

# SHBP UPDATE



# SHBP Status

- Ended year with \$50,580,920
- Declining revenue and increasing expenditures
  - Expected Early Retiree Reinsurance Program (ERRP) funds not materializing
  - Employee headcount decreasing
  - Retiree enrollment growth
- Managing Cash Flow
  - Accelerate billing
  - Frontload percent of payroll

- Reserve Accounts

	<u>Actuarial Amount</u>	<u>FY 2011 Balance</u>
- OPEB: State	\$4.478 B	\$0
- OPEB: Teacher	\$11.250 B	\$0
- IBNR (2 Months)	\$ 463 M	\$50 M

# Rate Adjustment Impact

FY 2012	Projected Surplus/(Deficit)	
	Without Prepay/Frontload	With Prepay/Frontload
Jul-11	(76,658,620)	16,523,578
Aug-11	(109,848,639)	10,352,518
Sep-11	(127,603,057)	19,513,586
Oct-11	(146,104,473)	27,824,580
Nov-11	(165,349,936)	35,288,844
Dec-11	(198,522,065)	28,724,154
Jan-12	(222,642,921)	31,108,839
Feb-12	(212,509,354)	67,646,441
Mar-12	(213,118,393)	93,340,319
Apr-12	(231,281,515)	4,035,788
May-12	(239,366,885)	(74,918,544)
Jun-12	(259,000,442)	(165,149,660)

# Board Resolution

- The board resolution increases the percent of payroll billings from 18.534% to 24%. The 24% will be in place through March 2012, and the rate will be lowered to 3.9% the last 3 months of the fiscal year in order to be budget neutral to the Department of Education.

# Direct Bill Plan

- The Present Billing Model for Employer Contributions
  - The employer contributions to the SHBP are calculated by payroll site as a percent of payroll.
    - i.e. monthly payroll = \$1,000,000 X 27% = \$270,000
    - This amount changes every month for each of the 800 payroll sites.
    - Projecting the revenue that will actually be collected for any fiscal or calendar year is very challenging
- The Hybrid Direct Bill Model for Employer Contributions
  - Teacher and Non-Certificated Employers will calculate the Employer Contribution to the SHBP based on the number of employees that are members of the SHBP
    - Numerous administrative efficiencies will be realized.
    - Revenue projections for the plan will be much more accurate.
    - Revenue collections will be stable.
  - State Agencies will calculate their SHBP employer contributions based on a percent of payroll.
    - PeopleSoft Provides the Payroll Information.
    - Federal Funds will continue to be leveraged.

## Presentation on DCH Website

[www.dch.georgia.gov](http://www.dch.georgia.gov)

Select "About Us" and "Budget  
Information"

# Other Post Employment Benefits (OPEB)

- OPEB
  - Our current OPEB liability is \$16 Billion
  - In FY09 the OPEB Account had a \$272 Million Balance
  - In FY12 the OPEB Account has a \$0 Balance
  - The Annual Required Contribution(ARC) for the State Employee OPEB Fund is \$339M or 12.91% of active payroll, payable for FY13 to actuarially support the benefits of the Fund.
  - The Annual Required Contribution(ARC) for the School Personnel OPEB Fund is \$982M or 8.58% of active payroll, payable for FY13 to actuarially support the benefits of the Fund.
- Why do we need properly funded OPEB Accounts?
  - Maintain our Bond Rating
  - If we don't fund our OPEB Accounts, within 10 years, the State of Georgia will experience Health Care Expenses from retirees that will have a severe impact on the State's budget.