March 2014 Issue 8
Academic Year 2013-2014

Retirees Newsletter

Professional Staff Congress
Jack Judd, Editor psc-cuny.org/retirees

I. THE APRIL MONTHLY MEETING:

The April 7 chapter meeting will be held at 61 Broadway, 16th floor, in the PSC Union Hall from 1-3 PM. The featured speakers will be Connie M. Razza, director of strategic research at the Center for Popular Democracy and Tony Perlstein, the Center's campaigns co-director.

They will address how our public pension funds, rather than outsourcing to Wall Street firms, can save hundreds of millions of dollars by switching to in-house financial management. Razza recently made the case for in-house management in a New York Times piece that you can read at http://tinyurl.com/CMRazza.

The Executive Committee will meet at 61 Broadway from 10:30 AM - 12:00 PM in the Justice Room on the 15th floor. Anyone interested is invited to attend.

II. PENSION THEFT AND THE URGENCY OF DEFENDING AND EXPANDING PENSIONS FOR ALL WORKING PEOPLE. *Vice-Chairman Joel Berger has prepared the following summary of remarks made by our guest speaker at the March meeting:*

"From the city workers in Detroit to the machinists at Boeing, union members are experiencing an unprecedented assault on their traditional pensions," asserted Mark Brenner, co-director of *Labor Notes* and former professor of economics at UMass, Amherst, at the March chapter meeting. Expanding on this theme, Brenner described the situation in Detroit. He noted that Detroit retirees receive an average yearly pension of $19,213 and that pension obligations represent only 20% of Detroit's debt. The Michigan

State Constitution prohibits changes to pensions. Yet, a legal challenge to the Constitution was successful because Detroit declared bankruptcy, and a judge ruled that pensions had to be reduced.

In the private sector, at Boeing, workers accepted a contract that will terminate their traditional defined-benefit pension plan in 2016 and convert the plan into a 401(k). Succumbing to great pressure from their international union and company threats to move production to another state, the workers narrowly approved the change during a recent renegotiation of their existing contract.

In New York State, a Tier 6 in the pension plans was established for new hires, resulting in "a massive reduction" in pensions, according to Brenner. In Tier 6, the age of retirement is 65, employees pay increased contributions in to their pensions, and the last 5 years of a public employee's service are averaged to determine the amount of their pension benefit. Those in Tier 6 can expect to receive a pension equivalent to only 50% of their Final Average Salary compared to 60% of Final Average Salary for workers in Tier 5.

"Why is this happening? What are you hearing on TV? What do the pundits say about your pensions?" Brenner asked. "The story line that everybody from Washington to Wall Street is peddling is that union workers make too much money—that public sector pensions are breaking the bank."

Brenner identifies the anti-public worker strategy as a way of "taking the people who have nothing and pitting them against those who have a little, so that the folks who have it all can scurry right out of the limelight." The traditional three-legged stool for retirement (individual savings, pensions, and Social Security) has been whittled away. The individual savings rate fell to near zero in recent years because wages have been stagnant. In real-dollar terms, salaries were higher in 1973. Workers are drawing on their savings, and going into debt.

Considering pensions, in 1983 about 60% of the workforce had access to a defined-benefit pension plan, with 10% in defined-contribution plans. Today 55% of workers have no pensions, 33% are enrolled in 401k-type defined-contribution plans and only 14% have defined-benefit pension plans.

With so few workers receiving pensions and public sector workers set up as scapegoats, it's no wonder that "why-should-they-get-a-pension-if-you-don't" arguments resonate so well with so many workers. Many hold similar views about the health care benefits and salaries of public workers, too. The task of changing these beliefs is the most important political challenge facing public sector labor unions today.

Many pension programs, both in the private and public sectors, are underfunded. In New Jersey, for the last 15 years, insufficient funds were allocated for public pensions. New Jersey's pension system is only 55% funded. The pension fund at St. Vincent's Hospital in New York was funded at 54% when it closed. The hospital workers' pensions were then capped. When United Airlines went into bankruptcy 10 years ago, the pilots lost up to 70% of their pension benefits. Corporations recorded paper profits on their pension investments, and did not contribute to pension funds properly. Yet the corporations raised dividends to their shareholders. Similarly, many states have not contributed properly to their pension funds in recent years, and some have chosen to cut taxes rather than fulfill their pension obligations.

"The arithmetic is not in our favor," Brenner said. It is easy for conservative politicians to oppose any increase in taxes to support "already cushy college professors and their pensions." As "we live in the richest country in humankind," our challenge is how to assure that every worker has a living wage. Fast food workers are taking action to change what people think is possible in terms of the minimum wage. The minimum wage is now being increased in many parts of the country because of their organizing.

"We need to do the same thing around taxes. In 1945, corporations paid 1/3 of all tax receipts. Today they pay 8%. In New York State, if you make $15,000 you pay 11% of your income in city and state taxes. If you make a million dollars, you pay only 6% of your income. There is an opening in New York politics to start raising questions about the tax structure," Brenner concluded. The PSC must join with students and parents to make the case that the money is there, and work to "change the story line" and to "turn things around."

III. SOCIAL SECURITY NEWS

Corinda Crossdale, acting director of the New York State Office for the Aging, recently published a letter that may be of some interest to PSC retirees.

Dear Friends,
The Social Security Administration (SSA) has decided to delay implementation of some key service changes until later in 2014. Beginning August 2014, the SSA will no longer issue Social Security Number (SSN) printouts in their field offices. People who need proof of their SSN and who cannot locate their SSN card will need to apply for

a replacement card. Beginning October 2014, SSA field offices will stop providing benefit verification letters, except in emergency situations. Proof of Social Security and/or Supplemental Security Income (SSI) is available to most beneficiaries by registering for their personal **MY Social Security** account online at www.socialsecurity.gov/myaccount, or by calling the national, toll-free number, 1-800-772-1213…. [*Editor's note: the rest of the letter is relevant to pension funds and employers, not to individual retirees.*]
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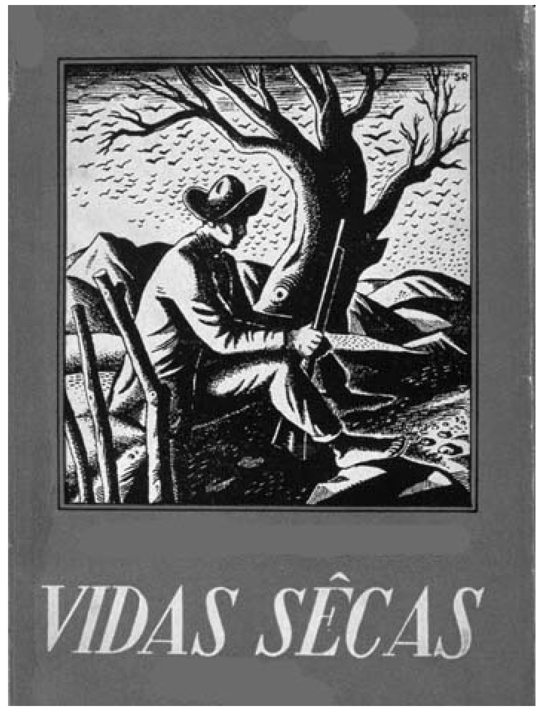
Thanks so much.
Corinda Crossdale, Acting Director
New York State Office for the Aging: 518-474-4425

IV. LETTERS FROM OUR READERS

It is encouraging to know that we have a wide readership extending from ocean to ocean. Retiree Harvey F. Carroll (Kingsborough Community College) resides in Lake Forest Park, Washington. The notice in the February issue about Labor Goes to the Movies showing a documentary on Hannah Arendt, elicited these comments from him:

"Read your latest retirees newsletter with interest. About the showing of the movie about Hannah Arendt – this reminded me of the time I was a grad student in chemistry at Cornell in the 1960s and heard that she was giving a course on Modern Political Theory: From Machiavelli to Marx.... She flew in from Chicago each week to give her lectures…. She was most fascinating. She spoke as if she knew her subjects personally, with great wit and an incredible depth of knowledge."

V. LABOR GOES TO THE MOVIES PRESENTS VIDAS SECAS—FRIDAY, APRIL 11



The PSC's film series continues with a screening of *Vidas Secas* (Brazil, Pereira dos Santos, 1963) on Friday, April 11, 6 PM, PSC Union Hall, 16th floor, 61 Broadway. The theme for this year's series is "work." An exemplar of Cinema Novo, the 1960s Latin American film movement focusing on the economic and political conditions of the poor, *Vidas Secas* explores the theme by showing the desperate struggle for life of skilled but landless peasants in the drought-ridden northeast of Brazil. After trudging through an austere landscape, the father is hired as a cowhand, and the family

dreams of more, but they suffer exploitation at the hands of the landowner and the law.
Speaker: Prof. Matilde Zimmerman teaches Latin American history at Sarah Lawrence College. She is the author of *Sandinista: Carlos Fonseca and the Nicaraguan Revolution* (Duke, 2000).
Doors open at 6 PM. Light refreshments provided.

VI. REPORT: LEVERAGING NEW YORK'S FINANCIAL POWER TO COMBAT INEQUALITY

The Center for Popular Democracy has proposed a way to save the City hundreds of millions of dollars per year in a report, "One New York for All of Us: Leveraging New York's Financial Power to Combat Inequity." (Read the report online: http://bit.ly/18kfqkz.) Connie Razza, lead author of the report and Director of Strategic Research Initiatives at the Center for Popular Democracy, will be the guest speaker at the chapter's April meeting. Tony Perlstein, the Center's campaigns co-director, will also speak.

By using its huge financial leverage to renegotiate the terms of existing financial services agreements, holding Wall St. fully accountable for fraud, and creating an in-house financial management team for pension fund assets and bond deals, the Center believes the City could save more than $750 million a year. "We spend a ton of money with [Wall Street Banks], and we should use that clout," said Connie Razza. "The city and its related authorities have powerful financial leverage and economic power to demand short, medium and long-term changes from Wall Street that will save money for taxpayers, bring in more revenue for essential city services, and move new investments and new jobs into our neighborhoods and small businesses." The report, released with support from the New Day New York Coalition, calls for sweeping solutions. The in-house management team is particularly appealing. The report says: "Even with salaries high enough to attract top quality managers, the city would not pay the typical '2 percent of assets under management, plus 20 percent of profits' that hedge funds, private-equity firms and real-estate firms typically charge." The profit motive of in-house managers would be fully aligned with the needs of city employees and in-house managers would be better situated to ensure that investments are financially responsible, and that they contribute to the city's broader economy and the funds' bottom line. Managing bonds and pension assets internally could save the city and the MTA $490 million in fees to banks, according to the report.

As significant a change as this would be, insourcing of financial management is an idea that the city's former chief investment officer has advocated, and that incoming city comptroller Scott Stringer has expressed interest in. Also, pension funds in Alaska, California, Wisconsin and Ontario, Canada, already do it, to varying degrees. (All of these state funds also rely on outside managers for some of their investments). Insourcing much of the pension investment management would also give the city funds meaningful leverage when working with outside management firms.

Building an internal capacity to manage the pension fund assets of city workers is an important step toward rebalancing the city's relationship with Wall Street.

Address any comments and items for future Newsletters to: Jacob Judd at jjudd18@optonline.net.