

## 2016 Annual Meeting a Big Success!

We met in Macon and celebrated our past year's successes and made plans for the coming year, spent time with old and new friends, and enjoyed workshops and presentations of importance to us during our retirement years.

To open the Annual Meeting, President Kip Mann reiterated our past accomplishments:

- Asked that a 3% raise be granted all ERS and TRS employees – Funded and Approved!
- Asked that ERS retirees be given a benefit adjustment to offset cost of living increases – a 3% one-time adjustment on 1<sup>st</sup> \$30,000 of ERS Benefits – Funded and Approved!
- Asked that a DCH SHBP Advisory Council be established – House Resolution passed and the Council was established by DCH.
- Asked that no major changes be made to Health Insurance Plans while Governor Deal remains in office – Governor agreed!
- Asked that no changes be made to current ERS Investment strategy and to keep current safeguards in place – No changes made and safeguards kept!

Kip next introduced members to the goals for this upcoming year that build on this past year's successes:

- Achievement of a 3% across the board pay raise for all active state employees and teachers.
- Maintain SHBP benefits at the current level with minimal increased cost (both premiums and out of pocket expenses).
- Enhance the ERS Retirement Fund by:
  - Providing \$825 million to raise the ERS funded liability from 74% to 79%, a 5% increase.
  - Providing \$115 million for a cost of living adjustment for ERS retirees in FY 2018 of 1%. Seeking legislative affirmation that the ERS Board is authorized to add annually a percentage of a minimum of

.45% to the ADEC to help pay down the unfunded liability of the ERS retirement fund.

- GSRA requests that the General Assembly add no further investment options to the list of authorized ERS investments that would add other speculative, or alternative private investment areas, and to keep existing statutory safeguards in place. A good benchmark would be to invest under current law until at least 10 years of investment data is available to determine the success of alternative investing.



President Kip Mann addresses GSRA members

Following two days of informative general sessions and workshops, Kip led the business meeting portion of the program, including election of the upcoming year's officers and new board members:

Officers	
President – Kip Mann	
President-Elect – Steve Herndon	
Secretary – Connie Smith	
Treasurer – Harold Grindle	

At-Large Board Members	Term
Dean Crist*	2016-2017
John Keys*	2016-2017
Beth Morgan*	2016-2017
Janet Blackmon	2017-2018
Joy Evans	2017-2018
Ernie Melton	2017-2018
Local Chapter Representatives	Region
Sam Shepherd, Central Metro	North Georgia
Lynell Hayes, Thomaston	South Georgia
Allan Hill, Savannah Coastal	East Georgia
Bob Pollock, SW Georgia	West Georgia
* 2 <sup>nd</sup> year of two year term	

Kip followed that up with a preview of GSRA’s marketing initiative in 2017. Marketing GSRA Membership to retirees, active state employees and teachers, and achieving our 2017 Goals and Objectives are the two items that the Board will ask for your work and support to achieve!

Why marketing, you might ask? Marketing is important because:

- It grows our membership;
- It increases awareness of GSRA and our mission; and
- It gains support for achievement of GSRA goals and objectives.

Marketing is a team effort that starts and ends with the individual GSRA member with support from the Local Chapter and the GSRA Board. Armed with a new membership brochure stressing our accomplishments we, the membership, will make contact formally and informally with retirees and active state employees and teachers encouraging them to join GSRA. Each Local Chapter will receive copies of our marketing strategy and will implement

ideas to support recruitment of new members. You will be asked to get actively involved with the individual personal goal of getting three new members to join GSRA. If each of us achieves this goal we will grow our membership from almost 5,000 members to 20,000 members. So let’s each get three new members to help us get a 3% COLA again **OR** “Let’s Get Three for Three!” Look for further information coming from your Local Chapters on this topic!



Members distribute their tickets on an assortment of door prizes

After awarding some truly outstanding door prizes, we adjourned a very successful Annual Meeting. Now we are looking forward to a very productive and busy year of growing our membership and enabling our members, current and new, to achieve our goals. There is strength in numbers and when we speak, as if with one voice, there is nothing we cannot achieve. The upcoming year presents new challenges to overcome, but after the year just past and with the momentum of the Annual Meeting, we’re in a much better position to accomplish our goals! Thank you for your continued support!

Mark your calendar for GSRA Day at the Capitol on February 1, 2017!

## SHBP and ERS Provide Annual Meeting Updates

Both the SHBP and ERS provided general session updates to GSRA members on day one of the Annual Meeting. Jeffrey T. Rickman, SHBP Division Chief, reviewed the process and options available during the annual open enrollment period for retirees, highlighting changes, issues, and Open Enrollment/Retiree Option Change Period for the SHBP. Rickman encouraged members to study the “Decision Guide” and update any desired changes on-line between October 17<sup>th</sup> and November 4<sup>th</sup> and highlighted the following:

- (a) A member can make as many changes as he/she desires by entering in the on-line system, [www.mySHBPga.adp.com](http://www.mySHBPga.adp.com). The last change made during the Retiree Option Change Period will be the one implemented by SHBP.
- (b) Persons eligible to retire under a state retirement system can continue coverage into retirement by application within 60 days after employment cessation.
- (c) Retirees approaching age 65 should notify the SHBP about the effective date of Medicare Part B as soon as the retiree receives information from Medicare.
- (d) If a member decides to continue the same coverage during CY 2017 as he/she had during CY 2016 that coverage **will automatically “roll over” in 2017 without the member taking any action.**
- (e) Members will lose the Medicare Advantage coverage **If the member discontinues Medicare B or enrolls in another Medicare supplemental or Part D coverage.** If a member enrolls in one of the other type plans, the SHBP will change the member’s coverage to one of the options offered to active member, **but will change the monthly premium to one without any state subsidy.**
- (f) SHBP will offer the second Medicare Advantage vendor—Blue Cross Blue Shield of GA—in CY 2017. The benefit provisions for BCBSGA and UHC MA options are the same; however, premiums for the vendors differ. Both BCBSGA and UnitedHealthcare (UHC) will add benefit coverage for telemedicine treatment effective January 1, 2017.
- (g) BCBSGA and UHC provide wellness features to help retirees maintain their health in “after employment”

years. Specifically featured is the wellness coaching sessions.

- (h) Retirees under the age of 65 have the same options as active SHBP members at the same monthly premium rates.

Rickman closed his comments by stating that BCGSGA and UHC are exhibitors at GSRA’s Annual Meeting and will provide individual assistance or answer questions about process or benefits offered by the respective company.

Next, James (Jim) Potvin, Executive Director of the Employees Retirement System, commented on the most prevalent issues regarding the ERS and then answered GSRA members’ questions. Director Potvin discussed the increase in funded ratio, the five-year experience study that adjusted some of the actuarial assumptions about the retirement plan, investments and investment returns, alternative investments, how the ERS compares with other states’ retirement plans, and other questions raised by the audience.

Director Potvin began his remarks by stating that the “funded ratio” increased for all of the “defined benefit” plans administered by ERS during the last year. The “funded ratio” for ERS—the largest of the DB plans administered by ERS—rose to 74.1%. The increase is a result of several factors, such as: change in actuarial assumptions, rates of retirement, change in mortality, investment return, etc.

The Board of Trustees authorizes an “experience study” every five years to compare actuarial assumptions to what actually occurred. The study to evaluate the assumptions covered the years 2009 through 2014 and revealed that the “life expectancy” of retirees increased during the period; however, the improved mortality rate was offset by a decrease in other assumptions, such as salary increase and retirement rates, resulting in only a .09% increase in the employer contribution rate because of the changed assumptions.

The market value of all DB plans administered by ERS was \$15.6 billion on June 30, 2015 and was \$15 billion on June 30, 2016. Investment return for FY 2015 was 3.74% and was 1.4% in FY 2016. However, the fund liability and “funded ratio” are based on the actuarially determined value of assets instead of the market value. The actuarially

determined value of assets is based on a smoothed investment return over the previous five years. The target investment rate of return is 7.5%, which is approved by the ERS Board annually. Over a long period of time, the investment return of 7.5% for ERS has been met—over 10 years it was 6.5% and over 25 years was at 8.2% -- meeting the 7.5% projection. When questioned about the funded ratio for the next actuarial valuation, Director Potvin stated that it is a little early to project the funded ratio, but it could change a little either up or down.

Director Potvin stated that the average retiree monthly benefit is \$2,300 (annually \$27,600). Money coming into the fund to pay benefits is generated by investments (about 60%), 6% from members, and employers (about 34%). He pointed out that projections show that the increasing liabilities for the ERS DB plans has about “leveled off.” Some of the factors that have changed the rate of increasing liabilities is the implementation of the GSEPS (Georgia State Employee Pension and Savings) tier that includes a reduced defined benefit with a 401(k) matching component, the adoption of the Board’s “Funding Policy” and reductions in the active workforce. Liabilities have gone from a 4% increase each year to about 1% each year.

Budget issues for FY 2017 – 2018 look good--the bond rating agencies have just reconfirmed Georgia’s AAA rating and Georgia’s revenue growth was 8% to 9% in FY 2016. Of course, offsetting the good news is that there are many competing needs in the State.

**Questions:** Director Potvin answered many questions by GSRA members. Those below are representative of the questions rather than a comprehensive list.

1. How does the return on “Alternative Investments” compare with the total portfolio invested by the Division of Investments? Response: The return on the ERS private equity portfolio—although defined as multi-year investments—were about 3% per year greater than other investments. Potvin pointed out that this is an early return rate and that only a small portion of the \$15 billion in assets is invested in Alternatives.
2. Does the ERS have legislative initiatives for 2017? Response: Potvin stated that ERS did not have substantive legislative initiatives for 2017 for the pension plan.
3. Would ERS consider using mutual funds (public markets) instead of Alternatives. Response: the ERS

portfolio already receives a similar level of diversification in direct investments in the public markets that mutual funds are designed to provide; mutual funds are not necessary for the ERS investments. The Alternative investments are intended to provide a different level of diversification from the public markets.

4. Does ERS have any outside pressure to invest in a particular investment? Response: The system has historically been well-shielded from outside pressure. The Board is composed of seven members—three ex-officio members (State Auditor, State Treasurer, DOAS Commissioner), two ERS retirees or members elected by other Board members, a member appointed by the Governor, and an outside (no membership in ERS) investment/monetary individual. Only a small portion of funds (about 12-13%) are invested by outside money managers; the vast majority of the portfolio is managed directly by in-house staff.
5. How does ERS compare with other state retirement plans? Response: Comparison with other state plans is somewhat difficult because of the various retirement provisions, actuarial assumptions, and investment philosophies; however, ERS is in the median range for the funded ratio and investment returns. Potvin pointed out that as long as the General Assembly and the Administration continue to maintain Georgia’s longstanding commitment to full actuarial funding of the required contributions, he considers the system to be on the right track financially. Not all of our peer systems can make a similar assumption.



GSRA member poses a question to Jim Potvin

## Day Two Highlights Legislative Concerns

Observing an Annual Meeting tradition, the day two General Session highlighted legislative/governmental concerns of interest to members. The GSRA legislative team provided a report on GSRA efforts during the 2016 legislative session, followed by a panel, whose members were comprised of two legislators and a representative from OPB, which discussed budgetary and other concerns related to the ERS pension fund and the SHBP fund, as well as other matters.

Leading off the afternoon session, Legislative Committee Chair Chuck Freedman and Legislative Liaison Chuck Clay provided a legislative update. Freedman led off, and briefly described GSRA's successes in the past session (see the March-April newsletter for a complete description). These included working with both houses' appropriations committees to obtain our one-time benefit adjustment, working with Rep. Debbie Buckner and a coalition of state employee/retiree groups and teachers' associations to pass a House resolution to create an SHBP consumer advisory council, and blocking several bad bills on tax reform and reducing current protections on alternative investments. Freedman also related GSRA's implementation efforts that followed the session with the ERS board and the DCH commissioner. He praised the efforts and effectiveness of Chuck Clay, whose performance was all that GSRA had hoped for when we selected him to represent us. Freedman then discussed steps that he and the P&O committee had taken to make the legislative review, analysis, and action processes more inclusive of local chapters and other interested employee/retiree/teacher organizations. Along those lines, he requested that all chapters name chapter members of the legislative committee and forward those names and contact information to him at [legislation@mygsra.com](mailto:legislation@mygsra.com) or to Donna Buffum at [help@mygsra.com](mailto:help@mygsra.com).

Chuck Clay then spoke about the relationships that have been built with legislators, including the two (Rep. Dickerson and Sen. Bethel) who would be participating on the panel discussion to follow. He described effective actions that members can take with legislators to have greater impact on influencing the legislators' decisions.

The featured item on the afternoon agenda was a discussion by panel members James Taylor of OPB, and legislators Rep. Tom Dickerson and Sen. Charles (Charlie) Bethel. James Taylor, OPB's CFO, also involved in strategic planning, was first up. He was a last minute replacement for OPB Executive Director Theresa

MacCartney, who had an unanticipated schedule conflict. Mr. Taylor summarized OPB's role in budget analysis and recommendations, including funding pensions at the "actuarially determined employer contribution (ADEC)" percentage. Budget staff are cautiously optimistic, but recognize that there will be another downturn in investment earnings. They just don't know when. Mr. Taylor said that state revenue receipts increased in FY 2016, but the Governor still has an objective to increase funding in the "rainy day" fund, so much of the increase will be committed for that purpose. Other budgetary increases will be required for funding enrollment growth in secondary education and in higher learning. In addition, increased participants in Medicaid will also have to be funded for FY 2017 & FY 2018.

Rep. Tom Dickerson spoke next. A respected legislator for many years, Rep. Dickerson lost a primary runoff election after he was requested to represent the House Appropriations Committee on the panel. He explained the House role in the budget process. Essentially, the Governor has committed all available funds when he submits his budget report to the Legislature. The House gets the first crack about making changes; for those programs which the House wants to increase funding, it must reduce funding the Governor has recommended for other programs. After the House passes an appropriations bill to the Senate, the Senate has the same process – taking something that the Governor and/or House has funded and using that amount to fund something that the Senate wants. The Governor has the final say so in that he can line item veto anything that the House and/or Senate funded. Major funding that is committed for FY 2017 includes:

- K-12 enrollment growth 1-2% requiring expenditures of \$250 million;
- Medicaid increased participants – funding;
- Higher Education requires \$117 billion; and
- Pensions require \$217 million.

Rep. Dickerson stated that several retirees communicate with him; however, a standard email or form letter is not effective with him. The important thing is to communicate how a bill will affect Rep. Dickerson's district constituents. Emails are fine, but tell me what you think, not what is on a

form letter. Chuck Freedman took this opportunity to state that GSRA had received this feedback loud and clear in previous legislative sessions, and that this was why GSRA action alerts in the 2016 session did not provide sample messages for members to click and send; rather, the action alerts provided information for members to use in drafting messages in their own words. Freedman said that he intended that future action alerts will also require members to draft their own messages.

Sen. Bethel, the new secretary of the Senate Appropriations Committee, was last to speak. He reiterated Rep. Dickerson's opinion on form letters -- personal contact will get a response, but if it is a form email, it will not get a lot of consideration. Sen. Bethel said he is an evangelist for preventive medicine, but the Affordable Care Act (Obama Care) did not bend the cost increase curve even though it may have promoted health.

Commenting on the funding of pensions, Sen. Bethel said that process is a mathematical equation. The long-term health of a plan is important, but the pension boards are the controlling entities. If a decrease in the COLA is required, he recognizes that this is hard, but if decreases in payouts are slow, it can slow the funding requirements. ERS faces the issue of a growing percentage of retirees living longer. Each individual costs more than anticipated. However, he believes that promises should be kept, and a way should be found to fulfill promises. When asked about legislation to expand permissible alternative Investments, he doubted that any will pass although new proposals will continue to be made.



Senator Bethel addresses members during the panel discussion

After Senator Bethel's presentation, the panel responded to GSRA members' questions as follows:

- What is the "rainy day fund balance? It was about \$1.9 billion at the end of FY 2016. However, the balance immediately went down because of the payments that were required immediately as FY 2017 began.
- What is the best way to contact a legislator? When contacting a legislator about something in a committee that the legislator is not a member of, he or she may not know of the issue. Therefore, while you should contact your legislator, also copy a member of that committee. Then your legislator will probably touch base with the committee on your behalf. During the session, all calls go through legislators' assistants. Hopefully the legislators will return your calls. However, GSRA members should not be too upset if you don't hear from the legislators personally, but you should hear from someone in the legislators' offices.
- Is the state doing anything about the drug companies? Senator Bethel stated that the cost of some drugs are high because of liability, but he questioned why the same drug costs more in one state than it does in another.
- What will it take to restore the 3% COLA? Rep. Dickerson said that the pension's "funded ratio" would have to increase to 80% of liabilities, and then the COLAs would be automatic. (NOTE: Rep. Dickerson misstated the recent ERS board guidelines in that COLAs are not automatic – they must be granted by the board. The board always has the option of granting COLAs regardless of whether the pension fund's liabilities are at least 80% funded.) Sen. Bethel opined that it is irresponsible to provide for outflow that reduces the funded ratio. Also, FY 2018 new funding budget priorities will require \$1.5 billion when increased revenues will be only \$1 billion.

### State Senate Seeks Retiree Applicants

Ideal temporary jobs for retirees who want to earn extra income without committing to a full-time job. Work at the State Capitol from January until April updating and proofreading legislation for the Georgia Senate during the legislative session. Must enjoy reading, have high level of attention to detail and accuracy, and be a team player. Some positions require working with a computer. Send resume and cover letter to: Rich Snelson, Secretary of the Senate's Office, 353 State Capitol, Atlanta, GA 30334 or email [rich.snelson@senate.ga.gov](mailto:rich.snelson@senate.ga.gov).



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## Endorsed 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
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Review your benefits at: [www.myAMBAbenefits.info/gsra](http://www.myAMBAbenefits.info/gsra)

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