of the State Health Benefit Plan. There are several SHBP policies that impact your medical insurance and that to some extent dictate your decisions. In addition to SHBP policies, the federal Centers for Medicare and Medicaid also dictate how the Medicare Advantage options are delivered. The Department of Community Health policies provide for a process to enable SHBP members to supply the needed information for a smooth transition to a Medicare Advantage option; however, it is fairly easy to cause yourself problems. So, members who are turning 65 should be extra cautious about the policies and the processes.

SHBP Policies

The Board of Community Health has adopted policies regarding how the premiums for retirees will be subsidized by employer funds.

- Effective January 1, 2010, only the SHBP premiums for a Medicare Advantage option have any employer funds to subsidize the member's premium. Other options that are available to under age 65 retirees are to be totally paid by the member after age 65, if selected. These premiums range over \$1,000 per month (except for Kaiser).
- Effective January 1, 2012, a policy was adopted that will eventually affect future retirees who have less than 30 years of service with the state or school system. A sliding percentage of employer contributions will be used to subsidize retiree premiums based on years of service. Retirees with fewer than 10 years of service will receive no subsidy even for the Medicare Advantage options and only

retirees who have at least 30 years will receive the equivalent subsidy of current retirees. **This provision will not affect any member for another 5 to 6 years and then only those persons who had less than 5 years of service on January 1, 2012.**

- The above policies have the effect of limiting retirees (age 65 and older) to the Medicare Advantage options, which in 2015 are UnitedHealthcare's Standard or Premium.

Medicare Policies

The Medicare policies in this article have been taken from documents published on the www.medicare.gov, www.hhs.gov and www.ssa.gov websites and materials published by the SHBP.

- Persons are eligible for Medicare if they are eligible to receive social security benefits or they have paid the Medicare tax for the qualifying number (10) of years. See the Medicare website for other conditions for eligibility.
- An eligible person can apply for Medicare three months before the person's 65th birthday.
- Medicare Advantage plans are considered Medicare Part C. Insurance companies and medical concerns contract with Medicare to supply Medicare Part A (hospitalization), Part B (Physician and out-patient services), and Part D (prescription drugs) as a complete insurance package. Employers then contract with the insurance company, etc. to offer the retirees Medicare Advantage options.
- The insurance contractor must seek Medicare's approval for every member **before** the person is approved as a Medicare Advantage participant.

Medicare must have the member's street address and will not approve the member who has only a P. O. Box address.

- e. **Members** of a Medicare Advantage plan **cannot enroll in** more than one Medicare Advantage Plan, a Medicare Supplement Plan or another Part D prescription plan. If the member violates this provision, Medicare removes the member from the Medicare Advantage Plan. Historically SHBP returned them to their previous option at the increased premium. The SHBP or the vendor (UHC) should notify the individual of this violation and determine how to change the person's SHBP coverage.
- f. A person's coverage with Medicare (Medicare Advantage) becomes effective on the 1st day of the month in which the person's 65th birthday occurs. For example, if the person attains age 65 on January 15th, the Medicare coverage would become effective on January 1st.
- g. Persons who fail to enroll in Medicare by the 65th birthday will probably (unless continue to work) have a "late penalty" added to the Medicare Part B and Part D premiums. The penalty percentage increases each month that the persons fails to apply.

Process of Changing Your Coverage with the SHBP- Stated Policy

1. About 4 months prior to the individual's 65th birthday, the SHBP mails (US Postal Service) a letter to the member (or spouse) explaining what is required for changing to the Medicare Advantage option.
2. If the person is receiving social security benefits, the Social Security Administration will send information to the member (usually with the Medicare Card showing the person's enrollment in Medicare Part A and Part B) about 3 months prior to the 65th birthday.
3. If the person is NOT receiving social security benefits, he/she should contact the Social Security Administration about three months before the 65th birthday to enroll in Medicare. You may apply for Medicare via phone or website. Medicare will make arrangements (other than deducting from the Social Security Benefit) for paying the premium.
4. As soon as you receive the Medicare enrollment card (Parts A and B), follow instructions in the SHBP

letter, but the bottom line is that you must get the information about Medicare coverage to the SHBP. You can go online at www.myshbpga.adp.com and enter the information or you can call the SHBP Call Center at (800) 610-1863 to provide the Medicare information.

5. The SHBP automatically changes your coverage to the Medicare Advantage Standard option. If you want to enroll for the Premium option, you have 31 days to change the option. You should call (800) 610-1863 to change the option. . (Note: as of this date, the enrollment portal at "myshbpga.adp.com" may not have the option for you to choose the Medicare Advantage **Premium Option**.)
6. The SHBP automatically changes your insurance premium and notifies your retirement system of the change in premium, but YOU should verify that the premium has been changed in the retirement benefit. The change in premium should be made in the monthly benefit just prior to the effective date of Medicare Advantage coverage, i.e. verify the premium change in the November retirement benefit for Medicare Advantage coverage beginning on December 1st. If the deducted premium is incorrect, you should contact the SHBP quickly.
7. **DON'T DELAY IN THIS PROCESS.** Enroll for Medicare within the 3 months before your 65th birthday and immediately get the information to the SHBP. If for some reason, your application for the Medicare Advantage option is delayed and Medicare does not receive the information before your 65th birthday, various problems and possibly late fees may be incurred.

Additional Medicare Information

If you continue to work beyond your 65th birthday or your retired spouse turns 65 while you continue to work, the SHBP option for the under age 65 SHBP members will continue (as primary payer) until you retire. You should be very careful about assuring that Medicare coverage for the person age 65 or older is **effective simultaneously or prior to the SHBP coverage as a retiree.**

If you do not enroll in Medicare during your initial enrollment period (at age 65 or at retirement), you have another chance each year to sign up during a "general enrollment period" from January 1 through March 31. Your coverage begins on July 1 of the year you enroll. However,

your monthly premium increases 10 percent for each 12-month period you were eligible for, but did not enroll in, Medicare B (and D) if you enroll later than your initial enrollment period.

However, a late Medicare enrollment has consequences for you as SHBP retiree. As mentioned earlier in this article, the Medicare Advantage contract is between Medicare and the insurance company. The SHBP then contracts with the insurance company. Medicare has strict requirements for “approving” your SHBP change of coverage to the Medicare Advantage Plan. If there is delay in the processing and receiving approval, you may be subject to Medicare’s “late fee” penalty either for Part B or Part D or both. So take care

of this very important process for timely Medicare coverage and reasonable SHBP coverage.

2015 Medicare Part B Premium (Income based Adjustment – If applicable)

The Medicare Part B premium remains unchanged for 2015 at \$104.90 per month for most retirees. However, nationally 5% of Medicare beneficiaries is subject to paying an additional monthly income based adjustment for Part B and a separate adjustment for Medicare Part D. These adjustments are shown in the following charts.

If your yearly income in 2013 was			You pay (in 2015)
File individual tax return	File joint tax return	File married & separate tax return	
\$85,000 or less	\$170,000 or less	\$85,000 or less	Your plan premium
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	N/A	\$12.30 + your plan premium
above \$107,000 up to \$160,000	above \$214,000 up to \$320,000	N/A	\$31.80 + your plan premium
above \$160,000 up to \$214,000	above \$320,000 up to \$428,000	above \$85,000 up to \$129,000	\$51.30 + your plan premium
above \$214,000	above \$428,000	above \$129,000	\$70.80 + your plan premium

If your yearly income in 2013 was			You pay (in 2015)
File individual tax return	File joint tax return	File married & separate tax return	
\$85,000 or less	\$170,000 or less	\$85,000 or less	\$104.90
above \$85,000 up to \$107,000	above \$170,000 up to \$214,000	N/A	\$146.90
above \$107,000 up to \$160,000	above \$214,000 up to \$320,000	N/A	\$209.80
above \$160,000 up to \$214,000	above \$320,000 up to \$428,000	above \$85,000 up to \$129,000	\$272.70
above \$214,000	above \$428,000	above \$129,000	\$335.70

The SHBP does not require a separate premium for Part D or prescription drugs; therefore, the income based amount is the amount to be paid because of the income level of the individual/family.

August, September, October New Members

Name	County	Name	County	Name	County
August		Glenda Jones	Coweta	Charlie Brooks	Paulding
Haral Banks	Monroe	Bradley Jones	Cherokee	Dianne Bullard	Ben Hill
Diane Burdette	Clayton	Glenda Kendrick	Richmond	Bonni Davidson	(Alabama)
Mindy Crean	Gwinnett	Jerry Lanier	Candler	Charlene Ellis	Muscogee
James Harmon	Rabun	Rodney Lawrence	Muscogee	Maryse Fort	Ware
Diane Hobbs	Dekalb	Jane Martin	Fulton	Barbara Fountain	Muscogee
Susan Joanis	Bibb	Deborah Mathews	Henry	Todd Holbrook	Rockdale
Phyllis Lloyd	Fulton	Mary Macmillian	Thomas	Gail Jones	Bibb
Susan Myhal	Rockdale	Jeanette Mellinger	Dekalb	Robert Keller	Clayton
Clarence Nixon, III	Glynn	Florence Miller	Muscogee	Nancy Kendrick	Floyd
Peggy Peters	(Florida)	Barbara Montgomery	Fulton	Bonnie Kersey	(Alabama)
Connie Rouse	Ware	Sigmund Morgan	Dodge	Verdree Lockhart, Sr.	Fulton
Denise Skeels	Hall	Kellie Morgan	Bartow	Olin McLeod	Pulaski
Melba Weldon	Lowndes	Susan Nelson	Barrow	James Minter	Jones
September		John Radcliffe	Lee	Linda Morrison	Baldwin
Edie Adair	Putnam	Brenda Raines	Gilmer	Jorge Novoa	Tift
Robin Alford	Harris	Gail Rohde	Bibb	John O'Brien	Gwinnett
Bobby Anderson	Washington	John Rohde	Bibb	Beth Odum	Bryan
Susan Armstrong	Pickens	Brenda Royston	Gwinnett	Marguerite Oliver-Hay	Muscogee
Mary Bell	Bibb	Clarence Spires	Lowndes	Imogene Palmer	White
William Bishop	Mitchell	Juanice Still	Muscogee	Virginia Raines	Coweta
Nancy Bolen	Jackson	Mary Strickland	Rockdale	James Smith	Laurens
Angelia Brown	Clayton	Jessie Swan	Clayton	Joanne Smith	Laurens
C. Mark Bunkley	Camden	Russell Swindle	Rockdale	Wendy Squires	Putnam
Melanie Carlisle	Douglas	Patricia Townley	Floyd	Charles Tanner	Baldwin
Joan Carpenter	Greene	Clark Turner	Pike	Robert Temple	Bibb
Deborah Chapman	(Alabama)	Michael Turner	Dekalb	Ramona Thielmann	Gwinnett
Red Davis	Dekalb	Beverly Veal	Putnam	Rufus Webb	Johnson
Ethlynn Earnhart	(Florida)	R. Joseph Vignati	Richmond	Eddie Williams	Dougherty
Lorr Elias	Chatham	Guy Weaver	Liberty	Marvyne Woods	Bibb
Betty Ford	Floyd	Wayne Welch	Chatham		
Richard Fox	Bartow	Mary Wicker	McIntosh		
Wiley Girard	Houston	Annelle Williams	Coweta		
Anne Hagen	Chatham	Mabel Wilson	(Alabama)		
Gerald Hagen	Chatham	Alicia Wright	Hall		
Jerry Johnson	Crisp	October			



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Welcome SHBP RETIREES

We're back!
We are honored and look forward to serving you in 2015!




Plans are insured through UnitedHealthcare Insurance Company or one of its affiliated companies, a Medicare Advantage organization with a Medicare contract. Enrollment in the plan depends on the plan's contract renewal with Medicare.
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