



Robert E. Antonacci II, CPA
Comptroller

COUNTY OF ONONDAGA

Office of the
County Comptroller

John H. Mulroy Civic Center, 14th Floor
421 Montgomery Street
Syracuse, New York 13202-2998
(315) 435-2130 • Fax (315) 435-2250
www.ongov.net

James V. Maturo
Deputy Comptroller

Postemployment Benefits Reform
Thursday, July 9, 2009
The Post-Standard

To: The Editor

Re: Action Needed on Retirement Benefits

The issue of Onondaga County modifying post employment health insurance has drawn much attention recently and highlights an accounting policy dictating a thorough review of a governmental practice.

The Governmental Accounting Standards Board (GASB) is the organization that issues generally accepted accounting principles used by State and Local governments in the United States of America, including Onondaga County.

GASB is generally non-political in nature with its mission being to promulgate standards to improve financial reporting for governmental entities. GASB statements are issued with the intent to provide financial information of use to the public.

As of 2007 our government was required to follow GASB Statement 45. This statement required our County to measure and report the liabilities associated with other post retirement benefits other than pensions (OPEB).

In our County our main OPEB obligation is health insurance provided to retirees and their covered dependents. After actuarial review it has been determined our present value of all projected benefits is in excess of \$1 billion. While the County will not have to write a check today for this amount, it requires our immediate review of this benefit because current adjustments to the existing policy could result in immediate savings to the taxpayers.

The current post-retirement health benefit plan for Onondaga County retirees provides 85% coverage throughout their retirement after only five years of service. Two County employees of retirement age can leave service on the same day, receive the identical benefit yet one gave twenty-five years of service and the other five years. The County funds the expenditure on a "pay as you go" basis. In 2008 the County paid in excess of \$17 million for this health insurance coverage. With costs increasing for various reasons, the projected increase in the liability is far outpacing the annual payment resulting in a "passing of the buck" to future taxpayers.

We missed an opportunity to reform post-retirement health benefits this past legislative session; and this is unfortunate news for the taxpayers of this County at a time of obvious fiscal stress.

While neither of the proposed modifications to the existing policy would change the benefit to current retirees, the sliding scale proposal, if adopted, estimates a savings of \$19 million over the next 10 years with immediate savings for use in the 2010 budget year.

The sliding scale proposal potentially increases the cost to current employees if they retire prior to twenty-five years of service. By modifying the portion paid by existing employees based on years of service, we ease the burden to the taxpayer while keeping a great benefit for our workforce.

While there are several proposals pending, each with different results, GASB 45 has accomplished its goal. We are talking about the long-term effects of these policies, but now we must act. It is incumbent on all parties involved to develop a solution to the current problem that will benefit our retirees and taxpayers. Of the various options available, the one we can't afford is to do nothing.

Robert E. Antonacci II, CPA is the Onondaga County Comptroller. More information on this issue can be found on the County's Comprehensive Annual Financial Report at www.ongov.net/comptroller. Refer to footnote 10.

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