RETIREES CHAPTER

PROFESSIONAL STAFF CONGRESS/CITY UNIVERSITY OF NEW YORK
61 BROADWAY, 15TH FLOOR, NEW YORK, NEW YORK 10006 (212)354-1252

January 17, 2012

To: All Members of the Retirees Chapter

Re: Meeting Notice

The next meeting of the Retirees Chapter of the PSC will be held on **Monday, February 6th** at the **PSC Office, 61 Broadway,** between Rector Street and Exchange Place, **16th floor**, from **1:00 to 3:00 p.m.** Photo ID is necessary to enter the building.

This month's topic will be **"New Perspectives on Malcolm X"**.

The **Executive Committee** of the Retirees Chapter will meet at the PSC Office, 61 Broadway, **14th floor, at 10:30 am**. Anyone interested is invited to attend.

Dear Retiree:

*The **Newsletter** is being distributed this month in two ways: Either by snail mail, or through E-Mail addresses. If you receive this message in your E-Mail box, then all you need do is open the Retiree Chapter link in the PSC website to access the October issue. For those who have not as yet provided the PSC with an internet address, you will continue to obtain the **Newsletter** by mail.*

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PSC/CUNY
Professional Staff Congress
AFT LOCAL #2334

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Academic Year 2011-2012

Retirees Newsletter

Professional Staff Congress
Jack Judd, Editor

I. A MAJOR CHANGE IN THE PSC/CUNY WELFARE FUND'S PRESCRIPTION DRUG PROGRAM

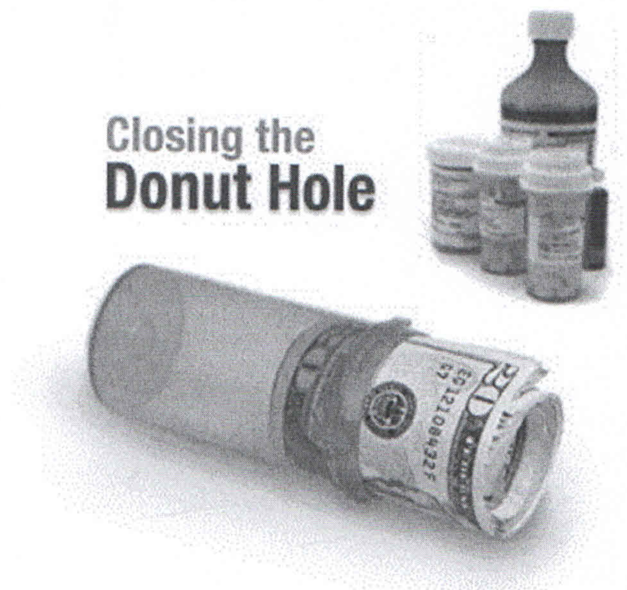
The following summary of Larry Morgan's comments made at the December 5th Chapter meeting was prepared by Vice-Chairman Joel Berger, with additional information added by Larry Morgan, WF Executive Director, and Patrick Smith, WF Director of Communications.

Medco and Medicare to Join Forces; Drug Welfare Fund Benefits Improve

Taking advantage of the upgrades that have been put into Medicare, Larry Morgan, Executive Director of the PSC-CUNY Welfare Fund, announced that all retirees covered by Medicare currently enrolled in the Medco prescription drug plan will automatically be enrolled in the Medicare Part D drug program.

The joint Medicare-Medco program will allow the Fund to "fill in where Medicare is not quite good enough yet. It's called the wrap-around program". The new Medco cards that members will receive are essentially the same as the old ones; but they will also have the name Medicare on them. The cards are to be used in the same way as before.

Although "Convoluted, complicated letters and explanations of benefits" may confuse some members, Larry reassured the Chapter members that, it is the same program as we

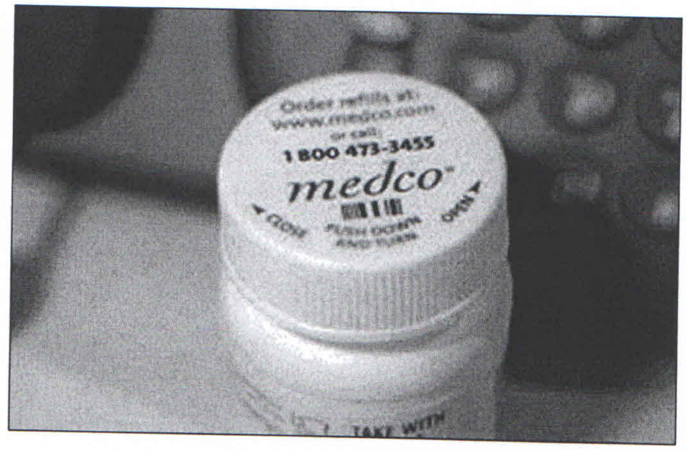


Now have, only that it will cost the fund, as well as most members, less money.

Under the new plan, the $10,000 annual limit is eliminated. The $50 deductible at the beginning of the year for retiree members is also eliminated. If a member hits approximately $8,000 in drug costs during the year, the prescription drug co-payment drops from 20% down to 5% There will be no "coverage gap," or so-called "doughnut hole" under the combined plan for PSC members.

Under the combined plan, the Welfare Fund provides the prescription drug coverage. Medicare Part D pays a portion of the drug costs, and the Welfare Fund makes up the difference so the benefit has the same value as before the Medicare partnership. Retirees' dependents will continue to be covered.

A relatively small portion of participants may be affected by IRMAA [Income Related Monthly Adjustment Amount], a surcharge tied to a participant's annual income. Medicare retirees with Part B (Medical Insurance) are already familiar with IRMAA. Those with incomes over a certain level are charged an amount over the base premium. With Part B, the employer (NY City) has always reimbursed the premium for retiree and spouse as well as the Part B IRMAA surcharge.



For enrollees in the Medco-Medicare Part D prescription drug plan there is no premium . (The premium is paid by the Welfare Fund.) An IRMAA surcharge on the Medicare Part D drug plan has been in effect since 2011.

The IRMAA surcharge applies to a retiree with an Adjusted Gross Income (AGI) on the prior year's tax Form 1040 above $85,000 (or $170,000 if married and filing jointly). The size of the surcharge on those affected is tiered. (See chart below.)

The IRMAA surcharge (and only for those affected) is automatically deducted from monthly Social Security checks. Members – especially those who are newly retired – should be aware that the AGI used to calculate the surcharge is based on the prior year, but the surcharge should reflect current year income. If there has been a significant year-to-year change in income, because income as a retiree is less than income as an active employee, for example, there is an appeal procedure, found at www.Medicare.gov.

Individuals	Couples	Surcharge / Mo.
$85,000 and under	$170,000 and under	$0
$85,001 - $107,000	$170,001 - $214,000	$12
$107,001 - $160,000	$214,001 - $320,000	$31
$160,001 - $214,000	$320,001 - $428,000	$50
Above $214,000	Above $428,000	$69

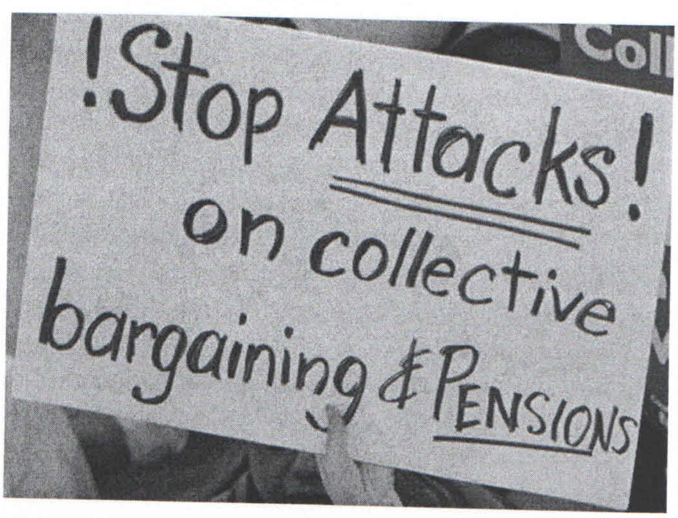
During the past year the Welfare Fund was able to recoup $3 million (as a subsidy through Medicare) out of the $11 million the Fund spent on Medicare-eligible retiree drugs. Next year, the Welfare Fund should be able to recoup even more money. These recouped funds will be used to stabilize the prescription drug benefit now and in the future.

II. LEADERSHIP COMMENTARY. This month, the Leadership Commentary is provided by Retiree Chairman Emeritus Irwin Yellowitz.

Public Pensions 101

Irwin Yellowitz, President, NYSUT Retiree Councils 37-38, iyellowitz@aol.com; phone through PSC office, 212-354-1252.

Pensions for workers in the public sector, including our pensions as retired faculty and staff of CUNY, have come under strong attack. Those who attack pensions for public sector workers try to create an image of an overly generous, desperately underfunded system that unfairly taxes the general public to provide fat cat public employees with pensions. Much of this is nothing more than political rhetoric, but to those who know little about public sector pension programs, it can be believable. Based on information from NYSUT, and some observations of my own, I have prepared these basic points so you will have the facts to counter the wild claims of those who would tear down public sector pensions.



1. State and local government pensions are not paid out of the operating revenues, but out of trust funds that have contributions from employees and employers, plus investment income. Nationally, the portion of state and local government spending devoted to retirement system contributions is less than 3%. This is hardly the crushing tax burden depicted by those who would slash public pensions.

2. The investments by public pension funds provide a significant part of their total assets, and over the long term the actual investment results nationally have exceeded the assumed results by a significant margin. The better the investment results, the less the need for increases in contributions. The unfavorable investment situation over the last three years has reduced returns to public pension funds, and put pressure on employers and employees to contribute more. For example, the recent decline in investment returns has led to an increase in government as employer contributions nationally, which average about 5 percent. This situation will not necessarily continue.

3. Pensions are based on the wages and salaries earned by employees during their years in the public sector plus their years of service. They are hardly overly generous. The figures from New York State Comptroller Thomas DiNapoli provide an example for New York State employees. The average annual pension for state retirees is just over $19,000; 76% of retired state workers receive less than $30,000 per year; and one in five New York State government pensioners, which totals 70,000 retirees, receive less than $5,000 annually.

4. Public pension funds can meet their obligations to current retirees, and many are secure for future payments. However, in some highly publicized cases, there is a projected underfunding over the long term. The problem developed because government did not make contributions as called for by the actuarial requirements of the pension plans, and investment income has dropped in recent years. This has created gaps between anticipated resources and expected pension costs. Opponents would slash benefit levels as a major part of the solution, but in most cases pensions can be preserved by modest

increases in contributions by government as the employer.

5. Pension dollars are spent not saved. Thus spending by pension recipients helps the economy nationally and at the state and local levels. Nationally, more than 90% of those who retire do so in the same jurisdiction in which they worked. Thus the employer contributions ultimately return as expenditures in the same locality.

6. Pension payments are part of the total compensation of employees. In the public sector, more liberal pension benefits often have been part of a compensation package that included lower wages and salaries than would have been received if pension benefits had been lower. Thus it is not correct to assume that pension costs are a pure add on; in fact they often have been offset, in part, by lower wage and salary costs.

Status of New York City's Five Public Pension Funds – FY 2011: The following Report was prepared by Warren Lewis of COMRO, and PSC Retiree Chairman Emeritus Lawrence Kaplan.

For the Fiscal Year ending June 30, 2011 (FY '11), New York City's five public pension funds paid $11.2 billion in benefits to 280,586 retirees and beneficiaries, an increase of $0.6 billion over the amount paid in FY '10. See Table 1.

The value of the funds' net assets increased from $90.0 billion for FY'10 to $111.0 billion in FY '11, an increase of $21.0 billion or 23.3 %. This compares to the increase in assets from $79.5 billion in FY'09 to $90.0 in FY'10 (+13.2%).

The revenues of all five pension funds increased in FY'11 to $32,292.8 million from a $21,144.2 million for FY '10, due mainly to the increase in investment income.

Active contributing members in the five funds totaled 365,630 for FY'11, and a decrease of 4,158 active members from the 369,788 in FY '10.

We conclude once again that the City's pension systems are fully funded and remain in sound financial condition.

Table 1
The City of New York
Five Public Pension Funds, Fiscal Year Ending June 30, 2011

Pension Fund	Net Assets ($ Billions)	Active Members	Retirees Receiving Benefits	Benefit Payments ($ Millions)	Revenues a/ ($ Millions)
ERS	$42.4	184,982	132,487	$3,631.9	$10,657.1
TRS	33.6	111,647	72,356	4,370.2	11,573.4
BERS	2.3	23,324	13,969	195.1	732.9
POLICE	24.7	34,597	44,634	2,065.3	6,829.0
FIRE	8.0	11,080	17,140	983.5	2,500.4
TOTAL	$111.0	365,630	280,586	$11,246.0	$32,292.8

a/ Revenue sources include members contributions, employer contributions and investment income.

Source: The City of New York, Comprehensive Annual Financial Report of the Comptroller for the Fiscal Year Ended June 30, 2011.
John Liu, Comptroller

L. Kaplan and Warren Lewis November 2011

III. CAN PENSION FUNDS BE TAXED BY NYS?

This question was posed in a Topics column of **The Chief**. This is a reply made to that query.

To the Editor:

The "Current Pension Topics" column by Joel Frank in the Dec. 6 edition gives an incomplete answer to the question: "Are New York State public-employee pensions protected by the state Constitution?" The correct answer is: **All salaries, wages and other compensation, except pensions, paid to officers and employees of the state and its subdivisions and agencies shall be subject to taxation, according to Article XVI Sec. 5 of the NYS Constitution. Therefore, public pensions are NOT subject to state taxation.**

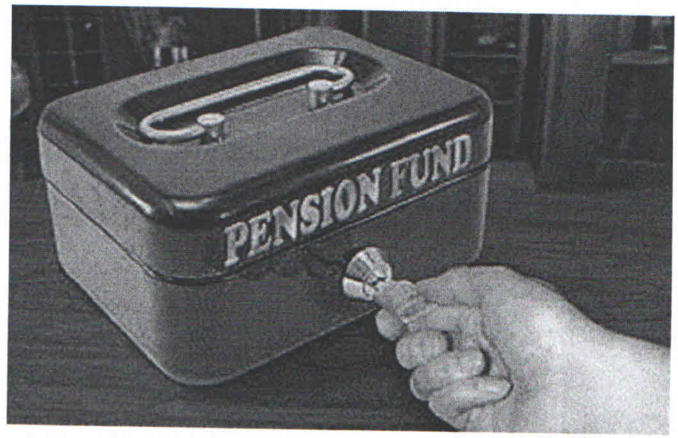
You would have to repeal that section before you could look at the impairment clause for an answer, and even then the "contract" in effect at the time the benefits were granted would likely be upheld once again under the Contract Clause of the U.S. Constitution.

So the simple answer is YES, the public-employee tax exemption is protected by the State Constitution.

BRUCE MARKOWITZ, December 13, 2011.

IV. CAN RETIREE PENSIONS BE CUT FOR THOSE ALREADY IN RETIREMENT?

For those who constantly worry about possible slashes to their existing pensions, an interesting article appeared in **The New York Times** on December 20, under the heading: **"Cuts For The Already Retired."** You can find the article on the Times website at:



http://www.nytimes.com/2011/12/20/business/pension-deal-in-rhode-island-could-set-a-trend.html?_r=1&scp=1&sq=%E2%80%9CCuts%20For%20The%20Already%20Retired.%E2%80%9D%20&st=cse)

The article reported on Central Falls, Rhode Island, a community in the midst of a bankruptcy procedure wherein retiree police and fire fighters agreed to take substantial cuts in their pensions. As you can see from the Public Pension article written by Irwin Yellowitz, and the Report of the Five NYC public pension funds, we are not Central Falls, R.I.

V. RECEIPT OF A DEATH NOTICE:

Retiree Mary C. Sullivan has reported that Florence J. Bloch died at the age of 95 on October 4, 2011. Upon retiring from her administrative duties at the Graduate Center as Director of Financial Aid, Bloch joined the Retirees Chapter in 1981. Contributions in her memory may be made to the Graduate Center Foundation.

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