

Save more, pay less

State officials meet to weigh pension cost cuts, including a new, less-generous Tier VI, to ease dramatic tax hikes

By RICK KARLIN Capitol Bureau

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ALBANY -- Gov. [Andrew Cuomo](#) may soon call for a less-generous Tier VI pension plan for new public employees, and a temporary freeze or suspension on union-friendly bargaining laws as a way to relieve cost burdens on state and local government.

Details of the proposed pension change -- which would come a year after the Tier V pension package went into effect for new public employees -- weren't immediately available.

But officials who gathered for a meeting Wednesday at the Capitol to explore mandate relief mentioned a variety of approaches ranging from the move to a defined contribution pension package, in which employees have to pay into the plan as they do in private-sector 401(k) plans, to letting people opt out of their pensions altogether.

In an interview following the hour-long initial meeting of Cuomo's Mandate Relief Redesign Team, his senior adviser, [Larry Schwartz](#), said the governor would be discussing a Tier VI package "in the near future."

During the meeting, Schwartz signaled that meaningful reform of mandates imposed on local governments can only be achieved by tackling public employee costs, which typically take up between 70 percent and 80 percent of the budget for operations such as schools and municipalities.

That means reaching beyond relatively noncontroversial cost-savers such as consolidating buildings or drug prescription plans to thornier issues that impact people's salaries and benefits -- reductions that will draw protests from powerful unions.

"We need to go after not only the low-hanging fruit but the difficult things," Schwartz said.

Local officials at Wednesday's meeting said rising public employee pension costs are threatening to swallow government budgets. The causes include sweeteners added by legislators over the years; a looming demographic retirement boom; and a recession-battered pension fund that led to lower returns during the past few years.

Pension costs are "the big enchilada," said Jamestown Mayor [Sam Teresi](#), who is president of the state Conference of Mayors. His western New York city has a population of 35,000, with 450 municipal employees. It has seen its mandatory pension payments go from \$100,000 to \$3 million in the past decade.

Tim Kremer, executive director of the state School Boards Association, noted that 11 other states have already put public employees in 401(k)-style retirement programs or hybrids which include self-funded and defined-benefit plans.

"Pension reform is a must-solve," added [Micah Lasher](#), New York City Mayor [Michael Bloomberg](#)'s representative to the panel, who participated by weblink.

The Bloomberg administration, like Cuomo's, is seeking pension reforms and contends it can't afford any public-sector raises unless retirement costs are lowered.

But pushback against any cut in pension benefits was apparent even at Wednesday's meeting.

Steve Allinger, legislative director for the [New York State United Teachers union](#), said administrative costs for defined-contribution pensions are far higher than for defined-benefit plans. He noted other costs, such as health insurance and energy prices, are also squeezing local budgets.

Fran Turner of the [Civil Service Employees Association](#) questioned how public sector workers who earn modest salaries could afford to retire "with dignity" and avoid relying on social services if they lost their pensions.

Under Tier V, civilian public employees -- that is, non-police and firefighters -- must work until age 62 (57 for teachers) to retire without a significant penalty. The cutoff age under Tier IV was 55. They also must work 10 rather than five years to draw a pension, and they must keep contributing 3 percent of their salaries throughout their employment, rather than earlier requirements that they only pay for a fixed period of time.

Tier V also instituted caps on how much overtime employees can use in calculating pensions.

Pension savings, while significant, won't be realized for years; with that in mind, Schwartz said the Cuomo administration may seek a temporary suspension to parts of the Triborough Amendment, which bars public employers from altering any provision of an expired contract until a new agreement is reached.

Pro-business groups such as New Yorkers for Growth and Unshackle Upstate support repealing the 1982 amendment. But that would be difficult, given the close ties between many lawmakers and unions.

Schwartz said a freeze or suspension of parts of the law could run for the next several years. "That's part of being creative and innovative," he said.

Triborough allows union members to continue receiving longevity increases and maintaining their existing health and other benefits, even during a negotiating impasse. Because of that, public sector unions frequently feel like they can hold out for a long time without a contract.

The amendment was a change to the state's 1967 Taylor Law, which prevents public employees from going on strike during contract disputes.

Triborough is unique to New York and critics say it's one of the reasons the state's government costs -- and its taxes -- are so high.

The Cuomo administration wasn't alone in raising the mandate relief topic on Wednesday. Just before Cuomo's group met, lawmakers offered some of their thoughts as well.

Members of the newly created Independent Democratic Conference suggested a range of ideas such as letting municipalities cooperatively manage employee benefits and making it easier to collect unpaid building fines.

Senate Republicans also offered support for mandate relief, noting it will be needed if Cuomo's call for a 2 percent property tax cap becomes law.

"Mandate relief is critically important if you're going to have an effective cap," Senate Republican Majority Leader [Dean Skelos](#) said.