

# Port Authority Retirees Association, Inc.

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

NEWSLETTER NO. 6

NOVEMBER 1989

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## Please Verify Address!

See Page 4, No. 4

### *If you overlooked it...*

**Membership Renewal:** Annual membership fee for June 1989-May 1990 is overdue. Just use the form at the top of page 2. PARA's efforts this coming year are especially important with a permanent, automatic COLA topping the list.

## Support for State Comptroller's COLA Bill

The Alliance of Public Retirees' Organizations representing over 400,000 New York retirees has endorsed and will support Comptroller Regan's plan for a permanent COLA.

You will recall Comptroller Regan introduced a bill in the New York State legislative hopper this past spring to provide permanent, automatic, indexed cost-of-living adjustments for retirees of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. (See PARA Newsletter No. 5 - May 1989 for details.) Prior to this action numerous meetings were held with the Comptroller, his staff and Alliance members to secure their input and support. Reaction to the concept was positive but retiree organization representatives were not satisfied with modest COLA benefits—even a permanent, automatic plan—particularly since employer groups had just received another contribution rate “give-back” of \$650,000,000. And who could blame them? Over the past fifteen years contribution rates for public employers participating in these two pension systems have been reduced on average from 23% to about 5%. Needless to say the climate for support of nominal retiree benefit improvements was lukewarm at best.

In the intervening months the Alliance developed: (a) several permanent COLA proposals; (b) a companion proposal to upgrade current supplementary pension benefits for long term retirees before a permanent COLA base was established; and (c) a “floor” plan to establish a minimum pension for career retirees. The goals were worthy but costs and reality kept getting in the way.

Finally, at the Alliance meeting of November 27th in Albany when it appeared differing views could not be resolved, Jim Carlock prepared and submitted the following:

### SUGGESTED OUTLINE FOR PERMANENT PENSION SUPPLEMENTATION

A permanent, indexed COLA and equitable supplementation are major objectives of members of

the Alliance. While supplementation has been achieved, it has been skimpy at best, granted by temporary legislation, lacks equality, and secured by orchestrated pleas from retirees who seek what is rightfully theirs—**deferred compensation**. However, absolutely no progress has been made toward adoption of a permanent, systematic COLA in a pension system that has existed for almost seventy years. Therefore the following program is recommended:

#### Phase I.

The Alliance should immediately support an omnibus, permanent COLA bill equal to a modestly expanded Comptroller's bill. The bill should be cost sensitive and supported by an intensive, concerted effort of retiree organizations.

#### Phase II.

After completion of Phase I, the Alliance should support selective, permanent supplementation and a minimum pension “floor” based upon career public service.

#### Phase III.

Improve and expand the permanent COLA bill to give appropriate recognition to purchasing power of initial pension and impact of inflation.

Jim's concise identification of the problem and recommended course of action proved to be the catalyst that prompted Alliance adoption of the Comptroller's bill. Refinements will be worked out at a December 18th meeting in Albany and PARA will mail a special Newsletter with pertinent details. In the interim may we suggest New York residents get names and addresses of their Senate and Assembly representatives. Retirees residing outside New York can be very helpful with the aid of family and friends in New York. If we read between the lines of the article titled *Whose Pension Fund Is It?* in this Newsletter chances for the future should prompt our concerted action in the coming legislative session.

# Port Authority Retirees Association, Inc.

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

Please print or type:

CHECK (✓)

Active

Retire

Last Name

First

Address

Town

State

Zip

## CHECK (✓):

- Enclosed is \$5.00 Annual Membership Dues (June 1989 through May 1990)  
 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 cancelled check for your receipt.

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## Catastrophic Surtax Dead! Hooray For You

To paraphrase **The New York Times** - We've never had anything like it before... millions of united, well informed, politically active elders forced the lawmakers' retreat from the discriminatory, catastrophic insurance surtax and the duplicative features of the law. It is unprecedented to have a law that was just passed largely repealed. The outcry still has some observers reeling.

The message obviously got through thanks to you and others similarly motivated who made themselves heard. Now maybe we can get them to give attention to a national health policy including long term care. And, just as with defense, education, essential governmental services, etc. costs should be shared by all taxpayers based upon ability to pay.

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## Whose Pension Fund Is It?

The Millstein pension task force, an offshoot of Gov. Cuomo's economic development agency, drooling over the \$40 billion state pension fund, made public its report—**Our Money's Worth**—seeking to snatch away investment control from State Comptroller Regan.

It also wanted a new investment strategy, and called for creation of two new agencies to help the fund. The report got front-page treatment in daily news media, but bombed on Wall Street, where analysts in pension management periodicals blasted its call to supplement normal, "prudent" investments with investments in speculative issues.

**The report was dead as an Egyptian mummy in the 1989 session, but will likely resurface at the 1990 session as part of the Governor's program.**

The report, seen by some retiree groups as a means of building roads and bridges without having a public referendum, urges that the pension fund serve social needs, should not look to short-term gains but rather to long-term strategy, help the development of the state, and set up a seven-member board to invest the monies. Such a board would consist of three union members, one employer member, the Comptroller, and two appointees of the Governor.

No representation for retirees is called for.

The report further urges the creation of a center for pension investment, to provide information and technical assistance for the fund, and a pension investment unit. The

latter would be a non-profit, independent agency which would draw upon a "small percentage" of retirees' money from the fund to identify projects that provide long-term benefits.

Retiree groups held their noses and they are not alone. The following is Comptroller Regan's view as contained in a special edition of **Retiree Notes**. Even though you might have glanced at it when you received your pension check it's well worth a second reading.

### Pension Assets Threatened by Task Force Recommendations

A Governor's Pension Task Force Report recently recommended that our State and Local pension fund move away from investing for the exclusive benefit of beneficiaries. It also recommended a lower investment standard.

On June 21, the Governor and task force chairman said the Report contained "sweeping reforms" and predicted "the end of the original pristine justification for pension funds" and that your pension fund assets could now be used for "infrastructure", "roads", "bridges", "building prisons" and a "development-bank".

As your trustee, I spoke out in strong opposition to these proposals. I was not alone. New York City's largest independent labor weekly said it "raises a red flag". The national authority on pension fund reporting said it was "dangerous to the health of... public pension funds and



their beneficiaries" and the largest daily in upstate New York cautioned that it should not "risk undermining the safety and security of workers' retirement income."

The task force, in the same vein, also recommended creation of state agencies to promote investments which, in some cases, we would be "obligated" to purchase. It called for replacing the sole trustee with an ill-conceived board of trustees without any financial background and appointed in a way that would shield them from being accountable to the public. Presumably this board's role would be to implement these watered down investment standards. Some members of the task force would undoubtedly be put on the board and the Governor clearly stated on June 21 that they could be "put at a table" to "make a deal!"

The report discussed how pension funds can aid the economy, and related issues. But left out of the discussion was the reason for the existence of pension funds—providing fully-funded pensions for modestly-paid government workers, at low costs to the taxpayers. Nor was there any acknowledgment that we have achieved that goal, producing savings that should be shared with retirees through permanent supplementation. This should be the number one priority.

We have also accomplished the very objective of aiding the economy that is sought by the task force. For example, our investments provide billions in "patient capital" for America's corporations: we have \$3 billion in office buildings, business loans, industrial parks, housing and venture capital,—all in New York State. We have stimulated the economy in every area of the state—and this is the point—without altering standards, but with strict adherence to the highest fiduciary standards.

What then is the problem the task force seeks to uncover and cure? We are already doing many things the task force recommends. One is led to the inescapable conclusion that there is no understandable basis for the report other than the fact that this represents yet one more attempt by public officials to use pension fund assets for purposes not originally intended....

Cordially,  
Edward V. Regan  
State Comptroller.

And there is further evidence of concern as evidenced by the action of the Alliance of Public Retirees' Organizations. A rebuttal report, *Our Money's Safety*, prepared by the Retired Public Employees Association was adopted as the **official Alliance position** on this very serious

issue. Rebuttal excerpts follow:

The basic objection of retirees to the Millstein Task force Report is the threat it poses in safeguarding the assets of the eight public retirement systems, the three State systems and five New York City systems. Fundamentally, retirees perceive the Task Force report as recommending raids on the systems to foster the wrong objectives.

The paramount aim of the Task Force Report was to avoid a need to secure voter approval by referendum on bond issues as required by the State Constitution. The idea of tapping public retirement systems to finance capital needs is an old and tempting use of pension funds....

It is not possible for the state (or anyone) to deal evenhandedly when it acts as both borrower and lender. Government guaranteed "economic development programs" have had a woefully low success rate. They only create self sustaining and burgeoning bureaucracies. It is not appropriate to give the State such a free hand as is proposed in the Task Force Report.

The growth in the assets of the Retirement Funds has permitted hefty reductions in state and local government retirement fund payroll contribution rates. Public employers have realized billions of dollars in savings while retirees were grudgingly granted a pittance in supplementation. If the State did not treat retirees fairly by sharing part of the huge savings with them to offset the crushing burden of inflation, what can retirees expect if future earnings are diminished due to Task Force proposals leading to new and lower value investment strategies?

The Task Force on Pension Fund Investments failed to make a convincing case to justify the takeover of the public pension systems. It is obvious that the fundamental purpose of the new strategy is to employ the large financial resources of the retirement systems for purposes that were not intended by the State Constitution.

The 225,000 retirees and beneficiaries are understandably most concerned about the need to safeguard the assets of the Retirement Fund that represent benefits payable to current retirees. The Task Force report fails to recognize this as the primary responsibility of the State's fiduciary. While the retirees have no doubt about the applicability of present state laws on the duty of the fiduciary to invest wisely and prudently, it is possible that new legislation might be advisable to insure that present safeguards are not evaded under the guise of advancing the economy. In fact, one might argue convincingly that the Federal ERISA legislation should be amended to apply to public pension systems.

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## Hint for a Deal?

Gov. Cuomo, at his press conference on the Millstein Report, is reported to have said of public retirees:

"You can't make a deal with them. You can't sit down and say this is interesting. You're interested in pension supplementation. We're interested in using the pension fund."

Observers familiar with the Governor's negotiating ploys think this was deliberate bait, to get Alliance members to sit down and negotiate with him. Alliance members recently met to discuss tactics should the Governor offer COLA in exchange for board of trustees.

## 1989 Pension Scorecard

A08113-S4537: Extends for two years temporary benefits provided by state retirement system, including the right of members to negotiate for improved benefits without requiring approval of the legislature. Signed July 1, 1989. (Protects supplementation currently received.)

A8408-S5495: Provides for systematic and permanent supplementation to retirees of New York State and Local Retirement Systems. (Comptroller Regan's permanent COLA bill—no action!)

## Sources of Help

Port Authority Benefits  
(212) 466-8078 call collect

Retirement System  
(518) 474-7736

## Noteworthy

Traditional Major Medical Benefits have been increased from \$100,000 to \$1,000,000 for 25 year service retirees covered by the New Jersey State Retirement System. Cost to retiree—ZERO.

## STRAIGHT FROM THE SHOULDER

### CANDID REPORTS ON YOUR ASSOCIATION

1. With regret, the PARA Board accepted the resignation of Francis H. Werneke. While "Dutch," a charter board member, will be missed, he takes with him our gratitude and sincere best wishes.

2. Your Association is now incorporated and we have a New York City address too! Thanks to the volunteer efforts of Alan J. Littau, Esquire, a former Port Authority attorney, the incorporation process is now complete and our impact in Albany is understandably enhanced. Another important volunteer is Harriet Weber of Toms River, NJ who provides all our typing services. Harriet and Alan join a list of talented P.A. retirees who freely reached out to help your Association and we extend our sincere gratitude.

3. The first meeting of PARA, Inc. took place on October 5, 1989 during which officers and board members were elected (see Newsletter masthead). Assets of the former organization were accepted and Toms River, NJ was selected as the principal business address. While PARA, Inc. now has a New York and a New Jersey address, normal business will be conducted from New Jersey. Correspondence and other important matters will be handled on formal stationery having the most advantageous address. Membership mail should continue to be sent to PARA, Inc., P.O. Box 919, Island Heights, NJ 08732-0919.

4. Thanks to Harry Greene the PARA computer is now programmed to handle all records, membership lists, mailing labels, etc., and all names and address changes reported to PARA have been made. Keep us posted if you move. We're delighted with the "PC" and the advantages it offers. However, we continue to urge all retirees to insure correct names and addresses are also reported to the Port Authority of New York and New Jersey, Compensation and Benefits Division, Human Resources Department, 1 World Trade Center, 61 East, New York, NY 10048.

5. The Alliance of Public Retirees' Organizations met in Albany on six occasions and PARA representatives were in attendance.

6. The November 1989 Newsletter will be mailed to all Port Authority retirees. Thereafter, Newsletters will be mailed **only** to members whose dues are current. This will reduce costs, allow for more frequent mailings to paid up members, and appears a more equitable arrangement. PARA computer records reflect current membership—anyone who paid annual dues for June 1989 through May 1990—and your cancelled checks should serve as your receipt.

Harold A. Milley  
President