

# Retiree Advocate

A State Affiliate of the National Alliance for Retired Americans

January 2010 EDITION – HAPPY NEW YEAR!

## President's Corner

Jean Friday, President of PARA

### So it wasn't the deficit after all!

On February 10, 2010, President Obama established the National Commission on Fiscal Responsibility and Reform by Executive Order, charging the 18 member commission to make recommendations that put the budget in balance so that the federal government would achieve deficits of about 3 percent of GDP by 2015 and improve the long-term fiscal outlook. The policy measures necessary to achieve this goal were subject to considerable uncertainty and would depend on the evolution of the economy. In addition, the Commission should address the growth of entitlement spending and the gap between the projected revenues and expenditures of the government.

At the first Deficit Commission meeting in April of 2010, it became obvious that Social Security was the prime target for budget cuts. Although the meetings were supposed to be held behind closed doors, co-chair Alan Simpson, a former Senator from Wyoming, stirred up a controversy by making numerous statements denigrating seniors who had worked all of their lives and contributed to Social Security. "Greedy Geezers" was his favorite reference. Leaked information about raising the age for full retirement benefits to 70, changing the way benefits were calculated and other cuts, kept all Americans, either retired or looking forward to retirement, under undue stress. As it turned out, the commission didn't have the 14 votes required for passage of their recommendations. The report, issued on December 2, 2010 still presented a menu of options to the 112th Congress should they want to pursue these issues. Several items in their report should be noted. It was well known that most people believed that raising the income cap of \$106,800 would take care of the funding gap in Social Security. The Simpson/Bowles report proposed that it be raised **by the year 2050!** And they also admitted that Social Security had nothing to do with the deficit, but still proceeded to make cuts that would jeopardize the benefits of future generations. Other recommendations included raising the retirement age to 69, reducing COLAs, and reducing benefits for 50% of beneficiaries.

Several days later, it was announced that negotiators for the Obama administration had arrived at a compromise on extending the Bush tax cuts. This package retains Bush-era tax rates for all taxpayers, including the wealthiest Americans, offers 13 months of extended benefits to the unemployed and supposedly stimulates the economy with a 2% Social Security payroll tax cut for all workers. Sadly, the unemployed whose benefits ran out at the end of June 2010, after receiving 99 weeks of benefits, were not included in this bill and unemployment remains at 9.6%.

President Obama signed the bill on December 17, 2010. At a cost of \$858 billion over two years, the bill increases the deficit at a time when we were told that austerity was of the greatest concern. So it looks like the deficit doesn't really matter and the economy remains uncertain. Putting 15 million unemployed Americans back to work would certainly help. Let's keep our eyes on the 112th Congress to see what happens next!

## Governor Rendell Signs Pension Reform Bill

By Kate Brennan, President of APSCURF at Slippery Rock University and PARA Board Member

On November 23, 2010, Governor Rendell signed House Bill 2497 into law as Act 120. The new law avoids the "Pension Spike" that PA school districts were facing, giving them 10-30 years to pay, incrementally, into the fund to make-up the unfunded liabilities. It preserves all the benefits now in place for current retirees. House Bill 2497 passed the House in June and the Senate in October.

The new law does reduce benefits for new employees going forward. Effective in January 1, 2011, the employer contribution is reduced and the employee contribution is increased requiring employees to pay 9.3% to keep the current Defined Benefit plan of 2.5 times years of service, or the employee may pay 6.25% into the fund and decrease the multiplier to 2.0%. The vesting period is increased from 5 to 10 years and the new law eliminates the option to withdraw the employee contribution. The retirement age is also raised from 60 to 65.

The unfunded liabilities were created by the recent market downturn, the General Assembly's deferral of State and employer payments during the last 10 years and raising the multiplier from 2.0% to 2.5% in 2001.

It should be noted that there was a major push to change the system for new employees from the current Defined Benefit plan to a Defined Contribution Plan, in the style of a 401k. It was seen as a major victory by many public sector union leaders that this risky plan was defeated, and a reliable retirement was preserved for future state workers, public school teachers, etc.

While retiree leaders were disappointed that they were unable to insert a long-sought COLA for state retirees, many are hopeful that the cause of getting retirees their first COLA in a decade will be helped by this legislation because it removes a major obstacle. Legislators often cited the "Pension Spike" issue as the major reason they could not move forward with a COLA. With that issue behind us, PARA and the rest of the COLA Coalition will continue our efforts on behalf of public retirees to get that COLA.

## Thanks to all our 2010 Zone Coordinators

PARA would like to thank our 2010 Zone Coordinators for all their hard work this past year. Together, along with Alliance Leadership, they presented or distributed literature at over 160 different meetings or events, informing thousands of seniors about important issues. The 2010 Zone Coordinators were Judy Jobes (IBEW) - Erie, Dom Vadala (USW) - Mercer, Ed Pace (AFT) and Bob Wilson (IBT) - Pittsburgh, Teresa Findlay (AFT) - Washington, Bob Andrews (AFSCME) - Scranton, Mike Dzwonczyk (USW) - Lehigh Valley, Earl Helfand (UFCW) - Philly Suburbs, Dorothea Wilson (AFSCME) and Sylvia Lieberman (AFT) - Philadelphia. Great work everyone!

## Addressing Some False Claims about Health Care Reform

By Judy Jobes, PARA Board Member, IBEW

I'm not an expert in health care policy and I don't claim to be, but I do have a good understanding of what's in the new law as it relates to seniors. It's important to separate fact from (heated partisan) fiction, as we've seen what results from a well-funded, endlessly propagated misinformation campaign against health reform: thousands of seniors running out to vote for a party who is now already beginning to push for steep cuts and drastic changes to programs that most seniors care deeply about.

There are three claims in particular that I want to address. First, to the false claims surrounding Medicare Advantage: Medicare Advantage (MA) plans, unequivocally, are not being "phased out" or otherwise harmed by a reduction in overpayments—the excess taxpayer money that was being wastefully funneled from Medicare into padding the profits of these private plans. These insurers shouldn't have been overcharging the Medicare system in the first place, getting rich on the taxpayers' dime. Insurance companies should make money, yes, but the government shouldn't be forced to subsidize their excessive and unnecessary profits.

Second, to the claim that Medicare Advantage companies will begin dropping their plans en masse and raising rates: I did some searching, and according to Medicare.gov, in my Erie zip code, there are 31 total MA plans for seniors to choose from—a healthy number of choices that seems quite adequate. And, as reported in the New York Times in September ("Medicare Advantage Premiums to Fall in 2011"), the Affordable Care Act gave Medicare officials new power to negotiate and reject bids from MA companies in order to ensure the best deals—the most benefits at the lowest cost—for seniors, and as a result, MA premiums will fall next year by 1% across the board. This doesn't sound like much, but it is when you consider that these plans got 5-15% more expensive each year before health reform.

Third, to the claim that doctors will not want to accept Medicare patients: provider shortages in Medicare has always been a problem, in part because of a balanced-budget law passed in the 1990s setting provider reimbursement rates. The Affordable Care Act is not to blame for any provider reimbursement cuts. It does, however, seek to address this problem by providing incentives (bonus payments) to primary care providers that accept Medicare patients, and to providers who work in shortage areas—these bonuses begin Jan. 1<sup>st</sup>, and last until 2015. Just last week, Congress passed another 12-month fix on provider reimbursements that will forestall the cuts required by the 90s-era law.

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It's unfortunate that the type of misinformation put forth by reform opponents and the corporate groups fighting to repeal the new health care law has had its desired effect. No focus was paid during the campaign to the law's great benefits, such as free preventative care for Medicare beneficiaries, closing the prescription drug "doughnut hole" and a stronger Medicare Trust Fund. Instead, it changed the political landscape in Washington, and it put a lot of folks into office that are now in favor of repealing a law that does great things for seniors.

## Contact Info for New Members of Congress

In November, five new Members of Congress were elected from Pennsylvania. For those of you that live in one of these areas, here is your new Congressman's phone number. If you'd like, feel free to call the office and let him know that one of his new constituents wants him to PROTECT SOCIAL SECURITY!!!

Northwest PA (Erie, Mercer, Meadville, Butler):  
Congressman Mike Kelly  
(814) 456-2038 or (724) 285-3595

Northeast PA (Milford, Montrose, Tunkhannock, Williamsport, Danville, Shamokin, Sunbury, Lewisburg, Honesdale)  
Congressman Tom Marino  
(202) 225-3731\*

Northeast PA (Scranton, Wilkes-Barre, Hazleton, Bloomsburg, Jim Thorpe, Stroudsburg)  
Congressman Lou Barletta  
(570) 825-2200

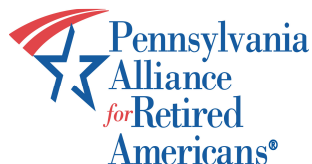
Bucks County (Levittown, Doylestown, Quakertown)  
Congressman Mike Fitzpatrick  
(202) 225-4276\*

Western Philadelphia Suburbs (Media, Upper Darby, Chester, King of Prussia, Royersford, Malvern, Villanova)  
Congressman Pat Meehan  
(610) 892-8623

\*No local number listed on website. Check [www.house.gov](http://www.house.gov) later for updated information.

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[www.retiredamericans.org](http://www.retiredamericans.org)



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