

# Port Authority Retirees Association

P. O. Box 919, Island Heights, NJ 08732-0919

NEWSLETTER NO. 2      NOVEMBER 1987

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See Page 4, No. 6*

## Your Pension—A Status Report

As you know, PARA's pension improvement program is twofold: short term—initiate and support steps to obtain increased supplementary allowances (generally referred to as ad-hoc supplements); and long term—achieve a permanent, automatic cost-of-living adjustment program such as is offered by other states and the federal government.

There appears to be a glimmer of good news on both counts. On the short term objective, reports from Albany indicate legislation providing modest increases for retirees now has support from the Senate, Assembly, and the Governor. There is even a possibility a bill similar to that vetoed last August by Governor Cuomo (Bill S6355) will be approved retroactive to September 1, 1987. If so, all retirees currently receiving supplements will see them increased and for the first time retirees from 1980, 1981, and 1982 will receive pension supplements.

While there is no certainty new supplementary retirement allowance legislation will provide the same increases as the vetoed bill, there is reason to be cautiously optimistic on this point. With that in mind we have listed below a comparison of the present supplement with that proposed in S6355. These supplements, expressed as percentages, are limited to the first \$10,500 of annual retirement benefit and are payable to all disability pensioners and to others 62 and over. The comparison spans the years 1950 to 1982 only. Data for prior years are deleted since most Port Authority retirees are served by the information provided. Remember the comparison is a preview. No legislation has been passed as we go to press.

Retirement Year	Present Supplement	S6355 Supplement
1982		1.5
1981		2.4
1980		4.1
1979	6.0	6.6
1978	6.0	9.1
1977	6.0	11.3
1976	6.0	13.4
1975	7.0	15.5
1974	8.0	18.9
1973	9.0	23.4

Retirement Year	Present Supplement	S6355 Supplement
1972	10.0	26.7
1971	11.0	29.0
1970	27.0	31.8
1969	31.0	39.8
1968	39.3	51.6
1967	47.8	66.2
1966	54.9	80.7
1965	61.1	96.4
1964	67.1	111.4
1963	71.6	126.3
1962	77.1	144.2
1961	81.5	165.2
1960	86.8	189.2
1959	91.8	218.1
1958	122.6	248.4
1957	129.6	289.6
1956	139.6	303.2
1955	143.6	309.3
1954	142.8	308.0
1953	144.0	309.7
1952	146.0	312.8
1951	153.2	321.9
1950	175.6	355.7

Lest there be any mistake, PARA joined with other retiree organizations to support Bill S6355 and now extends that same support to legislation that would provide the same benefits, hopefully retroactive to September 1, 1987. In our view this is not the best pension supplement bill nor does it provide increases equivalent to those initially sought. It may, however, just be the best bill that can be had at this time.

Respecting the long term objective—permanent, automatic COLA's—an important official step has been taken by New York State Comptroller Regan in awarding a contract to an actuarial consultant firm to, among other things, "Review the history of pension supplementation for retirees of the Retirement Systems, and make recommendations for improving the program, and of more effectively meeting the needs of pensioners. This work must include, but is

# PORT AUTHORITY RETIREES ASSOCIATION

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Enclosed is \$2.00 Annual Membership Dues—June 1987 through May 1988

Enclosed is \$\_\_\_\_\_. I would like to contribute as a sponsor.

Please submit checks only payable to: **Port Authority Retirees Association**. Return form and check to the above address. Retain check for your receipt.

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not to be limited to, the 1) A study and report of pension supplementation by at least 20 other large state public employee retirement systems. 2) A review and report of the various methods of financing the cost of pension supplementation, and a recommendation for future supplementation funding by the Retirement Systems. 3) The report of the consultant will also include an evaluation of the relative merits of ad-hoc improvements of the supplemental retirement allowance, and also a permanent program for cost-of-living adjustments. Completion Date: March 1, 1988"

As another step toward our long term objective, we're trying to promote a better understanding of the significant dollar loss experienced by PA retirees, as members of the New York State Employees Retirement System, when compared with retirees who receive automatic cost-of-living adjustments. The special feature "How Much Is Your Pension Worth?" on page 2 in intended to make the reader more aware and better informed on this harsh reality. Bear in mind all PA retirees feel the corrosive effect of inflation eroded pensions but the individual with a nominal pension, like a former Police Officer with \$375 monthly, really hurts.

On a slightly different slant but very timely are two press releases from Comptroller Regan. One appears in full on page 4 while a part of the other follows:

*"The events in the capital markets over the last several days have indeed been remarkable. On September 30, 1987, the invested assets of the State and Local Retirement Systems amounted to \$38.5 billion of which \$20.6 billion represented common stock. At the close of business on October 19, 1987, invested assets amounted to approximately \$32.4 billion of which \$14.5 billion represented stocks.*

*Events of this magnitude raise many questions and, as trustee, I would like to discuss three topics, related to these events, which affect our Retirement Systems: pensioner benefits, employer costs, and the role of common stock in an investment portfolio.*

*Are pension benefits secure?*

*The answer is yes. The monies required to pay pensioner benefits are accumulated over the active working lifetimes of members. Funds needed to pay pensioner benefits are*

*on hand throughout retirement in fixed income investment, primarily government bonds. Our total benefit payments for the 1987 fiscal year amounted to \$1.3 billion. Interest income on bonds alone, for the same period, amounted to \$1.7 billion.*

*Pensioners are insulated from the market volatility which has characterized the past few days. The base supporting benefits is sound, our earnings record is long and solid and I can reaffirm my position urging enactment of supplemental benefits for pensioners. . ."*

## How Much Is Your Pension Worth?

There are many ways to answer that question but to the retiree the response is simple. How much does it buy? Or, said another way, what is the purchasing power of the pension dollar?

Because inflation is a fact of life many pension plans take it into consideration when determining the annual pension paid to the retiree throughout his or her retirement. Pension systems using this approach generally use the Consumer Price Index to measure the change in the price of essential goods and services and automatically adjust pensions accordingly. This approach helps insure pension income maintains a reasonable relationship to living expenses.

Now that's not news to us. The federal government takes this approach when adjusting pensions for its retirees and so do many states, among them New Jersey. However, while this practice is well known and widely accepted it sometimes helps to see the actual dollar difference between pensioners enjoying automatic cost-of-living adjustments and others—like members of the New York State Employees Retirement System—who do not. With that in mind a comparison was prepared with two real Port Authority retirees, one woman and one man—both of whom consented to the use of their pension data—and hypothetical retirees from the State of New Jersey. To insure valid comparisons two New Jersey State retirees were assigned the same initial pensions as the PA retirees. Additionally, assuming wages may have been lower, we included two New Jersey State retirees with initial pensions ten percent lower than the PA retirees.

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# How Much is Your Pension Worth?

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Case No. 1	PA Retiree 42 Yrs. Serv.	NJ Retiree Same Initial Pension	NJ Retiree With 10% Lower Initial Pension
Pension June 1970 Retirement	\$16,322	\$16,322	\$14,690
Pension December 1987	19,157	33,669	30,302
Percentage Increase	17%	106%	106%
Additional Pension Income 1970—1987 NJ Retiree Over PA Retiree		\$118,945	\$77,331
Case No. 2	PA Retiree 39 Yrs. Serv.	NJ Retiree Same Initial Pension	NJ Retiree with 10% Lower Initial Pension
Pension June 1973 Retirement	\$6,884	\$ 6,884	\$ 6,195
Pension December 1987	7,504	12,755	11,480
Percentage Increase	9%	85%	85%
Additional Pension Income 1973—1987 NJ Retiree Over PA Retiree		\$37,917	\$23,869

Some explanatory comments are appropriate. Respecting participants in the Public Employees Retirement System of New Jersey: 1) Employees contribute a percentage of salary based on age. However, the contribution rate is decreased by 2% while Social Security payments are deducted from earnings; 2) An automatic cost-of-living adjustment equal to 60% of the CPI is granted annually to all retirees beginning two years after retirement; and 3) Pension is in addition to Social Security benefits.

Respecting PA retirees as members of NYSERS: 1) In April 1967 the Port Authority Board approved participation in a non-contributory retirement plan. However, since both PA retirees in the foregoing comparison were long term career employees they contributed a percentage of their salary, for many years prior to 1967: one with 42 years service contributed for 39 years while the other with 39 years service contributed for 33 years; 2) No automatic cost-of-living adjustment. Each PA retiree has received only two very skimpy pension supplements since retirement. As an example, the 1970 PA retiree waited eleven years for the first supplement which added about 4% to pension income. In those same eleven years his New Jersey counterpart had already received automatic cost-of-living increases in excess of 60%; and 3) Pension is in addition to Social Security benefits. However, Participation in Social Security was offered to NJ State employees three years earlier than PA employees resulting in higher Social Security pensions than received by these PA retirees.

While other factors influence selection of an adequate pension plan, it is abundantly clear provision for automatic cost-of-living adjustment is not only highly desirable, it may be the single most important feature. How else would you rate it if you now receive a pension significantly lower than your counterpart from the State of New Jersey who retired at the same time and started with the same or even a lower initial pension? Too, don't overlook the enormous additional income accumulated throughout retirement and its growing bigger every year.

Nothing in the foregoing suggests criticism of the Public Employees Retirement System of New Jersey for its policy on cost-of-living adjustments. On the contrary, PARA applauds this enlightened approach and that of the federal government and more than two dozen other states all of whom provide COLAs for retirees. Nor are they alone in

recognizing this need. To quote from a 1974 New York State Comptrollers report "As the consumer price index continues to rise, a fixed retirement income, even one related to final earnings becomes inadequate."

## Straight From the Shoulder

*This column will appear in the Newsletter as necessary and contains candid reports on your association.*

1. PARA is only six months old and, while much has been accomplished, we've just scratched the surface. The job ahead is tough, demanding time, energy and, the most essential ingredient, your understanding and support. And your response to the first Newsletter was not just loud and clear, it was overwhelming! Charter memberships flowed in along with many generous contributions and bundles of personal letters. Our sincere thanks to all. Wish we could write a personal note of thanks to each one of you but time doesn't allow. We know you'll understand.
2. Anthony DeBiase of Newburgh, New York has agreed to serve PARA as New York Legislative Liaison. Tony is a Port Service Club member and long time activist in seeking pension improvements. He has already been most helpful alerting us to legislative matters in Albany and providing sound counsel. We extend a warm welcome to him.
3. We need phone volunteers residing in New York. A phone volunteer will be part of a network used to contact a small number of other PARA members when quick action on pension legislation is essential. When required—expected to be about twice a year—each volunteer will be asked to call a given number of members residing in the same general vicinity, pass on an emergency message, and request the word be passed on to others, and on, and on. This will provide an effective mechanism for numerous, timely reminders to elected officials in Albany from their constituents and, when added to similar efforts from other retiree organizations, will increase chances of favorable legislative action. Want to help? Great! Just send us a short note expressing your interest in becoming a phone volunteer and print your name, address, zip code, and phone number including area code. When the phone network is consolidated, volunteers will be notified.
4. Effective June 1988 annual dues will be \$5.00 and will cover the fiscal year, June 1988 through May 1989. This change was a difficult one for the PARA board to make but

## Straight From the Shoulder

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expenses left no choice. Charter membership dues were intentionally set at \$2.00, the lowest annual dues for any retiree organization to our knowledge, and that nominal amount does not cover printing and mailing costs. Association expenses have been met through the generosity of many who contributed additional amounts gratuitously. However, since this is the first time all retirees will receive the Newsletter (the May mailing covered Florida, New Jersey and New York only and many of those were returned because of incorrect addresses) membership dues submitted at this time for fiscal year June 1987 to May 1988 will continue to be \$2.00.

5. Membership applications are printed in the Newsletter. This avoids extra mailing, saves staff time, and reduces your Association expenses. As a further step in this direction, membership cards are not yet used. Just keep your cancelled checks for your records and we'll maintain a current membership roster. Too, until we free up time from more important priorities, replies to personal correspondence need be held to a minimum. If you have questions on Port Authority retiree benefits, just call the toll free Retiree Hot Line 1-800-932-9327 Wednesdays, 10:00 a.m. to 3:00 p.m. Callers should have employee number and date of retirement on hand.

6. Your correct address is important. Current information on retirement benefits along with other mail will not reach you if an incorrect address is used. Hundreds of copies of the first Newsletter were returned for various address errors ("No Forwarding Address" was common) and if that's a valid indicator it might be wise to verify your own. Changes should be reported to: The Port Authority of NY and NJ, Communications & Employee Activities Division, Personnel Department, One World Trade Center, 61 South, New York, NY 10277-0133. Change of address cards are in the rear of the Directory of Retired Staff.

7. A bulk mail permit was used with this issue. This reduces mailing expense significantly but extends delivery time and provides no indication to us if Newsletter is not delivered. What's your reaction? Please try to provide specific comments such as: Was Newsletter received? Date delivered? Is Newsletter in acceptable condition? etc. Concerning receipt of Newsletter you may wish to call another PA retiree (Use Directory of Retired Staff). A brief inquiry offers the opportunity for closer rapport with another retiree and to encourage membership in PARA. "Each one reach one" can produce results!

8. On September 28 I attended a meeting of the Alliance of Retiree Organizations in Albany, the first meeting as a member. The Alliance functions as a unifying force for approximately twenty independent organizations representing tens of thousands of retirees. A heated discussion on the veto of the proposed pension supplement took place and several courses of action were considered. Two resolutions of importance to PARA were carried: first, that a letter be sent to Governor Cuomo requesting he convene a special session to obtain prompt passage and approval of a bill equal to S6355 with benefits retroactive to September 1, 1987; and secondly, to request of Comptroller Regan an opportunity for retiree organizations to present their views on pension

supplementation to his recently selected actuarial consultant. Counsel to Governor Cuomo responded indicating the Governor was "highly supportive of making further improvements in the pension supplementation program." Comptroller Regan's favorable response advised that all members of the Alliance would be invited to meet with the consultant.

Harold A. Milley, Acting President

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### Below in its entirety is a News Release of October 25, 1987 from New York State Comptroller E. V. Regan.

As sole trustee of the State and Local Retirement Systems and as a trustee of the State Teachers Retirement System, I continue to strongly support enactment of legislation to provide pension supplementation for retired public employees in this State.

My chief concern as a trustee is that agreement be reached now by the Governor and legislative leaders on a bill to be approved, either at a special session or at the very beginning of the regular session, so as to prevent any further delay of supplementation for our retirees whose modest pensions have been seriously eroded by inflation.

In the last session, legislation providing additional pension benefits was overwhelmingly approved. But it was vetoed in response to strong opposition from New York City, based on a variety of technical and funding concerns related to some unique characteristics of the City pension plans. I am most anxious to avoid a recurrence, and, at the same time, I continue to strongly support the need for pension supplementation for New York City retirees as well.

I believe the best way to achieve supplementation is to address the issues separately so as to accommodate distinctions that exist among the various retirement systems and differentiate between the ability of these systems to provide funding for supplementation.

Supplementation has been unnecessarily delayed, even though the Governor and Legislature had fully intended to provide modest increases in pensions during the last session. Therefore, I would urge that any legislation eventually agreed on contain a retroactive feature to meet that original commitment.

Finally, the systems I represent have a long history of excellent investment performance—which has seen bills go down for the state and local governments outside New York City. As a result, the state and local governments remain in a position to fund supplementation, despite recent events in the stock markets.

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## DON'T FORGET!

# "EACH ONE REACH ONE"