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GOVERNMENT RETIREE HEALTH CARE PRICETAG HITS $250 BILLION IN NY

New York's public-sector employees have been promised $250 billion in post-retirement health benefits that the state and its local governments have set aside no money to pay for, according to updated figures released today by the Empire Center for New York State Policy. These obligations have increased by $45 billion since the Empire Center first reported on them in 2010.

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:
- $73 billion for New York State, including the State University of New York and City University of New York;
- $84 billion for New York City;
- $17 billion for the state's 20 largest counties;
- $7.4 billion for the 20 largest school districts;
- $5.5 billion for the state's 15 largest cities outside New York City;
- $2.9 billion for the state's 15 largest towns;
- $819 million for 11 of the state's largest villages; and
- $19 billion for New York's five largest public authorities.

GASB 45 liabilities for all other New York governments bring the total to $250 billion, the report estimates. "The retiree health care iceberg is getting bigger and more dangerous with each passing year," said author E.J. McMahon, a senior fellow with the Empire Center and the Manhattan Institute. "If elected officials don't act soon to shrink this problem, it could eventually sink us."

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

Unfunded Liabilities (UAAL) for Other Post-Employment Benefits

		UAAL $000	Households	Per Household
New York State		**$73,181,000**		
State government		59,668,000	**7,317,755**	**$10,000**
SUNY and CUNY		13,513,000		
New York City		**$83,900,000**	**3,109,784**	**$26,979**

Most Populous Counties Outside New York City

	Region	UAAL $000	Households	Per Household
Albany County	Capital	533,884	126,251	4,229
Broome County	Southern Tier	186,715	82,167	2,272
Chautauqua County	Western	49,392	54,244	911
Dutchess County	Mid-Hudson	293,500	107,965	2,718
Erie County	Western	934,228	383,164	2,438
Jefferson County	Northern	268,837	43,451	6,187
Monroe County	Western	629,654	300,422	2,096
Nassau County	Long Island	4,618,696	448,528	10,297
Niagara County	Western	277,116	90,556	3,060
Oneida County	Central	59,604	93,028	641
Onondaga County	Central	837,800	187,686	4,464
Orange County	Mid-Hudson	451,661	125,925	3,587
Oswego County	Central	107,245	46,400	2,311
Rensselaer County	Capital	59,758	64,702	924
Rockland County	Mid-Hudson	665,369	99,242	6,705
Saratoga County	Capital	85,268	88,296	966
Schenectady County	Capital	212,874	62,886	3,385
Suffolk County	Long Island	4,414,160	499,922	8,830
Ulster County	Mid-Hudson	148,050	71,049	2,084
Westchester County	Mid-Hudson	2,354,330	347,232	6,780
		$17,188,141	**3,323,116**	**$5,172**

Most Populous Cities Outside New York City (Municipal Only)

	County	UAAL $000	Households	Per Household
Albany	Albany	270,264	41,157	6,567
Binghamton	Broome	130,998	21,150	6,194
Buffalo	Erie	1,637,159	112,536	14,548
Long Beach	Nassau	78,623	14,809	5,309
Mount Vernon	Westchester	98,540	26,260	3,752
New Rochelle	Westchester	189,690	27,953	6,786
Niagara Falls	Niagara	195,003	22,603	8,627
Rochester	Monroe	564,241	87,027	6,484
Rome	Oneida	111,635	13,526	8,253
Schenectady	Schenectady	191,522	26,633	7,191
Syracuse	Onondaga	911,000	57,355	15,884
Troy	Rensselaer	139,617	20,505	6,809
Utica	Oneida	57,458	24,905	2,307
White Plains	Westchester	254,920	22,910	11,127
Yonkers	Westchester	697,300	74,550	9,353
		$5,527,969	**593,879**	**$ 9,308**

Most Populous Towns

	County	UAAL $000	Households	Per Household
Amherst	Erie	145,069	48,894	2,967
Babylon	Suffolk	119,897	70,894	1,691
Brookhaven	Suffolk	281,400	162,884	1,728
Cheektowaga	Erie	145,424	39,325	3,698
Clarkstown	Rockland	157,100	29,234	5,374
Colonie	Albany	49,045	33,088	1,482
Greece	Monroe	49,571	39,407	1,258
Greenburgh	Westchester	167,231	33,495	4,993
Hempstead	Nassau	679,236	246,456	2,756
Huntington	Suffolk	190,444	69,311	2,748
Islip	Suffolk	204,981	103,631	1,978

Most Populous Towns (continued)

	County	UAAL $000	Households	Per Household
North Hempstead	Nassau	133,271	227,058	519
Oyster Bay	Nassau	328,057	302,564	1,039
Ramapo	Rockland	121,749	115,885	761
Smithtown	Suffolk	153,400	121,817	1,099
		$ 2,925,874	1,643,943	$1,780

Selected Large Villages

	County	UAAL $000	Households	Per Household
Garden City	Nassau	92,989	7,366	12,624
Harrison*	Westchester	188,219	8,375	22,474
Hempstead	Nassau	130,268	15,234	8,551
Lynbrook	Nassau	27,867	7,513	3,709
Mineola	Nassau	33,900	7,396	4,584
Ossining	Westchester	64,400	8,344	7,718
Port Chester	Westchester	53,920	9,240	5,835
Rockville Centre	Nassau	66,403	9,258	7,172
Scarsdale	Westchester	68,871	5,418	12,712
Spring Valley	Rockland	47,247	8,755	5,397
Valley Stream	Nassau	45,311	12,189	3,717
		$819,394	99,088	$8,269

School Districts

	County	UAAL $000	Households	Per Household
Albany City	Albany	296,157	41,149	7,197
Brentwood	Suffolk	408,400	20,369	20,050
Buffalo City	Erie	1,681,374	112,536	14,941
East Ramapo	Rockland	311,318	29,381	10,596
Great Neck	Nassau	97,210	16,272	5,974
Greece	Monroe	62,246	34,324	1,813
Half Hollow Hills	Suffolk	274,808	15,761	17,436
Haverstraw-Stony Point	Rockland	248,515	15,933	15,597
Longwood	Suffolk	263,188	24,465	10,758
Middle Country	Suffolk	54,600	20,429	2,673
Mount Vernon	Westchester	141,305	26,260	5,381
New Rochelle	Westchester	105,277	27,953	3,766
Newburgh	Orange	299,454	23,055	12,989
Rochester	Monroe	475,729	87,042	5,466
Sachem	Suffolk	352,336	28,039	12,566
Smithtown	Suffolk	224,443	19,294	11,633
Syracuse	Onondaga	934,000	57,391	16,274
White Plains	Westchester	128,325	22,910	5,601
William Floyd	Suffolk	93,700	15,737	5,954
Yonkers	Westchester	975,300	74,550	13,082
		$7,427,685	712,850	$10,420

Largest State Public Authorities

	UAAL $000	Covered Payroll	% of Payroll
Bridge Authority	44,607	10,788	383%
Dormitory Authority	208,499	48,319	324%
Metropolitan Transportation Authority	17,764,000	4,600,000	386%
Thruway Authority	1,021,000	167,067	588%
Urban Development Corp.	54,064	34,100	153%
	$19,092,170	4,860,274	393%

Subtotal: Major public employers	**$210,063,201**
All others (estimated)	$39,720,688
GRAND TOTAL	**$249,783,890**

Sources: UAALs as reported in latest available comprehensive annual financial reports, or in official statements and financial disclosure reports posted as of Aug. 31, 2012 by Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board, emma.msrb.org. 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. Household counts from 2010 U.S. Census and American Community Survey.
* Harrison is a combined town and village

Table 4. Combined Municipal and School OPEB Liabilities for Selected Cities*

	$000			Households	Per Household
	Municipal	School	Combined		
Albany	270,264	296,157	566,421	41,157	13,762
Binghamton	130,998	89,212	220,210	21,150	10,412
Buffalo	1,637,159	1,681,374	3,318,533	112,536	29,489
Mount Vernon	98,540	141,305	239,845	26,260	9,133
New Rochelle	189,690	105,277	294,967	27,953	10,552
New York City			83,900,000	3,109,784	26,979
Niagara Falls	195,003	131,056	326,059	22,603	14,425
Rochester	564,241	360,956	925,197	87,027	10,631
Schenectady	191,522	144,790	336,312	26,633	12,628
Syracuse	911,000	934,000	1,845,000	57,355	32,168
Utica	57,458	196,636	254,094	24,905	10,203
White Plains	254,920	145,126	400,046	22,910	17,462
Yonkers	697,300	906,400	1,603,700	74,550	21,512
			$93,994,484	**3,654,823**	**$25,718**

* List represents most populous cities that overlap with city school districts. 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.