

RPEC TODAY!

Winter 2020

Your Voice for Retirement Security

Our mission is to unite retired public employees for their mutual benefit and welfare.



2020 RPEC/WEA-Retired Joint Legislative Day

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President's Letter

- Kandy Kraig

Winter has finally arrived.

Spokane's snow comes and goes, and I hope that everybody else is keeping warm through the winter so far. I also hope everyone enjoyed the holiday season with their family and friends. Happy New Year to you and your family. We are all looking forward to a positive and productive year for all our members in 2020. We have come a long way because of our leaders and members making a difference through their efforts and dedication to their fellow retirees. Together we shall move forward towards our mission to unite retired public employees for their mutual benefit and welfare.



Our Legislative Day was very productive with members from across the state lobbying their legislators on RPEC's 2020 legislative priorities. Their voices were loud to protect and improve our retirement benefits along with Washington Education Association - Retirees. We will continue to work throughout the remainder of the Legislative session to secure an increase for Plan 1 retirees, to provide assistance to those struggling with their PEBB Medicare premiums, and advocate for other bills that positively impact retirees.

Your next opportunity to make a difference for your chapter and across the state is to attend the RPEC Leadership Conference on May 18th in Olympia. Any member can attend to learn more about our organization. At this yearly event, you can learn new tools to increase your membership, which you can then share with your chapters. You can make a difference for retirees across the state by your participation. This is also a great opportunity to learn about the possible leadership positions within RPEC.

I'm looking forward to seeing all of you at the

Executive Director's Note

- James Cockburn

RPEC and its members begin 2020 with renewed determination and resolve to continue to fight to protect their hard-earned retirement security. Our Executive Board and Legislative Committee have heard loud and clear from our membership that our organization must continue to stand against further erosion of our members standard of living.



As we move through this short Legislative Session, which began on January 13th, RPEC will be forceful in pressuring Legislators to address several key issues that impact retirees. Passing HB 1390/SB 5400 to provide a one-time increase to Plan 1 retirees will remain our top priority. Additionally, we will be working to support bills that effect all retirees regardless of plan. There are bills to address the skyrocketing cost of prescription drugs that we will be strongly advocating for. We will also continue to be involved in discussions around how to ease the burden that retirees face from rising property taxes and look for ways to create a tax code that does not disproportionately impact those on modest incomes.

2020 will be an important election year up and down the ticket. The Washington Presidential Primary will take place on March 10th. Ballots will be mailed out on February 21st. While RPEC does not make endorsements in Presidential races, AFSCME will be evaluating primary election results and member feedback as they consider who to endorse. Regardless of which candidate for President you support, it is important to make your voice

heard and participate in supporting the campaign of your preferred candidate.

As we move into the Spring and Summer, campaigns for Congress, State-wide offices, and the Legislature will be our top focus. Our Political Action Committee will be asking local chapters for assistance with recommendations on who should receive RPEC's endorsement and financial support. The PAC will be reaching out to chapter leaders in areas where formal candidate interview will need to take place and will share information about upcoming campaign events. It is very important that RPEC members remain vocal and visible with their support of our endorsed candidates so that we can build on the relationships with decisionmakers and create the groundwork necessary to get our priority legislation passed.

This Fall, RPEC members from across the state will gather in Yakima for our 47th Convention. The Convention will give delegates the opportunity to elect the Officers and Executive Board members and to set the legislative agenda for the next two years. We will also have resources and information about membership recruitment, political action, and other topics important to public sector retirees.

RPEC Convention committee meetings will begin in the afternoon on Tuesday, September 22nd. The Convention will convene on Wednesday, September 23 and conclude by mid-day on Thursday, September 24th.

As you can see, 2020 will be a busy and exciting year for RPEC. We look forward to continuing to be the voice for your retirement security and appreciate your on-going support.

Please do not hesitate to contact me if you have any questions or concerns. I can be reached at james@rpecwa.org or 1-800-562-6097.

President's Letter (cont.)

RPEC Convention, September 22nd thru 24th, 2020, in Yakima. The official Convention Call will be mailed out to chapter leaders in early April. Your strong voice and ideas will make this RPEC Convention our most successful yet. If you want to be considered for assignment to one of the RPEC Convention committees - Constitution, Legislative, Resolutions, Elections, RPEC-PAC Raffle, Registration, Rules and Sergeant-At-Arms, please notify the office during the registration period. More information will be coming in the months ahead.

As you may have seen, Governor Inslee released his proposed supplemental 2019 - 2021 budget on December 18th. The proposal calls for a one-time 1.5% pension increase for PERS/TRS 1 retirees capped at a maximum increase of \$22 per month.

While this increase would be helpful to retirees, it does not go far enough to address the loss of purchasing power that Plan 1 retirees have experience. RPEC will remain focused on pressuring the Legislature to pass HB 1390 / SB 5400 this session to provide a more substantial increase for Plan 1 retirees who continue to see their pensions remain stagnant while cost around them rise.

On the federal level in mid-December, the US House of Representatives passed H.R. 3, The Lower Drug Cost Now Act. This bill, if enacted into law would lead a significant reduction in prescription drug costs. The resulting savings would be reinvested into a critical expansion of Medicare benefits (vision, hearing, dental), low-income protections, and Medigap rights expansion. The bill now moves to the U.S. Senate for consideration.

Thank you for your efforts in contacting your Congressional lawmakers!

As you can see, we have much work ahead of us, but I firmly believe that if we stay united and engaged, we can achieve our goals. I look forward to continuing to work with you and hope to see many of you at our upcoming events.

WA State Investment Board (WSIB) Update - by Yona Makowski

Happy New Year to you! I'm very pleased to continue to serve on the Washington State Investment Board (SIB), representing retired public employees. Governor Inslee has appointed me to a second term.

The SIB has had phenomenal success in its investment strategies. Currently there are over \$139 billion in total assets under management, of which more than \$109 billion are the pension funds. The Commingled Trust Fund (CFT), or combined pension funds, have generated an average annual return of 8.8% since 1992. Besides the pension plans, the SIB also invests the worker compensation funds, the Guaranteed Education Tuition program, employees' deferred compensation accounts and a number of other, smaller funds. Each of these programs has a unique set of investment strategies.

As a member of the board, I am bound by my fiduciary responsibility. What that means is that I am legally responsible to act for the exclusive benefit of the fund beneficiaries. I have been asked many times "why doesn't the SIB divest from fossil fuels?" On a personal level, I am a strong environmentalist and am extremely concerned about the impacts of climate change. However, as a board member, I must make decisions that are prudent. Divestiture is not a prudent financial decision. Climate impact and its risk is considered in making investments, but not the sole criteria.

The board is involved in many activities that are related to environmental stewardship. The term that many in the investment world use today is ESG - meaning Environmental, Social and Governance. There is now an emphasis on how companies behave -

Kreidler Proposal Aims to Protect Long-term Care Insurance Policyholders - by Washington State Office of the Insurance Commissioner

Long-term care policies in Washington state are being threatened by insolvency among insurance companies nationally. It could result in a financial hit of hundreds of millions of dollars to the state's general fund if assessments to protect consumers are not expanded.

Washington state's long-term care guaranty fund – which provides payouts to policyholders – is currently financially supported in whole by life and disability insurers.

The purpose of the guaranty fund is to protect consumers by providing funding for claims if an insolvent insurer can no longer pay. This funding pool is not financed in advance. Instead, life and disability insurers are assessed a share of the total dollar amount required to cover outstanding claims when a company becomes insolvent. No other insurers pay the assessment.

All insurers in Washington state pay an annual 2% tax on the premiums they collect. Insurers that pay a long-term care assessment are allowed to reduce their premium taxes by 20% annually for five years to offset the assessments.

Concern is growing among regulators and policymakers that revenue generated by the assessments would be insufficient if more insolvencies arise among long-term care insurance companies.

Recognizing this risk, Washington state Insurance Commissioner Mike Kreidler is proposing legislation this year to bolster protection for consumers. The legislation would add health care service corporations (HCSCs) and health maintenance organizations (HMOs) to the types of insurers that pay an assessment to support the state guaranty fund.

Prime sponsors of Kreidler's legislation are

besides just what their profits are. I suggest you visit our website to get more information about what the SIB is doing in this area at: <https://www.sib.wa.gov/oversight/re.asp>

The board has worked on a specific asset allocation strategy for the pension funds which is reviewed at least every four years. The target for each asset class is as shown in the included table (pictured below).

Asset Class	Target
Fixed Income - includes bonds and securities	20%
Tangible Assets - includes agriculture, minerals, etc.	7%
Real Estate - domestic and international	18%
Public Equity - US and international stocks	32%
Private Equity - diversified investments in companies	23%
Innovation Portfolio - unique opportunities that may arise	0%

As you can see, the investments are diversified. In a downturn, which we hope we don't ever experience as we did in the Great Recession, some of these asset classes are more "liquid", meaning we can use them to pay pensions every month, without losing too much value.

As an RPEC member, I value the role of this organization in representing retired public employees. My husband and I are retired state employees, relying on our pensions, Social Security, Medicare and our state health benefits. We appreciate that there have been improvements that RPEC has fought for.

Yona Makowski, RPEC Member and WSIB Member

Representative Eileen Cody - HB 2209, and Senator Annette Cleveland - SB 6050.

One insolvency's impact on the state's general fund

In 2017, Penn Treaty of Pennsylvania, which sold long-term care insurance in every state, became insolvent. It carried liabilities of \$4 billion but had only \$700 million in assets. About 2,400 Washington policyholders are affected.

Assessments from this insolvency will likely total over \$200 million in Washington state. This is currently funded by assessing life and disability insurers a combined \$10 million annually over the next 20 years. This amount has been determined to be manageable with no detrimental effects on policyholders.

However, additional companies becoming insolvent could exceed the guaranty association's ability to pay benefits to Washington policyholders. More insolvencies are considered highly likely based on the rate increases that insurers selling long-term care policies are

requesting. It's an indication that they don't have enough money in reserve to pay the expected future benefits.

The underlying problem with the long-term care insurance market is that policies were significantly underpriced for many years. They do not generate enough premiums to cover policyholders' claims, which include a range of services such as nursing facilities and home care.

The National Association of Insurance Commissioners created a model act for long-term care guaranty funds that included not only life and disability insurers, but also HCSCs and HMOs. Nearly 30 states have already adopted the NAIC model act. Another five states, including Washington, are running legislation in 2020 to adopt the structure.

The legislation is seen as the best way to ensure sufficient funding and timely payment for policyholders should another insolvency affect Washington state consumers.



Chapter Spotlight - Chapter 23 (Clallam County Area)

Chapter 23 on the Olympic Peninsula includes RPEC members from the Clallam County area which includes Port Angeles, Sequim, Forks, and everything in between. Like many of our smaller chapters in less populated areas of the state, getting folks to a membership meeting can be a challenge due to distance, weather conditions or mobility/health concerns. Meetings are held four times a year, in the months of March, May, October and December.

Despite the challenges, we are fortunate to have a core group of committed, talented and imaginative leaders at the helm. President Bob Zindel (pictured above, far right) is a well experienced hand and quite knowledgeable about the political and economic climate of the region. Prior to retirement, Bob worked as a social worker for the Washington State Department of Social & Health Services (DSHS) and he served as a WFSE Local President. Additionally, Bob was the President of the Olympic Central Labor Council for some 33 years, and he continues to serve as a Trustee of the organization to this day.

Past Vice-President/Membership Coordinator Amy Fortier led an effort to craft an ambitious Chapter 23 Membership and Recruitment Plan, with the aim of “building and maintaining a sustainable level of retiree membership through recruitment and retention, and to offer a meaningful level of interaction and advocacy for retiree issues”. The Plan was adopted by a vote of the membership in the spring of 2018.

The Plan identified potential pools of retirees and workers who were nearing retirement and

laid out a number of approaches that the group could employ to conduct outreach and leverage the visibility of RPEC in the community, including telephone contact, newsletters, hosting events, and advertising chapter activities. Ideas included installing RPEC informational displays in public places such as a senior center or library, and establishing a presence at local labor gatherings, public events, assisted living facilities, retirement communities, the Chamber of Commerce, fraternal organizations, and networking with other non-profits that serve the area.

Chapter members organized and staffed tables at PEBB Benefit Fairs and DRS Seminars. They looked at having an RPEC table at area events such as senior and health fairs, the Senior Olympics, community festivals and the County Fair.

Chapter Secretary Lois Danks established a relationship with the local newspaper and sent periodic press releases which often were published, such as a photo of chapter members making a charitable contribution to worthy organizations and causes. Lois ensured that chapter meetings were publicized in the newspaper's events columns and electronic calendars.

At this time, the chapter is exploring the idea of holding a membership meeting in a facility equipped with video conferencing capability, and identifying a similar venue in Forks. The idea would be to try to afford members an option to driving to Port Angeles while giving them a way to participate in the meeting and affairs of the chapter from a distance.

While recruitment and retention are a continuous process, we must not get discouraged. Bob relays that as a young man there was a time that he was told that he would be totally paralyzed for life and never walk again. He was determined not to give up, he had a family to care for and knew there could be better things in store for him and his loved ones. After Bob proved those doctors wrong, he set about using his unfortunate experiences to inspire others and began public speaking to groups to share his message, “Persistence and patience produce results in the long term. Continue the effort when the going gets tough, keep an open mind. Be open to new approaches and ideas. There will be better days ahead.”

2019 Recruitment Contest Winner - Jane Lauzon

The lucky winner of our year-end membership recruitment drive was Jane Lauzon (pictured on left) from Chapter 18 - Grays Harbor County.

Congratulations to Jane!

A special thank you goes out to all those who worked to recruit new members into our organization.



2020 "Gimme 5" Membership Recruitment Incentive Program

Our revamped "Gimmie 5" membership recruitment incentive program took effect on January 1st. RPEC members have until December 31st, 2020 to recruit five new dues-paying members into the organization to earn a \$100 cash prize.

To participate, please talk to a fellow retiree today about RPEC and make sure they include your name on the "Recruited By" line of their membership application.

PEBB Update

RPEC member Carol Dotlich (pictured on right) has completed her term on the Public Employees' Benefits Board (PEBB), which includes two state employee representatives, one retired; two school district representatives, one retired; and four members with experience in health benefit management and cost containment. Board members are appointed by the Governor and serve two-year terms.

In her capacity as one of the seven voting members of the board, Carol was instrumental in putting pressure of PEBB staff to improve the customer service experience for retirees during open enrollment. She also was tireless in advocacy on behalf on her fellow retirees who are struggling to afford their premiums and prescription costs.

We thank Carol for her service and wish her well as she continues to serve as President of RPEC Chapter 12 - Tacoma Area, and as the District 8 Representative on the RPEC Executive Board.





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Your Voice for Retirement Security

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Property Tax Exemption Program

In 2019, The Washington State legislature expanded the eligibility for senior/disabled property tax reductions. RPEC supported the legislation (SB 5160) that was passed by the Legislature and signed into law last May by Governor Inslee.

The new rules change the income requirements so that they are now tied to the median household income of the homeowner's county. Previously, the income threshold was the same statewide, which negatively impacted those who lived in higher cost of living areas.

Did You Know? State law provides two tax benefit programs for senior citizens and the disabled: property tax exemptions and property tax deferrals. Yet more than 26,000 qualified seniors and disabled persons have yet to register for the exemption,

and only 1 in 100 of those eligible for deferrals are currently enrolled. The process of applying is fairly simple.

Available To: Taxpayers who are, on December 31 of the year before the taxes are due, at least 61 years of age or older; **OR** retired from regular gainful employment by reason of disability; **OR** a veteran of the armed forces of the United States entitled to and receiving compensation from the United States Department of Veteran Affairs at a total disability rating for a service-connected disability.

Program Benefits: The qualifying applicant receives a reduction in the amount of property taxes due. The amount of the reduction is based on the applicant's income, the value of the residence, and the local levy rates.

For questions about the program, contact your county assessor's office.



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