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

Current USD (m)

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<th>Year</th>
<th>Rochester</th>
<th>Syracuse</th>
<th>Buffalo</th>
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**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

Payroll (%)

- Pre-crisis: 7%
- Post-crisis: 18%
- Post-reform (partial impact: 2028): 10%
- Post-reform (full impact: 2046): 2%

Increased age/tenure; increased avg. salary period; reduced benefit factor.

Increased employee contribution rate.

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.

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

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

**CAGR = 6%**
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

Rate of return (%)

0% 10% 20% 30% 40%
-10% -20% -30%

94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13

Average = 9.3%

Economic crisis

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
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

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

<table>
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<th>Average pension received in fiscal year 2013</th>
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<tr>
<td>Employees’ Retirement System retirees</td>
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<td>Police and Fire Retirement System retirees</td>
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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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Public pensions are a **considerable** part of local government budgets and because these are state mandated contributions they certainly **constrain** local governments’ financial decisions.