DAILY NEWS

Finally retire New York's overpriced pensions

They are eating up our state's budget

By Carol Kellermann

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Gov. Cuomo took an important step on behalf of New York's taxpayers when he announced last week that his second executive budget includes a new pension arrangement for future tate and local government employees. The plan, if approved by the Legislature, would reform and modernize pension benefits for new employees — and offer a 401(k)-style option as well.

Danny Donohue, president of the state's largest government workers' union, called it an "assault on the middle class and a cheap shot at public employees." But that rhetoric won't work, because it's the current system that's the real problem for ordinary taxpayers.

Pension costs for state and local government employees in New York are among the highest in the nation and contribute significantly to our sky-high state and local tax burden. New Yorkers pay $574 per person per year in taxes for public employee pensions, more than twice the national average.

If left unaddressed, this bad situation will only get worse. State government pension costs are projected to increase from $455 million to $2 billion between fiscal years 2004 and 2014. New York City's pension costs, which were $2.4 billion in FY 2004, are expected to reach $8.6 billion by FY 2014. That's an average annual growth rate of 14%. If nothing is done, pension costs will take up an eighth of the entire city budget in 2014.

For the MTA, pension costs will rise from $314 million in FY 2004 to $1 billion in FY 2014. Without reform, pension costs will total 30% of the MTA payroll and 19% of fare and toll revenue for its subways, buses, bridges and tunnels by FY 2014.

Under the new proposal, future employees who opt for the traditional defined benefit plan will contribute between 3% and 6% of their paychecks toward their pensions, depending on their income. The retirement age would rise from 62 to 65, consistent with national trends, and overtime would be barred from pension calculations as it is for all but 6% of all public employees in the country.

As an alternative, new employees would be given the opportunity to enroll in a 401(k)-style plan, as most private-sector workers do. Some opponents are attacking this as a harsh cut that puts workers at the mercy of the stock market.

They need to understand: Offering this choice — and it's just a choice — is a potentially attractive feature for next generation of employees, many of whom don't plan on being lifetime state employees and prefer the flexibility of having benefits that can move with them from job to job.

Employees would be able to have up to 10% of their salary deposited in a retirement account if they opt for the full matching program and could take it with them if they leave the state payroll after a one-year vesting period.

Compare that to pensions requiring that you have to serve for many years to fully vest and collect what you're owed. It's a model that works for some workers, but increasingly not for young people.

These proposed changes would save taxpayers throughout New York State an estimated $123 billion over the next 30 years and ease the pressure that rising pension costs are placing on the delivery of vital public services.

Representatives of government employee unions are being short sighted in opposing these reforms. Public sector employees in New York deserve an attractive pension plan, which they'll continue to have under any circumstance, but not one that is among the most expensive in the country.

The governor's proposal is fair, reasonable and necessary to assure the long-term sustainability of these benefits for future public servants and make them more manageable for taxpayers.

Kellermann is president of the Citizens Budget Commission.