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DAILY NEWS Opinion**N.Y. pensions are worth defending****Offering workers a 401(k)-style plan would put them at risk**BY [THOMAS DINAPOLI](#) / NEW YORK DAILY NEWS

Wednesday, February 22, 2012, 4:14 AM



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The state controller argues for defined benefits.

In the pension debate, it seems that the facts can't hold a candle to a well-worn narrative.

Critics of the current defined-benefit retirement plans for state workers incorrectly assert that New York State's pension system is financially sound only because of an unlimited amount of taxpayer money.

The truth is that the system is financially sound because New York has prudently managed its fund for more than 90 years.

The critics insist that pensions are unsustainable and unaffordable by portraying contributions in the worst possible light while ignoring the fact that, historically, 83% of all pension benefits come from investment returns. They insist we must reduce benefits for the next generation of workers by creating a new pension tier, while allowing these workers to move into a 401(k)-style defined-contribution retirement plan.

What worries me, as the fiduciary of the fund and as the state's chief fiscal officer, is that the 401(k)-style plan being presented to employees as a "choice" is, in fact, a false choice. By making the proposed defined-benefit plan less attractive and allowing the employee contribution to the 401(k)-style plan to be optional, employees would almost surely be steered toward choosing the latter plan.

The result is that many younger people, whose retirement date is decades in the future, will undermine their long-term retirement security by making the decision not to contribute and thereby fail to properly plan for their retirement. Playing catchup just doesn't work.

For those employees already in 401(k)s, it's no secret that these plans are far more volatile than traditional pensions and have significantly higher fees for individuals. According to Boston College's Center for Retirement Research, 401(k) plans lost a collective \$1 trillion during the Great Recession.

On top of that, the cost to deliver a retirement benefit through a defined-benefit pension plan is 46% less than that through individual 401(k)-style plans, according to the National Institute on Retirement Security.

Policymakers should not knowingly push future generations toward inadequate retirement security. Those who have saved too little or have seen their 401(k)s collapse will rely on our state's social assistance safety net.

The higher moral, social and economic costs of this to all of us is readily apparent.

On the other side of the coin, defined-benefit pensions help to stabilize our state's economy. Close to 80% of New York retirees continue to live in New York State, resulting in an estimated \$6.5 billion in spending, \$9.5 billion in economic activity and \$1.3 billion in property taxes.

Lest we forget, the more than 1 million members, retirees and beneficiaries of the state and local retirement system are taxpayers, too.

While I believe that it is appropriate to have a thoughtful, inclusive discussion about issues such as the level of pension contributions and ways to control overtime, it is inappropriate to lay the foundation to scrap our entire system in favor of something that will ultimately cost us more.

New York's proposed move to a 401(k)-style plan just doesn't make sense.

We are all in this together. Pitting government employees against the private sector is yet another false choice. As I have said over the past several months, it is time that we had a national conversation on retirement security to discuss what we, as a nation, must do to better prepare all Americans for their golden years.

It's time to stop twisting the facts on New York's public pension system and start talking about real solutions.

DiNapoli is the New York State controller.

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