

Living **power**

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

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Study Finds State Retirement System Is Well Funded

The Joint Legislative Program Evaluation Oversight Committee of the General Assembly met on September 26th and received a report from the Program Evaluation Division that compares the Teachers' and State Employees' Retirement System (TSERS) with pension funds in other states. The study found that TSERS is well funded and has plan features that range from average to less generous than the features found in other states' retirement systems.

The study was conducted at the request of the oversight committee to determine how TSERS compares to other state employee retirement systems and what steps had been taken recently by other states to manage the long-term costs of pension plans. During the past several years, a number of states have made changes to public employee retirement plans that have included: establishing or raising minimum retirement age, reducing inflationary index adjustments, increasing vesting periods, and

employee contribution rates. A few states had moved from the traditional Defined Benefit (DB) retirement plans to defined contribution (DC) systems.

The North Carolina General Assembly did enact one significant change to TSERS in 2011. The vesting period for the plan was changed from 5 years to 10 years of service. This longer vesting period applies to employees hired on and after August 1, 2011.

The North Carolina Teachers' and State Employees' Retirement System is one of the largest public pension plans in the United States. In September 2010, the market value of the system's assets was \$69.7 billion. TSERS covered a total of 577,845 active and retired teachers and state employees. The average annual pension paid by the system was \$18,942 in 2010.

The study by the Program Evaluation Division addressed six questions. These are:



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President's Message

An Idea Worth Considering

Nancy H. MacCormac, President

Many of you have probably received e-mails asking you to help eliminate present and future self-serving laws by Congress. Some propose a “Congressional Reform Act”, some suggest a Constitutional Amendment, but all agree that Congress should abide by the same laws and contracts that they legislate for all Americans.

I did remember that Congress exempted themselves from the Social Security Act, but was not aware that men and women serving in the military for 20 years only get 50% of the pay upon retirement while Congress men/women can retire with full pay after serving only one term. And I didn't know that Congress has exempted themselves from the new Health Care Law, and from fear of prosecution for sexual harassment. Fox News reported that staffers of Congress family members have recently been exempted from having to pay back student loans.

Indeed, equality and fairness would seem to demand that Congress should participate in Social Security (collecting a salary while in office and receiving no pay upon leaving office) as other Americans do, and purchase their own retirement plans as other Americans can; that they should participate in the same health care



system as all other citizens; and perhaps that their pay raises (for them and their staff) be set by established formula rather than by their own vote.

In a recent interview with CNBC, Warren Buffet outlined seven principles that should be included in a “Congressional Reform Act of 2011”, including the pay rise process above. He asked citizens to share information about the present inequalities with at least 20 people and then to pass it along. Buffet and others believe that this would go a long way toward “fixing Congress” and restoring public confidence. And that the time to act is now!

The proposed 28th Amendment reads: “Congress shall make no law that applies to the citizens of the United States that does not apply equally to the Senators and/or Representatives; and Congress shall make no law that applies to the Senators/ and or Representatives that does not

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An Idea Worth ... (Cont'd.)

apply equally to the citizens of the United States.”

How we choose to respond to this challenge, may vary – advocating for a Reform Act, for a Constitutional Amendment or by asking our current and prospective Senators and Representatives if/ and what congressional action they would support to address these inequalities. But hopefully we will all agree that this is one idea that really is worth considering.

Study Finds ... (Cont'd. from Page 1)

1. Who makes decisions about TSERS?
2. What are the plan features of TSERS and what other benefits are available to members of TSERS?
3. How do the plan features of TSERS compare to other state retirement systems?
4. How would altering the plan type or features of TSERS affect the system?
5. How is TSERS funded?
6. How does TSERS funding status compare to other state retirement systems?

This article presents a summary of the study findings on the final four questions that were examined by the Program Evaluation Division. The full study as well as an executive summary is available on the General Assembly web page at www.ncleg.net/PED/Reports.

System Funding Status and Sources

The most important of these questions from the perspective of retired state employees and teachers is the funding of

TSERS. The study indicates that the North Carolina Teachers' and State Employees' Retirement System is the eleventh largest public pension plan in the country. The North Carolina system was ranked fourth in the nation in terms of funding ratio. As of 2008-09, TSERS was funded at 97% of system liabilities. Only the states of New York (101%), Wisconsin (100%), and Washington (99%) were better funded.

The study by the Program Evaluation Division used a combination of three criteria to measure the comparative funding status of TSERS and other states' retirement plans. These included: funded ratio (as discussed above), percentage of Annual Required Contribution (ARC) paid, and unfunded accrued liability as a percentage of covered payroll. Using these measures, TSERS ranked 6th in 2009 among 81 state employee and teacher pension funds across the United States. The North Carolina system had a funding ratio of 94%, the ARC was funded at 100% and the unfunded accrued liabilities stood at 18% of covered payroll.

Funding for TSERS comes from investment earnings on system assets plus annual contributions by employees and the employer. In 2010, investment earnings added \$5.7 billion to TSERS, employees contributed \$853.8 million, and the state provided \$583 million. During the past 30 years (1980 to 2010), investment income has provided \$65.3 billion to TSERS with another \$14.3 billion coming from em-

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Study Finds ... (Cont'd.)

employees and the state contributing \$12.8 billion. The system paid \$3.3 billion in retirement benefits in 2010.

Comparison of Plan Features

The study compared plan features in seventy-seven defined benefit public pension plans and found that TSERS features either were average or less generous than the plans in other states. The features compared included: employee contribution rates, vesting periods, computation of average final compensation and benefit multiplier, normal retirement age, and COLA provisions. Following is a summary of the study findings for each area.

- **Employee Contribution Rates:** Of the 77 plans, 60 plans—including TSERS—participate in Social Security; employee contribution rates for those plans ranged from none to 9.5%, with 39 of the 60 plans having employee contribution rates less than the 6% required of TSERS members.

- **Vesting Periods:** prior to this year, TSERS had a five-year vesting period that put North Carolina's plan in the mid-range among state pension systems. The change to ten-year vesting that became effective August 1, 2011 makes TSERS less generous than the typical state plan.

- **Final Average Salary and Benefit**

- **Multipliers:** The number of years used to calculate the final average salary varies across states, but the most common is three years; TSERS averages four years of the highest consecutive salary. The formula multiplier, or the percentage of their

final average salary that employees will be paid in annual pension payments for each year of service, is the final element in the benefit calculation. The multiplier for TSERS is 1.82%. This multiplier produces a replacement rate of 55% for a career employee (1.82% x 30 years of service). On average, the replacement rate for career employees in other states' plans is 58%.

- **Normal Retirement Age:** Normal retirement is the age and number of years of service that must be attained in order to qualify for unreduced benefits, and most plans have multiple combinations of age and years of service to qualify. TSERS has three different combinations: any age with 30 years, age 60 with 25 years, and age 65 with 10 years. Nearly half of the plans offer normal retirement benefits to participants based solely on years of service. The service required ranges from 20 to 35 years. TSERS offers normal retirement, regardless of age, after 30 years of service. Most plans have a feature that specifies normal retirement eligibility as a combination of age and years of service. The most common normal retirement age with 10 years of service is 60. TSERS now has a normal retirement age of 65 with 10 years of service, along with 24 other plans.

- **COLA Provisions:** Most plans include a feature for post-retirement increases, which are referred to as cost-of-living adjustments. The majority of plans make automatic increases, such as a standard percentage increase each year or increases

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Study Finds ... (Cont'd.)

ted to the Consumer Price Index. TSERS and 15 other plans provide an increase on an *ad hoc* basis.

Changing the Retirement System

The study pointed out that many states have considered retirement system changes in the past several years in an effort to control long term benefit costs. The most common changes made in other states have included: increases in employee contributions, increases in normal retirement age and/or service requirements, and calculation of final compensation. The study concluded that: **“The General Assembly could change TSERS plan features for future hires or those not yet vested to reduce the State’s costs in providing its retirement benefit, but TSERS would become one of the least generous public retirement plans in the country.** North Carolina courts have ruled state employees and teachers have a contractual right to the terms of the state retirement benefit at the time they vest. Therefore, the General Assembly can change benefits for employees that have not yet vested in the system. Nevertheless, ... the General Assembly has tended to make changes to pension benefits payable to future employees.”

State Health Plan Launches New Website

New features such as an entire section devoted to retirees, easier navigation and access to health and wellness programs are built into the new State Health Plan web-

site, upgraded for your convenience.

Members who visit the new Plan website will find a number of improvements, including:

- Quick access to your Personal Health Portal
- A section dedicated to retirees featuring Medicare information & Pharmacy savings
- The ability to increase the font size of each web page
- Easier-to-find medical and pharmacy benefit information

Please take a moment to check out the new site – designed with you in mind. You’ll find all the information you need to make the best use of your Plan benefits, and improve the health and wellness of you and your family! Check it out today at www.shpnc.org!

County Settles Health Insurance Lawsuit

Lincoln County recently reached an agreement to settle a lawsuit that had been brought by several retired and active employees and involved a change in the county’s group health insurance plan. The legal challenge had been brought by sixteen Lincoln County employees after the county government reduced the health insurance benefit plan for retirees effective July 1, 2009.

The complaint filed by the Lincoln County employees asserted that the county government had adopted a new Hospitalization Insurance/ Continuation at Retirement

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County Settles ... (Cont'd.)

ment policy in March of 1995. This new policy provided employer-paid coverage for qualified employees and retirees in a 90/10 Preferred Provider Option (PPO) health insurance plan. This would be converted to an employer-paid Medicare supplement for qualified retirees when they reached age 65.

The Lincoln County health plan required that employees have a minimum of 20 years of service with the county to vest in the post-retirement benefits. All of the individuals who brought the lawsuit met the vesting requirement and all had been employed by the county prior to 1995.

The complaint filed by the employees argued that the county had unilaterally ceased providing the full health benefit as established in 1995 and offered the plaintiffs a less valuable 80/20 plan that required the employees to pay a premium covering 9.3% of the plan's cost. The plaintiffs' attorney argued that this action amounted to a breach of contract on the part of the county. The brief went on to request that the court order the county to immediately reinstate the benefit and pay damages to the plaintiffs.

In August, Judge Beverly Beale ruled that the Lincoln County was liable for a breach of contract. The ruling would have required the 90/10 health plan to be reinstated for all employees and retirees. After considering available options, the Board of County Commissioners decided to offer a settlement to the plaintiffs rather than to

appeal the Superior Court ruling.

The retirees accepted the settlement. While many of the details of the settlement remain confidential, some aspects of the agreement were described in an article carried by the Denver (NC) Weekly on August 19th. The newspaper reported that retirees and vested employees will receive a monthly stipend of \$345 each until they reach 65 years of age or could opt for a lump sum payment. The retirees still will have a Medicare supplement provided by the county after age 65. The estimated cost of the stipend to cover the plaintiffs to age 65 was \$169,700. Three members chose lump sum payments.

The county will be able to continue the 80/20 health insurance plan that was adopted by the Board of County Commissioners in 2009. This plan will cover all employees who had not reached the 20-year vesting at the time. The settlement also includes roughly \$13,000 to reimburse retirees for the higher premiums they paid while the lawsuit was pending. The county also agreed to pay the plaintiffs' legal expenses.

The outcome in Lincoln County should underscore an important legal point. While employers may change the benefits provided to newly hired and non-vested employees, there is a strong likelihood that North Carolina courts will find that changes made to benefits for vested and retired employees amount to a violation of a contract.

Farewell to a Friend and a Leader ***James L. “Leroy” Henderson, Jr.***

Retired state and local government employees lost a true friend and a tireless servant-leader in October. Dr. James L. (Leroy) Henderson died at his home at Emerald Isle on October 19th. Leroy served on the Association’s Board of Directors from July 2000 through June 2009. He was Association President in 2006-07 and 2007-08. He was a strong advocate for expansion of Association member benefits and he gave special attention to the needs of lower income retirees during his years on the Board.

Dr. Henderson was an interesting blend of intellectual and physical qualities. He was the founding President of Coastal Carolina Community College in Jacksonville, NC. He served there from 1963 until his retirement in 1988. Leroy was an avid reader of North Carolina history and of 20th century American literature. He owned a collection of rare first editions. He was an expert on the writing and life of Ernest Hemingway. Three years ago, he was instrumental in arranging a visit and lecture by Hemingway’s granddaughter at UNC- Chapel Hill.

Leroy Henderson, the man of letters, also was a man who engaged in challenging physical activities. Like Ernest Hemingway, he loved fishing and hunt-



ing. Leroy not only hunted across the United States, but he also went on safari in Africa. He collected antique fishing gear and firearms as a hobby. He restored old fishing boats, too. Leroy frequently would take additional time traveling to and from meetings in Raleigh in order to stop by flea markets and swap meets in search of rare fishing reels and hunting rifles.

On one such trip, he came across an old, dilapidated 1950s’ vintage Chris Craft motor boat but stopped just short of buying it. He said he concluded that he and his sons simply did not have the time that would be needed to properly restore this classic.

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Farewell (Cont'd.)

Leroy rarely spoke of his professional accomplishments. However, he did speak at length about his family. He took great pride in his children and grandchildren. His daughter Susan, sons Jim and Steven, and the two grandchildren, Samantha and Hunter, all live in the Carteret County area. They were a source of comfort to him when he lost his first wife, Maxine, several years ago.

Perhaps the most lasting memory of Leroy Henderson that I will carry with me is his compassion and concern for the well-being of our less affluent members. Leroy was deeply disturbed several years ago to learn that the average governmental retiree in North Carolina received a pension of roughly \$18,000. Further, nearly 30% of the retirees had annual pensions of less than \$10,000. He repeatedly reminded us that our Association needed to keep this in the forefront of our efforts to maintain and improve retiree benefits. Even small changes in the cost of living or in the amounts paid out of pocket for health care have a serious impact on these retirees.

Perhaps it is most fitting to end with this Hemingway quotation: "Every man's life ends the same way. It is only the details of how he lived and how he died that distinguish one man from another." In the case of Leroy Henderson, how he lived his life and how he shared himself with everyone truly set him apart. As the pain of sudden loss fades, we will keep this fond memory. — Ed Regan

Medication Tips For the Caregiver

By: Rebecca Colmer (Reprinted with permission from www.seniorslist.com)

Did you know that the average senior takes two to seven daily medications? As we age our bodies change, affecting the way medications (and foods) are absorbed, distributed, metabolized, and excreted.

All of these can create a greater risk of drug interactions and side effects. The more medications the care-receiver takes daily, the easier it is to lose track of how many to take and when they should be taken.

Caregivers should use a medication organizer for their care-receiver. Consider these other tips:

1. Make sure all of the care-receiver's doctors and specialists are aware of what the other is prescribing. Good communication is extremely important.
2. Make sure you understand how and when to take all of your medications.
3. Select over-the-counter products to treat only the symptoms you have. Follow-up with the pharmacist to make sure there will not be a reaction with other medications you are taking.
4. Make sure all medications are clearly labeled.
5. Keep medications in their original containers.
6. Never take medication in the dark or poor lighting.

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Medication Tips ... (Cont'd.)

7. Know what your medications look like. If it doesn't look right or the same, contact the pharmacist before taking.

8. Only take the amount prescribed for you.

9. Never take someone else's medication.

10. Follow the directions on the container. Do not stop taking medication just because you feel better. Call the pharmacist when in doubt.

11. Use a medication organizer.

12. Don't store medications in sunlight or direct heat. Store medications properly.

13. Never store medications in the bathroom. There's too much moisture there.

14. Use whatever means you can to help your loved one take medication properly.

15. Don't carry medicines next to your body. That can raise the temperature and cause some medications to break down.

16. Always get your prescription filled on time so you don't run out. Missing even one day can make a difference in the effectiveness of many medications.

17. Use one pharmacy for all your medicines. This will help ensure that you don't take conflicting medications.

18. If you have any questions about your pills, make a note to remind yourself to ask your doctor or pharmacist.

19. Tell your doctor if you have any side effects.

20. Be sure to tell your doctor or pharmacist of any herbal preparations you are taking. Some herbals can interact with prescribed medications and cause them to

be less effective.

21. Know the names and doses of the medicines you're taking.

22. Keep all medicines out of the reach of children.

23. Throw away any medicines that aren't currently prescribed to you.

24. Ask your pharmacist's advice before crushing or splitting tablets. Some should only be swallowed whole.

Did you know that drug misuse is one of the top problems that doctors see in seniors? Did you know that about 320,000 questionable prescriptions are written for seniors yearly?

Almost 40% of all drug reactions each year involve seniors. Be responsible. If you have any medication questions be sure to ask your pharmacist.

NCRGEA Office Holiday Schedule

A reminder that the NCRGEA office will be closed for the following holidays:

**Thanksgiving
November 24-25, 2011**

**Christmas & New Year's
Dec. 26, 2011 - Jan. 2, 2012**

**Martin Luther King, Jr. Day
January 16, 2012**

**Our normal office hours are
Monday through Friday 7:30
a.m. – 5:00 p.m.**

**We wish you the very best this
holiday season and for 2012 to
be a wonderful year.**

Recognizing and Preventing Scams Against Seniors

Financial fraud is a fast-growing form of elder abuse and there are several characteristics that make the elderly easy targets for financial abuse. Seniors may be dependent on others for help and are less likely to report fraud when it happens to them. Scammers target elders they perceive to be vulnerable; those who are isolated, physically or mentally disabled, or unfamiliar with handling their own finances.

Keep an eye out for these common schemes:

- **Telemarketing Scams:** Perpetrators call victims and use deception, scare tactics or exaggerated claims to get them to send money.

- **Charging Excessive Amounts of Money:** Seniors can be convinced they need a particular good or service and then be severely overcharged. In some cases, the high price is hidden in high interest rates or monthly installments.

- **Getting Money or Property Through Undue Influence or Coercion:** Many seniors are vulnerable to being pressured or intimidated into giving money, especially if they are in a position where they need assistance in their daily living.

Family members and caretakers are in a unique position to identify an elderly member who is being exploited. There are several indicators that could signify

an elderly person is being scammed or exploited, including:

- Unusual withdrawals, wire transfers or credit card charges ;
- Checks that are missing or have a suspicious signature;
- An individual or family member who suddenly forms a close relationship with the older person and obtains access to his/her home, money, or other property;
- Newly executed documents or changes to documents, such as a will or power of attorney;
- Changes to accounts, insurance beneficiaries or authorized signers;
- Unpaid bills or notices to discontinue utility services;
- Implausible explanations given by a caretaker about the elderly person's finances.

Should you or a loved one become a victim of fraud, know that you are not alone and there is help available to you. Elder abuse or exploitation can be reported to your local police department, the North Carolina Attorney General (www.ncdoj.gov or 1-877-5-NO-SCAM), or to friends or family members who have the senior's best interest in mind.

Elder abuse can also be reported to your county's Adult Protective Services department. Information on Adult Protective Services can be found online at www.ncdhhs.gov.

State Employees' Credit Union*



Courtesy of State Employees' Credit Union

Flu Shots for State Retirees & Families

Just a reminder that the State Health Plan is promoting Blue Cross and Blue Shield of North Carolina's (BCBSNC) "Stick it to the Flu" program to make getting a seasonal flu shot convenient for our members. This year the seasonal flu vaccine will also include the vaccination for H1N1. One vaccination covers both.

The flu vaccine is available at no charge to all State Health Plan members when you receive a shot at a worksite clinic, any in-network doctor's office, participating Minute Clinic (search Find a Doctor for "Convenience Care Center"), in-network health department, or through a participating immunizing pharmacist (search Find a Doctor for "Pharmacist – Flu and Other Limited Injections"). The free flu shot program will run from September 14 through December 31, 2011.

Just because you are retired does not mean you cannot attend a worksite clinic! Check with the agency from which you retired, to see if it is holding a worksite flu shot clinic. A schedule of available clinics is posted on the State Health Plan website, www.shpnc.org, in September.

You may also contact Customer Service at 1-888-234-2416 to find out which pharmacies in your area have an immunizing pharmacist.



Retirement Checks Schedule

Here are the scheduled dates for mailing retirement checks for the next several months. Direct deposited retirement checks should be in your bank account on these dates. Retirees who still receive their checks by mail can expect the check to be mailed on the dates below.

November 23, 2011

December 20, 2011

January 25, 2012

Butner Chapter to Meet in January

The Butner Chapter of NCRGEA will hold its next meeting Tuesday, January 10, 2012 at the Murdoch Chapel on the Murdoch Center Campus at 1600 East C Street from 1:00 - 3:00 p.m.

Program and registration information will be mailed in December. We will discuss the upcoming session of the North Carolina General Assembly and other important issues to governmental retirees.

The Butner Chapter serves NCRGEA members in Durham, Franklin, Granville, Nash, Orange, Person, Vance, and Warren counties.

We encourage you to bring your local and state government retirees friends to our meetings!



North Carolina

**Retired
Governmental
Employees'**
Association

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2011-12 Retiree Pay Dates

Retirement Benefit for Month of:	Date Retirement Payment Issued (Direct deposit or Mailed)
November 23, 2011	June 25, 2012
December 20, 2011	July 25, 2012
January 25, 2012	August 24, 2012
February 24, 2012	September 25, 2012
March 23, 2012	October 25, 2012
April 25, 2012	November 21, 2012
May 25, 2012	December 20, 2012

Your direct deposit notification statement is only available through the ORBIT system. Statements, which are created when there is a change in your deductions, are no longer mailed.

If you have questions about your retirement check, call the NC Retirement Systems at 1-877-733-4191 (or 733-4191 in Raleigh area.)

IMPORTANT PHONE NUMBERS

NCRGEA.....	1-800-356-1190
MetLife Dental.....	1-800-942-0854
Superior Vision.....	1-800-507-3800
NC Retirement Systems.....	1-877-733-4191
In Raleigh Area	919-733-4191
CIGNA (Medicare Administrator).....	1-800-633-4227
Seniors' Health Insurance Information Program ...	1-800-443-9354
In Raleigh Area	919-807-6900
NC State Health Plan	1-919-881-2300
Pierce Insurance	1-855-627-3847
Blue Cross/Blue Shield.....	1-888-234-2416
(State Health Plan Administrator)	
Medco (SHP Prescription Drug Administrator).....	1-800-336-5933
Social Security Administration	1-800-772-1213
State Employees' Credit Union	1-888-732-8562
Local Government Federal Credit Union	1-800-344-4846
NC 401(k)/Deferred Comp (457)	1-866-627-5267



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