



Howard S. Weitzman
Comptroller

Elizabeth Botwin
Chief Deputy Comptroller

Aline Khatchadourian
Deputy Comptroller
for Audits & Special Projects

OFFICE OF THE COMPTROLLER

240 Old Country Road
Mineola, New York 11501
Tel: (516) 571-2386
Fax: (516) 571-5900
nccomptroller@nassaucountyny.gov

July 9, 2008

The Honorable Diane Yatauro
Presiding Officer
The Honorable Peter Schmitt
Minority Leader
Nassau County Legislature

Re: Ending Retirement Health Benefit Loopholes

Dear Presiding Officer Yatauro and Minority Leader Schmitt:

I'm sure you have heard about the outrageous grant of 21 years of retroactive pension credit to Albert D'Agostino for the decades he worked as a private lawyer under a contract with the County Planning Commission. As a result of this abuse, Nassau County taxpayers are paying for Mr. D'Agostino's lifetime retiree health benefits. I have estimated the value of lifetime County taxpayer funded retiree family health benefits at \$624,000 for employees who retire at age 55. Given that expense, I believe it is time for lawmakers to reconsider the length of service required before we ask taxpayers to fund a lifetime of health coverage for our former employees.

For the first time this year, governmental accounting standards required that the County present the estimated cost of future health benefit payments to retirees in our financial statements. The estimated present value of covering current employees into their retirement and continuing to cover our retirees is a \$3.4 billion liability. While reporting this number alone will not affect our budget or our taxes, it does bring sharply into focus the cost to be borne by our taxpayers to provide our retirees health benefits. In 2007, total health benefit spending for County employees and retirees in 2007 was \$227.4 million. Under our collective bargaining agreements and current County law, only non-union employees who joined the County after the start of the Suozzi administration in January 2002 contribute to the cost of their health benefits. Nassau County provides entirely taxpayer funded health benefits to all other retirees from County employment.

My office issued a report on potential health benefit savings in 2003¹ and the Comptroller's Audit Advisory Committee issued a similar report in 2007.² Both reports made many recommendations for health benefit cost savings.

Because we need to continue to focus on what we can do to slow the growth in health benefit costs, I am proposing two amendments to County law to stiffen the requirements for lifetime retiree health benefits. I estimate that if these changes had been in effect since 1998, County taxpayers would have saved approximately \$158 million over the lifetime of those who would not have received lifetime health insurance. The annual savings would have been approximately \$4.4 million in 2008.

The New York State Health Insurance Program "NYSHIP" sets minimum years of service requirements for retiree health benefits, although governments may adopt greater service requirements at their option.³ The minimum requirement is five years of government service with at least one year at the employer granting the retiree health benefits. Nassau County uses the NYSHIP minimum requirement for its ordinance employees and all union employees except CSEA. At the 2008 annual cost of \$15,132 for a family health policy under the New York State Health Insurance Plan "NYSHIP," County taxpayer-funded retiree health benefits should be reserved for those employees who have worked for the County for a more substantial period of time.

I recommend that this Legislature amend the ordinance that governs the employment of non-union personnel to provide that retiree health benefits will be available only to employees who have worked for the government at least 10 years, five years of which must be with the County. This is similar to the requirements imposed by Suffolk and the Towns of Hempstead and North Hempstead. New York State and New York City require 10 years of service with the employer, and the Town of Oyster Bay and Westchester and Rockland Counties require a total of five years employment. I believe the proposal will not impose a burden on recruiting new government employees.

A search of County records identified 240 people who worked less than ten years in the County and left County employment between January 1998 and June 2008 with lifetime health benefits. Twenty-seven left the County with less than five years employment. In one instance that became notorious in my health benefits section before the CSEA contract was changed, someone who had worked as a librarian decades before came to work in a CSEA position as a receptionist because she had been told that this way she could get taxpayer-funded health benefits for life. She left within 14 months of her start date with her County funded retiree health insurance. The ordinance amendment I am recommending would close this loophole.

¹ <http://www.nassaucountyny.gov/agencies/Comptroller/Docs/PDF/HealthInsSolutions.pdf>

² http://www.nassaucountyny.gov/agencies/Comptroller/NewsRelease/2007/documents/07Jul19-health_benefit_rpt.pdf

³ New York State Department of Civil Service, New York State Government Employees' Health Insurance Program: Manual for Participating Subdivisions, §245(1)(a)(1) (April 1, 1991)

CSEA members hired after August 2003 must work for the County for at least 10 years before they are entitled to retiree health benefits. While the Legislature cannot impose a similar change on the County unions, I would ask you to join me in recommending that the administration negotiate with the other unions to adopt a limitation similar to the CSEA provision in all union contracts as they come up for renewal. The potential savings had this reform been in place since 1998 would have been approximately \$123 million over the lifetime of the affected retirees, the 2008 savings would have been approximately \$3.4 million. The part of this savings attributable just to requiring that the employees work at least five years for the County would have been approximately \$15.5 million over their lifetimes, and a 2008 savings of approximately \$430,000.

My proposed ordinance amendment also eliminates another costly imposition on our taxpayers. Under NYSHIP regulations, the County is required to allow former employees who have attained the right to health insurance as retirees but leave the County within five years of retirement eligibility (at age 50 for non-uniform employees) to pay the full cost of continuing coverage until they reach age 55 at which point, they receive taxpayer funded retiree health benefits.⁴ NYSHIP does not require that governments impose an age limit for this benefit, and the County has none. At present, there are 74 former employees younger than age 50 who are paying to continue health benefits with the County, thereby maintaining eligibility for lifetime taxpayer funded health benefits once they reach age 55. Many neighboring municipalities restrict eligibility to continue health insurance after separation from employment, and obtain government funded health coverage at age 55, to former employees who are at least 50 at the time they leave the government's employment.

Former employees have had their new employer, partnership or business pay the County to continue the health benefit until they are 55, at which point they "retire" from the County and receive the County-paid retiree health benefit. For example, a former employee who left over 16 years ago in 1992 at age 35, will have County taxpayer funded health insurance once she reaches age 55 in 2011. We found one former employee who left the County at age 28 and is paying to continue her health coverage. I believe it makes no sense to require County taxpayers to fund this benefit from age 55 on for former employees who left County government decades before they could retire. I would amend the ordinance to adopt the most stringent standard authorized by NYSHIP and require that the County offer retiree health benefits only to people whose County service was within five years of their retirement eligibility. This reform would have saved taxpayers approximately \$1 million in 2008 and \$35 million over the lifetime of the 74 former County employees who left the County before age 50 and are currently paying to continue their health insurance coverage.

I recommend that the amendment apply to all ordinance employees hired on or after the effective date. While the savings for taxpayers would not be immediate, savings will grow over time as employees leave the County without meeting the new requirements. Since the obligation for

⁴ Department of Civil Service Rules and Regulations §73.1 (g) (4)

retiree health benefits extends over an individual's life time, our taxpayers will benefit if even a small number of people will no longer become entitled to retiree health benefits.

Sincerely,

A handwritten signature in black ink, appearing to read "Howard S. Weitzman". The signature is fluid and cursive, with a prominent initial "H" and a long, sweeping underline.

Howard S. Weitzman
Nassau County Comptroller

HSW:SMM

Enclosure

cc: The Honorable Thomas R. Suozzi
Members, Nassau County Legislature
Dan McCray, Director, Labor Relations
Charo Ezdrin, Director, Government Affairs

ORDINANCE NO. – 2008

AN ORDINANCE TO AMEND ORDINANCE NO. 543-1995, AS AMENDED BY
ORDINANCE NO. 26-1998, ORDINANCE NO. 243-1999, ORDINANCE NO. 46-C-2000,
ORDINANCE NO. 126-A-2002, ORDINANCE NO. 4-2002, AND ORDINANCE NO. 82-2006
FIXING AND REGULATING LEAVE AND OTHER EMPLOYMENT BENEFITS AND
MATTERS FOR CERTAIN OFFICERS AND EMPLOYEES OF THE COUNTY OF
NASSAU.

WHEREAS, Nassau County currently provides lifetime health insurance benefits to employees 55 and over who have worked for the County for as little as one year if they had prior government experience of at least four years; and

WHEREAS, Nassau County also allows employees who have five years of government experience, at least one of which is with the County, who separate from the County before they reach 55 years of age to become vested for purposes of health insurance, which means that they can pay for their health insurance with the County until they reach 55 years of age and then are entitled to receive lifetime health benefits through the County;

WHEREAS, the purpose of this legislation is to ensure that Nassau County is only providing lifetime health insurance to employees who work for the County for at least five years, and have at least ten years of government experience; and

WHEREAS, the purpose of this legislation is also to limit vested employees to those who separate from service with the County within five years of reaching eligibility for retirement benefits, which is expressly permitted by NYSHIP; and

NOW THEREFORE, BE IT ORDAINED, by the County Legislature of the County of Nassau as follows:

Section 1. Section 4.1 of Ordinance No. 543-1995, as amended, is amended by adding a new subdivision d to read as follows:

4.1(d). An Officer or Employee hired by the County after the effective date of this subdivision shall become a vested employee, as defined in the Rules and Regulations of the Civil Service Commission and the Department of Civil Service, only when he (i) is within five years of his eligibility to receive retirement benefits; (ii) has completed a minimum of ten years of government service, at least five years of that service with the County; and (iii) has met any additional requirements imposed by the New York State Health Insurance Plan.

§2. This Ordinance shall take effect immediately.