



Legislative Update

Tier 6 Employee Contribution Reform S8133B/ A10939

This legislation would reduce required employee contribution rates for many Tier 6 public employees beginning April 1, 2026. While the bill lowers employee costs, the fiscal notes make clear that it would increase employer pension costs, including costs for local governments.

What the Bill Would Do

The bill would replace the current five-tier employee contribution schedule with a simplified three-tier schedule:

Salary / Wage Range	Current Rate	Proposed Rate
\$45,000 or less	3.00%	3.00%
\$45,001 – \$55,000	3.50%	3.00%
\$55,001 – \$75,000	4.50%	3.00%
\$75,001 – \$100,000	5.75%	4.00%
More than \$100,000	6.00%	5.00%

The bill would also exclude overtime from the annual wages used to determine employee contribution rates for Tier 6 members. In some systems, it would also exclude compensation for extracurricular programs or other pensionable earnings paid in addition to base wages.

Retirement Systems Affected

The bill applies broadly across public retirement systems, including:

- New York State and Local Employees' Retirement System;
- New York State and Local Police and Fire Retirement System;
- New York State Teachers' Retirement System;
- New York City retirement systems; and

- Certain optional retirement programs.

Why Towns Should Pay Attention

The bill reduces employee contributions, but those costs do not disappear. According to the fiscal note, the changes would be funded by increasing employer billing rates. For the New York State and Local Employees' Retirement System, the fiscal note estimates:

- A present value cost increase of approximately \$2.33 billion.
- An annual contribution increase of approximately \$160 million for local participating employers.
- A total employer billing rate increase of up to 0.9% of salary for Tier 6 members.

For the New York State and Local Police and Fire Retirement System, the fiscal note estimates:

- A present value cost increase of approximately \$311 million.
- An annual contribution increase of approximately \$25 million for local participating employers.
- A total employer billing rate increase of up to 1.0% of salary for Tier 6 members.

The fiscal note also states that required contributions will increase significantly as Tier 6 grows, meaning the local cost impact is expected to increase over time.

Section 25 Concern

The bill explicitly states that its provisions would not be subject to Section 25 of the Retirement and Social Security Law.

This is significant because Section 25 generally requires the state to pay the cost of benefit enhancements. By excluding the bill from Section 25, the legislation would shift increased pension costs onto participating employers, including towns.