



Paterson Vetoes N.Y. Police, Firefighter Pension Bill (Update1)

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By Henry Goldman and Michael Quint



June 4 (Bloomberg) -- New York Governor **David Paterson** vetoed a bill that would prevent newly hired police and firefighters from getting less generous pension benefits than their senior colleagues, ending a guarantee the Legislature had extended for almost 30 years.

The veto drew praise yesterday from New York Mayor **Michael Bloomberg** and the **Citizens Budget Commission**, a business-funded, non-partisan fiscal monitoring group. It would take a two-thirds vote in each chamber of the Legislature to overturn the governor's decision. The bill passed the Senate 58-0, and the Assembly 136-6.

"Our first reaction is one of total shock and disappointment," said Richard Wells, president of the **Police Conference of New York**, an organization of 216 police unions throughout the state, outside of New York City.

Paterson's rejection struck down a provision repeatedly approved that retained benefits established in 1976 for newly hired police officers and firefighters, protecting them from less generous pension plans for other recently hired state and local employees.

"This bill has been extended routinely since its initial enactment. But these are not routine times," Paterson wrote in his veto message. "The state and localities are hemorrhaging revenue at an alarming rate due to the recession and financial crisis."

'Generous Pension Benefits'

The veto, which doesn't affect benefits for current or retired police officers and firefighters, came as Paterson pressed the Legislature to save money by approving new, less generous pension plans for future public employees in both New York state and the city. The vetoed bill would have extended police and fire benefits under what he described as "the generous pension benefits" provided under the 1976 plan.

The state **School Boards Association**, which represents more than 5,000 districts, released a survey today in which 92 percent of its respondents "overwhelmingly support" Paterson's proposal to create a less expensive pension tier for future hires that would require workers to contribute to their plans beyond their 10th year of service.

"Districts may actually have to lay off employees in order to pay the increased costs of pensions," said Timothy Kremer, the association's executive director.

Discuss Veto

Austin Shafrin, spokesman for Senate Majority Leader **Malcolm Smith**, said today Smith wanted to discuss the veto with the other Democrats before taking a position. **Dan Weiller**, a spokesman for Democratic Assembly Speaker **Sheldon Silver**, declined to comment.

The state **budget** office estimates that pension costs will rise \$92 million this year, or 8 percent, to \$1.15 billion. Next year's pension expense, which includes higher contributions required as a result of the pension fund's investment losses last year, is estimated at \$1.41 billion, up 23 percent.

Comptroller **Thomas DiNapoli** reported last week that the fund lost 26 percent of its assets as of March 31, to \$109.9 billion. It predicted the state and localities would need to increase their contribution rate to the pool to about 11 percent of payroll, from 7.5 percent, by 2011.

'Down Significantly'

"Public employee pension costs are skyrocketing," said **Carol Kellermann**, the Citizens Budget Commission's president. "Investments are down significantly, state employees already receive very generous pension benefits, and taxpayers -- many of whom are struggling to stay employed -- cannot afford to make those benefits even more generous now."

The state's problems are compounded by dwindling resources amid the recession, particularly firings in financial industries. In 2007, Wall Street accounted for about 20 percent of the state's total tax **revenue**.

Lawmakers in April closed a \$17.7 billion deficit in the state's \$131.8 billion budget for this fiscal year. Last month, Paterson warned that less-than-projected tax collections may cause a new \$3 billion gap before the March 31, 2010, end of the spending period.

The governor, who received a historically low 28 percent approval rating in a May 13 Quinnipiac Poll, has proposed cutting 8,700 state government jobs this year through firings and attrition.

Bloomberg, who has asked state lawmakers to create a new pension plan to save the city **\$200 million** next year, described the governor's veto as "a gutsy decision" that "demonstrated his commitment to fiscal responsibility and the need for Albany to finally begin living within its means."

1976 Plan

The 1976 plan, known as Tier 2, has higher benefits and doesn't penalize early retirement, said **Elizabeth Lynam**, researcher for the Albany-based Citizens Budget Commission. Previously, the Legislature had passed bills similar to the vetoed one that exempted police officers from lower benefits in subsequently created plans, known Tier 3 and Tier 4. The governor's proposed plan is called Tier 5.

The state police and fire retirement system covered 34,395 active officers in 2008, employed by the state, 61 cities, 206 towns and 378 villages. New York City has its own pension systems for each of its departments.

Police and firefighters paid \$2.58 million into the fund in the year ended March 31, 2008, or 0.5 percent of the \$513.5 million paid by their employers. Other public workers paid 12 percent of the \$2.13 billion contributed by their government employers, according to the state pension fund **annual report**.

The mayor is founder and majority owner of Bloomberg News parent Bloomberg LP.

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