



NEW YORK STATE SENATOR

John J. Bonacic

## Pension Reform Passes Legislature

JOHN J. BONACIC March 15, 2012

### **Mandate Relief for Localities an Important Part of Holding the Line on Property Taxes**

State Senator John Bonacic voted in favor of the mandate relief proposed by Governor Cuomo in the form of a new pension system. The new pension system reduces the cost of new State and local government employees, but does not impact constitutionally guaranteed benefits for existing workers. The pension plan will apply to workers hired after April 1, 2012.

“A lot of special interests pushed hard against this form of mandate relief, but the reality is the system as we have it is unsustainable. Governor Cuomo was right to push for mandate relief in the form of pension changes, and I hope he will push for more mandate relief during the remaining part of this Legislative session,” Senator Bonacic said.

Among the key provisions of the Governor’s pension reform plan are:

- **New Employee Contribution Rates:** Employees earning higher salaries will contribute more to their retirement plans.
- **Readjustment of Pension Multiplier:** Under the new system, the new pension multiplier will be 1.75% for the first 20 years of service, and 2% starting in the 21st year. For an employee who works 30 years, their pension will be 55% of final average salary under Tier VI, instead of 60% under Tier V. This readjustment brings New York more in line with most other states and will save billions of dollars for taxpayers and local governments.
- **Protect Local Governments From State Pension Sweeteners:** The agreement requires the state to pre-fund any pension enhancers, ensuring that these costs are no longer passed to local governments.
- **Adjustments to Final Average Salary Calculation to Help Reducing Pension Padding:** The agreement changes the time period for final average salary calculation from 3 years to 5 years. The legislation also puts in place new anti-spiking measures which cap growth in salary used to determine pension allowances at 10% for all employees statewide. These reforms will take major steps toward addressing instances of abuse and pension padding.
- **Voluntary and Portable Defined Contribution Option:** The legislation includes an optional defined contribution plan for new non-union employees with salaries \$75,000 and above. In the modern economy, employees often change jobs multiple times and need pension portability. The state will make an 8% contribution to employee contribution accounts. This is a voluntary option for those employees who prefer the portability and vesting feature not available with defined benefit options, and will help attract top talent to state government.

- **Salary Reform:** Previous tiers allowed salaries from an unlimited amount of employers for calculating retirement benefits. Tier VI allows only two salaries for the calculation.
- **Limiting Pension Benefit of High Paid Employees:** For new higher paid employees, the amount earned above the Governor's salary (currently \$179,000) will not be eligible for pension calculation under Tier VI.

“None of the changes described above will impact existing workers. Pension fairness means fairness to both the pensioner and the taxpayer. This plan creates a better balance and is one the Governor worked hard to secure the enactment of,” Bonacic said.

“We need to make tough decisions to get New York State back on track. Governor Cuomo and Senate Republicans are prepared to do so, and taxpayers are right to demand we do so. I want to thank the Governor for his phenomenal leadership on so many issues,” concluded Senator Bonacic.

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