

# Pension 'crisis' is a myth

**P**ension plans have suddenly become a major battleground for America's labor movement.

Government leaders and the CEOs of big companies keep claiming pension costs are skyrocketing. Many are rushing to cut back or eliminate plans and replace them with 401(k) plans.

New York's first transit strike in 25 years was touched off by the Metropolitan Transportation Authority's attempt to create a more costly pension tier for new workers. The three-day strike by the Transport Workers Union successfully beat back the MTA's pension demand.

But the fights have just started. Mayor Bloomberg has made pension reform a key issue in City Hall's new round of negotiations with municipal unions.

There are a few big holes in this "pension crisis," however.

To begin with, it doesn't exist.

Second, the bulk of city pension costs come from a small portion of the city's workforce that no one wants to tackle — cops and firefighters.

The average annual pension cost for a firefighter last year, for example, was more than \$43,000, while for a civilian city worker it was \$4,600 — nearly 10 times less.

Don't take my word for it. Just look at the financial reports of the city's own actuary, Rob-

ert North.

Sure, City Hall and the MTA are right to claim that during the past two years employer contributions to pension plans jumped dramatically.

But they never tell you that employer contributions to all city pension funds plummeted steadily for more than 20 years, until they reached nearly zero.

In 1981, 24% of the city budget went to pay for pensions. By 2000, that figure had dropped to less than 1%!

The booming stock market of the 1990s created such huge returns for pension funds that many employers, including the city, virtually stopped contributing new money.

At the height of the boom, for example, Mayor Rudy Giuliani diverted more than \$800 million from the pension system by simply changing asset value assumptions. Giuliani used that money to fund tax cuts and other parts of the city budget.

"No one was screaming when the city was paying virtually nothing into the pension system," said Randi Weingarten, president of the teachers union and head of the Municipal Labor Committee.

Even in those years when City Hall virtually stopped paying, most city employees were still required to pay at least 3% of their own salaries into the pension system. The surplus was so huge that both Giuliani and Gov. Pata-

ki backed major benefit increases for city unions in 2000.

Then the market tanked.

Starting in 2003, the city actuary, who sets contribution

rates for all pension funds, sharply increased the city's annual payments. But even with that increase, pension costs today amount to only 8% of the total budget — far below the levels of the 1980s and early 1990s.

Government officials and corporate CEOs here and around the country simply got accustomed to those boom years. And now they're claiming there's some structural crisis.

"Pensions are not out of control," said John Murphy, former director of the city's main pension fund. "They're the most predictable type of expense. Some people just don't want to pay their bills."

And then there's the hot potato of the huge disparities in pension costs among city workers.

No city official or union leader

wants to touch it.

But the facts are that last year the city paid almost as much to fund the pensions of 46,000 cops and firefighters (\$1.5 billion) as it did to fund those of 235,000 other city workers, including teachers (\$1.6 billion).

Fire and police pensions are far more expensive than those of civilian workers because they have 20-years-and-out provisions. Cops and firefighters can begin collecting a pension in their early 40s, while other city workers must wait until 55.

In addition, cops and firefighters generally make more overtime and thus their pensions are computed on a bigger gross salary than most city workers.

Finally, cops and firefighters have far higher rates of job-connected disability pensions.

None of this is meant to suggest that pensions of cops and firefighters should become targets of cost cutting.

The city's uniformed employees deserve our thanks for the vital jobs they perform, and they deserve decent pensions.

But when politicians and others begin to talk about runaway pension costs, they should try a little honesty. They should stop claiming there is a pension crisis. And they should stop making civilian city workers, or their counterparts in the MTA, the scapegoats for any cost-cutting schemes for pensions.

[jgonzalez@nydailynews.com](mailto:jgonzalez@nydailynews.com)



**JUAN GONZALEZ**