



**NY LEADERS FOR PENSION REFORM**

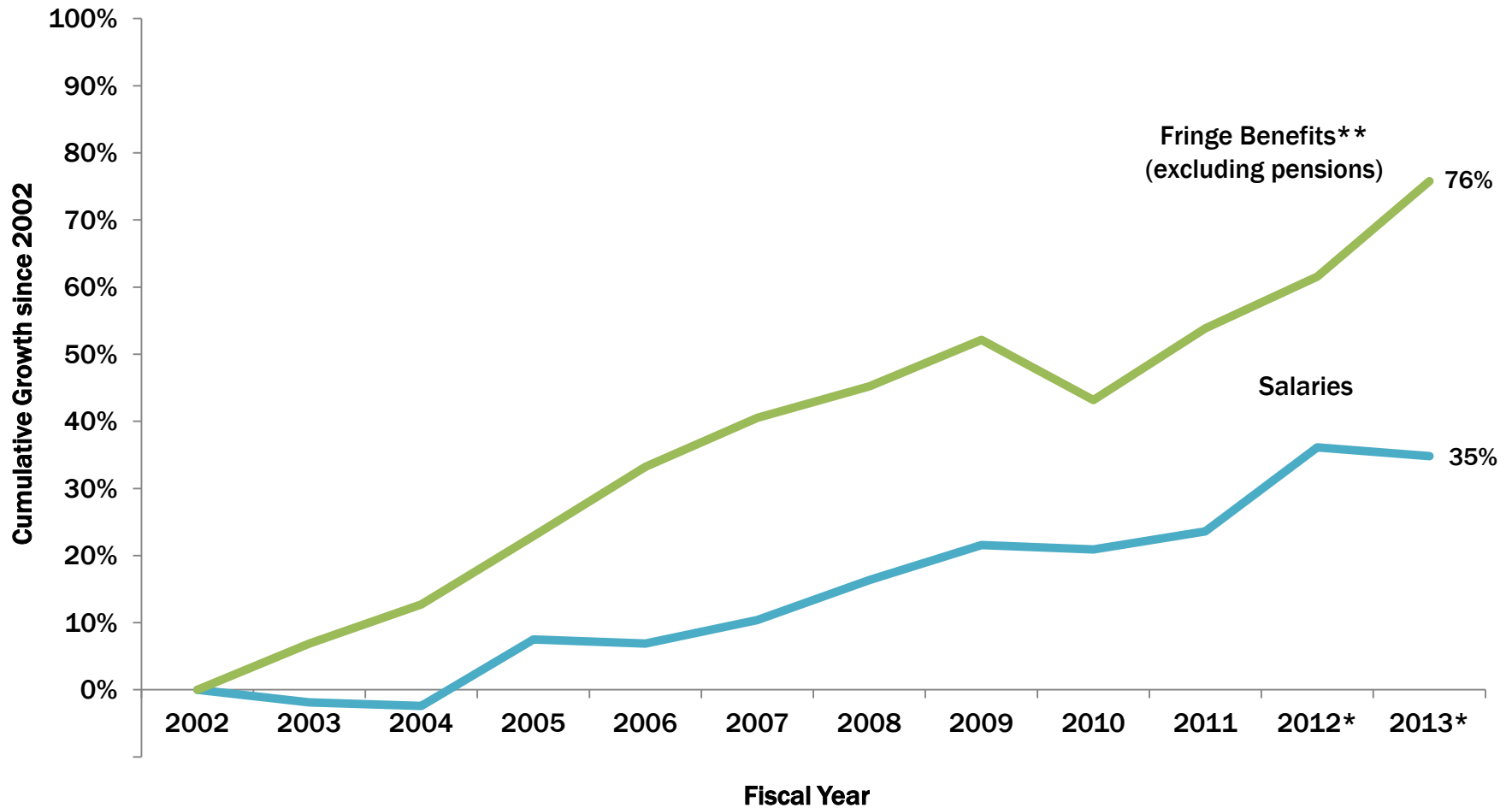
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# Analysis of Most Recent Data on New York City's Pensions

New Data On The Substantial Value of Employee Pensions and Their Cost to the City

March 4, 2012

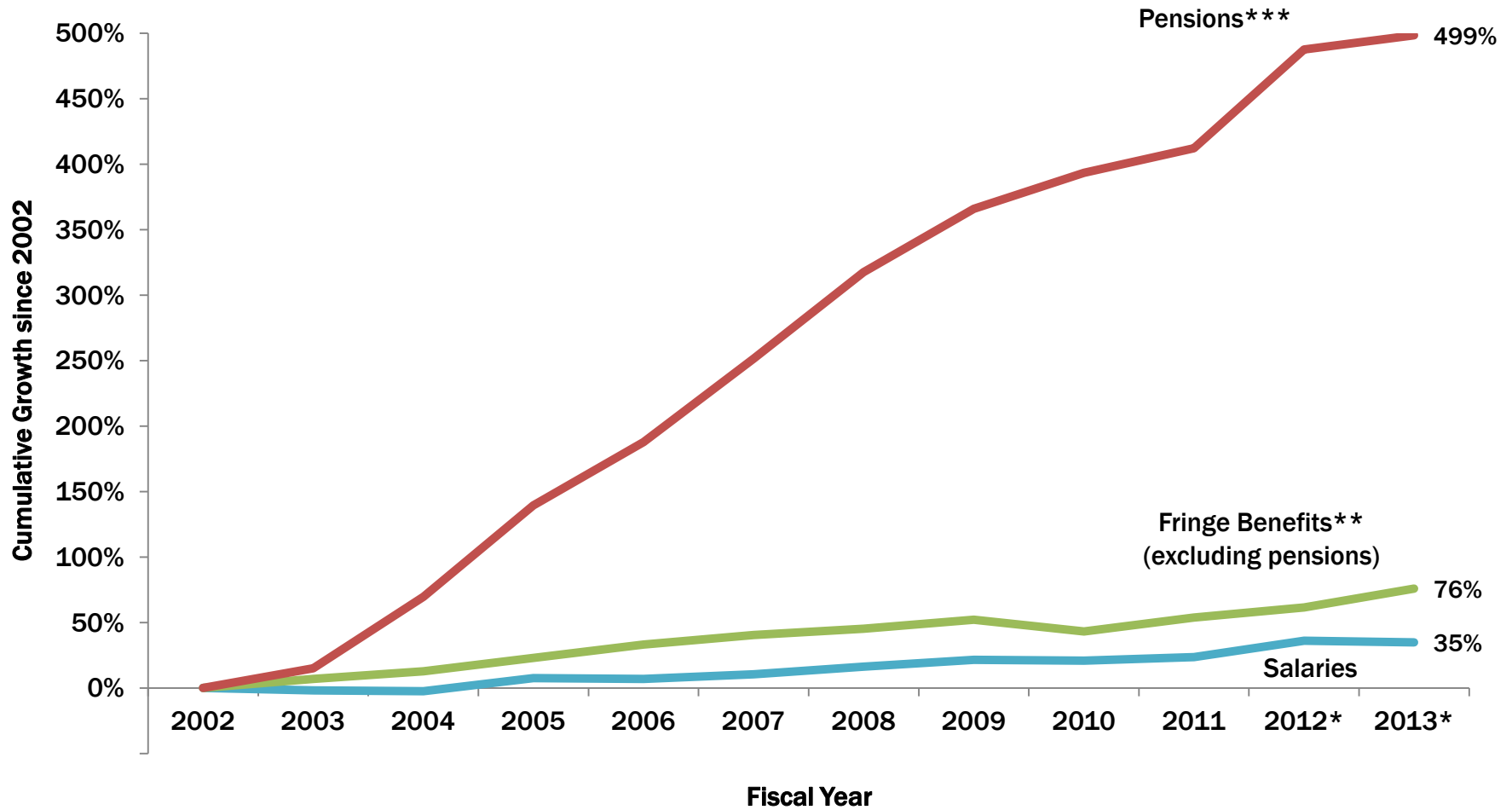
# Since 2002, Employee Fringe Benefit Expenses Have Grown 76%, While Salary Expenses Have Grown By Only 35%



\* Forecast as of the February 2012 Financial Plan

\*\* Adjusted to exclude the impact of prepayments, Retiree Health Benefits Trust Fund (RHBTF) contributions/withdrawals, and prior year payables

# ... While Over the Same Period, the City's Expense for Pensions Grew Almost 500%



\* Forecast as of the February 2012 Financial Plan

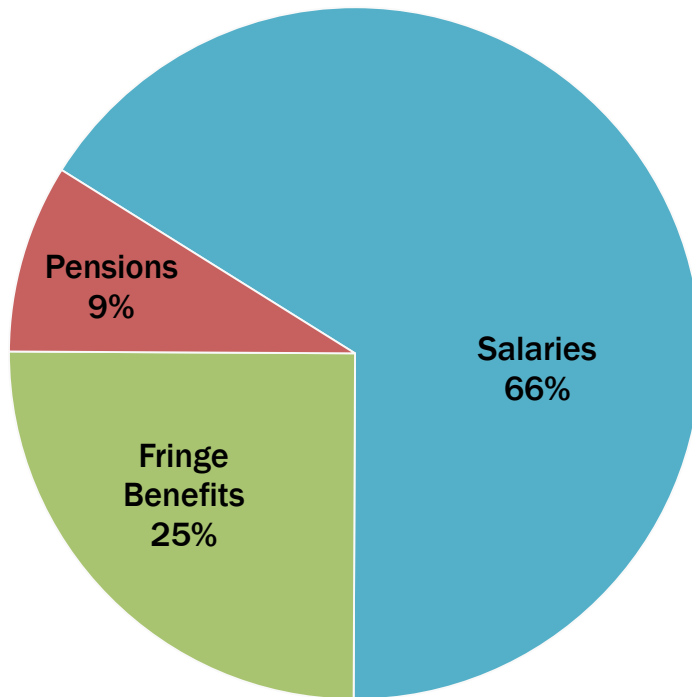
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\*\*\* Pensions includes payments to actuarial and non-actuarial systems

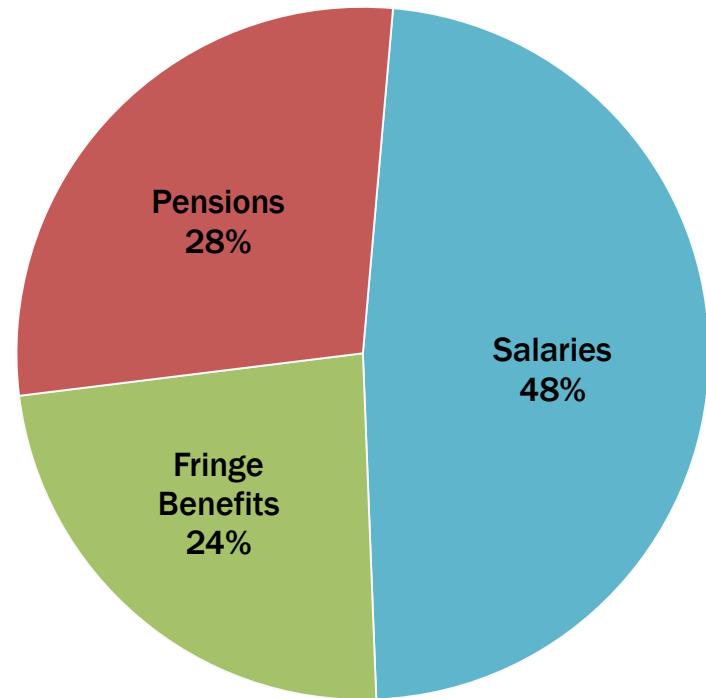
# Since 2002, Pensions' Share of All Workforce Expense Has More Than Tripled

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FY 2002



FY 2013



**Note:**

Forecast as of the February 2012 Financial Plan

Fringe Benefits are adjusted to exclude the impact of prepayments, Retiree Health Benefits Trust Fund (RHBTf) contributions/withdrawals, and prior year payables

Pensions includes payments to actuarial and non-actuarial systems

# Over the Same Period, Overall Workforce Expense Has Risen \$13 Billion, Crowding Out Spending on Other Programs, While Salary Expense Has Grown Only \$3.5 Billion

\$ in Billions

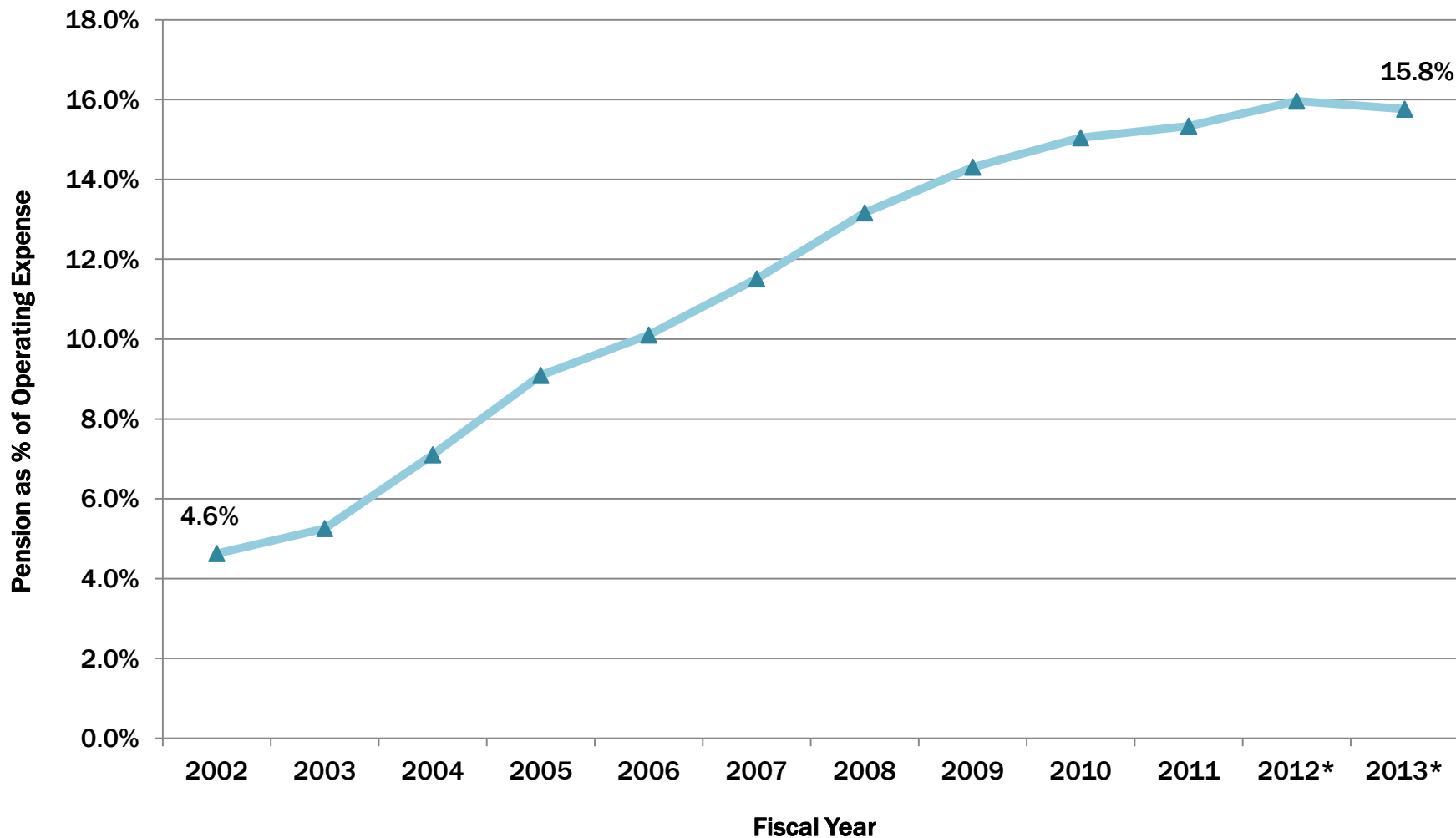
Fiscal Year	2002	% of Workforce Expense	2013*	% of Workforce Expense	Change
Salaries	\$10.0	66%	\$13.5	48%	\$3.5
Fringe Benefits **	\$3.8	25%	\$6.7	24%	\$2.9
Pensions***	\$1.3	9%	\$8.0	28%	\$6.7
<b>Workforce Expense</b>	<b>\$15.1</b>	<b>100%</b>	<b>\$28.2</b>	<b>100%</b>	<b>\$13.1</b>

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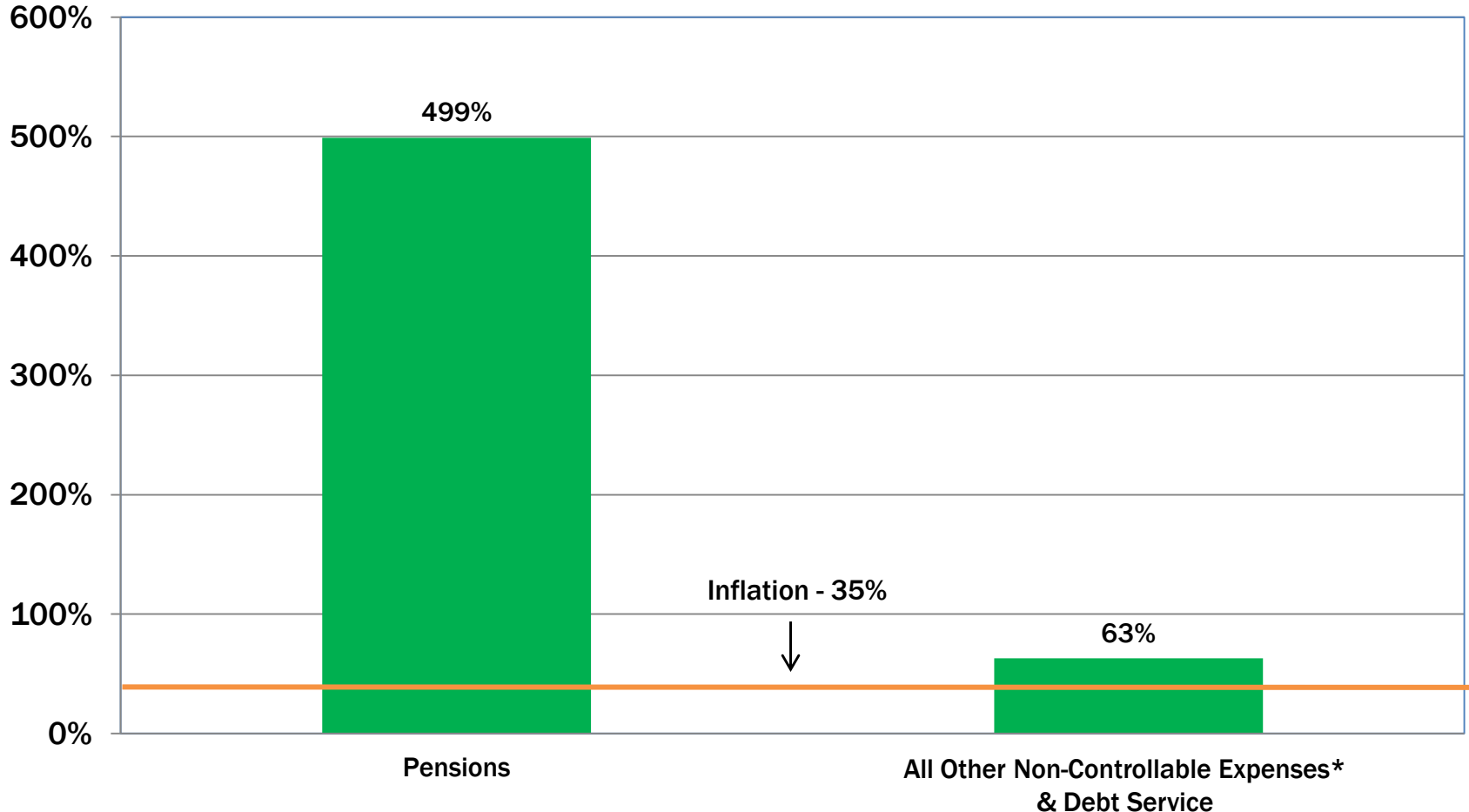
# Pensions Are An Increasing Share of NYC Operating Expense, Forcing Cuts in Other Areas. Pensions Have Gone From Less Than 5% of NYC Operating Expense in 2002 to Almost 16% in 2013



\*Estimated as of the February 2012 Financial Plan  
Note: Pensions includes payments to actuarial and non-actuarial systems

# New York City's Pension Costs Have Grown by 499% Since FY 2002. New York City's Costs for All Other Non-Controllable Expenses and Debt Service Have Grown by 63% Since FY 2002

FY 2002 - FY 2013



\* Fringe benefits, debt service, Medicaid, FMAP and judgments and claims.

# Pension Enhancements Enacted Since 1996

## Cost \$1.5 Billion in 2011

	\$ In Millions
Cost of Living Adjustment (COLA) of 2000	\$696
CSEA Deal of 2000	406
Variable Supplement Fund (VSF) Benefits – mainly Correction Department Uniforms in 2000	111
Other Benefit Enhancements	162
<b>Subtotal : Benefit Enhancements Enacted Prior to 2002</b>	<b>\$1,375</b>
Teachers 55/25 Improved Plan	74
WTC Presumption Bill	53
VSF Deferred Retirement Option Program (DROP) for Police and Fire	40
Other Benefit Enhancements	2
<b>Subtotal : Benefit Enhancements Enacted 2002 and After</b>	<b>\$169</b>
<b>Total</b>	<b>\$1,544</b>



# City Pension Benefits Are Very Generous

Retirement System – FY 2007 Retiree Average Benefit	Average Retirement Age <sup>1</sup>	Annual Average Benefit <sup>2</sup>
New York City Employees' Retirement System (NYCERS) <sup>3</sup>	59	\$31,358
Teacher Retirement System	61	\$48,935
NYC Police Pension Fund - Service with VSF <sup>4</sup>	45	\$59,455
NYC Police Pension Fund - Disability (ADR)	41	\$75,649
NYC Fire Pension Fund - Service with VSF <sup>4</sup>	50	\$77,832
NYC Fire Pension Fund - Disability (ADR)	46	\$97,548

<sup>1</sup> Hay Group Inc, 2011, average ages of City employees who retired between 2006 and 2009.

<sup>2</sup> NYC Office of the Actuary, February, 2012. New York City retirement system members who retired during FY 2007. Amounts represent the maximum benefit payable to someone who chooses not to have his/her benefit reduced in exchange a lifetime benefit to his/her survivor.

<sup>3</sup> New York City Employees' Retirement System includes Corrections and Sanitation (in addition to civilians)

<sup>4</sup> Variable Supplement Fund (VSF) payments are paid to Police and Fire service retirees who have attained 20 years of service.

# Pension Cash Value Equivalents

Retirement System – FY 2007 Retiree Average Benefit	Average Retirement Age <sup>1</sup>	Berkshire Hathaway Equivalent Cash Value <sup>2</sup>
New York City Employees' Retirement System (NYCERS) <sup>3</sup>	59	\$559,591
Teacher Retirement System	61	\$861,393
NYC Police Pension Fund - Service with VSF <sup>4</sup>	45	\$1,293,660
NYC Police Pension Fund - Disability (ADR)	41	\$1,727,282
NYC Fire Pension Fund - Service with VSF <sup>4</sup>	50	\$1,555,459
NYC Fire Pension Fund - Disability (ADR)	46	\$2,104,821

<sup>1</sup> Hay Group Inc, 2011

<sup>2</sup> Berkshire Hathaway commercial life annuity pre-tax income equivalent to the average City pension and VSF amounts. Unadjusted for applicable tax exemptions for retirees in NYC. <http://www.brkdirect.com/spia/ezquote.asp>

<sup>3</sup> New York City Employees' Retirement System includes Corrections and Sanitation (in addition to civilians)

<sup>4</sup> Variable Supplement Fund (VSF) payments are paid to Police and Fire service retirees who have attained 20 years of service

# Under the City's Current Pension Plan, Taxpayers Contribute A Very Large Share of Employee Pension Cost

For Example, the Combined City Contribution for Police and Fire Pensions is 37 times the Employee Contribution

System	Average Employee Contribution as % of Salary	Average Taxpayer Contribution (City Pension Cost) as % of Salary
NYCERS	3.5%	20.3%
TRS	2.0%	31.1%
BERS	3.4%	19.9%
POLICE*	1.2%	62.6%
FIRE*	3.6%	81.3%

\* Reflects the shift in cost from employees to the City under the Increased Take Home Pay Program (ITHP).  
Sources: 2011 NYC Comprehensive Annual Financial Report; Office of the Actuary Valuation Report, 2011

# 41 out of the 50 States Enacted Pension Reform in the Last 2 Years

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- ❖ **25 States Have Raised Employee Pension Contributions:**
  - The overall increase in employee contributions was about 2%
  - Arizona raised their employees' contributions by 4%
  - Florida closed its non-contributory plan and now requires a 3% employee contribution
  
- ❖ **22 States Have Imposed Higher Age and Longer Service Requirements**
  - These changes generally move the retirement age to, or closer to, age 65
  - New Mexico now requires 30 years of service from their employees, up from 25 years
  
- ❖ **Over 20 States Have Lengthened the Periods for Determining Vesting or Final Average Salary (FAS)**
  - A majority of these states went from 3 years to 5 years in determining FAS
  - Florida went from a highest 5 year FAS to a highest 8 year FAS
  - Vesting periods generally went from 5 or 6 years, to 8 or 10 years