



Minutes from the GASB 45 Citizens Taskforce June 25, 2008

The fifth meeting of the GASB 45 Taskforce was convened June 25, 2008 at 6:00pm.

Attendance:

Members of the Task Force: Brian Mather (Legislature), Vince Pasquale (Binghamton University), Donna Rider (Community Member), Mark Whalen (Legislature).

Internal Members of Task Force: Michael Klein (Personnel Dept.), Aaron Marcus (Law Dept.), Mike Hanbury (Legislature), Jerome Knebel (Finance Dept.), Bob Murphy (Risk & Insurance), Nathaalie Maxwell (Budget), Alex McLaughlin (Audit), Jennifer Royer (Legislature).

Press & Media: Nancy Dooling (Press & Sun Bulletin).

Others Present: Gary Leighton (Town of Union), Donald Taric (Health Net), Lawrence Brinkel (Greater Binghamton Chamber of Commerce), Margaret Goodfellow (Public)

Opening:

Chairman Whalen - Research is being done into other local retirement plans. We are trying to get ideas from plans that are already instituted, such as plans through the public school system. Ms. Buchta was speaking to me about the retirement plan through the Binghamton City School District which requires enrollees to pay 50%. Further, many of these organizations have the plans set out in their charter. We also have towns and villages that pay 100 % of retirees cost, but aren't sure if it's for a set amount of time or not.

Mike Hanbury - Handed out the minutes from the last several meetings and asked if anyone had any questions.

Mike Hanbury - Presented a breakdown of the State Legislation that is presently on the table. The bill that provides for a 1 year moratorium on changes to retiree benefits passed both the Assembly and Senate on June 24, 2008. Mike isn't sure how the Governor feels about it.

The bill that would allow the creation of OPEB trust funds looks like it is in a holding pattern. Monday is supposed to be the last day that the State will be meeting; however, they have been known to go into to July.

The "GASB 45 – Chautauqua County Case Study" video was shown to the group.

Chairman Whalen - Paused the video at one point to point out that accrual vs. the 'pay as you go' (blank check concept) system is an important concept. The implication is that there could be more benefits for workers. A full accrual method where costs are recognized in the year that they are accrued for would cause the cost of government to jump substantially. We might need to find a way to deal with it on an incremental basis.

Mr. Mather - We would still have retirees we aren't accounting for though.

Chairman Whalen - Pointed out the importance of getting the Senate, Assembly and Governor to set up an irrevocable trust that could go through the State Pension System and get an 8-9% return, which would be very helpful. Hopefully, they'll act on it before summer break – if not they'll hear from him and hopefully everyone else in the room because this is an important issue.

The video then continued. After the video, Chairman Whalen asked if anyone had any questions about the Chautauqua County Case Study or about issues involved in the case study.

Mike Hanbury - Asked whether we pay our employees for sick days/vacation days that are left over. It was stated by several people that some get paid for over 165 days; it depends on the union contract.

Chairman Whalen - We need to look into finding a dedicated revenue stream. We also need to look into changing the rules for those employees who have yet to come to work for Broome County. This might include a defined contribution plan similar to the 457 retirement account; with a lot more personal responsibility on behalf of the employee to be sure they are covered.

Mr. Mather - asked Chairman Whalen where he is considering getting the money from.

Chairman Whalen - We are more fortunate than most due to the present gas leasing boom. It's a windfall no one was expecting and no one planned for, so there are no set uses for any money that comes from that.

Ms. Maxwell - stated that she completely disagrees with setting aside those dollars since we do not know how much. We also can't decide to spend revenue we haven't received on something we don't have to fund. Presently we pay-as-we-go and she believes it is premature to set ideas.

Chairman Whalen - He wants to create a comprehensive plan. Somehow these costs are going to have to be paid – either current tax payers will or our children & grandchildren will. He believes that it is immoral to pass that cost down to them. The implications of pay-as-you-go process are that there are more services being consumed than we are paying for and we don't realize the true full cost of current government services being provided.

Ms. Maxwell - Stated that they are not ignoring the cost of services and funding the cost won't make it go away. Funding is only one issue, funding isn't what is driving the cost. We need to look at benefits.

Chairman Whalen - Agreed that funding is just a part of the issue. The actuary said that the current benefit cost is not sustainable. As a county it would bankrupt us eventually. It would raise taxes too high for businesses to be located here. It's time we recognize it, even though it isn't popular.

Mr. Mather - We don't have a choice. We have to do something about funding it.

Mr. Pasquale - Presently the amount of money – we do not know how much of an amount to account for, for something we presently don't have to fund.

Mr. Mather - Stated that we are in a place where we have to make changes. We should have years ago when we saw this coming.

Chairman Whalen - We are hoping that we can make incremental changes for current retirees and substantive changes for new employees. Maybe a pay in plan, an employee pay in and retiree pay it off plan might work. Sick time might be like an insurance policy. We'll get ideas and research each to find out what is possible.

Mr. Mather -We need to change the situation with new employees. We can't justify changing current retirees benefits who worked thinking these are the benefits they'll receive.

Mr. Pasquale – It is hard to change what's contracted for with current employees, too. They won't give up those benefits easily. It's easier to change the benefits for people who have not been hired yet.

Chairman Whalen - We could also look at the eligibility requirements. We as a taskforce will put together a package and recommend it to the Legislature this year.

Mike Hanbury - then presented the next video “Funding for Retiree Health Care: Comparison of Vehicles.” He stated that it was from the same round of presentations that we have been watching. It presents the different options that we have to fund this liability. We should take into considerations that some of these options are not legal in New York State yet.

Chairman Whalen - The concept that we have to keep in mind is there is a limit to the ability of governments to continue to provide the very generous subsidy for retiree health insurance that we currently provide. We provide large subsidy to employees and they pay 10-15%. Anyone here that has an idea, we will look into some of the possibilities as well. We’ll test it through our actuaries in Syracuse and see what kind of savings we can get with each change.

Mr. Mather -The first thing we need to know is our liability amount.

Chairman Whalen We do know the estimate – it was in our actuary presentation and that it’s quite big. Mr. Mather stated he wasn’t surprised.

Chairman Whalen - It is a daunting task, groups out there are misinforming retirees about what we are doing. Chris and Mike put this together in the fall of 2007 and spring of 2008. We want to address this issue rationally and find a fair and affordable resolution.

Chairman Whalen - Then stated that there are four steps we should focus on.

1. Pressing the State to set up irrevocable trusts that could pay huge dividends on GASB 45.
2. Dramatically changing retiree benefits for employees who have yet to come to work. We can also leverage the tax issues – see if we can get the Federal and State government to help pay for it through various vehicles.
3. Incremental changes for retirees need to pass legal, ethical, political tests.
4. Look for funding that minimizes the impact on tax payers. That’s a pressure we will have for the next fifteen years. We don’t want to be a governmental agency that primarily provides healthcare and a few other services.

Ms. Maxwell - It would be beneficial to know what’s on the table. What is the Legislature willing to consider? Are benefit reductions viable? If yes, what types and to whom? We also need to know what types of funding they are willing to consider.

Chairman Whalen - It depends; I have invited the Legislators but some aren’t able to come. This issue causes some problems with the political side of things.

It was then stated that we need to find out how many retirees there are actually. How many are pre-65? How many are post-65? How many unions are there with separate contracts?

Ms. Maxwell - There are eight collective bargaining units.

Ms. Rider – I need to see the numbers, it would help a lot. I do not presently know what employees are getting, what they are paying in, how many there are, etc.

Mr. Pasquale - Asked if we can do a breakdown of the unions and the number of retirees.

Ms. Rider - We also need to know their benefits and whether it's established or whether it changes over time.

Chairman Whalen -10 years ago the breakdown was that the county paid 95% and the retiree paid 5% and 5 years ago it changed to a 90%-10% split and 2 years ago it changed to an 85%-15% split. It's also different for those who earned less than \$24,000. There are waivers on the retiree's contribution for low income retirees.

Ms. Maxwell - There are probably sixty different permutations – we have the information available. It can be put together into a packet.

Mike Hanbury - Is also working on a fact sheet. He would appreciate all the members of the taskforce sending him their questions so he can add the questions and research the answers for the sheet. The more questions the better, there are no stupid questions.

Ms. Maxwell - She would like to see the scope of options available and what the specific thresholds might be. She would like to see the specific options laid out.

Chairman Whalen - We will lay out a specific structure and compile as much information as possible.

The meeting adjourned at 7:55 pm with the next meeting set for July 9th at 6 pm at the Broome County Public Library.