Financialized Fiscal Politics: New York State Public-Sector Pensions and the Transit Workers' Union

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Public-sector pension funds in the United States own over $10 trillion in assets. They are many of the largest institutional investors, owning approximately 33% of all capital in private equity and 15% of the U.S. stock market.[1] Public-sector pension funds use taxpayer dollars to invest in financial markets as way to fetch investment returns that will provide retirement income to approximately 34 million public-sector workers.[2] Public pension funds are governed by trustee boards of retired beneficiaries, active members, elected officials, and political appointees, as well as staffed by professional investment advisors — all of whom share a fiduciary duty to invest and act to the exclusive benefit of their public-sector members (Youngdahl 2011). The New York City Retirement Fund, for example, governs over $279.67 billion of assets under management for public-transit employees, among other municipal workers.[3]

Public-sector pension funds have been identified by political economists as actors that "fuel financialization" (Braun 2022; see also Christophers 2023; MacDonald and Dupuis 2021). Pension funds that promise defined-benefits, such as those in the public-sector, have a life-long obligation to pay members a guaranteed income after they retire. Fulfilling this promise, some scholars argue, has incentivized pension funds to invest for high-yield, extractive returns as a way to pay for the retirement of a member base whose average life expectancies have risen. Some evidence points in this direction. Historical examinations have demonstrated that public pension funds were critical leaders of the shareholder revolution during the 1990s, reorienting corporations to prioritize shareholders and their demands to maximize stock price and return (Jacoby 2021). This shift towards stocks was a departure from their investments in riskless Treasuries and government bonds for much of the 20th century. Other scholars point to the rise of private equity today, and illuminate how public-sector pensions have bankrolled asset-managers like Blackstone and KKR as a way to make up for their losses during the Great Recession (Appelbaum and Batt 2014). Yet, a small scholarship in financialization emphasizes *the politics* of pension funds, demonstrating how political coalitions can direct the investment and contribution decisions of the state into these funds (Sorsa and van der Zwan 2021). The move of pension funds towards financialization is not an inevitable economic reality, but rather a contingent political reality. Such scholarship has been a European one though (Golka and Van der Zwan 2022), leaving the United States uninvestigated despite its centrality in global financialization and dominance in capital invested for retirement: 71% of the world total (Wiggs 2024). Thus, scholars have identified that public-sector pension funds are critical agents of financialization, but little scholarship has examined *the politics over* public-sector pension funds *toward* financialization.

[1] Public Pension Funds $ Value from the Federal Reserve Financial Accounts Data; Public Pension Funds $ in Private Equity from Appelbaum and Batt 2014: 12; Public Pension Fund $ in Stock Market from Liu and Goldstein 2021: 1084.
[2] Public Sector Workers covered by Pensions from Urban Institute.
[3] Assets Under Management in NYCERS.

Fiscal sociologists as well as political sociologists have long drawn our attention to political battles over fiscal policy, taxes, and state monies (Quinn 2017; Prasad 2012; Martin et al. 2009). Yet, public-sector pension funds have received debatably zero empirical or theoretical attention within these literatures, despite the fact that state and municipal governments contribute over 5% of their annual budgets to public pensions, on average, to fund the retirement of public-sector workers.[4] A considerable portion of taxpayer revenue is spent just on the retirement of public-sector workers. However, scholarship has very little understanding of taxpayers' policy preferences for public-pension fund contributions or investment decisions. While other scholarship has examined taxpayer campaigns on fiscal policies like property tax (Martin 2008), no scholarship has examined taxpayer campaigns on the fiscal or budgetary policies of public-sector pension funds. How has state decision making over public-sector pension funds been impacted by political coalitions and campaigns of taxpayers?

Labor sociology has long examined private-sector unions with their associated workforces, but calls are growing across labor studies to study public-sector unions and their campaigns (McCartin 2007; Kerrissey, Tiamba & Meyers 2020). Compared to the abundant studies on workplace campaigns in the private-sector, the public-sector has received very little attention across labor scholarship. This disparity in study is especially odd considering the oft-cited fact that public-sector union density increased during private-sector decline, and is today much higher than the private-sector at approximately 30%.[5] Pensions and "fringe benefits," even within abundant literature on the private-sector, has taken a backseat compared to the emphasis on wages (Wilmers 2017; Western and Rosenfeld 2011; see also Juravich and Bronfenbrenner 1999). In sum, the sociology of labor has very little understanding of public-sector unions and how they relate to the contributions, benefits, and investments of their public pension funds by the state. How have public-sector unions campaigned on their pension funds? How have unions related to taxpayers in coalitions or antagonisms for their fiscal and investment directions of their pensions?

We focus on transit workers in New York City for several reasons. First, given that collective bargaining determines the terms and conditions of pension contributions, transit workers' militant unionism has undeniable agency in bargaining. Because the transit union is the first to bargain amongst New York City public sector unions, their collective bargaining agreements sets a pattern for subsequent negotiations with other unions. Second, the large scope of MTA debt and the underfunding of pension liabilities, tied with the large share of infrastructural investments made through public pension assets poses an important tension through which contentious politics unfold, which brings together important discussions around municipal budgets, austerity, and the provision of critical public services.

The New York City Retirement Fund is the fourth largest public pension fund in the United States after the Federal Retirement, California Public Employees, and California State Teachers funds, holding $279.67 billion in total assets.[6] The fund represents five pension funds including the New York City Employees' Retirement System (NYCERS), the Teachers' Retirement System of the

[4] National Association of State Retirement Administrators (NASRA) estimations.
[5] See unionstats.com
[6] New York Comptroller estimations.

City of New York (TRS), the New York City Police Pension Fund (POLICE), the New York City Fire Pension Fund (Fire), and the New York City Board of Education Retirement System (BERS). Unlike the uniformed and teachers, workers in the Metropolitan Transportation Authority, contribute to the general NYCERS fund, along with city workers and employees of the housing authority, municipal hospitals, courts, the City University of New York, and the municipal water authority. The president of the union, the Transportation Workers Union Local-100 sits on the board of the NYCERS fund as one of three union representatives on the board of trustees.

The paper seeks to examine episodes throughout a period where contentious politics surrounding pension negotiations. Public sector pensions in New York are part of the State constitutional provision outlining the guarantee of a contractual relationship of membership in the pension and retirement system, enacted during the New Deal era in 1938. Since the incorporation of the Metropolitan Transportation Authority in 1965, the emergence of financialization and neoliberal politics in New York City during and in the aftermath of the 1975 fiscal crisis has led to emergent debates over pension benefits for transit workers. Examining these debates, contentions, and the segmentation process of tiered pensions in the 1980s and 2000s uncovers several ways that classification and debates over fares, service, and worker contributions have transformed over time. The episodes demonstrate the transformative lineage of these debates. Additionally, the paper demonstrates the endurance of a New Deal era policy and examines the ways in which the labor-management relationship contributes to public sector reform.

The project will take the form of historical case study methods to answer these research questions that address the relationship between state policies, public sector trade unions, taxpayers, and pension policies. A historical case study approach allows for process tracing across time and space to build a theoretically grounded account of why and how social processes unfold (Checkel 2009; Mahoney and Rueschmeyer 2003; Yin 2014). The project will rely on archival sources and interviews to triangulate findings. In particular, meeting notes from NYCER board meetings and its annual reports between the 1980s and 2020s, and archival sources from the Tamiment Archives housed at NYU and the Straphangers Campaign records housed in the New York Public Library are consulted for this project.

Theoretically, this project seeks to contribute to labor sociology, fiscal sociology, political sociology and interdisciplinary scholarship on financialization. Public-sector pensions funds in the United States have been a significantly understudied, despite their size as institutional investors and centrality to financialization. We examine the contentious politics, battles, and campaigns over public-sector pensions as a way to understand the mechanisms and coalitions that underlie the financial and fiscal decisions of public-sector pension funds and the larger contours of financialized politics. This examination will shed light on the decision-making of central actors to financialized political economies, help theorize the policy preferences of taxpayers, and identify new, underrecognized coalitions of organized labor. By attending to the public-sector labor movement, we answer many calls in the field and develop a new promising area of research.

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