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## Would Cut Contributions Governor: Tier 5 Pension Saves State, City \$48B

By RICHARD STEIER



**GOVERNOR PATERSON: Foresees big pension savings.**

The Tier 5 pension proposal announced by Governor Paterson earlier this year if implemented would save the city \$16.3 billion over 30 years, and all state jurisdictions outside the five boroughs would save a combined \$32.2 billion, according to a March 3 analysis by the Division of the Budget.

The savings would be relatively small initially—the \$200 million the Bloomberg administration estimates it could save next year has been questioned by union and legislative officials— but would grow "exponentially" according to the state analysis.

### Cuts Contribution 2.5%

The Division of the Budget report stated that the Actuary for the New York State and Local Employees' Retirement System found that the state's pension contribution under Tier 5 would be 2.5 percent lower for those covered than for current employees, most of whom are members of Tier 4. The state Teachers' Retirement System said savings concerning its members would amount to about 3.4 percent of a Tier 5 member's salary.

The portion of the proposal put forward by the Governor at Mayor Bloomberg's request would cover all city workers, including cops and firefighters. Neither of those groups in other state jurisdictions is covered by the Governor's measure.

Asked why that distinction was made, Division of the Budget spokesman Matt Anderson pointed out that the Mayor specifically requested that cops and firefighters—whose average pension costs significantly exceed those of most other city workers—be covered. Pressed on why State Police and local cops and firefighters outside the city were exempted, he merely said, "Our first goal is to provide savings for the state at a difficult time."

### Questions Short-Term Savings

State Sen. Diane Savino, who chairs the Senate Committee on Civil Service and Pensions, has questioned the rationale for making major pension changes at this time, noting that significant savings will not result until there are sizable numbers of new employees hired for whom public employers will be able to make smaller pension contributions than they do for current workers.

She reserved comment on the Budget Division analysis except to say, "We're going to have to look at it and study it."

Ms. Savino acknowledged that despite her own doubts about the wisdom of such a change at this time, the fiscal problems of both the state and the city, combined with newspaper editorials supporting the Mayor's call for reduced pension costs, have made it a key element in the debate on a state budget that is due April 1.

"The pressure continues to be on," she said. "You can't cut here and cut there without taking a look at this."



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**Wouldn't Pay for OT**

One of the prime elements of Tier 5 savings would be the elimination of overtime compensation when calculating employees' retirement allowances. Many of the others, the Budget Division analysis notes, would repeal key pension gains made by public workers a decade ago, when the earnings of both the city and state pension funds were robust enough to improve benefits while at the same time reducing employer contributions.

Among them is the restoration of the minimum retirement age—which for most employees is now 55 or 57—to 62. In the case of city cops and firefighters, who now qualify for full pensions after 20 years' service at any age, the proposal would make the service requirement for future hires 25 years and they would have to be at least 50 to collect.

The Governor's proposal would also require employees to once again contribute to their pensions for the length of their careers rather than ceasing to pay into the system after 10 years of service. And employees would need at least 10 years on the job to qualify for a pension; the current minimum is five.

**Big Gap on City, State Savings**

The Budget Division's own calculations raise questions about the city's claim that it could save \$200 million in the municipal fiscal year that begins July 1 if Tier 5 were enacted. They estimate that the lesser pensions would reduce the state's costs over the next 30 years by \$7.5 billion, slightly less than half of what the city expects to save during that period.

Yet in the first year of the new plan, the Budget Division projects that the state would save just \$4.5 million, and after three years it estimates cumulative savings would total \$59.4 million— just 30 percent of what the city has said it would reap in the first year alone.

Mayoral spokesman Jason Post said, however, that there were some significant differences between the state and city Tier 5 plans that accounted for the wide gap in savings early on. The primary one, he indicated in an e-mail, is that the state Tier 5 plan would not include cops and firefighters.

He explained that the pension liability created by the hiring of any new employee is funded over the entire course of his or her service. "If the minimum length of service for retirement is extended for five years, the working lifetime increases and the pension liabilities can be funded over a longer period of time," he stated.

**Greater Drug-Plan Savings**

Since the state would not reap the savings that the city would accrue for those two sizable employee groups, he continued, "the city pension savings are proportionately larger in the early years."

Senator Savino contended, however, that the city could realize far greater savings by taking over all the municipal unions' prescription drug plans. There would be major savings from needing fewer employees to administer the plans if they were consolidated, and the city's considerably greater buying power on behalf of hundreds of thousands of workers and retirees would produce significant discounts from providers, she said she told Mr. Bloomberg in a recent conversation.

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