October 27, 2015

The President
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

The Honorable John Boehner
The Speaker of the House of Representatives
United States Capitol
Washington, DC 20515

The Honorable Nancy Pelosi
Minority Leader
United States House of Representatives
United States Capitol
Washington, DC 20515

The Honorable Mitch McConnell
Majority Leader
United States Senate
Washington, DC 20510

The Honorable Harry Reid
Minority Leader
United States Senate
Washington, DC 20510

Dear Mr. President, Mr. Speaker, Leader Pelosi, Majority Leader McConnell, and Leader Reid:

We are writing on behalf of the National Council on Teacher Retirement (NCTR), the National Conference on Public Employee Retirement Systems (NCPERS), the National Education Association (NEA), the National Association of State Retirement Administrators (NASRA), and the American Federation of Teachers (AFT).

NCTR represents 68 state, territorial, and local pension systems, which serve more than 19 million active and retired teachers, non-teaching school personnel, and other public employees. NCPERS represents more than 550 public sector pension funds throughout the United States and Canada with approximately 21 million public employees and retirees as members, including teachers as well as firefighters, law enforcement officers, and other public servants. NEA has 3 million members who work at every level of education—from pre-school to university graduate programs. NASRA’s members are the directors of the nation's state, territorial, and largest statewide public retirement systems. Finally, AFT, an affiliate of the AFL-CIO, represents 1.6 million teachers, early childhood educators, paraprofessionals and other school-related personnel, higher education faculty and professional staff, nurses and other healthcare professionals in more than 3,000 local affiliates nationwide.

Many of the retirees whom we and our member systems represent do not participate in Social Security. Consequently, millions of them may see their Medicare Part B premiums dramatically increase on January 1, 2016, unless the Congress or the Administration takes immediate steps to more equitably address the 25 percent of the expected Part B costs for 2016 which Medicare enrollees are expected to cover.

*****

NCTR: 9370 Studio Court, Suite 100E, Elk Grove, CA 95758; www.nctr.org
NCPERS: 444 N. Capitol St., NW, Suite 630, Washington, DC 20001; www.ncpers.org
NEA: 1201 16th Street, NW, Washington, DC 20036; www.nea.org
NASRA: 444 North Capitol Street, NW, Suite 234, Washington, DC 20001; www.nasra.org
AFT: 555 New Jersey Avenue, NW, Washington, DC 20001; www.aft.org
As you know, but for the fact that there will not be any cost-of-living-adjustment (COLA) for Social Security recipients in 2016, this monthly increase in the Part B standard premium would be approximately $15.89 across the board. Now, however, many retired teachers, school bus drivers, beloved “lunchroom ladies,” nurses and counselors, school security guards and others who worked so diligently to educate, nurture and protect our children will be among the minority of seniors who will have to find the money to pay over three times more—an additional $54.40 every month—for their standard Medicare Part B premium, representing about a 50 percent increase in costs compared to this year’s monthly charge.

Furthermore, this will be accompanied by an increase in the Part B annual deductible for all Medicare enrollees, from $147 in 2015 to $223 in 2016. For many of our oldest and most vulnerable public sector retirees, this combination of cost increases could literally mean a choice between health and hunger.

For example, consider a teacher who began teaching at age 25 and retired in 1982 after 30 years of service—when the average salary was $19,300 nationwide for all classroom teachers, according to the U.S. Bureau of the Census. This retiree could have expected a replacement ratio of about 62 percent in 1982, according to a 2009 National Center on Performance Incentives study that looked at the mean retirement benefit replacement ratio with 30 years of service for state teacher pension plans outside Social Security. If this retiree was not otherwise eligible for a Social Security benefit, had no other retirement savings, and did not receive a COLA—and many retired teachers do not—then such a teacher might have to be living on that same amount today—at age 88!

These are retired teachers who gave a lifetime of service to educate their fellow citizens’ children. When you consider that, if this teacher was earning only the average salary of $19,300 at retirement in 1982, and her retirement benefit replaced an average of 62 percent of her wages, amounting to about $12,000 annually, then her pension today could be only about $200 more than the Federal poverty threshold for 2015 of $11,770 for an individual.

And remember, this is the average situation, which means that many of this teacher’s retired colleagues could be in even worse financial condition, particularly lower-paid education support professionals whose jobs are so important in today’s challenging educational setting.

Indeed, take the School Employees Retirement System of Ohio (Ohio SERS)—whose members are anyone who works for a school or school system in a nonteaching position—which estimates that, conservatively, 18,000 of their retirees will be affected by this premium increase. According to a recent letter to Speaker Boehner, they advise that the proposed increase of more than $50 per month will “catastrophically impact” their service and disability retirees, who receive an average
October 27, 2015
Page 3

of $1,140 per month in pension benefits. As Ohio SERS warns, an increase of this magnitude “will significantly reduce the retirement security of our retirees, especially the oldest retirees who have the lowest pensions.”

This situation is replicated across the nation, with public employees in every state, totaling 6.5 million nationwide—including 40 percent of all teachers and 75 percent of public safety employees—who are not covered by Social Security and therefore potentially subject to this historic price increase for Medicare Part B. Furthermore, for teachers, this will have a disproportionate impact on women, given that they comprise the majority of retired educators.

Therefore, on behalf of America’s public school teachers as well as many education support professionals and other public employees who are exempt from Social Security coverage, we implore you to take whatever steps may be necessary to ensure that this catastrophic premium increase does not occur.

We are confident that men and women of goodwill can find a reasonable and responsible way in which this drastic increase can be mitigated. We urge you to do all in your power to find a solution as soon as is possible. Our teachers and education support professionals, and the schoolchildren of America whom they serve so ably and tirelessly, deserve no less from you.

Sincerely,

Meredith Williams
Executive Director
NCTR

Hank H. Kim, Esq.
Executive Director
NC-PERS

Lily Eskelsen García
President
NEA

Dana Bilyeu
Executive Director
NASRA

Randi Weingarten
President
AFT

* * * * *