Port Authority Retirees Association, Inc.
P.O. Box 331, Ship Bottom, NJ 08008-0212

NEWSLETTER NO. 10 MAY 1992

Membership Renewal: Annual membership renewal for June 1992 - May 1993 is due. Just use the remittance slip at the top of page 2. Legislation to protect retiree health benefits and to provide an indexed, permanent COLA are among the bills already submitted. Also, raiding pension funds continues to be a growing governmental practice and deserves your close scrutiny.

Legislative Program

The Alliance of Public Retiree Organizations 1992 legislative program includes:

- A package of three health benefit bills - #A495/#S7736, #A496/#S7737, and #A674 /#S7738 - which would require N.Y. State and other public employers to provide the same level of contributions for health insurance for retirees and their dependents as is provided for employees. Also, credit for medicare premiums would be provided for some retirees and their dependents. Mandating a "level playing field" respecting employer contributions for retirees and employees alike would avoid the potential for employers arbitrarily reducing retiree health insurance benefits;
- A COLA bill - #A6741/#S3697 - that would provide a permanent, automatic adjustment of pensions based upon the CPI. There would be no age requirement, no ceiling, nor would eligibility depend upon having been retired for a specified period. If approved, first adjustments would be effective January 1st, 1994 based upon changes in the CPI as of July 1993. The need for retroactive adjustments will be addressed in separate legislation;
- A supplemental bill - #A6586/#S1395 - provides, for the first time, adjustments for pensioners who retired in the years 1983 through 1987. Also, the bill provides increases in existing supplemental allowances. All proposed adjustments reflect changes in the CPI and establish a more appropriate "floor" for permanent, indexed pensions. This would, in part, recognize the absence of retroactive adjustments under the proposed permanent COLA bill. (See bill #A6741/#S3697 above.)

Previously retiree organizations acted independently on legislative matters or, occasionally, some organizations united on a specific goal. Often, however, opposing views could not be reconciled or different pension systems were involved and required broader legislative action. Much of this fragmented approach was fruitless. This time more than thirty organizations are joined in APRO, there is a single legislative program, and there are over 400,000 retirees and their supporters that can speak with one voice.

There is philosophical support among many members of the legislature for COLA/Supplementation though the current budget crisis makes favorable action at this time very difficult. Nevertheless nothing is ever achieved without trying. Certainly retirees have legitimate needs to remind legislators about, like: 1976 retirees who now receive a 13% supplement to cover costs that have increased 130%; or retirees from 1983 and after who receive nothing. Further illustrations are easy to cite but you know your situation best.

Prospects appear better for the health benefits package which can be implemented with little or no cost except for a few employers who already have arbitrarily reduced contributions for retiree health benefits. N.Y. State and the great majority of political subdivisions already provide the same level of employer contributions for employees and retirees.

Clearly some form of COLA and protection of health benefits are important and the impact of 400,000 plus can make the difference. But it must be used this election year! Try your hand - by letter, or your feet with a personal visit. Names and addresses of legislative leaders are listed on page 3.

You cannot plough a field by turning it over in your mind. -Anonymous

Port Authority Retirees Association, Inc.

P.O. Box 331, Ship Bottom, NJ 08008-0212

Please print or type:

Check ✓
☐ Active
☐ Retired ____ Year

____
Last Name First

____
Address Town State Zip

CHECK ✓:

☐ Enclosed is $5.00 Annual Membership Dues (June 1992 through May 1993)

☐ Enclosed is $______. I would like to contribute as a sponsor. Receipts in excess of annual dues are credited as sponsor contributions.

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.

APRO ACTIONS

Alan Gonseth

Newly elected officers were installed at the January meeting of APRO and a number of steps taken since then. Committees have been formed, reports prepared, position papers developed, meetings with legislators held, and a genuine enthusiasm has emerged that APRO will make a significant difference to its combined membership.

The reasons for this major breakthrough seem related to two primary factors. First the years of experience gained as an ad-hoc group eventually wore away the initial wariness that individual organization goals would be sublimated in such a large coalition. When such concerns finally subsided and the active organizations fully recognized the "strength in numbers" that APRO offered, the formal development of a coalition was the only clear choice. The second major factor was the strong leadership provided by the initial slate of officers. They are:

- President: Edward F. Curran, of Mineola, N.Y. Mr. Curran is the Legislative Representative and Trustee of the Retired Police Association of the State of New York. He retired from the Nassau County Police Department as First Deputy Commissioner and is a Past President of the New York State Association of Chiefs of Police.
- Vice-President: Sidney Smerznak, of Colonie, N.Y. Mr. Smerznak is President and Past Executive Director of the Retired Public Employees Association.
- Secretary: Robert E. Smith, of Syracuse, N.Y. Mr. Smith is President of the United Police and Fire Retirees Association of New York.
- Treasurer: Gordon C. Perry, of Clifton Park, N.Y Mr. Perry is the Executive Director of the Retired Public Employees Association.

In the few short months since the formal structuring of APRO there have been meetings of the elected leadership with Comptroller Regan, with the joint legislative committee of the Police Conference of New York, with the Metropolitan Police Conference, with Saul Weprin, Speaker of the Assembly, with Senator Trunzo and among key members of APRO responsible for drafting position papers. Also, a 1992 legislative program has been developed and submitted.

Some of the outreach activities of APRO involve having sent Press Releases to legislators, public officials, and the media. The releases were sent to 400 daily and weekly newspapers, radio and television stations.

Arthur Levitt Award

APRO has selected Al Abrams as the recipient of the 1992 Arthur Levitt Award. Mr. Abrams will be honored for his exceptional service over an extended period to public service employees and retirees. Among his many accomplishments he served as Secretary to the New York State Senate for more than ten years and spearheaded the effort to bring the Alliance into being. He served as APRO Chairman from 1985 to 1991. Presentation of the Arthur Levitt Award will be made on June 2nd 1992 in Albany.

Legislative Leaders

Honorable Mario Cuomo
Executive Chamber
Albany, NY 12224

Honorable Ralph Marino
Legislative Office Building
NY State Senate
Albany, NY 12247

Honorable Caesar Trunzo, Chairman
Committee on Civil Service & Pensions
Legislative Office Building
NY State Senate
Albany, NY 12247

Honorable Saul Weprin, Speaker
Legislative Office Building
NY State Assembly
Albany, NY 12248

Honorable Helene Weinstein, Chairman
Committee on Governmental Employees
Legislative Office Building
NY State Assembly
Albany, NY 12248

Also, New York State residents are urged to write their own representatives. Names can be obtained from County Board of Elections.

Whose Money is it Anyway?

Clay Peavey

Headlines such as "The Great Pension Robbery" and the "Great Pension Raid", as they appeared in recent issues of Fortune and Barron's respectively, are indeed "grabbers" for us. The articles following those startling headings chronicle efforts by state governments across the U.S. to manipulate public pension funds for other than their original purpose. Given the reliability of those respected publications, it is time to raise again the question: "Whose money is it anyway?" That question is quickly followed by an equally important query: "What will these 'raids' on pension funds do to efforts by retiree groups to protect the purchasing power of their membership?"

Let us start at the beginning. As state and local revenue collections declined as a result of the current recession, elected officials cast covetous eyes at any source of funds that could reduce state and local fiscal problems. Obviously, they aspire to make up shortfalls without exposing their political flanks by raising taxes. What better place to look for a bail out than public pension funds, with their multi-billion dollar asset bases. That those assets are needed to provide the hard earned retirement benefits of present and future retirees can easily be overlooked by elected officials desperate for a painless "quick-fix".

The violation of pension fund sanctity has taken several forms. The most efficient way to tap into pension funds is to reduce employer contributions. The employer, for instance the State of New York, will then have these funds available for other purposes. It achieves for the employer what a reduction in mortgage rate or rent would do for an individual.

The simplest approach, but also the most visible, is legislative action to change the procedures by which employer contributions are determined. A second method involves revising the complex assumptions for funding future requirements, i.e. retiree benefits. This method of dipping into the pension "honey pot" has the advantages that it can be implemented without legislative action and is unlikely to generate much media understanding or attention.

Such changed assumptions can have an enormous impact on fund balances and thus on required employer contributions. For example, our own NYSLRS changed the assumed rate of return on invested pension funds in January 1989 from 8% to 8.75%. This small change permitted employer savings of $650,000,000 - about half for NYS itself and the balance for other participating employers. The employer contribution rate - expressed as a percent of total payroll - dropped to 5%, down from about 22% in 1979.

From our point of view, the assets of the NYSLRS are $650,000,000 less than they would have been without this changed assumption. Eventually, should the 8.75% rate of return not increase as forecast, this amount will need to be made up in some way - either through increased taxes or reduced retirement benefits. If the new rate of return is, in fact, realized, the benefit of additional revenues generated by invested pension funds will have been already passed on to participating employers through reduced contributions.

New York State, which is certainly leading the nation in pension fund "grabbing", has carried this game to a new high (or low). In 1990, the State legislature enacted a law which revised the entire basis on which state pensions are funded. the new "Projected Unit Credit" (PUC) method replaced the "aggregate cost method" which had been used exclusively since the fund was initiated seventy years ago. The result was that in 1990 & 1991, employers did not need to make any contributions to NYSLRS. Zero!

It is widely accepted that the new method will be more costly in the long run. An outside consultant is quoted as stating: "over the next 30 years, the PUC cost method will transfer costs from current to future generations of tax payers". This is apparently of little concern to elected officials running for office now. They are fully prepared to let future generations carry that burden.

As noted above, the benefit of all these manipulations is a lessened demand for current cash outlay. The value of reduced pension contributions is, therefore, available to lessen the gap between forecast revenues and desired budget allocations. Thus, in a very real sense, pension funds are being used to subsidize other governmental activities. It can even be argued that funds originally established to give public employees retirement security are being used as a substitute for general tax revenues.

New York State is also approaching "The Great Pension Robbery" from another direction. In 1989, a gubernatorial Task Force on Pension Fund Investment recommended investment of pension funds in a variety of State sponsored capital projects. These so called "economically targeted investments" might include publicly subsidized housing, start-up industries and other social/economic development projects.

These are, of course, the very funds from which public service retirees receive their retirement allowances. The Retired Public Employees Association (RPEA) convened a Study Committee to review the Gubernatorial Task Force report, which, incidentally, was prepared without input from any retiree group.

The RPEA response pointed out these public retirement systems were created by law for the sole benefit of active employee members, retirees and their beneficiaries. The Task Force, says RPEA "seeks to create an additional group of beneficiaries, i.e., various elements of the State's economy". In perhaps the most pointed comment in its report, the Study Committee observed:

> "If the recommendations of this report were adopted, a new financial standard governing pension fund investing ('optimizing' in lieu of 'maximizing') would be sanctioning an overall lower rate of return, higher risk investments or both. Since the investments and the earnings on the investments were generated exclusively to pay retirement allowances, such investment strategy may well be placing the monies at greater risk; and, thereby, may well be deemed to have 'diminished and impaired' retirement benefits."

The debate on this issue goes on. The Governor is continuing to press for implementation of his Task Force's recommendations. Retiree groups remain vigilant and prepared to resist a further watering down of the soundness of retirement system investments.

It is obvious that these various threats to pension systems solvency will have an adverse impact on efforts to maintain retiree purchasing power. If, in the future, State government needs to be concerned about the ability of the pension systems to pay retirement benefits, they will hardly be receptive to proposals to add new benefits needed to keep the income of retirees from being totally ravaged by inflation. This is a most serious concern for all of us, both retirees and public employees.

Never ask of money spent
Where the spender thinks it went.
Robert Frost

Is The Issue Sharing?

Diverting public pension funds to questionable ends is a nation wide problem but we've focused attention on these practices in New York because that's where our money is. Other states propose similar plans or have already gone this route, New Jersey and California being examples. However, both of these states and more than two dozen others also provide automatic COLAs for their retirees. As an example, the following table compares pension increases granted under the New Jersey automatic COLA, which is based on 60% of CPI, with the NYSLRS ad-hoc supplementation.

N. J. COLA vs N. Y. "Supp."

Retirement Year	N.J. State Retiree	NYSLRS Retiree
1970	144.6%	31.8%
1975	87.5%	15.5%
1980	36.2%	4.1%
1985	14.6%	0
1990	1.8%	0

Note: 1970 NYSLRS retirees waited eleven years for their first supplement which increased their pensions approximately 4%. The New Jersey 1970 retiree waited two years before their automatic COLA began and by the eleventh year their pensions had increased by 60%.

If the NYSLRS has excess contributions as some maintain why not use some of it to fund a permanent, automatic COLA? We could call it "sharing".

Straight From the Shoulder

1. We're delighted to welcome Clay Peavey to the PARA team. Clay is working with Al Gonseth as a PARA representative to APRO in Albany. Too, Clay authored the feature article on abuse of pension funds carried in this Newsletter.
2. Once again we extend an invitation to active Port Authority staff to join PARA. To communicate the invitation this issue of the Newsletter is being sent to a target group of Port Authority employees approaching or having already reached retirement age. We believe it's important for all members of the NYSLRS to be informed on changes which impact their retirement benefits and to take an active part in protecting and shaping them. While PARA already has a large number of active staff represented, new faces increase our membership base, assist in offsetting association expenses, and garner greater recognition in Albany where the name of the game is clout.
3. Our address has changed! PARA has taken a new post office box in Ship Bottom, N.J. The new address is shown on the front of the Newsletter and on the membership renewal form at the top of page 2. The old address will be continued for a transitional period.
4. APRO met on five occasions since November 1991 and PARA representatives were in attendance. Also Al Gonseth and Clay Peavey have participated in Alliance Legislative Committee meetings.
5. Keep us posted on name and/or address changes. Also, correct names and addresses should be reported to the Port Authority of N.Y. and N.J., Compensation and Benefits Division, Human Resources Department, 1 WTC 61 East, New York, N.Y. 10048
6. Sources of Help:
   P. A. Benefits - call collect (212) 435-8078
   Retirement System (518) 474-7736

   - We're thinking of you.