

RETIREES CHAPTER
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The Retiree Newsletter

March 2005

I. Report of the Chairman: Irwin Yellowitz

A. Welfare Fund: There are several items to report concerning the Welfare Fund.

The Welfare Fund has undertaken a review of the relationship of the Fund's current prescription drug program to the forthcoming Medicare D Prescription Drug Plan. The Retirees Chapter has been asked to participate, and I thank Larry Morgan, Administrator of the Fund, and Steve London, Executive Officer of the Fund, for including us from the very start. The first meeting was on March 2, and Jack Judd attended to represent retirees in my absence. This is an immensely technical and complicated subject, but having input from the Retirees Chapter will help reduce problems to a minimum. I will ask the Program Committee of the Retirees Chapter to schedule an appearance in the Fall by Larry Morgan, Steve London and Estelle Giammusso to explain the relationship that will exist between the Welfare Fund and Medicare Part D, and the choices available to retirees. I also have let Larry Morgan know that I am prepared to include material from the Welfare Fund in our monthly Retiree Newsletter.

I met on February 14 with Larry Morgan and Estelle Giammusso to discuss the two supplementary plans offered through the Welfare Fund: the Long Term Care program from John Hancock, and the Catastrophe Major Medical program (formerly the Wohlers plan) now offered through Marsh. A number of retirees have asked if these programs, especially the Catastrophe Major Medical Program, are useful to Medicare eligible retirees. Clearly the decision to buy one or both of these supplemental plans is based on individual circumstances, but the Welfare Fund has the responsibility to see that members receive complete information from the vendors. The Retirees Chapter will do a survey of our members to gauge how well these plans meet our needs, and what quality of service the vendors provide. Finally, Larry and Estelle will make a presentation at one of our upcoming meetings of the Retirees Chapter about these supplementary programs. This will give you a chance to ask the necessary questions.

On February 28, a hardy group of retirees braved a snowstorm to join in-service colleagues for a demonstration at the meeting of the CUNY Board of Trustees. The focus of the demonstration was proper funding for the Welfare Fund through a fair contract. The demonstrators carried signs showing their many years of service to CUNY, and when they marched out of the room, they left their signs behind as a

tangible reminder to the members of the Board that we value our service to CUNY, but also expect CUNY to value that service. The demonstrators presented a letter to the Board members from President Barbara Bowen and me calling on CUNY to negotiate monies in the contract that will meet the financial crisis in the Welfare Fund and restore it to stability. Finally, we presented hundreds of large orange cards that you had signed and returned. These called on Chancellor Goldstein to act for a fair contract that provided adequate new monies for the Welfare Fund. In addition, I have asked those present at our monthly meetings to join in-service colleagues in making calls or sending e-mails to Chancellor Goldstein and to Benno Schmidt, Chairman of the CUNY Board of Trustees. Again our focus has been on adequate funding for the Welfare Fund and a fair contract generally. These activities will continue into the Spring, and we will try to involve members as widely as possible. For a report on the February 28 demonstration in The Chief of March 11, 2005, see the Appendix.

B. Social Security: Larry Kaplan presented a resolution to the Retirees Chapter meeting of March 7 that opposed attempts to privatize Social Security. There was discussion, and amendments of several of the whereas sections, but the resolution was then approved unanimously. This resolution will be sent to In This Together, the coalition of the Working Families Party, unions, and community groups that has formed recently and that is working actively to convince Republicans from the New York metropolitan area to vote against privatization. The New York State Alliance for Retired Americans is working for the same purpose, with significant efforts among upstate New York Republicans. Recent polls show considerable opposition to privatization, not only from seniors, but also from the general public. Even conservative Republicans are reluctant to take on the two trillion dollars in additional expenditures needed to replace the money that would be withdrawn by individuals to fund private accounts. This gives hope that a number of Republicans can be convinced to vote against such legislation. The Retirees Chapter will continue to work with other groups to defeat this measure, which does nothing to solve whatever problems may exist in the long term funding of Social Security. Once the smokescreen of privatization is cleared, Congress can develop long-term reforms that will insure full payment of Social Security benefits for the remainder of this century.

II. Report of Lawrence Kaplan: Privatization of Social Security Has Failed in Britain and Chile

If it's true that experience is the best teacher, it might be wise, before considering any radical changes in our Social Security system, to review what has happened in other countries.

In 1984, with Margaret Thatcher as Prime Minister, the British government initiated its privatization program, substituting private investment accounts for part of its state retirement benefits. Although hopes for the program were high, the passage of time did not fulfill the promise.

Starting in 2002, many British insurance companies recognized that holders of its private investment accounts reached retirement with funds that were much smaller than what they had expected. The companies began to encourage their clients to return to the state pension system.

Britain's Pensions Commission warned that at least 75 percent of those with private investment accounts would not have enough savings to provide an adequate pension in retirement. Fees and commissions alone reduced accumulated nest eggs by as much as 20 to 30 percent.

An excellent article titled "A Bloody Mess" by Norma Cohen, a senior corporate reporter for The Financial Times, appeared in The American Prospect of January 2005. The author pointed out that in 2004 the British Department of Work and Pensions reported that 500,000 people in Britain had abandoned private pension plans and moved back into the state system. British actuaries expect another 250,000 will return to the state plan in 2005.

When the private system started, British citizens were urged to substitute private savings accounts for a portion of their state benefits. Companies guilty of "mis-selling" were eventually forced to pay about \$20 billion in compensation. Ms. Cohen states: "A simple explanation of what went wrong is that the costs and risks of running private investment accounts outweigh the value of the returns they are likely to earn." The United Kingdom spent substantial taxpayer money on advertising to expedite the transfer.

Many in Britain, including those who had supported the concept of private investment accounts, recognize that the savings of those reaching retirement age would not protect them from a life of poverty in retirement. The British agree that the U.S. Social Security program seems to offer the best model. The Chief Executive of the British National Association of Pension Funds (NAPF), Christine Farnish, notes, "It (the government) doesn't have to make a profit and it delivers efficiencies of scale that most companies would die for."

Another country that has experimented with private accounts and, like Britain, has found that the reality does not live up to the promise, is Chile. Nearly 25 years ago, Chile initiated a private investment accounts program under the authoritarian government of General Augusto Pinochet. Millions of people began to contribute 10 percent of their salaries to their individual investment funds which were under their personal control.

An article in The New York Times on January 27th, 2005 by Larry Rohter indicates that about half the Chilean labor force is excluded from the program because they worked in the underground economy, are self-employed, or work only seasonally.

Over the years, private investment accounts in Chile earned an average annual return of 10 percent, contributing nearly \$61 billion to the Chilean economy. According to a Chilean government official, who specializes in pension issues and who spoke to Mr.

Rohter on condition of anonymity, "What we have is a system that is good for Chile but bad for most Chileans." He added, "If people really had freedom of choice, 90 percent of them would opt to go back to the old system."

What went wrong? One recipient, who believed in the promises made in 1981, explained that fees and commissions soaked up as much as a third of what he expected to receive. Those who had remained in the state system, at retirement, were receiving almost twice as much and that amount was guaranteed for life.

An advisor in the recipient's private pension fund told him that his nearly 24 years of contributions would finance a 20-year annuity paying only \$315 a month. Others who stayed in the government system are retiring at almost \$700 a month, guaranteed for life. The recipient could live comfortably on his salary of \$950 a month, but if he retired on his private pension, he would be reduced to poverty.

The maximum retirement benefit for those who remained in Chile's original pay-as-you-go system is about \$1,250 a month. Chilean actuaries estimate that to get that same amount from a private pension fund, workers would have to contribute more than \$250,000 over their working careers, a target that has been reached by fewer than 500 of the private system's 7 million past and present contributors. In short, Chileans are finding that their system is falling short of what was originally advertised.

Among the admirers of the private system in Chile is President Bush, who on a visit to Chile in November 2004, called Chile "a great example" for other countries. On other occasions, he has suggested that the U.S. could "take some lessons from Chile, particularly when it comes to how to run our pension plans."

Conclusion: As discussions about Social Security intensify in this country, let's remember the experiences of other countries. We must petition President Bush to drop privatization. The best path for America to take would be to cherish our Social Security program which has functioned so successfully for 70 years. A few minor adjustments would enable the program to pay full benefits through the entire 21st century and beyond.

III. Report of the Meeting of February 7, 2005

Thanks to Jack Judd for this report.

In the absence of the ailing Carol Smith, who had been the scheduled speaker, Professor Stephen Leberstein from City College's Center for Worker Education, and co-organizer of the exhibit, "Recovering Our History: The Silencing of Faculty Activism at City College," provided the audience at the February 7 meeting of the Retirees Chapter with a laptop version of the exhibit and with an accompanying commentary.

The focus of the presentation centered on the efforts by the administration of City College, religious spokesmen, politicians, and members of the New York State

Legislature, to cleanse City College of those faculty members and students who were accused of either being members of the Communist Party, or sympathizers, during the 1930's and early 1940's.

Students who protested against Fascist rulers, or sought changes in governmental policies, faced being arrested and expelled. Such actions began at the height of the Depression in 1933. In response to such activities leveled against them, some faculty members began union organizing. Once this occurred, the wrath of the administration fell upon the heads of the union organizers at City College. Pressure was also exerted to block particular appointments to the faculty, such as the esteemed philosopher, Bertrand Russell.

The next step was to bring in an investigative body from the state legislature, the Rapp-Coudert Committee in 1940. By the end of 1941, the Committee had amassed a list of more than 800 names of suspected Communists and sympathizers. The Committee particularly focused on 11 faculty members, including the activist Morris U. Schappes, who were then summarily dismissed. It was not until 1981 that the Trustees of the City University offered a formal apology for the actions taken at City College. Professor Leberstein led the effort to obtain that formal apology.

Upon concluding his remarks, Leberstein then introduced Henry Foner, who served as the president of the American Student Union at City College in those days, and who was himself called before the Rapp-Coudert Committee. He entertained the group with songs that came out of a show created by the Student Union called, "Pens and Pencils," modeled after the Ladies Garment Workers show, "Pins and Needles."

In the audience was Professor Emeritus Amos Turk, from the City College's Chemistry Department. It turned out that he had been a student at City College and had personally witnessed a confrontation between the then college president, Frederick Robinson, and a group of student demonstrators who were opposing ROTC recruitment on the campus. This confrontation became known as "The Umbrella Incident," since Robinson wielded an umbrella as a weapon against the students.

Both Leberstein and Foner responded to a number of questions and comments from the audience before the meeting was adjourned.

IV. Report of the Meeting of March 7, 2005

Again I thank Jack Judd for this report.

In introducing the featured speaker for the March 7 meeting, Chairman Irwin Yellowitz remarked that it was going to be a Larry Kaplan day. And so it was, for our Chairman Emeritus not only made the major presentation, but also spoke about two other important activities in which he recently had been engaged. Larry began by reporting on his attending the "Conversation With America" in which seven U.S. Senators led a discussion against the move to privatize Social Security. He then introduced a

resolution, "To Save and Strengthen Social Security (see the Chairman's Report on Social Security).

Kaplan then launched into the major part of the program which concerned "An Investment Strategy For Retirees." As background information to such a discussion, Kaplan outlined some of the basic issues confronting the American economy today; e.g., the unemployment rate, the federal debt which now is over 7.6 trillion dollars, and the level of federal daily borrowing in order to pay off this staggering debt.

Then he turned to investment strategies by referring to a four page handout distributed to the audience. He discussed the volatility of the stock market, with "Boom" and "Bust," years associated with "Bull" and "Bear" markets. He urged consumers to seek professional guidance with their investments in order to obtain the best types of diversification for a portfolio. Some considerations should be given to create a portfolio that provides for a mixture of stocks, bonds, and cash equivalents. Just within stocks wide diversities may be found, from among large, midcap, and small size stocks and funds, as well as diversification by sectors, e.g., precious metals, natural resources, real estate, etc. And, of course, wide diversities may be found among bonds as well. That is why Kaplan urged his listeners to consider obtaining professional guidance.

He summarized his presentation by reemphasizing three important points: Be prepared for Volatility within the market, Diversify among asset classes, and Diversify within asset classes. Upon concluding his remarks, hands were raised throughout the audience by those who sought further enlightenment on the mysteries associated with investments. Professor Kaplan then received a warm round of applause.

V. Upcoming Meetings

On April 4, Francine Brewer will speak on "Nutrition for Seniors". Professor Brewer has made several presentations at union meetings on health related issues. Her presentation should be both informative and interesting. As usual, our meeting will be at the CUNY Graduate Center, 34th Street and Fifth Avenue, Manhattan, from 1:00 to 3:00 PM, in rooms C201-202.

On May 2, the President Emeritus of the PSC, Irwin Polishook, will speak on "CUNY and the Fiscal Crisis of the 1970s". Most of us were in CUNY during those years as the University struggled to survive. There is no one better able to speak about these events than Irwin Polishook. CUNY Graduate Center, 1:00-3:00 PM, rooms C201-202.