

What they're not telling you ...

Distortions put your pensions at risk

If you pay attention to media coverage these days, you'd think that public employee pensions are the root of all evil in New York's state and local budget challenges.

Politicians and business groups are talking about ticking time bombs, padding, gold-plated benefits, and unsustainable obligations. And the media is presenting it all at face value.

But there's a lot more to the story.

As with a lot of misinformation, the pension story starts with a small grain of truth about New York's pension circumstances that's quickly distorted. Some of the distortion is innocent but much of it is not.

You need to know the facts because your benefits are at risk.

Pensions are a complex subject and public employee pension systems in a number of states are in dire circumstances for a lot of reasons. New York's eight separate public employee pension systems have their challenges in the current economy, but they are faring better than many and a radical overhaul is not in the best interest of either public employees or New York taxpayers.

Nearly all CSEA-represented public employees participate in the New York State and Local Employee Retirement System (There are five other retirement systems for New York City employees; a Police and Fire System for uniformed services outside of New York City, and the New York State Teachers Retirement System for teachers outside of New York City).

The New York State and Local Employee Retirement System is fully funded according to all appropriate professional accounting standards. This means that the system has adequate assets to cover the cost of all current and future pension obligations.

State and local government pensions are paid for by employee contributions based on salary, employer contributions based on salary, investment earning assumptions, and lifespan and other projections.

Before 2000, most state and local retirement system participants contributed 3 percent of their annual salary toward their pension.

Since 2000, that contribution ended after 10 years in the system. In 2009, Tier V was enacted, reinstating provisions requiring new employees joining the system to contribute 3 percent of salary throughout their years of active service. The state claims this reform will save taxpayers \$35 billion over the next generation.

The state and local government system combined with the New York State Police and Fire Retirement system into what is known as the Common Retirement Fund, currently has assets of nearly \$133 billion. However, the fund saw some dramatic swings in value over the past decade as Wall Street investments saw-sawed. As a result, a number

of reforms were put in place by legislation to ensure the fund assets will be able to meet obligations.

In the past, strong investment returns allowed state and local governments to practically avoid contributions toward



Some pension facts: Hit your critics with the truth

• Know your critics

Most criticism of New York's public employee pensions has come from two operations, the **Empire Center** and the **Citizens Budget Commission**. Their names might suggest they are public interest groups of some sort, but in fact, business groups and super-wealthy individuals fund both.

• How your pension works in reality

Your pension benefits are guaranteed based on a formula that includes your length of service and an average of the highest three years of your salary. Contrary to popular mythology, the vast majority of CSEA-represented public employees have a cap on the amount of overtime that can be applied for pension purposes.

The average CSEA member pension is about \$14,000.

• Divide and Conquer

Your pension is known as a **defined benefit** – meaning that it is guaranteed according to the formula used to calculate it. Critics of

pensions for extended periods of time.

Throughout the 1990s as public employees continued to contribute 3 percent of salary, public employers contributed only token amounts. That can no longer happen. Reforms enacted in recent years, largely out of concern about Wall Street volatility, require responsible minimum employer contributions in good and bad economic times. Related legislation allows the contribution obligations to be spread out to avoid spikes.

Because of these necessary reforms, a number of highly vocal politicians, egged on by business groups with their own agenda, have been railing about the high cost of pensions.

CSEA was instrumental in the establishment of the New York State Retirement System in 1920. It is one of our union's proudest accomplishments. CSEA has been tenacious in protecting the integrity of the retirement system over the decades. Now more than ever, it is important that every CSEA member knows what is at issue and stand strong.

the pension system favor a **radical move to a defined contribution** — this would mean there would be a set amount that would be contributed toward the pension but no guarantee on the benefit. The benefit would depend on the result of investment earnings.

Critics have also tried to portray public employee guaranteed benefits as overly generous because private sector workers don't have the same guarantees. That's because many private sector businesses don't offer pensions to their employees at all. Others have switched over to 401(k) defined contribution plans, where employers may not even match employee contributions. And in some other cases, businesses have gotten away with draining the assets of their pension funds and breaking their commitment to their employees.

