

Cuomo: Compromise On Tier 6 Proposal Something I Can Do

By MARK TOOR | Posted: Monday, March 5, 2012 4:30 pm

Governor Cuomo signaled last week that he might compromise on removing the 401(k)-style option from his Tier 6 pension proposal in order to win legislative approval. The response from many of his pension-hawk supporters: Don't do it.

"I'm not saying, 'This is my plan, it's my way or the highway'," Mr. Cuomo told reporters Feb. 27 after a meeting with a group of Mayors. "There's a negotiation with the Legislature, and at the end of the day it's about the savings. I've gotten more flexible as Governor. A veritable Gumby you need to be to be a Governor."

Boost Benefits in Better Times?

He also said he could be open to pension improvements in future years: "Fine, then reduce it to the level you can afford it today, and if the economy turns around, and if you have the money, and if you want to raise the pension benefits down the road, raise the pension benefits, and that's fine."

In likening himself to Gumby, Mr. Cuomo took a step back from remarks a week earlier. He had threatened that if the Legislature removed Tier 6 from the budget, as many lawmakers have urged him to do, he would re-submit it as part of a budget-extension bill, which if not passed would shut down state government.

However, Stephen Madarasz, a spokesman for the Civil Service Employees Association, declined to characterize the statements as a change in Mr. Cuomo's position. "It's a very fluid situation," he said of discussions surrounding the pension proposal. Officials of the Public Employees Federation were not available for comment.

Mayor Bloomberg, a strong advocate of the original Tier 6 plan, indicated Feb. 29 that he was sympathetic to Mr. Cuomo's position on the 401(k) issue. "Whether it's politically practical, he's got to deal with the reality," he told reporters. "I understand that."

Friends Become Foes

Many of his usual allies were less understanding.

"Cuomo can't have it both ways," E. J. McMahon, of the business-funded Empire Center for New York State Policy, wrote in *Newsday* Feb. 29. "He can't claim to be obsessed with saving money in the long run while winking at the likelihood that unions will push to restore higher benefits before the first Tier 6 employees are even vested in the plan."

"In the face of this opposition, Cuomo appears prepared to retreat," the *Daily News*, an enthusiastic

opponent of public-employee pensions and usually an acolyte of the Governor, editorialized Feb. 24. “Now is not the time to send such a signal. Now is the time to impress upon legislators, again, that he is fully prepared to give them the choice of approving his full reforms or shutting down the government.”

“Cuomo is reportedly toying with dropping the 401(k)-style ‘direct-contribution’ component of his plan,” proclaimed a New York Post editorial. “Sheesh! Gumby seems like a veritable Rock of Gibraltar by comparison.”

The plan, which would apply to newly-hired state and city workers, would raise paycheck deductions for defined-benefit pensions while reducing the amount a worker could receive. It would exclude overtime from pension calculations and increase the amount of time over which the final average salary is calculated from three to five years. It also would raise employee contributions in years when pension-fund investments fell short on earnings.

The 401(k) Debate

It would offer, for the first-time, a 401(k)-style option that employees could choose instead of the usual pension. The state would contribute the equivalent of 4 to 7 percent of an employee’s salary and the worker could kick in up to 7 percent. In contrast with the defined-benefit pension, an employee who left state service after as little as a year could take the 401(k) along. A defined-benefit pension would take 12 years to vest under the proposal.

Public-employee unions, while they oppose the entire Tier 6 proposal, are especially unhappy with the 401(k) option, in which the amount employees end up with depends on how well their investments do rather than length of service or final average salary. Union leaders call it an assault on the middle class.

Many state officials, including Comptroller Thomas P. DiNapoli, say 401(k)s are too risky to depend on for a decent standard of living in retirement. And so many Democratic lawmakers are sympathetic to public workers that it’s not clear the Legislature will approve Tier 6, even with modifications.

Mr. Cuomo says the plan would save state and local governments \$113 billion over 30 years, but any appreciable savings are at least 20 years down the road. The 401(k) accounts would provide only \$8 billion of that savings, he said.

CSEA: ‘Cuts Benefits 40%’

On the other side of the equation, Mr. Madarasz said, “Tier 6 cuts benefits 40 percent...It’s another example of Wall Street executives telling Teachers and school-bus drivers and mental-health workers that they can’t have a secure future.”

The public debate about Tier 6 continued. “The truth is, Tier 6—coming just two years after the

creation of a Tier 5 — will sharply reduce the talent pool of prospective state employees and endanger the quality of service we all need,” wrote Alan Lubin, co-chair of Business and Labor Coalition for New York, which includes members of both groups. Mr. Lubin is a former top official of the state Teachers union.

Kathryn Wilde, of the Partnership for New York City, which is business-funded, sent a letter to Assembly Speaker Sheldon Silver and Senate Majority Leader Dean Skelos saying, “Our state and city cannot continue to attract and keep new talent and compete globally if we do not find ways to contain the growing costs of government.”

Danny Donohue, president of CSEA, issued a rebuttal: “The Partnership for New York City’s corporate masters just got a tax break in December that’s bigger than the pensions most working people earn. Times may be tough, but it’s a bit much that corporate CEOs tell future nurses, school-bus drivers, highway workers and others to just accept a 40-percent pension reduction.”

Even Wealthiest Got Relief

He was referring to Mr. Cuomo’s income-tax restructuring in December, in which a “millionaires-tax” surcharge on wealthy taxpayers that expired at the end of the month was replaced by a tax cut for many high-earners while the wealthiest are now paying an additional tax that is slightly less than the surcharge.

Harry Nespoli, president of the Uniformed Sanitationmen’s Association and chair of the Municipal Labor Committee, was quoted in a newsletter put out by the City & State newspaper as warning Mr. Cuomo against a government shutdown. “What’s he going to accomplish?” Mr. Nespoli asked. “What’s the Governor going to do after he shuts down the government? It’s like the union side saying, ‘F--- yeah, we’re going on strike.’ What do you do after that? Because you’ve got to have a plan.”

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