Second Strong Stock Years Cuts Employers' State Pension Tabs

By MARK TOOR | Posted: Monday, September 8, 2014 5:30 pm

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THOMAS P. DiNAPOLI: More happy returns.

Good news for state and local governments: State Comptroller Thomas P. DiNapoli announced Sept. 2 that in the 2016 fiscal year their costs for public-employee pensions would drop by 9 percent for civilian workers and 11 percent for police and firefighters.

'Steadily Recovering"

"The state pension fund's solid investment performance has delivered another decline in employer contribution rates," Mr. DiNapoli said of the New York State and Local Retirement System. "The effects of the 2008 financial-market collapse are still being felt around the country, but New York's pension fund is well-funded, is steadily recovering and will continue to meet its obligation to our more than one million Retirement System members and retirees."

The decline in employer contributions is the second consecutive one. The 2015 drop followed four years of increases caused by the worldwide economic crisis. The fund reported a loss of $45 billion for the 2008 fiscal year, almost 30 percent of its value.

The rate was 7.4 percent in fiscal 2010 (15.1 percent for police and fire). It rose to 11.9 percent in 2011 (18.2 percent for police and fire) and continued increasing until 2014, when it was 20.9 percent (28.9 percent for police and fire). The rate fell slightly in fiscal 2015, which began April 1, 2014, to 20.1 percent (27.6 percent for police and fire.

School boards and municipal governments complained that the rising rates caused them severe financial problems at a time when sales- and property-tax collections were falling because of the recession and its aftermath. The 2-percent limit on annual property-tax increases championed by Governor Cuomo and signed into law in 2011 worsened their difficulties.

Mr. DiNapoli's office reported in 2012 that New York State's cities "are stressed and have to work hard to keep their fiscal houses in order. Generally, they have been losing population for decades, along with declining or stagnant property assessments, higher poverty rates than surrounding towns, and older and decaying infrastructure. If a city is not facing budget solvency issues, it is likely facing service-delivery stress—that is, it is having a hard time maintaining the services its residents want and need."

Closer to Fully Funded

This month's report said projections of required contributions will vary by employer depending on factors such as retirement plans, salaries and the distribution of their employees among the six retirement tiers. The new contribution rates announced will apply to each employer's salary base during the period of April 1, 2015 through March 31, 2016.

Mr. DiNapoli also announced that the funded ratio for the pension system, a key indicator of its health, had increased from 88.7 percent to 92.2 percent. That means the fund has enough assets to pay 92.2 percent of all benefits accrued by retirees to date.

The funded ratio is the value of assets divided by the value of liabilities. The independent research firm Morningstar Inc. says that fiscally sound pension funds have funded ratios of at least 70 percent.

New York City employees are generally covered by separate pension systems.

Peter A. Baynes, executive director of the New York State Conference of Mayors, said, "For city and village officials faced with capped revenues and the ever-increasing cost of state mandates, Comptroller DiNapoli's announcement of reduced pension contribution rates is very welcome news."