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September 30, 2012

Honorable Ross Mason, Chairman
Board of Community Health
641 Loridans Drive, N.E.
Atlanta, GA 30342

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** (State OPEB Fund) for Fiscal Year 2012. The following revenue and expense information is provided:

1. FY 2012 State Health Benefit Plan (SHBP) Balance Sheet for the State OPEB Fund – Attachment A
2. FY 2012 SHBP Statement of Retiree Revenue and Expense for the State OPEB Fund – Attachment B

Current Year Retiree Revenue and Expense

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

- Transferred \$184,175,158 in revenue from the proprietary fund¹ to the State OPEB Fund to reflect the employer share of revenue made available to support FY 2012 expenses for current State retirees. This is a 16.8% increase as compared to last year.

¹The 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 \$41,781,293 in FY 2012 premium revenue contributed by State retirees participating in the SHBP. This is a 17.7% increase as compared to last year.
- Paid \$225,956,450 in retiree expense. This is a 6.1% increase as compared to last year.

Assets in Long-Term Investment

As a reminder, the assets deposited in long-term investments were liquidated in FY 2010 in response to the state's budget constraints. No additional advance funding has been earmarked for OPEB since the liquidation. There are no investment earnings to report for FY 2012.

OPEB Valuations of Future Liability

I am including for your review as Attachment C the June 30, 2011 Retiree Medical Valuation for the Georgia State Employees Post-Employment Health Benefit Fund, which was recently completed and will be used for FY 2012 OPEB liability disclosures. The total Unfunded Actuarial Accrued Liability for the State OPEB Fund decreased by \$166.8 million as compared to the June 30, 2010 valuation (from \$4.478 billion to \$4.312 billion). This decrease was the result of strategic actions taken by the DCH Board focusing on the sustainability of the SHBP, including a new annuitant subsidy policy and various Plan Year 2012 changes, such as: premium increases, increases in co-pays, deductibles, out-of-pocket maximums, and pharmacy benefit changes.

On December 8, 2011 the DCH Board approved an Annuitant Years of Service Subsidy Resolution that established a new subsidy policy for future covered annuitants that links retiree coverage subsidies to years of retirement service.²

² NOW, THEREFORE, BE IT FURTHER ORDERED THAT: the Department shall include in any written description of Annuitant Subsidy Policies the following statement: "The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution, and does not constitute a contract or promise of any amount of subsidy."

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The Annuitant Years of Service Subsidy Policy applies to employees with less than five (5) years of service as of January 1, 2012 and includes provisions where retirees pay a portion of the contribution rate based on their service at retirement. Their spouses pay a portion of the spouse contribution rate based on the retirees' service at retirement. Employees with 5 or more years of service as of January 1, 2012 are grandfathered in to the current subsidy policy, the Annuitant Basic Subsidy Policy. The Annuitant Years of Service Subsidy Policy is projected to reduce the 2043 projected Accrued Liability of the State OPEB Fund by \$3.245 Billion. Actions taken to reduce OPEB liability are viewed favorably by bond rating agencies.

Please do not hesitate to contact me or the department's Chief Financial Officer, Vince Harris, with any question you may have.

Sincerely,



David Cook

Attachments (3)

cc: Debbie Dlugolenski Alford, State CFO, Director, Office of Planning and Budget
Vince Harris, CFO, Department of Community Health
Trudie Nacin, Director, State Health Benefit Plan
DCH Board of Directors

**Georgia Department of Community Health
State Health Benefit Plan
BALANCE SHEET (UNAUDITED)
As of June 30, 2012**

	ENTERPRISE FUND	FIDUCIARY STATE FUND	COMBINED FUNDS
Assets			
A1.1 Cash and Cash Equivalents	\$ 55,817,885.38	\$ 14,101,146.96	\$ 69,919,032.34
A1.2 Investments	-	-	\$ -
A1.3 Net Accounts Receivable	171,742.54	1,742.07	\$ 173,484.61
A1.4 Due From Other Funds	-	-	\$ -
A1.5 Other	-	-	\$ -
Total Assets	\$ 55,989,627.92	\$ 14,102,889.03	\$ 70,092,516.95
Liabilities			
L1.1 Claims Incurred but Not Paid	162,202,000.00	12,725,000.00	174,927,000.00
L1.2 Accounts Payable	2,671,155.51	176,642.23	2,847,797.74
L1.3 Claims Payable	51,633,862.35	1,201,246.80	52,835,109.15
L1.4 Due to Other Funds	29,235,577.90	-	29,235,577.90
L1.5 Deferred Revenue	-	-	-
L1.6 Other	-	-	-
Total, Liabilities	\$ 245,742,595.76	\$ 14,102,889.03	\$ 259,845,484.79
Fund Balance:	\$ (189,752,967.84)	\$ (0.00)	\$ (189,752,967.84)

*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 State Employees Post-Employment Health Benefit Fund (State OPEB Fund)
 FY 2012 STATEMENT OF RETIREE REVENUE AND EXPENSE (UNAUDITED)

Retiree Type:	Retiree Premiums	Earmarked for Retirees from Department of Education		From Active Employer Revenue for:		Subtotal	Employer Share	Total
		Pay As You Go	Investment	Long-Term	Investment			
State Employee	41,697,360.33	184,112,519.69	62,638.09	184,112,519.69	62,638.09	184,112,519.69	62,638.09	225,809,880.02
Contract	83,932.28	-	-	-	-	-	-	146,570.37
TOTAL REVENUE	41,781,292.61	184,175,157.78	-	184,175,157.78	-	184,175,157.78	-	225,956,450.39

EXPENSE

Retiree Type:	(a)			(b)		Total
	Claims Payments	Other Premium Expense	Administration	Other Premium Expense	Administration	
State Employee	161,241,901.77	56,873,629.73	7,694,348.52	24,959.65	4,445.79	225,809,880.02
Contract	117,164.93	-	-	-	-	146,570.37
TOTAL EXPENSE	161,359,066.70	56,898,589.38	7,698,794.31	-	-	225,956,450.39

Surplus/(Deficit)

(a) Does not include FY12 IBNR net change
 (b) Medicare Advantage/LIS/LEP expenses

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