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New York's Pension Scams Must End Now

By James Ostrowski

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A recent Buffalo News series has highlighted a system of legalized graft previously known mainly to political insiders: state pension scams. State government pensions are based on years of employment and the highest three years of salary. Unfortunately, overtime pay is included in the formula. It's an open secret that labor and management collude in this state to allow employees who plan to retire shortly to cram as much overtime as is humanly possible into their final three years so they can receive a massively-inflated pension for the rest of their lives. This scam, which your grandchildren will still be paying for, is going on right now in state and local government bureaus. The political class even has a name for the scam: "the high three."

What's even worse is that they are all in on it together: the employees, the management, the governor and the state legislature. Why? Two main reasons. First, each of them expects to get their turn to milk the system at our expense. Second, public employee unions give huge amounts of money (our tax money if you trace its source) to make sure they are aren't tempted by the occasional pang of conscience to reform the system.

A conspiracy of silence and an aversion to reform protects the system. I recently contacted numerous state legislators by email or phone and asked if they were interested in pension reform. I have not received a single response!

It is one thing to provide an extremely generous pension, of the kind unheard of in the private sector, based on years of work and high average salaries. But to deliberately

manipulate the system to inflate pensions to well over \$100,000 for a \$65,000 job is nothing short of legalized theft. While those who do so rationalize to themselves that it's perfectly legal perhaps they should consider that it is also grotesquely wrong! In any event, if it's "perfectly legal" to scam the taxpayer, then it's "perfectly legal" for the taxpayer to call it legalized theft.

Many of those who will be receiving these lavish pensions live in large and expensive homes in the suburbs. Some also have summer homes. Who pays for these? The elderly on fixed incomes; minimum wage workers; the numerous "self-employed" eking out a marginal living in a state hostile to small business and private sector nonunion workers.

Here's the irony of the notion that anything that is legal is right. When you propose to *change the laws* that allow these scams to continue, the beneficiaries howl in protest and say we can't change the laws! So, it's right because it's legal and furthermore, it's wrong to even think about changing the laws through the democratic process. Sounds like sophistry to me.

There is indeed a provision in the state constitution (Article 5, Section 7) which makes it difficult to change the pension laws. The political class believes that this provision protects this pension scam forever. However, anything written into that constitution can be unwritten as well. Short of that difficult task, there are practical steps that can be done right now to control pension costs.

First, there should be a freeze on all state, county, and local government employee wages until their total benefit package begins to resemble the sparse wages and benefits of private sector workers.

Second, managers responsible for assigning overtime need to stop cooperating in this scam. Overtime should not be provided for the purpose of padding pensions. Free New York will be making Freedom of Information requests of state and local agencies to expose pension scamming in the future.

Third, the laws can be changed for new employees. This should be done immediately. Three simple changes in the law would work wonders: eliminate overtime as part of the pension formula; raise the retirement age to 65 from 62 and calculate pensions based on ten years, not three. This latter change will make gaming the system much more difficult.

Fourth, we need to pare down our bloated public payrolls. New York has too many government agencies employing too many people making too much money.

Finally, serious consideration should be given to proposals to overhaul the system along the lines suggested by E. J. McMahon of the Empire State Center. He proposes that we:

“switch from the current defined benefit (DB) pension plan to the savings-based defined contribution (DC) model used by the vast majority of private companies. A DC plan guarantees that a set amount of money will be put aside for retirement out of every employee's paycheck, while making the ultimate retirement income dependent on how much is saved and on returns from investment over the employee's working life.”

The travesty of pension scams which are busting state and local government budgets in New York and making life for the working poor ever more difficult must end.