



Published in the



**Staten Island Advance**  
POWERING [silive.com](http://silive.com)

# NYC Pension Costs Soar with Investment Shortfalls

By Anna Sanders

August 07, 2016

Plunging returns on investment may force the city to spend hundreds of millions more on retiree pensions in the coming years.

The five public pension funds earned a combined return of 1.46 percent in fiscal year 2016, according to preliminary estimates released by City Comptroller Scott Stringer.

This is a significant shortfall -- the pension system assumes a 7 percent return on investment.

"Pensions are always a risk -- it all depends on the markets," said Maria Doulis, vice president of the Citizens Budget Commission, a nonprofit watchdog group. "About one in every \$10 the city spends is going to these pension costs when they could be going to other things."

## \$9.4 BILLION BILL

The city's \$82.1 billion budget includes just over \$9.4 billion for retiree pensions this fiscal year.

Stringer's office estimated that this year's poor performance means the city will be on the hook for \$732 million in additional pension contributions over the next three fiscal years, starting next summer.

That's about the cost to build seven new Staten Island Ferry boats, at around \$104 million apiece.

If returns exceed 7 percent next year, pension costs could go down. But they may also go up even more with another shortfall.

"This past year was challenging for all investors, but the City pension funds remain focused on the long-term," Stringer spokesman Eric Sumberg said.

Freddi Goldstein, a spokeswoman for Mayor Bill de Blasio, said that the costs are "well within the City's ability to manage."

"The City recognizes that the market fluctuates, and as a result, returns are not always consistent," she said.



Published in the



# Staten Island Advance

POWERING [silive.com](http://silive.com)

## 'CAUSE FOR CONCERN'

Officials said maintaining the city's commitment to workers is important, but the increased contribution raised red flags.

"The numbers regarding the performance of the city's pension funds are cause for concern," Councilwoman Debi Rose (D-North Shore) said.

Fiscal year 2016 ended on June 30 and Stringer released a budget analysis the last week of July. The comptroller's office will put out more detailed numbers in the coming weeks.

The pension funds -- covering retired teachers, cops, firefighters and others -- each have an independent board of trustees that determines where to invest. As comptroller, Stringer acts as an adviser to them.

In fiscal year 2015, the pension funds earned a combined return of 3.15 percent, also below the system's assumed rate.

By keeping the target at 7 percent, the city's long-term liabilities appear smaller during the budget season.

"There's usually going to be an increase in city costs," Doulis said. "What's more concerning is this is the second year of losses."

## LONG-TERM STRATEGY

Stringer's office stressed looking at long-term performance of the funds. Two years ago, for instance, the funds made 17.4 percent after private fees. (In 2015, the comptroller's office started reporting returns after all fees to provide a more accurate fiscal outlook.)

"We have a long-term investment strategy that we believe will help us achieve strong, risk-adjusted returns regardless of what happens in the market in any given year," Sumberg said.

Many government pension funds nationwide have underperformed in recent years, though the market has been doing well overall since the recession.

The five pension funds were 70.5 percent funded in fiscal year 2015, according to the most recent numbers available.

"These numbers underscore the hard reality that we need to reign in government spending," Minority Leader Steven Matteo (R-Mid-Island) said. "A budget that grows at more than twice the rate of inflation each and every year is just not sustainable, especially when it relies heavily on tax from fluctuating Wall Street revenues and from small businesses and middle class families, whose earnings are not keeping pace."



Published in the



# Staten Island Advance

POWERING [silive.com](http://silive.com)

Councilman Joseph Borelli (R-South Shore) wasn't surprised at the low return this year. He said that the new pension tiers are meant to reduce this, but savings won't be seen until most employees are part of that system and not old one.

Even so, he wasn't particularly worried that the city's rising pension costs could eat into available resources.

"I'm concerned with the city addressing all of Staten Island's priorities because they may not match those of City Hall, not because of any cash-flow issue," Borelli said. "But that has always been the fight."