

State Leaders Talk Money

GSRA President Russell Hinton recently attended a training conference of the Georgia Fiscal Management Council where he heard presentations from Georgia's budget and appropriation leaders that indicate while Georgia's revenue/budget is the best it's been since 2008, any direct appropriation for Employees Retirement System retirees faces stiff competition with other state priorities.

GSRA President Russell Hinton, as a life-time member of the Georgia Fiscal Management Council, attended a recent training conference of the Council, and provides information about the presentations/discussions of Georgia's budget and appropriation leaders. The Georgia Fiscal Management Council was established in 1968 to serve as a forum for financial, budgetary and operational personnel of state agencies. Presentations by CFO Teresa MacCartney, and Appropriations Chairs Representative Terry England and Senator Jack Hill discussed State revenues and expenses for FY 2015, FY 2016, and FY 2017. The discussions indicated that all three individuals are in sync relative to Georgia's funding issues and priorities for the three fiscal years.

FY 2015: Fiscal Year 2015's real revenue growth rate for the year was 6.6% while budget appropriations were based on half that rate—3.3% growth. The excess revenues were transferred directly to the Revenue Shortfall Reserve (RSR) which reached \$1.2 billion on June 30, 2015, but was still short of the minimum \$2 billion goal. With the RSR at less than goal, it is highly likely that the Governor and General Assembly will watch other priorities so as to continue to increase the reserve in future budgets.

FY 2016: Priority for the Amended FY 2016 budget will be funds to meet public school enrollment growth and increase general education funding. The Governor also wants to find money to put into rural health care access, which has increasingly been a problem for the State and its employees and retirees in rural areas.

FY2017: Revenue in FY 2017 will increase as a result of the Transportation Funding Bill (HB 170) that was enacted in the 2016 General Assembly. The new and

redirected revenue is estimated at \$850 million; however, nearly all of the funds generated will be dedicated to transportation purposes. The negative impact of the transportation bill is that general revenue funds may be less and thereby decrease appropriations in other areas.

Although Georgia's revenue/budget is far better in FY 2017 than any time since the 2008 recession, nondiscretionary appropriations consume about 87% of the entire State budget leaving only 13% for meeting discretionary priorities. The nondiscretionary appropriations are driven by the educational formulary and mandates by federal program, i.e., health care and social programs. CFO MacCartney reminded the agencies that budget submissions for the Amended FY 2016 and FY 2017 will require that each agency submit the same level of funding that is appropriated for FY 2016 (HB 76). Budget requests for additional funds will be allowed only for growth, workload, or enrollment driven programs. OPB will notify agencies which programs have been identified for additional funding requests.

CFO MacCartney stated that one of the Governor's major priorities in 2017 is funding for a 3% salary adjustment (\$400 million) for employees and teachers. She reported that employee turnover for all of state government had risen to 18.04% in FY 2014, up from 13.84% in FY 2010. She also stated that the Office of Planning and Budget's turnover for FY 2015 was a whopping 48%, with much of the turnover a result of other state agencies "cherry-picking" and promoting OPB staff. MacCartney expressed concern that some of the transfers/promotions between agencies may result in inflated salary rates by the receiving agency.

Senator Hill spoke about another issue in determining budget priorities in FY 2017. He stated that the bond rating agencies are pressuring all states to begin prefunding contributions to the Other Post-Employment Benefits (OPEB) trusts for retiree health care. Georgia has historically funded the health care for retirees on what is referred to as “pay as you go”—paying the costs of medical claims when filed with the SHBP claim administrator. The Department of Community Health, after working with OPB, has begun to redirect excess reserves for the State Health Benefit Plan to the State Employees and School Personnel

Post-Employment Health Benefit Trusts. During FY 2015, DCH transferred \$132.2 million to the OPEB Trust Funds (\$101.4 million to State Employees and \$30.8 million to School Personnel). A transfer of \$186 million is currently projected to be transferred into the OPEB trust funds in FY 2016.

President Hinton’s assessment of the presentations is that a direct appropriation for Employees Retirement System retirees will face stiff competition with many priorities, particularly education and health care.

SHBP Increased Reserve Funds in FY 2015

DCH financial statement for SHBP shows that the “fund balance” reserve increased by \$367.9 million in FY 2015, continuing a trend since the deficit reported in 2012. However, GSRA’s analysis shows the substantially improved current “fund balance” reserve of \$786.6 million as of June 30, 2015 is primarily the result of SHBP members themselves, who improved the financial position of the State Health Benefit Plan by paying higher premiums and increasing deductibles and out-of-pocket maximums.

The State Health Benefit Plan financial statement furnished by the Department of Community Health shows that another \$367.9 million was added to the “fund balance” reserve in FY 2015. Previous years of financial statements¹ for the SHBP show that over the last three fiscal years 2013, 2014, and 2015, the financial position has dramatically improved from a deficit of **\$189.8 million** on June 30, 2012 to \$786.6 million on June 30, 2015. The major reason for the improved position is the reduced benefit cost—shifting medical costs to members in out-of-pocket increases over the three years. Increased revenue—employee premiums and employer contributions—added to the reserves to a lesser degree.

As reported by DCH, the SHBP reserves have been restored to satisfactory levels following the drain of all reserves—approximately \$900 million—during the recession period of 2009 -2012. Fund balance reserves have now been restored to \$786.6 million in the last three fiscal

years. Even though some benefits and member coverages were modified by the Affordable Care Act and other legislative mandates, the primary benefit changes that generated the improved reserves from a negative **\$189.8 million** on June 30, 2012 to \$786.6 million are:

- (a) In Calendar 2013 (FY 2013), deductibles and maximum out-of-pocket amounts were significantly raised and many options had substantial premium increases (25% to 40%) for some coverage tiers.
- (b) In calendar 2014 (FY 2014), the benefit structure was totally re-configured with increased deductibles and maximum out-of-pocket amounts. For the first time in many years, all medical services were subject to deductibles, and all active and underage 65 retirees were moved to the lowest premium but highest deductible option – the Bronze option.
- (c) In calendar 2015 (FY 2015), health maintenance options by Blue Cross Blue Shield and

¹ GSRA recognizes that SHBP audit reports will differ as a result of the way some revenue is recorded and to account for future liabilities.

UnitedHealthcare were reintroduced, but with increased premiums for these options, and the Kaiser option was reinstated for choosing by members. DCH also renegotiated the Medicare Advantage insurance rates for over age 65 retirees with UHC, since the rates provided in CY 2014 by BCBSGa were much higher than by UHC in CY 2013²

Analyses of the financial statements show that most of the improved reserve position is a result of reduced benefit cost, which was 7%, 9%, and 11% for FY 2013, FY 2014,

and FY 2015, respectively when compared to FY 2012. Reduced benefit cost is a direct result of member increased deductibles and out-of-pocket maximums. That means that much of the cost for medical care was shifted to SHBP members rather than being paid by the Plan.

The display below shows the revenue received and the expense (benefit and administration) for fiscal years 2012 through 2015.

DCH Financial Statements for the SHBP – Comparison (000s)				
	2012	2013	2014	2015
Revenue	\$ 2,988,575	\$ 3,082,600	\$ 3,158,008	\$ 3,087,180
Claim, premiums, and administration expense	3,050,555	2,844,806	2,787,383	2,719,274
Revenue over Expense (Increase or decrease in Reserves)	\$ -61,980	\$ 237,794	\$ 370,625	\$ 367,906
Fund Balance Reserves	\$ -189,753	\$ 48,048	\$ 418,672	\$ 786,579

By adding the \$-189.8 million and \$786.6 million together, the SHBP fund has improved by \$975.3 million during the three fiscal years. The reduction in claim/benefit expense in dollars during each year compared to FY 2012 is \$205,750 in 2013, is \$263,173 in 2014, and is \$331,283 in 2015. Addition of these three years' reductions explain most of the improved financial position, but the reduction in benefit costs comes at a high cost to members through increased deductibles and OOP maximums.

The other component of increasing reserves is increasing revenue. Over the three-year period, total revenue increased by 3%, 6%, and 3% during FY 2013, FY 2014, and FY 2015 when compared to FY 2012. These

increases in revenue were a result of increased member premiums and minor changes, except for the public school employees, in the employer contributions.

Members' premiums were increased over these years by varying amounts. For example, in Calendar 2013, employee premiums were increased for some coverages as much as 25% to 40%. In CY 2014, DCH changed the subsidy policy to provide the same dollar subsidy regardless of the option. This substantially increased the "gold" option premium while providing a lower premium for the "bronze" option.

Employer contribution rates were adjusted as shown in the table below.

Employer Rates				
	2012	2013	2014	2015
State Agencies	27.363%	29.781%	30.781%	30.454%
Teachers	18.534%	\$912.34 (PEPM ³)	\$945 (PEPM)	\$945 (PEPM)
Public School Employees	\$246.20 (PEPM)	\$446.20 (PEPM)	\$596.20 (PEPM)	\$596.20 (PEPM)

² Rates shown in the 2013 and the 2014 OPEB actuarial reports show the lower rate for CY 2015.

³ Per Member Per Month

Although some of the improved financial position is a result of increased employer contributions, most of the **increased revenue** (except for the public school employees per member per month increase) has been generated by premium increases.

In summary, the financial statements produced by the DCH for the SHBP show that the financial position of the SHBP has improved substantially over the last three fiscal years. However, analysis of the department’s statements also shows that it has been the SHBP members who improved the financial position of the State Health Benefit

Plan by paying higher premiums and increasing deductibles/out-of-pocket maximums.

In future months GSRA will publish analyses of the SHBP audited financial statements that will differ from the DCH statements because of the method of treating some revenue items and future liabilities. The audited statements may show a larger or a smaller reserve, depending on the treatment of some financial items. When the FY 2015 audited statement is available, comparison will be generated and reported to GSRA members.

FY 2016 – FY 2017 SHBP Budget

The Department of Community Health presented to the Board of Community Health for approval the State Health Benefit Plan budget for Amended FY 2016 and FY 2017. Although the projections show that the financial position of the SHBP will improve by another \$203.1 million in FY 2016, the projections also show that about \$42.2 million may need to be taken from reserves in FY 2017 or revenues increased (benefit cuts). Given that there is an objective to prefund the OPEB liability (or at least the Annual Required

Contribution) as stated by the Senate Appropriations Committee Chair, Senator Jack Hill⁴, members should be vigilant in following the decisions being made about the SHBP for FY 2017. The Board’s budget requests will be reviewed and recommendations made by the Governor in January 2016. The budgets will then be debated by the General Assembly in its General Session—January through March 2016.

JULY – SEPTEMBER NEW MEMBERS

Name	County	Name	County	Name	County
July		Teresa Giles	Lowndes	John Armstrong	Tift
Jane Arnold	Sumter	Clifford Meeks	Troup	Sheila Ball	Dekalb
Donna Broach	Walton	Patricia Montorella	Muscogee	Richard Berry	Henry
Margaret Cooper	Walton	John Overstreet	Ware	Tessie Brown	Henry
Mark Dejarnette	Henry	Lisa Pratt	Meriwether	Lucretia Burton	Fulton
Pamela Fair	Muscogee	Nancy Ragsdale	Cherokee	Ann Carver	Douglas
Betty Ann Ford	Coffee	Virgil Seagle	Haralson	Kim Creamer	Meriwether
Helen Fowler	Thomas	Samuel Snipes	Coffee	Marcus Dickerson	Richmond
Carolyn Garcia	Cobb	Lennard Thompson	Colquitt	Toni Driskell	Fayette
Robert Gattis	Ware	Robert Vaughn	Cobb	Barbara Edmondson	Morgan
Ronda Matheny	Walton	Margie Brigmond	Bacon	Anne Hagan	Richmond
Patricia Melton	Coffee	Danny Jones	Murray	Sonya Love	Newton
Buretta Shepherd	Fulton	Julie Moody	Muscogee	Douglas Martin	Dodge
August		Melodee Stewart	Walton	Thomas Murphy	Henry
Stan Adams	Coffee	September		Pat Nichols	Douglas
Tommy Baker	Thomas	Herman Archie	Muscogee	Faye Prieto	Atkinson

⁴ See the article on State Leaders Talk Money in this issue of the GSRA newsletter.

Name	County	Name	County	Name	County
Marilyn Pryor	Dekalb	Billy Shrouder	Douglas	Rodney Weaver	Whitfield
June Rowell	Douglas	Michelle Stanley	Bibb	Sataya Williams	Cobb
Irene Sanders	Floyd	Joe Vignati	Dekalb		

GSRA Day and Legislative Reception

REMEMBER THIS DATE:

February 3, 2016

The 2015 Annual Meeting was a great success and the perfect kick-off for *GSRA Day at the Capitol* and the *Legislative Reception* in the evening. Attendees at the Annual Meeting received valuable information from State Officials as well as from workshop presenters. GSRA leadership presented proposed actions and revealed new initiatives which will require commitments and support from our membership in order to realize success.

These initiatives were outlined in the September Newsletter and updates will be provided to membership. Please read all emails and written communications so you can stay abreast of developing news and respond by taking action accordingly. There are many issues at stake that may further impact our benefits and very often immediate action is necessary.

A very ambitious agenda is planned for next year and potentially subsequent years. Make your voice heard and plan to be in this picture on February 3, 2016!





Kip's View: GSRA Leadership Markets Future Plan

GSRA's President-Elect outlines efforts being made to ensure all the elements of GSRA's future plans are explained and understood by members and other organizations.

Since the Annual Meeting in August, GSRA President Russell Hinton and I have traveled the state, meeting with organizations and local chapters to discuss the association's future plans. I have personally been to three Local Chapter meetings and two state affiliated association meetings explaining GSRA Future Plans as presented at the Annual Meeting. Using the same "Show of Hands Exercise" as in Savannah, those in attendance almost unanimously raised their hands when asked if they endorsed our strategy.

At the Georgia Juvenile Service Conference in Savannah on September 2-4, 2015, GSRA received 32 renewed or new memberships. Many new members joined upon hearing that we were requesting that active employees receive a 3% pay raise. Other GJSA members have continued to join up following this conference.

At the Douglas Chapter meeting on 9/14, the Valdosta Chapter meeting on 9/15 and the Brunswick Chapter meeting on 9/16 the Future Plans presentation was warmly received and the members expressed satisfaction that we've taken a comprehensive approach in making our wishes known, are eagerly waiting for an official response from the

Governor, and are awaiting directions as to how to proceed from GSRA's Board.

The gathered members and officers of the Georgia Department of Transportation Employees Association (GDOTEA) supported all parts of our future plan, but strongly supported the collaborative approach for working towards mutual goals. They will be included in our next collaborative meeting to plan future strategies. When I asked for a show of hands as to who in the meeting were GSRA members, three out of four officers on the podium raised their hands and several of the members in the audience also raised their hands. We have potentially great allies here with this organization.

Requests are also coming in from other local GSRA Chapters, and plans are currently being made by either Russell or me to attend other local Chapter meetings to talk with members about our Future Plans and any other issues of importance to them. In coming months, plans are in the works to meet with the Savannah, Northeast Metro, Northwest Metro, and Southern Crescent Chapters by one or both of us.

SHBP Open Enrollment

October 19 – November 6, 2015

Don't Forget Your AMBA Benefits!

We encourage you to view the benefits available to you as a member of GSRA by visiting our contracted vendor, www.myAMBAbenefits.info/association/gsra or at [1-800-258-7041](tel:1-800-258-7041). You will see many discounted products (electronics, vacation) and benefits, such as long-term care or dental insurance.



Let us Help You

For your questions or concerns about anything related to GSRA:

Call: **770-312-2799**

Email: help@mygsra.com

We will do our best to help!

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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Endorsed GSRA Benefits

The Georgia State Retirees Association (GSRA) makes many member only benefits available to its members. GSRA endorses the following member benefits:

- Long Term Care / Home Health Care Policy
- Life Insurance
- Medical Air Services Association (MASA)
- Travel Discounts
- Car Rental Discounts
- Tax-Deferred Annuity
- Cancer Treatment Policy
- Medicare Supplement Insurance
- Identity Theft Protection
- Hotel Discounts
- Computer Discounts

Review your benefits at: www.myAMBAbenefits.info/gsra



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* APR - Annual Percentage Rate. Loan rate is quoted as an Annual Percentage Rate and is subject to change without notice. Rate example is quoted for a 2010 or newer model year auto with a 36-month repayment period. Estimated monthly payment on a 36-month loan at 1.55% = \$29.00 per \$1,000.00 borrowed. Additional rates and terms are available. Ask for details. Rates shown are the lowest available for the listed term as of June 30, 2014. All loans are subject to approval of credit. Your actual rate is based upon your credit history. APCU is an Equal Opportunity Lender.