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

NEWSLETTER NO. 8 MAY 1991

Membership Renewal: Annual membership fee for June 1991-May 1992 is due. Just use the remittance slip at the top of page 2. This coming year will see further attempts to implement the Millstein pension task force proposals. Also, August 31, 1991 is the expiration date of existing pension supplementation; COLA bills are now in Albany; and health benefits are the subject of proposed legislation.

COLA Versus ETI

The November '89 PARA Newsletter carried a story on the Millstein pension task force report *Our Money's Worth* and its recommendations to divert pension funds to economic development programs. You'll remember Comptroller Regan vigorously opposed the task force proposals saying "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 the pension funds—providing fully-funded pensions...at low cost to the taxpayers. Nor was there any acknowledgement that we have achieved that goal, producing savings that should be shared with retirees through permanent supplementation."

It did not stop there. The dispute goes on between those espousing use of public pension funds for economically targeted investments (ETIs) and others who question the merit of such use. As proposed, ETIs such as affordable housing, start-up industries, and other social/economic investments would be financed with moneys from the billions in New York public pension funds.

The March 3rd *Albany Times Union* reported on Governor Cuomo's efforts to push a program that would provide financing from the pension funds for ETIs. And while this is already being done on a modest scale, the governor wants to expand pension fund bankrolling to offset the current credit crunch and thereby stimulate the state economy. The newspaper account goes on:

> Generally it sounds good: Combine socially desirable goals with investments from huge money pools.
>
> The concept, however, is not universally accepted—especially those who believe that the only consideration in pension fund investment is the preservation and expansion of capital in the fund.
>
> And by law, the public pension investments must be "for the exclusive benefit of the participants and beneficiaries."
>
> The program was part of the debate that broke out at the Albany Law School symposium. New York City attorney Robert L. Messineo, a consultant on the state Task Force on Pension Fund Investments, and Lee O. Smith, executive director of the state Industrial Corporation Council, supported the governor's program.
>
> Generally, both of them justified the ETI use of pension funds on the basis that it benefits the beneficiaries because a healthy economy in the state would help assure continuing contributions to the pension funds.
>
> But there was another point of view from Nell Minow, president of the Washington-based Institutional Shareholder Services Inc.
>
> "Pension funds are not life-support systems for obsolete jobs." Minow said as part of an exchange with Lee and Messineo... .
>
> She voiced concern about the state directing the pension funds toward "investments that would otherwise not be considered prudent."
>
> "If the state wants to establish a program for constituent companies that are unable to meet the test of the market, they should do so on the record, and through the explicit payment of tax dollars for that purpose," Minow said.
>
> But instead, she continued, the state has recommended "allocation of assets that have been set aside for employees, leaving the taxpayers to make up the difference."
>
> Minow criticized the state's report on pension fund investments for what she said was a recommendation for "putting money into investments that do not meet traditional standards of risk."
>
> But supporters of the ETI proposals countered that the notion that pension funds have no social obligation to the community is wrong.
>
> The pension funds were created through public policy decision and support, they said. Additionally, without significant taxbreaks, it was unlikely that pension funds would have reached anywhere near the accumulations that they now have.
>
> But the problem with government getting into pension fund investing and opening it up to areas beyond fiduciary responsibility is that it could lead to political abuse.
>
> "Political pork-barreling" is what Minow said could be a serious problem that will have to be watched not only by pension fund trustees, but also by the retirees involved.
>
> William A. Sharkey, representing the Retired Public Employees Association at the symposium, called the state's proposal "another dodge to further political objectives with the pension funds."
>
> "Few employees would buy the concept that their long-term interest would be better served by having the pension funds engage in the ETIs," he said... .

We're with Minow and Sharkey. Some may agree economic stimulants are fruitful especially in recessionary periods and certainly adequate housing is a desirable goal. However, agreement with these objectives does not imply acceptance of proposed methods for financing them, nor does it suggest we should welcome the fox into the hen house.

One wonders: If there is abundant money in the pension funds, why don't retirees have a permanent, indexed COLA to offset the ravages of inflation? If pension funds have "social obligations" is not the first one to employees, retirees, and their beneficiaries? Where were the guardians of pension fund "social obligations" when employer contributions to the New York State & Local Retirement System were being reduced from 24% of payroll to near zero?

And by the way, whose pension fund is it?

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.

Legislative News

Albany

I. Supplementary Pension Adjustments and COLA Bills

a. Clearly the most important piece of proposed legislation is the "extender" bill—#S1395—which would continue supplementary pension benefits (Supps) beyond August 31, 1991. Since Supps have historically been provided by temporary legislation, action is required to extend these current benefits. While retirees from the late 1970s and after only get peanuts and many get no supplemental benefits at all, the "extender" bill is extremely important to long-term retirees whose initial pensions were small.

b. Comptroller Regan has resubmitted a permanent COLA bill—#A6596/#S3781. It is much the same as last year but the cap has been raised from $10,500 to $12,000.

c. Another COLA bill—#A6241/#S3697—proposes a permanent, automatic adjustment of 100% of CPI with a $15,000 cap.

The latter COLA bill would provide greater benefits though it is more costly and with a serious budget gap facing New York City and State this is not a good climate.

(What a dilemma! It has taken seventy years to sell the concept of a permanent, automatic, indexed COLA in New York, and now, for the second consecutive year, we have two competing bills.)

II. Health Benefits

A package of health benefit bills has been introduced which deserves your attention. These three proposed measures—#A495, #A496 and #A674 would require New York State and other public employers to provide the same level of health benefits to retirees and their dependents as are enjoyed by active staff holding the same position(s) as the retiree on the effective date of his or her retirement. Also, credit for medicare premiums would be provided for some retirees and beneficiaries. These health benefit bills follow testimony before joint committees of the New York State Legislature during which information was presented respecting deficiencies in coverage as well as instances where former employers unilaterally reduced health benefits. Similar legislation passed both Assembly and Senate last year but Governor Cuomo vetoed the measures. Provisions which prompted the veto have been eliminated from the new bills.

Trenton

The Assembly currently has a proposed medicare assignment bill—#A4367—in the hopper which would cover 80% of medicare recipients in New Jersey. The remaining 20% would be screened out by an annual income test.

Washington

The House of Representatives is considering a bill—#HR917—to address the "Notch" issue. The Senate companion bill is #S567. The House bill includes the best features of many similar bills introduced in the last Congress and is believed to be the best balance of equity and cost. HR917, which has bipartisan support, would:

—increase Social Security retirement benefits for those born in the ten year period 1917 through 1926. The amount of increase would vary according to a formula which considers age and amount of "notch gap";

—cap maximum earnings used to calculate the new benefits at $29,700; and

—eliminate retroactive payment of benefits prior to initial entitlement.

If this legislation should become law it would partially offset the inequity created by the "Notch." Too, the amount of increase would be raised each year if CPI adjustments are granted. Unlike the NYS & LRS pensions, the compounding works for you with Social Security benefits.

Is This The Time?

Some people question the appropriateness of retirees seeking a COLA, or protected health benefits, or correction of the "Notch" inequity especially during a recessionary period. After all, these are hard times with tight budgets, curtailed state and municipal services, and even painful layoffs.

If that opinion is correct, when is the right time?

Q. *Is it when your hurting?*

A. Well New York State and Local Retirement System (NYSLRS) retirees already know about belt tightening—like 1976 retirees who received pension supplements totaling 13% while the cost-of-living rose by 125%.

Q. *Do you wait until health benefits have been threatened or even reduced?*

A. Some retirees from public service have already had employer contributions to health benefit plans reduced and retirees had to make up the difference.

Q. *Do you wait until times get better?*

A. Well during the twelve years 1979-1990 business began with a shrug then boomed, stock markets roared, pension fund assets fattened, and according to the New York State Comptroller, employer contributions to the NYSLRS were reduced to the tune of seven billion dollars. A very small fraction of that seven billion would have funded a permanent COLA.

With a track record like that it seems clear there is no right time, so why not now?

All the bills reported on provide important protection or improvements to retirement and health benefits for many of todays retirees and for active staff who are the retirees of tomorrow. And, despite the troubling economic scene, there is genuine concern on the part of some legislators and public officials. However, that recognition and concern must be translated into action and that's where you can make a difference. Your vigorous support of these legislative proposals is needed now and a hand written letter is a great way. Why not volunteer to help yourself?

NAMES AND ADDRESSES FOR YOUR READY REFERENCE

Bill numbers are provided elsewhere in the Newsletter.

New York

I. All New York Legislation

Honorable Mario Cuomo
Executive Chamber, NY State Capital
Albany, NY 12224
(Salutation: Dear Governor Cuomo)

Honorable Ralph Marino
Legislative Office Building
NY State Senate, Albany, NY 12247
(Salutation: Dear Mr. Marino)

Honorable Melvin Miller
Legislative Office Building
NY State Assembly, Albany, NY 12248
(Salutation: Dear Mr. Miller)

II. "Extender" and COLA Legislation

Honorable Caesar Trunzo
Legislative Office Building
NY State Senate, Albany, NY 12247
(Salutation: Dear Mr. Trunzo)

Honorable Joseph R. Lentol
Legislative Office Building
NY State Assembly, Albany, NY 12248
(Salutation: Dear. Mr. Lentol)

III. Health Benefits Legislation (package of bills)

Honorable Richard N. Gottfried
Legislative Office Building
NY State Assembly, Albany, NY 12248
(Salutation: Dear Mr. Gottfried)

New Jersey

Medicare Assignment Legislation

Honorable James J. Florio
State House
Trenton, NJ 08625
(Salutation: Dear Governor Florio)

Honorable (Senate and Assembly local representative)
NJ State Legislature
State House Annex, Trenton, NJ 08625
(Salutation: Dear Ms. or Dear Mr. ______)

Washington

"Notch" Legislation

Honorable (name of Senator[s])
United States Senate
Washington, DC 20510
(Salutation: Dear Ms. or Dear Mr. ______)

Honorable (name of local member of Congress)
House of Representatives
Washington, DC 20515
(Salutation: Dear Ms. or Dear Mr. ______)

For New York legislation: New York residents should also write their own representatives. Names can be obtained from the League of Women Voters or County Board of Elections.

☐ *To make your dream come true, you've got to wake up.*

ARTHUR LEVITT AWARD

The Alliance of Public Retirees' Organizations has selected two recipients for the 1991 Arthur Levitt Award. Senator Caesar Trunzo and Assemblyman Joseph R. Lentol will be honored for their outstanding service to employees and retirees over an extended period of time. Both have been in the forefront of every effort to improve the lot of those in public service and have extended themselves countless times initiating and pressing for needed legislative change. Presentation of the Arthur Levitt Award to these deserving recipients will be made at a luncheon on June 4, 1991 in Albany.

Health Care and Benefits

These days, it almost seems as if everytime you pick up a magazine or newspaper, or turn on the radio or television, someone is writing or saying something about the cost or availability of various aspects of health care. The interest is hardly surprising when you consider the graying of America. But what *is* surprising is the cost of this commodity. Twelve dollars out of every one hundred of the gross domestic product produced in the United States goes toward providing health care, and even this valiant effort is not enough. There are thirty-three million Americans who are uninsured and tens of millions whose coverage is so limited that they run the risk of financial ruin. Though it would not seem so, most of the uninsured are the working poor whose employers [illegible] or won't provide coverage, and who are unable to provide medical in[illegible]nce for themselves. Too, because medical costs continue to outpace inflation, health benefit plans and cost containment provisions sometimes instituted by employers and insurance carriers, it's easy to understand why the subject can cause apprehension even among those covered by a health benefit umbrella.

Realizing this concern, we felt we should present at the very least, a broad overview of the health benefits that the Port Authority provides for its retirees. We won't be able to be more specific, since the benefits you have can be a result of: your previous work classification, whether they were negotiated or a result of an annual increase, your date of retirement, or even a choice that you may have made as an active employee during an open enrollment period.

Nonetheless, what follows is the plan that generally covers most Port Authority retirees. If you are not sure of your coverage or have any health benefit questions you should call a Port Authority benefits representative at (212) 466-8078. Calls may be made collect.

Who is Covered

You, as a retiree, and your eligible dependents are covered with eligible dependents being defined as a spouse and/or unmarried children to the end of the calendar year in which they reach age 19. Provided certain criteria are met, children may continue under sponsored coverage (for certain classifications, contributions are required) until age 26.

What is Covered and When

Under Age 65:

1. *Blue Cross* provides hospitalization coverage which may include:

a. semi-private room
b. emergency room treatment
c. in-patient diagnostic testing
d. out-patient pre-surgical testing
e. blood handling fees

Some retirees may also be covered by Blue Cross for:

f. alcoholism rehabilitation at approved facilities up to 30 days in-patient, 30 days out-patient, twice in a lifetime
g. use of operating room on an out-patient basis
h. ambulatory surgery
i. home health care services
j. approved hospice care services

2. Prudential Basic/Surgical/Medical Plan
For most retirees, this plan provides 100% of reasonable and customary charges; anesthesia—20% of the associated surgical allowances; radiation therapy based on a schedule, up to $562 a year; in-hospital doctor visits of $4 per day up to the date of surgery.
3. Prudential Major Medical
After satisfying an annual deductible (based on your former classification and date of retirement) eligible major medical expenses incurred during a calendar year will be reimbursed at 80% of reasonable and customary fees for each individual. The maximum Major Medical benefit applies individually to each retiree and dependent. Also, with certain benefits, such as treatment of mental and nervous disorders, stipulated maximums apply. If you're not certain of your coverage, you should call a Port Authority benefits representative.

Over Age 65:

For retirees, at age 65, Medicare replaces the Blue Cross and Prudential Basic/Surgical Plan.

1. Medicare Program — This program begins for you and/or your spouse at age 65. You should consult with your Social Security office and be sure to enroll in both Parts A and B before your 65th birthday. Part A covers hospitalization. There is no charge for this coverage after retirement. Part B covers doctor, as well as many other "Major Medical type" services. A Medicare premium, usually deducted from your Social Security check, is required.
2. Port Authority Medicare Supplement Plan — This plan starts age 65 along with your Medicare benefits. It reimburses you or your spouse for any Part A Medicare deductibles and any Part B deductible resulting from a surgical fee.
3. Port Authority Prudential Major Medical Plan — Your Major Medical plan carries on unchanged at age 65. After the death of a retiree, the surviving spouse continues coverage for life, or until remarriage. *Note:* If you and/or your spouse travel outside the United States you should contact the Port Authority benefits section for information about obtaining reimbursement should medical services be rendered while traveling. Also, Medicare coverage does not apply outside the United States.

As you can see, our coverage is relatively broad. However, before we sit back smugly and congratulate ourselves on having all bases covered. let's look at what we don't have. Unless you are one of those fortunate enough (and affluent too) to have bought an individual plan, we don't have Long Term Care (LTC) insurance. Whether you're a young person just entering the job market, or a snowbird waiting for the sun, the need for this type of insurance is there. For the young person the need for LTC may be the result of an accident or disabling sickness while for the older person the impact of age is pretty well documented.

Until the last decade, the need for long-term care insurance was not felt to be urgent. Few insurance companies offered a plan and most of their policies left much to be desired. Most had many restrictions on custodial care which is the type of service most required. Today, the need for LTC has surfaced prominently. Over 100 insurance companies now offer long term care insurance, both on an individual basis and some on a group basis. However, individual plans are expensive.

Are there any other sources of relief? Short of very expensive individual long term care coverage, at this time there is no protection for this gap in health care. And while there is talk in Congress respecting improved health care incorporating LTC, it would appear we do not yet have a national consensus.

Since *Long Term Care* has become a pressing issue, if enough interest is shown, we'll give the subject additional attention at a later date.

□ ***"You can observe a lot by just watching."***
—Yogi Berra

STRAIGHT FROM THE SHOULDER

CANDID REPORTS ON YOUR ASSOCIATION

1. Two key additions to PARA were made in April when Al Gonseth and Merle Robb joined the team. Al has agreed to serve as PARA's representative to the Alliance of Public Retirees' Organizations in Albany and Merle Robb became a member of the board of directors. We welcome them both.

2. Jack Culla and Ted Johnson have agreed to complete an audit of PARA. This is the second time they have undertaken this task having completed an audit in February of last year.

3. The list of things to be accomplished always seems to be longer than can be done in the time available, but thanks to you we've been able to represent PARA members and keep them posted using funds from membership dues and contributions. And since we're dealing with association financial assets it seems appropriate to share with you related policies and procedures. Some examples:

—PARA's financial year spans twelve months beginning June 1 of each calendar year;
—An audit of association records is completed annually;
—Membership renewal notice is carried in the May Newsletter and dues are normally received shortly thereafter;
—Dues are credited as received and are always applied to the current fiscal year;
—Funds received in excess of annual dues are credited as a sponsor contribution. This practice appears to be in keeping with the intent of those generous people who submit them.

And while we're on the subject—we goofed! Last November we encoded a "Dues Reminder" message on selected mailing labels. In some instances the reminder message was sent to members whose dues were paid. Thanks to those who submitted copies of cancelled checks our records were corrected. Computers are only as good as we make them.

4. The Alliance of Public Retirees' Organizations met in Albany on six occasions since November '90 and PARA representatives were in attendance four times.

5. 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 World Trade Center, 61 East, New York, NY 10048.

— We're thinking of you.