

## CITIZENS BUDGET COMMISSION

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# Time to trim pensions of city workers?

*Yes. Getting rid of excess  
is sound fiscal planning*

By CHARLES BRECHER

**M**ayor Bloomberg has taken a bold and important step to address the spiraling cost to taxpayers of the pension benefits of the city's municipal workers. It's prudent, and also fair, because it would affect only newly hired workers. Nobody now on the payroll would have their benefits reduced.

In the current fiscal year, taxpayers will contribute about \$4 billion to the pension funds of municipal workers and pay another \$900 million for retiree health insurance. If nothing changes, pension contributions in 2010 will be more than \$5.7 billion — ex-

ceeding the projected budgets of the Police and Fire departments combined.

These expensive benefits are far more generous than those of workers in the private and public sectors. They were once justified because municipal employees were paid less, but state and local government employees in the New York region now earn more than private-sector workers in most categories. In a 2004 survey, the Bureau of Labor Statistics found that average hourly wages for public employees were 15% above those of private firms; among blue collar workers the advantage was 30%.

The city's pensions are also out of line with those of other large private and public employers. In the private sector, most employers have converted to so-called defined contribution plans, like 401(k) plans; only one-fourth of private workers have pensions that are defined benefits, usually a guaranteed share of their salary for the rest of their lives.

Defined benefit plans are still common in state and local governments, but New York's are among the most generous. New York's benefit formula includes overtime earnings, a practice rare in other systems, and city workers contribute a smaller share to the pension fund than do most others. Also, most New York City employees are eligible to retire at 55, well below the age for full Social Security benefits (rising from 65 to 67 in coming years).

New York should always provide the salaries and benefits needed to attract qualified workers for its crucial services. The mayor's proposal does not jeopardize that.

The city still will be able to recruit a capable workforce, workers will be fairly paid and taxes will be kept from skyrocketing.

*Brecher is research director of the Citizens Budget Commission and a professor at NYU's Wagner School.*