

CITIZENS BUDGET COMMISSION

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PARTNERSHIP FOR NEW YORK CITY

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New Survey by the Citizens Budget Commission and the Partnership for New York City Reveals that the City of New York Would Save \$1.4 Billion Annually by Aligning the Health Insurance Benefits of its Employees with Those of Private-Sector Firms

New York, NY – December 16, 2009 – The Citizens Budget Commission (CBC) and the Partnership for New York City released today the results of a confidential survey that they conducted of large private-sector firms in New York City to provide a basis for comparing the health insurance and pension benefits of private-sector workers with those of municipal employees. Analysis of the survey results indicates that municipal government workers have much more generous benefits. The City of New York would save about \$1.4 billion annually by aligning its health insurance benefits with those of local private-sector firms, and additional savings are possible from changes in pension benefits for workers hired in the future.

The survey was undertaken for two reasons: (1) because of the cost to City taxpayers, who in the current fiscal year will pay a total of \$10.4 billion for the health insurance of current employees and retirees and for contributions to pension funds on behalf of current workers, and (2) because the original rationale for generous City benefits – lower salaries than the private sector – has vanished, according to a recent CBC report.

The survey, which yielded responses from 52 major firms with a total of more than 100,000 employees in New York City, revealed the following, among other findings:

- ***The City is highly unusual in paying the full cost of premiums for comprehensive insurance.*** Among the 52 private-sector firms, only four (or 8 percent) do not require payments toward premiums from their workers.
- ***The City's policy of paying the full premium cost for retirees is highly unusual.*** Among the 29 local private companies offering retirees health insurance, only two paid the full premium cost.

- ***Local private-sector firms offer defined contribution plans far more often than defined benefit plans, which the City offers.*** Among the 52 firms, 47 (or 90 percent) offered a defined contribution plan.

“Taxpayers are being hit hard in this recession and should only have to pay the salaries and benefits needed to attract qualified candidates to City jobs,” said **CBC President Carol Kellermann**. “This survey shows that City benefits are more generous than the marketplace requires.”

If the City required its current workers to make contributions toward health insurance premiums equal to the amounts paid by employees of local private-sector firms in the survey, the savings to taxpayers would be about \$628 million annually. If it followed the same policy with respect to retirees, the savings would be another \$741 million annually. This suggests combined annual savings for health insurance premiums of nearly \$1.4 billion annually from following policies competitive with the private sector.

With respect to pension benefits, the City could be competitive with the private sector by converting to defined contribution plans for its workers. Because the State Constitution prohibits changes in benefits for current workers, the new policies could be applicable only to future hires. The immediate savings would be small; future savings would depend on the specifics of the plan adopted but would likely be substantial.

“With the cost of benefits for City employees and retirees now exceeding \$10 billion a year, it’s time to take a hard look at those expenditures,” said **Kathryn S. Wylde, President & CEO of the Partnership for New York City**. “The City of New York cannot keep paying employee costs that are greater than the marketplace requires and expect to remain a competitive place for private-sector employers to do business.”

The survey and its results are described more fully in a new report by the CBC and the Partnership, titled “Out of Balance: A Comparison of Public and Private Employee Benefits in New York City.” The report is available at www.cbcny.org and www.pfnyc.org.

Founded in 1932, the Citizens Budget Commission is a nonpartisan, nonprofit civic organization devoted to influencing constructive change in the finances and services of New York City and New York State governments.

The Partnership for New York City is a network of business leaders dedicated to enhancing the economy of the five boroughs of New York City and maintaining the city’s position as the center of world commerce, finance and innovation. Partnership companies account for nearly 7 million American jobs and contribute over \$740 billion to the national GDP.

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