

Living **power**

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

Legislature in High Gear

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Introduction

The pace of activity in the General Assembly increased in early May as bill filing deadlines were reached and the House of Representatives adopted a proposed budget for the 2007-09 biennium. The following report on this legislative session covers activities through May 17.

Highlights of the House Budget

The House gave final approval to House Bill 1473 (The 2007 Appropriations Act) on May 11. The bill has been sent to the Senate for consideration.

Pension Increases

The budget approved by the House falls short of the goals set by our Association and a coalition of other organizations representing state employees and teachers. The joint goals of our organizations regarding retirement benefit increases include:

1.) a Cost-Of-Living Adjustment (COLA) equal to the rate of inflation (2.5%) or equal to the raise granted to

state employees, whichever is higher,

2.) a one-point increase in the retirement accrual formula, from the current 1.82% to 1.83%, and,

3.) an increase in the state employer contribution rate, from the current 2.66% to 4.0% of payroll.

The House budget provides only a 2.0% COLA for retired teachers and state employees. House Bill 1473 appropriates \$29.6 million to provide the funding needed to pay the 2.0% COLA. The gains available in the Teachers' and State Employees' Retirement System (TSERS) to fund pension increases would only cover a 1.0% COLA.

The supplemental appropriation also increases the employer contribution rate marginally to 2.98%.

Retired members of the Consolidated Judicial Retirement System and the Legislative Retirement System also will receive a 2.0% COLA. These increases can be funded by gains available in the two systems. *(Continued on page 3)*



NCRGEA News & Views

Have you moved recently? Or has your local post office changed your street address for 911?

We need your correct address to keep you informed and to get your *Living Power* delivered to your door. If you have had a recent change of address and have notified the North Carolina Retirement

System, you still need to make a separate call to our office. Call us at 919-834-4652 or 1-800-356-1190 or email kathy@ncrgea.com.

Weekly Legislative Updates at Your Service

This issue of *Living Power* contains several pages of legislative updates and information. Because this newsletter is bi-monthly, information in the newsletter could be given to you much quicker if you are interested. On Fridays while the General Assembly is in session, we send out a weekly legislative update.

There are two ways to receive this update. You may sign up to receive our weekly legislative update via email by sending us an email at info@ncrgea.com. We do not give

out our email addresses to any third parties and all email addresses are kept confidential.

If you don't have internet access, you may choose to call our toll-free telephone number at any time of day or night at 1-800-356-1190. If it is during working hours, just ask for "Extension 30". If it is after hours, the voice mail system will be activated and you should press the number "30" on your phone to be automatically transferred to hear the recorded update.

Stay informed on legislative bills that affect your retirement. Our legislative hotline is here to keep you in-the-know!

Summer Hours

It's that time of the year again--the summer months are right around the corner. Your Association's summer hours change a little between Memorial Day and Labor Day. The office will be open Mondays - Thursdays from 7:30 a.m. to 5:00 p.m. On Fridays, the office will close at noon. In addition, we will be closed on Monday, May 28 in observance of Memorial Day, on Wednesday, July 4 for the Fourth of July Holiday, and on Monday, September 3 for Labor Day.

If you have an urgent problem, please leave us a message and we will return your call as quickly as we can.

Enjoy your summer!

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

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Sign up to receive our weekly legislative update by going to our website, www.ncrgea.com or by sending an email to info@ncrgea.com. If you don't have internet access, call us weekly at 1-800-356-1190 (extension 30) and listen to our recorded legislative hotline.

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The House has included a 2.2% COLA in the budget bill for retired local government employees. The Local Governmental Employees' Retirement System (LGERS) has sufficient gains to pay for this increase. To a great extent, the ability of the LGERS to support higher COLAs reflects the fact that local government units have maintained stable and sufficient employer contribution rates through economic downturns. In contrast, the employer contribution rate for the TSERS has varied since 1999 and currently is too low.

Retired members of the Firemen's and Rescue Squad Workers' Pension Fund will receive an increase in the monthly benefit effective July 1. The monthly pension will rise from \$165 to \$167.

The House budget also includes a pension increase for retired members of the North Carolina National Guard. The minimum monthly benefit would be raised from the current \$80 to \$95. The maximum monthly pension would increase from \$160 to \$190 for retired Guard personnel with 30 or more years of military service.

Repayment of Escrowed Funds

The House has included \$45 million in the budget to repay funds diverted from the state retirement system in 2001. This is the final installment of a five-year repayment commitment that was made by the General Assembly. The issue of payment

of accrued interest on the diverted funds remains to be resolved.

State Health Plan Funding

The House budget appropriates a total of \$312.6 million for the 2007-09 biennium to partially cover the rising costs of the State Health Plan. Expenditures for the Plan are projected to rise by more than \$405 million in 2007-08 and 2008-09. The remainder of the costs are addressed by changes in benefits that are summarized below.

- **Annual Deductible:** The current \$350 deductible is increased to \$450 for members in the indemnity plan. The deductibles for the PPO options are not affected.

- **Doctor Visit Co-payments:** The member co-pay for office, in-home and nursing facility visits will rise from \$15 to \$25 per visit. This increase applies to the indemnity plan but does not affect the PPO options.

- **Prescription Drugs:** The co-pay for preferred name brand prescription drugs is increased from \$25 to \$30. This increase applies to both the indemnity plan and the PPO options.

The cost of State Health Plan dependent coverage will increase. The monthly premium for family coverage under the indemnity plan will increase by 14.9% and the PPO premiums for spouse and family coverage will rise by 12.8%. *(next page)*

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Editor's Note: The additional funding and benefit changes contained in the House budget will maintain the indemnity plan as non-contributory for members (no premiums paid by active and retired teachers and state employees). An earlier proposal offered by State Health Plan staff to apply a \$60 per month premium that was included in Senate Bill 1207 has been withdrawn. (See the related story on page 6 regarding House Bill 1985 which proposes to replace the indemnity plan with a comparable alternative plan.)

OTHER KEY LEGISLATION

Treasurer's Investment Authority

Two bills have been introduced to change the investment authority for retirement systems assets. Currently, state law vests this authority in the State Treasurer who serves as the sole fiduciary for all of the state's public retirement systems. The two bills that have been introduced are summarized below.

House Bill 1806

This bill would transfer the authority for retirement systems investments to the existing Retirement Systems Board of Trustees. This Board, as currently constituted, has 21 appointed members. There are no requirements regarding knowledge of finance or investment management that apply to persons appointed to the Board. Under the provisions of HB 1806, the Board would establish an Investment Advisory Committee consisting of the Treas-

urer, two members of the Board of Trustees, and two members of the general public with experience in fields related to investment management. This committee would provide advice to the Board of Trustees regarding investment policy.

House Bill 1775

This bill would replace the Treasurer with an eleven-member Investment Management Board as fiduciary for the retirement systems. The Board would have the authority to approve or to disapprove investment decisions made by the Treasurer as custodian of retirement systems funds. The Board members would be required to have a background in investment management or related fields. Five members would be appointed by the Governor and six members would be appointed by the General Assembly; three recommended by the President Pro Tem of the Senate and three by the Speaker of the House.

Both of these bills have been sent to the House Pensions and Retirement Committee. Our Association, together with the N.C. Association of Educators and the Retired School Personnel group, are opposed to these bills.

Contributory Death Benefit

Two bills have been introduced this year affecting the Contributory Death Benefit (Group Life Insurance Plan) that is available to state and local government employees at retirement. Both bills are supported by our Association and organi-

zations representing teachers and employees.

Senator Bob Atwater introduced legislation to allow retired state and local employees who did not elect to participate in the contributory death benefit at the time of retirement to join during a special open enrollment period. Senate Bill 720 sets a four-month open enrollment period beginning on February 1 and ending on May 31, 2008. Eligible retirees would receive notice of the open enrollment from the Retirement Systems Division. Premiums would be based on the age of the applicant at the time of enrollment. Senate Bill 720 was approved by the Senate on May 22 and sent to the House for consideration.

House Bill 779, co-sponsored by Representatives Larry Bell and Jim Harrell, would increase the amount of the Contributory Death Benefit from the current \$9,000 to \$10,000. The increase can be covered by gains in the Group Life Insurance Plan and would not require an increase in the premiums charged to individual members. The bill was approved by the House Pensions and Retirement Committee on April 25 and has been sent to the Appropriations Committee.

Re-Employment of Retirees

At last count, a total of eight bills modifying statutes that govern the re-employment of retired governmental employees had been introduced in this Session. Four of these proposals deal with the current provision that permits retired teachers

to return to work without restrictions on earnings and without loss of retirement benefits. A summary of several bills is presented below.

House Bill 956 extends the provisions that apply to the re-employment of retired teachers for two years, to June 30, 2009. The bill also requires a 11.7% contribution rate to the retirement system by the employer or the re-employed teacher. The bill received a favorable report from the House Appropriations Committee on May 17.

House Bill 812 reduces the waiting period for teachers to return to work from six months to three months and removes the current “sunset” date of June 30, 2007. The bill was sent to the House Pensions and Retirement Committee. It has not yet been placed on the calendar for discussion.

Senate Bill 70 would reduce the re-employment waiting period for teachers to 25 working days and would remove the “sunset” date on the teacher re-employment provision. The bill also requires a study of policies to encourage the re-employment of retired teachers. The bill has not been scheduled for consideration by the Senate Education Committee.

Two bills have been introduced to remove the 50% earnings limit that currently applies to re-employment of retired state and local government employees. House Bill 34 removes the cap for state retirees, allowing them to return to work after a six-month separation from service with no loss of retirement benefits. House Bill 213

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removes the cap for retired local government employees, allowing re-employment in the month following the month of retirement with no loss of pension benefits. Both bills were referred to the House Pensions and Retirement Committee.

Purchase of Previous Service

Several bills allowing purchase of service are under consideration this year. House Bill 883 would allow active and retired state and local government employees to purchase U.S. military service time. Employees and retirees with at least 10 years of state or local government service would be allowed to make lump sum purchase of military time that would count as creditable service in the state and local retirement systems.

House Bill 1025 would allow service credit for periods of probationary employment. Local government employers and employees would be authorized to make contributions to the Local Governmental Employees' Retirement System for all or part of probationary employment.

Changing the State Health Plan

The future of the State Health Plan has received a good deal of attention during the current Session of the General Assembly. Legislators and the staff of the State Health Plan (SHP) have sought ways of addressing the Plan's long term liabilities and rising annual costs while maintaining free health insurance coverage for active

and retired state employees and teachers.

Recently, House Bill 1985 was introduced by Rep. Hugh Holliman to authorize sweeping changes in the State Health Plan. The new plan would involve a preferred medical provider (PPO) network and a benefit structure comparable to the current indemnity plan. This bill is the product of extensive research by the SHP staff and ongoing discussions with groups representing retired and active state employees. The key points of these discussions that are addressed in HB 1985 are summarized below.

Adequate Time For Transition

Our Association and other stakeholder groups wants to be sure that there is sufficient time allowed for development of the alternative health benefit option and for counseling sessions for current members of the indemnity plan. Members need to know how this new plan will meet their medical needs. This is especially important for retirees who do not have access to advice from human resources professionals in the workplace. House Bill 1985 specifies that the alternative health benefit plan would become effective no earlier than July 1, 2008.

Equal or Improved Benefits and Access

The SHP staff are in the process of structuring an alternative to the existing indemnity plan that will provide coverage that is equal to or better than the benefits of the current plan. For example, the alternative plan would not require co-payments for physician visits.

House Bill 1985 requires that the benefits of the new plan and access to care must be equal to or better than the existing indemnity plan. The issues of benefits and access to a comprehensive network of health care providers are very important. In some instances, retirees have been reluctant to join the three PPO options that were implemented last year because these plans have limits on physical and occupational therapy treatment. The new health benefit option would not have these limitations. Also, the SHP staff is working to assure that members who join the new option would have access to an effective provider network.

No Premiums for Members

House Bill 1985 specifies that the new option would be non-contributory. Active and retired individual members would not be charged a premium to participate. This is an important provision of the bill because the SHP staff had proposed that premiums be applied to the indemnity plan in an earlier bill (Senate Bill 1207). The staff has withdrawn the premium proposal.

Legislative Oversight

State retirees and employees consider the coverage provided by the SHP to be an important benefit that was earned by service to the state. The stakeholder groups felt that the alternative to replace the current indemnity plan should be carefully reviewed before implementation. House Bill 1985 requires review of the proposed alternative benefit plan by the Joint Legislative Health Care Oversight Committee.

Health Tip: Removing a Tick

(HealthDay News) — Ticks, often found in heavily wooded areas, can attach themselves to a person's skin or clothing.

Ticks can carry Lyme disease and other germs, so you should always check after being outdoors.

If you see a tick on you or someone else, follow these suggestions from the Nemours Foundation:

- Using a pair of tweezers, firmly grab the tick near its head or mouth, which will be right next to the skin.
- Pull firmly and steadily until the tick releases its grip, and immediately clean the bite site with alcohol.
- As soon as possible, call your doctor, who may want you to keep the tick and bring it in for examination.
- Never attempt to extract the tick using a lighted match or petroleum jelly.

Lyme Disease At A Glance

Lyme disease is a bacterial illness that is spread by tick bites. It can affect the skin, joints, heart, and the nervous system. Lyme disease occurs in phases, the early phase beginning at the site of the tick bite with an expanding ring of redness. It is diagnosed based on the patient's clinical signs of illness and the detection of Lyme antibodies in the blood. Lyme disease is treated with antibiotics.

For more information about Lyme disease, please contact the **American Lyme Disease Foundation** (www.aldf.com) or call 800-876-LYME or contact **Center for Disease Control and Prevention (CDC)** (www.cdc.gov) or call 404-332-4555.

It is Not Broken!

- Ed Regan, Executive Director

We all have heard the old expression, “If it’s not broken, don’t fix it.” This expression could be applied to two bills currently pending in the General Assembly. These proposals would drastically change the investment management authority for all of the retirement systems under the purview of the State Treasurer.

North Carolina has a sole fiduciary for the investment of the assets of our retirement systems. Under state law, the elected State Treasurer has the sole authority to make decisions regarding the proper mix of investments for the retirement systems and the selection of investment managers. Also, the Treasurer is assisted in carrying out these responsibilities by a team of professional state employees in the Investment Management Division.

As noted in the article on General Assembly activities, two pieces of legislation have been introduced this year that would replace the sole fiduciary system by vesting investment management authority in an appointed board. The first of these, House Bill 1807, would assign the authority for retirement systems investment management to the Board of Trustees of the Retirement Systems. Neither the current law nor House Bill 1806 would require members of the Board to possess any special knowledge or expertise in investment management or related fields.

The second bill that changes the investment authority for retirement systems assets is House Bill 1775. This proposal would establish an Investment Management Board that would have final authority for investing pension funds.

We can find no compelling reason to change a system that has served the employees and retirees

of North Carolina state and local governments so well for so long. North Carolina’s retirement systems have received praise from a number of national organizations that monitor the performance and management of public pension funds. Our retirement systems have been recognized by Standard and Poor’s rating agency as among the best managed funds in the country. For the year ended December 31, 2005, we ranked second only to Florida in terms of the funding levels of our retirement systems. In fact, the Teachers’ and State Employees’ Retirement System has assets that are at 106% of long term liabilities. In contrast, the average public pension fund had only 81.8% of the resources needed to meet long-term liabilities.

The track records of other states that use the “investment management by committee” approach in their pension systems are hardly encouraging. For example, the California State Teachers’ Retirement System (CalSTRS), which pursued a very aggressive investment strategy during the high tech boom of the 1990s’, suffered serious losses when the economy turned down. CalSTRS posted losses of 7.05% in 2001 and 8.74% in 2004. We, too, suffered pension fund losses during the 2001-02 recession. However, these losses were far lower (2.04% in 2001 and 4.04% in 2002) thanks to the consistent and conservative investment strategy that North Carolina’s State Treasurer has followed over the long term.

Again, we do not believe that our current system for the management and investment of retirement system assets is in need of any repair. We urge the General Assembly to reject the bills that have proposed to fix a system that is not broken.

Get Support and Save

- Over-the-counter generic nicotine patch copay to be waived for members who take advantage of support services

Quitting smoking is often very difficult and may take a smoker several tries to succeed. But quitting can be less of a struggle with tobacco cessation support and the aid of nicotine patches. Beginning April 10, 2007, NC State Health Plan

members who receive tobacco cessation counseling are eligible to have the copay waived on over-the-counter (OTC) generic nicotine replacement patches.

“Studies have shown that counseling greatly increases the likelihood that a smoker will be able to successfully stop smoking,” said Dr. Nancy Henley, medical director for the State Health Plan. “This program offers continued support to members who want to improve their health through tobacco cessation.”

Members may receive counseling from their health care provider or may take advantage of free tobacco cessation support services available through the NC Quitline. Copay waivers for the patches will be active at a participating network



pharmacy approximately two business days after a member's certification form has been faxed by the health care provider or the NC Quitline. Benefits for OTC generic nicotine patches require a prescription and are valid for a 10-week course of therapy. An individual trying to quit smoking will typically need three to four boxes of patches over the course of a 10-week treatment.

Tobacco is the leading preventable cause of death and illness in the United States. In North Carolina, 37 percent of all preventable deaths are attributed to tobacco. However, according to the American Cancer Society, when a person quits smoking, immediate health benefits begin in minutes. In fact, 20 minutes after a

smoker quits smoking, he or she will experience decreased blood pressure and heart rate. At twelve hours, carbon monoxide and oxygen levels return to normal. One year after quitting, the excess risk of heart disease will be half that of a smokers.

For more information about tobacco cessation, visit the State Health Plan Web site at www.shpnc.org, or call pharmacy customer service at 1-800-336-5933. Contact the NC Quitline directly by calling 1-800-QUIT-NOW (1-800-784-8669).

SHIIP Explains Medicare Advantage Private-Fee-for-Service Plans

(Editor's Note: In recent months, SHIIP has fielded numerous calls and complaints from seniors who have inadvertently enrolled in Medicare Advantage plans that were not best suited to their needs. One type of these plans is the Private-Fee-For-Service plans, and while these plans are beneficial to some, SHIIP reminds consumers, seniors especially, to fully understand the product that you purchase.

For specific questions about PFFS plans or other Medicare products, please contact SHIIP at 1-800-443-9354.)

The SHIIP Division of the Department of Insurance has received an increased number of calls from seniors across the state that have enrolled in a Medicare Advantage Private Fee for Service (PFFS) plan without fully understanding the impact of their decision. These plans are available in all 100 counties in the state; however PFFS plans are not always the best fit for some beneficiaries because not every plan is available in every county even though that is how they are often presented by agents.

These PFFS plans are federally approved plans that are offered to seniors and other Medicare beneficiaries by pri-

vate companies. Often they offer additional coverage options that are not typically covered under Original Medicare (i.e. vision, hearing, prescription drug coverage, etc.). These plans offer health care coverage on a pay-per-service arrangement, and allow seniors to seek care from any Medicare-approved doctor and/or hospital that is willing to give them care and accepts the terms of the plan.

While they are a good choice for some Medicare beneficiaries, they may not be the right choice for you.

It is important that you call all of your health care providers (doctors, hospitals, therapists, etc.) to see if they accept the Medicare PFFS plan you are thinking about joining.

To enroll in a Medicare PFFS plan you must live in the county where it is offered, and while Medicare PFFS plans do allow you to receive services outside your service area, these services may come at a higher cost to you. PFFS plans can charge a monthly premium amount above the Medicare Part B premium, and they can

charge deductible and coinsurance amounts that are different than those under the Original Medicare plan. These amounts are paid out of your pocket.

If you decide to join a Medicare Advantage plan instead of Original Medicare, you will continue to pay the Medicare Part



B premium. It is important to realize that once you have enrolled in a Medicare Advantage option, the coverage of services provided under Medicare Parts A and B are filed through the selected plan instead of Original Medicare. This means you no longer are under the Original Medicare plan and that you must follow the rules of the plan you have joined.

Medicare Advantage plans have several enrollment period options. You can join during Medicare's annual enrollment period, Nov. 15 through Dec. 31 annually, or you may join during the Medicare Advantage enrollment period which runs Jan. 1 through March 31 annually.

SHIIP has received numerous complaints from seniors saying they were misled about joining a Medicare Advantage plan, and if you find that you have mistakenly enrolled in a Medicare PFFS Plan, you may be able to disenroll from the plan. However, there are limitations on when you may be able to disenroll. To disenroll you can contact SHIIP directly to help you navigate the process, write the company and request to be disenrolled, or call the Centers for Medicare and Medicaid Services at 1-800-633-4227 and disenroll by phone. Regardless of which option you choose, keep a record of when you called or wrote, who you spoke to and what you found out.

For any questions about PFFS plans or any other Medicare or Medicare Advantage question, call SHIIP at 1-800-443-9354 or go online at www.ncshiip.com.

Extended Enrollment Available for Some Medicare Advantage Plans

SHIIP wants to notify North Carolina's 1.3 million Medicare beneficiaries that there is a limited open enrollment period for Medicare Advantage Only Plans (i.e. Medicare Advantage plans that do not offer prescription drug coverage). People with Original Medicare can join one of the Medicare Advantage Only plans any time during 2007 and 2008. This enrollment is in addition to any special election periods or the initial enrollment period for individuals new to the federal Medicare program.

The limited open enrollment period does allow for more flexible enrollment into a Medicare Advantage Only plan; however, there are some limitations that beneficiaries should consider before joining one of these plans:

- If you have Original Medicare and a Part D prescription drug plan, you may only join a Medicare Advantage PFFS plan (private fee for service plan) that does not have drug coverage without your Part D coverage being cancelled. If you do sign up for a plan that cancels your Part D coverage, you will be notified to confirm that you understand the change.

- You are not allowed to enroll in a Medicare Medical Savings Account, in Medicare Advantage plans that include prescription drug coverage, or a Medicare Part D plan during the limited open enrollment period. *(Continued on next page)*



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Extended Enrollment *(from page 11)*

· If you are already enrolled in a Medicare Advantage plan, the limited open enrollment period does not apply to your coverage — it is only for those enrolled in Original Medicare.

While Medicare Advantage plans may be a more cost effective option for beneficiaries, it is important to compare the prospective plan to your current coverage and determine if your doctors and hospitals accept the new plan before making any change.

If you have questions about Medicare Advantage plans or the limited open enrollment period, contact the Department of Insurance's Seniors' Health Insurance Information Program at 1-800-443-9354 or visit SHIIP online at www.ncshiip.com.

Important Phone Numbers to Remember

NCRGEA	1-800-356-1190
MetLife Dental	1-888-466-9073
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
Local Government Federal Credit Union	1-888-732-8562