

National Legislative Director — Dan Adcock

It is such an honor and a privilege for the Chair to introduce our next speaker, Dan Adcock.

Dan is a fifth generation native Californian by birth. He was born in Lancaster and has lived in Sacramento, Sepulveda, Granada Hills and Manhattan Beach. Dan's parents, sister, uncle, nephews and nieces live in northern San Diego County. Currently, Dan lives in Silver Spring, Maryland with his wife Pamela Wasserman and son Sammy.

He had an excellent legislative career prior to joining NARFE in 1993. An MBA in Political Science from American University in 1985. He has had numerous jobs working for Senators and Representatives, always with increasing responsibility. We are proud to have Dan Adcock as a leader on our NARFE Team on Capitol Hill.

I want to start this presentation by noting the passing of Jerry Waldie, a long time NARFE member and a former member of Congress, who passed away on April 3rd at his home in Placerville, He served in the state legislature from 1959 to 1966, and while there was the second highest ranking Democrat, the Majority Leader. From 1966 to 1974 he served as a member of Congress and was a champion of Civil Service legislation while he served in a leadership position on what used to be the House Committee on Post Office and Civil Service. He left the House in 1974 to run for governor, but was defeated in the primary by Jerry Brown. Jerry served as the Chair of the NARFE National Legislation Committee for the 1992, 1994 and 1996 national conventions, where I worked with him and enjoyed the friendship that developed.

It's easy to be cynical about politicians, especially with the scandals we hear and our personal experience. That was not Jerry. Jerry was one of the most unpretentious, honest, friendly, funny lawmakers I've ever known, and I knew a few when I worked on Capital Hill. So I'd like to take a moment to remember Jerry and pray for his family.

[At this point Dan recited several personal anecdotes about his great-grandfather.]

We're pretty happy because right out of the box this year we made headway with the 111th Congress and the stimulus bill. As you know, it provided a \$250 one-time payment to Social Security, CSI, Veteran's Benefits, and Railroad Retirement recipients. When the legislation was first made public, we noticed that government retirees, federal, state and local, were not eligible if they didn't have enough quarters to be eligible for Social Security. We're talking about a million people who were left out. We started to work with the Senate on January 23rd, to explain that this was an equity issue for all retirees, whether or not they get Social Security. We worked with our coalition partners and finally compromised on a \$250 refundable tax credit. This was a logistical decision, because providing a \$250 payment to non-Social Security Government retirees was not practical because it would have required the Social Security Administration, the Office of Personnel Management (OPM), 50 state governments and thousands of local governments to correlate the Social Security data base with government retirement rolls. Senator John Kerry (D-MA) championed our cause, and Senator Max Baucus (D-MT), chair of the Senate Finance Committee, made sure it was included in the final conference report. So we are very happy about that, it is something that was pretty significant, and it wouldn't have happened except for NARFE and our coalition.

Another success story, even before the beginning of this year. In December 2008 we started working an issue with Blue Cross/Blue Shield Standard Option plan dealing with non-network surgical procedures, which would have required enrollees to pay 100% of the co-insurance up to \$7500 cap. Sometimes you have to go out of network because you may be looking for a particular surgeon with special expertise. Through a hearing held by the House Subcommittee on the Federal Workforce, some media attention, and work that NARFE did, we pressured OPM and Blue Cross/Blue Shield to actually change their policy, which is unheard of! We are talking about changing a policy on December 15th, which was scheduled to go into effect on January 1st. So now there is only a 30% co-insurance payment for going out of network.

Another more recent victory that occurred shortly before Congress went into its Easter/Passover recess is that on April 1st the House passed legislation which allows Federal Employees Retirement System (FERS) employees to credit their unused sick leave towards retirement.

Back when FERS was first created there was a conscious decision by Congress to structure it so it

would cost no more than the Civil Service Retirement System (CSRS). Of course, FERS employees get matching money for deposits in TSP, whereas CSRS employees do not. So one of the things FERS employees had to give up was crediting their sick leave. Initially it wasn't thought that using up sick leave before retirement would be a problem, but now with 24 years hindsight it was found that "FERS Flu" is indeed a problem, which hurts productivity. That's why organizations, including NARFE and other federal/postal organizations, got behind this bill.

Also this bill automatically enrolls new FERS employees in TSP, with the government contribution, and also provides a "Roth" option – similar to a Roth IRA. Federal workers can put after-tax money into TSP with the idea that they won't have to pay taxes when they withdraw the money after retirement. With the normal 401(k)/TSP plan, you put in pre-tax money, and pay taxes when you retire. It is thought that with the Roth option, the federal government will take in more revenue, because more taxes are being paid when workers make their contributions to their TSP account. This revenue will offset the cost of the sick leave credit benefit and other provisions in the bill. Now the bill goes to the Senate, but we have a problem. The Office of Management and Budget (OMB) objects to the cost provisions, they feel the bill is not revenue neutral. They are also concerned about how it will look to give out additional benefits when so many are unemployed. We are working with the Congress to develop a compromise, but we are still a long way from passage. *[Update: The FERS sick leave provisions have been retained in the legislation (HR 1256), which was expected to be considered by the Senate in June.]*

Our sponsorship of this legislation underscores that we are working for active federal employees, and this is something people should promote as part of NARFE's efforts to recruit and retain active employees.

President Obama has called for sacrifice and responsibility as we grapple with unparalleled economic upheaval and a trillion dollar budget deficit, but as his chief of staff has said, "There are opportunities in adversity," and we'll be looking for opportunities.

The current situation makes Social Security offset and Premium Conversion that much harder, but that doesn't mean there aren't opportunities for victories in the same way as the Stimulus legislation.

One example is the Ryan amendment, a substitute to the Budget Resolution, which would have cut entitlements by over a trillion dollars, and more specifically have cut federal retirement by \$10 billion over ten years. It didn't specify how these savings would be made, but it would be drastic, such as changing high-3 to high-5 or reducing the government contribution to health insurance. Fortunately the amendment to the Budget Resolution was defeated, and just this week the House and Senate passed the budget resolution, and it contains no reductions to federal retirement, so we're pretty happy.

Now the real work begins of implementing the Budget Resolution, but we're where we should be. But we need to face the fact that we now have 40 million older Americans, and by 2030 there will be 77 million. Our retirement programs, Social Security and Medicare, are pay as you go programs, so the workers now are paying for current retirees, just as future workers will pay for their benefits and health care when they retire. The problem is that by 2030 there will be far more retirees and far fewer workers to support them. That's why in 2019 Medicare will be insolvent and, depending on whom you listen to, Social Security will only be able to pay 75¢ on the dollar starting in 2041 or 2050. *[Update: The Social Security Trustees have announced that the program will be insolvent by 2037, four years earlier than predicted last year.]* So our benefits could be on the chopping block. There have been suggestions to create a committee similar to the BRAC (Base Realignment and Closure) Commission which would make recommendations to Congress that could then only be voted up or down — no amendments. We are watching very carefully.

The more immediate issue we are dealing with this summer is health care reform. You all know that our health care premiums have been increasing each year by double digits, and this is true also with other employer-sponsored health insurance in the public and private sectors. And there is also the solvency problem with Medicare. Many people, such as the White House and those on Capitol Hill, feel that if you can fix the problems with the health care delivery system and make it less expensive, then you can fix Medicare and premiums, so that private employers don't drop their health plans.

What are they talking about? The Obama Administration has proposed creating a public health plan which would be similar to Federal Employees Health Benefits Program (FEHBP), but his plan would not open FEHBP

to non-federal workers and annuitants. And that seems to be the track right now, but anything can happen as we know from Clinton's 1993-94 universal plan where everybody would have been in the FEHBP. If history happens to repeat itself, non-federal enrollees, with higher health costs than federal employees and retirees, could drive up insurance premiums in FEHBP, if they were allowed to join our health program. At this point no one is talking about that, but we are watching carefully.

The other issue we are looking at is the proposal to tax the employer's contribution to health care premiums for two reasons: one to pay for the reforms, and two to discourage so called "Cadillac" coverage. One proposal is that the first \$8,000 of what an employer plays toward their employees health insurance premiums be tax free, but anything above that amount would be taxable income. The problem is that if you have small group, basic coverage could be pretty expensive if workers have high health care costs. As a result, premiums would be high, which would make it look like it was Cadillac coverage when it really wasn't. That's why this proposal is bad.

President Bush in 2007 offered something like this, offsetting the premium tax with an increased standard deduction. At first everyone would have made out better, but over time, because the standard deduction is tied to the CPI, which doesn't go up as fast as health care costs, you'd be paying more in taxes. Part of this proposal was that Premium Conversion would have been eliminated for all current workers – in both the private and public sectors. Again, we are watching carefully.

Health care reform is not necessarily all bad. One of the problems we have in this country is that health problems are treated episodically or acutely. A person has a heart attack, we take care of it, it is amazing what cardiac surgery can do today. But once that person walks out of the hospital, who will track him, make sure he takes his medications, that he eats properly, and generally takes care of himself? No one! And he winds up again in the ER in six months or a year. If we can get away from episodic and acute health care, and do better in managing chronic conditions, then some good will have come from health care reform.

On the Federal Employees Retirement System (FERS) Sick Leave/Thrift Savings Plan (TSP) Improvements bill which we worked on in the House, we tried to insert a reduced version of Premium Conversion, thinking we could get a foot in the door. The legislation is under the jurisdiction of the House Committee on Oversight and Government Reform, but that committee cannot report out any legislation that has anything to do with a tax cut. Premium Conversion is considered a tax cut. In order to move legislation from a committee that doesn't have jurisdiction, you have to go to the committee that does, in this case the House Ways and Means Committee. So Chris Van Hollen, the sponsor of this bill, went to Chairman Rangel and tried to get his permission, and the answer wasn't just "No," it was "Hell No!" The Committee has some fundamental philosophical disagreements with the legislation, in that they believe it is unfair to give a tax break to people who already have health insurance, when there are 50 million Americans without health insurance, and that number is growing every day as unemployment grows and people lose health insurance. The Senate Finance Committee feels the same way.

So, if we can't win on policy, we have to try to win with politics. The problem is that when Chris Van Hollen goes to Charlie Rangel, Rangel says, "You are the only one on the committee who cares about this, I'm not hearing from anyone else." That's why when we have our Grass Roots Advocacy Month in August we are depending on NARFE chapters and federations throughout the country to do their level best to make Congress aware that more than one person cares about this issue. *[Update: Moving health care reform legislation has taken on a new sense of urgency. For that reason, National is asking NARFE members to contact their legislators now (not to wait until August) about including premium conversion in health care reform legislation.]* We have to convince House members to go to Chairman Rangel and ask him to move the legislation, but more specifically we have to work on the members of the Ways and Means Committee. In California you have six members on the committee — Reps. Thompson, Herger, Stark, Nunes, Becerra and Linda Sanchez.

I have a handout which lists these members, the number of federal employees and retirees in their district, and the NARFE chapters within the district, as well as contact information. We need to ensure we are all on the same sheet of music, that there is coordination among chapters in the district, because right now we don't even have any of these six signed on as cosponsors of the legislation. We need to convince House members to go to Ways and Means Committee members and say, "This is something important to the people in my district,

and I want you not only to cosponsor the legislation, I want you to convince Chairman Rangel to move the legislation, whether it is part of a larger tax package or part of Health Reform.”

We have the same problems with Social Security Offset, which would cost \$80 billion over a ten-year period, so this is something that would affect the solvency of the program. But that doesn't mean we're not up to the challenge of making it happen. We have the same resistance with the key players on the House Ways and Means Committee and the Senate Finance Committee; they don't want to touch the Offsets unless it is part of a comprehensive Social Security reform. NARFE continues to lead the CARE coalition of federal, state and local government employee and retiree organizations trying to move this legislation, and it will remain one of our top priorities.

NARFE members do great things when it comes to advocacy, but sometimes we don't have a lot of warning when something is going to come to the House floor, and we have to act within a short turn around time. Therefore we now have Action Alerts. We need to be prepared in terms of our advocacy. That is why it is very important that every chapter has a calling committee or telephone tree, so every member can be notified of an Action Alert within 48 hours. Of course email is better, but not everyone has email. Encourage anyone with email to sign up for GEMS.

Of course we want you to maintain your relationship with your local congressperson, quite apart from our five week long August Advocacy Month.

The final thing I want to talk about is recruiting and retaining members. This also has something to do with legislation. We cannot be an effective advocacy organization if we don't have members, for several reasons. First, we need dues money for operations and for having a professional lobbying staff in Washington, DC. Secondly, we need them to be part of our grass-roots response when we are weighing in on a particular issue. Right now we have 320,000 members across the country, but there are about 2.3 million federal annuitants and about the same number of active employees. That means there are a lot of people who are not part of our process, and are just out of the loop. We need more people to join our ranks so that we are able to be effective when bad things are about to happen or trying to make some good things happen.

I want to encourage you also to contribute to NARFE-PAC. For \$20 or more, and I emphasize the more, you will get a pin. Ken Boffin will be at a table right outside, where you can make a donation when I am done speaking. He is also selling our Congressional Directory, which has lots of information, and can be yours for \$20. Why NARFE-PAC? For the 2007-08 election cycle, 93% of the candidate we supported were elected, 79% of open seat candidates won, and 58% of challengers defeated incumbents. We were very successful, but we need to keep the momentum going and you can do this by giving to NARFE-PAC.

I know I am asking you to do a lot, but the stakes couldn't be higher. You guys have delivered! The California Federation is one of the best federations in NARFE. You do a tremendous job and have done so in the past. So let's build on the momentum of our recent legislative victories, and let's build on the enthusiasm of this convention so, that when you get home, you set up appointments for the Advocacy Month, especially with the members of the House Ways and Means Committee, so they understand what the stakes are and why our Premium Conversion and GPO and WEP legislation is so important, because without their support we will have a difficult time advancing this legislation.

I appreciate your hospitality and thank you.