Port Authority Retirees Association
P.O. Box 919 • Island Heights, NJ 08732-0919

NEWSLETTER NO. 5 MAY 1989

Please Verify Address!
See Page 4, No. 5

Membership Renewal: Annual membership fee for June 1989-May 1990 is due. Just use the form at the top of page 2. PARA's efforts this coming year are especially important with a permanent, automatic COLA proposed as well as legislation to continue current pension supplements beyond the September 1989 expiration date.

Automatic Pension COLA

In his Spring 1989 issue of *Retiree Notes*, State Comptroller Edward Regan outlined his plan for a permanent, automatic, indexed COLA for members of the New York State Employees Retirement System. This has and continues to be one of PARA's principal objectives and we commend the Comptroller for his public stand on this key issue. Several times over the last year he has addressed the need for pension changes incorporating permanent COLA ..tures with many different audiences and through press ..ases. The principles underlying his position are clear. He has recognized a critical deficiency in the NYSERS and set in motion the process for legislative change. However, the specifics of that change and persuading others to accept them, may be a difficult task.

For a better understanding of the Comptroller's proposed bill—and where improvements might be in order—it's helpful to reprint below part of the explanatory memorandum submitted with the bill. Some of the memorandum appears in bold type to facilitate comparison with suggested improvements. Excerpts from the Comptroller's memorandum follow:

MEMORANDUM
RE
AN ACT

To amend the retirement and social security law, in relation to the provision of cost of living increases...

PURPOSE: This bill is submitted at the request of the State Comptroller. **This measure provides for permanent supplementation for retirees of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System.**

..UMMARY: As of March 1, 1989, there were 225,000 ..rees of the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System. These retirees are not guaranteed cost of living increases to protect their retirement income from inflation. The legislature recognized the need for supplementation for public retirees as early as 1952 when the Supplemental Pension Act of 1952 was enacted. Between 1967 and 1987, several additional "ad hoc" increases in supplementation were granted by the legislature. These legislative efforts have failed to produce a permanent program for paying regular supplementation to retirees.

This bill creates a mechanism for systematically supplementing retirement allowances. **The bill provides that those individuals already receiving supplementation would continue to receive that supplementation. In addition, they and future retirees would receive one third of future cost of living increases**, assuming the money is available in the supplementation account created by the legislation. To receive the increased benefit, the retirees, other than disability retirees, must be at least age 62, or have been retired for at least ten (10) years. **Furthermore, no retiree would receive the increase unless he or she had been retired for at least five (5) years.**

The increase in supplementation would commence each January 1, starting January 1, 1990, at which time, 1983 and 1984 retirees would receive supplemented allowances for the first time.

For the year 1990, two years of cost of living increases would be included in the calculation to bring the program current. **The benefit would be calculated on the first $10,500 of the allowance. The $10,500 cap would be adjusted for inflation in the same manner as the supplementation benefit.** If sufficient funds were not available in the supplementation account, the next lower tenth of a percent that could be afforded would be paid.

Under the legislation, employers would be billed 1% of their Retirement System salary base for members of the New York State and Local Employees' Retirement System to pay for both the increases provided by this measure and the current supplementation. The current cost of supplementation for the New York State and Local Employees' Retirement System is .8%. The rate for police and fire

Continued on reverse side

Port Authority Retirees Association

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

Please print or type:

CHECK (✓)
☐ Active
☐ Retire

ast 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.

$5.00 MEMBERSHIP FEE FOR THE YEAR JUNE 1989 THROUGH MAY 1990 IS NOW DUE.

Please submit checks only payable to: **Port Authority Retirees Association**

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

Continued from page 1

members for supplementation would increase from 1% to 1.4%. Monies not spent in a year would accumulate earnings in a separate account and be used to pay for future supplemental benefits.

The percentage of the salary base which the state and participating employers would be required to contribute each year to fund the adjustment is fixed. The protection against diminution or impairment of public retirement system benefits provided in Article 5, Section 7 of the State Constitution would preclude a reduction of these contribution rates. The formula under which the amounts payble would be calculated is similarly guaranteed. However, the payment of the annual cost of living adjustment will depend on the amounts available in the supplementation adjustment accounts created hereunder, and therefore such payment is not protected or guaranteed by Article 5, Section 7....

Comptroller Regan, his Counsel John Black, and Assistant Deputy Comptroller John McManaman met with members of the Alliance of Public Retirees' Organizations on two occasions to review his proposal and copies of a draft of his bill were made available. Several discussions amongst Alliance members followed after which improvements in the Comptroller's bill were identified. They include:

- widen application of the plan to include all New York retirement systems retirees (note: this would increase support for COLA legislation in the State Assembly);
- raise the COLA from ⅓ of CPI to ½;
- shorten the waiting period for eligibility; or link waiting period to rate of change in CPI (note: the Alliance had already obtained the Comptroller's consent to shorten the waiting period for members of the Police and Fire Retirement System); and
- adjust the $10,500 cap so that it increases annually at the full rate of increase in the CPI rather than the proposed ⅓ rate of increase.

While there were numerous other desirable improvements, additional features would add undue complexity, and/or raise funding requirements. Accordir it was agreed the Alliance would consider submittal of another bill reflecting improvements sought. While differences in the two bills will exist, there are common objectives and sufficient similarity to be cautiously optimistic respecting a compromise bill evolving in the legislative process. However, timing for this legislative session is very tight.

In our view, the keystone is approval of a bill incorporating the essentials of a true COLA: permanent, automatic, indexed adjustments to protect pension purchasing power. Once enacted into law, refinements can be addressed in subsequent legislation.

The last but certainly important report on the legislative front concerns the "extender" bill which has already been introduced. This bill provides for *continuation* of current pension supplements. Since ad hoc supplements are for a specific period, (note: expiration date for current supplements is *September 1, 1989*) extending the benefit period is very important.

Funding Equity and the Automatic COLA

Achieving pension improvements has historically proven a difficult, sometimes elusive goal but, now that an automatic COLA bill has been submitted by the Comptroller, the subject is no longer taboo. Recent press releases from Comptroller Regan's office report numerous meetings with elected officials of counties, cities, towns, villag ; other officials, legislative leaders and the Governor, to discuss permanent supplementation for present and future retirees. According to the Comptroller "continuing superior

continued

investment performance...permitted consideration of a reduction in pension contribution rates for the state and participating employers, and, for retirees, a permanent, modest supplementation benefit."

Seventeen months ago Cy Storer wrote to Comptroller Regan and to his actuarial consultant offering PARA's recommendation for funding a permanent pension COLA. Bernie Gelman, then President of the Port Service Club, prepared a position paper which served as the basis for Cy Storer's letter. A quote from Cy's letter is worth repeating: "If and when the retirement system's earnings are such that a reduction in contribution rates is considered, we propose that 50% of the reduction be earmarked for pension supplement."

A January 1989 press release from Comptroller Regan's office announced yet another contribution rate reduction. This reduction, the latest in a series, amounted to $650,000,000. The Comptroller also reported that, with this latest reduction, pension contribution rates for the employer group are now 50% lower than they were ten years ago. Too, it has been estimated *one third* of the $650,000,000 would have been sufficient to fund a substantial permanent COLA.

The moral of this tale: The Comptroller's permanent COLA bill includes, in principle, Cy Storer's recommendation for funding the COLA, and that's good. On the other hand, the amount allocated for a permanent COLA for present and future retirees is only a fraction of the excess earnings passed through to employers in the form of reductions in contribution rates.

The New Catastrophic Income Tax

Prior to passage of H.R. 2470, the Medicare Catastrophic Coverage Act drew less attention than might be expected from legislation that would provide expanded health care benefits. But, it's a different story now! Senior citizens across the country are howling because they've been had. Sure, benefits were expanded, but only a minute percentage of those covered will enjoy them while *all* medicare recipients will pay higher premiums, and many—upwards of 45%—will also pay a discriminatory surtax.

Rounded to the nearest dollar, the part B monthly premium will rise to $31 this year and climb to $43 by 1993. Additionally, those of us 65 and over who pay $150 or more federal income taxes must also pay a 15% surtax in 1989, increasing to 28% in 1993. This onerous, escalating tax is especially burdensome to Port Authority retirees who do not yet receive automatic COLAs.

An objective review of benefits provided under the new Catastrophic Coverage Act reveal desirable improvements over prior Medicare provisions. However, legitimate concerns arise when one considers the relatively small number of people who stand to gain, the large number who already have similar or even broader coverage, and the totally inequitable funding mechanisms. One analyst commenting on the new law reports only a limited number of eligibles will benefit and the law itself states only 7% of the average number of enrollees may become entitled to the expanded benefits. Meanwhile, the Health Insurance Association of America reports one third of the nation's senior citizens already have catastrophic coverage as a benefit from their retirement plan and will gain nothing from the higher premiums and discriminatory surtax they are forced to pay. That certainly seems to be the case for most Port Authority retirees who, depending on classification and date of retirement, have taken with them a plan which, at no cost, is generally superior to that provided by H.R. 2470.

More than one million people have written to their Senators and Representatives protesting the mandatory, discriminatory funding mandated under the new law. PARA was one of the correspondents and reprinted below are portions of a reply to our letter from Representative Marge Roukema, 5th District, New Jersey:

> "...*As you know, I believe that Congress needs to reassess the financing structure of the program to find a better way of paying for the new Medicare benefits. Therefore, I have cosponsored H.R. 63, a bill that would suspend collection of the so-called "supplemental premium." The legislation would set up a commission of experts to study better financing methods for catastrophic benefits.*
>
> *I have also supported efforts to hold fullCongressional hearings on this matter. These hearings should include a complete review of the financing as well as other aspects of catastrophic coverage, including what impact coverage of some AIDS victims and the prescription drug benefit have on the cost of the program both now and in the future. Both the House and Senate recently voted to hold such hearings.*
>
> *On another front, Senator Lloyd Bentsen, Chairman of the Senate Finance Committee, is now studying the possibility of significantly reducing the amount of the supplemental premium which is paid according to tax liability. My office has asked Senator Bentsen to provide the data that prompted his study.*
>
> *Let me again emphasize that Congress should reassess the financing of catastrophic care to gauge its fairness and to develop alternate methods of paying for the benefits...*"

The points addressed in Representative Roukema's letter, while promising, ought not let apathy creep in. We're a long way from any revision of this law and, almost daily, newspapers carry conflicting information. We read that:

Continued on reverse side

- the funding is inadequate and increases in surcharge taxes, deductibles, and premiums will be required;
- the funding will produce a surplus and surcharge taxes may be reduced;
- the funding will produce a surplus, but costs to recipients will remain the same allowing a surplus to accumulate and possibly be diverted to other purposes;
- Chairman Rostenkowski of the House Ways and Means Committee agrees with President Bush's position that surcharge tax rates ought not be changed, etc.

The confusion tends to prompt inaction, but there is a better course. Write your Representative and Senator in Washington. Even if you've already done so, write again and let them know a comprehensive health care bill *including long term care* is needed and we want to *pay share, but not the entire cost.* If, as has been suggested, senior Americans were singled out for this discriminatory tax because they are potential users of this expanded health care program, one might logically ask when these same seniors will be relieved of school taxes since they no longer use primary or secondary educational facilities.

Tell these legislators the discriminatory funding mechanism of the Catastrophic Medicare Coverage Act must be changed. Encourage them. Motivate them. Nudge them. Rouse them. WRITE!

For New York Residents

The U.S. Supreme Court has ruled that states cannot tax Federal retirees and exempt their own retirees from such taxes. Taxes cannot be discriminatory.

Since New York State does not tax city and state retirees but does tax Federal and private pensioners and annuitants on a amounts over $20,000 a year if age 59½, some change is necessary. However, the Supreme Court left it up to the states to decide how to implement the decision.

STRAIGHT FROM THE SHOULDER

CANDID REPORTS ON YOUR ASSOCIATION

1. With regret, the PARA Board accepted the resignations of Richard Brady and Ralph A. Johnson. Dick and Ralph, both charter members, contributed two and a half years to PARA beginning when the need for an organization was apparent, membership totaled eight, and everything had to start from square one. PARA's growth and progress is a tribute to their efforts and we extend our gratitude and best wishes.

2. PARA welcomes three new Board members: Harry Greene of Hazlet, NJ, Salvatore Mirenda of Forked River, NJ, and Frank Smyth of Hazlet, NJ.

3. Steps have been initiated to incorporate PARA in New York State. The new address, when established, will enhance our image and reception in Albany. Additionally, other changes are under consideration. We want to expand our communication with members—possibly more frequent Newsletters—develop a useful method of addressing questions on Port Authority health care coverage, and try to respond to correspondence.

On this latter point, the initial volume of members' letters, coupled with other essential organizational matters, dictated we defer responding. We'll try to correct this situation.

4. The Alliance of Public Retirees' Organizations met in Albany on six occasions and PARA representatives attended four meetings. (Snow deterred us twice).

5. PARA uses mailing labels furnished by the Port Authority and Port Authority records—*names and addresses* can be changed *only* by the individual(s) concerned. If your name or address has changed (or if there is any question in this regard) write: Port Authority of NY and NJ, Administrative & Employees Benefits Division, Human Resources Department, 1 World Trade Center, 61 South, NY, NY 10277-0133.

Harold A. Milley
Acting President