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**Membership Renewal:** Annual membership fee for June 1990-May 1991 is due. Just use the form at the top of page 2. The coming year will be an important one for PARA with expiration of the existing pension supplement legislation, proposals for implementing the Millstein pension task force recommendations, and continued pressure for a permanent automatic COLA.

## Budget Squeeze on Pension Fund

If the latest reports from Albany respecting plans for resolving the New York State budget are ultimately adopted, the pension fund will serve as a bailout bank once again.

In January 1989 the assumed rate of return on pension fund investments was raised from eight percent to 8.75%. That, combined with a downward adjustment in the anticipated inflation rate (interpretation: slower salary growth), permitted savings for employers to the tune of \$650,000,000—about half for the state and a similar amount for other participating employers. Net result: employer contribution rate—expressed as a percent of total payroll—dropped to 5%, down from about 22% in 1979.

But wait! How about zero percent contribution rate for employers? We may have reached that point with a new pension funding plan proposed to ease the budget squeeze. Full details of the proposed Projected Unit Credit (PUC) funding plan, or legislation to implement it, are not available as we go to press, but the implications are scary for active employees and retirees. **And the plan reduces employer contributions to zero.**

In a period of ten to twelve years, employer contribution rates will have dropped from 22% to zero while contributions by employees, where applicable, have continued unabated

and retirees got crumbs in ad hoc supplements. And how does this latest step impact obligations the retirement system has to employees and retirees, the people for whom the fund was created? Just weeks ago Comptroller Regan warned that tinkering with the funding method "will have the following consequences:

- any radical change affecting the integrity and security of the pension fund will invite a lawsuit.
- a potential adverse ruling on NYSLRS' tax exempt status may result. . .
- the creation of a "red ink" condition for NYSLRS. . .
- while there will be government savings now, contributions will rise in the future. . .

PUC postpones the payment for pension benefits into the future when State and local governments may be even less likely to afford payment. At that time, government efforts to reduce rising costs of pensions may lead, as it did in the early 1970's, to benefit reductions, the elimination of supplementation for retirees and ultimately to changes in constitutional safeguards for members. . ."

For more on these developments see the report on the Arthur Levitt Award Presentation on page two of this Newsletter.

## It's Called Sharing

For a different approach to use of pension fund investment income, consider the following from the December 20, 1989 Asbury Park Press.

**ATLANTIC HIGHLANDS** — Gov. Kean last night signed a bill to boost the pensions of police and firefighters to the cheers of about 600 delegates at a state Police Benevolent Association meeting here. . .

Effective with the signing, police and firefighters with 30 years of service will receive 70 percent of their final year's salary for retirement a year. Workers with 25 years service will get 65 percent of the final year's salary.

Both figures represent increases of 5 percent, which averages out to about \$110,000 extra for each person in his or her lifetime. The package also provides for cost-of-living raises. . .

Investing pension funds at a higher rate—at 7½, up from the current interest rate of 6¾—will enable the state to pay for the boost in retirement without burdening municipalities.

Respecting the reference to cost-of-living raises, you may recall a report in an earlier PARA Newsletter describing the Public Employees Retirement System of New Jersey which grants members—including police and firefighters—a permanent, automatic COLA of 60% of CPI.

# Port Authority Retirees Association, Inc.

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

Please print or type:

CHECK (✓)

Active

Retiree

Last Name

First

Address

Town

State

Zip

CHECK (✓):

Enclosed is \$5.00 Annual Membership Dues (June 1990 through May 1991)

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.

## Arthur Levitt Award Presentation

On May 24th, 1990 the first Annual Arthur Levitt Award was presented by the Alliance of Public Retirees' Organizations to Comptroller Edward V. Regan. The presentation was made at a reception held in Albany, New York.

The Comptroller was selected as the first recipient of the award in recognition of his "outstanding leadership in fighting the pension raiders and leading the fight for a COLA."

Mr. Regan promptly demonstrated the appropriateness of the selection with a stinging attack on proposed legislation to solve the New York State budget dilemma. Citing the investment performance of the NYSLRS and the resultant reduction in employer pension contributions over the last eleven years—a period during which employers saved seven billion dollars—he denounced the "bailout" plan for:

- espousing a questionable funding method currently used by only six percent of public pension funds in the nation, a method that could undermine the pension fund;
- advancing an approach that would abruptly reduce all

employer pension contributions to zero which, when coupled with other changes, would deprive the pension fund of another billion dollars;

- introducing a budget device whereby some participating employers would divert 25% of their "savings" to the state. The Port Authority was identified as one employer that would return 100% of its "savings" to the state;
- exposing employers to the risk of sudden, untimely restoration of contributions in the event of investment earnings disruption or any change in pension benefits; and
- callous treatment of retirees who have received very modest adjustments to their eroded pensions while employers got billions.

The Comptroller called for a thorough study of the PUC funding method, a constitutional amendment to protect the pension fund, an IRS ruling on the plan, and closed with a ringing demand for action to obtain a permanent, automatic COLA.

## Protection and Improvement in Health Benefits Proposed

Legislation to protect and improve retiree health benefits is now before the New York State legislature. The Senate Civil Service and Pensions Committee and Assembly Governmental Employees Committee are considering a package of bills that would protect and improve health benefits for retirees of a public employer. The package of bills, developed by the Retired Public Employees Association and supported by members of the Alliance of Public Retirees' Organizations, would expand retiree health insurance coverage and provide for reimbursement for medicare premiums.

As an example, one of the bills applicable to Port Authority retirees provides:

"On and after January first nineteen hundred ninety-one in no event shall a public employer provide health insurance benefits or make employer contributions for health insurance for . . . its retired public employees and their dependents, if any, that are different from those provided to employees of such public employer. Retirees and the dependents of retirees of a public employer shall be provided with the same health insurance benefits and employer contributions for health insurance as are being provided by the public employer to its employees and their dependents. . . ."

This bill proposes the same benefits for retirees as are enjoyed by current active staff holding the same position as the retiree

did on the effective date of his or her retirement.

While some of the bills in the package do not apply to Port Authority retirees, support for the entire package of bills is sought to protect and improve health benefits for all retirees from public employment. Retirees represented by many organizations affiliated with the Alliance will see their health benefits enhanced if the entire package receives favorable action.

Harvey Randall, Chairman of RPEA's Legislative Committee, in testimony before the Joint Assembly Standing Committee on Governmental Employees and Senate Standing Committee on Civil Service and Pensions spotlighted the issue:

"All are concerned with the escalating costs of health and related care—employers, employee organizations and their members and retirees. . . Retirees from the public service, unlike employees in the public service, have no right to negotiate any proposed changes in their health insurance . . . under the Taylor Law. They are literally without power to effectively resist any unilateral change that may be imposed upon them and must rely on the legislature for protection. . . ."

Upon conclusion of the Assembly-Senate Joint Hearing, Assemblyman Lentol said "Due to their many years of work on the public's behalf, public employees **deserve and have already earned** their health benefits. It is important that they receive them."

## *Your Turn!*

The April **Special Newsletter** was devoted to the permanent, automatic COLA bill submitted by Comptroller Regan. This **Newsletter** covers the budget bailout plan and legislation to protect and improve health benefits. We urge your support for the COLA bill #S5495A and A8408A, and for the entire package of health benefits bills numbered:

A10449 and S7846  
A10450 and S7845 and  
A10451 and S7847.

You may also wish to express your reaction to the bailout plan or, more accurately, the raid on the pension fund.

Letters should be sent to Senator Caesar Trunzo, NY State

Senate, Albany, NY 12247, Senator Ralph Marino, NY State Senate, Albany, NY 12247, Assemblyman Joseph R. Lentol, NY State Assembly, Albany, NY 12248, Assemblyman Melvin Miller, NY State Assembly, Albany, NY 12248, Governor Mario Cuomo, State Capital, Albany, NY.

New York residents should also write their individual state legislators.

The Comptroller can seek to protect the pension fund and champion the rights of employees and retirees. PARA can help keep you informed. The Alliance of Public Retirees' Organizations can act as a powerful unifying force. You can make a difference if you act!

## **STRAIGHT FROM THE SHOULDER**

### *CANDID REPORTS ON YOUR ASSOCIATION*

1. PARA is stepping up efforts to increase membership by inviting greater representation from active Port Authority staff. We've attempted to encourage interest and participation from amongst active staff with some success, and this **Newsletter** will be sent to a target group comprised of employees approaching or having already arrived at retirement age. We believe it is important for all members of the New York State and Local Retirement System to be better informed on changes which impact their retirement benefits. Too, participation by active staff is desirable to enlarge PARA's membership base, to assist in offsetting PARA expenses, and, most importantly, to garner greater recognition in Albany. Let's not forget improvements in pension benefits for Port Authority active staff and for retirees are determined by New York State legislative process.

2. Jack Culla and Ted Johnson completed an audit of PARA. Their February 15, 1990 report states "examination was performed in accordance with generally accepted auditing standards and included tests of accounting records and other auditing procedures we deemed necessary. In our opinion, the final figures present fairly the financial condition of the Port Authority Retirees Association Incorporated as of January 29, 1990". One recommendation on policy and six on procedures were offered and all were accepted. The PARA board extends its gratitude to Jack and Ted for their professional assistance performed on a volunteer basis.

3. Your president was one of two recipients of the 1990 Port Service Award. The recognition was extended for formation of PARA. However, we all know the initiative for creation and the effort necessary to continue the work of this Association is not the result of any single individual, but rather the combined contributions of many people. This prized award is really a tribute to the officers and current and past board members of PARA and was accepted on their behalf.

4. Keep us posted on name and/or address changes. While all PARA membership records, mailing labels, etc. are now on computer they are only as current and accurate as you keep them. 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 World Trade Center, 61 East, New York, NY 10048.

5. The Alliance of Public Retirees' Organizations met in Albany on five occasions since November '89 and PARA representatives were in attendance. Also, Jim Carlock and I joined with other members of the Alliance and met with Deputy Comptroller John Maus and members of the Comptroller's staff to discuss changes in the proposed automatic COLA bill.

Harold A. Milley  
President

ELMIRA, New York

# Opinion

Opinion Editor Wayne R. Boucher, 607/734-5151, Ext. 282

## EDITORIAL

### Pension proposal may bother a few

Aren't you at least a little bit curious about what is going on in Albany? Don't you wonder why New York has not passed a 1990 state budget, even though April 1 was the deadline for its adoption?

You would think, at least, that the state's public employees would be a little upset with a proposal by lawmakers to fiddle with their retirement funds to help solve a budget crisis.

But apparently not so.

Gov. Mario Cuomo said last week that his office has heard one complaint from anyone — not a solitary protest.

"Despite all that's been written about the budget negotiations," Cuomo said, his office "has received not a single letter from anyone."

Well, that might change if some of the 850,000 current and retired state employees pay attention to the concerns of state Comptroller Edward V. Regan.

Regan is accusing legislative leaders and Cuomo of trying to help clean up New York's budget mess by reductions in payments to the Common Retirement Fund.

Under a proposal advanced by Cuomo, Assembly Speaker Mel Miller and Senate Majority Leader Ralph J. Marino, the reductions would be made possible by a major revision in the formula for payments to the retirement program.

Almost all of New York's top officials — but not Regan — agree that the Common Retirement Fund is healthy, that, if anything, it is significantly over financed.

Gary R. Fryer, a spokesman for Cuomo's office, said that the funds had a \$9 billion surplus. He said that further reductions in payments — that could save the state at least \$200 million this year — were justified, especially with the state's perilous financial condition.

"We have a Rolls Royce pension system and a Chevy budget," is how Fryer described New York's current fiscal situation.

But Regan warned Thursday that the plan, if adopted, would threaten the stability of the pension fund and force the state to raise payments later.

"This forced reduction would be used to plug a budget gap because of an unwillingness to further cut excessive state spending," Regan said. "Spending needs to be cut, not our pension assets seized."

Regan was speaking as the state's chief financial officer and as sole trustee of the \$44 billion pension fund.

The public apathy surrounding the budget process, while disturbing, is not surprising. It will be astonishing, though, if no one complains about the proposal to play around with the public employees' retirement plan.

*Our thanks to Thomas Sinclair for the Elmira Star-Gazette clipping.*

### Sources of Help

Port Authority Benefits  
(212) 466-8078 (call collect)

Retirement System  
(518) 474-7736