The New York Times

Letter

New York State's Pension Plan

Published: March 12, 2012

To the Editor:

Re "How to Pay for Pensions" (editorial, March 3):

Your defense of deferrals of pension fund contributions by New York State and localities relies on unconvincing arguments by Comptroller Thomas P. DiNapoli that the plan is justified by the need for short-term relief from rising pension costs and that it is transparent.

This plan increases future costs in exchange for short-term budget relief. Moreover, the alleged "sticker shock" for current contributions ought not to be a shock. The increases are, as you acknowledge, partly a result of pension sweeteners adopted by the State Legislature, as well as pre-existing rules for pension contributions that include a smoothing for shortfalls from investment returns that spread the needed offsetting contributions over five years.

The comptroller's amortization plan is an expensive way to extend an already "smoothed" payment plan. For the state alone, the total added interest expense is about $1 billion. That is why the vast majority of eligible jurisdictions, including New York City, have declined to use it.

The transparency argument is irrelevant. If the plan is a bad idea, making it transparent does not improve it.

In sum, the defense is flawed; taking some short-run budget relief in exchange for far greater long-run costs is not prudent fiscal policy no matter how it is labeled.

CAROL KELLERMANN
President
Citizens Budget Commission
New York, March 5, 2012