

# Living **power**

For all who have made a living and now wish to make a life

## **A Good Budget Year for the General Assembly**

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*(Editor's Note: The information in this article is current as of May 18. For updates, please call the Association Hotline at 919-834-4652 or 1-800-356-1190, extension 30.)*

The General Assembly returned to Raleigh on May 9 with the State in the best financial condition in the past 5 years. Tax collections are well ahead of forecasts reflecting the economic recovery. Also, the Office of State Budget and Management projects that current-year expenditures will be lower than expected. These factors have produced an estimated budget surplus of nearly \$2 billion.

This is good news for the Legislature that has set a fast pace to adopt a budget addressing deferred needs, including raises for retirees and active employees. Governor Easley presented recommended adjustments to the 2006-07 state budget on the first day of this legislative session. The recommended changes for the second year of this biennium reflect a net increase of almost \$1.5 billion in expenditures. This increase includes over \$700 million for salary increases for active teachers, community college personnel, and state em-

ployees, Cost-Of-Living Adjustments for state retirees, and repayment of a portion of the funds still owed to the state retirement system. The highlights of the Governor's recommendations are presented below.

### **Governor's Budget Recommendations**

■ 3.7% COLA for retired state employees and Teachers. The Governor recommended an appropriation of \$48 million from the General Fund to supplement the gains available in the Teachers' and State Employees' Retirement System (TSERS). The available TSERS gains would only support a 2.1% COLA.

■ \$30 million to repay a portion of the money that was diverted from TSERS in 2000-2001. This represents the fourth installment in a 5-year repayment plan. Approximately \$45 million plus accrued interest would remain to be paid in 2007-08.

■ 4.0% salary increases for active full-time state departmental, agency, and

*(Continued on next page)*



## **A Good Budget Year for the General Assembly**

*(Continued from page 1)*

University System employees effective July 1.

- A one-step increase plus a flat \$2,250 for each public school teacher. This increase is equal to an 8% average pay increase for active classroom teachers.

- 4.0% salary increase for all Community College personnel plus an additional 4.0% raise for Community College faculty and professional staff.

The Governor's recommendations do not address COLAs for retired local government employees since the Local Governmental Employees' Retirement System (LGERS) does not receive any state funding. A separate bill addressing LGERS Cost-Of-Living Adjustments for 2006 was scheduled for the week of May 20. This bill will authorize a 2.8% COLA as recommended by the Board of Trustees of the Retirement Systems. A 2.8% COLA will require the use of all the undistributed gains in the

LGERS.

### **Important Bills Introduced**

Compensation increases for both retired and active employees appears to be a

high priority this year. Several significant bills were introduced during the first two weeks of this Session. These bills are summarized below.

### **House Bill 1907: Teachers and State Employees Retirement System COLAs**

This bill would authorize a 5.0% COLA for retired teachers and state employees effective July 1, 2006. The bill was introduced by Representatives Lucas and Bell and was referred to the House Committee on Pensions and Retirement.

### **House Bill 2064: Repay Retirement Systems**

This bill calls for full repayment of funds that were withheld from the Teachers and State Employees Retirement System in 2000-01. The bill authorizes an appropriation of \$113.7 million to repay the entire remaining principal amount plus accrued interest. Interest is based on the amount that would have been earned if these monies had been in the retirement fund. Representative McGee is the primary sponsor of this bill which has 48 co-signers.

### **House Bill 1812: Raise State Employee/Teacher Pay 7%**

This is one of four identical bills that were introduced in the House to provide active state employees and teachers with a 7% pay increase effective July 1, 2006. These four bills have been referred to the House Appropriations Committee.

*Living Power* is published to provide current information for NCRGEA's membership. Newsletters are printed bi-monthly and mailed to all members of NCRGEA. Your comments are welcome.

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### **House Bill 1889: Increase Fire and Rescue Pensions**

This bill would increase the monthly pension payment to eligible fire fighters and rescue squad workers from \$163 to \$165 effective July 1. The bill is sponsored by Representative Julia Howard and was referred to the House Committee on Pensions and Retirement.

### **Senate Bill 1286: Add Senior ADAs to the Judicial Retirement System**

This bill would add senior assistant district attorneys (ADAs) to the Consolidated Judicial Retirement System. Senior ADAs include assistant district attorneys who have at least 15 years of service as a assistant D.A. or as a district attorney. The bill is sponsored by Senator East.

### **The Road Ahead**

Additional bills addressing retirement benefit are expected to be introduced in the next several days. These include the local retiree COLA bill, legislation to link state retiree COLAs to the increases provided to active employees, and changes to the vesting period for State Health Plan benefits for new employees.

The Senate has set an ambitious schedule to adopt an amended budget for 2006-07. The Senate intended to adopt the budget by the end of May and send it to the House for consideration. The goal is to finalize the budget before the end of the current fiscal year.

- Ed Regan

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## **New State PPO Option Raises Retiree Questions**

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The information in the article on pages four and five was provided by the State Health Plan's office and focuses on the advantages of the PPO. First and foremost, the PPO Options are **ONLY** available to retired teachers and state employees. If you retired from a local governmental system, such as a city or county, you are **not** eligible for this program.

We have received many calls from members who want to know if any of the PPO options are right for them. We really are not qualified to advise you if you should change from the Comprehensive Major Medical Plan (CMMP) to a PPO plan. The new *SmartChoice* PPO Plans are not for everyone. As always, we urge our members to carefully consider whether the original plan or the PPO options best meet their needs. Whether your doctors and your local hospitals are part of the PPO network of providers is a key consideration. Also consider whether you cover your spouse under the State Health Plan, as you no longer have to pay the family rate if you only want to cover your spouse in the PPO options. The PPO options provide a "member/spouse only" premium.

The State Health Plan has a wealth of information on their website at [www.ncsmartchoice.com](http://www.ncsmartchoice.com). They frequently update the website so check it often. If you have questions about the new PPO options, please call the PPO Customer Service Line at 1-888-234-2416.

# North Carolina State Health Plan - Important Information for Retirees on the New NC *SmartChoice* PPO Plans

North Carolina State retirees and retired teachers are eligible during open enrollment to choose one of the new preferred provider organization (PPO) plans or they may choose to continue their coverage under the North Carolina Comprehensive Major Medical Plan (CMMP).

**Open Enrollment - May 22, 2006 – June 30, 2006**  
Customer Service 1-888-234-2416 ♦ [www.ncsmartchoice.com](http://www.ncsmartchoice.com)

There are three new NC *SmartChoice* PPO plans, SmartChoice Basic, *SmartChoice* and SmartChoice Plus. The three PPO plans have different copays, deductibles and coinsurance levels, giving you more choice and the ability to choose the plan that is right for you and your family. See back page if you are Medicare eligible.

Retirees who select one of the NC *SmartChoice*<sup>TM</sup> PPO plans will receive *some great new benefits!*

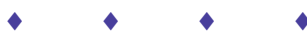
Copay Only for Office Visits <sup>1</sup>	When you receive care from an in-network provider in his/her office, you will only be responsible for the copay. No deductible or coinsurance applies to non-hospital based services received in a physician's office.
Routine Eye Exam	Coverage for 1 routine eye exam per benefit year provided by an in-network provider.
Preventive Care	No dollar limit on in-network preventive care coverage. Regardless of how much your preventive care coverage costs, you are covered. If the services are provided by an in-network physician in his or her office, you will only have to pay a single copay.
Diabetic Supplies	Pay only a pharmacy copay for diabetic supplies, such as test strips and syringes.
Routine Mammograms	Screening mammogram covered at 100% in-network beginning at age 35, when the screening is performed alone.
An Employee/Spouse Option	You no longer have to pay the family rate if you only want to cover your spouse.
Premium Savings for Dependent Coverage	Reduced premium rates available when you cover more than just yourself.
On-line "My Member Services" available	You will be able to go on-line and view your claims status, check your benefits summary, update your policy information and order new ID cards.

<sup>1</sup>. As you make a decision about joining the State Health Plan's new NC *SmartChoice*, please remember that some in-network providers work in practices that are hospital-owned or operated. If you see an in-network provider whose practice is hospital-owned or operated, the services you receive may be subject to your in-network deductible and coinsurance. Call your physician or refer to the Provider Directory, if you are unsure as to whether your physician works in a hospital-owned or operated practice.

## Medicare Primary

Retirees who are Medicare primary and select one of the NC SmartChoice PPO plan options will save on their out-of-pocket expenses through:

- Lower Premiums – Premiums are lower for the *NC SmartChoice* plans than the CMM plan for dependent coverage
- Spouse-Only Coverage - The *NC SmartChoice* PPO plan options offer a new level of coverage, Employee & Spouse, for members who only have a spouse to cover. Under the CMM plan, you have to select family coverage in order to cover your spouse.
- Diabetic Supplies (Test strips and Syringes) - Covered as a pharmacy benefit for only a copay under the *NC SmartChoice* PPO plan options but subject to copay, deductible and coinsurance under the CMM plan. *Medicare does not cover syringes.*
- Routine Physicals and Gynecological Exams – Covered for only a copay when services are provided by a participating Blue Options in-network physician under the *NC SmartChoice* PPO plan options but subject to copay, deductible and coinsurance under the CMM plan. *Medicare does not cover routine annual physicals and gynecological exams.*
- Routine Eye Exams - Covered for one routine eye exam per benefit period when services are provided by a participating Blue Options provider under the *NC SmartChoice* PPO plan.



The North Carolina State Health Plan has contracted with Blue Cross Blue Shield of North Carolina to offer new NC *SmartChoice* PPO plans via BCBSNC's Blue Options provider network. In addition to all of the benefit enhancements, retirees will receive some benefit extras with the Blue Options network!

### Blue Card Program

- *Out of State – In-Network Benefits*
  - With the Blue Card program you can still receive services at the in-network benefit level even when you are not in North Carolina. All you have to do is visit a Blue Cross Blue Shield participating provider in another state and you will receive the same coverage as if you were seeking care from a participating provider in North Carolina.
- *Out of Country – In-Network Benefits*
  - Out of the country, in-network benefits are only a phone call away! Call the toll-free number, worldwide, from anywhere to find a participating Blue Cross Blue Shield provider and receive in-network coverage.

*Please note:* When receiving care outside of North Carolina you are required to obtain certification for services that require prior authorization such as MRI's or hospitalization. Physician office visits **do not** require prior authorization. Call Customer Service at 1-888-234-2416 to see if the service you are seeking requires prior authorization.

### Blue Extras Program

- With the Blue Options network you will receive discounts on certain non-covered services. These services include: cosmetic dentistry, lasik eye surgery, hearing aids, cosmetic surgery, massage therapy and alternative medicine. Plus you will receive discounts on vitamins and herbal supplements.

### My Member Services

- As a NC *SmartChoice* PPO member you will be able to go online and:
  - View claim status
  - Order new ID cards
  - Check benefits summary
  - Update policy information
  - Make better informed health care decisions
  - Earn prizes for physical activity
  - Research health and wellness topics

## State Health Plan Subcommittee Issues Report

The Subcommittee on the State Health Plan, one of six subcommittees of the state House Select Committee on Health Care, issued an interim report on April 11. The Subcommittee on the State Health Plan held five meetings between December 13, 2005 and April 4. The Interim Report did not recommend any specific legislation for consideration during the 2006 Session. However, the subcommittee reserved the right to propose future statutory changes affecting the State Health Plan.

The subcommittee did identify one area for action by the General Assembly in 2006. The interim report included a recommendation that the appropriate standing committee of the House be charged with the responsibility of reviewing the current state policy that provides for full vesting in the State Health Plan at five years of service. The standing committee would review the option of establishing a graduated vesting schedule for state employees first hired after October 1, 2006. The graduated vesting schedule is outlined below.

The graduated vesting proposal is simi-

lar to two bills that were introduced during the 2005 Session of the General Assembly. House Bill 1352 proposed graduated vesting, with the state covering the State Health Plan premiums at 25% for retirees with 5 to 10 years of service, at 50% with 10 to 15 years, at 75% with 15 to 20 years, and at 100% for 20 years and beyond. Senate Bill 837, which was approved by the Senate and now is in the House Committee on Health, would move the threshold for 100% vesting to 10 years. A state employee hired after October 1, 2006 would have to complete at least 10 years of creditable service in order to qualify for State Health Plan coverage at retirement. These two bills would not affect the State Health Plan benefits of current retirees or state employees.

The subcommittee invited testimony from a broad range of stakeholders that included organizations representing active and retired state employees, teachers, the University System, the State Health Plan, and major private sector employers. There were several common themes in the testimony that was offered by the groups representing retired and active state employees and teachers. The highlights of these shared observations on the State

Years of Service Contributory Retirement Svc. Premium	% State Contribution To Health Plan Premium	% Employee Contribution to Health Plan
5 up to 10 years	0%	100%
10 up to 20 years	50%	50%
20 years +	100%	0%

Health Plan are summarized below.

■ **Member/Spouse Coverage Tier:**

The State Health Plan should offer a separate premium tier for members who wish to cover only a spouse. This tier would be an addition to the current options of Individual and Member/Family coverage.

■ **Wellness Benefit:** The current \$150 annual maximum for Wellness should be increased since the amount does not cover the cost of annual physical examinations and various preventive screenings.

■ **Annual Deductible:** The current \$350 annual deductible limits the value of the State Health Plan, especially for retirees who have primary coverage under Medicare. Every effort should be made to limit future increases in the annual deductible.

■ **Preferred Prescription Drugs:**

There should be a process to expedite the addition of prescription drugs that are in widespread usage to the Preferred List that is administered by the Pharmacy Committee of the State Health Plan.

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## **When To Update A Will**

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Not only is it important to have a will, it is also very important that your will is current and reflects your present situation. To ensure your will carries out your wishes, you may want to review it periodically. Listed below are some suggestions for when you may want to consider changing your will:

- Marriage/Divorce
- Birth/Death of a child

- Moving to a new state
- Change in financial circumstance

Not only is it important to update your will when circumstances change, but also to review and update your beneficiary designations. Life insurance policies, retirement accounts, and payable on death accounts are some examples of beneficiary designations you would want to consider periodically reviewing.

Having a will that reflects your current circumstances will greatly ease the estate administration process, which in turn will help your loved ones through what will be a difficult and stressful time.

Questions about Wills may be answered by consulting an attorney. The material above is intended to be accurate; however, consultation with appropriate professionals for assistance is recommended.

*The information for this article was provided by the State Employees' Credit Union.*

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## **Retired Personnel - District Assistance Program**

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The Department of Public Instruction is looking to contract with retired central office or school-based personnel interested in working a flexible schedule to assist with the State's LEA Assistance Program (LEAAP). Please let any recently retired superintendents, associate superintendents,

*(Continued on page 12)*

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**Editor's Note:**

If you have internet access, you may go to our website at [www.ncrgea.com](http://www.ncrgea.com) to sign up to receive our weekly legislative update. The report is sent to members via email every Friday, with a summary of events that occurred that week at the North Carolina General Assembly. We do not share our email addresses with anyone.

If you do not have internet access and are interested in hearing this summary, please call our tollfree hotline, 1-800-356-1190, and you may listen to this summary recorded. If it is after business hours, please type in "30" to hear the update. The recording is changed every Friday afternoon.

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## Experience Reports Impact Retiree COLAs

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The Board of Trustees of the Retirement Systems received the results of the latest experience studies of the state and local retirement systems that was conducted by actuary for the State Retirement Systems Division. The Board adopted recommended changes to the assumptions used by both the state and local systems regarding mortality, withdrawals, active employee salary increases and years of service at retirement. These modified assumptions require adjustments to the projected long-term liabilities of both systems and affect the amount of undistributed gains available for COLAs this year.

The experience studies are conducted every five years. The data presented in the reports compare actual experience with assumed trends for the period January 1, 2000 through December 31, 2004. The results for the Teachers' and State Employees' Retirement System (TSERS) indicated the need to increase projected liabilities from \$43.8 billion to \$44.2 billion. This adjustment reduced the gains available from the equivalent of a 2.18% COLA to the equivalent of 2.10%. A higher COLA will require supplemental appropriations from the General Assembly.

The long-term liabilities of the Local Governmental Employees' Retirement System (LGERs) also were increased to reflect the findings of the experience study. The resulting change reduced the gains available from the equivalent of a 3.28% COLA to the equivalent of 2.8%. An increase in the local government employer contribution rate would be required to support a higher COLA.

The experience studies found significant differences between expected trends and actual experience in several key areas. These differences are explained below.

- ◆ **Mortality** -- There has been a significant increase in life expectancy. There were fewer deaths than expected among active members of both TSERS and LGERs. This was the single most important component in the increased long-term liabilities of both systems. The actuary recommended the adoption of new mortality tables.

- ◆ **Withdrawal Rates** -- The number of employees local government employment withdrawing their contributions from LGERs has decreased. An exception to this trend is the higher rates of withdrawal among female law enforcement officers and firefighters. This change increases the liabilities of the local system by a relatively large magnitude. In contrast, TSERS withdrawal rates were higher than expected, but the offsetting reduction in liabilities was relatively small.

- ◆ **Retirements** -- There were mixed results in this area. Retirements among employees in the 50 to 59 age bracket were higher than expected. This was especially true among teachers. This trend, coupled with declining mortality rates, increases the liabilities of both systems. However, this increase is partially offset by fewer retirements among employees 60 or more years old.

- ◆ **Salary Assumptions** -- The experience studies found that the assumptions used to project annual increase in active employee salaries were too optimistic. Growth in actual employee salaries was well below the assumed level. This trend lowered system liabilities, partially offsetting the impact of lower than expected mortality.



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## Retired Personnel - District Assistance Program

*(Continued from page 7)*

assistant superintendents, principals and teachers who have not been retired for more than three years, who were strong in curriculum, finance, technology or human resources and who may be interested in some contracted work know about this announcement.

For more information, you may contact Rick Klein at 919-807-3761 or email him at [rklein@dpi.state.nc.us](mailto:rklein@dpi.state.nc.us) or you may e-mail a copy of your resume to the above e-mail address or fax it to 919-807-3767. The deadline is June 19, 2006.

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NC Retirement System .....	1-877-733-4191
CIGNA (Medicare Administrator) .....	1-800-633-4227
Seniors' Health Insurance Information Program .	1-800-443-9354
Medical Review of North Carolina .....	1-800-722-0468
NC State Health Plan .....	1-919-881-2300
Blue Cross/Blue Shield .....	1-800-422-4658
(State Health Plan Administrator)	
Social Security Administration .....	1-800-772-1213
State Employees' Credit Union .....	1-888-732-8562