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## UFT Pension Deal Tags 'Unborn' on Contributions Key Precedent for City

By RICHARD STEIER



**MAYOR BLOOMBERG:**  
Persistence pays off.

Departing United Federation of Teachers President Randi Weingarten said June 23 that her agreement a day earlier creating a new pension system for future hires was intended to address financial problems in both the retirement systems and the Department of Education while also preserving members' right to retire at 55 with full benefits.

Under the deal, however, those hired after the required state legislation is adopted would have to contribute 4.85 percent of salary to the pension system for the first 27 years of their careers. Those already on the job have their contributions reduced to 1.85 percent after 10 years of service. And new employees would have to work 10 years before their pensions became vested, or guaranteed, rather than the current standard of five years.

### No Work Before Labor Day

Besides preserving the age 55 retirement age at a time when new members of the two largest state-employee unions face having to work until 62 before they are entitled to full pensions, Ms. Weingarten secured one other benefit under the deal, this one affecting all members: elimination of the two "prep days" prior to Labor Day, which means they will not have to report to school until after the holiday weekend.

But the cost to the city of granting those days off would be partly offset by reducing the guaranteed rate of return to UFT members with Tax-Deferred Annuity accounts from 8.25 to 7 percent. The city would also be able to reduce its health-benefit contributions under another provision that would make 15 years' service, rather than the current 10, the point at which future employees are assured of continued health coverage once they retire.

The agreement is the first one reached by a city union with the Bloomberg administration. Besides representing a reward for the Mayor's persistence in pressing for pension changes even after the head of the State Senate committee dealing with such issues pronounced such revisions a nonstarter earlier this year, it has the potential to create the framework for other deals on a less-costly Tier 5 for new hires.



**ARTHUR CHELIOTOS:**  
Weingarten went too far.

The UFT accord does not contain some of the more-onerous provisions of the Tier 5 accord reached by Governor Paterson early last month with the Civil Service Employees Association and the Public Employees Federation—most notably the age 62 requirement—but the reductions in other areas mean municipal union leaders are likely to weigh carefully the pluses and minuses before leaping to strike similar deals. (CSEA and PEF made their deals to avert thousands of layoffs.)

Two of them, Teamsters Local 237 President Gregory Floyd and his Uniformed Firefighters Association counterpart, Steve Cassidy, declined comment last week, saying they wanted to assess the financial aspects of the deal in detail, though Mr. Floyd credited the UFT leader with being "able to maintain



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Ms. Weingarten noted that most other defined contribution plans both statewide and throughout the nation have variable rates of return which are currently averaging about 4 percent.

Mr. Bloomberg, in a statement announcing the deal, said the reduction in the guaranteed rate of return "will help the city weather a downturn in the financial markets." In fact, the primary short-term savings for the city stem from that proposed change and the 15-year requirement for employees to assure themselves of health coverage in retirement.

#### **Discontinues Leaving Money In**

Another loss to UFT members as a result of the TDA change, assuming it is enacted, would be the right to leave their money in the funds until they turn 70, with 8.25-percent interest continuing to accrue for up to 15 years if they retired at 55. That, along with the discontinuation of pension contributions after 10 years and pension vesting after five years, were gains that were made during the Giuliani administration.

The Mayor estimated that the changes would save the city \$2 billion over 20 years, but most of the savings from the contribution and vesting changes would not materialize until well into that period. That also means, however, that the annual savings will mushroom beyond that time, with one official saying they could reach \$200 million a year.

Ms. Weingarten said she had done what she could to protect members' benefits while also dealing with the economic realities confronting the retirement systems and the Department of Education.

"Our pension systems have lost a lot of money," she said. "We tried to do something that worked for education and the education system and the pension systems we operate in."



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