

Editorial: A Tier Too Far?

RICHARD STEIER | Posted: Monday, May 23, 2011 5:00 pm

Governor Cuomo has proposed, and Mayor Bloomberg has quickly embraced, a Tier 6 pension system that if adopted would sharply scale down retirement costs for the state and its localities.

Among its more-striking features are that it would raise the retirement age for everyone except cops and firefighters to 65, double the typical employee pension contribution to 6 percent, end the use of overtime and unused sick leave in determining pension allowances, and limit how service beyond 20 years could bolster pension entitlements.

This wasn't enough to satisfy some parties who contend the Governor should have proposed moving all future workers out of traditional defined-benefit pension plans and into 401(k)s that place a much-lighter burden on employers by making employees pay more of the freight and gamble that the stock market will be kind over their work lives.

But what Mr. Cuomo has proposed is austere enough. Even before he comes to the formidable task of persuading state legislators to approve changes that will not do much to solve the state's current fiscal problems, he should be asking himself what might be lost in comparison to the long-term monetary savings.

There is no doubt that public-sector pensions are superior to what most private-sector employees receive in retirement compensation. But even now, in a time of austerity, private-sector salaries are somewhat better than those received by public workers, and the difference will grow when the economy gets stronger. More than a few employees join the public service because it offers better fringe benefits and job security than they could expect working for a private firm. Mr. Cuomo is about to engage in major layoffs that for the first time here since the fiscal crisis of the mid-1970s would raise real doubts about the security of government jobs. However much fiscal sense he may believe it makes to scale back pension payments, does he really expect that combining those two actions won't have an impact on recruitment?

Whatever doubts he might have about that effect could be cleared up by talking to the Mayor, who to limit the city's costs from a police-union arbitration six years ago insisted that the pay for new cops be reduced to \$500 a week. The NYPD quickly discovered that it had trouble attracting good candidates willing to put their lives at risk for that princely sum, and three years later in another arbitration the city brought the starting wage up significantly, so that it is now more than \$800 a week.

Mr. Cuomo while campaigning last year spoke confidently about his ability to cut waste in

government without affecting services. Yet his trims shrinking the workforce offer no guarantee of more efficiency, despite the greater demands placed on those who remain on the payroll.

At some point it is going to occur to the Governor and the Mayor—who is doing his share by planning mass Teacher layoffs and the closing of 20 fire companies—that squeezing public workers like whoopee cushions while letting wealthier New Yorkers get a free ride through the crisis is bad management, and might be considered such by even the more well-heeled among us.