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Governor Enacts Tier 5, Reducing Pension Rights

Applies to Future Workers
By RICHARD STEIER



GOVERNOR PATERSON:
'Significant pension reform.'

Governor Paterson Dec. 10 signed into law the Tier 5 pension bill that will offer lesser benefits to future workers, in most cases by requiring them to work longer to qualify for a full retirement allowance and increasing the percentage of salary they must contribute to help fund it.

The measure, which he signed at the North Hempstead Town Hall in Manhasset, L.I., applies to future city Teachers as well as virtually all public employees under the jurisdiction of the state and its other municipalities. The other city unions, as well as those whose members work for New York City Transit, are not affected.

A Step Towards Accountability'

Calling it "the most-significant pension reform" since Tier 4 was created a quarter-century earlier, Mr. Paterson said the new law represented "another critical step toward making our government more accountable to taxpayers."

Most state workers hired beginning Jan. 1 will now have to work until age 62 to qualify for a full pension, compared to the current standard of 55, and will have their allowances reduced by up to 38 percent if they leave service early. They will also have to contribute 3 percent of salary to the system for as long as they are accumulating pension credit.

Pensions will not be guaranteed until after 10 years' service, five more than at present, and a similar increase will be imposed—in this case going to 15 years from the standard of 10—before they are assured of continued healthbenefit coverage once they retire.

Future cops and firefighters employed outside the five boroughs retain the right to retire after 20 years' service, regardless of age, but will have to contribute 3 percent of salary to their pensions. They also face the biggest potential hit under a cap on overtime imposed for all those workers: where civilians are limited to having \$15,000 in overtime earnings included in calculating their pension allowances, cops and firefighters will have the cap set at 15 percent of their base pay.

New Court Workers Pay More

New state court employees with peace officer status will maintain the right to retire at age 55 provided they have 30 years' service, but they will have to contribute 4 percent of salary, a point more than those already on the job.

There are several key differences in how the law will apply to city Teachers and those elsewhere in the state as the result of a separate deal the United Federation of Teachers reached with the Bloomberg administration six months ago.



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Future UFT members under that agreement retained the right to retire at age 55 if they had completed 27 years of service, while those represented by New York State United Teachers will need to be 57 to qualify for a full pension.

New city Teachers will contribute 4.85 percent of salary to the pension system for their first 27 years on the job and 1.85 percent after that, where those already working have the 4.85- percent contribution drop to 1.85 percent after 10 years and cease after 27. They will also receive a maximum return of 7 percent on Tax-Deferred Annuity accounts, compared to 8.25 percent for those already on the job.

Teachers outside the city who belong to the state Teachers Retirement System will contribute 3.5 percent of salary to their pensions, a half-point more than those already on the job, and must pay that percentage for all the time that they accumulate pension credit.

Longer to Hit 2% Threshold

Those state TRS members will also reach the point at which they have their allowances calculated at 2 percent of salary for each year of service after 25 years, compared to 20 for those already on the job. Until then, they accumulate credit at 1.67 percent of salary for each year of service.

The hardest hit under the bill will be endured by future members of the two largest state-employee unions, the Civil Service Employees Association and the Public Employees Federation. They agreed to terms this spring as a way of averting the potential layoff of thousands of their members.

The Governor estimated the pension change at present will save the state and its localities \$35 billion over the next 30 years, although the bulk of the savings will come during the latter part of that period. The Bloomberg administration has estimated that under the portion of the law covering the UFT, it will save \$19 million in the coming year through reduced pension costs, with the greatest savings coming further down the line as the ranks of employees with no reduction in their salary contributions after 10 years grow greater.

PBA, UFA May Seek Shift

The rest of the municipal unions until now have resisted the Mayor's call for Tier 5 deals. The Governor's veto in June of a bill that would have extended Tier 2 benefits to future cops and firefighters placed those hired by the city since July under Tier 3, which requires them to work 22 years to qualify for a full pension, and 25 if they want to receive cost-of-living adjustments that are paid to all Tier 2 members with 20-year service retirements.

Those disadvantages led Detectives Endowment Association President Michael J. Palladino to say earlier this month that he believes the entry-level unions for cops and firefighters, the Patrolmen's Benevolent Association and Uniformed Firefighters Association, might be more amenable to negotiating a Tier 5 setup since their state counterparts preserved the right to retire after 20 years at full pension. They also retained the legal presumption that any of a number of disabling illnesses and ailments are job-related and therefore entitle their members to tax-free pensions equivalent to 75 percent of their average salary over their final three years of service. (For city cops and firefighters, disability pensions are based on their final year's earnings, which usually is more advantageous.)

The leaders of the PBA and UFA have so far refrained from comment about the Tier 5 changes.

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