



September 30, 2009

Honorable Richard L. Holmes, Chairman
Board of Community Health
Senior Vice President – Metro Atlanta Region
Georgia Power Company
Mail Bin 10240
241 Ralph McGill Boulevard
Atlanta, GA 30308

Honorable Ben Harbin, Chairman
Appropriations Committee
State House of Representatives
245 State Capitol
Atlanta, GA 30334

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

Gentlemen:

As required by OCGA 45-18-102(k), the Department has compiled the following information about the Georgia Retiree Healthcare Fund (i.e., the “OPEB fund”) for FY 2009. As of September 30, 2009, the financial audit of the Department’s FY 2009 financial statements was not yet completed. As a result, revenue and expenditure information provided here should be considered unaudited but is the most recent information reasonably available. The Department does not expect audited statements to be available prior to November 30, 2009.

1. FY 2009 State Health Benefit Plan Balance Sheet, including the Georgia Retiree Healthcare Fund (i.e., the Fiduciary Fund) – Attachment A
2. FY 2009 State Health Benefit Plan (SHBP) Statement of Retiree Revenue and Expenditures by retiree type – Attachment B
3. FY 2009 Summary of Long-Term Investment Account Activity for OPEB Contributions earmarked for Future OPEB liability – Attachment C

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Current Year Retiree Revenues and Expenditures

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

- Transferred \$462,816,058 in revenue from the three proprietary funds that comprise the State Health Benefit Plan¹ to the OPEB Fund to reflect the employer share of revenue made available to support FY 2009 expenditures for current retirees. This is a 9.1% increase as compared to last year.
- Transferred \$126,840,341 in FY 2009 premium revenue contributed by retirees participating in the SHBP to the OPEB Fund. This is a 1.4% increase as compared to last year.
- Paid \$590,055,187 in retiree expenditures. This is a 7.4% increase as compared to last year.

Long Term Investment

As shown in Attachment C, the Department collected \$9,701,901 in remaining FY 2008 contributions from state agencies earmarked for future OPEB liability and transferred them to the dedicated OPEB account at the Division of Investment Services at the Employees Retiree System for long-term investment. There were no appropriations for long term investment in FY 2009.

Of note is the significant loss in market value of the cumulative contributions made to the OPEB fund for long-term investment. As of June 30, 2009, the department recorded investment losses totaling \$26,207,177. As a result, the FY 2009 year-end long-term investment account balance was \$165,961,165, a reduction of \$10,252,741 as compared to the same time last year after considering all FY 2009 activities.

¹ 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 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).

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OPEB Valuation of Future Liability

I am including for your review the June 30, 2008 Retiree Medical OPEB Valuation, which was recently completed and will be used for FY 2009 OPEB liability disclosures. The total Unfunded Actuarial Accrued Liability decreased by \$23.9 million as compared to the June 30, 2007 valuation (from \$16.472 billion to \$16.449 billion). The valuation considers a significant reduction in liability due to plan design changes that mandated initial enrollment in consumer directed health plans for new plan entrants effective January 1, 2009 and required SHBP members over age 65 to enroll in Medicare Part B beginning in July 2009 and Medicare Advantage Plans in calendar year 2010 in order to continue receiving the state subsidy. This reduction was mostly offset by a deficiency in the Annual Required Contribution, since the SHBP financing remains on a pay-as-you-go basis.

Events Subsequent to June 30, 2009:

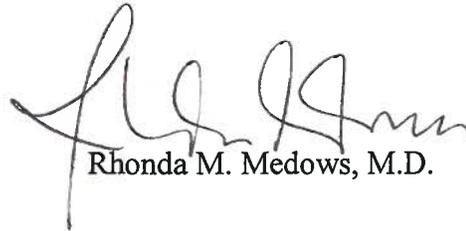
As required by S.B.122, the Board of Community Health passed a resolution in August 2009 to identify assets in the Georgia Retiree Healthcare Fund earmarked for state employees and to transfer those assets to the new Georgia State Employees Post-employment Health Benefit Fund. Likewise, the same resolution identified assets in the Georgia Retiree Health Fund earmarked for teachers and non-certificated school service personnel and transferred them to the new Georgia School Personnel Post-employment Health Benefit Fund. The resolution also required financial transactions related to current year revenues and expenditures for retirees to be assigned to the new OPEB funds based on their plan assignments. A copy of the resolution is attached for your further information.

The Employer contributions to the SHBP were reduced from September – November 2009 in response to the state's budget constraints and at the direction of the Governor. In order to ensure adequate funding for retiree expenditures in FY 2010, the board directed in August 2009 that the assets deposited in long-term investments in the OPEB funds be liquidated and made available to help pay retiree pay-as-you-go expenditures in FY 2010. The investments liquidated on August 31, 2009 resulted in \$136,932,084 made available in the Georgia State Employees Post-employment Health Benefit Fund for FY 2010 state employee and contract group retiree expenses and \$33,806,175 in the Georgia School Personnel Post-employment Health Benefit Fund for FY 2010 retired school personnel expenses.

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Please do not hesitate to contact the department's Chief Financial Officer, Carie Summers, with any questions you may have. She may be reached at 404-657-4859 or csummers@dch.ga.gov.

Sincerely,



Rhonda M. Medows, M.D.

Attachments (5)

cc: Tommy Hills, CFO, State of Georgia
Trey Childress, Director, Office of Planning and Budget
Carie Summers, CFO, Department of Community Health
Nancy Goldstein, Director, State Health Benefit Plan
Archer Rose, Chairman, Audit Committee, Board of Community Health