



[Handwritten signature] 5

Retired Public Employees Association, Inc.

435 NEW KARNER ROAD • ALBANY, NY 12205 • (518) 869-2542 • FAX (518) 869-0631 e-mail: mail@rpea.org
Stanley Winter, President Alan Dorn, Executive Director

Testimony of Alan Dorn, Executive Director

Of the

Retired Public Employees Association, Inc.

At the

**Joint Public Hearing of the Senate Finance and
Assembly Ways and Means Committees**

On Workforce Issues

In the

2012-2013 Executive Budget Proposal

January 25, 2012

Chairmen DeFrancisco and Farrell, members of the Senate Finance and Assembly Ways and Means Committees, other interested Senate and Assembly members, fellow public servants and fellow taxpayers.

My name is Alan Dorn and I am the Executive Director of the Retired Public Employees (RPEA) Association. Accompanying me is Tony Cantore, RPEA's Legislative Representative. I am testifying today to present the views of RPEA's approximately 40,000 members and their dependents with respect to State fiscal policies that are hurting State retirees.

RPEA is a non-profit association organized to promote and protect the interests of retired State and local municipal employees including retired members of the Legislature, Judiciary and their staffs. In fact, unlike the public employee labor unions our sole purpose is to represent only public service retirees!

We have 19 local Chapters which are run by a volunteer Board of Directors, Chapter officers, and Committee members and each Chapter has a Community Lobby Committee which visits the State legislators from their area. We have a small part-time Albany staff made up almost completely of public service retirees.

As noted by the State Comptroller in his most recent Comprehensive Annual Report on the State and Local Retirement System, of the 385,031 retirees and beneficiaries in the System, 77 percent remain New York residents. We spent \$6.5 billion in this year's benefit payments in New York contributing \$9.5 billion in economic activity and paid \$1.3 billion in property taxes.

Thank you for allowing us the opportunity to testify on the Governor's Budget proposal as it relates to State retirees. In addition to those items that are included in this testimony, we will be sending you our entire legislative agenda in the near future.

RPEA doesn't take our pension and retiree health care benefits for granted since these benefits derive from the express and implied future agreements by government to compensate us for our work. The People of the State of New York, in essence, are our employers who through our system of law, rules and regulation provide for our retirement security.

However, as all levels of government are facing serious budgetary problems and as our overburdened fellow taxpayers, special interest groups and the news media regularly attack government employees and retirees, we see elected officials waiver in those promises that were made to us when we were giving them our working years.

Today we are fighting for the preservation of affordable and accessible health care which is necessary for our aged population to be able to live out our retirement years without worry. This hasn't been easy. While our pensions are constitutionally protected, our health care is slowly being taken from us through inflation, administrative action or collective bargaining. This last factor is especially troublesome because under the Taylor Law, public service retirees have no collective bargaining rights!

As our Board President, Stan Winter likes to point out—even if we did have the right to collectively bargaining, what would we have to bargain with? Our employers have already received the fruits of our labor!

Therefore, we rely on you, our elected representatives, to provide budget oversight of the Executive branch of government to protect our health care benefits—to make sure that the promises made are promises kept.

In the recent past, the State has added “extra” charges on top of our health insurance premiums. First, in 2006 the Division of the Budget (DOB) tried administratively to make us pay for our own Medicare Part B reimbursements even though our being forced to enroll in Medicare Part B when we are eligible and pay the ever increasing federal premiums makes Medicare and not the State our primary health care insurer. This saves the State a lot of money. So we sued and won on the ground that the Legislature didn’t amend the statute to do what DOB wanted. But, then the next Governor stuck a statutory change in his temporary appropriation bill and then the Legislature caved and allowed it become permanent. We were told, “It was only \$30 million out of our pockets.” We should be willing to make a sacrifice. But, it’s a sacrifice no one else has to make since we still had to pay the full premium for the health insurance!

This year, this Governor is proposing to extend that additional cost-sharing to retirees of public authorities. Now that the Medicare Part B reimbursement chargeback is authorized by statute, he wants to extend it! “It’s only \$11 million more out of our pockets.” And yet, look what’s happening to those promises in return for our labor!

While we expect to and do pay increased premium charges and co-payments every year due to increased costs of health insurance contracts, we don’t think that saving a miniscule amount in Medicare Part B reimbursement costs is a fair burden to place on the fixed income of retired public employees. For instance, the cost of the Empire Plan went up by approximately 15% to 21% depending on whether one had family or individual coverage under the New York State Health Insurance Plan (NYSHIP).

Another erosion of our health care benefits occurred as a result of the latest round of collective bargaining where the State is increasing the percentage contribution that State employees pay for their health insurance under NYSHIP. Hidden in the part of the bill (introduced on the day before session ended and passed with a Message of Necessity from the Governor) that related to the CSEA contract was a “blank check” that the State could extend the increased contribution percentages to retirees or unrepresented employees. Presumably, CSEA received a *quid pro quo* for agreeing to these increases, but retirees did not.

Now in that bill language, we think the Legislature properly meant to change the health care promise to current employees *only after they retire*. But the State went ahead and administratively extended that collective bargaining provision to those of us already retired. RPEA has led the way in suing the Governor to keep the promises made to us when we retired. The Governor uses the argument in advocating for a new Tier 6 pension plan that it only applies to those who haven’t been hired yet—the unborn as he likes to call them. And, that when they accept employment, they know what the bargain is for their service.

We call upon the Legislature to pass a bill to protect those of us who were promised a different bargain when we retired! Please do the right thing and be our protectors against the over-reaching by the Executive. Pass a bill to “grandfather” to current public service retirees as of October 1, 2011, those premium contribution percentages that were promised to us when we retired. Promises made should be promises kept.

With respect to Tier 6 and the optional defined contribution plan, we must ask this question. Will the portability of the defined contribution plan discourage employees from making public employment a career? Is this good for New York? Don't we want to retain knowledgeable and experienced employees? It costs money to train new employees. Will valuable employees leave when they get better offers from other places?

Finally, there's another money saving provision in this year's Executive Budget recommendation. The Governor calls it “Medicare Part D Maximization (Employer Group Waiver Plans)” which will allow the State to receive greater federal subsidy under the Patient Protection and Affordable Care Act by switching its retiree drug coverage to Employer Group Waiver Plans that are approved by the Federal government. The operative sentence in the Budget message is, as follows:

Such plans will allow retirees to enjoy their current level of benefits while maximizing Federal reimbursement for State retiree prescription drug coverage.

We are fearful that as the Federal government tries to cut its deficit, these plans will be squeezed just as Medicare Part B premiums are constantly being increased. We support the State's attempt to maximize Federal subsidies for health care costs, but we need the Legislature's oversight that the promises made are promises kept when budgets are squeezed. Please qualify the Governor's proposal by enacting a statutory protection for retirees so that the State won't reap the subsidies to reduce its own expenditures, but allow the Federal government to somehow reduce our prescription drug benefits through premium charges, higher co-pays and other devices.

We see that the Executive wants to accelerate its pension payments by paying an additional \$100 million in pension contributions toward its outstanding pension obligations associated with current and prior year amortizations in FY 2011-12. We think this is a positive step toward keeping our pension systems secure and saves the State money at the same time. However, we feel secure when the Governor makes such arrangements that the NYS Common Retirement Funds are in the hands of the State Comptroller as the Sole Fiduciary.

In closing, we plead with the Legislature to keep the promises made to public service retirees who gave government—we the people—the best years of our lives by establishing policies that fulfill the duty to preserve, support, promote and protect our retirement security.

Thank you for your service to the people, as well.