

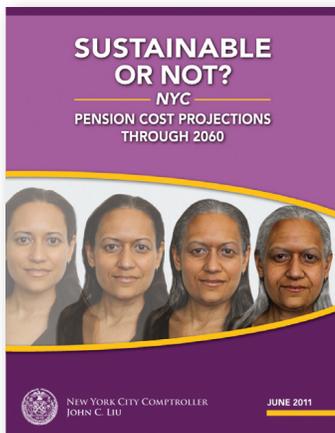
SUSTAINABLE OR NOT?

NYC

PENSION COST PROJECTIONS THROUGH 2060

JUNE 2011

A Report from
Retirement Security NYC,
an initiative by
Comptroller John C. Liu



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REPORT SUMMARY

Key Findings

This study provides a baseline projection for understanding how pension obligations will affect New York City's future budgets if all current laws relating to municipal pensions are left in place and if historical economic trends remain largely intact. Projections of pension costs through Fiscal Year (FY) 2060 were developed by actuaries from the Hay Group, and were put into an economic and budgetary context by the Comptroller's Bureau of Fiscal and Budget Studies.

The major findings* of the study are:

- City contributions to employee pension funds will increase through FY 2016, after which they will decline as a percentage of the City's expenditures and revenues.
- By FY 2060, pension costs as a percentage of the City's budget will have declined to 3.3 percent of general fund expenditures compared to 10.6 percent in FY 2010.
- The long-term decline in pension costs is primarily due to the introduction of new, less expensive benefit plans that became effective between 1995 and 2009.
- As a percentage of payroll, total employer contributions will fall from 32.4 percent in FY 2010 to 14.2 percent in 2060.
- Over time, the Police and Fire Pension Funds will experience the most significant decreases in employer contributions. As a proportion of payroll, the Police fund's rate will fall from 65.1 percent in FY 2010 to 24.2 percent in FY 2060, and the Fire fund's rate from 83.1 percent in FY 2010, to 25.4 percent in FY 2060.

*These findings assume an 8 percent rate of return on invested pension assets and a 0.25 percent annual increase in the City's workforce from FY 2014. Other rate of return scenarios yield similar directional results and are detailed in the full report.



NEW YORK CITY COMPTROLLER
JOHN C. LIU

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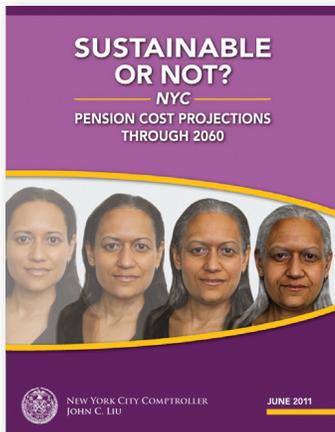
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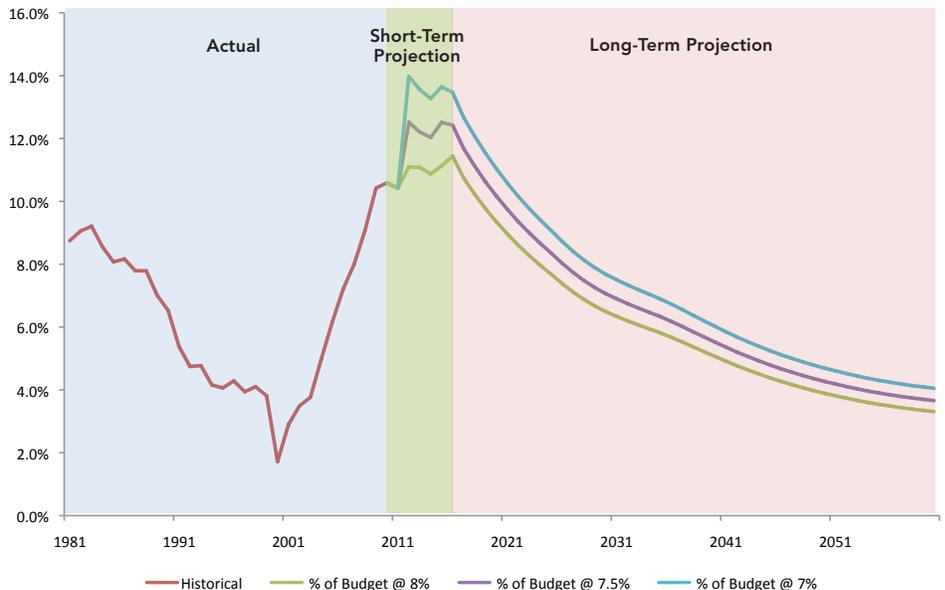
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REPORT SUMMARY *continued*

Key Graphs

Pension Costs as Percent of City's Budget Under Three Rate of Return Scenarios (FY 1981 – FY 2060)



Pension Costs as Percent of City's Budget Under Three Rate of Return Scenarios

Fiscal Year	8%	7.5%	7%
2010	10.6%	N/A	N/A
2020	9.4%	10.2%	11.0%
2030	6.5%	7.1%	7.7%
2040	5.1%	5.5%	6.0%
2050	3.9%	4.3%	4.7%
2060	3.3%	3.7%	4.1%