

# The Chief



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## Unions Scoff at Warning On Retiree Health-Care Bill

Study: Cost Over \$200B  
By MARK TOOR



E.J. McMAHON: Deal needs to be rewritten.

A think-tank report issued last week warning New Yorkers that government entities have promised retired public workers in the state more than \$200 billion in health-insurance benefits and put aside no money to pay for them presents "a worst-case scenario" and is "unnecessarily alarmist," say officials of public-employee unions.

The City and State Comptroller's Offices agree that the issue is a serious one, but both stopped short of calling it a crisis.

### Suggests Cut in Benefits

The report by the Albany-based Empire Center for New York State Policy says that unlike with pension funds, state and local governments and school districts have

not set aside money to pay future retiree health costs. The health costs, which are being reported more prominently under new government accounting standards, pose "a more direct threat to [government] solvency than rising pension costs," and will accelerate the economic decline of upstate cities, according to the report.

The "good news," it says, is that health benefits for public-sector retirees, unlike pensions, are not guaranteed by the state Constitution, meaning elected officials can raise premiums for current retirees and eliminate such benefits for new employees.

The report notes that the number of private employers that offer healthcare insurance for retirees is dropping: nationally, only 28 percent of companies with more than 200 employees offered it this year. Private-sector retirees paid an average of 52 percent of their costs, the report said, while public sector retirees in New York paid an average of 9 percent.

"The point of these numbers is, 'You promised something you actually couldn't afford,'" E. J. McMahon, director of the Empire Center, told the Syracuse Post-Standard (he did not return a call from The Chief-Leader). "This stuff is totally uncontrolled and unsupervised and not closely watched, and these numbers just begin to give us an idea of how crazy this is. . . Why should a city in the shape of Syracuse or Buffalo or Rochester or Utica or Onondaga County, for that matter, be promising really good health insurance basically for life for people who work for them, when down the street the best local employer you can find doesn't do the same thing?"

### State Owes \$60 Billion

Some of the benefits go to workers who retire at relatively young ages and are not yet eligible for Medicare, and to others with as few as 10 years of service, the report said.

### City's \$62M Liability

The report says unfunded retireehealth care liabilities total \$60 billion for the state, \$62 billion for New York City and \$14 billion for the largest public authorities. Governments have been handling these costs

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The Empire Center recommends four courses of action:

- Require retired employees to pay a larger share of their benefits.
- “Reserve the greatest benefits for those who have worked the longest.”
- Establish trust funds, like pension funds, to put aside money to cover health-care liabilities.
- Create a retirement medical trust for new employees and those who have been on the payroll less than 10 years. These people would make tax-free contributions to the funds, which would be invested by the unions.

The State Comptroller’s Office pointed out the lack of savings to cover retiree health-care liabilities in 2008 and recommended that the Legislature create trusts in which governments could save and invest money to help pay them in the future, said Mark E. Johnson, a spokesman for State Comptroller Thomas P. DiNapoli. The Comptroller is sole trustee for the state pension funds but has no legal responsibility for retiree health benefits.

Spokesmen for the state’s two largest public-employee unions said the Empire Center was overstating the problem.

### ‘Normal Cost of Doing Business’

“The number the Empire Center is putting out there is unnecessarily alarmist,” Darcy Wells, spokeswoman for the Public Employees Federation, said in a statement. “It represents costs that will occur over a period of many years, not current costs. State and local governments have been paying this cost on a pay-as-you-go basis since benefits have been provided. Employee benefits are a normal cost of doing business for both public employers and private businesses. This should not be used as an excuse to cut benefits.”

The problem of health-care costs “goes beyond organized labor,” said Steven Madarasz, a spokesman for the Civil Service Employees Association. “What we really need is a way to put the brakes on the runaway costs of the industry. [President Obama’s] health-care reform is a start.”

The report is a “worst-case scenario” that assumes nothing else would be done to negotiate lower costs, he said. “The biggest obstacle we face in negotiations is health-care costs, trying to negotiate in cost containment,” he said.

Sharon Lee, a spokeswoman for City Comptroller John C. Liu’s office, said in a statement: “This is a serious long-term issue impacting most cities and states. The city will continue to meet its financial obligations to both retirees and bondholders.”

Mr. Madarasz also questioned the motives of the Empire Center. “They are not a good-government group,” he said. “They are a private entity funded by some of the most conservative people and organizations in the country, and they don’t like public-employee unions.”

### Wall Street Freeloaders

“The Wall Street millionaires who fund the Empire Center want to get rich off the work of New Yorkers but don’t want to pay their fair share of the costs,” Ms. Wells agreed.

The Empire Center’s website says it is a project of the Manhattan Institute for Policy Research, which “was founded in 1978 to develop and disseminate new ideas that foster greater economic choice and individual responsibility.”

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