# Living power

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

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# General Assembly Works Toward a Budget

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North Carolina Retired Governmental Employees' Association

*(Editor's Note: As of press time, the budget conferees had not resolved differences between the versions of the state budget that had been adopted by the Senate and the House. The greatest differences appeared to be on the question of how best to raise additional tax revenue in order to offset some of the budget reductions under consideration. State government was operating under a continuing budget resolution that limits state agency expenditures to 84% of the amounts authorized for last fiscal year.)*

The General Assembly has had to cope with a steadily worsening economic outlook during the current legislative session. As a result, the budget proposals produced by the Senate and the House did not provide any Cost-Of-Living Adjustments (COLAs) for either active or retired employees. Still, the General Assembly has addressed a number of issues that are important to retirees and to the state retirement systems.

## Funding for TSERS

The House version of the proposed state budget includes funding in both years of the biennium for the Teachers' and State Employees' Retirement System (TSERS) in the amounts recommended by the state's actuary ($29 million in 2009-10 and $359 million in 2010-11). The figure for the second year is a preliminary estimate based on market conditions as of December 31, 2008 and would raise the state's employer contribution rate to approximately 6.45% of payroll.

The Senate budget included only the $29 million for 2009-10. Historically, the General Assembly has appropriated retirement system funding for only the first year of the state budget. The House decision to include the amount for 2010-11 as estimated by the actuary reflects a desire to let the bond rating agencies know that the state intends to keep the state retirement system adequately funded.

As of press time, the funding for TSERS remained to be resolved by the budget conference committee. Observers believed that the conferees likely would put roughly half ($170 million) of the estimated amount for 2010-11 in the final budget. The issue of full funding will be

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addressed next year when the final actuarial report for 2008 is available.

The Local Governmental Employees' Retirement System (LGERS) also will need additional funding to offset the 2008 investment losses. However, LGERS does not receive any state funding. The Department of State Treasurer is expected to provide all participating local governments with a preliminary estimate of the required employer contribution rates for 2010-11 within the next several weeks. The staff of the Retirement Systems Division produced early estimates that place the LGERS employer contribution rate for 2010-11 in the 5.8% to 6.2% range.

### A COLA for Local Government Retirees?

A Cost-of-Living Adjustment for retired local government employees unexpectedly became a legislative issue in April. The Board of Trustees for the Local Governmental Employees' Retirement System received an informal opinion from Special Deputy Attorney General Robert Curran that said the Board did not have the statutory authority to approve a COLA that was higher or lower than the increase in the Consumer Price Index for the most recent year. Since this increase in 2008 was only one-tenth of one percent, the Board's action in January to approve a 1.0% COLA effective July 1, 2009 was invalid. Mr. Curran pointed out that the General Assembly had the authority to approve a Cost-Of-Living increase for local government retirees within the limits of gains available in the LGERS even though the Board's authority was limited.

In response to this unofficial opinion, Representative Russell Tucker introduced House Bill 934 to authorize a 1.0% COLA for local government retirees. The pension increase authorized by the bill would be paid from undistributed gains available in the LGERS and would not require any state funding. House Bill 934 is supported by NCRGEA as well as by the League of Municipalities and the Association of County Commissioners.

House Bill 934 was approved by the House Committee on Pensions and Retirement in late April and re-referred to the Appropriations Committee. We asked that the authorization of the one percent COLA for local retirees be included as a special provision in the House version of the budget bill (Senate Bill 202). Unfortunately, the Appropriations Committee leaders thought it would be inadvisable to include a compensation increase for one group since the budget did not provide raises for any other class of state employees or retirees.

House Bill 934 remains in the Appropriations Committee and still is eligible for consideration this session. Representative Tucker has prepared a proposed committee substitute for the bill that would provide temporary authority for the Board of Trustees to directly enact the COLA.

*[Editor's Note: On July 16, the Board of Trustees for LGERS approved the 0.1% COLA as required by the law and authorized up to a 1.0% COLA if HB 934 is approved by the General Assembly.]*

## Approved and Pending Legislation

Several important bills have already been ratified in the course of the 2009 Session including proposals that expand the Treasurer's investment authority. A summary of approved and pending legislation is presented below.

### SENATE BILL 703: STATE TREASURER INVESTMENTS (RATIFIED AS SESSION LAW 2009-0098)

This bill modifies the investment authority of the Treasurer. The new law provides that investment of retirement systems funds in governmental and high grade private bonds always must equal or exceed 20% of the retirement systems assets. The law also allows the Treasurer to invest a variety of inflation-linked bonds and other securities. No more than 5% of the retirement systems funds may be invested in these options. This provision will allow the Treasurer to offset higher inflation that is expected to follow the recession.

### SENATE BILL 204: RETIRED NURSES RETURN TO WORK (RATIFIED AS SESSION LAW 2009-137)

The bill allows nurses who are drawing a retirement benefit from the Teachers' and State Employees' Retirement System (TSERS) to return to teach full time or part time for a maximum of three years as nursing instructors in a certified nursing program at community colleges and public universities without loss of the pension benefit. There are a number of conditions that apply.

1.) The retiree must have retired after July 1, 2009 with 30+ years of service, or have attained age 60 with at least 25 years of service, or have attained age 65 with at least 5 years of service.

2.) The retiree must be separated from service for at least 6 months and not employed in any capacity during this period by any state-supported community college or university.

3.) Each employing institution must certify to the Retirement Systems Division that there is a shortage of qualified nursing instructors prior to rehiring a retired nurse.

4.) Each employing institution must pay to TSERS a Re-Employed Nurse Contribution Rate of 11.7% of covered salaries.

### HOUSE BILL 94: CLARIFY DEFINITION OF RETIREMENT (RATIFIED AS SESSION LAW 2009-11)

This bill changes the definition of retirement to allow unpaid voluntary service in a local school administrative unit during the six months after retirement.

### SENATE BILL 658: MODIFY SUPPLEMENTAL RETIREMENT BOARD

This bill designates one of the six seats appointed by the Governor on the newly established Supplemental Retirement Board of Trustees to be held by a retired state or local government employee. The House added an amendment dealing with retirement contributions by local governments that furlough employees. The Senate sent the bill to a conference committee to resolve an issue involving the effective date of the furlough provision. Senate Bill 658 is expected to be ratified before the end of this session.

# Return-to-Work Provisions for LGERS Retirees

During these uncertain economic times, we understand that more retirees want to return to work in the familiar surroundings in which they spent much of their career. Before deciding to return to work for an employer under the Retirement System from which they retired, retirees should understand the regulations governing return to work. Following these regulations will protect retirees from incurring financial penalties, from possible loss of retirement benefits, and/or a possible loss of health benefits.

The North Carolina General Assembly has enacted various provisions governing the return to work of all retirees of the North Carolina Retirement Systems. **This article discusses policies that pertain to retirees of the Local Governmental Employees' Retirement System (LGERS)**. Any retiree who receives a disability benefit should contact the Retirement System for further instruction regarding his or her return to work, as special reemployment provisions apply to disability retirement. Contact numbers are provided at the end of this article.

### When can a retiree return to work?

No retiree is allowed to return to LGERS work during the month in which the initial retirement became effective. If a retiree is found to have returned to work before the end of the mandatory waiting period, his or her retirement benefit will be cancelled and all benefits paid to the retiree will be required to be repaid to the Retirement System. If a retiree has employer-provided health insurance, he or she may wish to discuss with the employer how the cancellation of the retirement benefit will affect the insurance coverage, as policies may differ from employer to employer.

### Earnings restrictions

Retirees going back to work for a participating LGERS employer are subject to the following earnings restrictions: they can earn up to 50 percent of their gross pre-retirement salary (excluding termination payments) or $28,080.00, whichever is greater. This dollar figure is adjusted annually according to the consumer price index, which is a national measure of increase in the cost of living from one year to the next.

These earnings restrictions apply for the 12 months immediately following retirement and to each calendar year following the year of retirement. If a retiree abides by the one-month waiting period rule but exceeds the earnings limitation, his or her retirement benefit will be suspended on the first day of the month following the month in which he or she exceeded the earnings limitation and the retirement benefit will remain suspended for the remainder of that calendar year. This benefit will be reinstated on January 1st of the following year. Again, if a retiree has employer-provided health insurance, he or she may wish to discuss with the employer how the suspension of the retirement benefit might affect the insurance coverage.

### Work hours

In order for a retiree to continue drawing a monthly retirement benefit, the retiree must work in a position that requires fewer than 1,000 work hours per year. A retiree who is not in violation of Return-to-Work provisions will draw a monthly retirement benefit as well as a paycheck from his or her new part-time, temporary, interim or fee-for-service position.

Under LGERS law, a worker becomes a "regular" employee, subject to re-enrollment in LGERS, once the duties of a position require 1,000 or more hours on an annual basis. If a retiree would like to go back to such a regular contributing position, the retirement benefit will be suspended the month following the month in which the retiree returns to work. If the Retirement System is not notified immediately upon the retiree's return to a regular employment position, such that the System does not know to suspend the retirement benefit, any benefits paid to the retiree beginning with the month following the month he or she returned to employment will be required to be repaid to the Retirement System. When the individual is no longer regularly employed by a participating agency, the retirement benefits may be reinstated. However, he or she would need to re-apply for retirement.

Retirees who perform work for a participating LGERS employer are generally subject to Return-to-Work provisions regardless of their job duties or who pays their salary. Retirees who go to work for a private entity, such as a temporary agency, which then assigns or "leases" the retirees back to an LGERS employer are generally subject to the same Return-to-Work provisions.

As long as the retiree is reemployed in a position which requires fewer than 1,000 work hours per year, the retiree will not make any payments into the retirement system and, as such, will not accrue any new service credit, and will not get the benefits of a "second retirement."

### Employment with agencies not participating in LGERS

Different rules apply when an LGERS retiree works during retirement for an entity not participating in LGERS. If a retiree becomes employed with a private-sector agency or a government agency that does not participate in LGERS (i.e. the federal government, state government, or a municipality that does not participate in LGERS), the retirement benefit will continue uninterrupted until the death of the retiree (or the designated beneficiaries, as is specified by the payment plan chosen by the member).

In other words, the Return-to-Work laws do not restrict retirees from gaining employment in general, but rather these policies place certain restrictions on those retirees who perform services for an agency participating in LGERS.

### LGERS Return-to-Work laws at a glance

Retirees of the Local Governmental Employees' Retirement System who wish to return to work with employers participating in LGERS:

- may not work during the month in which

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the initial retirement became effective;

· must work in a position having duties which require fewer than 1,000 work hours per year in order to avoid re-enrollment as a contributing LGERS member; and

· are subject to the following earnings restrictions if working in a part-time, temporary, interim or fee-for-service position: 50 percent of their gross pre-retirement salary (excluding termination payments) or $28,080.00, whichever is greater. This dollar figure is adjusted annually according to the consumer price index. These earnings restrictions apply for the 12 months immediately following retirement and to each calendar year following the year of retirement.

### Important Points to Remember:

· Non compliance with Return-to-Work laws and procedures can lead to the cancellation of a retiree's retirement benefit and may also lead to the mandatory repayment to the Retirement System of all benefits paid to the retiree. If the period of time that the retiree is in violation of the Return-to-Work laws is extensive, the amount required to be repaid will be extensive as well.

· If a retiree has employer-provided health insurance, he or she may wish to discuss with the employer how the cancellation or suspension of the retirement benefit will affect the insurance coverage.

If you have questions about any of the Return-to-Work laws and procedures, please contact the Retirement Systems Division Member Services at 1-877-733-4191 (toll-free) or (919)733-4191 in the Raleigh area.

## Retirement Systems All-Member Survey Underway

The N.C. Department of State Treasurer's Retirement Systems Division wants feedback from all Retirement System members – active and retired – on its processes and communication, and wants members' experiences and expectations of retirement and financial planning. The Web-based survey is being conducted by North Carolina State University, and will be available online from July 13 to August 21 at https://survey.ncsu.edu/retirementsurvey.

Members who do not wish to complete the survey online, may download and print out a PDF version, and mail the completed copy to the North Carolina State University's Center for Urban Affairs; or members may contact the Retirement Systems office and ask to complete a survey over the phone.

Members with questions about the survey, or to complete the survey over the phone, should call Cassidy Weathersby at (919) 807-3087 or 1-877-733-4191 (toll-free).

At the end of the survey, members will have the opportunity to sign-up to participate in focus groups to be held in Raleigh in the fall. Survey responses will help the Retirement Systems create plans that better address member needs for customer service, information and educational outreach.

# How do I get Medicare Insurance Coverage?

Medicare is a federally-funded health insurance program for those aged 65 and over; those who have applied and been approved for Social Security disability benefits; anyone who has End Stage Renal Disease (or permanent kidney failure); and people who have Amyotrophic Lateral Sclerosis (ALS)/Lou Gehrig's Disease. There are two parts to Original Medicare - Medicare Part A, which is known as the "hospital" or "inpatient/institutional" coverage and Medicare Part B, which is known as the "medical" or "outpatient" part of Medicare. Medicare is funded by a portion of payroll taxes paid by employees and their employers.

If you are collecting Social Security benefits before your 65th birthday, you will be automatically enrolled in Medicare. If you are not eligible for Automatic Enrollment, contact the Social Security Administration at 1-800-772-1213 or www.socialsecurity.gov or visit the nearest office to enroll in Medicare Part A and Part B. You have a seven-month window to enroll in Medicare without incurring a penalty. This is your Initial Enrollment Period and encompasses the three months before your 65th birthday; your birthday month; the first month after your 65th birthday; two to three months after your 65th birthday. If you enroll before your birthday, Medicare will go into effect on the first day of your birth month, but if you wait until your birthday or after, Medicare won't go into effect until at least the first day of the month following the month you enrolled. It is very important to be proactive in enrolling in Medicare in a timely manner to keep from having a lapse in your medical coverage.

While most people pay a monthly premium for Medicare Part B (in 2009, it is $96.40, and it may be higher for people with higher incomes), usually there is no premium for Medicare Part A. You are eligible to receive premium-free Medicare Part A if you fall into one of the categories listed in the first paragraph **and**

1) you receive or are eligible to receive Social Security benefits;

2) you receive or are eligible to receive railroad retirement benefits;

3) you or your spouse (living or deceased, including divorced spouses) worked long enough in a government job where Medicare taxes were paid; or

4) you are the dependent parent of someone who worked long enough in a government job where Medicare taxes were paid.

If you do not meet these requirements, you may be eligible to get Medicare Part A by paying a monthly premium. The premium amount is determined by the number of work credits that the Medicare-eligible person or their spouse has accumulated. In 2009 the Medicare

*(Continued on next page)*

## How do I get Medicare Insurance Coverage?

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Part A premium is $443 per month for those who worked fewer than 30 credits, or $244 per month for those who worked between 30 and 40 credits. The maximum number of work credits that can be earned annually is four. Therefore, to be eligible for premium-free Part A Medicare, the Medicare-eligible person, or their spouse, would need to work and pay Social Security taxes for approximately 10 years.

If you are not eligible for premium-free Medicare Part A and you wish to enroll solely in Medicare Part B, you may do so if you are age 65 or older and you are a U.S. citizen or a lawfully-admitted non-citizen who has lived in the U.S. for at least five years.

For questions about Medicare eligibility, call the Seniors' Health Insurance Information Program, SHIIP, at 1-800-443-9354 Monday thru Friday from 8 a.m. to 5 p.m.

## NCRGEA's MetLife Dental Plan to Hold Open Enrollment

Be on the lookout in September for a mailing from NCRGEA regarding the MetLife Dental Plan. Open enrollment will be held this fall as our current two-year rate guarantee ends December 31, 2009. **For NCRGEA members not currently enrolled in the plan**, this will be your only opportunity to take advantage of this offering for the next two years. The exception would be if you have a qualifying change in family status, such as the end of existing COBRA coverage, death of a spouse, marriage, or the end of coverage due to a spouse's retirement.

**If you are currently enrolled in the plan**, information will be mailed to you regarding the new rates that become effective January 1, 2010 through December 31, 2011. If you would like to continue with the MetLife plan at the new rates, no action on your part will be necessary to continue your current coverage. If you would like to either cancel coverage or make a change in coverage, the mailing will include a change form.

## Charlotte-Meck Retired Educators Launch New Group

A group of retired educators from the Charlotte-Mecklenburg public school system have announced the formation of a new organization known as the Charlotte-Mecklenburg Friends of Public Education. The new organization is intended as an "umbrella" that will be developed around the existing county chapter of N.C. Retired School Personnel (NCRSP) with membership open to retired educators who are members of NCRGEA or who are unaffiliated with the state level organizations.

The new organization will provide a number of benefits to members. Charlotte-Mecklenburg Friends of Education plan to publish a quarterly newsletter and to conduct quarterly luncheon meetings. The group also will conduct lobbying activities on public policy issues affecting retired public school employees. NCSRP and NCRGEA will assist with development of informational programs that will be presented at the group's quarterly luncheons.

The core of the Friends of Education is the Charlotte-Mecklenburg Retired School Personnel (CMRSP) which is a local chapter of North Carolina Retired School Personnel. Current members of the chapter will automatically be members of the Friends of Education. The current governing board of the local chapter also will serve as the governing body of the new Friends group through 2009-10. During the course of the year, the president of CMRSP will appoint a Nominating Committee to develop a separate slate of officers for the Friends organization. Officers will be elected for the 2010-11 year from this slate.

The annual membership fee for retired educators who are not members of CMRSP will be $7.00. For more information, please contact Robert Hanes at (704) 336-2012 or rhanes@teacher.com.

The first luncheon meeting of the Friends of Education is scheduled for September 14 at the University Hilton in Charlotte and will be the site for all meetings of the group. Other quarterly meetings have been set for November 20, 2009, February 8, 2010, and May 14, 2010.

## Photos from the Waynesville Grass Roots Lobbying Meeting

See Page 11 for the accompanying article

L to R: Mike Bradley, Wanda Caldwell, Calvin Underwood, Ed Regan

Dorothy and John Crawford, Macon County

Wanda Caldwell and Yvonne Hart

# Note from Our President

*- Willis P. Whichard, NCRGEA President*

In 1854 Charles Dickens published his shortest novel, *Hard Times*. The book attacked the excesses of the Industrial Revolution, as well as the utilitarian political economists of Dickens' time. It was also an early critique of environmental destruction. Both the human spirit and the natural environment were being devastated, in Dickens' view, by a philosophy in which economic facts mattered to the exclusion of human emotion, heart, and spirit.

The characters are vividly and descriptively named. The industrialist is Thomas Gradgrind. The clear implication is that he is grinding down the workers in Coketown, the industrial village depicted. The workers are called "hands," suggesting that the only parts of human beings that matter are the economically productive ones. Josiah Bounderby is the banker, implying that there are no bounds, or limits, when an activity is economically productive. The schoolmaster and his wife are Mr. and Mrs. M'choakumchild. No explanation is necessary: the Coketown children were being repressed, their spirits choked.

> *"Many of us perhaps could have earned more somewhere else while working, but few employers would have provided better or more reliable benefits afterward."*

The title aptly describes our times as well. At least from an economic perspective, they are, indeed, hard. And some things have not changed since Dickens' day. The boundless practices of the Bounderbys (bankers) of our time have contributed to our difficulties, as they did to Coketown's.

The State of North Carolina, to which all of us devoted all or a considerable portion of our working careers, is inevitably affected by this distress. Many North Carolinians have no jobs. As a consequence, they pay little or no income tax. They spend less, thus paying less in sales taxes. Even the employed, including current state employees, are experiencing salary reductions, with similar consequences to the State's revenues. Comprehension of the State's budget/income problems requires little mathematical expertise.

I have considerable sympathy for the Governor and the legislature. I was a member of the North Carolina Senate during the recession of 1975. The State budget was much smaller then; but giving state employees no raises, and reducing the budget by several hundred thousand dollars, was painful. That experience pales into insignificance, however, when compared with having to cut or raise billions of dollars, or find some workable combination of the two.

Yogi Berra said, “Prediction is difficult, especially when it’s about the future.” As this is written, the legislature has just passed a second continuing budget resolution because it has no budget for the new biennium. It appears to be moving toward a budget balanced by a combination of new or increased taxes with reduced expenditures. It is a fairly safe prediction that this will occur and that the State will survive, albeit with some diminution in its services and with its current employees less well rewarded than usual.

As state retirees we can be grateful for the privilege we had to serve the people of North Carolina and for the relative economic security we enjoy as a result. Many of us perhaps could have earned more somewhere else while working, but few employers would have provided better or more reliable benefits afterward. A retired judge whom I know analogizes it to the tooth fairy. “I wake up on the 25th of every month,” he says, “and the money is just in the bank.”

The primary function of this organization is to protect, and when possible enhance, those benefits. It does that very well, thanks largely to our able and dedicated director Ed Regan and his staff, and to our legislative counsel Jack Cozort. We should be grateful to them, as well as to the Governor, legislators, and others who are striving to bring us through the current version of “hard times.” They deserve our sympathy, our respect, and our heartfelt appreciation.

## Association Building Grass Roots Network

During the past year, the Association launched an effort to build a “grass roots” advocacy network among the membership that will enhance our lobbying efforts. The initiative to develop a stronger advocacy network grew out of the Association’s strategic planning process. Our members indicated in their responses to our planning survey a desire for greater member engagement in the advocacy process.

The aim of the current initiative is to identify a few members in each state legislative district who are familiar with the legislative process and are willing to talk to his or her members of the General Assembly on issues of importance to retirees. The Association has the potential advantage of “strength in numbers” with a membership of more than 53,000 distributed across the state.

The first steps in the network development effort have involved team building meetings in areas where the Association has identified strong local interest. NCRGEA Executive Director Ed Regan met with the officers and Legislative Committee of the Charlotte-

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*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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## Association Building Grass Roots Network

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Mecklenburg Governmental Retirees Association in April. This organization is composed of local government retirees from the City of Charlotte and Mecklenburg County government.

In June, Mr. Regan met with a core group of very committed retired teachers, state, and local government employees in Waynesville to get a network started. The pictures accompanying on page 9 are from the Waynesville meeting.

If you are interested in more information about building a grass roots network in your area, please email eddie@ncrgea.com or call Ed Regan at 1-800-356-1190.

## 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 (State Health Plan Administrator) | **1-888-234-2416** |
| Social Security Administration | **1-800-772-1213** |
| State Employees' Credit Union | **1-888-732-8562** |
| Local Government Federal Credit Union | **1-800-344-4846** |