

DiNapoli Sparks a War Of Words on Pensions

By MARK TOOR | Posted: Friday, February 17, 2012 4:30 pm

The war over Governor Cuomo's Tier 6 pension proposal turned into the battle of the press releases last week, as supporters of the penurious plan attacked State Comptroller Thomas P. DiNapoli for statements he made opposing its inclusion of 401(k)s, and Mr. DiNapoli's labor defenders fired back.

Mr. Cuomo threw fuel on the fire during a Feb. 16 radio interview, calling Mr. DiNapoli's stance "indefensible" and claiming "it argues the positions of the labor unions at the expense of the taxpayer and the citizen."

The Comptroller, who is considered a friend of public-employee unions and enjoys their strong support, has said the current defined-benefit pension system remains appropriate and affordable. His position all along has been that the pension plan is fully funded and that 401(k)s, which are proposed in the Tier 6 initiative as an alternative to a reduced defined-benefit option, are too risky because they are subject to stock-market fluctuations.

Lost Years of Growth

The accounts, which cover a growing number of private-sector employees, lost much of their value after the 2008 recession began and only now are regaining their value.

The Tier 6 proposal would change the defined-benefit plan by wiping out early retirement; raising required employee contributions and increasing them even further when a declining stock market reduces investment returns; excluding overtime from final-average-salary calculations; stretching the final-average-salary period from three to five years, and reducing the multiplier used to work out pension payments by 17 percent.

Tier 6 would cover future state and city workers but would not affect current employees.

In proposing it when he released his budget last month, Mr. Cuomo said the state simply could not afford the current pension plans—not even Tier 5, which took effect just two years ago and carries its own reductions. His program would save \$113 billion over the next 30 years, he said, although most of the savings would not be realized until at least 20 years down the road.

The Comptroller repeated his long-standing opposition to 401(k)s during a legislative hearing on the budget Feb. 7, saying the new pension plan would "reduce retirement security for future workers." He repeated that concern in his analysis of Mr. Cuomo's budget, released the same day. The analysis also said his actuaries estimated that it would cost the state between \$7 million and \$16 million to set up Tier 6, plus additional costs for localities.

'False' Attacks on Pensions

“Coordinated, sustained attacks by anti-pension advocates have falsely cast public pensions as costly, unsustainable giveaways that are bankrupting states and localities,” he said in a press briefing Jan. 19. Because the pension fund lost \$40 billion at the beginning of the recession, the state and localities are required to pay more temporarily to make up for it. But Mr. DiNapoli said Tier 6 would have no effect on those payments.

The hits from business groups began piling up at the beginning of last week. Brian Sampson, executive director of Unshackle Upstate, also attacked Binghamton Mayor Matthew Ryan, who wrote in an op-ed piece, “Even if a 401(k) plan were optional, it would be dangerous for our retirees, both economically and morally...Using a 401(k) in place of a defined-benefit pension would undercut the financial security that our workers deserve.”

“A good friend of mine summed it up nicely,” Mr. Sampson said. “He said, “Perhaps Mayor Ryan and Comptroller DiNapoli should focus on what the voters and taxpayers are saying, and according to the recent Siena College poll, an overwhelming majority of voters, including union households, support Tier 6.’ They’d rather subject the taxpayers of New York State to the volatility of the stock market than back a reasonable plan that begins to lessen the risks assumed by the taxpayers. Someone should point that out the next time they are up for re-election.”

‘Long-Overdue Relief’

An op-ed piece by Heather Briccetti, president of the Business Council of New York, was more measured: “The commonsense proposal for a Tier 6 retirement system...would provide long-overdue relief to business owners, taxpayers, school districts and municipalities across the state by saving a hefty \$123 billion over the next 30 years...The opportunity to enroll in a 401(k)-style retirement account would also be a new option available to new employees, providing them with ‘portable’ benefits if they change careers.”

But Mike Durant, New York State director for the National Federation of Independent Businesses, raised the temperature again: “The Comptroller’s continuous attack on the proposed Tier 6 provision fails the smell test. Comptroller DiNapoli is supposed to be looking out for the fiscal health of the state, and the key to preserving our financial security is reforming our pension system, not kowtowing to special interests for personal political gains.”

The unions fired back almost immediately.

“DiNapoli has raised legitimate concerns that a 401(k)-style pension option will lead to greater economic instability,” said Civil Service Employees Association President Danny Donohue. “Once again the corporate interests and the 1 percent are at it trying to demonize anyone who stands up for fairness and consideration of what’s right.”

401(k)s a ‘Wall Street Windfall’

“We’ve all seen enough damage to retirement security tied to 401(k) plans,” he added. He noted that historically 83 percent of the pension dollar has come from investments, not taxpayers, and that “Wall Street stands to make a windfall on administrative fees if Tier 6 is enacted.” 401(k)s carry such fees.

“The millionaires and lobbyists who want to take away the hope of a secure retirement from hard-working nurses, firefighters, teachers and other workers should be ashamed,” said Ken Brynien, president of the Public Employees Federation. He said the average pension in the state retirement system is \$19,151 per year. When Tier 5 was adopted, the state projected that it would save state and local governments more than \$35 billion over 20 years, he said, adding, “We don’t need a Tier 6 to cut pension costs, we just need to let Tier 5 work.”

‘Standing Up for Workers’

Mario Cilento, president of the state AFL-CIO, said, “401(k)s simply do not provide workers with the predictability and reliability of a defined-benefit pension, and on their own are not a viable option to allow workers to retire with dignity. The Comptroller should be commended for his courage in standing up for working men and women, rather than criticized by those who simply want to accelerate the race to the bottom.”

Mr. DiNapoli issued a statement replying to the business-community criticism of his stance by saying, “I haven’t seen such a coordinated attack since Francesca was voted off ‘Survivor.’ I stand firmly behind my position that defined-contribution [401(k)] plans are not adequate for retirement security for public or private workers. Study after study has shown that defined-benefit plans cost less in the long run than 401(k)-style plans and perform better. It is unconscionable that so many New Yorkers and Americans do not have a secure retirement, oftentimes because corporations have stripped retirement plans for short-term fiscal gains.”