



## 2017 STATE BUDGET AND LEGISLATIVE GOALS NC RETIRED GOVERNMENTAL EMPLOYEES' ASSOCIATION

With 70,000 members  
Representing 300,000 retired state & local government employees

In order to keep the promises made to generations of North Carolina's state and local government retirees and to provide for the future wellbeing of those currently employed in government service, the NCRGEA:

### **URGES THE NC GENERAL ASSEMBLY TO:**

#### **1. Provide a Cost of Living Adjustment (COLA) sufficient to maintain retirees' buying power and stay abreast of the Consumer Price Index.**

Retiree cost of living adjustments have not kept up with changes in the cost of living, falling short of the real cost of living and having a detrimental effect on the state's economy. In a national study, every dollar (\$1) spent by retirees is estimated to generate ten dollars (\$10) of economic activity. The study indicates that 45,000 jobs are supported by North Carolina government retirees' spending.<sup>1</sup>

While the average 30-year increase in pension of **LGERS & TSERS retirees** amounts to **2.8%** per year have kept pace with the rate of inflation:

- Over the **past 8 years** increases in retirees' pensions have **NOT** kept up with inflation.
- A Local Government employee (**LGERS**) retiring in 2008 receiving a pension of \$17,500 now has a pension value of only **\$15,526**. This is a 10% reduction in pension value and means that individual lost over \$19,200 between 2008 and 2015 because COLAs did not track inflation.
- COLAs for **LGERS** retirees between 2008 and 2016 equal (or totaled) 0.94%, as inflation has increased 14.1%.
- A **TSERS** retiree who received a pension of \$20,500 in 2008 has lost more than a year's pension due to the **lack** of adjustment to inflation. While inflation has increased 14.1% from 2008 to 2016, TSERS retirees received only a 2% adjustment.

#### **2. Maintain the State Budget in 2017-2018 to sustain the Annual Required Contribution (ARC) to the Retirement Systems (TSERS/LGERS.)**

Each year, actuaries for the NC Retirement Systems give the NC legislature recommendations related to the ARC of the amount of money needed to fund the Systems. North Carolina has one of the nation's strongest Pension Funds for retirees, thanks—in part—to legislative protection of this program for over 30 years.

#### **3. Maintain the State funding for the State Health Plan. Continue full funding for the State Health Plan with no decrease in benefits and no required premiums for retirees on any basic plan.**

The State Health Plan has experienced increased costs to members in recent years, and the Board of Trustees is projecting an increase in members' costs next year. NCRGEA strongly requests full funding for the State Health Plan with no reduction in benefits or increases in costs for retirees.

#### **4. Support continuation of a Defined Benefit (DB) pension plan and oppose any trend toward a Defined Contribution (DC) plan.**

For more than 70 years the NC Retirement Systems have operated as a Defined Benefit Plan, in which the State invests funds for employees and produces a defined benefit at retirement based on a formula of length of service and salary. Recent studies and research have concluded that DB plans are more reliable for retirees and more economical to administer.<sup>2</sup>

1. Boivie, I. 2012. Pensionomics 2012: Measuring the Economic Impacts of DB Pension Expenditures. Washington, DC: National Institute on Retirement Security.

2. Compared to Other States' Retirement Plans, TSERS is Well Funded and Its Plan Features are Typical or Less Generous; Final Report to the Joint Legislative Program Evaluation Oversight Committee, Report Number 2011-04; September 26, 2011.