



North Carolina Retired School Personnel

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MONTHLY REPORT August 8, 2017

We Got Our COLA

In case you haven't heard, the NC General Assembly approved a 1% Cost of Living Adjustment (COLA) for state retirees before their July adjournment. This is a hard-earned victory for NCRSP, its lobbyists (Pam Deardorff & Dr. Lacy Presnell), its officers and all of its members. Everyone who made a legislative visit, a phone call or sent an e-mail to their legislators had a hand in it. Governor Roy Cooper recommended a 1.5% bonus for retirees in his version of the budget. The NC Senate recommended no increase of any kind, and the House initially opted for a one-time 1.6% bonus; however, by the time the House-Senate conferees completed their negotiations, the bonus had morphed into a real 1% COLA. The good work of our lobbyists and the loud and persistent outcries of our members certainly had an influence on the outcome.

Adequate funding for the state retirement system through 2019—what used to be called the Annual Required Contribution—was included in the final budget.

In less welcome news; the General Assembly also passed a bill that would strip new state employees of State Health Plan benefits if they obtain state employment on or after Jan. 1, 2021. Though this step does not have a direct effect on current state retirees, it is very bad news for new hires, AND down the road, it will inevitably shrink the risk pool that supports the State Health Plan. NCRSP's leaders have already resolved to fight this counter-productive move and see if the health insurance benefit can be reinstated.

The General Assembly reconvened briefly on August 3 and is scheduled to convene again in September to tidy up the unfinished business of the regular session—presumably including anticipated overrides of gubernatorial vetoes. It was not clear at press time what legislation the lawmakers might address. NCRSP will keep you posted. Also, there is the matter of redrawing state legislative district lines. The court has set a September 1 deadline for that.

A complete listing of the latest legislation pertinent to retirees—compiled by our lobbyists, Pam Deardorff and Dr. Lacy Presnell—appears at the end of this report.

New “Committee Day” set for September

The chairs and all members of five statewide NCRSP committees—plus Regional Directors—are invited to the NCAE Building in Raleigh on Sept. 14, 2017. This is the opening event in a proposed “Project Hot Weld” intended to make the six key NCRSP committees more effective. Under the title of “Project Hot Weld,” NCRSP has applied for an NEA-R grant to support this and other events and activities designed to improve cooperation—not only between the six key state committees, but also with their counterparts on the regional and local unit level.

Regional Directors, the chairpersons and **all members** of the NCRSP Legislative, Membership, Communications, Community Service, Quality of Life and Recognitions committees are invited and will receive briefings and participate in work groups beginning at 10:00 a.m. on Thursday, Sept. 14. A simple lunch will be served.

(NOTE: A pre-meeting gathering for **just the chairpersons** of the same six committees and key NCRSP officers will be held on Wednesday, Sept. 13, 2017 from 4:00 p.m. to 9:00 p.m. at NCAE. Dinner will be served.)

Changes to Medicare Advantage Plans Pending

We have persistent reports that changes are pending for the Medicare Advantage Plan portions of the State Health Plan. We hope to have details about these proposed changes soon and will keep members posted on what we learn. Meanwhile, the Treasurer's Office has announced the open enrollment dates for the State Health Plan. They are **Sept. 30-Oct. 31, 2017**. We will forward the outreach dates and other information to all leaders soon.

Executive Board to meet in October

The NCRSP Executive Board will hold its first meeting of the 2017-2018 fiscal year on October 18-19 at NCAE in Raleigh. The Board meeting will begin at 1:00 p.m. on Wednesday, Oct. 18, 2017 and continue through midday on Thursday, Oct. 19. Dinner will be served on the 18th.

(Note: The NCRSP Administrative Council members will meet beginning at 1:00 p.m. on Tuesday, Sept. 17, 2017 at the same location.)

ATTACHMENT ONE



From: July 2017

Summary of 2017 Legislative Changes Affecting Retired School Personnel

The 2017 “long session” of the North Carolina General Assembly began January 25, 2017 and adjourned just over five months later, June 30, 2017. A primary responsibility of lawmakers was to craft a two year budget for the state. Amid early debate over House Bill 2 and later, tax reform, the legislature did find consensus in a \$23 billion budget. Their budget deal, Senate Bill 257, was sent to Governor Roy Cooper, who promptly vetoed it, stating that not enough was done for education. The legislature quickly overrode the Governor’s veto and wrapped up the session. The legislature is scheduled to reconvene on August 3, 2017 for a special session to consider any veto overrides and bills that were in conference but not voted on during the regular session. Another special session is scheduled for September 6, 2017 where legislators will likely focus on legislative redistricting.

2017 STATE BUDGET ACT ([Senate 257, 2017 Appropriations Act](#))

++ COLA and salary increases

The budget conference committee report, which ultimately became the final budget bill, settled on a 1% “permanent” COLA for retirees of TSER, Judicial Retirement, and Legislative Systems.

NOTE: The Governor’s budget recommendation included a 1.5% one-time bonus for retirees. The Senate began the legislative budget process this year and recommended NO Cost of Living Adjustment (COLA) for retirees. The House rejected the Senate recommendation and proposed retirees receive a one- time 1.6% increase.

The Budget Act also provides a flat \$1000 salary increase for state employees plus 3 days of bonus vacation leave.

Teachers will receive an average 3.3% salary increase. Starting teachers will remain at \$35,000 and teachers with 17 to 24 years of experience will receive some of the biggest raises.

++ Retirement Funding: The budget provides full funding for the Annual Required Contribution (ARC) to the Teachers and State Employees Retirement System (TSERS)-- 10.78% contribution rate for TSERS for 2017-'18.

++ State Health Plan (SHP) Funding: The budget increases funding by 4% for 2018-'19, but this is 3% less (\$96 million) than the amount requested by the Treasurer’s office.

++OTHER BUDGET PROVISIONS:

Study State Employee Total Compensation/Reduce Long-Term Unfunded Health Care Liabilities

(Sec. 35.21.(a): Establishes the State Employee Total Compensation Committee to study the total compensation of State employees including cash compensation and the value of health care, retirement, leave and other benefits. The Committee is also to “evaluate the current financial condition and the sustainability of the State pension system” and submit a report with findings and recommendations to the General Assembly by February 2019. This section also eliminates *retiree* health care for persons hired on or after January 1, 2021—in other words, a person hired after January 1, 2021 as a teacher or state government employee will not be able to participate in the state health plan once they retire (some 20-30 years later).

++OTHER BILLS OF INTEREST

HB 115 Retirement Technical Corrections Act of 2017 AB—Ratified-- this bill was requested by the State Treasurer’s Office and incorporates provisions that will clarify interpretations of current state law, conform statutes to governmental accounting standards, correct errors, and increase efficiency of administration—including such things as: *“Payout of vacation leave shall be included in "average final compensation" only if the payout is received by the member during the four consecutive calendar years of membership service producing the highest average annual compensation of the member.”*

HB 176 Pensions Integrity Act of 2017 AB—Ratified—this bill was requested by the State Treasurer’s Office and focuses on fraud, waste and abuse detection and prevention—contains a number provisions that improve the anti-pension spiking law.

HB 183 Retirement Administrative Changes Act of 2017—AB—Ratified ---This bill was requested by the State Treasurer’s Office and incorporates provisions that will improve efficiency of retirement operations; prevent fraud, waste, and abuse; and increase transparency of governance statutes including such things as standardization of how employers report sick leave.

H 299 State Health Plan Administrative Changes (S 218)—AB—Ratified ---This bill was requested by the State Treasurer’s Office and incorporates provisions that will improve efficiency of the health plan operations such as a plan to terminate coverage when an individual knowingly and willfully provides false information during the enrollment process.

HB 651 State Pensions/Retirement Health Benefit Fund Solvency—*Did not pass*---- Would have established the Unfunded Liability Solvency Reserve fund and specified that funds in the Reserve could be used only for transfers to the Health Benefit Fund or the Retirement System for the purpose of reducing the unfunded liabilities of those two funds.

SB 467 NC Retirement Reform---*Did not pass*---Would require persons hired on or after July 1, 2018 to participate in the NC 401(K) or 457 Retirement Plan rather than the current Defined Benefit Plan and would end State Health Plan participation for those same persons, once they retire. (*NOTE: a provision in the final budget did include language that retiree health insurance would be eliminated for persons hired after July 1, 2021.*)

HB 103 Equal Tax Treatment of Gov't Retirees – *Did not pass* ---Would have gradually extended the vesting date for 'Bailey eligible' by extending the date by which State, local or federal government employees must be vested to receive the tax exclusion by three years each tax year until all the retirement income was deductible.

HB 651 State Pension/Ret. Health Benefit Fund Solvency – *Did not pass*--- Would have established the Unfunded Liability Solvency Reserve Fund to begin addressing the unfunded liability in the retirement and health plan funds.

SB 389 Open Enrollment/Contributory Death Benefit ---*Did not pass*--Would have allowed an 'open enrollment' for retirees to purchase the \$10,000 Contributory Death Benefit insurance policy offered now only within 60 days of retirement.

SB 375 Limit Payroll Deduction/Wage Withholding--- *Did not pass*—Would have eliminated payroll deduction of membership dues for 13 associations/organizations, including NCAE.

Prepared by Pam Deardorff for NCRSP—July 6, 2017