

PARA-phernalia

Your **P**ort **A**uthority **R**etirees **A**ssociation Newsletter • Edition Number 38 • Fall 2007

A Message From Your President

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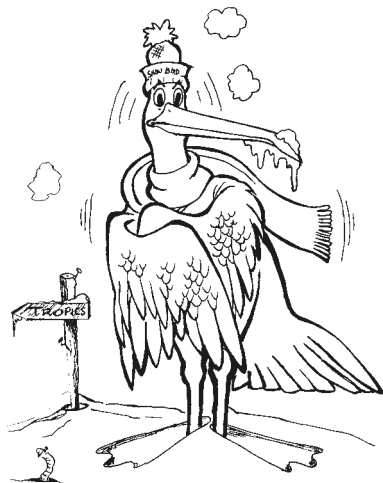
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Life may not be the party we hoped for, but while we are here we might as well dance.

"Don't forget Where You Put Your PARA-phernalia."



As you may know, there have been an increasing number of press reports raising important questions regarding the management of the New York State Comptroller's Office, how investments are made, and how the soundness of New York State Common Retirement Fund (CRF), which pays our pensions, should be determined. So, in addition to this Message, we are including another article on these and related issues elsewhere in this Newsletter, titled "NYS COMPTROLLER'S OFFICE ISSUES—YOUR ASSISTANCE AND INPUT SOUGHT," which First Vice President Mike Krieger and I co-authored.

This Message and the other article respond as well to questions raised about the CRF by a number of you, having read news reports concerning the financial hole some governmental pension systems find themselves in, including New Jersey, and, perhaps to a lesser extent, the New York City fund(s). On August 14, 2007, the Comptroller Thomas P. DiNapoli stated "The Fund is safe, strong and secure..." and reiterated his judgment in a more recent October 2, 2007, Press Release, also representing that the CRF has "a funded ratio of 104%." Further, the Press Release reports that "The Wilshire's Trust Universe Comparison Service (TUCS), the most widely accepted benchmark for the performance of institutional assets, ranks the CRF in the top 10th percentile of public funds and notes that the Fund has one of the lowest risk profiles among public pension funds."

It is also important to recall that the New York State Constitution would bar any reduction in our present pensions. But, we must recognize that we operate in a political environment with countervailing pressures. For example, the Comptroller justified a somewhat reduced level of contributions from participating employers this year based on the "Fund's 12.58 percent return for the fiscal year that ended March 31" since it exceeded the "Fund's benchmark of 8 percent." If the CRF were for some reason to be compromised, there would be no hope of improving the present limited COLA.

Among other links of interest to PARA members, we have a link on our Port Authority Retirees Association website (www.paranynj.org) to the NYS Comptroller's Office to access information available, including the most recent Comprehensive Annual Financial Report.

Your First Vice President Mike Krieger and I have been in touch with the staff of the Comptroller's office, particularly over the last several months given the many recent news revelations of management and transparency issues relating to the NYS Comptroller's Office. On a positive note, we have found them to be very forthcoming and cooperative in answering questions about our concerns. Mike and I had an extensive conference call in early September with the Comptroller's representatives and generally were comforted by their responses. In addition, these representatives participated in a second conference call concerning CRF performance and related matters with the PARA Board on October 11, 2007. They referred us to appropriate sections of the most recent Annual Report by the Comptroller referenced above to buttress the Comptroller's representations of our pensions being "... safe and secure ..." and, as well, to the NYS Comptroller's press releases regarding reforms being implemented.

Continued on page 2: From Your President

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PARA 2007 Annual Meeting

The Annual Meeting of the Port Authority Retiree Association was held on Thursday, June 28, 2007 in Times Square Hall at the Port Authority Bus Terminal. The principal activity at the meeting was the announcement of the results of the balloting for those board members who were elected to one year terms last year and chose to run for re-election to new three year terms. Six current board members accepted re-nomination and two new nominees were chosen by the nominating committee to replace two departing board members; Alan Gonseth who relocated to the West Coast and Richard (Dick) Williams who resigned due to other obligations. The number of votes for continuing Board members was as follows:

Bob Jago	618
Tom Kearney	604
Neil Lynch	622
Al Pettenati	618
Stan Raith	632
Dick Rowe	624

Results for the two new nominees were as follows:

George Jensen	622
Ralph Verrill	601

At the Meeting President Dick Helman announced that PARA is able to manage a modest budget sufficient to meet expenses and contingencies. He further stated that the Board elected to maintain the \$5.00 annual dues for the current year.

From Your President - continued from page 1

In addition, they advised us that measures are being implemented by the new Comptroller Thomas P. DiNapoli to preclude the alleged self-dealing involving former Comptroller Hevesi and cited the Comptroller's full cooperation with investigations underway by the State Attorney General's Office, Federal Securities and Exchange Commission, and the Albany District Attorney's Office. Reasonable people could differ with some judgments of the Comptroller's Office, but none we are aware of appeared arbitrary or raised a red flag. Caution is, however, warranted particularly where billions of dollars are at stake. After all, many, including yours truly, thought former Comptroller Alan Hevesi was an exemplary public servant. Thus, we will be following closely with great interest the various investigations, with their subpoena power, to see what they will reveal.

Also buttressing our generally positive feelings regarding the safety of our pensions was the good news that Kevin Murray has become Deputy Comptroller for Retirement Services. Al Gonseth for many years, and I more recently, have worked with Kevin when until becoming the Deputy Comptroller he was the Executive Director of Retired Public Employees Association, Inc., and a driving force in the Alliance of Public Retirees Organizations of New York. We know him to be extremely knowledgeable, politically savvy, and a straight shooter. This appointment by the new Comptroller Tom DiNapoli is a good omen as many had voiced concern about the political circumstances of DiNapoli's appointment and his lack of experience as noted in the accompanying article in this Newsletter, "NYS COMPTROLLER'S OFFICE ISSUES—YOUR ASSISTANCE AND INPUT SOUGHT," which we strongly encourage you to read and respond to.

On behalf of your PARA Board, we wish each of you and your families a Happy Thanksgiving and Happy Holidays and a Happy New Year!

NYS COMPTROLLER'S OFFICE ISSUES

As indicated in Dick Helman's President's Message, there have been a number of press reports focusing on potential concerns with the New York State Common Retirement Fund (CRF). The three major areas of concern we have read about, discussed with staff of the NYS Comptroller's office and at our October 11, 2007 PARA Board Meeting are discussed below. Dick Helman and I would welcome comments/reactions from PARA Members about these issues.

1. How The CRF Is Managed (By Sole Trustee, As Now, Versus A "Board")

The issue of a sole Trustee as we now have, versus establishing a Board to oversee the CRF, was raised in the New York Times (NYT) on 8/22/07. The NYT questioned whether the New York State Pension System with over \$150 Billion in assets should be overseen by a single Trustee. Other than New York, only Connecticut and North Carolina have a sole Trustee. The question is not easily answered. The Comptroller does work with four advisory panels and if a Board of Trustees was to replace the sole Trustee, it is likely to be picked by the Governor and the legislative leaders. You may recall Governor Spitzer thought he had an understanding with Assembly Leader Silver that a panel of experts would come up with a list of qualified candidates for Comptroller. When no member of the Legislature was on the list, Assembly Leader Silver decided that Tom DiNapoli, whose name was not on the list, but who was a member of the Assembly, should be Comptroller.

While we are told by the Comptroller's representatives that Comptroller DiNapoli is taking positive steps to assure better, more transparent management of the CRF, the question remains why is New York almost alone in having a sole Trustee? In a New York Sun article of 8-30-07, Assemblyman Silver has expressed opposition to changing to a Board on the theory that the issues being investigated about steering business inappropriately would not be fixed by such a change. He certainly will have a major say on this issue.

Similarly, in a Letter to the Editor of the Times Union of July 30, 2007, Kenneth Brynien, President of the New York State Public Employees Federation stated, "The system of having a sole trustee directly accountable to the voters of New York State has served us well, and members of the pension system see no need to change it now." The July/August 2007 Newsletter of the Retired Public Employees Association, Inc., in an article commenting on the soundness of the CRF, states its belief that the ranking of the State System "in the top echelon of public pension systems nationally" is "due to the strong accountability that is characteristic of the sole trustee system."

However, The New York Times in an October 13, 2007 Editorial had a contrary view, ending with the comment that, "The sole trustee system is good for the politicians who control it, but it is terrible for the integrity of the political system and for the workers whose pensions are at stake. It's time to end a system that can too easily deteriorate into 'those who give will get' [quoting a memo to former Comptroller Edward Regan]." It is a complex issue because

how and who would get appointed to a Board could expose the management to more rather than less influence, despite the theory that a Board would diffuse power now residing in one person. And, a lot can happen between elections every four years, so the issue of "accountability" to voters is only really addressable relatively infrequently.

Since the NYS Comptroller's Office has asked PARA to support retaining the current sole trustee system, we welcome in particular Member comments on this issue.

2. Perhaps Most Disturbingly, The Lack Of Transparency Of Relationships Between Past Comptroller Hevesi, His Political Director, Who Reportedly Served As A "Placement Agent," And The Placement Of State Investments In Funds With Entities/Individuals, Who Allegedly Contributed To Political Campaigns.

Per the lead NY Times 9-15-07 Editorial, and reported elsewhere too, titled "A Suspicious Disappearance," a list of "placement fees" (which fees run into millions of dollars) paid related to investments placed by the State "has gone missing" and apparently there was only one copy! In a NY Times article starting on page 1 on October 12, 2007, it was reported that the Securities and Exchange Commission has begun an inquiry regarding "claims that investment firms paid friends and relatives of former Comptroller Alan G. Hevesi in exchange for business."

Then, in an October 14th NY Times article, Attorney General Cuomo's Office was reported to be investigating links between campaign contributions and placements of CRF monies for investment with entities run by individuals "who made large donations to the campaign of former Comptroller Alan G. Hevesi," and is investigating other alleged potential improprieties involving "... Mr. Hevesi's former political director, [who] has been linked to six businesses known as placement agents that reaped millions of dollars in fees by arranging deals between the pension fund and investment firms." Further, this NY Times article reports, "Alan Hevesi raised money prodigiously from investment firms and several prominent firms made donations to his younger son, Assemblyman Andrew Hevesi of Queens."

The above alleged leakages of funds translated no doubt to reduced revenues and returns thereon over time-- a "lost opportunity" for the CRF. For example, PARA has for years worked to press for inflation adjustments to mitigate diminishing purchasing power of our relatively fixed pensions. We point this out because the difficulty in achieving the relatively small improvement in 2000, after many years was no doubt affected by the siphoning off of some of the returns, as we understand the implications of the recent press reports, even indirectly, by "placement fees", "campaign contributions" and perhaps other means by those entities making investments on behalf of the CRF.

— YOUR ASSISTANCE AND INPUT SOUGHT

The management of the CRF is something that we should seek to keep an eye on. Administering the Pension system is an extremely complex matter and while the Board has neither the expertise nor resources to truly evaluate the system, it is increasing its effort to enhance its understanding of the system. The ability of PARA to influence Albany is shall we say limited, but as in the past we can work with other retiree groups and perhaps be more influential.

3. Methods Used To Assess Pension Fund “Safety And Security”

This arcane but important area is another one we are trying to get a better understanding of and involves the debate over the “correct” way to determine actuarial funding levels. Most state retirement funds assume a return on investment benchmark of between 8 and 8.5% with the CRF assuming an 8% return benchmark. Critics say what should be used instead, is the corporate accounting standard that requires the use of the return on high quality corporate bonds, or the 10 year Federal Treasury Bond rate, since these rates reflect a much more conservative rate of return. See the Boston Globe opinion piece of 11/28/06 “The Ticking Time Bomb in State Pensions” by Thomas J. Healey and The New York Times of 12/29/06 story “Estimates for Pensions to Tighten”.

The National Association of State Retirement Administrators (NASRA) has said in response “NASRA strongly believes that this debate must retain the premise that public sector accounting is fundamentally different than accounting outside the public sector. This perspective is well articulated in the 2006 GASB white paper, Why Governmental Accounting and Financial Reporting Is—And Should Be—Different...” On October 15, 2007, NASRA adopted Resolution 2007-03 reinforcing this view, stating further in part, “... that ... the government financial reporting model should not be altered simply to appeal to the misguided perception of the need for public sector/private sector symmetry;...” Those like NASRA favoring the current system argue that the risk of bankruptcy is much less for a governmental unit than for a private corporation.

Frankly, based on advice often given to individual investors by financial planners Mike Krieger is familiar with, a diversified portfolio is usually comprised of a mix of various “asset classes” with various percentage allocations, determined in part by risk tolerance and desire for achieving an expected target rate of return over time, based upon historical experience. If the investment portfolios are in fact “diversified,” which the CRF is, it is probably not unreasonable to base future expectations of annual returns for such diversified portfolios at rates in the 6 to 8% return rate range.

But there are no guarantees of future performance which is why the alternative view is being reported. While any one year or even a number of years could significantly “underperform” the target rate of return, if history is a guide, over long periods of time various diversified investment portfolios can be expected to produce expected target returns, with associated “ranges of risks.” However, generally, to get higher “target rates of return”

over time, an investment portfolio will have to be exposed to a higher “range of risks.” So, to target an 8% return, a range of risk will be associated with the portfolio that would be greater than for a portfolio with a lower target return. Fortunately, in the case of the CRF, the NYS Comptroller can set employer contributions, and for many, employee contributions are being made as well.

The issue of what is an adequate funding level is important because it affects decisions regarding required employer contributions. Fortunately, due to a law change several years ago, there is now a minimum annual level of employer contributions of 4.5%. Before this change in law, there were a number of years in the 1990’s when employers contributed little or no funds into the CRF due to high levels of investment performance believed to make such employer contributions unnecessary. When the investment performance tanked early in this decade that proved to create a problem—thus the law change.

Local governments try to use their influence to lower their contribution. It seems questionable that on the basis of one year it should be assumed that a rainy day might not be around the corner. Not too long ago the Comptroller gave local governments a period of years to make their full annual contribution, because returns on the CRF’s investments were down. Local governments were concerned about taxpayer reaction to an increase in taxes to make up the shortfall.

Our efforts with other retiree associations to gain a better COLA adjustment were no doubt adversely affected by past “under contributions” of employers. Further, focusing on just the annual performance, which we believe led to, and continues to be pointed to, as justifying reduced employer contributions to the CRF, may not be the most appropriate benchmark for making such decisions. Rather, focus instead should be on the expected “annual distribution” demands on the CRF to meet its responsibilities to pay out expected pensions due. This is a very complex area and the Comptroller’s Office uses a “smoothing formula” (which we are studying) to base its decisions on such issues, as reported in their Annual Report, accessible through our PARA website. But, the press releases justifying reducing employer contributions focus attention on the 12.58% annual investment performance as justifying such reduced employer contributions announced recently.

The issues are not easy to resolve, but we are seeking to understand them so as to take positions that are in our PARA members’ best interests. If any of you believe you can help the Board in dealing with these matters, or wish to comment on these or other matters, please contact Richard Helman at Richard@helman.net, (or by regular mail at 115 Oakdale Lane, Roslyn Heights, New York 11577), and/or Michael Krieger at mkrieger@njbizlawyer.com (or by regular mail at 207 Bush Lane, Mahwah, New Jersey 07430).

Michael Krieger and Richard Helman

CARE URGED IN CHOOSING A SENIOR'S FINANCIAL ADVISOR

By Ralph Verrill

The following is based on a New York Times (NYT) article appearing on July 8, 2007, titled "For Elderly Investors, Instant Experts Abound", a report of the United States Senate Special Committee on Aging, and dated September 5, 2007, and a Wall Street Journal (WSJ) Article appearing on October 9, 2007 titled "What To Do When Your Advisor Retires". The NYT article was part of a series on how businesses seek to profit from older Americans which can be found online at nytimes.com/goldenopportunities.

Recently the United States Senate Special Committee on Aging held a hearing to examine some of the questionable practices used by so-called senior financial investment specialists in order to gain access to the retirement savings of older Americans. An investigation conducted by the aging committee revealed that many of the designations that have been cropping up lately are obtained by simply attending a weekend seminar and passing a multiple-choice open book test.

The prize for insurers and sales agents is a piece of the \$15 trillion held by Americans 65 and older, the largest pool of assets ever amassed by an aging population, according to the Government Accountability Office. The NYT reported that unqualified agents working hand in hand with insurance companies market themselves to older Americans using impressive sounding credentials such as "Certified Elder Planning Specialist," "Registered Financial Gerontologist," "Certified Retirement Financial Advisor," and "Certified Senior Advisor". The number of Certified Senior Advisors has increased by 78% in the last five years. According to the NYT, many seniors targeted by salesmen using these designations have lost their life savings or tied up their finances in a way that made them unavailable for necessary expenses given their retirement needs and life expectancy. Seniors should not have to worry that the title after their financial advisors name is little more than a marketing ploy and that it was not earned through sufficiently rigorous training.

Minnesota's Attorney General testified at the Senate hearing that insurance companies in many instances will turn a blind eye to what the salesmen are doing, as long as they make a sale. Complaints over sales of insurance products have soared, according to the North American Securities Administrators Association, particularly with respect to annuities, which are insurance contracts that offer buyers monthly or yearly income in exchange for one large lump-sum payment and are designed to appeal to anyone worried that they might outlive their savings.

Regulators say that annuities that begin paying immediately, where the retiree has the chance of collecting more than the original investment in a reasonable time, given their age and health, are often sound investments for retirees who are living off their savings. But a deferred annuity is almost always a bad idea for such a retiree says the AARP. Deferred annuities may be a good option for the wealthy elderly investor looking for ways to transfer savings to heirs while avoiding large tax payments. Deferred annuities, however offer sales agents the biggest commissions.

In "Personal Finance for Dummies", Eric Tyson cautions that if one uses a financial planner it is probably wise to avoid someone who is going to profit by persuading you to buy a particular product and use someone who is only compensated by a set fee you pay him. He suggests two places to look are the National Association of Personal Financial Advisors (800 366 2732) and the American Institute of Certified Public Accountants (aicpa.org/community/Find+a+PFS+Near+You.htm) for a listing of members in your area who have completed the Institute's Personal Financial Specialist Program. However, Tyson notes even a fee only advisor may seek to become your money manager and charge a fee based upon the amount of assets under their purview and, possibly, additional fees based upon the activity in the account if they also broker the transactions.

The WSJ cautions that it is essential to carefully assess prospective advisors: Will they be a good fit with you in terms of investment style and service levels? Is the fee structure satisfactory? And will they be looking out for your financial welfare or just trying to sell you more products? The WSJ also points out that planners who are also registered investment advisers with the Securities and Exchange Commission have a fiduciary obligation to clients which means the planner must always put the client's needs first. However, according to the WSJ, brokerage firms typically impose "suitability standards" which essentially boil down to the fact that their planners interest in selling you a particular product may not be in your best interest.

Some credentials with limited value that seniors may come across are "Certified Retirement Financial Advisor" (awarded after a four day program the last day of which covers marketing to seniors), "Certified Senior Advisor" (awarded after a three day program). Credentials requiring more rigorous training are "Chartered Financial Consultant", "Certified Financial Planner", "Registered Investment Advisor" and "Chartered Life Underwriter". Any advice which concerns retirees' savings and thus their future should be checked carefully and probably with at least a second or even third unbiased opinion. Our financial health deserves much the same approach as our medical health.

The Library Corner



If you're looking for a good fireside read during the cold months ahead let me recommend *Black and Brown Markers* by Lauren E. Richmond. Lauren is a fourteen year old eighth grader who is battling cancer. One of her wishes was to have a book of poetry she wrote published and with the help of the Marty Lyons Foundation, an organization that grants the wishes of sick children, Lauren was granted that wish. I had the pleasure of meeting Lauren and now have an autographed copy of her book. Her poetry is inspiring and idealistic and you will be moved by it. Her book is available from Peoples Education and you can contact them at 1-800-822-1080 or via e-mail at PeoplesEducation.com. to obtain a copy.

If you have read any good books that you think your fellow retirees may enjoy, please E-mail me information at: lyst99@aol.com or mail it to me at 4 Margaret Lane, Howell, New Jersey 07731. I will try to include your reading suggestions in future Newsletters.

*“Although our individual experiences in life may differ we are all connected by our shared, universal feelings”
- Lauren E. Richmond*

Have you checked out PARA'S website?

Thanks to the tireless efforts of retiree Webmaster Joe SanSevero, PARA'S website is getting better and better. Since May of last year, almost 13,000 visits have been made to our homepage at www.paranynj.org. If you haven't done so as yet, please look into it soon to take advantage of the tremendous wealth of information there for PA retirees.

For example, you'll find links to quite a few resources that most retirees will need to call on from time to time. This includes, for example, Medicare, Express Scripts, United Healthcare, Social Security, the New York State Retirement System and a special section for PA Police Department retirees. You can easily access and print out the forms you need for Medicare, dental and United Healthcare claims, changing your group insurance beneficiary or registering a new address.

Among other useful items on our "Benefits" page, you will find PA Benefits contact information and what to do on reaching 65 to arrange for the crossover to Medicare.

Have you heard about the Last Wednesday of the Month Luncheon for retirees held in Fort Lee, New Jersey? How about the semi-annual retiree lunch in Manhattan? The details on these and other retiree gatherings, including individual retiree announcements, can be found on our site.

We have PA News editions going back to April 2006, as well as PA press releases and press releases from the New York State Comptroller's Office and the New York State Retirement System.

There is also a "Members" section not accessible by the general public that deals with items of special interest to PA retirees. This includes E-Z-Pass, airport parking and PARA'S by-laws. In this section, we are also putting together a list of PA retirees who want to receive e-mails from PARA from time to time on significant issues. There is also an invitation to help us obtain contact information for a number of retirees that we have lost track of.

We have a section for announcements by retirees and another section for reminiscing on their work at the PA – as well as an online PARA Forum where retirees can communicate with one another on a variety of topics. And there is an "In Memoriam" page reporting the passing of individual retirees that often includes the personal comments of fellow workers.

Finally, we have a special section on 9/11 related to that terrible day. You will find some very somber and moving stories here.

We're always trying to make the website better, and we invite your suggestions at any time. Please send them to Webmaster Joe at joe@sansevero.us.