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# States Want More in Pension Contributions

By STEVEN GREENHOUSE

First came the pay freezes and unpaid furloughs. Then came the higher contributions for health insurance. Now, in the most definitive sign yet that the era of generous compensation for public-sector employees is ending, workers in more than half the states face the prospect of paying more of their salary toward their pensions.

So far this year, eight states, including Wisconsin and Florida, have decided to require government employees to contribute more, sometimes far more, to their pensions. Governors and legislators in 10 other states, including California and Illinois, are proposing their own pension changes as they grapple with budget deficits and underfunded pension plans.

Government employees' unions are not accepting these changes without a fight, complaining that the increased pension contributions often amount to a significant cut in take-home pay.

A burst of labor opposition in New Jersey is threatening a tentative deal between the Republican governor, Chris Christie, and Democratic legislative leaders that would require government employees to contribute at least one percentage point more of their pay toward their pensions. One powerful union warned Democratic lawmakers not to join Mr. Christie's "war on the middle class."

But even many of labor's traditional allies are demanding pension changes. Last week, New York's

governor, Andrew M. Cuomo, a Democrat, **proposed that** all future state and New York City employees pay 6 percent of their salary toward their pensions, double the current 3 percent. Oregon's Democratic governor is pushing state and local employees to contribute as much as 6 percent of pay, up from zero at present. Twelve states, including Arizona, Michigan, Minnesota and Virginia, **imposed higher employee contributions** in 2010. That leaves just a handful of states where employees do not contribute toward their pensions.

"You can call this an exponential increase in activity to have state employees contribute more," said Ronald Snell, a pension expert with the National Conference of State Legislatures. "Before 2010, this hardly ever happened."

States are demanding the higher contributions as they reach for new ways to cut budget deficits. The easy savings, like furlough days, have been achieved, and now lawmakers are tackling more complicated cost issues like the long-term shortfalls in their pension funds.

The Pew Center on the States estimates there is a **more than \$1 trillion** funding gap for government workers' retirement benefits in the 50 states. At the same time, many voters resent that public employee pensions are generally better than their own.

"States have less revenues coming in and higher bills for their pensions, and it's really focused their attention," said Susan K. Urahn, managing director of the Pew center, a nonpartisan research group.

Alabama, Arizona, Kansas, Maryland, Mississippi and Oklahoma have all acted this year to require employees to pay more.

In one of the most extreme proposals, a legislative committee in Illinois, daunted by the state's estimated \$80 billion pension shortfall, voted to have state workers either contribute 17 percent of their pay toward their pensions or accept less generous pension benefits.

According to the **Pew Center**, actuarial reports say the 50 states should have contributed \$117 billion in 2009 toward their pension plans to help bring them to full funding, two and a half times more than

they contributed a decade ago and well over the \$73 billion they actually contributed in 2009.

Requiring employees to divert 3 to 6 percent of their paychecks toward funding their pensions will help, though it will not come close to solving the short-term budget problems in most states, Ms. Urahn said. But every bit helps. In Wisconsin, for example, Gov. Scott Walker said the state government would save \$226 million a year from state employees' paying a 5.8 percent contribution previously paid by the state.

Over time, the budgetary savings can be substantial. Because of New York's constitutional limits on changing current workers' pensions for the worse, Mr. Cuomo is proposing increased pension contributions for new employees only. But even so, his office says this change would save New York State and public employers outside New York City \$50 billion over 30 years.

"The pension system as we know it is unsustainable," Mr. Cuomo said last week. He added that his proposal would "bring government benefits more in line with the private sector while still serving our employees and protecting our retirees."

Many government employees and their unions are fuming about these pension changes, saying that they have become scapegoats for state fiscal problems. Denis M. Hughes, president of the New York State A.F.L.-C.I.O., said Mr. Cuomo should consider other alternatives before demanding higher pension contributions.

"It would be fairer to raise taxes on the rich than to hit struggling middle-class workers like that," he said. He argued that it would be awkward and bad for employee morale if a group of employees hired on a given day had to pay 6 percent of salary toward their pensions, while a group hired the week before had to pay just 3 percent.

Increased pension contributions are just part of the hit that many public sector workers have been asked to take. Wage freezes, unpaid furlough days and higher health insurance contributions are common, and many states have taken steps beyond raising worker contributions to cut their pension

obligations. Those include delaying the age for full retirement, adopting a less generous formula for pension calculations and requiring more years of work before pensions are vested.

Heather Conroy, executive director of Oregon's largest local of the Service Employees International Union, estimates that her members' take-home pay could be cut by 12 to 20 percent if workers were required to begin paying 6 percent toward their pensions above and beyond other concessions being demanded.

"This is going to be very painful to our members," Ms. Conroy said. "Not many workers can afford to contribute 6 percent of their pay toward their pensions."

Unions have long argued that government employees contribute more toward their pensions than the public believes. They note that workers often gave up raises or made other concessions in previous years in exchange for having the state pick up their pension contributions.

But with tales of six-figure pensions and public employees comfortably retiring in their early 50s, many lawmakers say it is outrageous that some of these workers pay nothing out of pocket toward their pensions.

Oregon's governor, John Kitzhaber, defended his proposal, saying he wanted to negotiate a pact that shared responsibility for health and pension benefits in a "fair and affordable total compensation package." He added, "It's about shared responsibility within a very limited budget."



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