



LEGISLATIVE *Update*

State Employees Association of North Carolina • www.seanc.org

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N.C. Senate budget proposal fails state employees, retirees

***Spending plan doesn't improve on state employee pay increase,
while doing less for state retirees and threatening a number of positions.***

With the bill filing deadline passing on Wednesday, attention turned this week to the Senate's proposed 2014-15 spending plan – one that not only fails to provide state employees with a meaningful pay raise, but also reduces the recommended cost-of-living adjustment for state retirees recommended in Gov. Pat McCrory's budget proposal.

The Senate's 2014-15 budget proposal

Written quickly, released late Wednesday night and moved through the Senate Appropriations Committee Thursday morning, the Senate's \$21.2 billion spending plan has received little scrutiny so far. However, even while SEANC is advocating for the Senate to make improvements for state employees and retirees, we are already working with House Speaker Thom Tillis and the rest of the House leadership to do better.

Just like Gov. Pat McCrory's earlier proposal, the Senate budget would provide a disappointing \$809 salary increase. Leaders are touting it as a \$1,000 increase, but that includes the mandated employer contribution of 6 percent for retirement and the employer taxes that are required by law.

Even more disappointing, the Senate's plan would provide retirees with only a 0.8-percent COLA – much less than the already small 1.9-percent increase recommended by McCrory.

But the disappointments in the Senate budget don't stop there.

The Senate's budget would use the \$22 million in savings from the State Health Plan to fund a punitive teacher pay plan that would weaken their employee rights. Those savings, however, are a result of the higher premiums and punitive wellness surcharges paid by members last year and as a result, SEANC believes that money should be returned to all state employees and retirees through lower premiums and the elimination of those surcharges.

Other troubling aspects of the Senate's proposed budget include:

- Cuts to the Department of Public Safety through the elimination of the female command, the consolidation of Tillery and Caledonia prisons in Halifax County, the closure of Fountain Correctional Center for Women in Rocky Mount and North Piedmont Correctional for Women in Lexington, and the conversion of Eastern Correctional Institution in Greene County to a female facility.
- A provision to eliminate the requirement that state employees removed from an exempt position without just cause be reassigned to a similar position within a 35-mile radius.
- A provision to allow the Department of Public Safety to expand private maintenance contracts to additional prison facilities – despite [a report](#), commissioned by the General Assembly in a state House bill, by DPS last week showing that privatization is unsafe and costly.
- \$29.8 million cut from the state Division of Mental Health, Developmental Disabilities and Substance Abuse – including the closure of the Wright School for children with serious emotional and behavioral disorders, affecting 38 positions.
- \$10.2 million cut from the state Division of Public Health – including the closure of four Children's Developmental Service Agencies by Jan. 1, 2015.
- \$809 salary increases for the governor, the Council of State and other officials in executive branch and judicial branch leadership positions, the majority of whom already make well more than \$100,000 a year.
- A provision to begin privatizing the majority of the Department of Transportation's pavement and pre-construction activities.
- A provision that while calling for an independent, third-party audit of the state pension plan, does not demand that the state treasurer provide information on all fees paid to investment managers, does not end secrecy agreements with these managers and does not demand that the auditing firm be selected by the state auditor.

While the Senate is trying to pass this budget through its chamber quickly and with little debate, there is still time for SEANC members to contact their legislators. Call your senator today and tell him or her that you are angry and that you expect them to do better.

Tell them state employees deserve a \$1,500 base salary increase and state retirees deserve a 2-percent COLA. Tell them you expect them to find the money without taking it out of your State Health Plan. Tell them that teachers should not be treated better than other state employees. If you don't know who your legislators are or how to reach them, [click here](#).

House Bill 1237 – Retirement Investment Transparency

SEANC thanks state Reps. Mitchell Setzer, Tim Moore, Linda Johnson and Tim Moffitt for being the primary sponsors – along with the 27 other representatives who have signed on – of a bill to increase the transparency in the State Teachers' and State Employees' Retirement System. It is a measure the association has long advocated for and has worked hard to help produce.

The bill, which amends the existing statutes regarding the investment and management of assets in TSERS, is partly a response to recent revelations that State Treasurer Janet Cowell has not disclosed hundreds of millions of dollars in fees paid to investment fund managers – and that even she may not know exactly where all of the money is invested. Those findings were released last month by SEANC following a [commissioned forensic investigation](#) into the state pension fund.

The bill requires that the state treasurer, “collect and maintain as public records the amount in fees paid to each investment manager, the performance of each investment manager, and all other documents related to these investments.” The language goes on to say that this applies to “investment management fees, asset-based fees, performance fees, incentive fees, fund of fund fees, operating fees, transaction fees, property management fees, payments to placement agents.” It also adds, importantly, that this includes “any other expenses, regardless of whether those fees are paid by the State or the Retirement System or by other parties for a purpose that is in any way related to an investment of Retirement System assets.”

In short, if the fee is at all connected to TSERS, then this bill would require it to be made public record. It’s time to put the “public” back in public pensions.

[Read the full bill here.](#)

Senate Bill 477 – No Set Fees/Noncovered Vision Services

Approved by the Senate and by the House Insurance Committee, SB 477 would prohibit insurers and health benefit plans from limiting or fixing the fees that optometrists can charge patients for services or products not covered under the patient’s insurance plan or the insurer’s contract with the optometrist.

Currently, insurers and other health benefit plan providers are able to provide discounts to their customers on products and services even if those are not fully covered by their plans. This bill would end that practice.

SEANC’s health care lobbyist Chuck Stone spoke in opposition to this measure at the House insurance Committee meeting on Wednesday.

Stone explained that in addition to the adverse impacts this bill would have on the millions of private insurance consumers in North Carolina, it also would strip the 667,000 State Health Plan members who rely on these vision discounts. He also noted that the bill “serves no public policy purpose other than to guarantee excess profits to some optometrists, while adversely impacting North Carolina’s citizens and businesses.”

Ultimately, though, the bill passed the committee 15 to 12.

[Read the full bill here.](#)

New positions in Treasurer's Office

The House State Personnel Committee on Wednesday gave a favorable report on a bill that would give State Treasurer Janet Cowell two new positions in her office. The positions created would focus on compliance with rules regarding retirement, particularly attempts to curb spiking and fraud, and would be paid for by the fund itself.

Rep. John Blust (R-Guilford) rightfully asked the question of why such positions weren't part of the state auditor's office rather than the treasurer's office before the vote. Nonetheless, the vote was unanimous in favor of the report.

By the treasurer's staff's own admission on the issue to legislative committees, the anti-spiking measure Cowell has undertaken this session does little to save the state retirement system money and only serves to divert legislators' attention from the real problems facing the plan, namely the exorbitant fees paid to Wall Street fund managers.

[Read the full bill here.](#)

Members! Make Your Action Plan Now!

- Members interested in securing a meaningful pay raise and a retiree COLA, as well as advocating for public services are invited and encouraged to [sign up for a Monday-night lobbying session](#) with SEANC's professional lobbyists, who will guide you through the halls of the General Assembly and work with you to make sure that your message is heard.
- If you cannot personally advocate for yourself at the General Assembly, please make your voice heard by emailing or calling your legislator. Not sure who your legislator is? [Find out here.](#)
- Please know if legislators do not hear directly from state employees and retirees, they will believe you are satisfied with whatever the current legislative proposal is regarding your pay raise and retiree COLA. This is a team effort!
- Finally, if you hear that your job is in jeopardy due to potential legislative action, please contact [SEANC's Legislative Affairs team](#) as soon as possible. The earlier we know of potential concerns in your workplace, the quicker we can help you.
- To follow what's happening in the General Assembly this year and what SEANC is doing to protect state employees and retirees and taxpayer dollars, [subscribe to the SEANC Scoop](#) and read our weekly [Legislative Update](#). [Also, be sure to sign up for our email alerts.](#)

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