

Unions Dismiss Mayor's Warning Of Rising Benefit Costs As 'Misdirection'

By RICHARD STEIER | Posted: Monday, December 23, 2013 5:00 pm

Union leaders sharply disputed Mayor Bloomberg's Dec. 18 claim that rising pension costs represented "one of the threats that is facing struggling cities," countering that his assaults on such benefits were both unfounded and a growing threat to struggling workers.

Uniformed Fire Officers Association President Alexander Hagan took particular exception to the Mayor's argument, during a speech to the Economic Club of New York at a midtown hotel, that "even if struggling cities escape bankruptcy, the funds that are spent on pensions cannot be spent on the future." Earlier in the speech, Mr. Bloomberg stated, "Our children's future should never be sacrificed for our own benefit."

'Ebenezer Bloomberg'

Mr. Hagan, who was among the police and fire union leaders who blocked the Mayor's attempt two years ago to eliminate the Variable Supplements Fund benefit for their retired members, countered, "Only because of the retirement benefits the unions were able to get legislators to approve do our children not have to worry about supporting us in our old age. In a land ruled by Ebenezer Bloomberg, the parents would be a real burden on the children."

Uniformed Sanitationmen's Association President Harry Nespoli, speaking in his capacity as chairman of the Municipal Labor Committee, said of the Mayor, "Does he really believe there is something wrong with a city employee having adequate health care and a reasonable pension after 25-30 years of serving the public?"

Mr. Bloomberg had cited the impact pension costs have had on Detroit—where a Federal Judge recently ruled that in the wake of a bankruptcy filing, city retirees' pensions were not entitled to different treatment than the claims of other creditors—as well as in Chicago and several financially-strapped California cities where payments have become a major issue.

On the one hand, he told his audience, "New York City has never been stronger than it is today, and I think it's fair to say that our future has never been brighter." But, he added, "When city governments fail to look ahead, cities fail." And if there is trouble waiting around the bend, he continued, it is in the form of rising health-care and pension costs for public workers.

A Perfect Pension Storm

Over the course of his administration, he said, pension costs have risen from \$1.5 billion a year to

\$8.2 billion at a time when the rate of inflation has been only 35 percent. He did not mention that at the time he took office in 2002, the city's pension contributions were at an unusually low level because a booming stock market late in the previous decade had left the five funds with large surpluses, and that the financial crash of 2008 accounted for the steady rise in contributions since, until improved investment returns over the past couple of years leveled them off.

The Mayor noted that while his administration's affordable-housing program is larger than in any other city in the nation, the city is spending far more money on pension costs than on housing. Speaking of the increase in contributions over the past 12 years, he said, "Unless something is done, that \$7 billion will continue to grow and continue to harm our ability to do other things in the future."

Some help was provided, he said, when then-Gov. David Paterson in 2009 vetoed a bill that would have continued to give Tier 2 pension benefits to new cops and firefighters at a time when all other city workers were covered by the less-generous Tier 4 of the retirement system, and by Governor Cuomo's pushing through an even-more-stringent Tier 6 for all new city and state workers last year.

'Only Slowed the Growth'

But that, he went on, "only slows future growth" in costs, rather than stemming it. He claimed that the city was paying out more in pensions to uniformed retirees than it was in salaries to active members of those services. He also lamented that he had "very little success" in convincing the unions to agree to changes he said were urgently needed.

Union leaders responded that he had no one to blame but himself for those stalled negotiations, which they say are a consequence of his having interrupted contract bargaining in mid-round five years ago and then refusing to consider any pay raises that weren't offset by concessions.

"He doesn't know how to negotiate," said Communications Workers of America Local 1180 President Arthur Cheliotis, the senior municipal union leader in tenure. "All he knows how to do is dictate. And 'my way or the highway' doesn't work in collective bargaining."

Similar sentiments were expressed by Doctors Council President Barry Liebowitz, who is retiring next week after more than 33 years in office. "If somebody would talk to us and we would be shown some respect, things could be worked out," he said. "There has been a dissonance between our government and the unions—there is no more dialogue."

'Obscuring His Blunders'

Mr. Hagan questioned whether the Mayor had really been interested in working out a deal to control health-benefit costs or addressing the pension situation honestly. "Like any good

magician,” he said, “the Mayor is using the art of misdirection to confuse his audience. He’s used pension costs to obscure the overruns on things like his failed [911] system and his CityTime debacle,” referring to the payroll-timekeeping system from which consultants stole more than \$600 million through fraudulent billings. An audit by City Comptroller John C. Liu spurred a criminal investigation that led to convictions and prompted the firm overseeing the project to make \$500 million in restitution.

Banking’s ‘Corrupt Culture’

Mr. Cheliotis picked up that thread, saying the Mayor’s focusing on rising pension costs caused by the economic meltdown diverted attention from the dishonest Wall Street practices that led to the crash five years ago. On the one hand, he said, Mr. Bloomberg had been virtually silent about “the culture of corruption in the banking industry. Let the investment bankers gamble with their own money and not our pension funds.”

He also contended that Mr. Bloomberg was aligned with a group of wealthy individuals who had used their stature and campaign contributions to create a climate “that has successfully destroyed pensions in the private sector” and is looking to advance the assault to cover government-employee pensions as well.

Teamsters Local 237 President Greg Floyd said the Mayor “got it half-right” in sounding the alarm about rising health-care costs, adding that President Obama had not made good yet on his pledge to bring them under control.

But, the union leader continued, “The pension crisis was created by Wall Street in 2008, and no one wants to address the fraud and irresponsible investing that caused it. If we cut pensions and take away pensions, we’re going to have people who can’t retire because they can’t afford to. The Mayor is short-sighted in his comments and his venom toward public-sector working people.”

Benefits Too Generous?

During his speech, Mr. Bloomberg noted that the private sector has “virtually stopped offering the defined-benefit pension plan” that is standard for government workers here and in most other localities. “Right now we offer benefits that are over and above what the market offers,” he stated.

Mr. Nespoli countered by noting that in the private sector, workers frequently change jobs in return for higher pay, while “our municipal workers spend their entire professional lives working for the city knowing that they will be able to have a secure retirement. Pensions are at the heart of that commitment.”

Mr. Bloomberg said that any employer, public or private, needed talented people and the ability to retain them. At the start of his administration, he said, the city had been losing “Teachers by the

bucketful to Nassau County and to Suffolk County” because of the significantly higher salaries paid in those suburbs. But referring to the 43-percent raises he provided under contracts with the United Federation of Teachers during the first half of his 12-year tenure, he contended, “All of that has stopped.”

Back to Playing Catch-Up

UFT President Michael Mulgrew, who through a spokesman declined comment on the Mayor's remarks, previously argued that the improved recruiting position the city was in as a result of those early jumps in salary has been eroded by the four-plus years in which his members have been working without a basic pay raise, even as most of them advance on the salary scale automatically until hitting maximum pay of just about \$100,000.

Mr. Bloomberg also placed the onus on Mayor-elect Bill de Blasio to stand tough against municipal-union demands despite the extensive labor support he received in the general election, claiming that if he did so, he would be negotiating from strength. Because the unions opted to go so long without a wage hike rather than accept his offer of a three-year wage freeze followed by two 1.25-percent raises, their members were in a precarious financial position, the Mayor claimed.

For that reason, he said of the labor leaders, “They cannot hold out forever, and they cannot afford to wait out another Mayor. We're leaving behind money for the same type of labor contracts Governor Cuomo signed with unions in 2011.”

Mr. Cuomo actually took an even-tougher stance than Mr. Bloomberg has, winning significant increases in employee health contributions and forcing them to accept nine-day furloughs in addition to freezing wages for three years and granting 2-percent annual hikes in the final two years of pacts that run through March 2016. But the state was in far worse financial shape at the time he negotiated those deals than the city is, and he had a hammer that neither the Mayor nor his successor do: the threat of close to 10,000 layoffs to balance the budget if the unions did not agree to the giveback-laden deals.

'No Free Lunches'

“There are no free lunches,” Mr. Bloomberg concluded to sustained applause from the corporate leaders in attendance at the Marriott Marquis Hotel. “We cannot continue to pay more than we can afford to.”

Mr. de Blasio, however, was not overly impressed by the Mayor's arguments, making sure to point out that he was the one who saddled him with a potential multi-billion-dollar liability for retroactive pay raises if unions like the UFT and the New York State Nurses Association prevail in their wage-arbitration cases, as even some officials on the management side of the bargaining

table expect because of the established bargaining pattern.

During a press conference in Brooklyn to announce the appointment of Dean Fuleihan as his Budget Director not long after Mr. Bloomberg concluded his speech in Manhattan, the Mayor-elect noted that all the city's unions are working under expired contracts, adding, "No previous Mayor ever let that happen before. I would caution that one should be careful about giving advice from that perspective."

Spinning and Ducking

He also suggested Mr. Bloomberg was posturing as part of a conscious effort over the past few weeks to "cement his legacy," even as he had allowed the problem of the unresolved wage pacts to fester beyond his time in office.

"We're the ones who now have to deal with these open labor contracts," the Mayor-elect said.

Mr. Cheliotis, echoing the theme that Mr. de Blasio rode to a landslide victory over a Republican opponent whose posture on contracts and benefit costs closely paralleled Mr. Bloomberg's, said, "I think the greatest threat to struggling cities is income inequality."