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Port Authority Should Replace Expensive Pension Plan to Help Stay Afloat

By Steven Malanga

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A police lieutenant at the Port Authority of New York and New Jersey retired in 2013 with an annual salary of \$129,000, and then began collecting a pension of \$172,000. An assistant airport operations manager retired at a salary of \$89,000, but soon began collecting a pension of \$103,000. An electrician quit with a base salary of \$76,000 and started collecting a pension of \$79,000.

The Port Authority has evolved into a vast but expensive agency... Its workforce is among the highest paid in government, even by the dizzying local standards of public compensation.

These are extraordinary numbers, culled from a database of Port Authority salary and retirement records provided by OpenTheBooks.com.

In nearly a century of existence, the Port Authority has evolved into a vast but expensive agency. Much of what's wrong is reflected in its compensation practices. Its workforce is among the highest paid in government, even by the dizzying local standards of public compensation.

Meanwhile, the Port Authority, groaning under \$20 billion in debt, has been levying steep tolls on residents and businesses while struggling to invest in local infrastructure. It may take something like a revolution to free area residents from the Port Authority's expensive grip.

Today, the Port Authority employs more than 7,800 workers. In 2014, the agency spent \$1.19 billion on pay and benefits – an average of more than \$150,000 per employee. The top-earning rail employee at the Port Authority that year, according to Openthebooks.com was a maintenance supervisor who took home \$216,378 – more than half of it in overtime.

A track foreman earned \$208,994 and another brought a home \$206,295. The base salary of an experienced conductor is \$74,173, but the top-earning conductor in 2014 took home \$156,343 thanks to overtime and other extra pay. On average, Port Authority rail workers earned \$91,000 each in total pay, and that's not counting the steep cost of benefits, which add about 55 percent beyond salary to the cost of each worker.

A 2012 study by the Citizens Budget Commission found that the agency's public-safety force is "paid more generously than those of most other local, state and federal law enforcement agencies." In 2014, 870 Port Authority police officers earning the top base salary of \$90,000



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enjoyed an average of \$153,784 in total cash compensation thanks to overtime, "longevity" pay and other extra compensation.

Senior toll collectors received total compensation averaging \$85,841 in 2014, thanks to about \$11,000 in extra pay. Full-time buildings and grounds workers at the agency's facilities earned average pay of \$74,846, including \$14,936 per worker in overtime.

Problems restraining overtime have plagued the agency for years. After a 2011 audit, the New York state comptroller complained that "overtime flows like water" at the agency. In 2014, 5,360 Port Authority workers received overtime, with about 100 effectively doubling their base salary.

Pensions are also generous. A 2011 study found that 71 of the top 300 pensioners in the state retirement system were Port Authority retirees. In 2013, an officer with 25 years' service began collecting a pension of \$95,800 – 105 percent above his base pay during his final years on the job. An airport supervisor retired in 2013 with a salary of \$69,900, but began collecting an annual pension of \$83,000 because of the way the retirement system figures extra pay into pensions.

Annual pension costs have been rising rapidly, thanks to an ill-considered decision by the Port Authority years ago to place its employees in the New York system, where they're protected by a state constitutional clause that makes it impossible to change the rate current workers earn pension credits – even for work they've yet to perform.

The Port Authority desperately needs reform that helps get its workforce costs under control. That requires the support of the governors of New York and New Jersey...

To keep finances afloat, the agency has sharply boosted fees on bridges and tunnels, up for cars from \$8 in 2008 to \$15. The result has been a half-billion dollars in additional tolls for drivers. Airport costs have also soared. United Airlines, the major tenant at the Port Authority's Newark Airport, says that its gate fees there are the highest in the nation. Meanwhile, the agency faces enormous new costs, including \$10 billion to build a Manhattan bus terminal.

The Port Authority desperately needs reform that helps get its workforce costs under control. That requires the support of the governors of New York and New Jersey, which hasn't always been forthcoming. Although the Port Authority can impose money-saving changes in its health insurance programs, for instance, in 2012 Gov. Andrew Cuomo nixed a move by the agency to cut health costs after unions pressured him.

Cuomo recently signed legislation to reorganize the agency's top management, which could help, but the changes don't get into effect until New Jersey passes the same bill. New Jersey's legislature, by contrast, has opted for more comprehensive reform that includes legislative oversight of Port Authority, but Gov. Christie vetoed it because it contained a clause that might shield union members from cooperating with the agency's inspector general. Legislators from both



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states need to get together now and formulate a common bill. One option is to pass the New York version now, which Christie would sign, and seek tougher reforms later if they prove necessary.

The Port Authority also needs to stop placing workers in New York's expensive, inflexible retirement system. The agency should explore other options, like creating an independent pension plan for new workers.

The Port Authority is custodian of vital public assets in the region. But the agency has often seemed to operate them more for the benefit of workers than residents. That needs to change.