

VIEWPOINT

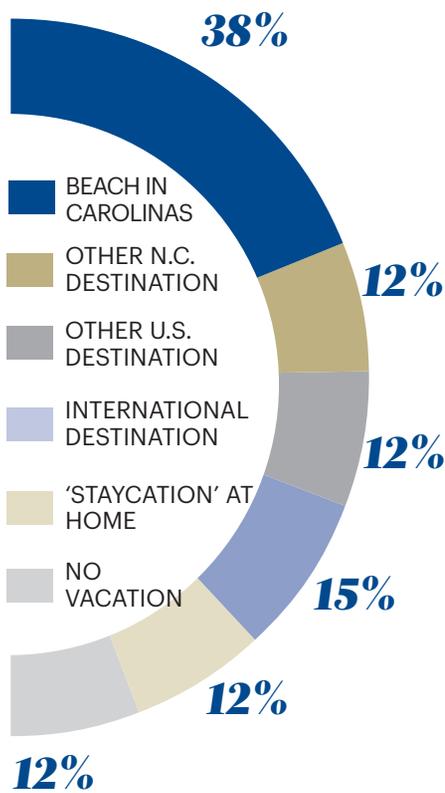
Triad Business Journal welcomes letters to the editor

Send letters to Triad Business Journal
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► BUSINESS PULSE SURVEY

WE ASKED

Where will you go on vacation this summer?



THIS WEEK'S QUESTION

Is your company supportive of employees working past age 65?

VIEWPOINT

Cutting retiree health benefits is penny-wise and pound-foolish

The N.C. General Assembly passed its budget last week. The governor vetoed it this week, but the GA overrode the veto and the budget will now become law. There are many surprises in the budget. One is a provision to eliminate retiree health benefits for state workers.

Starting in 2021, people hired by the state will no longer receive health benefits after they retire. Currently, retirees receive health insurance until they're eligible for Medicare, at which point the state provides a Medicare supplement. It's a good deal.

The GA has two rationales for the change. First, these benefits cost about \$900 million per year, and the GA needs spending cuts to pay for its numerous tax cuts. Second, the GA believes that state benefits are too generous and should be reduced to be more in line with the private sector.

Let's focus on the second rationale. It's backwards. Benefits for state employees should not be in line with private-sector benefits, at least not if we want high-quality people to work for the state as teachers, analysts and managers.

State employees are, on average, more highly educated than workers in the private sector. After all, about a third of all state-government workers are teachers and professors. When we take skills into account, state employees are paid less than their counterparts in the private sector. Fringe benefits help offset that disadvantage.

I'm a current retiree, so this won't



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affect me at all. This is about our future. Cutting benefits will make state employment less attractive. It's hard to imagine why anyone would find that a desirable outcome. We need state workers to perform important services. They teach our children, protect our homes, maintain our roads and so on.

For example, we hear that the skill and education of our workforce must improve if we're to remain competitive in the national and world economies. How will that happen if we effectively drive would-be teachers into other professions and to other states?

This budget provision isn't the first time the GA has whittled away at retiree health benefits. In 2011, a new law required retirees to pay a premium for the more generous health insurance plan, after decades in which the plan was free to retirees.

A group of retirees, led by former

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state Chief Justice I. Beverly Lake, has sued the state for breaking its contract with retirees. Unlike the current budget provision, this one affects me personally, and I'm rooting for the plaintiffs. However, this also affects future state workers.

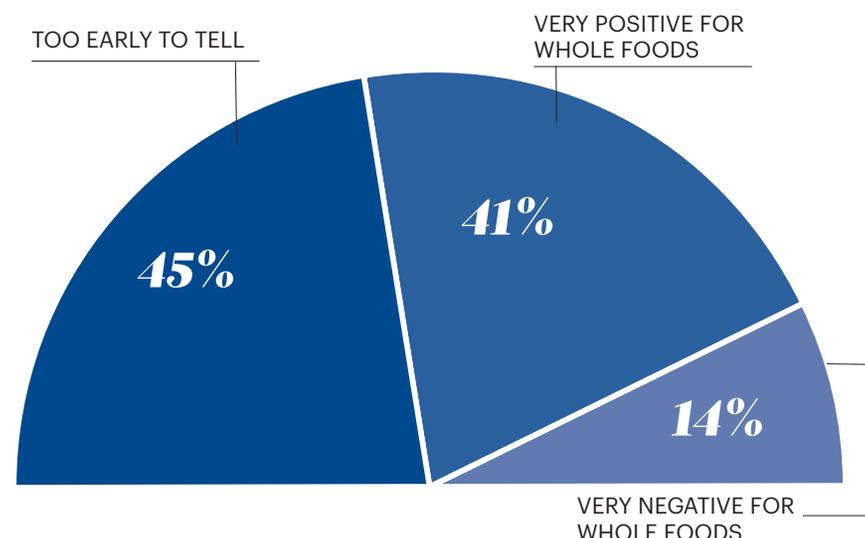
The retirees have a good case. It's one thing to start charging a premium to current employees. If they don't like it, they can find another job. But retirees can't go and become retirees of Duke Energy or the state of Tennessee. We're stuck.

Earlier this year, a trial judge ruled for the retirees. If the ruling stands, then by one estimate, the state will have to pony up more than \$100 million in compensation.

The state health plan has been underfunded in recent years, but cutting (or charging for) retiree benefits isn't the solution. In an increasingly complex society, we rely on government services and need them to be done well. And that means persuading smart and talented people to take state jobs. If the state doesn't pay them as much as private employers do, then it must offer better benefits.

► SURVEY SAYS

WHAT'S YOUR REACTION TO THE IDEA OF AMAZON BUYING WHOLE FOODS?



► THEY SAID IT

"It's fairly easy to identify the needs and wants of companies that are just getting started, because they need everything. It's a little bit harder to pin down what companies need once they're growing fast, and part of the reason for that is, I think it varies completely from company to company and industry to industry."

STEPHEN FRASER, newly tapped chairman of the Council for Entrepreneurial Development's board

"Those who are looking to buy a vacation home will find that there are still deals to be had. And the value of vacation home real estate is likely to appreciate in the future."

LAWRENCE YUN, National Association of Realtors Chief Economist