

THE PENSION PROBLEM: MYTH OR REALITY?

THE STATE OF PUBLIC PENSIONS IN UPSTATE NEW YORK

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New York State's Pension Fund is....

NOT running out of money

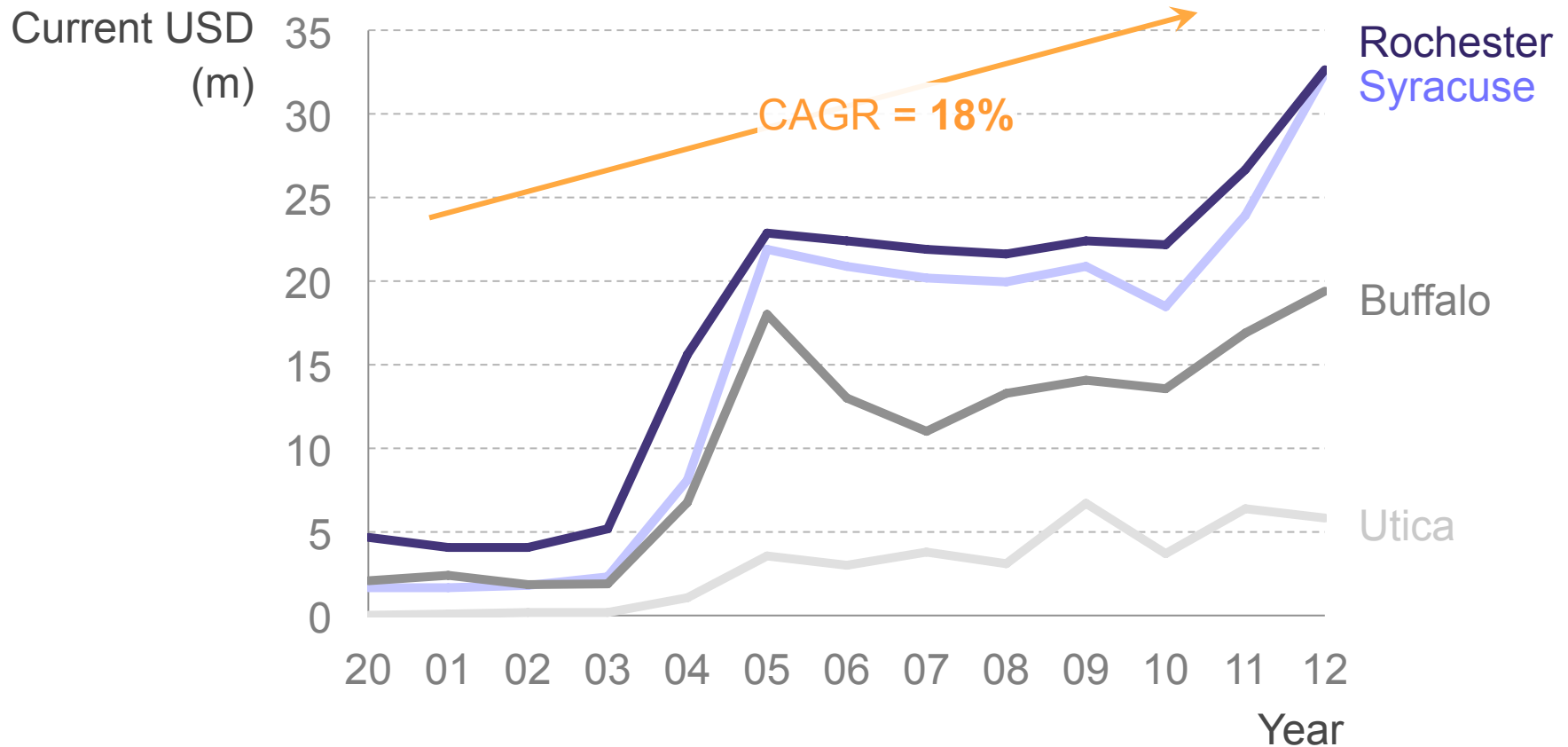
NOT overestimating rate of return

NOT underfunded

Pension costs have **increased by an annual compounded growth rate of 18%** since 2000, exacerbating local governments' fiscal burden

Rising Pension Costs

2000 - 2012



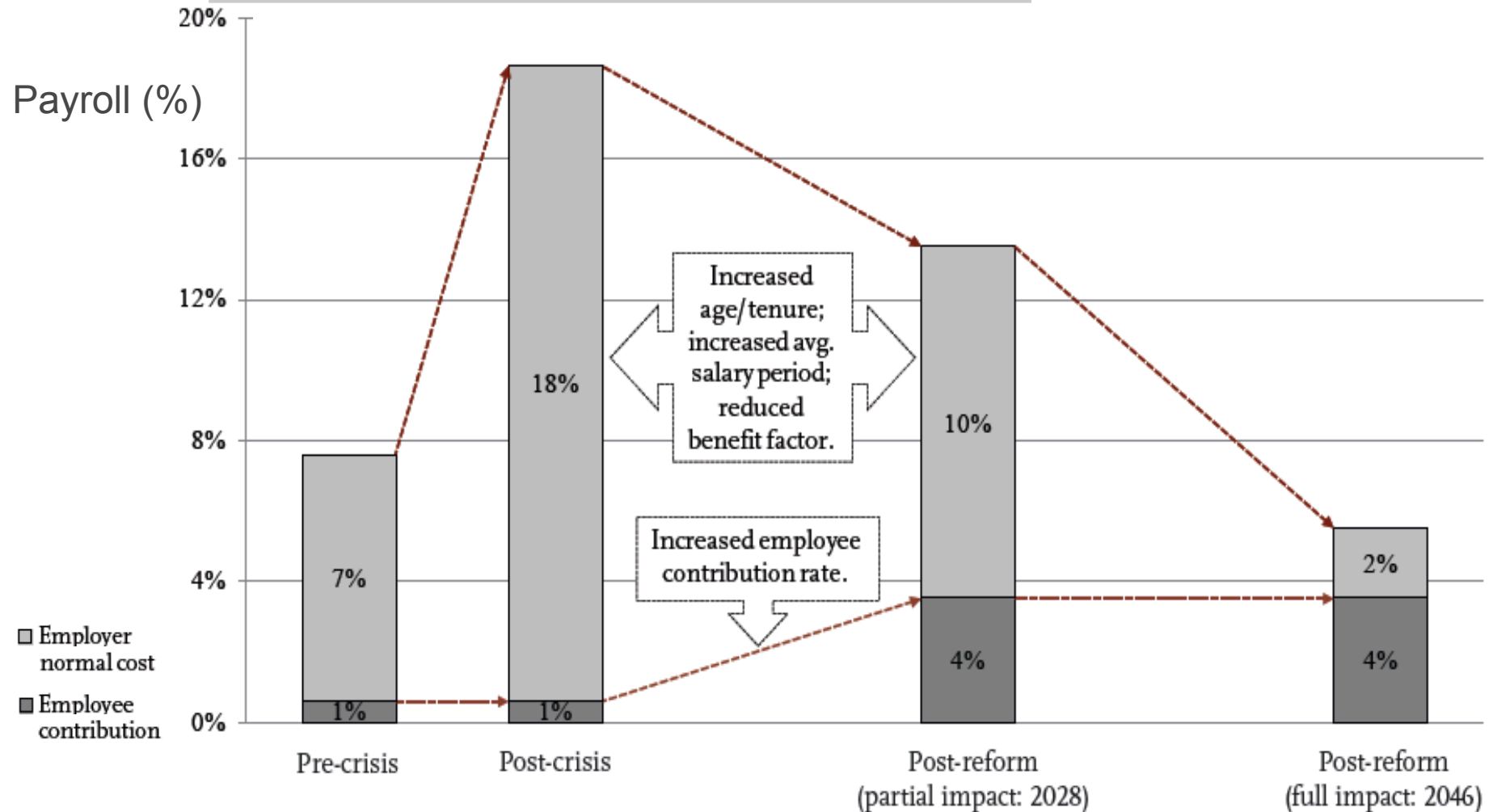
Source: Author analysis based on data from the Office of New York State Comptroller 2014

www.osc.state.ny.us/localgov/index.htm

CAGR = Compounded annual growth rate, representing the year-over-year growth rate over a specified period of time. It is calculated by taking the nth root of the total percentage growth rate, where n is the number of years in the period being considered

Governor Cuomo's pension reform plan does not provide local governments with sufficient relief

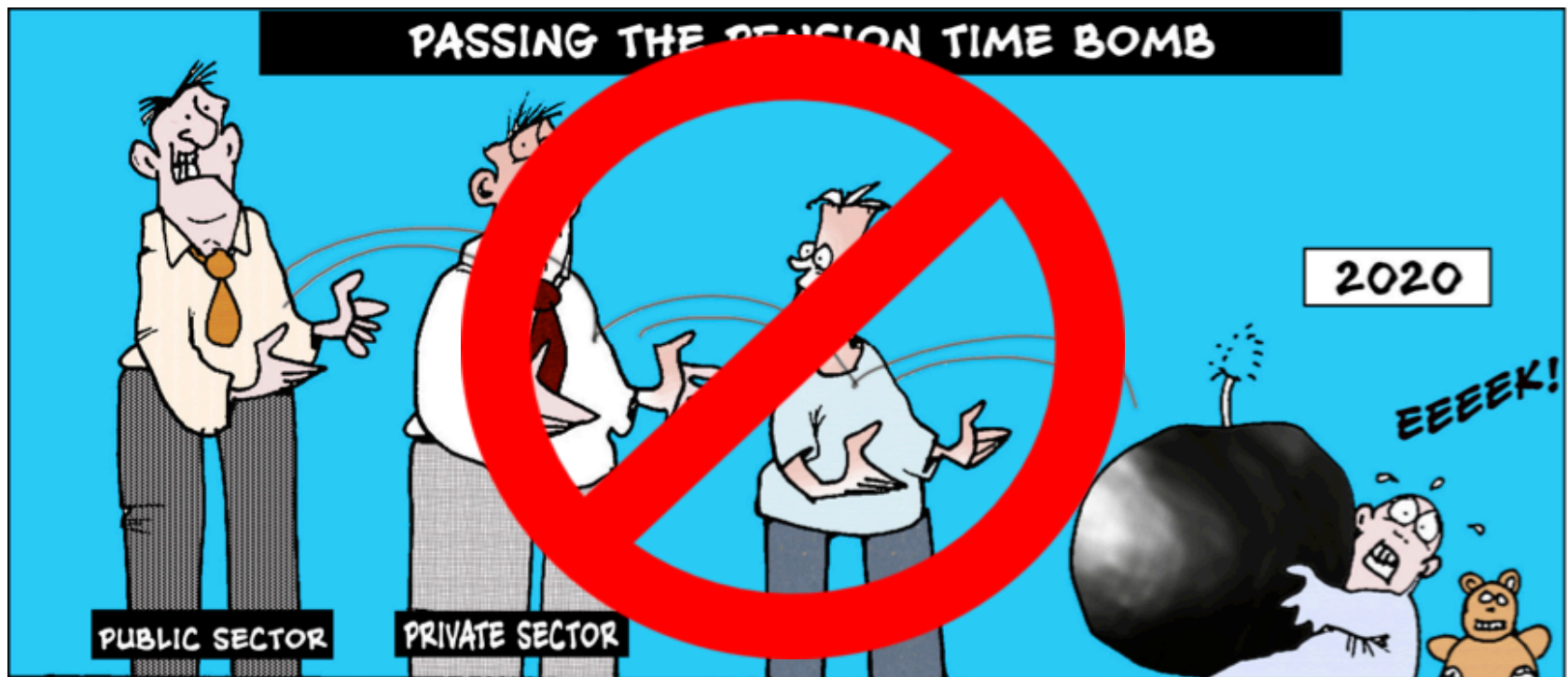
Pension costs as Percent of Payroll: Pre-Crisis, Post-Crisis, and Post-Reform of ERS



Source: Center for Retirement Research at Boston College. 2013. Profile of Pension Reforms-The State of New York. Page 3

Public Pensions Draw Media Fire

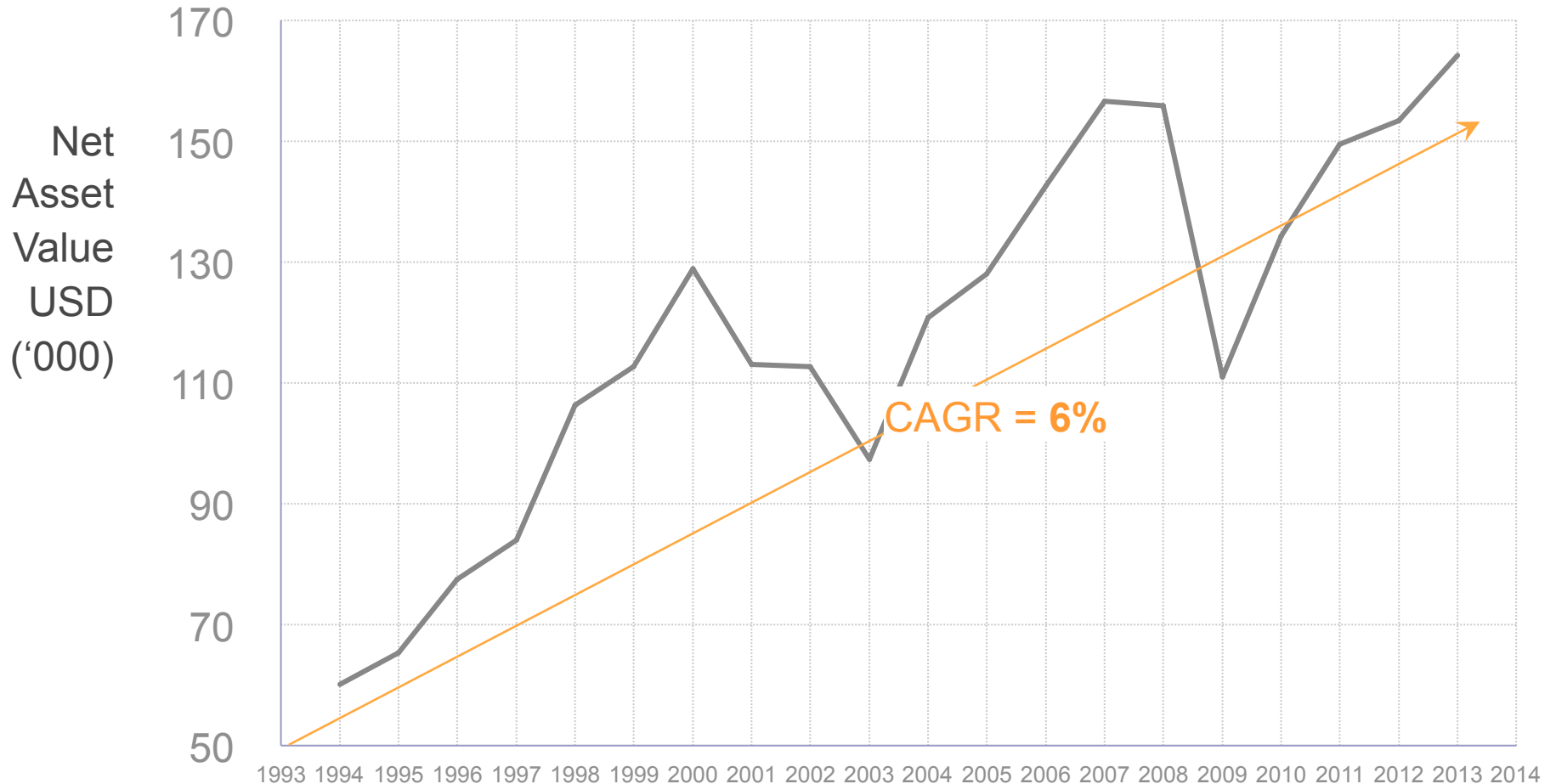
New York State's public pension system is **“a ticking fiscal time bomb.”**
The bomb is now exploding—and New Yorkers will be coping with the fallout for years to come.



McMahon, E.J. and Barro, J. 2010. "New York's Exploding Pension costs." Albany, NY: Empire Center for New York State Policy. (McMahon and Barro, Manhattan Institute, 2010: p i).

Fact #1: Public pensions are **not running out of money**. The system is **well funded** in New York State.

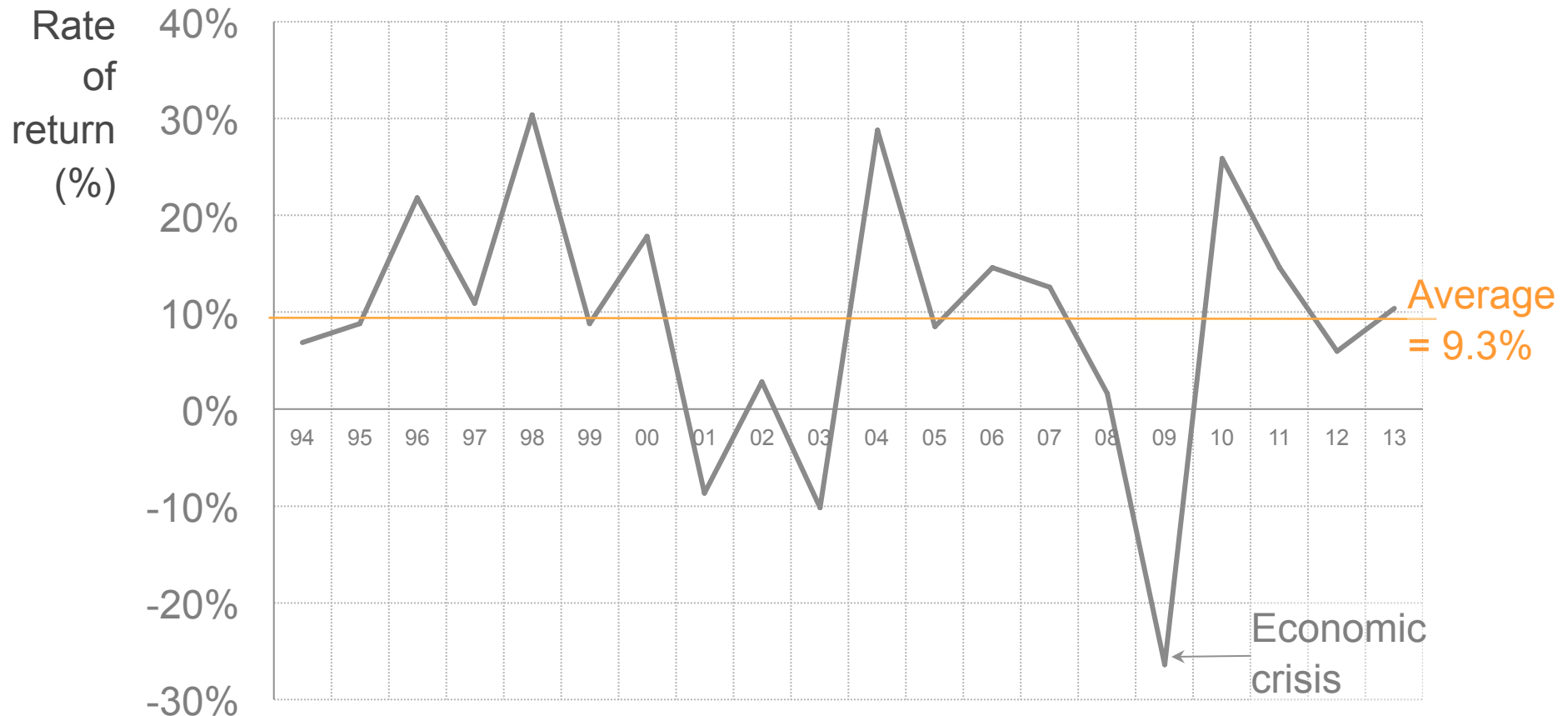
New York State Common Retirement Fund Net Assets 1994 - 2013



Author Analysis Based on Data From 2013 New York State and Local Retirement System Comprehensive Annual Financial Report

Fact #2: Public pension funds are **not overestimating returns** on investment in New York State.

New York State Common Retirement Fund Rate of Return 1994 - 2013



Author Analysis Based on Data From 2013 New York State and Local Retirement System Comprehensive Annual Financial Report

Fact #3: Defined Benefit Plans are **Cheaper** than Defined Contribution Plans – and better for retirees and the economy.

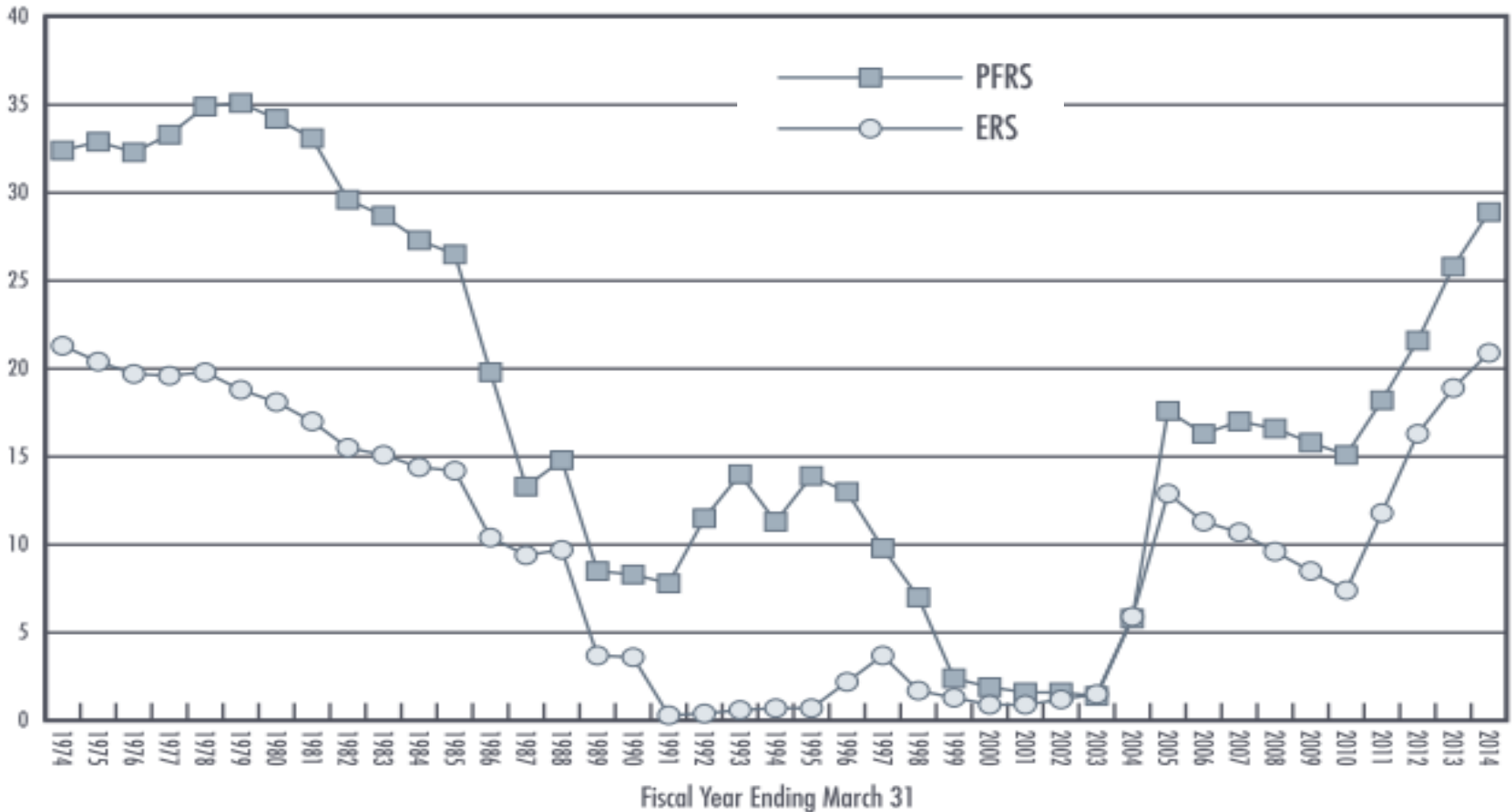
Cost 48% less than defined contribution plans

More **economically efficient** and yield superior investment returns

Play a significant role in **reducing poverty** among older households

Fact #4: While employees pay a large portion of pension costs from their own salaries, pension obligations **do put pressure on the budget** for current services.

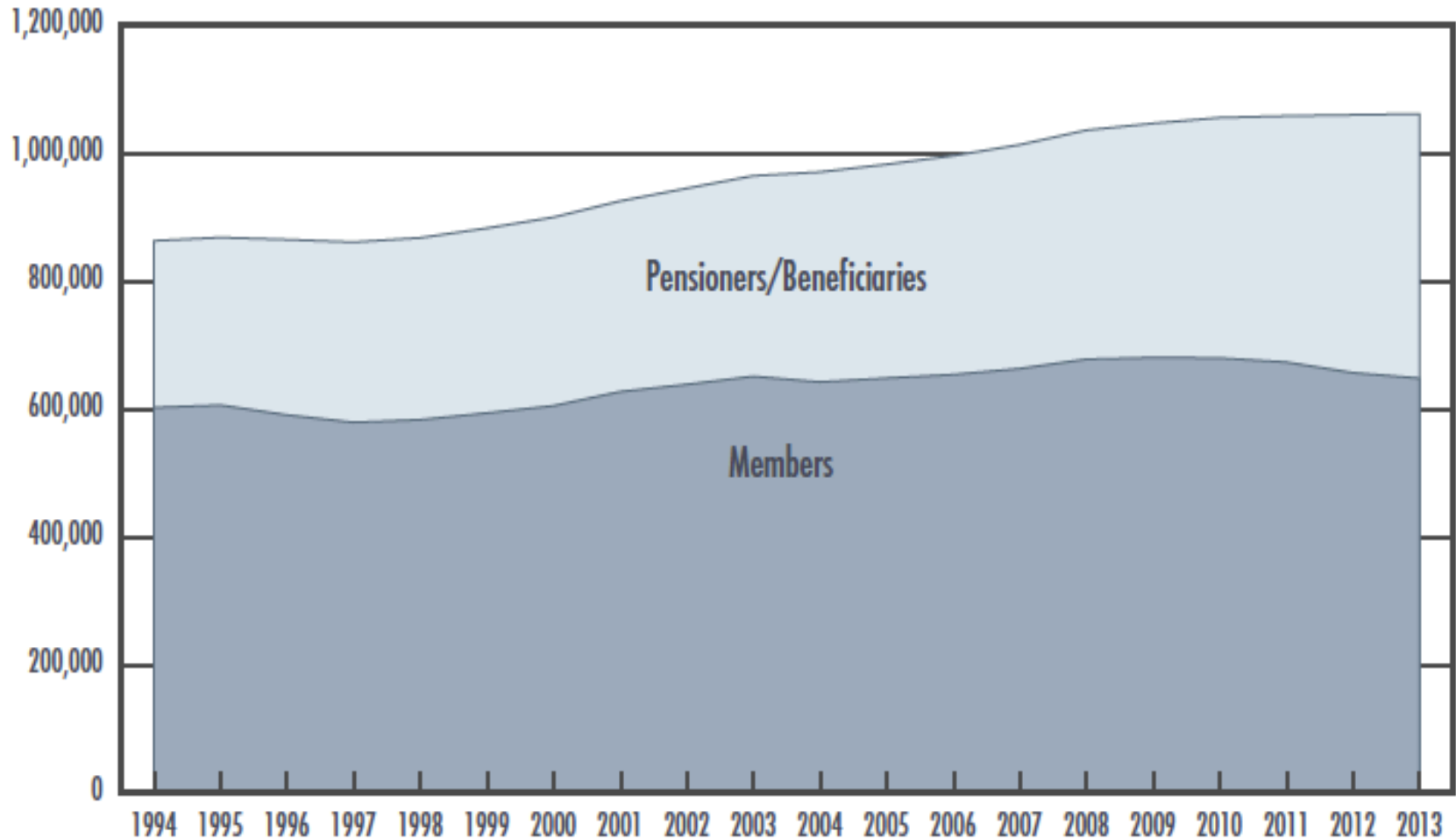
Trends in employer contributions 1974 - 2014



Source: 2013 New York State and Local Retirement System Comprehensive Annual Financial Report; Page 122

Fact #5: **Pension obligations are escalating** as a result of the financial crisis and will continue to increase as the Baby Boomer generation retires.

NYSLRS System Participants 1994 - 2013



Source: 2013 New York State and Local Retirement System Comprehensive Annual Financial Report. Page 149

Fact #6: Public sector pensions are *not overly generous*

Average pension received in fiscal year 2013

Employees' Retirement System retirees	\$20,766
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Police and Fire Retirement System retirees	\$43,844
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Fact #7: Public pensions can **stimulate local economies**

In 2009 expenditures stemming from state and local pensions supported **200,106 jobs**, **\$33.2 billion** in total economic output, and **\$5.1 billion** in federal, state, and local tax revenues.



New York State's Pension Fund is....

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NOT overestimating rate of return

NOT underfunded

Public pensions are a **considerable** part of local government budgets and because these are state mandated contributions they certainly **constrain** local governments' financial decisions.