

NCRSP Statement on Cost-of-Living Adjustment for Retirees

NC Retired School Personnel (NCRSP) are struggling to live on their retirement incomes as inflation continues to rise. The NC General Assembly has only provided a 1% increase to state retirees over the last 3 years while other southeastern states have provided a minimum of 2% per year. (Click here to see the accompanying chart.) NC retirees are expecting the NC General Assembly to do right by them and provide at a minimum a 2% COLA and a 2% supplement in each of the next two years.

As living expenses have continued to rise, state retirees' pensions have remained stagnant. A comparison of NC retirees' pensions with those in other southeastern states reveals that NC's adjustments are below those of our neighboring states. NCRSP President Dr. Willie Ramey, states, "It is a shame when our state retirees have to make decisions about whether to pay their power bills or to buy groceries because they can't afford to do both." He adds that SC, GA, VA, and TN retirees have received adjustments and/or supplements that are above those received by retirees in North Carolina over the past three years.

The General Assembly has a \$6.5 billion surplus that could easily be used to provide a much-needed COLA for our NC retired educators and other state employees. 2021 is the year to acknowledge those former employees by providing an adequate cost of living adjustment for them. NC retired school personnel deserve to be treated with the same regard that those in our border states are shown.

- NC ranks in the lowest 10% of US states with the highest rate of food insecurity for adults 60 and older in a 2019 report. www.ncjustice.org
- 17.2% of North Carolinians age 60+ live in poverty, which is above the pre-recession levels. 2021 America's Health Disparities Report. www.americashealthrankings.org
- Over the past 12 years retirees have received 3% in permanent COLAs and 2.6% in two one-time supplements. However, the cost of living has increased 21.7% over the same time period.

You Decide: Should Economic Growth Be A Goal?

By Dr. Mike Walden: Although today we live in a fractious political environment, there is one area of widespread agreement among individuals and groups of differing political perspectives. It is that economic growth is good.

Administrations and elected officeholders of both major political parties praise economic growth, especially when it happens on their watch. Cheers are heard and positive statements to the press are released when job growth is strong, the unemployment rate plunges and companies' production and sales are good. When the opposite occurs – fewer jobs, higher unemployment or weak production – worries are heard and economists are asked what can be done to put the economy back on track.

It's easy to understand why economic growth is the accepted goal. Growth means more jobs and more income for many workers and companies. Additionally, firms with higher sales will be more willing to hire and to offer higher pay to workers. For investors, economic growth usually leads to higher stock values. However, there are critics who point to problems resulting from economic growth. Waste, rising prices, pollution, more traffic and congestion and the psychological negatives from being pushed to be bigger and better are some of the downsides raised by doubters. Those who question economic growth have often been heard in North Carolina's fast-growing metropolitan regions. So, who's correct, the growth-supporters or the growth-doubters? Or, is there a middle ground?

Growth-supporters argue boosting the size of the economy is necessary in a country increasing in population and desiring higher standards of living for its residents. With more people, more jobs are needed, additional products and services must be provided and consequently more spending will occur. Plus, to improve their lifestyles, workers will pursue occupations with higher salaries, which in turn generates even more spending. Growth-supporters reply to some of the complaints of the growth-doubters by pointing to one simple fact. Countries with higher standards of living tend to spend more creating pollution-abating technology, developing improvements in health care, contributing to charities and providing larger "social safety nets" for struggling individuals.

This makes sense. As economic growth pushes standards of living higher, societies can move away from focusing mainly on staying alive to worrying about broader issues like pollution and the environment. Plus, richer societies will have more available income and wealth to devote to these problems.

While growth-doubters may acknowledge these benefits from faster economic growth, they say it isn't enough. In rich countries, roads are still congested, pollutants continue to be released into the air and waters, landfills are clogged with thrown-away products and open fields are being replaced with subdivisions. Growth-doubters worry the future is still threatened by economic growth.

Economists are trained to recognize these issues. Indeed, economists have a term for these by-products of growth – "negative externalities". A negative externality occurs when I do something that benefits me – like purchasing a new washing machine – yet doing so creates harm for society – such as adding my discarded washing machine to a landfill.

Fortunately, economists have created an approach for addressing negative externalities, and using it can create a middle ground between the growth-supporters and the growth-doubters. The idea from economists is simple – have the generator of the negative externality recognize it by paying a fee for the harm it creates. Imposing such a fee can have two beneficial results. For those who still engage in the activity or purchase the product that causes the negative externality, the fees will create funds to help mitigate the adverse results. However, others may react by deciding the additional fee makes the activity or product too costly, thereby encouraging them to use alternatives that do not produce negative externalities.

Examples of these "negative externality" fees are fees on fuels that generate carbon dioxide, fees to drive in congested areas, disposal fees added to the purchase price of limited-life products like electronics and appliances and development fees to purchase and preserve open space. While these fees make the cost of living higher today, they can make the harmful by-products of a prosperous and growing economy lower both today and tomorrow.

Hence, there can be three alternative approaches to economic growth: promote it, curtail it or promote it but have policies in place to deal with growth's potential negative consequences. You decide which is the best!

Walden is a William Neal Reynolds Distinguished Professor Emeritus at North Carolina State University.



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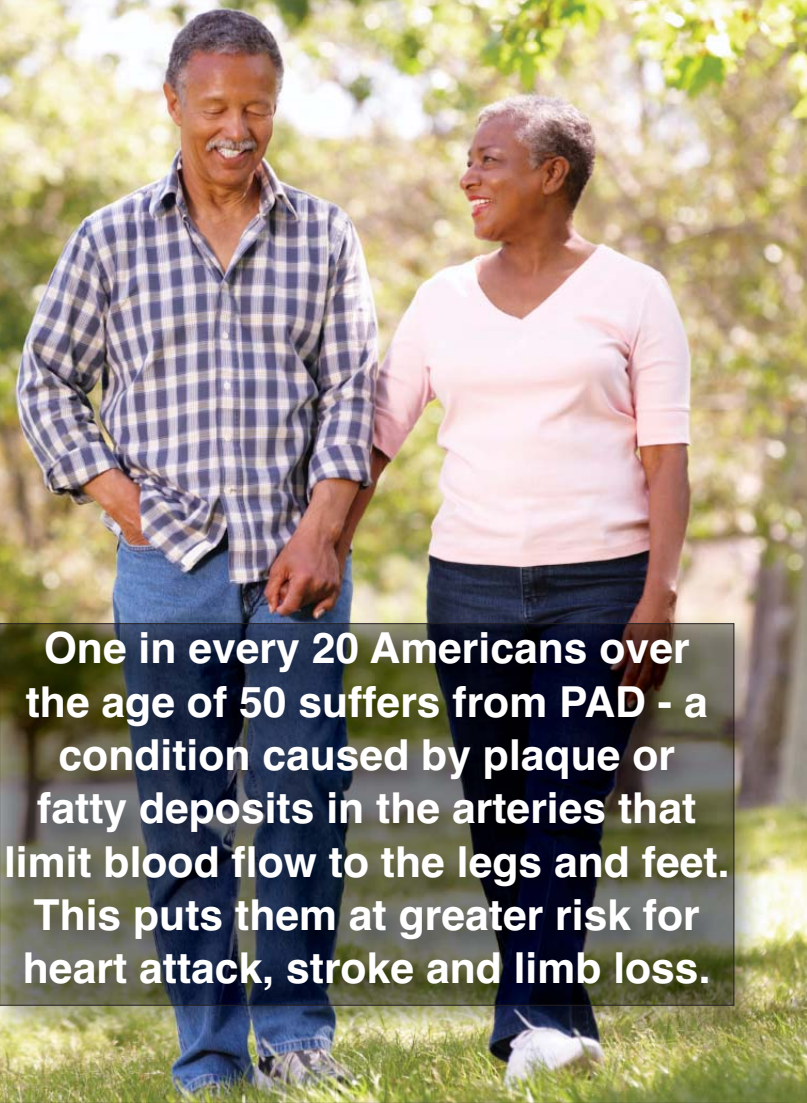
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