NSEA-RETIRED ADVOCATE

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www.nsea.org/retired

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The chained CPI revealed

Roger Rea,
NSEA-Retired
President

You hear a good deal these days about using the "chained CPI" as a way to get greater control over the cost of Social Security benefits and the federal deficit. But is that a fair and equitable method of solving the current fiscal mess? Let's examine this idea in some detail.

Social Security was never intended to provide great wealth in retirement. Social Security provides a fraction of the income needed to stay out of poverty (about 50% of your pre-retirement income for workers who earned $20,000 prior to retiring; about 33% for those who earned $60,000; and about 28% for those who earned $80,000). Low income seniors rely heavily on Social Security to keep them out of poverty.

Inflation erodes the purchasing power of everyone, especially retirees. The inflation adjustments to your Social Security benefit are provided so that your standard of living does not drop after you retire. Although the things you buy may be more expensive, your inflation-adjusted income will allow you to purchase the same quantity of things you need to live. At least that's the theory.

Prior to 1975, increases in Social Security benefits were granted only when Congress voted to increase the benefits. The increases were spotty and not dependable. The first automatic cost-of-living adjustment came in 1975. The 1975 adjustment was 8.0% (general inflation in 1974 was11.0%). You may recall the 1970s as a time of very high inflation.

There are several measures of inflation calculated by the Bureau of Labor Statistics (BLS) each month. The IRS uses the CPI-U (consumer price index for urban areas), which measures inflation in prices consumers pay in urban areas, to adjust changes in tax brackets. Social Security uses the CPI-W (consumer price index for urban and clerical workers), which calculates the increase in prices for urban wage earners (not all workers). The most recent addition to the measures of inflation is called the chained CPI, or C-CPI.

The chained CPI was introduced in 2002. Not everyone buys the same basket of goods that is used to measure general inflation. Some contend that using the CPI-W to increase Social Security benefits gives retirees an unfair boost, because retirees do not purchase the same basket of goods that a working person would. They say, for example, that retirees do not purchase new clothes, new cars, or take vacations as often as a non-retired person.

All measures of inflation track the prices of a certain basket of goods. The basket might include the price of a year's supply of propane for heating. When the price of propane goes up, both the CPI-U and CPI-W include that as an increase in the cost of living. Advocates of the chained CPI argue t hat when the

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price of propane goes up, people will switch to less expensive energy alternatives (electric heating or a wood stove, for example), so the actual costs of heating their homes would go up less than the general CPI-U or CPI-W would suggest. Since the chained CPI attempts to take such substitution effects into account, it generally rises more slowly than the other metrics. Using the chained CPI would lessen the future costs of providing Social Security benefits to retirees, so it is attractive to those who wish to limit increases in expenditures for Social Security.

In reality, using the chained CPI results in a big cut in Social Security benefits. Consider, for example, a person born in 1935 who retired in 2000 at age 65 with full Social Security benefits. According to the Social Security Administration, the average benefit for people in that position was $17,220 per year. Under the current CPI-W adjustments, the retiree would have a 2013 benefit of $23,832 per year. Using the chained CPI adjustments for the same period of time, the 2013 benefit would be $22,560 per year – that's a cut of more than 5% in that period of time, and even more as you go further into the future.

There is one immutable fact about substituting less expensive goods for more expensive goods: you cannot change some of the items you consume, even if there are less expensive alternatives! It is impossible to opt for taking some blood pressure medication when a quintuple bypass is required to live. For most people, there are no alternatives to their current rent, medical expenses, utility prices, vehicle registration, sales tax, or property tax. And these are the very expenses that most seniors have to pay.

In about 1982, the BLS began developing a measure of inflation for the goods and services that seniors are most likely to buy. It is called the CPI-E, or consumer price index for the elderly. The Public Policy Institute determined that if Social Security incomes were adjusted using the CPI-E, beneficiaries would receive benefits that are about 2 to 3% higher than those calculated by using CPI-W after ten years. Since it is more expensive, it is not surprising that the CPI-E is seldom mentioned as a more fair method of adjusting Social Security benefits.

AARP recently conducted a national survey of voter opinion on the chained CPI. The results may surprise you. More than 70% of those over age 50 opposed changing to a chained CPI, and the support was essentially the same for Republicans, Democrats, and Independents. Two-thirds of those polled said that they would have a less favorable opinion of their congressional representative if he or she voted for the chained CPI proposal.

Make no mistake about it. Using the chained CPI instead of the CPI-W means a benefit cut for retirees. Social Security has not added one dime to the federal deficit, and by law it cannot spend more money than it takes in. The federal budget should not be balanced on the backs of retirees. We've paid for our Social Security benefits, and we deserve to have those benefits preserved. Balancing the federal budget should require looking for revenue enhancements.

New Board Members Elected

— Roger Rea, NSEA-Retired President

Congratulations to the newly elected board members for NSEA-Retired. There were 1,200 ballots returned and counted for the election. Art Tanderup was re-elected as Treasurer and Jan Barnason was elected as Secretary. John Jensen was re-elected as Metro District Director; James McDermott was elected as Panhandle District Director; and Guy Roggenkamp was elected as Tri Valley District Director. All of the new board members take office on August 15, as provided in NSEA-Retired Bylaws.

Retiring Board Members

Left to right: Ruby Davis, Secretary; Twila Griffiths, Panhandle District Director

2013 NSEA-Retired and Lincoln Education Association-Retired $1,000 Scholarship Winners

The 2013 winners of the LEA-R $1,000 scholarships and guests: L to R: First Lady, Sally Ganem; Scholarship Winners Allison Yardley, Tim Oehring, and Hannah Pahre; Union Bank Executive and scholarship co-sponsor Tammy Gebers; LEA-R scholarship committee Mary Lou Sandell and Barbara Hetcko; Not pictured, Scholarship Winner Bethany Tallman.

The 2013 winners of the SEAN/NSEA-Retired $1,000 scholarships: L to R: Jenna County, Nebraska Wesleyan University; Tom Black, Chair of the Selection Committee/NSEA-Retired Vice President; James Bunch, Peru State College. Not pictured: Abigail Gabel, University of Nebraska-Lincoln. The Selection Committee consisted of SEAN members Katie Bennett, Ryan Evans, and Rae Carbaugh and NSEA-Retired members Walta Sue Dodd and Tom Black, Chair

The NSEA-Retired Spring Conference April 18. 2013, Kearney (See more, page 5)

Left: Keynote Speaker: Curt Tomasevicz. The 2010 Winter Olympic US Four-man Bobsledding Gold Medal Winner

Right: “Grit ‘n Gumption” Cherrie Beam-Clarke as Nebraska pioneer Mariah Monahan.

Breakout Sessions

Estate Planning: David Glenn & Mary Oestmann

EHA BC/BS Insurance Options: Kent Trelford-Thompson

Gluten Free: Shannon Frink

Coalition prepares testimony for tax commission

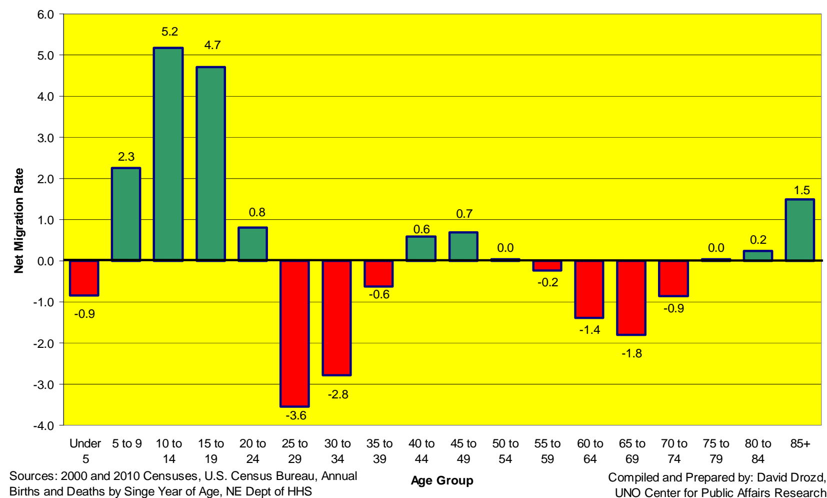
By: Roger Rea, NSEA-Retired President

The coalition to help make Nebraska more retiree friendly, which NSEA-Retired helped form three years ago, will coordinate testimony for any hearings that will be scheduled in the coming months as a result of passage of LB613. LB613, introduced by Columbus Sen. Paul Schumacher, creates a tax modernization commission. The commission would include the speaker of the legislature, several legislative committee chairs, the tax commissioner and legislative fiscal analyst, and several academic tax experts.

The intent of the commission is to *"review and study Nebraska's tax law, including but limited to sales and use taxes, income taxes, property taxes, and other miscellaneous taxes and credits,"* and to make recommendations for changes in the tax structure of the state while considering: (a) fairness of the tax structure; (b) competitiveness with other states; (c) simplicity and compliance; (d) stability; (e) adequacy of revenues generated; and (f) complementary tax systems to address the interrelationships of tax systems within the state as a whole. The Chair of the Legislature's Revenue Committee would also chair the Tax Modernization Commission.

LB613 calls for engaging the public in a variety of ways. The final report of the commission, which will contain any recommendations for changes in tax structure for the state, is to be delivered to the Legislative Executive Committee and the Governor by December 15, 2013.

NSEA-Retired is one of several organizations interested in making the tax burden on retirees in Nebraska more competitive with the surrounding states. Nebraska is currently one of only five states in the nation that taxes Social Security benefits to the full extent allowed by federal law.



The baby boomers in Nebraska will continue to retire over the next twenty years, and will choose where to spend their retirement years. The UNO Center for Public Affairs Research has determined that many Nebraskans choose to retire elsewhere – at a rate that is higher than our surrounding states. The graph shows the net migration rate by age group from 2000 to 2010. Green bars show age groups with gains in population, while red bars show age groups with losses. You will note the out-migration from ages 55 thru 74, ages when people nearing retirement age make a decision on where to spend their retirement years.

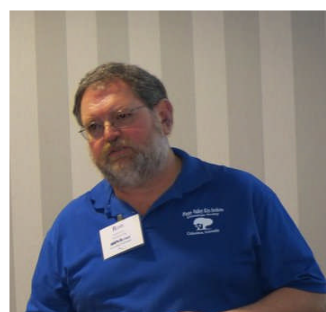
Seven bills were introduced in the legislature this year that dealt with the taxation of Nebraska retirees. Members of the Revenue Committee (before which the bills had their public hearings) have indicated that they prefer to wait until they receive the report of the tax modernization commission before they take any action on bills that would change the tax burden on retirees.

NSEA-Retired and other members of the coalition will meet in June to develop strategies to deliver testimony to the new tax modernization commission. NSEA-Retired members are encouraged to contact their state senator to express support for tax relief for retirees. The email address of any state senator is the first letter of his/her first name followed by the last name, and the addition: ***@leg.ne.gov***. For example, for Sen. John Doe, the email address would be ***jdoe@leg.ne.gov***.

Since 2003, NSEA-Retired has conducted classes in Intergenerational Mentoring, paring a retired member with a student member for three years encompassing the student's student teaching and first year as a professional in the classroom. Above is the Class of 2013. In the far upper left corner is Gene Grooms, the retired NEA staff "teacher" of the class. Join us next year. It's an opportunity to grow the profession, and enjoy the kids.

NSEA-Retired Spring Conference

(Continued from page 3)



Yoga & Tai Chi and Zumba Gold—Reve' Fries and her "class."

More Speakers

Above left: Ron Kallenbach: Using the US Census to trace your family tree.

Above right; Jay Sears, NSEA Staff: Current Legislation affecting retirees.

Current NSEA-Retired Total Life, Annual, and Pre-Retired Membership:
5,788

EHA Early-retiree plans change in September —Roger Rea

NSEA-Retired members who are younger than 65 and insured through the Educators Health Alliance (EHA), the Blue Cross plan, will see changes in both plan design and rates in September 2013. For the past three years, EHA has used money provided by the Early Retiree Reinsurance Program (part of the Affordable Care Act, ACA) to keep rate increases for the EHA plans low and to grant premium holidays to retired members. That program ended, and medical premiums for retirees will increase by 9.4% in September to reflect the disappearance of the ACA subsidy; dental rates will increase by 5.94%.

Changes will also be made in the deductible, coinsurance and copay amounts for all plans beginning in September. The ACA provides for a number of measures designed to improve the overall health of the insured population (e.g. expansion of dependent coverage to age 26, removal of copays for nearly all preventative services, and coverage for women's preventive services). EHA is hopeful that the preventative services will result in lower, long-term health care costs, but the removal of copays for these services are adding to the expenses of the plan. There has been a 53% increase in the cost of EHA preventative services in the last 10 months.

New deductible amounts will be in effect on September 1 for all active and early-retiree plans. If you have met the current deductible amount for your plan, starting September 1 you will need to satisfy the difference between your current deducible and the new deductible before Blue Cross will resume sharing the cost of your medical care. Beginning September 1, physician office visit copays for the $750 and $1,650 deductible policies will vary depending on what kind of doctor you see. The chart below summarizes most of the plan changes for 2013-14.

Plan Feature	Former $600 deductible	Former $1,500 deductible	Former $2,850 deductible, HSA-eligible
New deductible	$750	$1,650	$3,100
Stop loss after deductible has been met	$2,250 single $4,500 family	$3,250 single $6,500 family	None
Physician office visit copay Primary Specialty Urgent care Emergency room	 $30 $50 $50 $75	 $45 $65 $65 $90	Part of deductible
Maximum out-of-pocket including deductible	$3,000 single $6,000 family	$4,900 single $9,800 family	$3,100 single $6,200 family
Rx maximum copay	$2,500 single $5,000 family	$2,500 single $5,000 family	Part of deductible
Monthly Premiums Employee Employee & Spouse Employee & child(ren) Full Family	 $ 566.28 $1,189.19 $1,003.86 $1,503.22	 $ 477.79 $1,003.35 $ 846.98 $1,268.30	 $ 477.79 $1,003.35 $ 846.98 $1,268.30

Members have two opportunities each year to change to a higher deductible policy. Call Blue Cross at 1-800-562-6394 to request the application form to change plans. You need to have your application for a higher deductible on file with Blue Cross by August 5th for a change effective on September 1, 2013. To change plans beginning January 1, 2014, your application must be on file by December 2, 2013. If you change to a higher deductible, you cannot change back to a lower deductible for a minimum of three years, or until you reach age 65 (whichever comes first).

NSEA-Retired and Blue Cross will hold seminars on the differences between the plan options available to retirees younger than 65 in late October or early November this year. The purpose of these seminars is to assist members who are considering changing plans for the 2014 calendar in making an informed decision. Since all deductible amounts restart on January 1, many individuals choose to change plans on January 1 to take advantage of a full year with a new deductible amount in place. A schedule of those seminars will be sent to all retirees younger than 65 when the dates for the seminars have been set. Additional details on the plan changes for 2013-14 can be found on the EHA web site, ***www.ehaplan.org***.

Board considers changing term limits —Roger Rea

NSEA-Retired bylaws stipulate that officers and directors for the association are limited to no more than two consecutive, 3-year terms in any individual office. At the April 2013 board meeting, several board members asked that this bylaw provision be reviewed for possible extension of the terms. A number of reasons were stated for considering changing the limits on terms of office. Some board members generally oppose term limits for any elected leader (either for the Association or for local, state or national elections). Others do not want to lose experienced leaders because of artificial term limits. Still others note that it is often hard to find candidates willing to serve the association. They want to retain those who are willing to serve and who are doing a good job.

The board considered five different ways that terms of office could be changed and debated the merits, both pro and con, for each option. The options included: (1) remove all term limits for all board positions; (2) set limits at three consecutive 3-year terms for all board positions; (3) remove term limits only for the general officers (president, vice-president, secretary and treasurer), or for some subgroup of those officers; (4) set limits at three consecutive 3-year terms for all general officers or some subgroup of those officers; (5) allow extension of terms of office for individual positions on the board when there is a request to do so. The request may be made by any member of the board or any member of the association, subject to approval by two-thirds of the board to allow the possible extension. A sixth option would be to maintain the status quo and make no changes in the bylaws.

The first four options considered by the board are relatively straight-forward and easy to understand. The fifth option is modeled on the rules used to govern the British Parliament. Terms of office for Parliament are generally five years, but Parliament can shorten the terms to less than five years or extend the terms to more than five years by a two-thirds vote of Parliament. There are times when Parliament has shortened the term of office, and times when it has extended the term of office.

If NSEA-Retired were to adopt option No. 5, there would need to be an unusual set of circumstances to extend the term of office beyond the current two-term limit of six consecutive years in the same office. The provision would allow an individual to be a candidate to serve more than six years, but would still require that the person stand for election, and would not prohibit opponents from filing for the position.

Having varied maximum terms of office for different positions in the same organization is not unusual. Many NSEA Districts do not have term limits for the district treasurer, in part because the position requires a special set of skills that can take some time to acquire and for which there are few willing candidates. Yet, there are term limits for all other NSEA District officers. At the national level, there is a limit on how many terms the U.S. President can serve, but no term limits on members of Congress.

President Roger Rea appointed a committee consisting of Jan Barnason, De Tonack, John Jensen and Roger Rea to develop a shorter list of alternatives for consideration. The committee recommendation will be considered by the Executive Committee for NSEA-Retired at their meeting in August. If the Executive Committee determines that a change should be considered by the full board, that recommendation will be forwarded to the full board for consideration at the October board meeting. A two-thirds majority vote of the full board would be required to make any change in the bylaws.

The board is mindful of the need to have “new blood” in association leadership positions. It is also aware that it is sometimes difficult to find willing candidates for some board positions. And the board knows that experience in leadership positions gives continuity and stability to the organization. All of these considerations will enter into the final debate as the board makes a decision on whether or not to modify the current term limits.

A survey of a sample of NSEA-Retired members who have email addresses on file will be taken later this summer to get a sampling of the attitudes of members on changing term limits. If you would like to give your personal input on the matter, please contact either President Rea, one of the above-mentioned committee members, or one of the general board members. Their email addresses are on the left side of the masthead on page one of this newsletter.

SAVE THE DATE: The 2013 NSEA-Retired Fall Conference, will be held October 23 at the Culinary Arts Institute on the Fort Omaha Campus of Metro Community College. More details will be posted on www.nsea.org/retired in late September.

Veto of retirement bill overridden

By: Roger Rea, NSEA-Retired President

The governor's veto of the bill that would make changes to the provisions of the school employees' retirement system was overridden on May 14 by a vote of 32-1. The changes in the retirement benefits are part of LB553, originally introduced by Sen. Jeremy Nordquist, chairman of the Legislative Retirement Committee. The original bill, which passed on a vote of 34-0, was sent to the governor for his signature in order to become law.

The governor vetoed the bill and returned it to the legislature for reconsideration. Changes that affect both the Nebraska School Employees Retirement System (NSERS) and the Omaha School Employees' Retirement System (OSERS) were amended into LB553. The changes will not affect the benefits of any current retiree or any current employee in school districts in the state. Only school employees hired after July 1, 2013, will be affected by the benefit changes.

The changes provided by LB553 include: an increased state contribution to both NSERS and OSERS, going from 1% of payroll to 2% of payroll; elimination of the sunset on contribution rates from both the employees and employers, with a new contribution rate of 9.78% of pay for employees and a 101% match for the employer contribution; a benefit calculated on the highest five years of compensation; and a cost-of-living adjustment capped at 1% per year. Current retirees as well as any current school employee will not be affected by any of the benefit changes contained in LB553.

The additional state funding for both NSERS and OSERS is needed to help overcome the losses in investment value of the retirement fund caused by the stock market declines in 2001-2003 and 2008-2009. Actuaries for both NSERS and OSERS have determined that the new contribution levels (from employees, employers, and the state of Nebraska) should return both pension plans to 100% funded levels over the next thirty years. The funding level for both plans is currently about 80%, which actuaries for the plans consider acceptable, but not ideal. Being on a path to become 100% funded will decrease the likelihood that any additional changes will be needed in either contribution rates or benefit design in the future.

LB553 passed with the "emergency clause," which means that the bill became law immediately after the override vote. New contribution rates for school districts and employees will be effective on September 1, 2013. The increased state contribution will begin in the fiscal year starting July 1, 2014.

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