Unions Bristle At City Attempt to Transfer Deferred Comp Plan

By RICHARD STEIER | Posted: Monday, May 16, 2011 5:00 pm

The head of the Municipal Labor Committee is among the union leaders sounding the alarm about a Bloomberg administration plan to transfer the city's Deferred Compensation Plan from the control of the Office of Labor Relations to the Finance Department.

Ninety percent of the $10 billion invested in the plan comes from members of municipal unions. The remainder has been invested by city managers, for whom the plan was originally created during the early 1980s by the Koch administration, and then expanded several years later so that line employees could participate.

'A Typical City Move'

"It's just a typical move of this administration right now, not notifying us," MLC Chairman Harry Nespoli, who is also president of the Uniformed Sanitationmen's Association, said in a May 12 interview. "I think our voices have to be heard on this thing."

In an e-mail message sent the night before to several union leaders and this newspaper, Uniformed Fire Officers Association President Alexander Hagan raised several concerns about what he contended was a power grab by Finance Commissioner David M. Frankel. Besides questioning why the MLC hadn't been consulted, he asked whether the unions shouldn't have a say in the administration of the funds and whether they would be able to ensure that controls were imposed over any new hiring and budget initiatives for the plan.

Neither a spokesman for Mayor Bloomberg nor Mr. Frankel responded to requests for information about the possible transfer of the Deferred Comp Plan.

United Federation of Teachers President Michael Mulgrew, when asked what concerned him about the proposal, alluded to the increasingly acrimonious relationship between City Hall and the municipal unions and said, "At this point we're gonna watch everything this city administration is doing."

Why Tamper With Model Plan?

Others said there were two primary issues. One of them is that the Deferred Comp Plan is widely considered a model operation at present. This newspaper's pension columnist, Joel L. Frank, who is often critical of decisions made by union pension trustees that he believes are not in their members' interests, has repeatedly praised the plan as a good investment vehicle with low administrative costs.

“By anyone’s measure, this has been a well-run plan,” said one person familiar with its operation.

Because of that, some union officials worry that mayoral officials may have come to regard it as “one huge honey pot” that potentially could be exploited to the city’s advantage if it were moved to Finance.

As one veteran union official, speaking conditioned on anonymity, explained it, while there are no union trustees on the seven-member board of the Deferred Comp Plan, having it under OLR’s control offers some assurance that it will be operated in the interests of the employee investors rather than the city. If it moved over, he said, there was concern that the Office of Management and Budget might be able to make changes in the fund that would not be beneficial to employees.

Comfort Level With OLR

“Every time someone at OMB wants to take money out of the pockets of workers, OLR pushes back,” he said. “OLR has to be conscious of doing quid pro quo with the unions; Finance doesn’t.”

The unions during the 1990s had sought representation on the plan’s board, at one point submitting legislation in Albany that would have allowed for two or three union trustees and another one representing managerial workers. The bill failed to move early in the decade, and a second attempt foundered because of the opposition of then-Mayor Rudy Giuliani.

Mayors and their Budget Directors tend to be opposed to giving the unions a say in investments of their members’ money but are forced to tolerate it at the five city pension funds, the union official said, remarking, “They don’t like union trustees telling them what to do.”

Mr. Hagan expressed concern about the possibility of the plan being converted to “corpus funding,” under which the money invested in the program would have to cover all its administrative expenses, from staff salaries to payments to consultants and investment advisers. If that occurs, he stated in his e-mail, “who will make the appointments of the director, executives, board members (if there is a board), who will set the budget for administering the funds and who will hire the administrative and investment staff?”

“We should at least be at the table,” Mr. Nespoli said.