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NOTE TO CITY: YULE BE \$ORRY AT BONUS TIME

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So-called "Christmas bonuses" given to NYPD and FDNY retirees as pension "sweeteners" topped \$450 million last year and are poised to be an extra-sour burden on recession-shocked city coffers.

Deft bargaining by union officials 40 years ago won their retirees a share of the returns of their pension funds' investments - and in a later amendment to the deal, the unions masterfully negotiated a fixed-cash payment whether the funds experienced a boom or bust.

Last year, the individual checks, referred to by retirees as the "Christmas bonus" because they're mailed out on Dec. 15, amounted to \$12,000 each - free of city and state tax - or \$455 million in total. About 80 percent went to retired cops and 20 percent to firefighters.

In fiscal year 2009 - which begins July 1 - the city will be on the hook for \$550 million, and by 2010, the city is anticipating it will have to pay \$600 million to make up for the pension funds' huge investment losses.

Now, amid the recession, Mayor Bloomberg wants to scrap the bonuses entirely for new hires. It's just one part of his wide-ranging pension-reform plan, which he hopes will end the "20 and out" - as in years - retirement package for uniformed workers while raising their contributions to pension funds and health care.

"The city can no longer afford the generous pension packages that were designed in a different era," said Bloomberg spokesman Marc LaVorgna.

Charles Brecher, research director for the Citizens Budget Commission, which supports Bloomberg's efforts, said, "In the end, the taxpayers are paying for it."

Officially known as the Variable Supplement Funds, the system that pays the "Christmas bonus" is the product of a deal between the city and the unions that went into effect in 1970.

That deal allowed the pension fund to expand its investments beyond bonds in the hope that this would reduce direct contributions from the city.

The police and firefighter unions said if their pension funds would engage in riskier, and potentially more lucrative, investments, the members should get a share.

"The Variable Supplement Fund has long been self-funded and still is today. It does not cost the city a dime," said PBA President Patrick Lynch.

"In any honest comparison of police pension benefits, New York City's police benefits are barely average in the law-enforcement market. They are not the source of the city fiscal problems and should not be looked to as the solution," he added.

And over the decades, as the stock market surged, the success of the Variable Supplement Fund indeed saved the city countless millions in contributions to police and firefighter pensions. The city even borrowed \$177 million from the fund in the 1980s and early 1990s.

The two largest Variable Supplement Funds for retired police officers and superior officers had a collective \$2 billion as of last June, but the city expects those funds to drop by 30 percent. Any change to the funds would require action by the governor and state Legislature, which could be a very tough fight.

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