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GOV'S SHOCKING PAYOUT PULLBACK

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ALBANY -- Gov. Paterson dropped a bombshell on two powerful unions yesterday when he unexpectedly vetoed a routine measure that for nearly 30 years had allowed city cops and firefighters to retire with generous pensions.

EDITORIAL: THE GOV GETS ONE RIGHT

"These are not routine times," Paterson said in vetoing the "temporary" measure that since 1981 had been habitually renewed by legislators, giving the Finest and the Bravest gold-plated pensions known as "Tier II" even as new, less-generous tiers were created for non-uniformed workers.

"Nothing says 'business as usual' like a 'temporary' fix that lasts 28 years," Paterson added.

"Instead of a rubber stamp on a temporary fix, we need to move forward with real reform to the pension system."

The Post in recent months has detailed the spiraling costs of public-employee pensions and the growing threat they pose to state and local budgets.

Mayor Bloomberg immediately praised the governor's veto.

"Governor Paterson made a gutsy decision last night to veto a pension-continuation bill," Bloomberg said in a statement.

"The city and state have been buried by exponential growth in pension costs and we need reform now, before those costs bankrupt the city and the state."

Paterson's veto -- which caught lawmakers off guard -- was his most aggressive move yet in his push to establish a pared-down pension tier for newly hired employees.

The governor has recently reintroduced his cost-saving pension proposal, which legislators flatly rejected during this year's budget negotiations.

Paterson estimates that his proposal for a new pension tier would save the state \$48 billion over the next 30 years.

The veto comes during a month when the labor-friendly Legislature typically approves a flood of pension improvements as the legislative session rushes to a close.

"This is pension-sweetener season and he's saying this is not going to be business as usual," said Elizabeth Lynam of the Citizens Budget Commission.

"Even routine extenders will be denied. It's a big deal."

Labor unions and their allies in the Legislature said they were blindsided by the governor's veto and argued that state and local governments will see no savings from the move because it's unclear which pension tiers new cops and firefighters would join.

"It was completely unanticipated and unexpected," said Senate Civil Service Committee Chairwoman Diane Savino (D-SI-Brooklyn), who sponsored the bill.

"There was no cost to extending the current system. We don't know what the cost would be. We don't know what the savings will be."

The bill passed overwhelmingly -- 136-6 in the Assembly and 58-0 in the Senate -- leading to talk of a veto override, which requires a two-thirds majority of each house.

The savings would come from, among other items, raising the minimum retirement age and banning overtime "spiking," where workers run up OT in their final years to boost pension payouts.

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