



Retired Public Employees Association

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Representing the interests of 500,000 New York state and local government retirees

RPEA Testimony Submitted to the Senate Standing Committee on Civil Service and Pensions

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Public Hearing: To discuss retention and recruitment for civil service jobs in New York State, the
New York State pension fund, pensions, and civil service benefits

The need for an improved Pension COLA (S.6703 by Senator Jackson)

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Executive Director

RPEA is a non-profit association organized to promote and protect the interests of the nearly 500,000 retired state and local municipal employees in the State Retirement System, as well as other retired public employees. We have a network of 9 local Chapters, 8 of which are located here in New York State. Contrary to popular perception, nearly 80% of public sector retirees remain New York State residents. You know who we are, you see us in your district every day.

While there is a great deal of discussion at this hearing regarding tier equity for active employees and recruiting new employees, it is important to remember that those already retired need equity as well, namely in the form of an improved cost-of-living adjustment (COLA). S.6307 by Senator Jackson does just that, and needs to be passed when the Legislature reconvenes in January.

When the pension COLA was enacted 23 years ago, it was never a true COLA. The legislation authorized only a 50% COLA, never to be less than 1%, nor higher than 3%. As inflation rose by more than 50% over the past two decades, the purchasing power of the COLA fell further and further behind. Only one time, in 22 years, did the COLA actually reach 3%. That was last year, when the rate of inflation rose to 9%. Now is the time to address this inequity.

Senator Jackson's bill provides a "catch up" payment (the difference between the 50% COLA and the 3% cap) to current COLA eligible retirees to better reflect the actual rate of inflation since the enactment of the COLA. The 3% annual cap and the five-year waiting period remain in place, in order to protect the integrity of the Pension Fund. The "catch up" applies to prior years only. The major beneficiaries of this bill would be older retirees with smaller pensions, due to the fact that salaries were much lower 20 -30 years ago. It is important to note that 24% of retirees receive a pension under \$10,000, and 43% have a pension under \$20,000.

Going forward, the bill also raises the maximum pension amount the COLA is applied against, increasing from \$18,000 to \$21,000 for current and future retirees. This is a modest increase to the amount that was authorized 23 years ago (\$18,000 in 2000 is the equivalent of nearly \$32,000 today). It was never envisioned when the COLA was enacted, that the dollar threshold cited in the bill would remain in perpetuity. The 50% of the rate of inflation factor remains in effect going forward, to further safeguard the financial well-being of the Fund.

As salaries have risen steadily over the two decades since the COLA was enacted, current employees will retire with a much higher final average salary. That's a good thing. So too, is passing S.6307 to assist those loyal former employees who kept the state and local governments operating all these years.

We urge you to act favorably on Senator Jackson's bill (S.6307), and that it pass the Senate.