Tell Local Governments To Dig Deeper for Pensions

By MARK TOOR | Posted: Monday, September 10, 2012 5:00 pm

Bad news for financially-troubled municipalities outside New York City: they will have to raise their contributions for their employees' retirement by 10.5 to 11.5 percent in the next fiscal year, and probably face another increase in 2014-15.

Though the performance of the State and Local Retirement System has been healthy for the past couple of years, localities are still paying for the disastrous 2008-09 fiscal year, when the financial crisis caused the value of the fund to decline by 26 percent. Contributions from local governments are figured based on an average of investment returns over a five-year period, so there are two more years before that drop is no longer included in the calculations.

'Still Feeling That Loss'

"The Common Retirement Fund has experienced solid gains the last three years and continues to rebuild from the substantial financial market loss of 2008-2009," State Comptroller Thomas P. DiNapoli said in a statement at the end of last month. "The rise in the employer-contribution rate has slowed this year, but there will continue to be upward pressure on rates through fiscal year 2014-2015 reflecting the impact of that loss."

Peter A. Baynes, director of the New York State Conference of Mayors, said that with the 2013-14 increase, "pension costs for local-government employers and their taxpayers will have nearly tripled since 2010 as it relates to non-uniformed employees, and nearly doubled as it pertains to public-safety employees. When combined with other mounting fiscal pressures on local governments, these devastating increases in pension costs will undoubtedly lead to further increases in property taxes and cutbacks in essential municipal services."

Stephen J. Acquario, executive director of the New York State Association of Counties, said the pending increase "is troubling news for county governments. Faced with a multi-year, multi-billion-dollar fiscal gap and a state-imposed cap on property taxes, county governments across the state will have great difficulty making this payment. Our counties are already having difficulty putting together balanced budgets for 2013."

Tax Cap Limits Options

Mr. DiNapoli said that for fiscal 2013-14, which begins next April 1, the average contribution rate for the Employee Retirement System will increase from 18.9 percent of salaries to 20.9 percent. The average contribution rate for the Police and Fire Retirement System will increase from 25.8 percent to 28.9 percent.

Municipalities cannot exceed the 2-percent cap on annual property-tax hikes for pension costs until the rise in their contributions exceeds 2 percentage points. The contribution for the Employee Retirement System is rising exactly 2 points. The contribution for the police and fire system is going up 3.1 points, so localities can raise property taxes to cover a third of the increase.

The increases “will consume all of the allowable 2-percent property-tax-levy increase allowable under the state-imposed 2-percent property-tax cap for 2013,” Mr. Acquario said. “All other costs to run county government will generally be above the cap.

“Since 2000, county pension contributions have grown from $47 million to more than $900 million in 2013,” he continued. “The trend is simply unsustainable and has caused serious fiscal problems in every New York county.”

A Fan of Tier 6

Mr. Baynes praised Governor Cuomo and the State Legislature for passing the Tier 6 pension program, which requires greater pension contributions from new employees and gives them smaller benefits when they retire. He said Mr. DiNapoli’s office needs to figure out a way “to enact a program of consistent, flat and actuarially-sound contribution rates that employers would pay, in good times and in bad. This will allow municipal employers and their taxpayers to get off the pension roller-coaster.”

Mr. Acquario said he believed the answer was mandate relief, in which the state cuts back requirements it places on municipalities and school districts without providing funding. Mandate relief was one of Mr. Cuomo’s campaign promises but has been pushed to the side during his first 20 months in office.

The debate on the issue, when it sporadically occurs, seems to have morphed into an argument over the Triborough Amendment to the state Taylor Law, which keeps the provisions of an expired public-employee contract in effect while a new one is negotiated.