

Living **power**

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

January-February 2017

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Local Governmental Retiree Pensions - An Overview

With the New Year upon us, NCR-GEA continues to work to maintain your benefits through our legislative efforts and by growing our relationships with the cities and counties that fund the Local Governmental Employees' Retirement System (LGERS).

Quite a few of our members have inquired about how the LGERS system differs from the TSERS pension plan. This article, in collaboration with the North Carolina League of Municipalities and the North Carolina Association of County Commissioners, provides an overview of the pension plan from the perspective of local governments. We are sharing this information with you, so we can all better understand the LGERS pension system and work

together to ensure sound management of the pension plan and ensure the needs of retirees' are met as the cost of living continues to devalue their pensions.

Public servants in North Carolina have the benefit of being part of one of the state's retirement systems that comprise North Carolina's pension fund, which is consistently ranked one of the best-funded in the country. The retirement system that provides benefits to employees of cities, towns, counties, and other entities of local government is the Local Governmental Employees' Retirement System (LGERS). The Teachers' and State Employees' Retirement System (TSERS) provides benefits to all full-time teachers and State employees

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*The NCRGEA Staff and Board of Directors
wish you a Happy New Year in 2017!
We look forward to continuing to serve you!*

LGERS Pension ... Cont'd

in all public school systems, universities, departments, institutions, and agencies of the State. LGERS and TSERS are managed and governed by Boards of Trustees that oversee and maintain responsibility for the proper administration and operation of the systems and plans.

Both pension systems are funded by investment earnings, by employee contributions, and by employer contributions. However, since LGERS and TSERS provide benefits to different groups of retired public employees, they are administered differently. Participation by local governments in LGERS is voluntary; a local government employer chooses to participate in the system and provide the pension benefit to its employees. Therefore, the operation of LGERS is dependent upon the continuing financial support of the governing bodies of the employer local governments. TSERS is funded by the state, requiring annual appropriations by the General Assembly. In addition to employee contributions, it is the governmental employer -- whether it is the state or a local government -- whose contributions ensure the system is well-funded in the long-term and can support what is owed to retirees.

Employers and employees make these contributions so that, upon an employee's retirement from either system, she is able to receive a consistent, defined benefit based on salary and years of service. As inflation occurs and the price of goods rises, though, this defined benefit has less

purchasing power than it did at the time of retirement. A cost of living adjustment (COLA) that increases benefits to match inflation helps that retiree's benefit to have the same marketplace value as it did at the time of retirement.

But since a retiree is no longer paying into the system, any such COLA must be funded through the normal means of funding the retirement system. As stated above, those funding sources are current employee contributions, employer contributions, and investment earnings. The LGERS Board has a long-standing policy of providing COLAs to retirees when the previous years' investment returns are sufficient to provide them. The NC League of Municipalities (League) and the NC Association of County Commissioners (NCACC) have supported the LGERS Board's decision to provide COLAs only in these instances and believe this policy is one of the management practices that helps keep the LGERS system so well-funded. However, recent investment gains have been low, which has resulted in limited ability for the LGERS Board to provide COLAs without increasing employer or employee contributions.

For LGERS retirees, if a COLA cannot be supported by the system and its investment gains, legislation can be passed to provide a COLA. However, funding has to be provided for that COLA or the system would be put in jeopardy; that additional funding is paid for by the personnel budgets of the local government employ-

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LGERS Pension ... Cont'd

ers in the system. Providing the funds to support a COLA is not a one-time cost; it is a permanent increase to the pension benefit. If the system doesn't have the assets to cover the COLA, the benefit creates an unfunded actuarial accrued liability that takes 12 years to pay off. In other words, the cost of any COLA is amortized and the employer pays it over 12 years. For example, a 1% COLA for retirees in LGERS in 2017 would cost employers \$18 million for one year (\$128.2 million amortized over 12 years).

This ongoing cost is true for a COLA in either system and may be why the NC General Assembly chose to provide TS-ERS retirees with a one-time bonus instead of a COLA in 2016. The bonus limited the timeframe to one year, significantly decreasing the amount the state had to spend in the future.

The League and NCACC provide advocacy for their municipal and county members, respectively, and both strive to minimize mandates by state and federal governments that require the expenditure of local tax-payer funds that are not voluntarily agreed to by the local elected body. This principle is why both organizations have historically opposed legislatively granted COLAs to LGERS retirees. COLAs for retirees in the LGERS system must be approved by the General Assembly when the proposed COLA exceeds that which can be funded by the system's investment gains. In these instances, the COLA is funded through increased con-

tributions from participating local governments. Funds for these increased contributions must be derived from some source of local government revenue, the primary of which is the local property tax.

In order to make employer contribution rates more consistent and provide budgeting certainty to local governments, last year – with the support of the League – the LGERS Board approved the “Employer Contribution Rate Stabilization Policy.” This policy will increase local government employers' contribution rates for the next five years to help maintain LGERS as one of the best-funded retirement systems in the country. As a result of this policy, local government employers will provide over \$175 million in additional local funds to the system. The League and NCACC are hopeful that, in addition to maintaining the overall funding of the system, this increased contribution will also be sufficient to fund additional COLAs in the near future.

The League and NCACC membership has a shared interest with NCRGEA's members of defending the fiscal integrity of LGERS. With that in mind, our organizations have been in recent conversations and will continue to have an open dialogue. Our organizations' members all benefit from the fact that North Carolina has one of the strongest pension systems in the nation, a status that has resulted from conservative decisions that promote the fiscal health of the system. We look forward to working together to maintain this healthy system for years to come.

NCRGEA 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.¹

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 **\$15,891**. 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 2015 equal (or totaled) 0.83%, as inflation has increased 12%.
- 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 12% from 2008 to 2015, 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.²

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.

Changes to Medicare Part A and B for 2017

SHIIP, the Seniors' Health Insurance Information Program, is available to Medicare beneficiaries, their families and caregivers to help them understand how the coming changes will affect their coverage in 2017. With the change of the calendar year comes change to Medicare Parts A and B. The Centers for Medicare and Medicaid Services re-examine the costs for Medicare Parts A and B each year to determine if changes need to be made to deductibles, co-pays and out-of-pocket maximums.

Part B – Medical Insurance

The standard Part B premium amount in 2017 will be \$134 (or higher depending on your income). However, most people who get Social Security benefits will pay less than this amount. This is because the Part B premium increased more than the cost-of-living increase for 2017 Social Security benefits. If you pay your Part B premium through your monthly Social Security benefit, you will pay, on average, \$109 in 2017.

The Part B deductible will increase from \$166 in 2016 to \$183 in 2017.

Part A – Hospital Insurance

Hospitalization costs* for Medicare beneficiaries will increase slightly in 2017. *See*

chart below for 2016 to 2017 comparison.

Medicare will continue to pay 100 percent of approved costs for the first 20 days of Post-Hospital Skilled Nursing Facility Care. For Skilled Nursing Care between 21 and 100 days, the charge per day is \$164.50 for 2017, an increase from the 2016 charge of \$161.00.

The premium for Medicare Part A will continue to be \$0 for eligible beneficiaries. For those ineligible, the premium for Part A increased to \$413 per month for those who worked fewer than 30 quarters, and \$227 per month for those who worked between 30 and 40 quarters.

Medicare Supplement Plans

The Standardized Medicare Supplement Plans in 2017 will increase slightly for the out-of-pocket limit for Plan K at \$4,969, and the out-of-pocket limit for Plan L at \$2,560. The deductible for the Plan F Prime is increasing to \$2,200.

SHIIP, a division of the North Carolina Department of Insurance, can help answer any questions about Medicare costs and coverage over the phone or in person. Trained SHIIP counselors are available for free, unbiased counseling appointments in all 100 North Carolina counties. For more information, contact SHIIP at 1-855-408-1212 or visit www.ncshiip.com.

Hospitalization Costs*

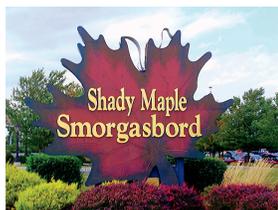
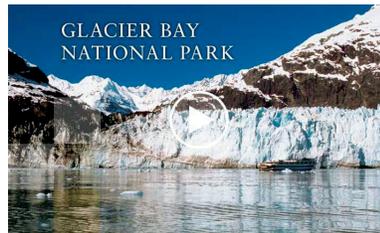
First 60 days	\$1,288 deductible	\$1,316 deductible
Days 61-90	\$322 per day	\$329 per day
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You must have an email address to enroll. Enrollment form is on page 8.**

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Credit Cards Accepted:    

If you have questions, call NCRGEA 1-800-356-1190.

When Will You Get Your 1099-R?

As you know, tax return season is just around the corner and we will soon be gathering our income and deduction documentation to prepare our 2016 tax returns. Your 1099-R Form will be mailed by the NC Retirement Systems Division. By law, it must be mailed by January 31, 2017. This does not necessarily mean you will receive it by January 31st.

You can get it sooner online through ORBIT!! By mid-January, you should be able to print a copy from your ORBIT account. **Go to www.myncretirement.com.**

Did You Move Last Year? If you moved in 2016, be sure to call the Retirement System to correct your mailing address 1-877-627-3287.

If you do not receive your 1099-R by mid-February, you can call the NC Retirement Systems Division 1-877-627-3287 to request a duplicate.

Let SECU help with your tax return preparation needs!

Since 2008, SECU has helped members and taxpayers in North Carolina save millions in tax return preparation fees! If you haven't participated in the savings before, it is time to see if you can! SECU has two tax return preparation programs and the cost of the service depends on which program you are eligible for. Either way, you can look forward to a good deal!

Volunteer Income Tax Assistance (VITA) – Through this IRS-sponsored program, our tax preparers can complete and electronically file your basic tax return free of charge! To qualify for this program, your household income must be \$54,000 or less and all of your tax documents must be within the tax law scope of the program.

SECU's Low Cost Tax Return Preparation Program – For members who would qualify for VITA except for income exceeding the threshold and limited additional tax law scope items, tax return preparation with e-file is available for a flat fee of \$75.

Tax return preparation services for the 2016 tax year will be available in all SECU locations beginning January 19, 2017. To participate, simply gather your tax information and visit the branch of your choosing. One of our preparers will review your information with you to ensure we have everything needed to prepare the return; then, you're free to go! Your return will be complete and available for pickup within five business days.

To expedite the tax return preparation process, members are encouraged to read and complete a "Getting Started Kit" prior to bringing in their tax return information. In addition to forms you'll need to complete, the kit includes eligibility information as well as a list of items to bring with you. Getting Started Kits are now available for pickup at any SECU branch. Additionally, members can download and

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SECU ... *Cont'd*

print a kit from the Tax Preparation Services page on SECU's website at www.ncsecu.org. If you need assistance with completing your Kit or are unable to complete it beforehand, simply gather your information and visit your local branch when you are ready.

Not a member of SECU? Join today to take advantage of our tax return preparation program and our many other valuable services!

*SECU's tax preparation services are also available to members of LGFCU and NCPAFCU.

Article provided by State Employees' Credit Union

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2017 Retiree Pay Dates
(Date that pension checks are direct deposited or date checks are mailed).
January 25
February 24
March 24
April 25
May 25
June 23
July 25
August 25
September 25
October 25
November 22
December 20

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You can help NCRGEA save on the costs of printing and postage when you receive our *Living Power* newsletter by email, and you will receive your newsletter 2-3 weeks early. We email the electronic issue when we send the newsletter for printing. (Printing takes 2 weeks.) Go to our website www.ncrgea.com, and look in the top right corner for **Electronic Communications Sign-Up**.

Happy Birthday 90-Year Olds!!!

Association members who were born in 1927 will receive a present in the mail from NCRGEA. One of the benefits of membership is free, lifetime membership the year in which you turn 90.

If you have been a member of NCRGEA for at least the past year, keep an eye on your mailbox in January for your new laminated lifetime membership card. The lifetime membership still entitles you to all benefits of members in NCRGEA.

Happy 90th birthdays!





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- Go to www.ncrgea.com.
- Click on: **Sign-up to Receive NCRGEA Communications Electronically!**

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