

NCRSP Talking Points – 2010 Legislative Session

Retiree COLAs Lag Behind Inflation

The dramatic rise in the cost of food, fuel, and other necessities during this year has hit retirees very hard. Nonetheless, because the CPI was negative for most of 2009, and the state's economic uncertainties remain, the recommendation has been to ask the General Assembly to consider the options for retired educators within this scenario listed below. Our primary objective is to keep the cost of living adjustments even with inflation.

<u>Fiscal Year</u>	<u>Annual CPI*</u>	<u>Cumulative CPI</u>	<u>Annual COLA</u>	<u>Cumulative Gap</u>	<u>COLA Shortfall</u>
2004-05	1.9%	1.9%	1.7%	1.7%	-.02%
2005-06	3.3%	5.2%	2.0%	3.7%	-1.5%
2006-07	3.4%	8.6%	3.0%	6.7%	-1.9%
2007-08	2.5%	11.1%	2.2%	8.9%	-2.2%
2008-09	4.1%	15.2%	2.2%	11.1%	-4.1%
2009-10	0.1%	15.3%	0.0%	11.1%	-4.2%

*Annual CPI is the Consumer Price Index for the preceding calendar year as determined by the U.S. Bureau of Labor Statistics. Thus, the CPI applied to 2009-10 is for 2008 calendar year. (Chart above prepared by NCRSP Exec. Dir. Pam Deardorff and NCRGEA Exec. Director Ed Regan.)

The Contribution Rate to the Retirement System Must be Raised

The state's employer contribution rate to the Teachers and State Employees Retirement System (TSERS) currently stands at 3.57% for 2009-10 and at 4.98% proposed for 2010-11. While we understand the fiscal challenges that the General Assembly faces, we also understand that the financial condition of the State Retirement System is an important factor in maintaining the State's excellent credit rating. A joint letter including the endorsement of NCRSP, NCAE, NCRGEA, SEANC, and NCASA was submitted to the Retirements Systems Board of Trustees (January 2010) recommending the employer contribution to the TSERS be raised to 6.71% of payroll. This recommendation supports a commitment that will sustain TSERS in the future and is also the recommended level by the State actuary.

State Health Plan

We also support changing the operation of the State Health Plan from its current fiscal year basis to a calendar year, a change which would bring the Plan into alignment with Medicare. It would also give members more time to study their options regarding dependent coverage, thus attracting younger, healthier dependents.

Retirees Continue to Serve

NC retirees are vital members of society and provide thousands of volunteer hours each year in schools and other public services, thus essentially saving the state millions of dollars that may have otherwise been spent from the state budget on salaries. North Carolina Retired School Personnel members alone continue to contribute over 603,000 hours of community service, representing a value of over \$11.4 million.