



# NRLN Focus



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Summer 2018

## ***The NRLN Clarion Call...NRLN Grand Bargain Proposal to Save Social Security and Medicare*** By Bill Kadereit, NRLN President



Every year the trustees who oversee Social Security and Medicare send a report to Congress. The reports, as they did again in June, warned that added benefits and the large growth in the number of American reaching eligibility age are rapidly pushing both programs toward insolvency.

It has been 35 years (1983) since payroll tax rates were raised to pay for the expansion of Social Security and Medicare. Senators and Representatives of both parties have “kicked the can down the road” by failing to take the action necessary to prevent a looming economic and health coverage catastrophe for today’s seniors and for our children and grandchildren.

First, I will tell you what the 2018 NRLN “Grand Bargain” proposal is to save Social Security and Medicare for the next 75 years (2093) and significantly reduce the federal budget and deficit. Then I will share with you information from July’s 6 articles that formed the framework for the proposal that were posted on [Facebook.com/NRLN1](https://www.facebook.com/NRLN1), on [www.nrln.org](http://www.nrln.org) and emailed to NRLN members.

### **What the NRLN Grand Bargain Advocates**

The NRLN Grand Bargain proposal calls for closing the combined annual Social Security and Medicare 75-year funding gap of 2.39% or taxable payroll of \$28 billion by:

- Raise or eliminate the Social Security taxable earnings limit (gap savings potential is ~1.5%) and
- Cut annual wrong and improper payments of \$141 billion (gap savings potential is unlimited) and
- Stop over appropriating, cut pork barrel spending and stop paying subsidies to health care insurers.

Savings would be sequestered and be unavailable to Congress to spend on other federal programs. Savings dollars would be allocated to first fund the Social Security and Medicare 75-year deficits (\$28.0 billion annually); and then to fund Medicare Part B (physicians services) and Part D (prescription drugs) federal obligations; and then Medicaid and Children's Health Insurance Program (CHIP).

### **Conclusions Based on Research**

The Grand Bargain is based on conclusions reached from my analysis of data published in: the 2000 and 2010 U.S Census Bureau Projections for years 2015 to 2060; the Congressional

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Budget Office (CBO) April 9, 2018 Budget and Economic Outlook for 2018-2028; the 2018 Social Security Board of Trustees Annual Report for plan year 2017; the 2018 Medicare Board of Trustees Annual Report for plan year 2017; and the House Budget Committee's "Budget for a Brighter American Future" issued on June 19, 2018.

### **Social Security Has 61 Million Beneficiaries**

Social Security has to 61 million beneficiaries: 45 million retirees, 6 million survivors of deceased participants and 10 million disable and dependents of disabled workers. Employers and employees pay 12.4% (6.20% each), subject to the current \$127,400 maximum taxable earnings limitation, into the Social Security Trust. The 2018 Social Security trustees' report for year 2017 disclosed that 174 million workers and their companies paid in \$911 billion in payroll taxes; the government paid interest of \$85 billion, for a total of \$996 billion.

Social Security benefit payments were \$952 billion in 2017. One million new benefit recipients were offset by 3 million new payroll taxpayers in 2017, resulting in \$45 billion net income versus \$35 billion in 2016. So, how could Social Security be in financial trouble?

### **Congress Barrowed Surplus Cash**

Congress did not steal SS money. Congress borrowed surplus cash until 2010 (when there was no longer a surplus) and dug a big hole by spending it on other federal programs. Debt owed to Social Security has mounted and was \$2.892 trillion at end of 2017. Treasury pays interest and is obligated to pay back the debt by 2034.

### **Social Security's 75-Year Deficit Is \$25.9 Billion**

Social Security's 75-year deficit is estimated at 2.84% of 2017 taxable payroll income of \$911 billion or \$25.9 billion. Even with the debt owed by Congress repaid, the 75-year deficit must still be plugged. If payroll taxes are not raised, the trust fund will be exhausted, except for payroll tax income, by 2034 and Social Security benefits must be cut by 17 to 21%, according to the trustees' report. Why? House and Senate members have ignored trustees' annual reports!

The NRLN advocates payroll tax increases and/or other federal costs must be cut rather than imposing simplistic solutions to cut Social Security benefits and/or raise the eligibility age. The NRLN Grand Bargain proposal challenges Congress and federal agencies to fill this \$25.9 billion deficit gap.

### **Medicare Provides Benefits for 58.4 Million Americans**

Medicare covered 58.4 million Americans in 2017: 49.5 million were age 65 and older, 8.9 million were disabled. Health care coverage is provided by: Medicare A, hospital insurance (HI); Medicare B, Supplemental Medical Insurance (SMI), physicians services; and Medicare C, Medicare Advantage (MA) subsidized plans that include A, B, and D benefits; and Medicare D, prescription drug.

Federal income taxes covered \$1.3 billion (0.43%) of Medicare A 2017 income. Employees paid 1.45% in payroll taxes on all earned income and businesses matched it with 1.45%, equaling 2.9% which paid in 95.57% of the Medicare A revenue. Federal income tax revenue provided \$217.3 billion (71.1%) of Medicare B and \$73.2 billion (73.1%) of Medicare D revenue. In total, income tax revenue was \$291.8 billion (41.4%) of the \$705.2 billion total Medicare revenue.

Medicare B, C and D are funded by enrollee premiums, interest and other, but 73% of B, C, and D costs are paid with \$292 billion federal income tax dollars.



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### Medicare A Trust Depleted by 2026

The Medicare trustees reported in June that the Medicare A trust will be depleted by 2026, three years earlier than previously projected and program will only be able to pay about 91% of costs. The amount needed to plug this Medicare hospital insurance trust's 75-year deficit in 2018 is estimated at 0.82% of 2017 taxable payroll of \$261.5 billion or \$2.1 billion. **The NRLN Grand Bargain proposal challenges Congress and Federal Agencies to Fill the \$2.1 Billion Medicare Deficit Gap.**

If Congress won't raise the employee payroll tax 0.41% (matched by employers), The NRLN proposes that federal agencies reduce other federal programs costs and use savings to plug the Medicare deficit, not tear it apart with simplistic proposals to cut Medicare benefits and/or raise the eligibility age.

### Medicaid Provides Care for 74 Million Americans

Medicaid provides nursing home care, personal care and other benefits for 74 million low-income and disabled Americans. In 2017, the U.S. Treasury paid \$375 billion (62%) and states paid \$233 billion (38%) of the \$608 billion total Medicaid costs. The state-run Children's Health Insurance Program (CHIP) cost was another \$14.3 billion of federal revenue

### Campaign to Gain Action on Grand Bargain

We will be calling on our NRLN grassroots advocates to be active in our lobbying of Congress and the Administration to take action on the NRLN Grand Bargain proposal. We plan to produce a petition for signatures to send to President Trump and Action Alerts and Sample Letters to email to members of Congress. We will continue to use social media: [Facebook.com/NRLN1](https://www.facebook.com/NRLN1), [Twitter/NRLN3](https://twitter.com/NRLN3), [www.nrln.org](http://www.nrln.org) and emails to promote the Grand Bargain. News media will be another target for exposure. NRLN leaders and members who attend the September 10-12 Fly-In to Washington, DC will advocate the Grand Bargain during their appointments on Capitol Hill.

Lobbying for the NRLN Grand Bargain proposal will not take away from our advocacy efforts on protecting pensions and our efforts to reduce the cost of health care, particularly the high cost of prescription drugs. For example, at our September Fly-In we will also be lobbying for protecting retirees' pension plans in corporate / pension plan mergers, acquisition, reining in pension plan recoupment and pressing for actions to curtail prescription drug price gouging.

## NRLN 2018 Survey Results Provides Valuable Information

Between May 14 and June 17, 2018, there were 5,751 NRLN grassroots advocates who participated in all or parts of the 2018 NRLN Survey, a significant response rate of more than 51% of those who opened the email invitation to access the survey. The NRLN's previous survey was in 2016.

"I want the individuals who took the time to participate in the survey to know that their responses are greatly appreciated, said NRLN President Bill Kadereit. "Their input provides the NRLN, retiree associations and chapters with important insights on retirement issues and what we need to do to represent our members."

### Survey Demographics

Among the 2018 survey participants 90% were older than age 65; 9% were age 55 to 64 and 1% were age 54 or younger. Twenty-three percent have been retired for over 20 years; 26% 16 to 20 years; 19% 11 to 15 years; 17% 6 to 10 years; 11% less than 5 years and 4% are not yet retired.

Responders to the survey retired from or are still working for 442 companies, public entities or

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self-employed. All 50 states and District of Columbia are represented in the survey's results. Eighty-one percent of the responders were salaried retirees (such as supervisory, non-supervisory and technical-professionals). Formerly union represented retirees (CWA, IBEW, UAW, airline unions, etc.) were 13% of the survey participants. The balance of the responders were spouses of a retiree, surviving spouse of a retiree and currently employed.

### **Highest Agreements**

The highest levels of agreement—more than 85%—among survey participants included:

- 99% agreed the NRLN should advocate legislation that stops corporations from taking pension assets to use for non-pension expenses.
- 99% agreed the NRLN should advocate legislation that protects retirees' pensions and benefits in corporate mergers, acquisitions and spin-offs.
- 98% agreed the NRLN should advocate legislation that prevents drug companies from colluding to control pricing or subvert free markets.
- 97% agreed the NRLN should advocate bankruptcy reforms that place retirees' pensions and benefits on a list of obligations that companies can't shed.
- 97% agreed the NRLN should advocate legislation to require Medicare to take competitive bids for prescription drugs.
- 95% agreed the NRLN should advocate that the Pension Benefits Guaranty Corp. be required to ensure equitable calculations of benefit payments.
- 95% agreed that Congress should not be allowed to use savings of your payroll tax dollars recovered by eliminating fraud and wrongful payments from Medicare and Medicaid to pay other federal government expenses.
- 95% agreed the federal government should use savings of your payroll tax dollars by eliminating fraud and wrongful payments from Medicare and Medicaid to help fund Medicare and Social Security.
- 94% agreed the NRLN should advocate legislation to require pension plan sponsors to submit a proposal to the Department of Labor, Treasury Department and/or Pension Benefit Guaranty Corp. before merging plans.
- 94% agreed the NRLN should advocate legislation to legalize the importation of safe and cheaper prescription drugs.
- 94% agreed the NRLN should advocate legislation to accelerate bringing generic drugs to market.
- 94% agreed the NRLN should do more to advocate for legislation to increase competition that would lower retirees' costs for health services and products.
- 89% agreed the NRLN should investigate ways to advocate against de-risking harm if my pension is someday paid by Prudential or other third party.
- 88% agreed the NRLN should advocate protection of Social Security by a small increase in the payroll tax rate and increasing the cap on maximum wages taxed.
- 88% agreed the NRLN should advocate legislation or regulations to expand disclosures in Annual Funding Notices (AFN) that pension plan participants receive by the end of April each year to include funding data that best describes my personal risk.
- 87% agreed many American retirees age 65 and older who are Medicare eligible are held hostage to higher costs for their Medicare supplement (Medigap) plan or their Medicare Advantage plan because of a pre-existing medical condition. NRLN should advocate legislation to end this discriminatory practice.



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### **Lower Level of Agreement**

Only one statement failed to reach at least the 85% level of agreement. It was: NRLN should advocate legislation to protect Medicare by increasing the payroll tax until the taxes fund 60-65% of the Medicare budget. The level of agreement was 71%; 23% had no opinion and 6% did not agree.

### **Most Responders Have a Pension**

The NRLN's efforts to gain legislation to better protect pension plans are important because 74% of the responders have a defined benefit pension plan. Fifteen percent took a lump sum payment instead of a pension and 12% have had their pension changed to annuity by Prudential or another insurance company.

Forty-one percent participated in an employer sponsored 401k savings plan; 31% have an IRA or other retirement savings and 3% don't have any retirement income from their former employer.

### **Importance of Social Security**

On the question of what percent of the responders' annual gross income is from Social Security the answers were: 75% to 100% - 6%; 50% to 74% - 20%; 25% to 49% - 43%; 1% to 24% - 16%; Don't Know – 6%, and I don't receive Social Security – 9%. **Of the responders receiving Social Security, 22% said they couldn't make it financially if his/her Social Security payment was reduced.**

Survey participants were asked to check all of the following statements they believe that Social Security will be:

- Available to me for as long as I live without any reduced of benefits – 35%
- Available to me for as long a I live, but could have a reduction of benefits – 52%
- Available to the next generation of retirees with full benefits – 5%
- Available to the next generation of retirees but with a reduction of benefits – 39%
- Properly funded by Congressional Legislation – 7%
- Underfunded because Congress will not pass legislation for proper funding – 62%

### **Actions to Preserve Social Security**

Survey participants were asked what they believe Congress should do to improve the funding of Social Security for this and future generations:

- Eliminating the cap on earnings applicable to tax to fund Social Security – 67%
- Raising the current cap of 127,200 each year – 45%
- Raising the current 6.2% tax for Social Security by 1% to 1.5% paid by employees – 35%
- Raise the age when a person can begin receiving Social Security and the age of full benefits – 32%

### **Health Care Coverage**

Medicare is the health care coverage for 76% of the responders and 24% have Medicare Advantage. Of those with Medicare, 72% also have a Medicare supplement plan (Medigap).

The responses to I want Medicare to be...(check all that you believe) were:

- Available to me for as long as I live without any reduced benefits – 88%
- Available to me for as long as I live, but could accept a reduction of benefits – 8%
- Available to the next generation of retirees with full benefits – 56%
- Available to the next generation of retirees but could accept a reduction of benefits – 13%
- Properly funded by Congressional legislation – 71%

Those with a Medicare Advantage plan responded:



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- My premiums have gone up – 19%
- My deductible has gone up – 13%
- I'm very pleased with the plan – 14%
- I'm somewhat pleased with the plan – 19%
- I'm not pleased with the plan 3%

### **Responses about Prescription Drugs**

The response to the question: Have you ever (or currently) purchased prescription drugs from another country? were: Canada – 2%; Mexico – 3% and Other Country – 3%. The balance had not purchased prescription drugs from another country.

Survey participants were asked: Do you believe?... (check all that you believe)

- Pharmaceutical companies are price gouging Americans. – 88%
- Congress should pass legislation to allow Medicare to negotiate the price of prescription drugs for Medicare. – 91%
- Congress should pass legislation to allow the importation of save, lower priced prescription drugs from Canada. – 80%
- Congress should pass legislation to allow the importation of lower priced drugs from any country that meets FDA safety standards. – 75%
- Congress should pass legislation that prevents deals between drug companies that keep lower priced generic drugs off the U.S. market. – 87%
- It is unacceptable for drug companies in the S&P 1500 to earn an average net profit margin of 16%, compared with an average of 7% for all other companies in the S&P index. – 61%
- It is unacceptable for drug companies to spend up to twice as much or more on marketing and promoting their products – including advertising – as they do on research and development. – 76%

### **About the NRLN**

It was asked: Based on what I know about the NRLN, I believe the NRLN will be... (click all that you believe).

- Beneficial to retirees – 87%
- Will receive my support as a dues-paying member – 50%
- I don't know – 10%

Less than half of the survey's participants responded to these social media statements:

- I use Facebook – 96%
- I will "like", "share", and "follow" Facebook/NRLN1 – 39%
- I use Twitter – 11%
- I will "follow" Twitter/NRLN3 – 7%

I think the NRLN sends... (click all that apply)

- Too many email messages asking for my grassroots lobbying help – 9%
- Too few email messages asking for my grassroots lobbying help – 3%
- Too few email messages that contain information about what I feel I need to know – 5%
- Messages that are too long – 14%
- Messages that are hard to understand – 9%
- Informative messages – I look forward to reading them and sending messages to Congress – 80%

### **Volunteers and Additional Comments**

"I want to thank the 325 individuals who volunteered to help the NRLN," Kadereit said. "A willingness to spend personal time is very important to us. I also appreciate the 770 individuals who took the time to write their personal comments at the end of the survey."



# A View From Washington

## Reining in Pension Plan Recoupment

by Alyson Parker , NRLN Executive Director

If you do not know what recoupment means in the pension environment, consider yourself lucky. Some NRLN members are facing this injustice right now and recoupment is and has been a problem for pensioners in multi and single employer plans.

Recoupment is when a plan administrator tries to “recoup” payments from a retiree claiming the retiree was never entitled to receive. The problem is the pensioner, typically, has no knowledge of the overpayment or the ability to avoid it. Additionally, there are no limitations on time, how the plan administrator recoups the overpayments, how much they recoup and the impact on the retiree. Moreover, allowing the plan fiduciaries to recoup from the plan participants without limitation of time or amount does not incentivize the fiduciaries to carefully calculate pension benefits because they know they can always recoup them without limitation.

### **Recoupment Often Strikes Without Warning**

Typically, when plan administrators realize a mistake, they unilaterally reduce the monthly pension payment, sometimes zeroing out a pensioner’s monthly benefit for a period of time, or demand a lump sum, giving the pensioner little or no warning and limited recourse. Additionally, some plans demand interest be paid even though the overpayments were made through no fault of the retiree. Plan administrators claim they have no choice but to recoup the overpayments because they have a fiduciary duty to the other plan participants to recover the amount erroneously overpaid.

### **NRLN Meetings in Washington, DC**

The NRLN recently met with Hill staff in addition to staff at the Department of Labor and the Treasury Department about the recoupment issue and the adverse impact recoupment has on the retiree. During our meetings, we shared NRLN members’ experiences on how recoupment actions have created a lot of financial uncertainty and stress.

Our point - how can retirees make financial commitments and plans if at any time, they could get a notice demanding repayment and, in worst case, zeroing out their monthly benefit for a period of time. We would like to see a consistent standard set for recoupment. A solution is long overdue.

### **Absorb Recoupment Risk**

The NRLN is advocating for changes to laws and regulations which instructs actuaries to account for recoupment as a plan funding risk, requiring a minuscule adjustment to their actuarial calculation of plan liabilities each year. We feel this is a more equitable remedy for everyone. Absorbing recoupment risk in an actuarial calculation would be a cost savings to plan sponsors who must now: audit or have TPAs audit plan payments, calculate recoupments, collect money, pay for legal action if needed and jeopardize the relationship between retirees that dedicated their service to the company for years. Permitting a simple adjustment instead of recouping against retirees would be a win/win for companies and retirees.

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## Fall Fly-In to Washington, DC Set for September 10-12, 2018

Members of Congress and their staffs will hear important retirement issues advocated by retirees during the NRLN Fall Fly-In set for September 10-12, 2018. The Holiday Inn Capitol Hotel, 550 C Street, SW, Washington, DC, will be the host hotel with a room rate of \$279 per day plus tax and fees.

The meeting will begin Monday afternoon, September 10, with presentations on NRLN issues and lobbying priorities and at least one guest speaker on retirement issues. Attendees will spend the entire day of Tuesday and part of Wednesday, September 11 and 12, meeting with their Representatives, Senators and members of their staffs.

The preliminary agenda for issues to lobby on Capito Hill are:

- Advocating NRLN Grand Bargain proposal to fund Medicare and Social Security
- Protect retirees in corporate / pension plan mergers, acquisitions and spin offs
- Reining in pension plan recoupment
- Lobbying to urge HHS Secretary's actions to reduce prescription drug prices

The Fall Fly-In is open to any NRLN grassroots advocate. Advocates who are affiliated with a retiree association or chapter should notify the president of their organization if they are interested in attending.

Presidents of retiree associations and chapters affiliated with the NRLN are encouraged to solicit as many of their Grassroots State and Congressional District leaders as possible to attend the conference. The sooner the NRLN is notified of intentions to attend the meetings the better it will be for the NRLN to make plans for the meeting. Email your intentions to attend and/or questions to [contact@nrln.org](mailto:contact@nrln.org).



### NRLN MEMBERSHIP CONTRIBUTION

### FOCUS

*The NRLN is a nonprofit, tax-exempt organization. Contributions are not tax deductible.*

NAME: \_\_\_\_\_ AGE: \_\_\_ UNDER 55; \_\_\_ 55-64; \_\_\_ 65 OR OVER

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PHONE: \_\_\_\_\_ E-MAIL ADDRESS (IF AVAILABLE): \_\_\_\_\_

I get my retirement benefits from \_\_\_\_\_ (name of company)

Mail this form with your check or money order (no cash please) for \$25, \$50, \$75 or more (any amount is appreciated)

payable to: **NRLN, Inc., PO Box 69051, Baltimore, MD 21264-9051**. Or, make a contribution with your credit card on the NRLN website at [www.nrln.org](http://www.nrln.org). Click on the red flashing "Contribute to the NRLN" icon and use the credit card form.