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**TESTIMONY BEFORE THE LEGISLATIVE FISCAL COMMITTEES**  
**ROBERT L. MEGNA, DIRECTOR, DIVISION OF THE BUDGET**  
**January 25, 2012**

Good morning. I am pleased to appear before you once again, this time to offer testimony on our State's workforce.

Over the past year, the Governor has achieved much-needed State savings by strictly managing our operations while partnering with our employees.

First, the State workforce is currently at the lowest level it's been in decades.

Second, we have worked with employee unions to develop fair, reasonable, and affordable contracts that recognize both the need to compensate employees fairly while addressing the fiscal challenges facing our state. Our goal was to reach an agreement that would avoid significant layoffs during these difficult economic times, and we are succeeding.

Over the last year, we have reached collective bargaining agreements covering 65% of our public workforce. All of these agreements achieve unprecedented savings through implementation of a Deficit Reduction Program and requiring that employees make greater contributions to their health benefit costs at levels more comparable to employees in the private sector. I extend our most sincere appreciation and gratitude to our union counterparts who made tough sacrifices and who met the Governor's challenge to come to agreement. Together, we achieved significant current and ongoing savings to the Financial Plan while protecting the jobs of our valued public servants.

We hope that the remaining unsettled unions will reach similar agreements and will be willing to partner with us to achieve the savings that we need, while we minimize the risk of layoffs.

The 2012-13 Executive Budget continues to work towards a New York State Government that performs better and costs less.

The Executive Budget preserves the progress we've made in streamlining our workforce by projecting a relatively stable workforce in the coming year. We expect to have approximately 122,000 employees in agencies Subject to Direct Executive Control and approximately 186,000 employees in all Executive Branch agencies at the end of next year.

This budget proposes significant reforms to increase efficiency, and allow agencies to focus their energies on their core missions. At the recommendation of the SAGE Commission, we will create a Business Service Center in the Office of General Services to handle many of the administrative functions and transactions agencies deal with day to day, including procurement, real estate management, finance, human resources, fleet management and others. Moreover, this Budget will help us recruit a more diverse workforce; develop our State's future managers; improve training.

The most critical workforce-related recommendation in the Governor's Executive Budget is pension reform.

By 2014-15, pension costs for local governments and school districts will have increased by 185% since 2009-10. This level of spending is simply unsustainable and must be addressed in order to provide badly needed mandate relief to these local governments and school districts.

The Tier 6 proposal included in the Budget would provide \$83 billion in savings over 30 years to the State and local governments outside of New York City. An additional \$30 billion savings would accrue to New York City over that same time period.

This proposal achieves these savings by implementing reforms such as:

- Implementing a progressive employee contribution rate, under which employees' salary determines the percentage of salary they contribute to the retirement system;
- Increasing the minimum retirement age;
- Excluding overtime and other discretionary payments from the final average salary calculation used to determine pension allowances; and
- Increasing the number of years an employee must work before becoming eligible to receive a pension from 10 to 12 years.

In addition, Tier 6 will implement a variable "risk/reward" system in which the employee contribution would decrease or increase, depending on economic conditions. This feature would require employees to share the costs of rising pension expenses, but would also, for the first time, allow employees to share in the gains of above-average market returns.

Tier 6 will also create a voluntary defined contribution option for newly hired public employees. Under this program, modeled after the TIAA-CREF program in place for certain SUNY and CUNY employees, employers would contribute an automatic 4% of salary and match up to an additional 3% of employee contributions.

By implementing these reforms, Tier 6 will continue to provide guaranteed retirement security to our public servants, while reducing pension costs by more than one half, compared to the existing benefit design. You heard from local government officials yesterday on the importance of mandate relief - this reform is exactly that.

Tier 6 must be enacted in order to place New York on a competitive footing to tackle the challenges we face ahead. While Tier 5 was recently enacted and will provide savings to public employers, the benefit structure in place is virtually identical to the benefit structure of Tier 4 as it was first enacted in 1983. Now, nearly thirty years later, it is time to transform New York's pension system into a system that can guarantee retirement security for employees at a sustainable cost to the State, local governments, school districts, and other public employers.

Thank you for the opportunity to testify here today. I am available to answer any questions you may have.