Citizens Budget Commission

Policy Brief

The First Priority in the New Year – Pension Reform

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CITIZENS BUDGET COMMISSION

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The Citizens Budget Commission is a nonprofit, nonpartisan civic organization devoted to influencing constructive change in the finances and services of New York State and City governments.

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As 2012 begins and the New York State Legislature begins a new session, its first priority should be reform of the financing and benefits of pensions for state and local employees. Such reforms are urgently needed because (1) the relatively high cost of the current system places New York at a competitive disadvantage, and (2) these costs have been growing and are projected to continue growing, making a bad situation worse.

A sensible way to change the outlook has been proposed by Governor Andrew Cuomo and is known as "Tier VI." He should include such a plan in the Executive Budget next week, and the Legislature should adopt it in a timely manner.

Pension Costs Contribute to New York's Competitive Disadvantage

A high tax burden is widely seen as a competitive disadvantage, and New York has one of the highest state and local tax burdens in the nation. In fiscal year 2009, the most recent for which comparative data is available, New York's state and local tax burden was $143 per $1,000 of personal income. This was 40 percent above the national average; New York ranked third among the 50 states behind only Alaska and Wyoming, two states with substantial tax revenue derived from extraction fees on minerals that are typically exported.[1]

Relatively high spending for education and social services drive much of this differential, but financing public employee pensions is also a factor. In New York, employer contributions to pension funds account for 4.1 percent of total state and local spending, compared to 2.9 percent in the nation as a whole.[2]

The competitive drag of New York's pension costs is evident in Table 1. The combined state and local cost was $574 per capita, more than twice the national average. Relative to personal income, pension costs were $12 per $1,000, more than 70 percent above the national average.

Among the 50 states, New York's pension burden is higher than all but Alaska's, where oil related revenue helps underwrite many types of high costs. Among New York's leading competitors, defined as neighbors and the other large population states, none has a similar pension cost burden. On a per capita basis, the closest states are Illinois, California and Connecticut, where the burdens are between 71 percent and 80 percent of that in New York. As a share of personal income, only Illinois comes close to New York.

Table 1: State and Local Public Employer Pension Contribution Per $1,000 Personal Income and Per Capita (Fiscal Year 2009)

	Per $1,000 Personal	Rank (1=high)	Per Capita	Rank (1=high)
New York	$12	2	$574	2
United States	$7	NAP	$283	NAP
Large States and Neighbors				
California	$9	9	$416	6
Connecticut	$7	17	$409	7
Florida	$6	29	$229	26
Georgia	$5	35	$169	40
Illinois	$11	5	$461	5
Massachusetts	$7	15	$368	10
Michigan	$6	26	$213	31
New Jersey	$5	34	$271	17
North Carolina	$2	50	$88	51
Ohio	$7	13	$268	19
Pennsylvania	$4	43	$161	44
Texas	$4	40	$167	42

Note: National ranking includes Washington, D.C.

Sources: U.S. Census Bureau, *State and Local Public-Employee Retirement Systems Data: 2009*. U.S. Bureau of Economic Analysis, *Regional Economic Accounts, Annual Personal Income: 2008*. U.S Census Bureau, *Resident Population Estimates as of July 1, 2008*.

Pension Cost Growth – Past and Future

In New York, public employee pension benefits are funded by three large employers and a multitude of smaller local governments. The three large employers are the State of New York with 228,257 employees, the City of New York with 353,944 employees, and the Metropolitan Transportation Authority (MTA) with 65,688 employees.[3] The other approximately 4,173 local governments around the state (including 697 school districts) have a combined total of 560,155 employees.[4]

The vast majority of State employees and local government employees outside New York City are covered by one of three pension funds. Uniformed employees, such as State troopers, local police officers and local firefighters, are covered by the Police and Fire Retirement System (PFRS). Civilian employees participate in the New York State Employee Retirement System (ERS). Teachers and other employees of local school districts and many faculty members at State universities participate in the New York State Teachers Retirement System (TRS).[5]

Employees of the City of New York participate in one of five pension funds. Its teachers and other pedagogical employees participate in the New York City Teachers Retirement System (NYCTRS), and other employees of the Department of Education belong to the New York City Board of Education Retirement System (NYCBERS). Its police officers participate in the New York City Police Pension Fund, and its firefighters belong to the New York City Fire Department Pension Fund. Other civilian employees participate in the New York City Employees Retirement System (NYCERS).

The MTA's employees participate in one of several pension plans depending on the subunit of the authority for which they work. About 950 headquarters employees participate in the New York State ERS. The largest group of employees, about two-thirds of the 47,400 working on the subways and buses operated by New York City Transit (NYCT) and in the tunnels and bridges operated by the Triborough Bridge and Tunnel Authority (TBTA), participate in the NYCERS.[6] The two commuter railroads, the Long Island Rail Road and MetroNorth, have separate pension funds regulated by federal laws, and the smaller bus company employees have separate plans.

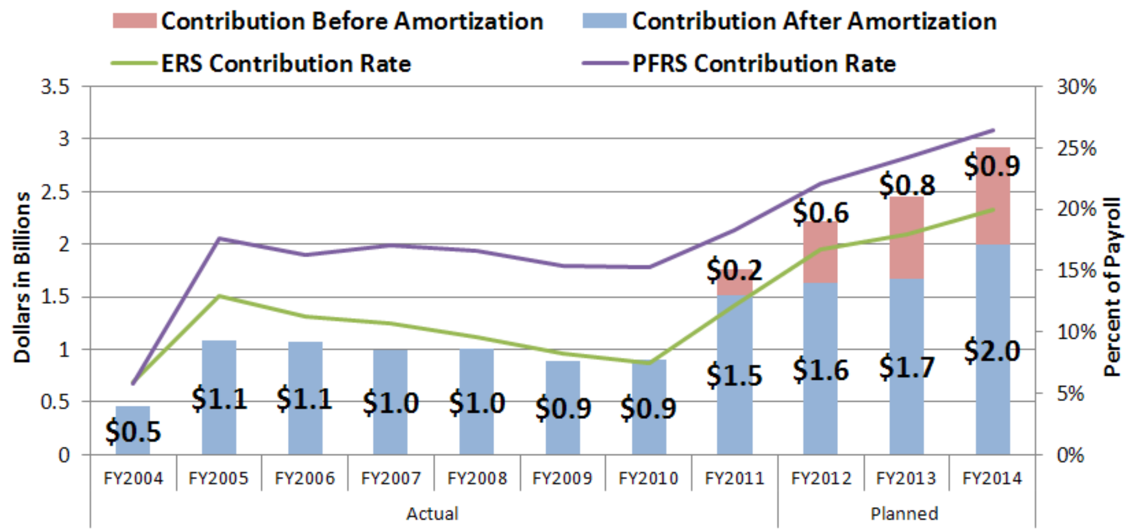
The three pension funds (ERS, PFRS and TRS) that serve state employees, local employees outside New York City and MTA headquarters staff are administered by the State Comptroller. Each year the Comptroller determines a rate, set as a share of payroll expenses, at which each employer must contribute to the fund in order to keep it actuarially sound. The five funds serving New York City employees are administered by separate boards comprised of representatives of the City and relevant employee unions; the rates at which the City must contribute to each fund are determined annually by a City Actuary hired by the fund boards. The rates set by the Comptroller and the City Actuary vary each year based on changes to the benefits authorized, the demographic characteristics of retirees, average projected pay levels, the performance of fund investments and other factors.

The cost of pensions to the public employers can be measured in three ways: (1) the absolute amount of the required employer contribution; (2) the contribution rate, indicating the amount as a share of payroll expenses; and (3) the contribution amount as a share of the employer's spending or revenues, indicating the extent to which pension funding is "crowding out" the availability of resources for direct service provision by the government. A review of trends and projections for these indicators for the major pubic employers in New York reveals the growing cost of funding pension benefits.

State Government

Figure 1 shows the trend in contributions by the State to the two major pension funds (ERS and PFRS) in which its employees participate. From fiscal year 2004 to fiscal year 2011 the payments tripled from $455 million to $1.5 billion. In the same period the ERS contribution rate rose from 5.9 percent to 12.1 percent of payroll and the PFRS rate from 5.8 percent to 18.3 percent. Much of the increase was concentrated in fiscal years 2005 and 2011, when the Comptroller adjusted the rates to reflect earlier years' drops in investment fund performance.

Figure 1: State ERS and PFRS Employer Pension Contribution, Total Amount and Average Contribution Rate as a Percent of Payroll



Note: Repayments for the pension amortization are included in the base contribution.

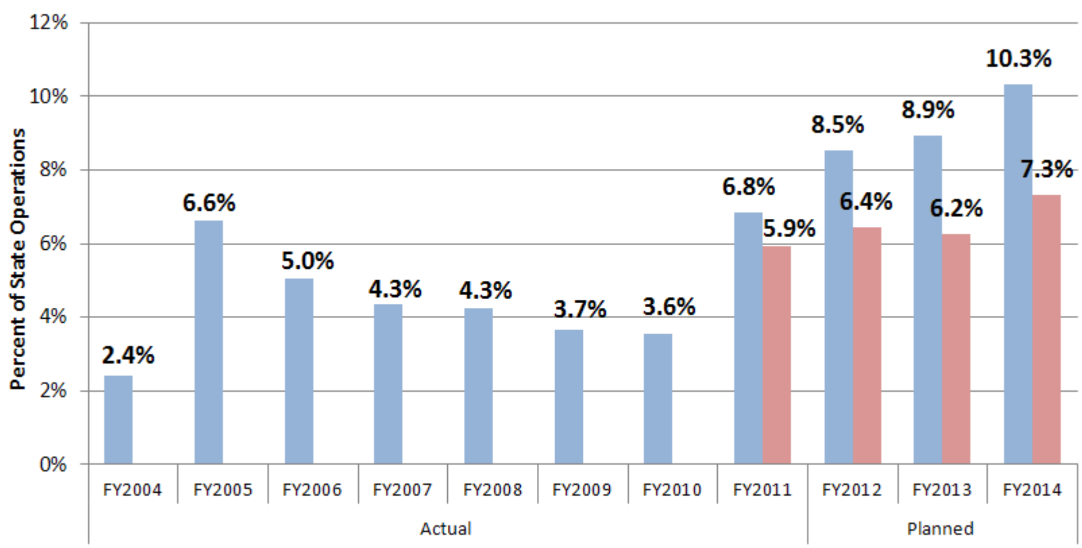
Sources: New York State Division of Budget, *Mid-Year Update to the 2011-12 Financial Plan, November 2011.* Office of the New York State Comptroller, New York State and Local Retirement Systems *Comprehensive Annual Financial Report for Fiscal Year Ended March 31, 2011.*

Looking forward, the State's required payment will rise from $1.5 billion in fiscal year 2011 to $2.0 billion in fiscal year 2014. While this is substantial growth, the increase would have been even greater if two steps had not been taken in State legislation. First, in fiscal year 2010 a measure allowed the State and local governments to amortize part of the required pension payment and repay it with interest over a ten-year period. The State opted for this amortization.[7] If the State were paying its full bill, the required contributions would be $912 million more, or $2.9 billion, in fiscal year 2014. However, this measure provides only temporary budget relief, suppressing costs in the short run but adding to them in the long run as the repayment amounts (with interest) intersect with rising contributions.

A second much more modest ameliorating factor in the financial plan is the addition of a "Tier V" in January 2010 that altered future benefits for employees hired after the law passed. Savings are small in the short-run because newly hired workers are a small share of the total workforce, but will become substantial in the long run as the workforce turns over.

The squeeze that rising pension payments place on other activities funded by the State budget is illustrated in Figure 2. It shows the required ERS and PFRS payments as a share of State spending for the direct operations in which its workers are engaged, such as running prisons, mental hospitals and the Department of Motor Vehicles. In fiscal year 2004 pension contributions were only 2.4 percent of those expenditures; by 2011 they were 5.9 percent. In fiscal year 2014 they will be 7.3 percent and would have totaled 10.3 percent without the amortization that will raise future costs.

Figure 2: State ERS and PFRS Employer Pension Contribution as a Share of State Operations



Notes: State operations include All Funds personal services, non-personal services and general state charges.

Sources: New York State Division of Budget, *Mid-Year Update to the 2011-12 Financial Plan*, November 2011. Office of the New York State Comptroller, New York State and Local Retirement Systems *Comprehensive Annual Financial Report for Fiscal Year Ended March 31, 2011.* Office of the New York State Comproller, *Comptroller's Annual Report to the Legislature on State Funds Cash Basis of Accounting, Fiscal Year Ended March 31, 2011.*

New York City

As shown in Figure 3, New York City's pension payments have been on a sharp upward trajectory. Between fiscal years 2004 and 2011 they grew from $2.4 billion to nearly $7.0 billion; as a share of payroll the jump was from 14 percent to 32 percent. The City's financial plan projects that pension payments will rise further to nearly $8.6 billion and 40 percent of payroll in fiscal year 2013. For fiscal year 2014 the City is projecting pension payments will drop by about $100 million, but this is due to an expectation that the State legislature will approve Tier VI legislation that would lower costs. Without Tier VI, the City's required pension payments are projected to be $8.5 billion, or 40 percent of payroll in fiscal year 2014.

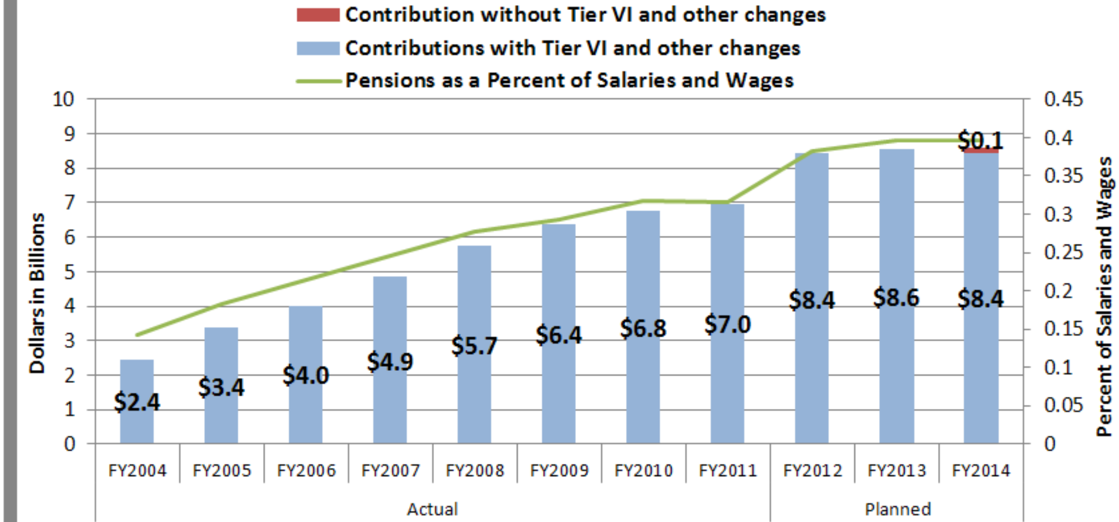
Figure 4 illustrates the squeeze pension costs are placing on the overall City budget. From fiscal year 2004 to fiscal year 2011 the required pension contributions jumped from 5.2 percent to 10.7 percent of total revenues. This share is projected to grow to 12.5 percent in fiscal year 2013. If Tier VI fails to pass or is passed without including New York City's pension funds, the share will hold at 12.5 percent in fiscal year 2014.

It is worth noting that the rapid rise in City pension costs occurred despite two legislative actions taken in 2009 to lower costs. In that year Governor David Paterson vetoed a bill that provided, through an annual extender bill routinely passed by the legislature for 32 years, enhanced benefits for newly hired police officers and firefighters. Legislation adopted in 1981 (known as Tier III) had lowered pension benefits for the City's newly hired uniformed personnel, but in subsequent years biennial legislation restored the benefits to the previous level (Tier II). Since Governor Paterson's veto in 2009, new hires have not received the enhanced benefits.

A second set of benefit changes, affecting teachers and the NYCTRS, was adopted in 2009 after a collective bargaining agreement between the City and the United Federation of Teachers (UFT). Newly hired teachers must work longer to qualify for minimum benefits (vesting in ten versus five years) and make larger contributions from their pay to the funds.

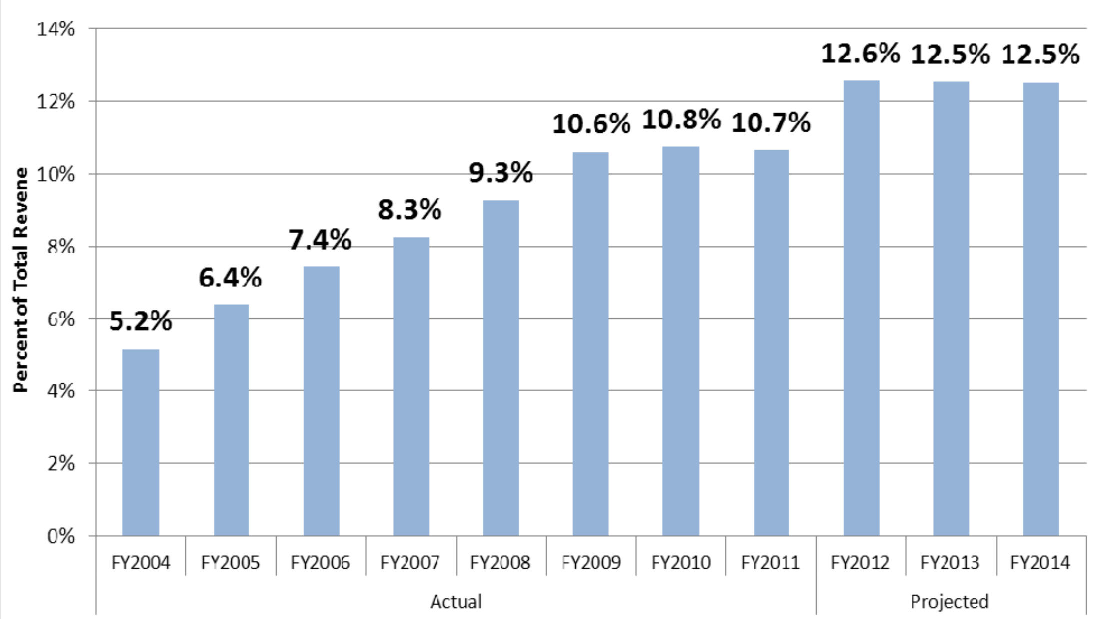
Also noteworthy is that the Tier V does not apply to a large share of New York City employees. The legislation left out NYCERS and the City uniformed employees. Consequently, New York City Police and Fire pension benefits continue to be among the most costly in New York State.

Figure 3: New York City Pension Contributions, Total Amount and as a Share of Salaries and Wages



Note: Fiscal years 2012 through 2014 contain a $1 billion reserve to offset additional pension expenses anticipated due to recommendations from the City Actuary.
Source: New York City Office of the Comptroller, *City of New York Comprehensive Annual Financial Report of the Comptroller For the Fiscal Year Ended June 30, 2011*; New York City Office of Management and Budget, *City of New York Financial Plan, Fiscal Years 2012-2015.*

Figure 4: New York City Pension Contributions as a Share of Total Revenue



Source: New York City Office of the Comptroller, *City of New York Comprehensive Annual Finacial Report of the Comptroller For the Fiscal Year Ended June 30, 2011*; New York City Office of Management and Budget, *City of New York Financial Plan, Fiscal Years 2012-2015.*

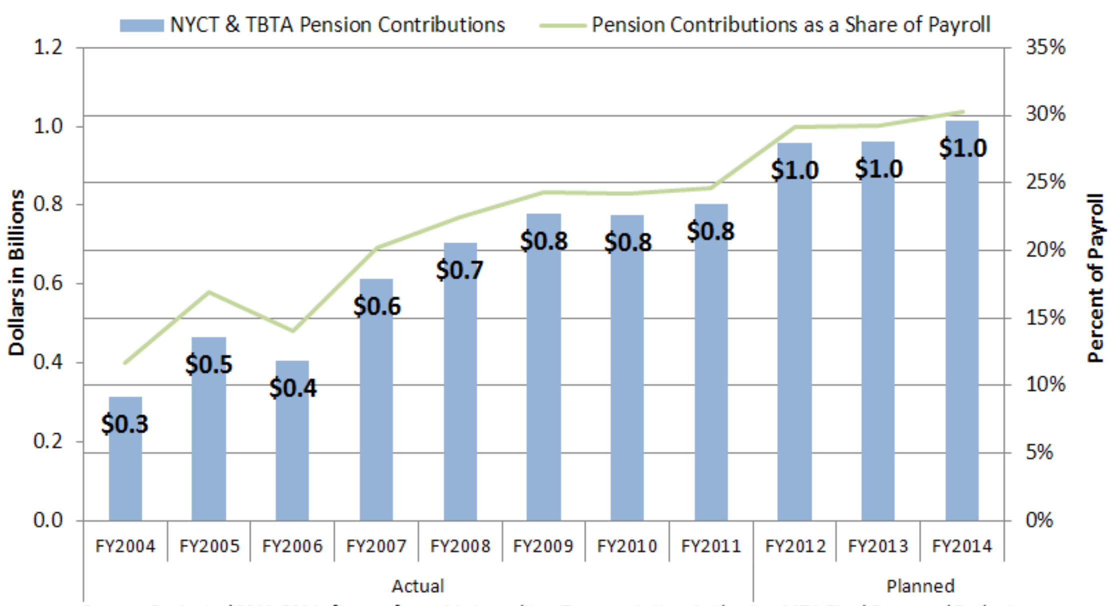
The Metropolitan Transportation Authority

The MTA also has experienced significantly increased pension costs. Figure 5 shows the trend in the amounts paid and the average share of payroll for pensions for employees of the subway and bus systems (the NYCT division of the MTA) and those working at the bridges and tunnels (the TBTA division). From 2004 to 2011 the amount grew from $314 million to $803 million; the share of payroll more than doubled from 12 percent to 25 percent. Projections to 2014 show the trend continuing with the amount increasing to $1 billion and the payroll rate going to 30 percent.

The rising pension costs are putting pressure on the rest of the MTA's budget. For the NYCT and TBTA divisions, the share of the total toll and fare revenue consumed by pension contributions rose from 8.6 percent to 15.7 percent between 2004 and 2011; it is projected to exceed 19 percent in 2014. (See Figure 6.)

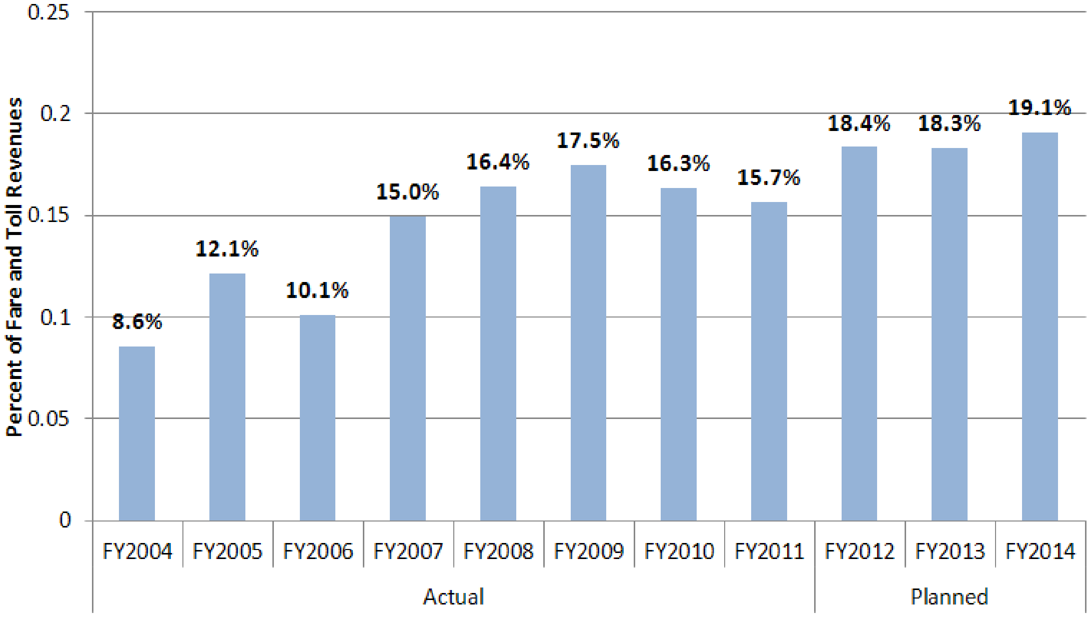
The dominant pension plan for NYCT and TBTA employees, a part of the NYCERS fund, has not been subject to cost containment initiatives in recent years. The agencies' new hires are not members of Tier V put in place for State and local employees in January 2010.

Figure 5: MTA Employer Pension Contribution, Total Amount and Share of NYC Transit and TBTA Payroll



Source: Projected 2011-2014 figures from: Metropolitan Transportation Authority, *MTA Final Proposed Budget: November Financial Plan 2012-2015,* November 2011. Actual 2004-2010 figures from: Metropolitan Transportation Authority, *MTA Preliminary Budget: July Financial Plan, editions 2005-2011.*

Figure 6: MTA Employer Pension Contribution as a Share of NYC Transit and TBTA Fare and Toll Revenues



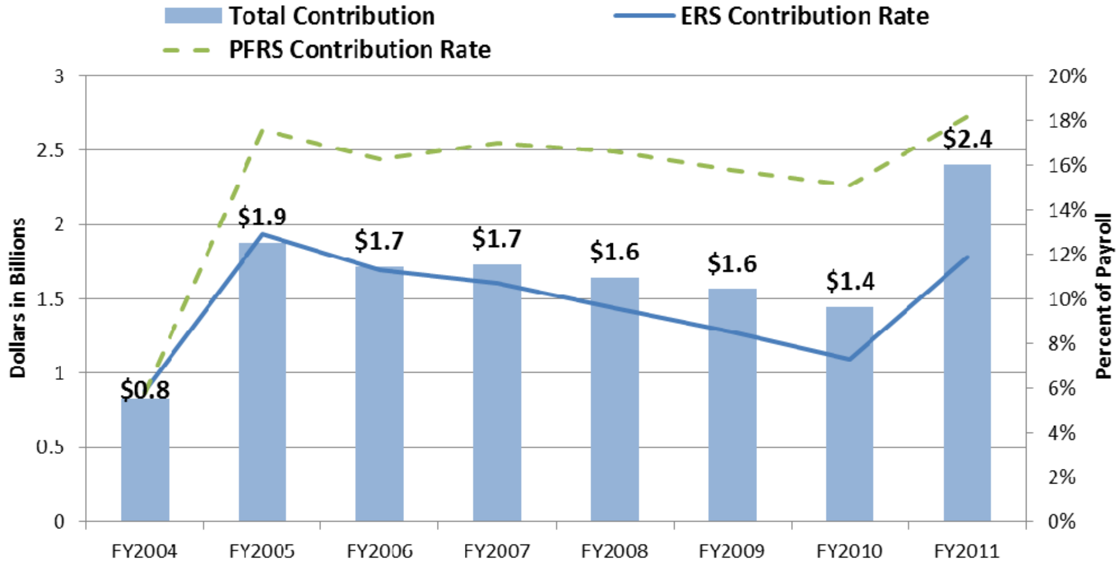
Source: Projected 2011-2014 figures from: Metropolitan Transportation Authority, *MTA Final Proposed Budget: November Financial Plan 2012 -2015,* November 2011. Actual 2004-2010 figures from: Metropolitan Transportation Authority, *MTA Preliminary Budget: July Financial Plan, editions 2005-2011.*

Other Local Governments

The multiple jurisdictions and school districts whose workers participate in the ERS, PFRS and NYSTRS do not have a single financial plan, so projections of their pension payments are not available. However, the trend data show notable jumps in required payments between fiscal year 2004 and fiscal year 2011. The combined ERS and PFRS payments tripled from $832 million to $2.4 billion. The ERS payroll contribution rate increased from 5.9 percent to 11.9 percent, and the PFRS rate went from 5.8 percent to 18.2 percent. (See Figure 7.) The State Comptroller projects that the payroll contribution rate in fiscal year 2013 will be 18.9 percent for the ERS and 25.8 percent for the PFRS.[8]

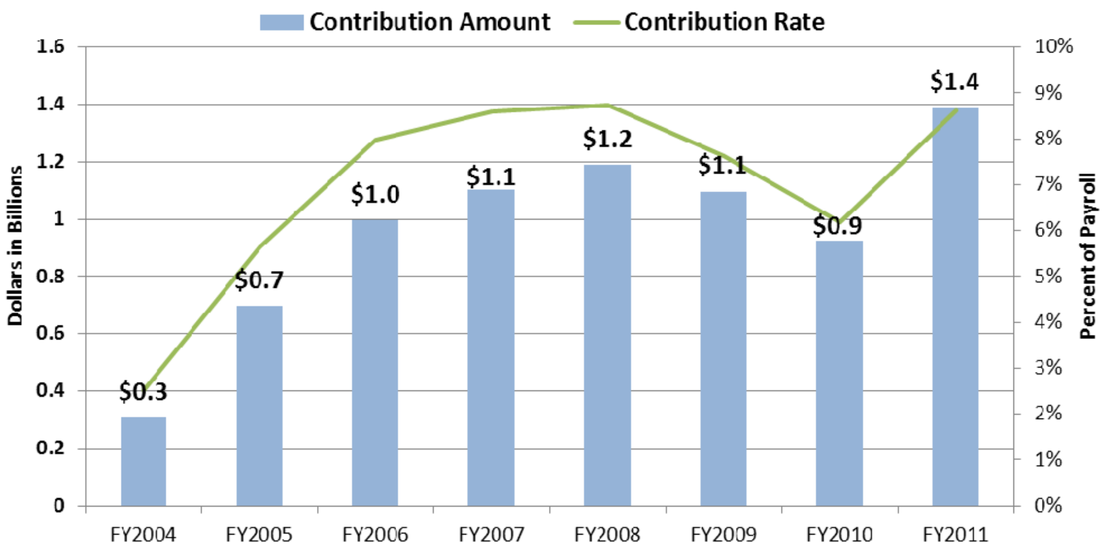
For school districts the trend is an even sharper increase. From fiscal year 2004 to fiscal year 2011 the NYSTRS payments more than quadrupled from $307 million to $1.4 billion. The payroll contribution rate rose similarly from 2.5 percent to 8.6 percent. (See Figure 8.) The NYSTRS expects that the rate will grow to 11.1 percent in 2012.[9]

Figure 7: Local ERS and PFRS Employer Pension Contribution, Total Amount and Contribution Rate as a Percent of Payroll



Source: Office of the New York State Comptroller, *New York State and Local Retirement System Comprehensive Annual Financial Report for the Fiscal Year Ended March 31, 2011.*

Figure 8: State Teachers' Retirement System Employer Pension Contribution, Total Amount and Contribution Rate as a Percent of Payroll



Source: New York State Teachers' Retirement System, *Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2011.*

Again it is worth noting that the cost increases for localities outside New York City are occurring despite the implementation of Tier V legislation in 2010 that altered benefits for newly hired workers in these jurisdictions. New ERS and PFRS members are subject to higher contributions from their paychecks, a longer vesting period and tighter limits on the amount of overtime credited to their pension benefits. New NYSTRS members have a longer vesting period and an increase in the minimum retirement age from 55 to 57. As current employees are replaced with new ones that are members of Tier V the savings from the benefit changes will increase.

Local jurisdictions were also eligible to reduce pension costs in the short run though the amortization plan authorized in 2010 and being used by the State. However, most local jurisdictions have not opted for the plan, choosing instead to meet their full obligation despite the fiscal strain.[10]

Local governments and school districts are facing fiscal pressure from the statutory 2 percent cap on property tax growth that goes into effect on January 1, 2012. (Voters may override the cap with a 60 percent majority approval.) The cap legislation acknowledged the intense "squeeze" from pension costs; required pension payments that are due to rise more than two percentage points in the required contribution as a share of payroll are exempt from the cap. Because of the exemption taxpayers may see increases in their tax bills that are higher than 2 percent, and local officials may be in the difficult position of accounting for the add-ons to the levy. School district officials have been advised to stay at the 2 percent cap to avoid taxpayer rejection of their budgets (which still must be approved by a simple majority).[11] School districts with two budget rejections are subject to a contingency budget of zero percent levy growth.

Even if school district officials plan for a tax increase of 2 percent plus the exemption for a portion of pension costs, they will face significant budget pressure. The New York State School Boards Association points out that the increasing costs of pensions and health care from school year 2011-12 to school year 2012-13 amount to $488 million compared to an adjusted (allowing for the pension exemption) tax levy increase of $385 million, a shortfall of $103 million for those two budget items alone.[12] The New York State Conference of Mayors found that in fiscal year 2012 the increase in health insurance and pension costs for cities exceed the allowable levy increase (with no allowance for the pension exemption) by $96 million.[13]

The Tier VI Proposal

The Governor's proposal for changing pension plan features for newly hired workers, known as Tier VI, was presented in Program Bill #15, released in June 2011. The proposed changes affect workers who join each of the three State and five City pension plans and would make the systems conform more closely to national norms for public employee pension systems (which are more generous on average than private sector plans), thus helping New York become a more competitive place for businesses and residents. It also would save public employers (and hence taxpayers) substantial sums in the future. The Governor's office estimates that the changes will save New York State and local governments $93 billion over 30 years.[14] Mayor Michael Bloomberg estimates that the changes for the New York City pension systems would save $30 billion over 30 years.[15] All together the reforms would save $123 billion.

Employee Contributions

The Tier VI proposal would require new participants in the three State pension funds and in three of the City pension funds to contribute 6 percent of their pay during their entire period of employment. New members of the New York City Police and Fire funds would be required to contribute 6 percent for up to 25 years. This is a significant change from the requirements for new workers under the current plans.

Currently new members of the State ERS, PFRS and MTA employees in the NYCERS contribute 3 percent for their entire length of service. For teachers in the NYSTRS the rate is 3.5 percent for their length of service, and for teachers in the NYCTRS the rate is 4.85 percent for the first 27 years and 1.85 percent thereafter. For municipal employees in the NYCERS the rate is 4.85 percent for the first ten years and 1.85 percent for the next 20 years.[16] New workers in the New York City Police and Fire fund have the most generous arrangement; they pay 3 percent for up to 25 years.

The Tier VI requirement would be a notably greater contribution for workers in all funds in New York, but the new arrangement would not be onerous by comparative standards. A 2009 survey of state and local pension plans found 49 percent had contribution rates less than 6 percent, 9 percent were 6 percent and 42 percent were greater than 6 percent.[17] Thus a new rate of 6 percent for New York plans would place them in the middle of the pack.

Retirement Age and Vesting Period

New York's retirement plans are characterized by a low age at which members can begin receiving benefits. Currently new New York City police and fire officers qualify for full benefits after 25 years of service with no minimum age requirement. Almost half of all police retirees and one-third of all retired firefighters are under age 60, and more than one-quarter of all police retirees are under age 50.[18] The minimum age for New York City teachers is 55, and for NYSTRS members it is 57. MTA workers in NYCERS have a minimum age of 55; for other NYCERS members it is 57, and for State ERS and PFRS members it is 62.

The Tier VI proposal seeks to establish a "normal" retirement age of 65. New workers in the State ERS, most new municipal employees in the NYCERS, and new NYCTRS members would not be eligible to receive benefits until age 65. New NYSTRS members, PFRS members and MTA employees in NYCRS would continue to be eligible to receive benefits at the lower ages currently available, but the full amount of benefits would not be available until age 65 and reduced benefits would be available at the lower ages. New New York City Police and Fire plan members would not be eligible to receive benefits until age 65, but they could retire at any age and receive the full cash benefits for which they qualify beginning at age 65.

Increasing the retirement age from the current lower thresholds to 65 is consistent with national trends. Nationally both the span of working lives and life expectancy are increasing. The federal Social Security system increased its "normal" retirement age for those born after 1959 from 65 to 67. The Tier VI changes would establish a system that is still generous, but more consistent with the realities of modern working life.

The Tier VI proposal would create a common vesting period of 12 years for all the pension plans. (The vesting period is the minimum number of years of service required before one is eligible to receive a benefit.) This is an increase from current requirements of five years for NYCERS, BERS, and the New York City Police and Fire Department pension plans, and ten years for the other plans.

Benefit Amounts

In a defined benefit system, the size of a retiree's pension check is typically based on a formula that includes as the basic elements the number of years of service and the final average salary (FAS). Most of the plans' formulas are now designed to yield a benefit equal to 50 percent of the FAS after 25 years of service, with benefits increasing or decreasing from that base percentage depending on length of service and whether the age at retirement is less than that required for the normal benefit. The Tier VI proposal would change the formula for the three State pension plans to require 30 years of service to reach the benefit of 50 percent of FAS; the New York City systems would remain at 25 years.

The Tier VI proposal would also change the calculation of the FAS. Currently the plans use an average of three years. For the New York City Police and Fire plans it is the three final years of service, for the other New York City systems it is the three highest years, and for the State systems it is the three highest consecutive years. The Tier VI proposal would shift all the systems to an average of the five highest consecutive years. The shift to a five-year period is consistent with national trends. According to the Bureau of Labor Statistics, in 1998 about 19 percent of public employees participated in systems using a five-year method; in 2007 about 22 percent of public employees were in systems using a five-year method.[19]

Another important change in Tier VI relates to the treatment of overtime payments in the calculation of FAS. Traditionally several plans included overtime in that calculation, and this led to abuses. A recent investigation by the New York State Attorney General revealed practices of "pension padding" in 28 of the 50 public employers surveyed across the state.[20] The report documented patterns of employees approaching retirement working substantially more overtime in their final years of service than other employees in similar positions. The 2009 pension law changes set a limit on overtime used in calculation of FAS of 15 percent of base wages for PFRS members and of $15,000 annually (plus a 3 percent annual inflation factor) for State ERS members. New York City Police and Fire plan members are subject to a limit on overtime based on a provision limiting the highest year used in the calculation to an amount that is not more than 20 percent above the other years.

The Tier VI proposal would eliminate overtime from the FAS of new employees. For the State and City systems, in addition to excluding overtime, the FAS calculation would have a limit that no year in the five year average could be more than 8 percent above the average of the other four years, and the annual amounts in the FAS calculation would be limited to the amount of the Governor's salary (currently $179,000) unless the legislature approves a higher salary. Lump sum payments for deferred compensation, sick leave, accumulated vacation or other credits for time not worked, and any form of termination pay would also be excluded.

The proposed limits on FAS calculations are consistent with practices nationwide. Allowing any overtime in benefit calculations is unusual in public pension systems. Only 6 percent of all full-time state and local employees across the country are eligible to include overtime in the calculation of FAS. [21]

Another Option

Changes to public pensions systems have been underway for more than a decade across the country. States such as Michigan and Alaska no longer offer defined benefit plans and several more, including Colorado, Florida, Montana, North Dakota, and South Carolina, provide a choice between defined contribution and defined benefit plans.[22] Other states, including Ohio, Washington and Georgia, have moved employees to hybrid plans, which offer a defined contribution component, in which the employer matches a certain level of employee contributions, supplemented by a smaller defined benefit payout.[23]

In New York, a defined contribution plan is already offered to many employees. Faculty and professional staff employees of the State University of New York (SUNY) have the option to choose between a defined benefit plan – provided by ERS or TRS – or a defined contribution plan. Under the SUNY Optional Retirement Program (ORP), the employer and the employee make contributions to a private account that is invested at the employee's discretion. There is no minimum retirement age, and vesting occurs after a year (or earlier for those who already have a private retirement account). This optional plan could be extended to other groups of employees to draw those looking for more portable retirement benefits or become the foundation for a hybrid combination plan that builds on the Governor's Tier VI proposal.

Adding a well-designed Tier VI to pension plans in New York State would bring New York more closely in line with practices nationwide and help contain the future growth of pension costs for the State, New York City, the MTA and other local governments. Tier VI should be included in the Governor's Executive Budget due for submission by January 17, 2012. Taxpayers need the savings and employees need an attractive plan that will be sustainable over the long term.

Endnotes

[1]U.S. Census Bureau, *State and Local Government Finances: 2009.* As reported in New York State Department of Taxation and Finance, *New York State Tax Sourcebook: Table 8.*

[2] U.S. Census Bureau, *State and Local Government Finances: 2009.* U.S. Census Bureau, *State and Local Public-Employee Retirement Systems Data: 2009.*

[3] Figure based on full-time equivalent positions. Office of the New York State Comptroller, Full-Time Equivalent Employees as of March 31, 2011; City of New York, *Executive Budget Fiscal Year 2012, Message of the Mayor* p. 231, May 5, 2011, retrieved on December 23, 2011 http://www.nyc.gov/html/omb/downloads/pdf/mm5_11.pdf; Metropolitan Transportation Authority, *MTA Final Proposed Budget: November Financial Plan 2012 -2015,* November 2011, retrieved on December 23, 2011 http://www.mta.info/mta/budget/nov2011/NovemberFinancialPlan2012-2015Vol2.pdf.

[4] U.S. Census Bureau*, Government Employment and Payroll: 2010.*

[5] University faculty members have the option to participate in a defined contribution pension plan such as TIAA/CREF.

[6] Metropolitan Transportation Authority, *Consolidated Financial Statements as of the Years Endings December 31, 2010, and 2009,* April 2011, Retrieved on December 23, 2011 http://www.mta.info/mta/budget/pdf/Consolidated_2010_Financials.pdf.

[7] For a fuller discussion of the pension amortization see Citizens Budget Commission, *The State and Local Pension Stretch*, June 17, 2010, http://www.cbcny.org/cbc-blogs/blogs/state-and-local-pension-stretch-updated.

[8] Office of the New York State Comptroller, *Annual Report to the Comptroller on Actuarial Assumptions,* August 2011.

[9] New York State Teachers Retirement System, *Employer Contribution Rate to be Paid During the 2012-13 School Year,* Administrative Bulletin Issue No. 2011-8, August 2011.

[10] Only 57 localities have opted to participate as of March 2011, according to the Office of the New York State Comptroller. Reported in *Crain's Insider*, March 29, 2011.

[11] New York State School Boards Association, *The New Three R's: Reducing, Restructuring, and Redesigning, School Districts in the Tax Levy Cap Era*, December 2011.

[12] *Ibid.*, p.3.

[13] New York State Conference of Mayors and Municipal Officers, *You Can't Cap What You Can't Control: Recommendations of the Mayoral Task Force on Mandate and Property Tax Relief*, December 2010.

[14] New York State Office of the Governor, Press Release: Governor Cuomo Introduces Pension Reform Legislation, June 8, 2001, http://www.governor.ny.gov/press/06082011PensionReformLegislation.

[15] *Ibid.*

[16] Sanitationmen and correction officers participate in the NYCERS, but have separate arrangements from other members. Their contribution rates are higher than for other NYCERS members, but the benefits are also more generous.

[17] The figures are for 121 plans providing data. The rate used is that for general state employees. Data From Public Pension Fund Database, Center for Retirement Research, retrieved December 2011 at http://pubplans.bc.edu/pls/htmldb/f?p=198:3:3792012951847500:::::

[18] CBC calculation based on New York City Police Pension Fund and New York City Fire Pension Fund annual reports for the fiscal year ended June 30,2010.

[19] United States Department of Labor, Bureau of Labor Statistics, "*Employee Benefits in State and Local Governments, 1998",* December 2000, Bulletin 2531, p. 96; "*National Compensation Survey: Retirement Benefits in State and Local Governments in the United States, 2007,"* May 2008, Summary 08-03, p. 18.

[20] New York State Attorney General's Office, "*Pension Padding: We All Pay the Price"*, July 7th 2010. Retrieved on December 23, 2011 at http://www.nypensionpadding.com/pdfs/preliminary_data_analysis_summary.pdf.

[21] United States Department of Labor, Bureau of Labor Statistics, "*Employee Benefits in State and Local Governments, 1998,"* December 2000, Bulletin 2531, p. 96.

[22] National Conference of State Legislatures, *State Defined Contribution and Hybrid Pension Plans*, June 2010.

[23] Center for State and Local Government Excellence, What are Hybrid Plans: A Quick Reference Guide, January 2011, p. 4.