

City Eases Throttle On Possible Transfer Of Deferred Comp Plan

By RICHARD STEIER | Posted: Monday, June 6, 2011 5:00 pm

Two top Bloomberg administration officials told the umbrella group for the city's unions that they are not yet planning to transfer the Deferred Compensation Plan from its longtime home in the Office of Labor Relations, with labor leaders saying "yet" was the word that had them concerned.

Prior to the June 2 meeting between Labor Commissioner James F. Hanley, Finance Commissioner David Frankel and key members of the Municipal Labor Committee, one mayoral official, speaking conditioned on anonymity, said the subject was being explored because of concerns that returns on investments "have not been acceptable." He said, however, that the administration shared the widespread feeling that the program was well-administered, limiting the cost to employee participants in the \$10-billion fund.

'Like How It's Being Run'

MLC Chairman Harry Nespoli said in a phone interview following the meeting that neither the unions nor their members were dissatisfied with the returns yielded by the fund. "We made it perfectly clear we like the way it's being run," he said.

Asked about the earnings issue, he said neither Mr. Frankel nor Mr. Hanley raised it directly, "other than saying there may be a better way to turn over more money to the members."

He said Mr. Frankel had met with him personally prior to last week's sitdown and denied a claim made last month by Uniformed Fire Officers Association President Alexander Hagan that he wanted the program to be shifted to the control of the Finance Department.

"He told me he was not going to move any money over and that Jim Hanley is doing a very good job" of overseeing it, Mr. Nespoli said. "Now ask me, do I trust them?"

His caution was echoed by Mr. Hagan, who was represented at the sitdown by UFOA Vice President George Belnavis. "George said his antennae were vibrating," the union leader remarked. "We are very concerned that people who think they can move unilaterally think they know our members' interests better than we do."

Past Sources of Mistrust

Those comments reflect a tension that exists between City Hall and the unions that goes beyond questions about why the administration wants to tinker with a well-regarded program. There have been clashes over the past year on issues of both substance—from Mr. Bloomberg's plans to lay

off Teachers, close fire companies and demote some uniformed supervisors to his bids to scale back benefits for both new workers and retirees—and style, with Mr. Nespoli citing the fact that on the day of a meeting intended to discuss changes in civil-service rules, the heart of the proposal was already laid out in that morning’s New York Times.

The anonymous city official acknowledged that the handling of that plan was “pretty inartful in terms of communications strategy... We need to find some way to move back to a more-trustworthy relationship with the unions.”

Efforts along those lines will be complicated by questionable decisions by the Bloomberg administration on a new emergency communications system that the unions say is less-efficient than the one it replaced, and the hundreds of millions misspent on an employee time-keeping system due to a combination of alleged corruption and bungling.

“We’ve been through CityTime,” Mr. Nespoli said. “We know that a lot of vendors being brought in by the city are not working well.”

Not Impressed by ‘The Street’

And he and his fellow labor leaders are leery of those like Mr. Frankel who came to city government with a Wall Street background. Mr. Nespoli said that given the role the financial industry has played in creating the city’s budget problems, he was skeptical that a change in investment strategy would benefit plan participants. (Ninety percent of those enrolled in the DCP are union members; the rest are city managers.)

“Who are they going to hire to handle this, what are their salaries gonna be, and who’s gonna pay for it?” Mr. Nespoli asked. “I have a feeling it’s going to be the members.”

The DCP’s administrative fees are remarkably low in comparison with similar programs both within government and outside it. Pumping up investment profits is not the ultimate goal of most plan participants, said Mr. Nespoli, who is also president of the Uniformed Sanitationmen’s Association. He explained, “When you’re a city worker, you’re looking for a steady return. We don’t want to gamble. These are the members’ money. They want us to keep an eye on it.”

Mr. Hanley noted that he had offered the MLC representation on the seven-member DCP board, giving them two nonvoting seats in place of current reps from the Department of Citywide Administrative Services and the Corporation Counsel. Mr. Nespoli said he had previously been offered a single voting membership as well, and had decided to reserve judgment on both offers.

‘2 Reps Can Make Some Noise’

“I told Jim if those two people are allowed to go to executive meetings, I would consider it,” he

said of the nonvoting-member offer. “What good is having one vote if [city officials] hold all the cards? But if there’s two people going into the executive meetings, they can make a lotta noise.”

One veteran union official said last month that the MLC was comfortable working with Mr. Hanley, both due to the years over which he had established trust with labor leaders and because the nature of his office made it incumbent on both sides to have a steady working relationship. The Finance Commissioner was less likely to feel such an obligation, he said.

That concern was expressed in more-biting terms by Anthony Garvey, a retired president of the Police Lieutenants union and more recently the Executive Director of the Police Pension Fund, in a letter to this newspaper published last week. Contrasting it with the relationship OLR had developed with labor, he wrote, “An agency like Finance, whose primary goal is to raise revenues for the city and has neither successful experience nor credibility in negotiating with unions, appears to be looking to build an empire on the backs of the working men and women employed by the City of New York.”

Want to Be Told Up Front

What also bothered the unions, culminating in a caustic e-mail from Mr. Hagan a month ago raising many of the issues that were discussed at last week’s meeting, was that the possibility of Finance taking a role in the DCP’s operation had gathered momentum without the idea being broached to the MLC.

“If any changes are going to be made in this program,” Mr. Nespoli said last week, “we would like to be involved before the changes are made.”