

Public Payroll Watch

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Wave of State Retirements Offers Budget Savings Potential

A flood of expected retirements by New York State government employees – some 33,000 over the next five years¹ – represents an opportunity for the state to save billions of dollars by streamlining its workforce and reforming costly retirement benefits.

While most American workers don't retire before reaching 62, the average retirement age for state employees is 58 – a milestone already attained by 13 percent of state employees now working in classified civil service jobs in executive agencies.

The pace of retirements in the rapidly aging classified workforce is expected to accelerate to 6,500 a year over the next five years, up 18 percent from an annual average of 5,500 over the past five years, according to the Department of Civil Service.² Thousands of other workers leave the payroll every year for reasons other than retirement, producing attrition rates estimated at 14 percent for the classified workforce alone and 7 to 10 percent for all state employees.³ The savings potential is immense: On average, every 1,000 state employees represent nearly \$83 million in compensation costs. The savings will be higher for positions now held by better-paid senior employees now approaching retirement.

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State Workforce at a Glance

Total full-time equivalent employees (FTEs)	235,014
Average salary	\$56,628
Average total compensation	\$82,677
Civil Service "classified" FTEs*	167,172
<i>Demographic characteristics of classified workforce</i>	
Average age of all workers	46.8
Average age of new hires	35
Employees 35 or younger	20,500
Employees 45 or older	95,000
Average age at retirement	58
Employees who have attained 55-30** status	7,300
Employees reaching 55-30 by 2013	32,600

* Includes competitive, non-competitive, exempt and labor classes in Executive branch, but excludes Judiciary, Legislature, State Police and SUNY faculty positions

** Age 55 with 30 years of service credit in the state retirement system

Sources: Department of Audit and Control; Department of Civil Service; Division of the Budget

Since the state Constitution effectively locks in pension rights for current state workers, the accelerating turnover rate also strengthens the rationale for moving more quickly to reform the state's costly defined-benefit retirement system – and, by extension, offering similar reforms to local governments and school districts. For vacated positions that need to be refilled, newly hired workers can be assigned to a new retirement “tier” offering defined-contribution plans, such as the 401(k) plans now common in the private sector.

Far from seizing the opportunity to reduce the payroll, Governor Eliot Spitzer is moving in the opposite direction. Despite a \$4.4 billion budget gap, his 2008-09 budget proposal would add 1,846 employees, on top of 3,903 positions added in his first budget, raising the overall headcount by about 2.5 percent. As of October 2007, before most of Spitzer's planned hiring had taken effect, the workforce to the highest level since 1994, Governor Cuomo's last year in office.⁴

Worth Watching...

Riding the benefit gravy train

As rising health insurance costs continue to pinch government budgets, the issue is being debated from Long Island to Erie County. Should part-time appointed or elected officials qualify for the same health benefits as full-time employees?

Attorney General Andrew Cuomo last year answered in the negative for state public authorities, ruling that the Housing Finance Agency, Thruway Authority and Power Authority must stop paying health benefits for current and retired board members. But different rules – or in some cases, seemingly no rules at all – apply on the local government level.

Consider these recent news items:

- Part-time members of the water district board in the Nassau County town of Plainview were already receiving health benefits when Chairman Edward Shulroff persuaded them to extend the orthodontic benefit to spouses – thereby sticking ratepayers with the bill for braces for his 69-year-old wife. After all, Shulroff explained to *Newsday* reporter Sandra Peddie, the alternative was that his wife would

continue “going around looking like a picket fence.”

- Plainview's was just one of several Long Island water, sewer and sanitation districts whose appointees were found by *Newsday* to have voted themselves generous health benefits for life. The newspaper previously reported the widespread granting of health benefits to part-time planning and zoning board members, prompting many municipalities to cancel the benefits.
- Niagara County Legislator Sean J. O'Connor, 49, resigned from office 10 days before his term was up last December, then signed the oath of office to begin a new legislative term on January 1. O'Connor's motive, as reported in the *Buffalo News*: by resigning in 2007 he had “separated” from service and would therefore qualify for lifetime health benefits despite a June 2007 local law denying benefits to legislators who began a new term in 2008. County Attorney Claude Joerg says the controversy probably won't be resolved until O'Connor retires. Meanwhile, according to the *Buffalo News*, the cost of tax-paid health insurance for O'Connor and his family comes to \$13,000, almost as much as his \$15,075 part-time salary.
- The *Jamestown Post-Journal* expressed editorial disappointment over the answer from Republican Chautauqua County legislators when they were asked why the caucus continues to favor giving tax-paid health insurance coverage to part-time county legislators. “The benefits help us get higher quality legislators and these legislators, we were told, deserve the benefits because, well, because they work hard or something,” the editorialists wrote, sounding unconvinced. According to another *Post-Journal* article, the county spent \$142,203 on health benefits for part-time lawmakers last year.

¹ Department of Civil Service, *New York State Workforce Management Report 2007*.

² *Ibid.*

³ Attrition estimate for the classified workforce is from Department of Civil Service; estimate for total workforce is from Division of the Budget.

⁴ See the Empire Center's *Public Payroll Watch*, No. 1, December 2007.