

# FRIDAY ALERT



**Alliance for Retired Americans**

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## Kentucky Teachers Strike for Pensions, Education Funding; Oklahoma Teachers also Strike

The halls of Kentucky public schools were empty on Monday as teachers stormed the state capitol in Frankfort. They went on strike as legislation to reform sewage systems suddenly included pension “reform” and education funding cuts. Kentucky teachers, one of the groups of public employees who are not eligible for Social Security benefits, took a stand against cuts to cost-of-living adjustments under the pension system they rely on for their retirement security.



The state bill would cease all future enrollment in the state pension plan for teachers hired after January 1, 2019, enrolling them instead in a cash-balance fund that revokes a previous guarantee of a 4% return on investments when teachers and the state pay into the fund.

West Virginia teachers took part in a [successful strike](#) earlier this year and won a pay increase, and teachers in others states are hoping for a similar outcome.

Thousands of Oklahoma educators also walked out of classrooms this week, rebelling against a decade of state tax cuts that triggered deep cuts in education spending and forcing about 20% of public schools to switch to a four-day-week schedule. The cuts pushed average teacher salaries there to 49th in the country, and they haven't seen a raise in 10 years.

Arizona teachers are also demanding a 20% raise in order to make up for low pay and are asking state leaders to restore more than \$1 billion in education funding to cover necessary expenses including textbooks, buses and building maintenance.

“Kentucky teachers are emphasizing to the state legislature that they will not beg to keep the pensions that they have rightfully earned,” said **Robert Roach, Jr.**, President of the Alliance. “In Oklahoma and Arizona, teachers also are having to fight for fair pay. We must support them as they fight for the pay and retirement benefits they have earned.”

## **Balanced Budget Amendment, Rescissions Would Mean Cuts to Social Security and Medicare**

In response to protests from so-called fiscal conservatives, President **Donald Trump** and congressional Republicans are considering forcing votes to cut billions of dollars in spending from the funding deal they passed barely two weeks ago. Called "rescissions," the cuts would cancel parts of the bipartisan appropriations measure that averted a government shutdown in March. Republicans are also preparing to make a big push for a balanced budget amendment (BBA).

According to the [Center on Budget and Policy Priorities](#) (CBPP), a BBA would mean that Social Security would be unable to draw down from its reserves to pay benefits. Benefits in a given year would instead have to be paid out from tax revenue collected that year, or would have to be cut. The same holds true for Medicare, and the benefits paid to civil service and military retirees. With the change, their pensions could only be paid out of the revenues collected that year, not from their pension trust funds.

By design, the Social Security trust fund is building up reserves — in the form of Treasury securities backed by the full faith and credit of the United States — which will be drawn down to help pay benefits when the number of retired “baby boomers” peaks in the late 2020s and early 2030s. Currently, Social Security holds \$2.9 trillion in Treasury securities. But under the balanced budget amendment, it would essentially be unconstitutional for Social Security to draw down these savings to pay promised benefits. Social Security would be allowed to use its accumulated Treasury securities to help pay benefits only if the rest of the federal budget ran an offsetting surplus (or if the House and Senate each mustered three-fifths or two-thirds votes to permit deficits).

Medicare Part A — the Hospital Insurance trust fund — has the same structure as Social Security. That trust fund currently holds about \$200 billion in Treasury securities, but under a balanced budget amendment, it would be unconstitutional for Medicare to draw down those savings to pay hospitalization costs because all federal expenditures — which includes Medicare payments — would have to be covered by taxes collected in the same year.

The military retirement and civil service retirement systems, which have their own trust funds, would be affected in the same way. As a result, the \$700 billion in Treasury securities held by the military retirement trust fund and the \$900 billion in Treasury securities held by the civil service retirement trust fund would be unavailable to pay promised retirement pensions.

“These moves would be terrible for Medicare and Medicaid, as well as Social Security,” said **Joseph Peters, Jr.**, Secretary-Treasurer of the Alliance. “The GOP would be reneging on their budget deal before the ink is even dry, as well as endangering our retirement security if they pass a balanced budget amendment. If they truly wanted to trim the deficit, they could roll-back some of the massive tax cuts they gave to the wealthiest Americans earlier this year.”

## Centers for Medicare and Medicaid Services Offers Private Insurers a Gift they Don't Need

The Centers for Medicare and Medicaid Services (CMS), a division of the U.S. Department of Health and Human Services, has decided to raise the [2019 Medicare Advantage reimbursement rate](#) by 3.4%. CMS had previously proposed a hike of 1.84% in February, but this rate increase is higher than expected.

Medicare Advantage (“MA”) plans are administered by private insurance companies. The government reimburses a certain amount per enrollee to the health insurers in return for the care provided.

The plans have been highly profitable for the health insurers, leading to significant growth in the industry. They have been able to maintain profitability in these plans by keeping claim costs down. Since April 2017, the industry has grown at a rate of 33.7%, compared with the S&P 500 growth of 11.9%.

“This increase by CMS is a giveaway to private insurance companies that we should not fritter away,” said **Richard Fiesta**, Executive Director of the Alliance. “It would be much more useful to spend these funds to help struggling seniors rather than increase insurers’ profits.”

## President Roach Attends Tribute to Martin Luther King, Jr. in Memphis

A celebration of **Dr. Martin Luther King, Jr.’s** life was held Wednesday on the 50th anniversary of his assassination, with political, civil, and cultural leaders converging in Memphis, where Dr. King drew his last breaths on April 4, 1968. The week’s events drew a diverse group who united in a call to continue Dr. King’s legacy.



Wednesday’s events followed a rousing celebration the night before of King’s “I’ve Been To the Mountaintop” speech at Memphis’ Mason Temple Church of God in Christ. He delivered the speech the night before he was assassinated.

President Roach represented the Alliance, paying tribute to Dr. King with the civil rights leader’s family and descendants, and joining several of the sanitation workers who were there in Memphis when tragedy struck five decades ago.

“It was a moving, beautiful tribute to a legend,” said President Roach. “I look forward to a day when civil rights and economic and social justice are a given, and we no longer have to use the anniversary of a violent act to come together.”

President Roach in Memphis

“Martin Luther King, Jr. was in Memphis in 1968 for organized labor and to address the low pay of sanitation workers,” President Roach added. “He brought millions of people the right to vote, and we must exercise that right.”

**Lee Saunders**, President of the American Federation of State, County and Municipal Employees (AFSCME) and an Alliance executive board member, said at the rally, ““Dr. King’s work — our work — isn’t done. We must still struggle; we must still sacrifice. We must still educate and organize and mobilize. That’s why we’re here in Memphis. Not just to honor our history, but to seize our future.”

**Robert Martinez, Jr.**, International President of the International Association of Machinists and Aerospace Workers (IAMAW), and also an Alliance board member, declared, “It is up to all of us to continue the sacred march toward justice, equality and dignity for all. We cannot, we must not, and we will not tolerate anything less!”

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The Alliance for Retired Americans is a national organization that advocates for the rights and well-being of over 4.4 million retirees and their families.