CITIZENS BUDGET COMMISSION

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CBC STATEMENT ON TIER VI REFORMS

New York, NY – March 15, 2012 – Despite a concerted public relations campaign against the Governor's pension reform proposal and rumors in recent days that major aspects would be abandoned, the bill that passed both houses of the State Legislature early this morning included important, beneficial changes in most components of the pension formulas that will determine benefits for future employees. Most notably, New York City – largely left out of earlier cost containment efforts – was included and will experience significant future budget relief.

Positive elements of the legislation include:

- **Increasing member contributions.** With employee contributions ranging from 3 to 6 percent depending on income, New York's average employee contribution requirement will now be consistent with national norms, rather than far below them.
- **Changes in the benefit calculation**. Moving from a three-year to a five-year final average salary and reducing the benefit multipliers for the years of service will produce significant long-term savings.
- **Further curbs on pension padding**. Credit for accumulated leave time was reduced and other limitations on the inclusion of overtime, severance and salary spiking were imposed.

Also notable is the addition of a provision to discourage the practice of "sweetening" pension benefits by the Legislature, ending the past practice of passing these costs on to local governments.[1]

Less desirable outcomes include the limited increase in retirement age, by just one year to 63, and the continued allowance of early retirement benefits, albeit at a reduced level. Also regrettable is the continued allowance of unlimited amounts of overtime in the pension calculations for New York City uniformed employees.

All and all, the new pension legislation is a worthwhile reform that will provide significant relief to taxpayers over the long term.

Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York State and New York City governments.

[1] The benefits of this provision may be tempered by provisions that would allow the Governor or the Mayor of New York City to unilaterally allow early retirement ages if petitioned by certain public employee unions that agree to additional employee contributions in exchange. Unfortunately, there is no way to guarantee that the costs of this benefit enhancement will be fully covered by additional employee contributions.