



January 31, 2011

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

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 45-18-102(k), the Department has compiled the following information about the Georgia State Employees Post-Employment Health Benefit Fund and the Georgia School Personnel Post-Employment Health Benefit Fund for FY2010. The following revenue and expenditure information is provided:

1. FY 2010 State Health Benefit Plan Balance Sheet, including the Fiduciary State Fund and the Fiduciary School Fund – Attachment A
2. FY 2010 State Health Benefit Plan (SHBP) Statement of Retiree Revenue and Expenditures by retiree type – Attachment B
3. FY 2010 Summary of Long-Term investment Account Activity for OPEB Contributions earmarked for Future OPEB liability – Attachment C

Current Year Retiree Revenues and Expenditures

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

- Transferred \$330,748,264 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 FY2010 expenditures for current retirees. This is a 28.5% decrease 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). Equal Opportunity Employer

- Transferred \$113,579,152 in FY 2010 premium revenue contributed by retirees participating in the SHBP to the OPEB Fund. This is a 10.5% decrease as compared to last year.
- Paid \$614,809,481 in retiree expenditures. This is a 4.2% increase as compared to last year.

Use of Assets in Long-Term Investment

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 2010 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. A copy of the board resolution is attached for your information.

As shown in Attachment C, the Department liquidated long-term investment assets of \$170,738,259. The amount of \$136,932,084 represents assets from the Georgia State Employees Post-Employment Health Benefit Fund, and \$33,806,175 represents assets from the Georgia School Personnel Post-Employment Health Benefit Fund.

OPEB Valuations of Future Liability

I am including for your review the June 30, 2009 Retiree Medical Valuations for the Georgia State Employees Post-Employment Health Benefit Fund and the Georgia School Personnel Post-Employment Health Benefit Fund, which were recently completed and will be used for FY 2010 OPEB liability disclosures. The total Unfunded Actuarial Accrued Liability decreased by \$197.9 million as compared to the June 30, 2008 valuation (from \$16.449 billion to \$16.251 billion). The valuation considers a reduction in liability due to plan design changes that increase the amount that retirees must pay by means of increased deductibles, co-pays, out-of-pocket maximums and increased coinsurance, as well as an increase in the amount retirees must pay when selecting the Premium Medicare Advantage option. This reduction was offset by a deficiency in the Annual Required Contribution, since the SHBP financing remains on a pay-as-you-go basis.

The Honorable Ross Mason
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The Honorable Jack Hill
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Please do not hesitate to contact the department's Chief Financial Officer, Vince Harris, with any question you may have. He may be reached at (404) 657-4859 or vharris@dch.ga.gov.

Sincerely,



David A. Cook
Commissioner

Attachments (5)

cc: Debbie Dlugolenski, Director, Office of Planning and Budget
Vince Harris, CFO, Department of Community Health
Trudie Nacin, Director, State Health Benefit Plan
Archer Rose, Chairman, Audit Committee, Board of Community Health