

Tier 6 Changes in 2026-27 State Budget

Governor Kathy Hochul and the New York State Senate and Assembly have completed their work on the 2026-27 state budget. This budget includes additional significant reforms to Tier 6 of the pension plan, but unlike prior years, the plan changes being made are different depending on your retirement system membership.

Question: What Tier 6 changes were enacted as part of the State Budget?

The budget outlines several different Tier 6 changes depending on retirement system membership. Please see below for the different changes made by retirement system:

I. For Participants in New York State and Local Employees’ Retirement System (NYSLERS)¹ and New York City Employees Retirement System (NYCERS):

(1) **Reduction in Mandatory Employee Contributions²**: Tier 6 members will receive a reduction in mandatory contributions based on their annual income:

Current Income Bands	Current Tier 6 Member Contribution	New Income Bands	New Tier 6 Member Contribution	Percentage Savings	Tier 6 PEF Members Affected
< \$45,000	3.00%	< \$45,000	3.00%	0.00%	412
\$45-\$55,000	3.50%	\$45-\$55,000	3.00%	-0.50%	1,415
\$55-75,000	4.50%	\$55-75,000	3.00%	-1.50%	11,375
\$75-\$100,000	5.75%	\$75-\$100,000	4.00%	-1.75%	16,210
> \$100,000	6.00%	\$100-125,000	5.25%	-0.75%	4,317
		> \$125,000	5.75%	-0.25%	1,152

Example: A PEF member earning \$90,000 per year would see a reduction in the mandatory contribution equal to \$1,575 per year (-1.75%).

(2) **Increase in overtime allowable in final average salary (FAS)**: The agreement also increases the amount of overtime public employees can use

¹ Most PEF members are in the New York State and Local Employees’ Retirement System (NYSLERS).

² The state will contribute 1% on behalf of Tier 6 PEF members to their Optional Retirement Program (ORP) accounts.

toward their FAS calculation. This amount is indexed annually based on increases to the consumer price index (CPI).

Current: \$21,500 + annual CPI

New: \$30,000 + 3% annual

II. New York State and City Teachers' Retirement Systems (NYSTRS³ and NYCTRS)

For members in the NYSTRS and NYCTRS, the agreement provides for an early retirement option for Tier 6 members who are age 58 or older and have 30 or more years of service. While this benefit takes effect immediately, members who do not have credited service that pre-dates the establishment of Tier 6 on April 1, 2012 will not be able to use this benefit until 2042 at the earliest.

Retirement eligibility without penalty:

Current: Age 63

New: Age 63 OR Age 58 or older with 30 or more years of credited service

Question: Why did teachers get a reduction in the retirement age and state and local employees get a reduction in their contributions? Why didn't everyone get the same benefits?

PEF, working in conjunction with the NYS AFL-CIO, advanced a Tier 6 reform package with the Governor and the Legislature that would have reduced the contributions to 3% for all Tier 6 members and provided an early retirement option for Tiers 5 and 6 members upon the attainment of age 55 or older with 30 or more years of service.

The Governor rejected this proposal due to the cost.

Given the smaller financial parameters within which to work and the differentiation in the member/professional demographics of the various union memberships, a

³ PEF members who are participants in the New York State Teachers' Retirement System will be eligible for this benefit, but will not receive the reduction in member contributions outlined above.

decision was made to differentiate the changes to Tier 6 based on retirement plan membership and employer type.

Teachers

The teachers, highlighting the earlier entry age for teachers into the profession (early 20s) and the need to provide an early retirement option given the number of years of service that would be needed to meet the age 63 retirement age, pushed for earlier retirement plan option. Given the budget framework provided, they pursued a plan to allow for Tier 6 members to retire at age 63 OR age 58 or older with 30 or more years of service without penalty. Unlike PEF which wanted to drive an immediate benefit to members, the teachers were not concerned that members could not access the age 58/30 year benefit provided in the near term.

State and Municipal Workers

State and local government employees tend to start service later in their careers (early 30s) and the majority of these employees will attain age 63 before they accrue 30 years of service negating the benefits of the 58/30 option. Given this dynamic, the desire to provide an immediate benefit to PEF members and the fact that the vast majority of members could not take advantage of this plan benefit until 2042, PEF and the other unions representing state and local workers pushed to achieve increased take home pay for members by reducing the mandatory contributions of members. While the final product was not as much as PEF sought, these changes do put extra resources in members' pockets and represent another step in the progression of equalizing Tiers 5 and 6 with Tier 4.

Question: How much do these changes cost the state and participating employers?

The Tier 6 package advanced by PEF and the other unions in the AFL-CIO to the Governor and the Legislature would have reduced all Tier 6 member contributions to 3%; established an early retirement option for all Tier 6 members upon the attainment of age 55 or older with 30 or more years of service; and increased the overtime cap for police officers and firefighters from 15% to 30%. It was estimated that this plan would cost approximately \$1.5 billion per year for the state and other public employers.

The package that was adopted in the 2026-2027 State Budget – outlined above – costs approximately \$560 million for state and local governments and school districts.

Question: So – is Tier 6 Fixed? Where does PEF go from here?

To her credit and thanks to the strong support of both the NYS Senate and Assembly, Governor Kathy Hochul has achieved several significant Tier 6 reforms during her administration. PEF has and will continue to build on our work to improve Tier 6, but this is a long-term campaign.

Since 2022, the advocacy of PEF members and other union workers has:

- Reduced vesting time to 5 years
- Reduced the FAS calculation to 3 years
- Reduced member contributions as outlined above

PEF will continue to lobby for:

- An earlier retirement option for members in Tiers 5 and 6
- Increasing the pension factor to 40% for Tier 6 members at 20 years of service
- Reducing early retirement penalties
- Further reducing mandatory employee contributions