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Dear Legislator:

We are entering the final month of the Legislative session, a period when the Legislature typically enhances or "sweetens" the pension benefits of government workers at the request of organized labor. These sweeteners are often enacted over the objections of elected heads of local governments and always at the expense of taxpayers.

With the New York State economy in great distress, state taxes and fees on the rise, and taxpayers struggling, the Citizens Budget Commission has decided to issue a "Pension Sweetener Scorecard." We will monitor legislative and gubernatorial actions regarding pension benefits – whether intended to reform or sweeten – and highlight those actions for the media and the public.

Government pension costs in New York – at the state, county, and municipal levels – are skyrocketing and threaten the fiscal health of every local government and school district. Since 1999 required employer contributions to the pension funds have grown from $292 million to $2.6 billion, a nearly ten-fold increase. Pension benefit payments reached $5.6 billion in 2008, and the amount paid each year has grown more rapidly than pension fund assets in every year since 2000. We can no longer afford business as usual in Albany.

In past years, dozens of sweetener bills typically were passed by the Legislature. In the past four years, for example, the CBC tracked 50 bills that went to the Governor's desk for action and hundreds more that were introduced for Legislative consideration. These measures effectively mandate higher state and local pension payments; because they are protected by the State Constitution, which prohibits the diminution of pension benefits, these payments are locked in for the future. In other words, once the sweeteners are adopted, they are permanent.

The sweeteners take a variety of forms. Some lower retirement ages either directly or by increasing service credit; others add conditions that allow more employees to qualify for disability pensions. Specific classes or sub-categories of employees are often singled out, after intensive lobbying efforts, to receive benefits already conferred on other groups of employees.

The enhancements undermine New York's economic competitiveness by driving up the cost of government. The local tax burden in New York is already 78 percent above the U.S. average in dollars per $1,000 in personal income, and the combined state and local tax burden is 35 percent above the U.S. average.

The higher tax burden is tied directly to higher compensation, including pension benefits for New York's public employees. New York's generous pension provisions include:

- Easier access to disability pensions - Disability pensions allow the employee to collect up to 75 percent of the final average salary, compared to 50 percent for regular pensions. About 5 out of every 100 employees retire on a disability pension, but for uniformed employees the rate is 3 times higher. Many sweeteners have created the presumption that heart, lung, and other conditions were caused on the job, and therefore do not require proof of a job-related accident from the employee.

- Allowing overtime to be considered in the final average salary - New York is among the 6 percent of public systems that allows pension credit for overtime. This opens the door for employees with seniority and close to retirement to pile up overtime that will pad their pension benefits for the rest of their lifetimes.

- Lower employee contributions - New York's employee contributions are much lower than in similar systems. Last year the ratio of employer to employee contributions in New York's State and Local Retirement Systems was 9 to 1. Fully 74 percent of all public defined benefit systems require higher employee contributions.

- Early retirement - New York's retirement ages are generally lower than those allowed in other public and private systems. For example, among civilian employees that retired in 2008 half were under the age of 60. Among uniformed employees fully 86 percent were under age 60. These relatively young retirees will collect 50 to 60 percent of their final average salaries for the remainder of their lives.

We hope that you will (a) refrain from introducing or supporting any pension sweetener legislation during the remainder of this session, and (b) support the legislation endorsed by Governor David Paterson and New York City Mayor Michael Bloomberg that would create a new pension tier for future workers that provide more reasonable and affordable pension benefits. The CBC will be tracking pension-related legislation and reporting to the public with its scorecard during the remainder of the legislative session.

Sincerely,

Carol Kellermann
President