

STATEMENT OF ALBERT SHANKER, PRESIDENT
AMERICAN FEDERATION OF TEACHERS, AFL-CIO
ON REMOVAL OF COVERAGE OF PUBLIC EMPLOYEES
IN NEW YORK CITY FROM SOCIAL SECURITY PROGRAM
BEFORE THE HOUSE SUBCOMMITTEE ON SOCIAL SECURITY

April 27, 1976

Mr. Chairman, members of the Subcommittee. The American Federation of Teachers, AFL-CIO, welcomes the opportunity to be heard on what is potentially a watershed issue in the lives of our members and of all American public employees. The news that the City of New York intends to leave the Social Security system in two years' time as an economy measure to help the city through its current financial crisis may signal every hard-pressed public employer in the U.S. a new direction in dealing with their fiscal problems. The very fact that this decision can be reached unilaterally by the employer without regard for or consultation with the employees makes such action attractive to a public employer facing a financial crisis.

We believe that myths currently dictate much thinking concerning public employee retirement systems and that these myths make actions such as New York City's possible. These myths include that of the overly-generous public pension. Facts show that the average monthly benefit in 1972 was \$223.00 according to a U.S. Census Bureau survey. Myth #2 is that public systems are non-contributory. Fact: more than 90% of public employees make contributions to their pension systems. It is also a fact that only about 10% of the private pension systems are contributory.

These misconceptions may lead the public to believe that removal from the Social Security system will not be a severe hardship for public employees

who will have other retirement systems to fall back on. Nothing could be further from the truth. We urge the city to retract its action because if it does not, in two years the following events will take place: First, almost all employees without forty quarters of contribution to the system will be eliminated from the benefits of a system that they have contributed to for many years. All of their contributions will be lost even if they were within two or three quarters of completing their forty-quarter minimum. In some cases, almost a full ten years of contributions will be washed out. They will also lose their opportunity to receive Medicare and disability and survivor benefits. Loss of benefits on this scale can transform a well-planned retirement from a time of dignity and independence to one of financial chaos and dependence.

For the individual who has completed the forty quarter contribution period but who may have five years to go before retirement, removal from the system means a reduction in monthly benefits from the maximum down to the minimum because of the non-contributory period for five years before retirement. Again, this is a giant-sized monkey wrench in the works of even the best-planned retirement.

For new employees, this termination means putting all ones retirement eggs in the basket of New York State and New York City, both of whom seem more interested in meeting the demands of their bankers than they are in meeting the minimal needs of the residents of the city or its employees.

We believe that this Committee ought to review the procedures for public employers leaving the Social Security system. The type of hardship that can and will be visited upon the employees who will lose benefits should make it clear

that unilateral decisions on issues of this magnitude can no longer be permitted. The law should be changed to require that both employer and employees affirm the decision to leave the system. Where an exclusive collective bargaining agent represents the employees, the matter should be the subject of collective bargaining. Where there is no collective bargaining, the employees could vote in a referendum or some other method by which their wishes are made known. This change in current practice is a necessity. What this action on the part of New York City represents is the elimination of a major economic benefit that its employees have counted on, planned on, and designed their retirement around. Surely justice requires that they have a say in so momentous a decision.

Secondly, although we hope that action will be taken at some level to prevent the city from leaving the system. If the city does not rescind its action, we believe that individuals who have made contributions to the system but are short of qualifying should have the option of the return of an amount of money equal to their contribution and the employer's contribution to the system from either the city, state or Federal government. This rebate (which should be put into another retirement plan) is a matter of justice. It should only be available for those individuals who will clearly not qualify for Social Security benefits because of the action of the city.

Third, adjustment should be made so that those individuals who will qualify for benefits but are five years or more from retirement can receive Social Security benefits based on their last contributory period. The city's withdrawal from the system will have the effect of eliminating contributions from those people who qualify and their retirement benefits will be reduced

to the minimum because of the number of years that they will be working before retirement without contributing to the system. This should not be allowed to happen.

We hear much propoganda these days about Social Security being a bad bargain. Figures are thrown about purporting to show that if an equivalent amount of money were put into some other type of plan, employees would receive greater benefits. Such propoganda always assumes that the employer's contribution which is legislated in the Social Security system would be made without the force of law and that benefits under Social Security will not be increased over the future working lifetime of present employees. In this case, it will not be possible to find an adequate substitute for Social Security coverage, but return of the contribution will help some.

We are in a time when it is fashionable to attack public employees and picture them as people who enjoy benefits that most of our citizens have been denied. This is simply untrue. Private sector employees have a Federal law guaranteeing their right to collective bargaining. No such protection exists for the public sector. Private sector workers have a Federal law protecting their pensions. They also enjoy permanent coverage under the unemployment compensation statutes and the right to live wherever they choose. In the public sector, all of these rights are non-existent or severely qualified. Now in the name of saving money, one of the largest single public employers in the U.S. has hit upon the idea of terminating its participation in the system providing the most basic protection of all--income security. Removal will, of course, also affect Medicare protection and disability and survivor benefits.

Public employees do not have most of the protections enjoyed by their counterparts in the private sector, and those rights which they have gained to a limited degree such as Social Security can be easily removed. We hope you will initiate legislative action to see to it that what has happened in New York with regard to Social Security coverage not be allowed to happen anywhere else.

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*Scheduled
April 27*

*a s not testifying
statement filed by
Greg on
ab behalf
Eve
apr 26.*

PR #20

FOR THE PRESS
FOR IMMEDIATE RELEASE
MARCH 23, 1976

COMMITTEE ON WAYS AND MEANS
U. S. HOUSE OF REPRESENTATIVES
1102 LONGWORTH HOUSE OFFICE BLDG.
WASHINGTON, D. C. 20515
PHONE: (202) 225-3625

CHAIRMAN AL ULLMAN (D., OREGON), COMMITTEE ON WAYS AND MEANS,
U. S. HOUSE OF REPRESENTATIVES, AND CHAIRMAN JAMES A. BURKE
(D., MASS.), SUBCOMMITTEE ON SOCIAL SECURITY OF WAYS AND MEANS
COMMITTEE, ANNOUNCE PUBLIC HEARINGS ON NEW YORK CITY'S REQUEST
TO TERMINATE SOCIAL SECURITY COVERAGE FOR ITS EMPLOYEES.

The Honorable Al Ullman (D., Oregon), Chairman of the
Committee on Ways and Means, U. S. House of Representatives,
and Honorable James A. Burke (D., Mass.), Chairman of the
Subcommittee on Social Security of the House Committee on Ways
and Means, stated that they deplored the action initiated
yesterday by New York City in taking the first step in depriving
its City employees of vital retirement, survivor, disability,
and health insurance protection under the social security program.

The Social Security Act provides that two years notice of
a proposed termination must be given, but such a request can
be withdrawn at any time during this period. Once the
termination is effective, however, it is irrevocable.

Mr. Burke announced that at the request of Congressman
Charles B. Rangel (D., N.Y.), the Social Security Subcommittee
will hold public hearings on this development as soon as can be
arranged, considering the schedule of the full Committee and the
Subcommittee. The exact dates and details of the hearing will
be announced at a later date.

FROM: GREG HUMPHREY

TO: AL SHANKER

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*do you want
to testify?*

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April 13, 1976

JOHN M. MARTIN, JR., CHIEF COUNSEL
J. P. DAKER, ASSISTANT CHIEF COUNSEL
JOHN K. MEAGHER, MINORITY COUNSEL

Re: Appearance of
Albert Shanker and yourself

Mr. Greg Humphrey
American Federation of Teachers
11 Dupont Circle, N.W.
Washington, D.C. 20036

Dear Mr. Humphrey:

This form letter is being used to provide you with the necessary information relative to your appearance before the Subcommittee on Social Security of the Committee on Ways and Means on coverage and termination of coverage of governmental and nonprofit organization employees under the social security system. (If the name of the witness has not been provided the Committee, please do so as soon as possible.)

You have been scheduled to appear on Tuesday, April 27, and you have been allotted up to 10 minutes for your oral presentation. This date and time allotment cannot be changed. The hearing will begin at 10:00 a.m. and will be conducted in the Main Committee Hearing Room, across from Room 1102 Longworth House Office Building.

If you wish to submit more detailed and additional data than you can present orally within the time we are able to allot to you, you may submit a supplemental statement for the Subcommittee's consideration and for inclusion in the printed record of the hearing.

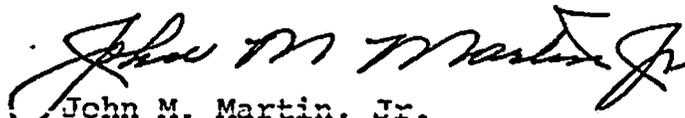
Should you need to cancel your personal appearance, please notify this office promptly of this decision. If this is necessary, you may file a written statement for inclusion in the record of the printed hearing. Such written statements are given the same careful consideration by the members of the Subcommittee as an oral presentation. The Subcommittee would require three copies of a written statement for the record.

It is requested that you submit at least 50 copies of your prepared statement to the Committee Office, Room 1102 Longworth House Office Building, the day prior to your appearance (if scheduled on Monday, April 26; please submit these copies on Friday, April 23). If distribution of the statement to the public and press is desired, an additional supply will be accepted for this purpose.

The transcript of your testimony will be sent to you (or to any other person you may designate) for correction and return to the Committee for printing.

The Committee appreciates your coming before it to testify. Please be assured that the staff of the Committee is ready to be of any further assistance to you in this matter.

Sincerely yours,

A handwritten signature in cursive script, reading "John M. Martin, Jr.", written in dark ink.

John M. Martin, Jr.
Chief Counsel