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Police and Firefighters Vow to Fight Bloomberg's Plan to Cut a Retirement Benefit

By AL BAKER

Mayor [Michael R. Bloomberg](#)'s proposal to strip a treasured perquisite that retired police officers and firefighters won under the Lindsay administration four decades ago has driven a deep wedge between himself and the unions representing uniformed personnel.

At issue is an annual payment — currently about \$12,000 — to tens of thousands of retirees. Facing deep financial problems in his third term, Mr. Bloomberg has said the payments, which he characterized in his State of the City address last month as “[substantial holiday bonuses](#),” should be eliminated.

On Wednesday, Patrick J. Lynch, president of the [Patrolmen's Benevolent Association](#), and Stephen J. Cassidy, president of the Uniformed Firefighters Association, vowed to fight the proposal with lobbying efforts, an advertising campaign and their own voices in the news media and at grass-roots levels.

Their display on the steps of City Hall is a low point in a relationship that has mostly been cordial, even as the city has pushed to cut rookie classes and has reduced engine company staffing to save overtime

costs. But on Wednesday, Mr. Lynch and Mr. Cassidy **accused the administration of spreading false information** to steal their members' money.

They used the words "liar," "lie" and "lying" at least 23 times in characterizing the mayor's efforts to depict the annual payments as akin to a Christmas bonus.

Asked to reconcile such acrimony with past periods of accord with the mayor, Mr. Lynch said, "We did endorse the mayor in the past election, and we're calling him a liar today because he's saying lies out in the public."

Mr. Cassidy added: "We never endorsed him, and he is a liar."

The payments come from so-called variable supplemental funds, which were created under Mayor John V. Lindsay, who sought to give the unions some increased pension benefits without having to dip into city coffers.

The unions and the city agreed through collective bargaining to create a financing arrangement that allowed for a portion of their pension funds to be invested in the stock market, rather than exclusively in bonds, which are more conservative, said Robert W. Linn, a former director of labor relations for New York City. If the riskier investment resulted in a return greater than the bond investment, the difference went into a variable supplement fund, which was used to pay retirees a varying lump-sum amount at the end of the year.

However, in the mid-1980s, Mr. Linn and others pushed through a change so that retirees agreed to a fixed annual benefit that would be paid regardless of the market's performance. That change meant that if the market outperformed expectations, the city was only obligated to pay the fixed benefit; any excess money would go to the city, Mr. Linn said.

But the market's volatility also put the city at risk. In some years, the performance of the city's pension system falls short of what is required for the city to make its prescribed payments; next year, officials said, the city's pension obligations are expected to rise to \$8.5 billion from \$7 billion this year.

With the city already facing a projected \$2.4 billion budget deficit in the coming fiscal year Mr. Bloomberg made **pension reform** his “No. 1 priority” in Albany, and specifically called for doing away with the variable supplement funds to save an estimated \$1 billion a year.

The mayor first said he intended to take away the fund payment for “future uniformed retirees,” but the administration later clarified that it intended to end the benefit for all workers, both current and future retirees.

The average annual pension for city police officers who retired in 2009, not including the variable supplement payment, was \$58,563, said Edmund J. McMahon, **a senior fellow at the Manhattan Institute**.

Only retired police officers and firefighters, not those on active duty, collect the payment; union officials estimated that about 50,000 retirees currently receive it. All but about 2 percent of current workers start accruing the benefit after 20 years of service, and the city must budget for them. Those who receive disability pensions are ineligible.

“I think one of the things you see here is the differing interpretations by workers and management over whose money it is,” Mr. McMahon said. “If you want to get the answer to it, well: Who has been dishing out \$6 billion, or more, to all the pension funds to backfill the fund’s losses in the last few years? And the answer is, it’s the taxpayers.”

Changing the benefit requires approval by the State Legislature in Albany, but it is not clear if it needs to be requested by the City Council, according to Bloomberg administration officials, though Mr. Cassidy, of the firefighters’ union, said it did.

The mayor, speaking at a news conference in Long Island City, Queens, expressed puzzlement over the suggestion that he had lied, saying that “to the best of my knowledge,” nothing untrue had been expressed by his administration. But then he repeated the term that has infuriated union officials.

“We have to make a decision,” the mayor said. “Do we want to send out Christmas bonuses or have more teachers?”

Mr. Linn, in noting the payment's history, said it made sense to include the fate of the variable supplement fund in the discussions between labor and management about the overall compensation of uniformed workers, including pensions.

“I view this as a benefit that was an exchange in the collective bargaining twice: once in the '60s and then, modified to the city's advantage, in the '80s,” said Mr. Linn, the president of Linn & Logan Consulting, a labor relations consulting firm.

“And I can understand the sentiment of the union leadership that if it was on the table two times, it should be on the table for the third discussion.”



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