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N.Y. needs real pension reform

Maria Doulis
Guest essayist

New York state faces a $9 billion projected budget deficit for next year — an immense challenge for Gov.-elect Andrew Cuomo and the state Legislature.

One rapidly growing expense for the state and local governments is the cost of public employee retirement benefits. Ten years ago, New York state paid $100 million in annual pension contributions; today, it costs almost $1.5 billion. Similarly, the cost of pensions for teachers and other employees in Rochester grew from $6.3 million to $50.2 million — almost 800 percent — in the last 10 years.

State and local employees (outside New York City) join one of three pension systems, which are funded by contributions by the employees, state and local governments, and investment earnings. Since pension benefits are constitutionally protected, and since employee contributions are minimal and fixed, state and local governments end up footing the bill for any shortfalls in investment earnings. Last year, employers contributed eight times as much to the pension funds as employees, while the U.S. average was 2:1.

Here are some additional facts about public retirement benefits that New Yorkers should know because they are paying the bill:

There are now more than 515,000 retirees and beneficiaries. That's more than the population of Rochester, Yonkers and Albany combined.

Newly retired employees received an average pension of $33,100. The average pension received by police and firefighters who retired in 2009 ($61,295) is more than double that of regular civilian employees ($25,440).

Unlike most other states, New York includes overtime in final average salary calculations. Only 6 percent of all full-time state and local employees across the country can include overtime in those calculations, which are used to determine pension benefits. In 2009, 44 percent of retirees were under age 60 — and in the police and fire system, the share was over 80 percent.

Retirees also receive health insurance benefits at little personal cost. State and local retirees share premium costs, but at least three-quarters of the cost is borne by taxpayers. In Rochester, the unfunded liability for these benefits is almost $1 billion, and for the state, $56 billion. Periodically, the state adopts a new set of pension provisions, as it did recently. But each year the Legislature passes legislation to "sweeten" benefits.

If New York's leaders don't control the cost of public retirement benefits, the ability of state and local governments to provide essential public services will be in jeopardy in the near future.

Maria Doulis is a researcher for the Citizens Budget Commission.
