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REPORT REVEALS MASSIVE COST OF GOVERNMENT RETIREE HEALTH CARE

New York's public-sector employees have been promised \$205 billion in post-retirement health benefits that the state and its local governments have set aside no money to pay for, according to a report released today by the Empire Center for New York State Policy.

Like defined-benefit pensions, retiree health coverage is a form of deferred compensation commonly available to government employees -- but not to the vast majority of private-sector workers, the report says. Unlike pensions, which are at least partially pre-funded through large investment pools, retiree healthcare is financed out of annual government budgets on a "pay as you go" basis. Benefits differ by employer, with most allowing their retirees to remain in the employee health insurance plan, paying only a fraction of the premium, after just five to 15 years of service. A new government accounting standard, known as GASB 45, is requiring the state and local governments to calculate and disclose the long-term costs of keeping all of their retiree health care promises.

The Empire Center report—entitled "Iceberg Ahead: The Hidden Cost of Public-Sector Retiree Health Benefits in New York"—provides the first statewide survey of unfunded retiree health care liabilities for New York State and its largest counties, cities, towns, villages and school districts. Liabilities detailed in the report include:

- \$60 billion for New York State, including the State University of New York;
- \$62 billion for New York City;
- \$13.8 billion for the state's 20 largest counties;
- \$6.5 billion for the 20 largest school districts;
- \$4.8 billion for the state's 15 largest cities outside New York City;
- \$2.8 billion for the state's 15 largest towns;
- \$685 million for 11 of the state's largest villages; and
- \$14.4 billion for the five largest public authorities.

GASB 45 liabilities for all other New York governments brings the total to \$205 billion, the report estimates. "The good news for New York taxpayers is that public-sector retiree health benefits, unlike pensions, are not guaranteed by the state Constitution," said author E.J. McMahon, a senior fellow with the Empire Center and the Manhattan Institute. "Elected officials can still change course on retiree health care by restructuring benefits for both current retirees and active employees."

The report concludes with a series of recommendations for curbing costs, including:

1. Preserve health benefits for employees who have already retired, but require them to pay a larger share of their own premiums.
2. Reserve the greatest benefit to those who have worked the longest.
3. Allow trust funds to cover adjusted OPEB liabilities, but calculate required contributions to these funds based on assumed returns from conservative, low-risk investment strategies.
4. Eliminate retiree health insurance coverage for new hires and for employees who have been on the payroll for less than 10 years, and shift these workers into retirement medical trusts.

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(See attached sheet for a summary ranking of retiree health care burdens for New York's largest cities, counties, towns, villages and school districts.)

From the Empire Center's "Iceberg Ahead" Report

Unfunded Liabilities ("UAAL") for Government Retiree Health Benefits				
		UAAL \$000	Population	Per-Capita
New York State		\$60,218,545		
State government		50,086,013	19,541,453	\$3,082
SUNY		10,132,533		
New York City		\$61,978,363	8,391,881	\$7,343
Most Populous Counties Outside New York City				
	Region	UAAL \$000	Population	Per-Capita
Albany County	Capital	542,364	298,284	1,818
Broome County	Southern Tier	186,314	194,630	957
Chautauqua County	Western	42,776	133,503	320
Dutchess County	Mid-Hudson	267,000	293,562	875
Erie County	Western	736,192	909,247	810
Jefferson County	Northern	174,400	118,719	1,469
Monroe County	Western	488,670	733,703	666
Nassau County	Long Island	3,467,000	1,357,429	2,554
Niagara County	Western	226,839	214,557	1,057
Oneida County	Central	48,643	231,044	211
Onondaga County	Central	700,900	454,753	1,541
Orange County	Mid-Hudson	358,355	383,532	934
Oswego County	Central	23,599	121,377	194
Rensselaer County	Capital	117,500	155,541	755
Rockland County	Mid-Hudson	607,312	300,173	2,023
Saratoga County	Capital	62,429	220,069	284
Schenectady County	Capital	337,800	152,169	2,220
Suffolk County	Long Island	4,170,000	1,518,475	2,608
Ulster County	Mid-Hudson	114,095	181,440	629
Westchester County	Mid-Hudson	1,087,000	955,962	1,137
		\$13,759,188	8,928,169	\$1,517
Most Populous Cities Outside New York City				
	County	UAAL \$000	Population	Per-Capita
Albany	Albany	251,935	93,836	2,685
Binghamton	Broome	130,998	44,401	2,950
Buffalo	Erie	1,227,967	270,240	4,544
Long Beach	Nassau	68,070	35,889	1,897
Mount Vernon	Westchester	70,940	68,878	1,030
New Rochelle	Westchester	184,670	74,323	2,485
Niagara Falls	Niagara	214,500	51,295	4,182
Rochester	Monroe	593,924	207,294	2,865
Rome	Oneida	47,506	33,443	1,421
Schenectady	Schenectady	The city has not yet complied with GASB 45.		
Syracuse	Onondaga	853,766	138,560	6,162
Troy	Rensselaer	168,906	47,556	3,552
Utica	Oneida	68,609	58,040	1,182
White Plains	Westchester	260,660	57,442	4,538
Yonkers	Westchester	676,000	201,162	3,360
		\$4,818,450	1,382,359	\$ 3,486
Most Populous Towns				
	County	UAAL \$000	Population	Per-Capita
Amherst	Erie	133,824	115,535	1,158
Babylon	Suffolk	119,684	221,044	541
Brookhaven	Suffolk	256,700	490,416	523
Cheektowaga	Erie	128,888	87,496	1,473
Clarkstown	Rockland	133,900	82,777	1,618
Colonie	Albany	74,036	81,518	908
Greece	Monroe	46,381	93,405	497
Greenburgh	Westchester	116,092	90,276	1,286
Hempstead	Nassau	810,403	764,982	1,059
Huntington	Suffolk	188,943	202,197	934
Islip	Suffolk	159,642	337,565	473

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Most Populous Towns (continued)				
	County	UAAL \$000	Population	Per-Capita
North Hempstead	Nassau	117,768	227,058	519
Oyster Bay	Nassau	314,470	302,564	1,039
Ramapo	Rockland	88,230	115,885	761
Smithtown	Suffolk	133,900	121,817	1,099
		\$2,822,861	3,219,000	3,486
Selected Large Villages				
	County	UAAL \$000	Population	Per-Capita
Garden City	Nassau	59,118	22,500	2,627
Harrison*	Westchester	129,112	26,746	4,827
Hempstead	Nassau	130,268	53,971	2,414
Lynbrook	Nassau	33,715	19,883	1,696
Mineola	Nassau	33,900	19,120	1,773
Ossining	Westchester	43,100	23,945	1,800
Port Chester	Westchester	50,050	28,243	1,772
Rockville Centre	Nassau	61,640	24,473	2,519
Scarsdale	Westchester	59,960	17,755	3,377
Spring Valley	Rockland	47,247	23,810	1,984
Valley Stream	Nassau	36,970	36,311	1,018
		\$685,080	296,757	\$2,309
School Districts				
	County	UAAL \$000	% of Property Value	
Albany City	Albany	298,388	5.8%	
Brentwood	Suffolk	345,347	4.8%	
Buffalo City	Erie	1,206,245	19.7%	
East Ramapo	Rockland	294,702	3.0%	
Great Neck	Nassau	86,181	0.5%	
Greece	Monroe	27,099	0.7%	
Half Hollow Hills	Suffolk	214,386	1.6%	
Haverstraw-Stony Point	Rockland	246,241	4.2%	
Longwood	Suffolk	236,596	3.2%	
Middle Country	Suffolk	279,694	3.7%	
Mount Vernon	Westchester	128,868	2.0%	
New Rochelle	Westchester	70,814	0.6%	
Newburgh	Orange	336,266	5.7%	
Rochester	Monroe	360,956	6.3%	
Sachem	Suffolk	322,000	2.7%	
Smithtown	Suffolk	185,575	1.8%	
Syracuse	Onondaga	698,100	17.2%	
White Plains	Westchester	145,126	1.4%	
William Floyd	Suffolk	123,100	2.6%	
Yonkers	Westchester	906,400	4.2%	
		\$6,512,084	3.7%	
Largest State Public Authorities				
		UAAL \$000	Covered Payroll	% of Payroll
Bridge Authority		41,329	10,788	383%
Dormitory Authority		156,647	48,319	324%
Metropolitan Transportation Authority		13,165,000	4,212,000	313%
Thruway Authority		981,684	167,067	588%
Urban Development Corp.		52,304	34,100	153%
		\$14,396,964	4,472,274	322%
Subtotal: Major public employers		\$165,280,836		
All others (estimated)		\$39,720,688		
GRAND TOTAL		\$205,001,524		
Sources: UAALs for 2008 and 2009 as reported in annual financial reports, official statements and financial disclosure reports. New York State estimate for April 1, 2010. Estimates for "all others" are extrapolated from data in reports for largest employers, assuming OPEB liabilities of other employers are distributed in proportion to total medical benefits and personal service expenditures as reported to the Office of the State Comptroller, adjusted to reflect the percentage of employers in each category offering retiree health coverage.				
* Harrison is a combined town and village				

Combined Municipal and School Retiree Health Liabilities for Selected Cities*

	\$000			Population	Per-capita
	Municipal	School	Combined		
Albany	251,935	298,388	550,323	93,836	5,865
Binghamton	130,998	144,834	275,832	44,401	6,212
Buffalo	1,227,967	1,206,245	2,434,212	270,240	9,008
Mount Vernon	70,940	128,868	199,808	68,878	2,901
New Rochelle	184,670	70,814	255,484	74,323	3,437
New York City			61,978,363	8,391,881	7,386
Niagara Falls	214,500	262,309	476,808	51,295	9,295
Rochester	593,924	360,956	954,880	207,294	4,606
Syracuse	853,766	698,100	1,551,866	138,560	11,200
Utica	68,609	182,262	250,872	58,040	4,322
White Plains	260,660	145,126	405,786	57,442	7,064
Yonkers	676,000	906,400	1,582,400	201,162	7,866
			\$70,916,633	9,657,352	\$7,343

* List represents most populous cities that overlap with city school districts, excluding Schenectady, whose municipal government is in non-conformance with GASB 45. New York City reports a single OPEB liability for all municipal and school operations. A very small portion of the Binghamton School District is in a neighboring town.