



Tier V Pension Reform: More than Meets the Eye

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Governor Paterson recently signed into law pension reforms that will purportedly save New York State billions of dollars. The key components of this Tier V Pension Reform include: (1) raising the minimum age at which most civilians can retire without penalty from 55 to 62 and imposing a penalty of up to 38% for any civilian who retires before age 62; (2) requiring employees to continue contributing 3% of their salaries toward pension costs so long as they accumulate additional pension credits; (3) increasing the minimum years of service required to draw a pension from 5 years to 10 years; and (4) capping the amount of overtime that can be considered in the calculation

of pension benefits for civilians at \$15,000 per year, and for police and firefighters at 15% of non-overtime wages.

Members of the NYS Teachers Retirement System will have a separate Tier V benefit structure that will achieve equivalent savings as other civilian public employees, including: (1) raising the minimum age an individual can retire without penalty from 55 to 57 years; (2) contributing 3.5% of their annual wages to pension costs rather than 3% and continuing this increased contribution so long as they accumulate additional pension credits; and (3) increasing the 2% multiplier threshold for final pension calculations from 20 to 25 years.

During November's Local Government >>

The Local Government Council (LGC) was founded in 1997 to give local government leaders a forum to identify issues of importance to municipalities, to discuss opportunities for regional cooperation and to foster working relationships among local leaders.



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Gerald D. Jennings
Mayor of Albany



Co-Chair
Kathleen M. Jimino
Rensselaer County
Executive

Census Day 2010: A Snapshot

Census Day is April 1, 2010. The U.S. Constitution requires a national census once every 10 years. The census is a count of everyone residing in the United States. The census will show state population counts and determine representation in the U.S. House of Representatives. Questionnaire responses should represent the household as it exists on this day. More detailed socioeconomic information will be collected annually from a small percentage of the population through the American Community Survey. All U.S. Residents must be counted – people of all races and ethnic groups, citizens and non-citizens. Census questionnaires will be delivered

or mailed to households via U.S. mail in March 2010; many households will receive a replacement questionnaire in early April. Census workers also will visit households that do not return questionnaires.

Every year, the federal government can allocate more than \$300 billion to states and communities based, in part, on census data. Census data guides local decision-makers on where to build new roads, hospitals, child-care and senior citizen centers, schools, and more. Businesses use census data to locate supermarkets, new housing and other facilities.

New SEQRA handbook

An online version of the third edition of the New York State Department of Environmental Conservation (DEC) State Environmental Quality Review (SEQR) Handbook is now available at: www.dec.ny.gov/permits/6188.html. It addresses common questions that arise during the process of applying SEQR. This edition entirely replaces previous editions and reflects updated process based on case law.

Upcoming LGC Meetings

Health Care Costs

January 26th 2010 | 11:30am – 1:15
United Way of the Greater
Capital Region, Albany

Governor Paterson delivers State of the State Address

On January 6, 2010, Governor Paterson proposed a plan that he said would fix New York's shattered finances, rejuvenate its slumping economy and restore trust in government through a series of major ethics reforms. With New York State facing a \$9 billion budget gap at fiscal year-end on March 31, Paterson called for a cap on spending and asked Lieutenant Governor Richard Ravitch to develop a four-year financial plan for structural changes in New York's budget

instead of relying on annual, one-time fixes. Recommending that the state move to a performance-based system in which agencies set clear goals and report to taxpayers whether those objectives are being met, he stated: "To rebuild New York, we need to enact fundamental fiscal reform that makes government more accountable to taxpayers. We must enact real and lasting cuts to our State's bureaucracy, merge agencies to improve efficiency and save money, begin the public tracking of agency performance, and develop a long-term strategy for fiscal planning."

The focus of the ethics legislation Governor Paterson proposed to the Legislature is an independent, five-member Government Ethics Commission overseeing the three branches of government. Paterson also called for reducing the maximum campaign contributions allowed, banning corporate contributions, and instituting a public campaign financing system. He also recommended limiting the terms of statewide officeholders and legislators. To create jobs, Paterson proposed tax credits targeting the high tech, biotech, clean energy, manufacturing and financial industries.

"TIER V PENSION REFORM" CONT'D

Council (LGC) meeting, guest speakers E.J. McMahon, Director of the Empire Center for New York State Policy; Peter A. Baynes, Executive Director, New York State Conference of Mayors; and Timothy G. Kremer, Executive Director, New York State School Boards Association, educated the LGC on the implications for local governments of the increase in pension costs. All the speakers agreed that the reform would cost local government an inordinate, unsustainable amount of money – for cities, this could mean over 40% of the real property tax levy, leading to a 20% increase in property taxes just to pay the pension costs.

Despite these experts' views, Governor Paterson, as he signed into law this pension reform, stated that this Tier V Pension Reform will achieve more than \$35 billion in savings for state and local governments over the next thirty years. But, as Mr. McMahon explained, here's the missing perspective: for state government, the modest changes proposed by Paterson would ultimately represent a roughly 23 percent annual reduction in a pension bill that is poised to increase by 155 percent in just the next three years. The problem with Tier V

is that, while it would shave away the most costly sweeteners added to Tier IV since the early 1990s, it would preserve the basic defined benefit plan, which represents a massive and growing financial risk for taxpayers while offering needlessly generous benefits to workers.

The new retirement plan basically just puts public-employee pension systems back to the pre-2000 benefit levels, before the Legislature enacted a host of giveaways. In addition, the bill permanently bars school districts from altering the health-insurance benefits they provide to retirees, which will surely prove costly to taxpayers. Extension of the binding arbitration provisions for the police and fire unions will likely boost pay in the years ahead, adding to the already outrageous property taxes around the state. The \$20 billion deficit that New York faces over the next 2 ½ years can only be solved by reducing expenses, but the pension reform relies on raising taxes that local governments and taxes can barely afford – property taxes statewide are 70% above the national average, and income, sales and business taxes are among the highest in the nation.

In addition, as Mr. Kremer explained, while the reform increases the minimum retirement age for teachers, in reality it will have little effect on reducing pension costs because the average teacher already retires between the ages of 57 and 59 – not 55. The reform also did not take into account the fact that 40% of current teachers are reaching retirement age in the next decade, which will result in a sudden, dramatic increase in pension costs. In a recent survey of school board members, 57% said that their school districts do not have enough financial reserves to handle a spike in retirement contributions, likely leading to layoffs and even bankruptcy for many small school districts.

According to www.fiscalwatch.com, the number of retired New York government employees with six-figure pensions is growing at a 20 percent annual rate. The list of pension recipients, posted by the Journal News of the lower Hudson Valley, lists 1,081 individuals with pensions of \$100,000 or more, up from 899 a year ago. These numbers do not include New York City employees or teachers.