

Living **power**

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

Retirement System Board Adopts 2010 Goals and Welcomes New Members

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The Board of Directors of the Retirement Systems met on January 21, 2010 to review the actuarial reports for the retirement systems for the year ending December 31, 2008 and to adopt goals for the upcoming legislative session. The Board also welcomed several new members who participated in an orientation session with the Retirement Systems Division (RSD) staff on January 20th.

Both the orientation for new members and the regular quarterly meeting of the Board focused on the impact that the recession has had upon the state's public retirement systems. The new Board members received an extensive briefing on the entire retirement system. Presentations by the state's external actuary Rich Mackesey of Buck Consulting and the RSD staff actuary David Vanderweide underscored the importance of consistent funding of the retirement systems. Historically, monies generated by investments represent the majority of pension system assets. For example, investment earnings constitute 79.5% of the assets of the

Teachers' and State Employees' Retirement System (TSERS) with employee contributions representing 13.8% and employer contributions 6.7%.

In normal economic times, investment earnings can be counted on to help the retirement systems keep pace with long term liabilities. However, in the aftermath of such a severe economic downturn as we experienced in 2008, contributions to the retirement systems must be raised to help offset these losses over time. Since there may be a state Constitutional question raised by increasing employee contributions, the retirement systems must depend on additional revenue from employer contributions.

To remain stable, retirement systems need to be funded at a level that is known as the Actuarial Required Contribution (ARC). This level is identified each year in audits of the retirement systems. Historically, North Carolina state and local governments have consistently funded the major public retirement systems at or

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Retirement System Board Adopts Goals

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above the ARC since the systems were first established in the 1940s. The actuarial reports for 2008 show that the rates will have to be increased for 2010-11 as follows:

- Teachers' and State Employees' Retirement System (TSERS): from 3.57% to 6.71%
- Local Governmental Employees' Retirement System (LGERS): from 4.8% to 6.35%
- Consolidated Judicial Retirement System (CJRS): from 15.11% to 19.25%

The actuaries pointed out that failure to fund retirement systems at the required level carries consequences. Other states that have drifted away from funding their retirement liabilities in accordance with these principles now face serious underfunding of long term liabilities and have been unable to re-establish the discipline to maintain required funding levels. Also, since retirement benefits are guaranteed by state statute, delaying required funding simply raises the cost to the employer in following years.

The Board of Trustees addressed the issue directly at the meeting on January 21st. After reviewing the findings of the state's actuarial reports for 2008, the Board voted unanimously to recommend that the General Assembly fund the ARC for both the TSERS and the CJRS. The General As-

sembly already had included funding in the second year of the biennial budget to partially cover the increase to a 6.71% contribution rate in 2010-11. However, the legislature must appropriate an additional \$181 million to meet the ARC for the Teachers' and State Employees' Retirement System in 2010-11 and \$2.8 million for the judicial pension fund.

The Board has direct authority to increase the employer contribution for local government employers. The discussion about increasing the rate in 2010 generated a great deal of discussion about the ability of local units to meet the required funding level in the midst of the recession. The local employer contribution rate has remained at 4.8% of payroll for the past 23 years.

Ultimately, the Board voted unanimously to raise the normal LGERS employer contribution rate to the Actuarial Required Rate of 6.35%. The new rate becomes effective July 1, 2010. A substitute motion that would have only increased the rate to 5.85% and delayed the remainder of the increase until 2011 was defeated by the Board.

The Board also reviewed projections of potential contribution rates for the next 5 years that show further increases in the ARC for both the state and local governments. These projected increases may be tempered by more robust future investment gains and adjustments in the actuarial assumptions based on review of five-year experience data later this year.

The New Members of the Board of Trustees

Several new members have joined the Board of Trustees of the Retirement Systems since July. The Senate confirmed four appointees that had been made by Governor Perdue to fill vacancies on the Board prior to the adjournment of the General Assembly in August. Two other Board members have been appointed since August. A brief profile of the new Board members is presented below.

Dennis Ducker was appointed by the Governor to a four-year term as a representative of the General Public. Mr. Ducker lives in Brevard and served as Deputy State Treasurer under Treasurer Harlan Boyles. Mr. Ducker served on the Board of Directors of the North Carolina Retired Governmental Employees' Association for 12 years and is a Past president of the Association.

Dr. Harold Martin was appointed by Governor Perdue as a representative of the state's higher education system. Dr. Martin's term will expire in 2013. He lives in Greensboro and currently serves as the Chancellor of N.C. A & T University.

William Moyer lives in Hendersonville and was appointed in August by the President Pro Tem of the Senate as a representative of the General Public. He was appointed to fill an unexpired term that ends in 2011. Mr. Moyer also serves as Chairman of the Board of County Commissioners in Henderson County.

Sterling Primus was appointed by the Governor to a four-year term as the representative of retired state employees. Mr. Primus lives in Salisbury and worked for the Department of Corrections as a correctional officer prior to his retirement.

Randy Sales is an active state law enforcement officer. He was appointed by the Governor to a four-year term that expires in 2013. Mr. Sales lives in Claremont.

Kay Cashion was appointed by the Governor in November to a term that ends in 2012. Ms. Cashion represents County Officials and she currently serves on the Board of County Commissioners of Guilford County.

Welcome New Members!

We would like to take a moment to welcome the over 740 new members of NCRGEA who chose to take advantage of the new "Associate Membership" category. Associate Members are spouses of current members of NCRGEA and are recipients of the same list of benefits given to all other members in the Association.

Most Associate Members joined NCRGEA to take advantage of lower monthly premiums on their dental and/or vision insurance during open enrollment. An enrollment form was included in the September/October issue of *Living Power*. If your spouse would like to join as an Associate Member of NCRGEA, fill out that enrollment form if you can still find it, download a form at www.ncrgea.com, or call JoAnn at 919-834-4652 or 1-800-356-1190.

Court Approves Long Term Care Settlement

On December 15, 2009, a fairness hearing was conducted in Wake County Superior Court by Senior Resident Superior Court Judge Catherine Eagles to review the proposed settlement of a class action lawsuit brought against the State Health Plan and MedAmerica Insurance Company. The settlement had been developed by lawyers for the two organizations and attorneys representing a class of active and retired employees who were negatively affected by the change in the state contract in 2004.

The final settlement approved by Judge Eagles provides cash payments totaling \$5,600,000 to members of the class and places limits on the annual increases in premiums that can be charged to policy holders over the next ten years. The estimated total value of the settlement to the plaintiffs is \$14,000,000. The fees for the attorneys who represented the class plaintiffs were awarded from the amount of the approved settlement.

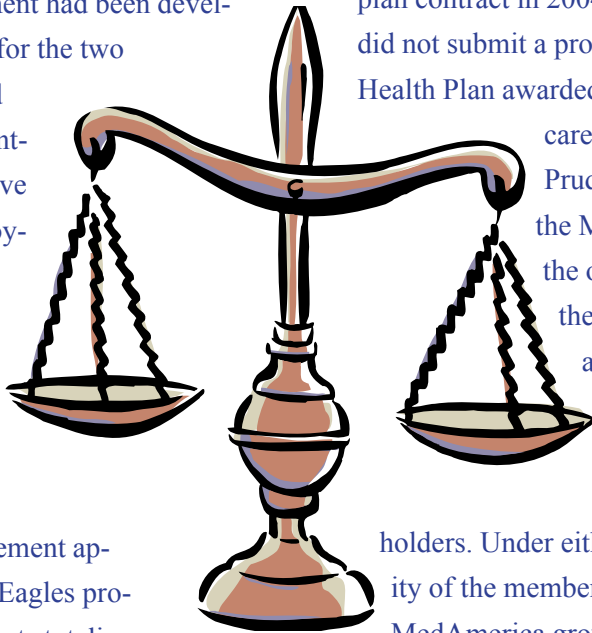
The initial lawsuit was brought in 2006 by two retired state employees who were members of the group Long Term Care insurance plan offered by MedAmerica un-

der contract with the State Health Plan. The case later was certified a class action lawsuit covering the estimated 2,240 employees and retirees who were subject to higher premiums by the termination of the MedAmerica contract and their subsequent coverage by MedAmerica individual direct pay policies.

The State Health Plan re-bid the group plan contract in 2004 and MedAmerica did not submit a proposal. The State Health Plan awarded the new long term care insurance contract to Prudential. Members of the MedAmerica group had the option of moving to the Prudential group plan at rates based on current age or staying with MedAmerica as individual policy holders. Under either option, the majority of the members of the original MedAmerica group experienced higher premiums to maintain the same level of long term care insurance coverage.

The plaintiffs in the class action asserted that the premiums for the Long Term Care benefit under the original MedAmerica group plan were promised to be: 1.) based on the age of each person at the time of enrollment, and 2.) not subject to change unless the claims experience of the group justified a change. The lawsuit was brought asserting that a breach of contract by MedAmerica and the State Health

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Long Term Care Case

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plan for the past and anticipated future premium increases for the MedAmerica individual, direct pay policies that were offered to group members when the group plan contract was cancelled.

The case was settled out of court. The parties to the lawsuit, without admitting any liability on the part of either the State Health Plan or MedAmerica, agreed to the settlement. The terms include the payment of \$5.6 million, net of attorney's fees and expenses, to be paid to the members of the class. This class includes members of the original MedAmerica Long Term Care group insurance plan who experienced an increase in premium when they converted to the MedAmerica individual policy. Additionally, the settlement limits any premium increases by MedAmerica as follows: no more than 7.5% in 2010, 6% in 2012, 6% in 2014, 6% in 2016, 6% in 2018, and 6% in 2020.

Payments to members of the Class should be sent in late February or early March. You may contact the Class counsel if you have questions as follows:

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Corruption in Government

- Willis P. Whichard, NCRGEA President

Recently my law-office assistant said to me, "You know, everybody in government must be corrupt." Perhaps I should not have been surprised. The news media certainly blares this notion at us daily. As I write this, a top aide to a former governor has been indicted on fifty-one federal criminal charges arising from his conduct in state employment. The former governor himself is the subject of related federal and state criminal investigations.

In our system of justice they are, of course, presumed innocent until proven guilty. We should all hope the charges and accusations prove to be without substance. But the headlines have an inevitable effect on the public mind. This is especially true when they come in the wake of recent active prison sentences for several other high-level state officials.

I went to the state legislature in 1970 at the age of thirty. I left it for service in the judicial branch in 1980 at age forty. Perhaps I was simply young and naive at the time, but I saw no evidence of misconduct of this nature. In my current relative old age and maturity, I still do not believe it occurred. Perhaps there were isolated instances of which I was unaware, but at the least such was not widespread. If my readers have knowledge to the contrary about that period in our state's history, I would be interested in knowing about it.

My response to my assistant was that

government is a human institution, and as in all human institutions, some of its participants will sometimes misbehave. It is much too facile, however, to conclude from this that the government itself, or all or a large number of its participants, are corrupt.

The church, like government, is a human institution. A deacon or elder will occasionally steal from the collection plate. A pastor and a choir director, while married to other people, will sometimes enter an improper relationship. To conclude from these isolated instances that the church is a thoroughly corrupt institution, or that this limited corruption infects all its members, would clearly be wrong, however.

The same is true with government. I have now been privileged to participate in the public life of the state, in various ways, for half a century. I have known many public servants—some in elective office, and many more in regular state and local jobs. With few exceptions they have been competent, dedicated, diligent, and hard-working. Admittedly, an occasional exception failed to earn his or her keep. For every one of those, however, there were dozens from whom the State got its money's worth and sometimes more.

My audience for this column consists of people who spent all of their working lives, or at least a considerable portion of them, in the service of the State of North Carolina or its local governments. I am confident that almost all of you gave the

government an honest day's work for a day's pay; and that many of you, at least at times, went even beyond that.



I am equally confident that most of you took nothing from the government except the salary and benefits prescribed by law. That is as it should be, and you deserve the public's thanks for your long and able service.

Is this true of people in government today? With rare exceptions, some of them high profile, I believe it is. We should not condemn the whole barrel because a few of its apples may prove to be rotten. Those of us who have completed our service to the State should be careful about finding fault with those who now serve; indeed, we should come to their defense when they are collectively and unfairly maligned based on the misconduct of a mere handful of their number. We would have wanted that when we were serving, and it is a service we can render for those who took our places.

Thank you for your service, and let's join in thanking those who now serve—and in defending them when necessary from unfair attacks stemming from the occasional misconduct of the few villains that may be among them.

2010 Census Cautions from the Better Business Bureau

The Better Business Bureau (BBB) advises people to be cooperative, but CAUTIOUS, so as not to become a victim of fraud or identity theft.

The first phase of the 2010 U.S. Census is under way as workers have begun verifying the addresses of households across the country. Eventually, more than 140,000 U.S. Census workers will count every person in the United States and will gather information about every person living at each address including name, age, gender, race, and other relevant data. The big question is - how do you tell the difference between a U.S. Census worker and a con artist? BBB offers the following advice:

** If a U.S. Census worker knocks on your door, they will have an ID badge, a handheld device, a Census Bureau canvas bag, and a confidentiality notice. Ask to see all of these items before answering their questions to verify they are legitimate Census workers. However, you should never invite anyone you don't know into your home, even if they work for the government.

** Census workers are currently only knocking on doors to verify address information. Do not give your Social Security number, credit card or banking information to anyone, even if they claim they need it for the U.S. Census.

** The 2010 Census will ask for name,

gender, age, race, ethnicity, relationship, and whether you own or rent your home – just 10 simple questions that will take about 10 minutes to answer. Your answers are protected by law and are not shared with anyone.

Remember, no matter what they ask, you really only need to tell them how many people live at your address--nothing else. Do not give them any other information about you or your family or friends. The census is only for determining the number of people at an address.

While the Census Bureau might ask for basic financial information, such as a salary range, you don't have to answer anything at all about your financial situation. The Census Bureau will not ask for Social Security, bank account, or credit card numbers, nor should any Census employees solicit donations. Any one asking for that information is NOT with the Census Bureau.

And remember, the Census Bureau has decided not to work with Acorn on gathering this information. No Acorn people should approach you saying he/she is with the Census Bureau.

Eventually, Census workers may contact you by telephone, mail, or in person at home. However, the Census Bureau will not contact you by email, so be on the lookout for email scams impersonating the Census. Never click on a link or open any attachments in an email that are supposedly from the U.S. Census Bureau.

For more information about the U.S. Census visit the website www.census.gov.

Some Medicare Beneficiaries May Still Change Their Prescription Drug Coverage

The details, options and deadlines surrounding Medicare Part D Prescription Drug Plans (PDP), still confuse many people. If you're like some Medicare beneficiaries out there, you might have kept your PDP simply so you didn't have to

worry about the six week annual election period. But, you may have now discovered that some of your drugs covered last year are not covered this year. You may feel stuck. Here's the good news, if you fall into one of sev-

eral categories, you might not be stuck after all. In fact, if you are already enrolled in regular Medicare (Parts A and B) and you have a Medicare stand-alone PDP, or you have Medicare and Medicaid, it's not too late to switch your Medicare coverage.

To determine if you qualify for this coverage change, keep reading.

- If you currently have a Medicare Advantage plan that includes Medicare prescription drug coverage, you can switch to another Medicare Advantage plan that includes Medicare prescription drug coverage or enroll in a Medicare Advantage

Private Fee-For-Service (PFFS) plan that does not include Medicare prescription drug coverage and enroll in a stand-alone Medicare Advantage prescription drug plan or you can enroll in original Medicare and a stand-alone Part D PDP.

- If you currently have Original Medicare and a Medicare Part D PDP, you may switch to a Medicare Advantage plan that includes Medicare prescription drug coverage or you may enroll in a Medicare Advantage PFFS plan that does not include

Medicare prescription drug coverage and keep your current stand-alone Medicare Part D PDP.

However, you cannot switch to a different Medicare Part D PDP.

- Another

tricky situation arises for people who are new to Medicare Advantage plans. If you enrolled directly into a Medicare Advantage plan, when you became eligible for Medicare at the age of 65, you can "voluntarily dis-enroll" within the first 12 months of coverage. If you do this, you'll have a special enrollment period that allows you to enroll in original Medicare (Parts A and B) and select a stand-alone Medicare Part D PDP or join a different Medicare Advantage plan that includes prescription drug coverage or join a different Medicare (Continued on page 10)



Some Medicare Beneficiaries May Still Change Their Prescription Drug Coverage

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Advantage plan (PFFS) and select a stand-alone Medicare PDP.

· If you currently have Original Medicare and have been approved for the federal “Extra Help,” Low Income Subsidy (LIS) program through the Social Security Administration or if you have Medicare and Medicaid, you have a continuous special election period to change your Medicare Part D PDP. This means that you may change your Medicare PDP at any time. (If you have not applied for the LIS and think you may be eligible, call SHIIP at 1-800-443-9354 or the Social Security Administration at 1-800-772-1213. You may also apply directly online at www.socialsecurity.gov. To qualify for Extra Help, your annual income must be at or below \$16,245 for an individual or \$21,855 for a married couple living together. Your total resources must be limited to \$12,510 for an individual or \$25,010 for a married couple living together. The resources do not include a primary residence or a vehicle.

This is a confusing topic for most people, but SHIIP is available to help you work through your options. If you have any questions or concerns about your Medicare options, call SHIIP at 1-800-443-9354.

Information about this article was provided by SHIIP.

Happy 40th Birthday! What is the North Carolina Retired Governmental Employees’ Association and how did it begin?

Well, we were reminded that 2010 starts not only a new decade but also marks the 40th birthday of the NCRGEA. This marks 40 years of advocacy for state and local government retirees in Raleigh. Have you ever wondered how it all began?

The first gesture toward the organization of retired state and local government employees took place in 1970 when a group of retirees met to talk about the plight of retirees who did not have an agency to represent them before the legislature. Although there were several good associations at that time, their greatest efforts were directed to active employees as opposed to retirees.

The most recent legislature had authorized the governor to appoint a commission to study the status of all governmental employees so our group met to discuss and organize a committee to visit the commission concerning needs of retirees. After this experience, the group of about 10 realized that state retirees needed to have their own organization. A board of directors and officers were elected and instructed to proceed with development of plans for the Association.

In the early days of NCRGEA, many leaders came from Wake County and the

surrounding area but as the organization grew, leaders joined in from across the state. During the early seventies, a great deal of attention was devoted to providing increased benefits to those who had retired in the earlier years at a lower rate of pay. These efforts were successful and benefit increases were given at a prorated rate for some years. Early efforts of the Association included issues such as the Homestead Exemption issue, credit for military service, repayment of withdrawn contributions, credit for work outside of North

ies, with the first one in Butner. Our newsletter, *Living Power*, was developed in 1984 and has grown into a bimonthly publication. In 1985, district meetings were started and Accidental Death and Dismemberment Insurance was provided to each member in 1986. In 1988, a toll-free information line started, and a legislative hotline was added in 1998. In 1989, the Association established the policy of free membership for members when they reach 90 years of age.



North Carolina

Retired Governmental Employees' *Association*

Carolina and the issue of disability retirement.

A significant milestone for the Association's leaders and members was reached in 1978 when the legislature approved the payment of health insurance for state retirees. Also, because of gains in the retirement systems, NCRGEA worked for those extra funds to be given back to retirees in the form of cost-of-living increases.

Local chapters began in the early eight-

Most recently, the accidental death insurance was increased to \$7,000 and then to \$10,000. A group dental plan with MetLife was offered beginning in January of 2002 and the HearPo hearing aid discount program was introduced in 2005. And just in 2009, NCRGEA created the Associate Member category to allow spouses of current members the ability to join our group and introduced the Superior Vision Discount Card and optional group vision insurance. *(continued on page 12)*



North Carolina
**Retired
 Governmental
 Employees'**
Association

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Happy 40th Birthday!

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Forty years later with membership of over 54,000, who would have thought that the vision of NCRGEA's early pioneers would have resulted in the strength the Association has today? NCRGEA is the largest lobbying Association in the nation for retired state and local government employees. The objectives and mission of this Association continues to be to advance, promote and defend by any lawful means the rights, interests and welfare of retired employees of the State of North Carolina.

So, as we enter 2010, let us wish a Happy 40th Birthday to NCRGEA!

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