Pension cost in braking stage?

By CHARLES HANLEY

ALBANY, N.Y. (AP) — In settling tentatively on a contract for 136,000 state workers, the Civil Service Employes Association (CSEA) has retrenched markedly on pension benefits, but it may thereby have given the legislature a safe exit out of a hot political battle over pension reform.

On the face of it, the proposed new three-year contract makes a simple bargain—the state workers receive a 12 per cent pay raise over the first two years, with reopened pay negotiations the third year, and the state gets significant union concessions on checking the growth of pension costs.

But the CSEA may have averted an even more extensive pension reform by initialing the agreement. And the CSEA pact could prove to be the model for contract talks with other public employe unions or for a legislatively enacted mandate for statewide reform—that is, economies—in the retirement plans of all state and local public workers.

Analysis

The state Pension Commission, declaring that the cost of funding public pensions had gotten out of hand, issued a report in January calling for a top-to-bottom revision of retirement plans.

The commission, recommending a single, unified plan for all public workers, proposed reducing retirement benefits for new employes by using a "Social Security integration" method whereby pension benefits would decrease as Social Security payments increase with the cost of living.

The panel, headed by retired corporation lawyer Otto Kinzel, also urged the legislature to remove the entire subject of pensions from the collective bargaining table in order to promote uniformity.

The tentative contract between the CSEA and the state does not affect the retirement benefits of current state workers. Their temporary benefits, such as full state funding of pensions, which are renewed by the legislature each year, have been made permanent in the contract.

But if the CSEA membership approves the pact the new state worker, hired after July 1, 1973, will be joining a pension plan more in tune with the belt-tightening called for by the pension reformers.

In their two important concessions on pensions for new workers, the CSEA negotiators agreed to raise the minimum retirement age from 55 to 62 and to put a lower ceiling on pension benefits.

For lower-paid workers, the principal effect of the reform will be the discouragement from retiring at an early age. The proposed contract would permit early retirement, as early as 55, but the worker would receive actuarially reduced benefits until he reached 62.

The new ceiling, based on a complicated formula, would reduce benefits more as a worker's salary increases.

For example, a $29,000-a-year state worker under the current plan can now retire at age 55 after 30 years' service with a $12,000 annual pension. Under the proposed contract, a new state worker earning the same amount could retire at 55 after 30 years' service to a pension of about $8,200 a year, or at 62 to a full benefit of $11,200.

The CSEA bargainers did, however, manage to keep pensions as a negotiable item and to avoid the introduction of the Social Security integration system.

The CSEA's president, Theodore Wenzl, called the entire package a "fair" settlement. The state's top negotiator, Melvin Osterman, labeled it "a good balance between the state's concern to deal fairly with its employes in light of current trends in the cost of living and its responsibility to the tax-paying public."

The pay raises will cost $156 million, a union spokesman estimated, but no one has determined the potential savings from the pension changes.

The Pension Commission's "Kinzel Plan," which Kinzel believes could save the taxpayer $750 million by 1983, is before the legislature now.