

The 10-13 Club of Northeast Florida sent the following information about our Variable supplement:

Because of all of the hype about the Variable Supplement Fund I'm forwarding the email sent by [Ed Woods](#) of the 10-13 Club of Northeast Florida [Click here](#) Read it and stay informed. Especially those members that are still active in the NYPD or FDNY.

**DUE TO THE RECENT EMAILS RECEIVED ON VSF, BECAUSE OF BLOOMBERG'S MISLEADING STATEMENT THAT VSF CHECKS RECEIVED IN DECEMBER ARE A CHRISTMAS BONUS FROM THE CITY, I FELT COMPELLED TO MAKE OUR MEMBERS AWARE OF THE FOLLOWING VSF ARTICLES:  
NE 10-13 PENSION REP**

**PLEASE NOTE LAST SENTENCE IN TODAY'S POST ARTICLE**

**READ [LBA PRESIDENT THOMAS R. SULLIVAN](#) STATEMENT AND POSITION ON VSF [JAN 26, 2011 - STATEMENT AND POSITION ON THE VARIABLE SUPPLEMENT FUND \(VSF\)](#)"**

**READ VSF ARTICLE By [Joe Maccone](#) PBA Pension Consultant and Former CO Pension Section**

**THE ABOVE TWO ARTICLES ARE ALREADY IN THE NE 10-13 MARCH, 2011 NEWSLETTER **DRAFT****

**LASTLY, READ THE CHIEF ARTICLE**

**[Pension pounding Mike demands city-union \\$\\$ reform](#)**

Feb 3, 2011 ... *Bloomberg demands city-union pension reforms*. By DAVID SEIFMAN, City Hall Bureau Chief. Last Updated: 7:26 AM, February 3, 2011 ... [www.nypost.com/..](http://www.nypost.com/)

Mayor Bloomberg threw down the gauntlet yesterday before the city's municipal labor unions, demanding massive, wide-reaching reforms in the pension system -- including a call to stop workers from racking up overtime just before retirement to pump up their taxpayer-funded nest eggs.

The demands, made in a meeting between city chief labor negotiator Jim Hanley and the Municipal Labor Committee, set the stage for a war with newly enraged labor leaders that would play out in Albany, which must sign off on pension-policy changes.

Labor leaders had been bracing for a pitched battle with Bloomberg, but what they didn't expect was the breadth of demanded givebacks.

Among the givebacks, extra \$12,000 pension payments made each year to cops and firefighters would be eliminated, not only for future workers as proposed earlier but for everyone, including current retirees.

And most employees would have to contribute more to their pensions. Civilian employees and teachers would have to pony up 5 percent every year. Both now contribute 1.85 percent in their later years, after initially coughing up 4.85 percent.

**The union leaders yesterday could barely contain their anger.**

**"I really honestly feel the working relationship the mayor had with unions in the city of New York will no longer exist," fumed Harry Nespoli, head of both the sanitation workers union and the Municipal Labor Committee. "He's dictating now what he's going to do."**

**Steve Cassidy**, president of the Uniformed Firefighters Association, accused the mayor of undermining the rank-and-file.

**"In the middle of squandering \$1 billion on CityTime, and another \$1.8 billion on the failed unified 911 dispatch system, the mayor's proposal fails to recognize the unique and dangerous nature of firefighting," Cassidy said.**

"Among other things, New York City firefighters killed in the line of duty will no longer be able to count on their benefits to protect their families," he added.

One source said the city was making a full-scale push now on pension reform because there's a sense Bloomberg has a powerful ally in Gov. Cuomo, who's riding a wave of popularity.

"We have a governor who has some juice," said the source. "The last governor also wanted to do this, but he didn't have the juice."

**Still, city officials concede privately that they face an uphill fight in the state Legislature, where municipal unions retain considerable clout.**

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## **JAN 26, 2011 - STATEMENT AND POSITION ON THE VARIABLE SUPPLEMENT FUND (VSF)"**

### **SOME HISTORY AND FACTS ABOUT THE VARIABLE SUPPLEMENT FUND (VSF)**

For some time now the Bloomberg Administration, through the media (especially the New York Post), has been orchestrating a one-sided and often misinformed crusade against the Uniformed Unions' pension, health and variable supplement settlements. **These settlements were achieved through honest, open and fair bargaining with the City and their**

**representatives with respective Union Officers. It seems, as of late, that the City has decided to no longer hold up their end of the bargains, nor to deal with the Unions in an open and transparent manner.**

On Wednesday, January 19th, 2011, Mayor Bloomberg gave his State of the City Address at the St. George Theater in Staten Island. Here is part of the mayor's speech as it applies to Pension Reform:

"We can also save another \$200 million every year by eliminating, for future uniformed retirees, what is effectively a \$12,000 annual bonus, paid on top of full pension benefits every year around the holidays. City taxpayers just cannot be expected to give substantial holiday bonuses when so many of them are out of work or having their own wages frozen or cut."

**This "annual bonus" the Mayor is referring to is the Variable Supplement Fund (VSF) which was initially created at the City's urging. The original deal came about at the City's urging because the administration under then Mayor John Lindsay wanted to be able to invest money from the Police and Fire Pension Funds in the stock market and needed the approval of the Unions. The Unions wanted an improvement in the formula used to calculate what percentage of salary would determine pension allowances for their members.**

**The matter went before an arbitrator and during the discussions the Chief City Actuary proposed as an alternative that the VSF be created, with funding only to be provided in years when the performance of stock investments topped that of the City's bond holdings by a specified percentage. The unions decided this was acceptable and the arbitrator incorporated it in his award.**

**The funds were created by a state law passed in 1970, that made them retroactive to October 1, 1968. The profits from the Fund were good enough to provide "skims" into the VSF for the first two years of the fund's existence and an initial benefit of \$40 per month for "service" retirees (those who receive Disability Pensions are ineligible for the VSF, even if they worked the 20 years mandated to qualify for a full regular pension), and 11 year dry spell followed.**

The lack of growth in the funds brought some restlessness within the police and fire ranks, which intensified when at one point fire officers were unable to receive benefits because there wasn't enough money in their union's funds in the early 1980s. **Then a five year stretch of robust stock market performance swelled the VSF coffers, producing a climate in which both sides were looking to make a change. By the time the Patrolman's Benevolent Association was negotiating for a contract that would take effect retroactive to July 1, 1987, the VSF payouts had risen to \$150 a month, but retirees and some active members were convinced that much more could be paid.** The City and union trustees who oversaw the police and fire VSF funds were constrained by the recommendations of the City Actuary, who had to be certain that the funds would not have their reserves exhausted if the stock market suddenly tanked.

**While this was frustrating to VSF recipients, Mayor Ed Koch found it exasperating that when the skims came, the retirees did well but the City could not take advantage of the boom times to pullout excess funds to improve City services. Mayor Koch instructed his chief negotiator to seek a deal with the PBA that would pave the way for the City to have pre-**

**determined costs in return for set payments, limiting what it would have to share during bull markets.**

A reminder of the way the market could turn came with the October 1987 crash, and probably helped convince the PBA that there was something to be said for a defined benefit payment even if it potentially surrendered a bigger share if the boom times on Wall Street returned. **The PBA reached an agreement in May 1988 under which the City gained control of the PBA fund by agreeing to raise the annual benefit from \$1,800 to \$2,500, with \$500 increases in each year to follow until a peak was reached of \$12,000 in 2007.** The Chief Negotiator for the city said, **“we were both willing to trade uncertainty for certainty.”**

**The Chief Negotiator for the City, Bob Linn**, predicted at the time that the City would realize its greatest savings from the trade-in over the long haul, and a decade later that prediction seemed to have been borne out with a vengeance. **During the second term of Mayor Giuliani**, it was estimated that the city’s share of the pension fund’s profits during the stock market boom of the late 1990s was \$4 billion greater than it would have been had the unions refused to make the conversion to a defined-benefit payment. The Deputy Budget Director for the City also had the foresight to get a key component put into the VSF legislation that maximized city profits during the boom: a “sluice gate” provision under which it was only required to skim off profits from stock investments if the fund’s liabilities exceed their assets at the time.

Then the market cooled off at the beginning of this decade, and reached what **Mr. Bloomberg** had described as meltdown status since 2008. No longer does it seem that the unions got taken and the City made out like bandits, and the swing of the pendulum has served as a reminder that union leaders’ decision to “trade uncertainty for certainty” was a pretty good one.

Mayor Bloomberg decided to retain some other information from the media and fail to mention it at his State of the City Address. This had to do with the Deferred Retirement Option Plan legislation which was ushered through the Legislature at Mayor Bloomberg’s request, in 2002. In other words, someone who would have been eligible to collect the Banked VSF in December 2002, when it was \$9,500, but continued working until December 2008 would have accumulated \$76,500 in their VSF “DROP” account. (The above is a detailed summary of an article “Christmas Bonuses’ And Other Wicked Fables” which appeared in the Chief-Leader Newspaper, written by Richard Steier, published on March 20, 2009)

**It is our position that the VSF was acquired through open and honest labor negotiations between the City and the Unions. Again, the VSF was created at the City’s behest so that they could benefit economically from the Unions’ fiscal prudence. The LBA intends to protect and maintain the VSF and to sustain all other benefits that were attained through open and honest arbitration with the City. We would expect and appreciate the same courtesy from the City to bargain in an atmosphere of objective fairness and transparency.**

**Tom Sullivan President, LBA**

[Click here if you would like a PDF copy of this information.](#)



Reprinted from the NE 10-13 February 2007 Newsletter <http://northeastflorida10-13.org/>

Pension Issues : Variable Supplement Fund, [PBA Magazine March 2001](#)

By Joe Maccone PBA Pension Consultant and Former CO Pension Section

No pension issue has been more confusing to our membership than the Variable Supplement Fund. This article will attempt to clarify subject so that all members will have a proper understanding of this important benefit.

The Variable Supplement Fund was created as a result of the 1968 contract and became law after being passed by the State Legislature in 1970. It provided for a variable benefit paid to all members of the Police Pension Fund who retired for service on or after October 1, 1968. The amount of the benefit varied depending on returns from Pension Fund investments in the equity markets.

In 1988 it became a Defined Benefit, with guaranteed payments distributed each December for an amount fixed in the New York Administrative Code. The payment in December 2000 was \$8,500 and is scheduled to increase \$500 a year until it reaches \$12,000 in December 2007. It will remain at \$12,000 for each subsequent year.

It must be remembered that this benefit is for SERVICE RETIREES ONLY. Twenty years of service with the NYCPD, however, is not a requirement to receive payment. For example, if a member has five years of prior NYC Correction Officer pension credit that he or she properly transferred to the Police Pension Fund, that member would be required to serve only an additional fifteen years with the Police Department to retire for service. Upon Retirement, the member would receive the Defined Benefit even though the member's NYPD service was less than 20 years.

Disability and vested-interest retirees will not receive the benefit. If you retire on other than a service retirement, an attorney or group of retirees may contact you and ask you to become part of a lawsuit attempting to gain this benefit.

Before you invest hard earned pension dollars with a lawyer motivated by his own financial interest, ask why he or she believes the outcome of the lawsuit would be any different from the dozens that have already failed. Remember, the issue has been challenged numerous times in both the federal and state court systems.

The Deferred Benefit is subject to only federal taxes. This is yet another reason that officers with over 20 years of service are working for very little. When a member adds a 20-year pension (fifty percent of your last 12 months earnings, subject to certain restrictions) to the Defined Benefit (\$9,000 in December 2001) and does not have to pay New York State and City taxes, social security, Medicare and union dues, it shouldn't take long for that member to compute that there is little profit in continuing to work.  
In the next issue:

The two tiers of the Defined Benefit.

The effect of C.O.L.A. on the Defined Benefit.



**From:** Jim Levins [

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**Subject:** History of the VSF~~MORE ON THE VSF

----- Original **Understand When & How The Variable Supplement Fund =VSF Came About And Whether you Get it or Not, Be Able To Retort Those Who Call it A Christmas present, When in Fact, It Was NYPD That Baled Out the city, The city Has Profited For many year's from "Our" Agreement! \*WE\* All Should be Able To Quiet our Detractor's ( tictoc)**

**A SYNOPSIS ON THE VSF (TAKEN FROM [The Chief](#) )**

**ALSO IN THE NE 10-13 APRIL 2009 VOLUME 23 ISSUE 4**

The original deal came about at the city's urging because the Lindsay administration wanted to be able to invest money from the Police and Fire Pension Funds in the stock market and needed the approval of the unions. The unions wanted an improvement in the formula used to calculate what percentage of salary would determine pension allowances for their members.

The matter went before an arbitrator, former United Nations Ambassador Arthur Goldberg, and during the discussions, the Chief City Actuary at the time, Jesse Feld, proposed as an alternative that the VSF be created, with funding to be provided only in years when the performance of stock investments topped that of the city's bond holdings by a specified percentage. The unions decided this was acceptable, and Mr. Goldberg incorporated it in his award. The funds were created by a state law passed in 1970 that made them retroactive to Oct. 1, 1968.

Then a five-year stretch of robust stock-market performance swelled the VSF coffers, producing a climate in which both sides were looking to make a change. The city and union trustees who oversaw the police and fire VSF funds were constrained by the recommendations of the City Actuary, who had to be certain that the funds would not have their reserves exhausted if the stock market suddenly tanked.

While this was frustrating to recipients, Mayor Koch found it exasperating that when the skims came, the retirees did well but the city could not take advantage of the boom times to pull out excess funds to improve services. He instructed his chief negotiator, Bob Linn, to seek a deal with the PBA that would pave the way for the city to have pre-determined costs in return for set payments, limiting what it would have to share during bull markets.

Then-union President Phil Caruso reached an agreement in May 1988 under which the city gained control of the PBA fund by agreeing to raise the annual benefit from \$1,800 to

**\$2,500, with \$500 increases in each year to follow until a peak**

**Mr. Linn predicted at the time that the city would realize its greatest savings from the trade-in over the long haul, and a decade later that prediction seemed to have been borne out with a vengeance. During Rudy Giuliani's second term as Mayor, it was estimated that the city's share of the pension funds' profits during the stock-market boom of the late 1990s was \$4 billion greater than it would have been had the unions refused to make the conversion to a defined-benefit payment.**

**Mr. Green, then Deputy Budget Director, also had the foresight to get a key component into the VSF legislation that maximized city profits during the boom: a "sluice gate" provision under which it was only required to skim off profits from stock investments if the funds' liabilities exceeded their assets at the time.**

**Then the market cooled off at the beginning of this decade, and reached what Mr. Bloomberg has described as meltdown status over the past year. No longer does it seem that the unions got taken and the city made out like bandits, and the swing of the pendulum has served as a reminder that union leaders' decision to "trade uncertainty for certainty" was a pretty good one.**

**Now Bloomberg wants to renege on a deal that made the City able to raid the Pension Fund for over \$4 billion during the "good times" and blame the police pensioners for the problem.**

**TO READ THE COMPLETE ARTICLE, CLICK ON LINK BELOW:**

[The Chief](#)



[City Unions fight attacks on benefits](#)

New York Daily News - [Lisa L. Colangelo](#) - 17 hours ago

**DC 37 Executive Director Lillian Roberts said *attacks* on civil service pensions and *benefits* are happening across the nation.**

**The city's unions are taking on a new role: They're calling themselves "mythbusters." They say the Bloomberg administration, business groups and even editorial boards are "piling on" city workers with tales of fat pensions, Christmas bonuses and other benefits.**

In New York City, unions have their work cut out for them as even the most sympathetic lawmakers will be under pressure to agree to some changes in benefits.

Will the city's unions come together to fight the attacks on their benefits? Or will they each try to work out separate deals to save what they can? Bloomberg has said all contract negotiations will have to include "reforms in benefit packages."

**Read that any way you want, but pensions - by law - cannot be discussed over the bargaining table. And pension savings won't show up for years.**

Asking workers to contribute to health care costs is an unpopular alternative, but one that could pave the way for contracts.

**Police officers and firefighters from all ranks have been up in arms over Bloomberg's attack on the Variable Supplement Fund. During his speech, he effectively called it a holiday bonus.**

Retired officers receive an annual \$12,000 payment from the fund at the end of the year.

**"I'm sure you will see both an individual and a collective defense of the defined benefit," NYPD Detectives Endowment President Michael Palladino said of the fund.**

**"The benefit was bought and paid for, and the city continues to reap savings from the deal," he said.**

The fund dates to the late 1960s, when the unions allowed the city to invest pension funds in equities. Before that, they were only allowed to be invested in bonds.

The payout became a defined benefit in 1988 during a deal between then Mayor Ed Koch and the unions. "During the boom years in the 1990s, it worked in the city's favor to the tune of billions of dollars," said Palladino.

**He said calling it a holiday bonus is Bloomberg's way of "antagonizing" the public.**

"What he's doing is leaving out all the concessions the unions made, and the \$100 million given up front by the unions to the city," Palladino said.

**City firefighters**, whose retirees also receive payments, aren't happy either.

**"We think it's offensive that it would be classified as a bonus payment when it was negotiated for and paid for by the unions at the request of the city," said James Slevin, vice president of the Uniformed Firefighters Association.**

Slevin said the union is continuing "to talk to everyone" about the issue.

"We're discussing where we go from here and how we can work together to preserve those benefits," he said.