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March 8, 2012

The Honorable Dean G. Skelos
New York State Senate Majority Leader
Legislative Office Building
Albany, NY 12247

The Honorable Sheldon Silver
New York State Assembly Speaker
Legislative Office Building
Albany, NY 12248

Dear Majority Leader Skelos and Speaker Silver:

AARP New York has strong concerns regarding the defined contribution proposal being discussed as a part of budget negotiations. Moving to 401(k) style plans is a fundamental shift in our state's public retirement paradigm and a move that will undermine retirement security. Defined contribution (DC) plans not only provide an inferior benefit—but they *cost more to run*. There will be no savings from this pension proposal in the immediate fiscal year and there is no data available that supports that this proposal would save money in the future. The DC proposal will not help to close the state's budget gap.

Furthermore, allowing new hires to opt out of defined benefit plans will starve the current systems of new employee contributions which are likely to destabilize the plans and drive up unfunded liabilities. To be clear—***this plan will harm current retirees and employees.***

By lowering the total amount of contributions coming into the plan, investments will need to be more liquid and conservative, and likely less diversified, thereby potentially lowering investment returns and increasing necessary contributions by taxpayers. The costs associated with a defined contribution plan are likely to be extensive, and the costs of administering two systems over many decades are likely high. From our perspective it seems unwise to increase taxpayer costs through the adoption of a new 401(k) type plan.

Defined benefit pension plans provide an important source of institutional investments in the market that help fuel our state economy. New York more than any other state relies heavily on the economic effects of institutional investing which our defined benefit plans provide.

According to the National Institute for Retirement Security (NIRS), each dollar invested by New York taxpayers in the retirement systems nets \$6.87 in total economic activity in the state. In their recent report, "Pensionomics 2012," NIRS finds that New York experiences the second largest gross impacts nationwide on employment and output resulting from public state and local pension benefit expenditures, including 200,106 total jobs and \$33.2 billion in direct, indirect, and induced outputs that are adding value to our economy.

The basic principles underlying AARP's state-level public pension efforts are to ensure that any reforms made to state pensions safeguard the financial security of current and near-retirees and that state and local government employees continue to have access to defined benefit plans. AARP New York urges your support for the state's defined benefit plans. We are writing to Governor Cuomo to request his support as well.

Sincerely,

A handwritten signature in black ink that reads "Joan Parrott-Fonseca". The signature is written in a cursive style with a large initial "J" and "F".

Joan Parrott-Fonseca
AARP New York State Director