



September 29, 2016

Honorable Norman Boyd, Chairman  
Board of Community Health  
9145 Old Southwick Pass  
Alpharetta, GA 30022

Honorable Terry England, Chairman  
Appropriations Committee  
State House of Representatives  
245 State Capitol  
Atlanta, GA 30334

Honorable Jack Hill, Chairman  
Appropriations Committee  
State Senate  
245 State Capitol  
Atlanta, GA 30334

Gentlemen:

As required by OCGA 45-18-25.1(j), the Department has compiled the following information about the **Georgia State Employees Post-Employment Health Benefit Fund** (referred to as the State OPEB Fund) for Fiscal Year 2016. The following revenue and expense information is provided:

1. FY 2016 State Health Benefit Plan (SHBP) Balance Sheet for the State OPEB Fund – Attachment A-1
2. FY 2016 SHBP Statement of Revenue and Expense for the State OPEB Fund – Attachment B-1
3. FY 2016 SHBP Summary of Investment Account Activity for the State OPEB Fund – Attachment C-1

#### Current Year Retiree Revenue and Expense

Please see Attachment B-1; however, in summary, the Department:

- Transferred \$159,204,364 in revenue from the proprietary fund<sup>1</sup> to the State OPEB Fund to reflect the employer share of revenue made available to support FY 2016 expenses for current State retirees. This is a 4.0% decrease as compared to last year.

---

<sup>1</sup>The State Health Benefit Plan is comprised of three health insurance plans, each supported by its own fund: 1) a plan for State employee (O.C.G.A. § 45-18-2), which is funded in part by State departments and agencies and other entities authorized by law to contract with the Department of Community Health for inclusion, and in part by the employees and retirees of these entities, and two plans funded in part by the Department of Education, local school systems, libraries and RESAs, and their employees and retirees: 2) a plan for teachers (O.C.G.A. § 20-2-891) and 3) a plan for non-certificated public school employees (O.C.G.A. 20-2-911).

- Received \$48,545,652 in FY 2016 premium revenue contributed by State retirees participating in the SHBP. This is a 1.5% increase as compared to last year.
- Paid \$207,750,016 in retiree expense. This is a 2.7% decrease as compared to last year.

#### Assets in Long-Term Investment

Please see Attachment C-2; however, in summary, the Department:

- Transferred \$413,743,389 to a short-term investment account that has been earmarked to help fund the OPEB liability.

#### OPEB Valuations of Future Liability

Included for your review, as Attachment D, is the June 30, 2015 Retiree Medical Valuation for the Georgia State Employees Post-Employment Health Benefit Fund, which was recently completed and will be used for FY 2016 OPEB liability disclosures. The total Unfunded Actuarial Accrued Liability for the State OPEB Fund increased by \$555 million as compared to the June 30, 2014 valuation (from \$2.871 billion to \$3.427 billion). This change was primarily due to increased Medicare Advantage premium rates for Plan Year 2016.

If you have any questions please do not hesitate to contact the Departments' Chief Financial Officer, Elizabeth Brady at (404) 657-4859 or ebrady@dch.ga.gov.

Sincerely,



Clyde L. Reese III, Esq.

Attachments (4)

cc: Teresa MacCartney, State CFO, Director, Office of Planning and Budget  
Elizabeth Brady, CFO, Department of Community Health  
Jeff Rickman, Chief, State Health Benefit Plan  
DCH Board of Directors

**Georgia Department of Community Health  
State Health Benefit Plan  
BALANCE SHEET (UNAUDITED)  
As of June 30, 2016**

|                                   | <i>ENTERPRISE FUND</i>   | <i>FIDUCIARY STATE<br/>FUND</i> | <i>COMBINED FUNDS</i>      |
|-----------------------------------|--------------------------|---------------------------------|----------------------------|
| <b>Assets</b>                     |                          |                                 |                            |
| A1.1 Cash and Cash Equivalents    | \$ 416,926,667.78        | \$ 530,511,552.60               | \$ 947,438,220.38          |
| A1.2 Investments                  | 391,157,132.33           | -                               | \$ 391,157,132.33          |
| A1.3 Net Accounts Receivable      | 900,292.27               | 140,663.40                      | \$ 1,040,955.67            |
| A1.4 Due From Other Funds         | -                        | -                               | \$ -                       |
| A1.5 Other                        |                          |                                 | \$ -                       |
| <b>Total Assets</b>               | <b>\$ 808,984,092.38</b> | <b>\$ 530,652,216.00</b>        | <b>\$ 1,339,636,308.38</b> |
| <b>Liabilities</b>                |                          |                                 |                            |
| L1.1 Claims Incurred but Not Paid | 176,900,000.00           | 12,509,000.00                   | 189,409,000.00             |
| L1.2 Accounts Payable             | 23,405,402.12            | 1,896,338.93                    | 25,301,741.05              |
| L1.3 Claims Payable               | 1,511,718.65             | 1,767.18                        | 1,513,485.83               |
| L1.4 Due to Other Funds           | (846,002.58)             | -                               | (846,002.58)               |
| L1.5 Deferred Revenue             | -                        | -                               | -                          |
| L1.6 Other                        | -                        | -                               | -                          |
| <b>Total, Liabilities</b>         | <b>\$ 200,971,118.19</b> | <b>\$ 14,407,106.11</b>         | <b>215,378,224.30</b>      |
| <b>Fund Balance:</b>              | <b>\$ 608,012,974.19</b> | <b>\$ 516,245,109.89</b>        | <b>\$ 1,124,258,084.08</b> |

\*The State Health Benefit Plan is comprised of three health insurance plans, each supported by its own fund: 1) a plan for State employees (O.C.G.A. § 45-18-2), which is funded in part by State departments and agencies and other entities authorized by law to contract with the Department of Community Health for its inclusion, and in part by the employees and retirees of these entities, and two plans funded in part by the Department of Education, local school systems, libraries and RESAs, and their employees and retirees: 2) a plan for teachers (O.C.G.A. § 20-2-891) and 3) a plan for non-certificated public school employees (O.C.G.A. § 20-2-911)

**Georgia Department of Community Health**  
**State Health Benefit Plan**  
**Georgia Retiree Healthcare Fund (i.e., State OPEB Fund)**  
**FY 2016 STATEMENT OF RETIREE REVENUE AND EXPENSE (UNAUDITED)**

| Retiree Type:           | Retiree Premiums            | Earmarked for Retirees from Department of Education | From Active Employer Revenue for: |                       |                       | Subtotal                     | Total |
|-------------------------|-----------------------------|---|-----------------------------------|-----------------------|-----------------------|------------------------------|-------|
|                         |                             |   | Pay As You Go                     | GF1 Investment        | Employer Share        |                              |       |
| State Employee Contract | 48,374,230.84<br>171,421.20 | -   | 159,204,364.28                    | 414,810,952.92        | 574,015,317.20        | 622,389,548.04<br>171,421.20 |       |
| <b>TOTAL REVENUE</b>    | <b>48,545,652.04</b>        | -   | <b>159,204,364.28</b>             | <b>414,810,952.92</b> | <b>574,015,317.20</b> | <b>622,560,969.24</b>        |       |

| Retiree Type:           | (a)                   |                       | (b)                 |                     | Total                 |
|-------------------------|-----------------------|-----------------------|---------------------|---------------------|-----------------------|
|                         | Claims Payments       | Other Premium Expense | Administration      | Administration      |                       |
| State Employee Contract | 144,302,415.08        | 53,680,357.63         | 9,647,604.96        | 9,647,604.96        | 207,630,377.67        |
|                         | 58,330,775            | 51,364.54             | 9,943.36            | 9,943.36            | 119,638.65            |
| <b>TOTAL EXPENSE</b>    | <b>144,360,745.83</b> | <b>53,731,722.17</b>  | <b>9,657,548.32</b> | <b>9,657,548.32</b> | <b>207,750,016.32</b> |

**Surplus/(Deficit)** 414,810,952.92

(a) Does not include FY16 IBNR net change  
 (b) Medicare Advantage/LIS/LEP and Kaiser expenses

\*The State Health Benefit Plan is comprised of three health insurance plans, each supported by its own fund: 1) a plan for State employees (O.C.G.A. § 45-18-2), which is funded in part by State departments and agencies and other entities authorized by law to contract with the Department of Community Health for its inclusion, and in part by the employees and retirees of these entities, and two plans funded in part by the Department of Education, local school systems, libraries and RESAs, and their employees and retirees: 2) a plan for teachers (O.C.G.A. § 20-2-891) and 3) a plan for non-certificated public school employees (O.C.G.A. § 20-2-911)

Georgia Department of Community Health  
 State Health Benefit Plan  
 Georgia Retiree Healthcare Fund (i.e., OPEB Fund)  
 FY 2016 SUMMARY OF INVESTMENT ACCOUNT ACTIVITY (UNAUDITED)

Total  
 \$ 101,434,156.97

July 1, 2015 Beginning Balance for GF1 OPEB Investments

SHBP Contributions:

| <u>Transfer Month</u> | <u>OPEB State<br/>Contribution</u> | <u>State Interest</u> |
|-----------------------|------------------------------------|-----------------------|
| Jul-15                | \$ 15,194.19                       | \$ 15,194.19          |
| Aug-15                | \$ 15,249.99                       | \$ 15,249.99          |
| Sep-15                | \$ 14,974.66                       | \$ 14,974.66          |
| Oct-15                | \$ 15,454.90                       | \$ 15,454.90          |
| Nov-15                | \$ 14,541.42                       | \$ 14,541.42          |
| Dec-15                | \$ 413,743,389.00                  | \$ 413,822,119.90     |
| Jan-16                | \$ 133,911.75                      | \$ 133,911.75         |
| Feb-16                | \$ 133,516.27                      | \$ 133,516.27         |
| Mar-16                | \$ 152,499.98                      | \$ 152,499.98         |
| Apr-16                | \$ 157,720.14                      | \$ 157,720.14         |
| May-16                | \$ 167,073.41                      | \$ 167,073.41         |
| Jun-16                | \$ 168,696.31                      | \$ 168,696.31         |

June 30, 2016 Ending Balance for GF1 OPEB Investments

\$ 516,245,109.89

\*The State Health Benefit Plan is comprised of three health insurance plans, each supported by its own fund: 1) a plan for State employees (O.C.G.A. § 45-18-2), which is funded in part by State departments and agencies and other entities authorized by law to contract with the Department of Community Health for its inclusion, and in part by the employees and retirees of these entities, and two plans funded in part by the Department of Education, local school systems, libraries and RESAs, and their employees and retirees: 2) a plan for teachers (O.C.G.A. § 20-2-891) and 3) a plan for non-certificated public school employees (O.C.G.A. § 20-2-911)