

Port Authority Retirees Association, Inc.

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

NEWSLETTER No. 9

NOVEMBER 1991

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ALBANY NEWS

"Extender" Bill Passes

Legislation to continue the present supplemental pension benefits (Supps) for two more years was approved. After favorable action by the Senate and Assembly, Governor Cuomo signed into law legislation to continue these benefits to August 1st 1993.

While retirees from the mid 1970s through 1982 receive very modest Supps and those from 1983 and after receive none, approval of the "extender" legislation is good news for long-term retirees. They receive somewhat larger percentage increases to supplement their meager pensions and sorely need it.

Supps have historically been provided by temporary legislation and action to preserve these benefits was essential if they were to continue.

That's why PARA plugged the then proposed legislation in the May 1991 Newsletter. And while these efforts were fruitful a major share of the credit for passage of the legislation belongs to the Retired Public Employees Association. Last spring RPEA learned legislation to extend pension supplements to August 1st 1993 was in danger of being dropped due to budget problems. Many legislators were unaware the supplements might stop or that continuing them would have no effect on New York State's troubled budget.

A special newsletter sent to legislators and government officials explained the need for the supplement and used actual case histories taken from a membership survey to support continuation of these benefits. Special bulletins asking retirees who would lose their supplements to contact their local legislators resulted in a tremendous grassroots effort that helped to get the legislation passed in the Senate and Assembly and to get the Governor's approval. Our hats off to all of you who contacted New York State officials on the "extender" legislation and to RPEA for their alertness and for a well planned, coordinated, and effective effort.

COLA and Health Benefits

No action was taken on the Comptroller's permanent COLA bill nor on the legislative package that would have provided improved health benefits. Candidly, anything that even hinted at expanded benefits, however modest or well deserved, was brushed aside. Retiree representatives who lobbied aggressively for cost-of-living adjustments or protection/improvement of health benefits were told that because of the financial situation this was not the right time. And how are prospects for next year? Early impressions indicate it will be another year of budget battles and getting anything at all will be very, very tough.

However 1992 is an election year and strange things happen. Occasionally, retirees have been looked upon as a small voting bloc particularly if they are apathetic and fragmented. But that wasn't the case in 1987. That year retirees banded together and got an increase in pension

supplements by flooding Albany legislators and the governor with a message of urgency to get relief from the devastating effect of inflation on fixed pensions. And that's the way in '92.

In the past New York City legislators with about 70% of the vote turned deaf ears because the city is not in the state Common Retirement System. However, the Alliance of Public Retiree Organizations, having representatives from all public retirement systems in the state, will call upon all retirees to join in a united effort. There are over 400,000 public retirees receiving pensions from these systems. Add relatives and friends and it makes a formidable voting bloc. And that's the way in '92.

Only through heavy pressure can we get a long overdue increase in pensions. We must mount a campaign early in the legislative session by contacting each and every legislator. Plan now to add your voice. And that's the way in '92!

♦ They can do all things because they think they can. -Virgil

The Best Laid Plans . . .

In 1990 a new method for determining pension fund contribution rates made by public employers was put in place. Called Projected Unit Credit (PUC) funding, this method was ostensibly selected as an acceptable means of reducing employer contribution rates but the New York State Comptroller did not see it that way. He maintained PUC was adopted solely to produce temporary savings and help solve a state budget crisis. In his view PUC was a questionable funding method used by very few public pension funds; would expose public employers to the risk of higher contribution rates in the event investment earnings were disrupted; and would not buffer contribution rates from the whimsy of stock market fluctuations.

Supporting the Comptroller's concern, William M. Mercer Incorporated, one of the nation's leading pension consulting firms, warned the PUC funding method exacerbates the volatility of contribution rates compared to the aggregate cost funding method formerly used.

It now appears PUC is already causing an upward acceleration in some rates. Just recently the Comptroller reported 264 public employers having police and fire employees will have higher pension costs in 1992. Contribution rates to be paid by these public employers will actually be higher than they would have been under the former funding method.

From the very onset the Comptroller warned PUC was a completely inappropriate funding method particularly for the Police and Fire Retirement System and he will again seek support for legislation to return to the former funding method. The legislation has the strong support of the Alliance. Why? Beyond the arcane considerations of pension funding, employers facing higher contribution rates for active employees are less likely to support higher Supps or a permanent COLA.

Port Authority Retirees Association, Inc.

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

Please print or type:

CHECK (✓):

Active

Retired

Last Name

First

Address

Town

State

Zip

CHECK (✓):

Enclosed is \$5.00 Annual Membership Dues (June 1991 through May 1992)

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

Please submit checks only payable to: Port Authority Retirees Association, Inc.

Return form and check to the above address. Retain cancelled check for your receipt.

THE ALLIANCE-HISTORY AND MATURITY

PARA is one of more than two dozen members of the Albany based Alliance of Public Retiree Organizations. The decision to join and become an active participant in the Alliance was rudimentary. Nothing less than the quality of life for todays and tomorrows retiree is largely determined by public officials and legislative bodies. To influence them, to tell our story, to gain equity through the democratic process requires a strong organization backed by sufficient numbers. We believe the Alliance is such an organization and provides a proper vehicle to achieve our goals.

The Alliance came into being in 1985 and originally consisted of five retiree organizations. It was then known as the Coalition of Organizations of New York State Public Retirees. This was later changed to the current name and the Alliance today is comprised of 29 member organizations. It currently represents over 400,000 public retirees from the various pension systems in New York State.

The purposes of the Alliance are:

- Provide a central exchange of information on matters pertaining to public retiree organizations and on legislation and policies impacting on retired public employees;
- engage in such research as may be helpful to carry out the purposes of the Alliance and its member organizations;
- coordinate the formulation of proposals for legislation and for action to secure their passage; and
- encourage member organizations to bring effectively to the attention of decision makers the plight of public retirees insofar as health insurance, pensions, and other matters are concerned.

Even while still growing, the Alliance is in the midst of changing from a loose-knit voluntary group to a more formal organization. By-laws were drafted and, following active discussion, were adopted on October 28, 1991. Plans are underway to incorporate this body in order to better serve the membership.

Two examples of Alliance activities:

1. The Alliance initiated the Authur Levitt Award named in honor of former State Comptroller Arthur Levitt. This coveted award is presented annually to a public official whose outstanding performance over an extended period benefitted the public retiree. In 1990 the first recipient of the award was Comptroller Edward V. Regan. In 1991 there were two co-recipients: Senator Caesar Trunzo, Chairman of the Committee on Civil Service and Pensions, and Assemblyman Joseph R. Lentol, Chairman of the Committee on Governmental Employees.

2. The Alliance will present testimony before the House Select Committee on Aging in Washington. Alarmed at the growing practice of states raiding public pension funds to balance budgets, the Committee will hold hearings to determine the extent of the problem and to explore ways to curb the practice. Withdrawing pension funds, reducing contributions, and altering accounting assumptions that determine contribution levels are some of the gimmicks that have raised Committee concern. (Any of those sound familiar?)

• Get the facts first. You can distort them later. -Mark Twain...

LONG TERM CARE INSURANCE

In response to interest expressed in long-term care (LTC) insurance we've included the following by MASTCA Publishing Corp. Lockwood/Drake, New York. Also, we recommend an article in the June 1991 "Consumer Reports". Neither Medicare nor Port Authority health benefits cover LTC.

What Should You Look For When Comparing Policies?

Because of the need for long-term care, many insurance companies are offering some protection for convalescence in nursing home health care facilities. However, you must understand the many terms associated with long-term insurance.

1. Type of Care

- **Skilled Care**-a 24-hour-a-day care program.
- **Intermediate Care**-Occasional nursing assistance and rehabilitative care.
- **Custodial Care**-Helping normal needs (bathing, eating, etc.) Medicare does not cover this. It is important the policy you are interested in cover all three of these basic care programs.

2. Elimination Period - In order to reduce the high cost to you, an elimination period is imposed. This elimination period (from 21 to 365 days) places the cost of daily maintenance on the covered individual for the number of days you choose before the insurance begins to pay. Naturally, the longer the elimination period, the lower the insurance premium, so consider a longer elimination period if you have other assets available to get you through this initial period. Also, make certain that your daily reimbursable rate, once the elimination period is over, is at least 2/3 of the total daily cost of your care.

3. Guaranteed Renewability - The policy you choose should have no termination date but should be renewable for life. In other words, the insurer cannot cancel your policy if you incur large bills.

4. Prehospitalization Requirement - Make certain that the policy does not require that you be hospitalized before admitted into a nursing home.

5. Alzheimers and Other Disease Coverage - Certain conditions may not be covered under the policy such as Alzheimers, which in insurance language is known as an "organically based medical condition." Watch out for this clause and make certain that all situations are covered.

6. Inflation Adjustment - This is a provision that will provide for automatic benefit adjustments to cover any inflationary increases in long-term cost care. Remember, that you may not need the policy for years to come and what seems an appropriate daily payment today, may not come close to what future costs may become.

7. Medical History - Be certain you understand about any "pre-existing" medical clauses in the policy.

8. Facility Approval - Find out if the facility you choose must be Medicare approved in order to qualify for benefits. There are insurance policies that designate certain care facilities thus limiting your choice.

9. Other Pertinent Clauses - Be certain that the following clauses appear;

- **Grace period**-in the event you do not pay your premium on time
- **Level premiums** -(the same rate) rather than graded ones based on your age.
- **Waiver of premium**-due to disability.

What About The Abuses That We Hear About A Company's Non-payment?

As with anything that is in demand, abuses are common with these insurance policies. However, Congress is drawing up bills to protect older Americans against certain tactics that may cause insurance companies not to meet their responsibility in paying off claims. Some of the bills presently pending in Congress to correct the numerous abuses associated with long-term care insurance are:

1. Each state must inform consumers about:
 - complaints received on policies,
 - number of lapsed policies,
 - number of claims denied and,
 - policy cancellations.
2. A guarantee (known as non-forfeiture) that allows a certain percentage of benefits to be paid to those people who drop their policies after satisfying a vesting period.
3. Inflation adjustment tied in with social security.
4. Rate increase reviews.
5. A six-month (one time only) waiting period for pre-existing conditions.
6. Standardization of coverage.

Where Can You Get More Information On This Type of Insurance?

Under a little publicized program (funded under the Older American Act), every state has a public official that can help you through the maze of nursing home complexities. The service is free. Call your state office on aging (listed under the state listings in your phone directory) or write to the:

National Center for State Long-Term Care
Ombudsman Resources
2033 K. Street NW, Suite 304
Washington, DC 20006
Telephone: (202) 785-1925

Also available, at no charge, are the following:

1. A packet of information on nursing home facilities from:
National Citizens Coalition for Nursing Home Reform
1424 16th Street NW, Suite L2
Washington, DC 20036
Telephone: (202) 797-0657
2. The following items may be obtained by writing to:
AARP
Fulfillment Department
1909 K Street NW
Washington, DC 20049
 - Before You Buy: A Guide to Long Term Care Insurance (D12893)
 - Care Management: Arranging for Long Term Care (D13803)
 - A Home Away From Home (D12446)
 - Making Wise Decisions for Long Term Care (D12435)
 - Nursing Home Life: A Guide for Residents & Families (13063)
 - Tomorrow's Choice Preparing Now for Future Legal, Financial & Health Care Decisions (D13479)



SOURCES OF HELP

Port Authority Benefits
(212) 435-8078 (call collect)

Retirement System
(518) 474-7736

MEMBERSHIP RENEWAL

If the mailing label on your Newsletter envelope has the message *DUES REMINDER* our records do not show your dues payment for June 1991 - May 1992. If you overlooked it, just complete the membership renewal on page 2 and mail it with your check. If you've already renewed your membership, please ignore the reminder.

BUDGET GIMMICK

To the Editor:

Thanks for calling attention to the budget gimmick known as "projected unit credit" or PUC, which changed the method of calculating employer contributions to the New York state and local government employees' retirement system.

Most New York State taxpayers are unaware that PUC is a quick fix for the troubled budget. It takes advantage of the returns earned by the retirement system's investments to temporarily lower local government employer contributions. The argument was offered at the time that PUC was enacted that the state, during its fiscal bind, could then lower or eliminate state aid to localities. This is really a double whammy for local governments—reduced state aid and postponed retirement fund obligations.

The Retired Public Employees Association opposed PUC and called it a raid on the retirement systems funds. Our retired public workers are upset about PUC. These folks are struggling to deal with continuing rises in the cost of living with no adjustments to help them,

and a very limited supplementation program. Money earned by the retirement system's funds should be used for the benefit of retirees, as it was intended.

Funds of the retirement system are not state funds in the usual sense of that term. They're monies set aside by the state and local governments on behalf of employees. The Common Retirement Fund is a trust, and under law, must be used only for the benefit of retirees. It should not be used as a fiscal bandaid for an ailing budget.

We support legislation (S5035) which would overturn PUC and restore the aggregate cost method of funding the retirement system. This would save the state's taxpayers at least \$7 billion dollars over the next thirty years.

Sidney S. Smerznak, President
Retired Public Employees Association, Albany

—Article in "The Times Union"

STRAIGHT FROM THE SHOULDER Candid Reports on Your Association

✓ John A. Huston Jr. resigned as Treasurer of PARA last month after four and one half years. He is one of a small group of Port Authority retirees who founded the association in the spring of 1987 and contributed substantially to its growth and success. John served as Treasurer and member of the Board of Directors. Volunteering one's time and talent for an extended period to the cause of others is a selfless and commendable act in itself. Doing so in an exemplary manner is unique and deserves high praise. The PARA Board of Directors acknowledges its gratitude to John for his efforts and for his high standard of service.

✓ On October 30, 1991, Bernard J. Duffy joined PARA as Treasurer and member of the Board of Directors. We welcome Barney to the team.

✓ The PARA Board expresses its gratitude to Jack Culla and Ted Johnson for their second audit of this association's financial records. Their report dated July 1, 1991, states "... the final figures present fairly the financial condition of the Port Authority Retirees Association, Inc. as of May 31, 1991."

✓ The Alliance of Public Retiree Organizations met in Albany on five occasions since May 1991 and PARA representatives were in attendance.

✓ Keep us posted on name and/or address changes. Also, correct names and addresses should be reported to the Port Authority of New York and New Jersey, Compensation and Benefits Division, Human Resources Department, 1 WTC 61 East, New York, NY 10048

• We're thinking of you.