Consolidate the Administration of Supplemental Health and Welfare Benefit Funds

Savings: $16 million annually

New York City is expected to spend approximately $1.5 billion annually on supplemental employee benefits. These expenditures take the form of city contributions to numerous union administered welfare funds that supplement benefits provided by the city to over 618,000 employees and retirees. Dental care, optical care, and prescription drug coverage are examples of supplemental benefits.

Consolidating these 60 supplemental health and welfare benefit funds into a single fund serving all union members would yield savings from economies of scale in administration and, perhaps, enhanced bargaining power when negotiating prices for services with benefit providers and/or administrative contractors. A majority of these funds serve fewer than 2,000 members and spend an average of 18 percent of annual revenue on administrative costs. In contrast, District Council 37 (DC 37), a union representing over 150,000 members with diverse job functions and benefits spends about 7 percent of its revenue on administration, Although the specific benefit packages offered to some members may change, IBO assumes no overall benefit reduction would be required because of the consolidation of the funds.

Using data from the October 2020 Comptroller's audit of the union benefit funds, IBO estimates that fund consolidation could save about $16 million annually. Our main assumption is that fund consolidation could allow annual administrative expenses for the 60 welfare funds to be reduced from their current average of almost $158 per member to $131 per member, the rate of administrative spending for DC 37, in 2018 dollars. IBO also assumes some savings from third party insurance providers through enhanced bargaining power.

Implementing the proposed consolidation of benefit funds would require the approval of the unions through collective bargaining. Note that this proposal has been included among the list of options to be considered as part of the agreement between the city's Office of Labor Relations and the Municipal Labor Coalition to find ways to reduce the cost of delivering health services to the union's membership.

Proponents might argue that consolidating the administration of the supplemental benefit funds would produce savings for the city without reducing member benefits. They might also contend that one centralized staff dedicated solely to benefit administration could improve the quality of service provided to members of funds that currently lack full-time benefit administrators.

Opponents might argue that because each union now determines the supplemental benefit package offered to its members based on its knowledge of member needs, workers could be less well-off under the proposed consolidation. Opponents might also claim that a consolidated fund administrator would not respond to workers' varied needs as well as would individual union administrators.

Updated April 2022

Prepared by Jonathan Rosenberg

Savings Options

Citywide Pay Freeze

Savings: Over $1 billion in 2021

The city typically negotiates scheduled wage increases with the unions representing municipal employees covering multiple years in order to provide some stability in the budgeting process. As a result, public-sector wages are slower to respond to a financial crisis or a subsequent recovery than those in the private sector. In some cases city employees have received previously negotiated salary increases even after recessions have reduced revenues and the city's ability to afford these increases. Beyond wage increases, many permanent civil servants are entitled to automatic "step" pay increases or bonuses based on their length of tenure in a position.

As of September 2020, the city has signed contracts with labor unions representing 80 percent of the city workforce in the current 2017-2021 contract round, including Mayoral decrees to authorize similar wage increases for managerial and non-union employees. Many of these raises have already been implemented, although some are pending. Uniformed unions awaiting binding arbitration represent two-thirds of the employees with contracts outstanding. If the city were to eliminate anticipated wage increases for bargaining units without signed contracts, the city would accrue budgetary savings of $518.0 million in 2021 ($146.3 million of current-year costs and $371.8 million of retroactive contract costs). Additionally, if the city were able to successfully argue that it did not have the ability to pay for salary increases for the unsettled contracts currently in arbitration, it would accrue an additional $941.0 million in savings ($307.8 million of current-year costs and $633.2 million of retroactive contract costs). These estimates do not include freezing step increases or longevity bonuses, which would result in greater savings.

There is some precedent for freezing pay in times of economic turmoil. In 2010, Mayor Bloomberg ended negotiations with the United Federation of Teachers on wage increases; the Bloomberg Administration framed their decision as a means of avoiding teacher layoffs during the Great Recession. With recovery from the recession underway, the de Blasio Administration restored these foregone wage increases. During the 1970s, already-negotiated wage increases were frozen by the New York State Financial Control Board under the 1975 Financial Emergency Act; now that the Financial Emergency Act has sunset, a similar wage freeze would require state legislation

Proponents might argue that salaries, wages, and fringe benefits compose half of the city's annual expense budget. Halting salary increases is a release valve to avoid layoffs. In the event that the city recovers sufficiently, a future administration can choose to restore foregone increases. In an environment that necessitates dramatic measures to balance the city's finances, spreading impacts over the broadest swath of employees results in the least interruption of services for the public. This approach also promotes a sense of shared sacrifice when the city at large is struggling.

Opponents might argue that most of the city's workforce has already received wage increases. This proposal punishes some employees for decisions far beyond their control while preserving salaries of larger unions and those with preferential access to the negotiation table. Public labor unions agree to certain base concessions within the state's Taylor law (including a ban on strikes) in exchange for a fair contract process. Establishing a precedent that ignores contractual requirements and conventions when inconvenient harms mutual trust in the process and could have reverberations through future rounds of bargaining.

Prepared by Robert Callahan

Savings Options

Cut Managerial Pay on a Graduated Basis

Savings: $25 million in 2021

The city's managerial workforce is responsible for ensuring that work of city agencies is successfully implemented. These professionals command among the highest salaries in the public sector. Their salaries are more readily adjusted than those of employees subject to collective bargaining, however, because managers' salaries can be changed by the Mayor through executive action rather than through union negotiations.

As of September 2020, there were approximately 8,100 city employees serving in managerial positions, of whom nearly 7,000 earned more than $100,000 a year, a total of $1.1 billion annually. Sixty-two percent of managerial employees are competitive class civil servants, having been permanently appointed after a competitive examination and hiring process. Competitive class managers are typically responsible for directly managing the civil service workforce. In contrast, noncompetitively hired managers and those serving in positions exempt from civil service requirements are more likely to serve in high-level executive positions such as commissioners, agency legal counsel, or special advisors.

The salary reductions could be structured like a graduated income tax, with deeper reductions in earnings for managers whose salaries are higher. To take one example, salaries of managers earning less than $100,000 a year would not be affected, earnings from $100,000 to $150,000 would be reduced by 5 percent, earnings from $150,000 to $200,000 would be cut by 10 percent, and any earnings over $200,000 would be reduced by 20 percent. Under this example, a manager earning $220,000 a year would see their salary reduced to $208,500 [($50,000 x 0.95) + ($50,000 x 0.9) + ($20,000 x 0. 8)]. The average reduction in managerial pay would be about $2,500. A one-time graduated reduction in salary for the 7,000 current managerial employees earning over $100,000 would generate $25.2 million of savings for the city, $20.4 million in salaries and $4.8 million in associated fringe benefits. If these lower salaries become permanent, then the savings would recur in subsequent years.

Proponents might argue that managerial employees are often among the highest-paid city employees, meaning that a reduced salary is less likely to endanger their ability to afford necessities in lean times than might be the case for lower-paid employees. Salary reductions can also avoid the more destructive option of layoffs, which can lead to service reductions or even weaken the local economy, hindering the city's ability to recover. By temporarily reducing salaries that are more discretionary than those of unionized employees, the city can keep more of its workforce on payroll and be prepared to raise managerial earnings when the city's fiscal condition improves.

Opponents might argue that many city managers accept salaries that are lower than in the private sector in exchange for more generous and stable fringe benefits and the satisfaction of public service. Arbitrarily reducing their salaries to generate budget savings, in part because the savings are easier to obtain than through collective bargaining with municipal unions, risks reducing incentives for qualified applicants to make the switch to management or seek public employment altogether. In some cases, salary reductions would result in managers earning less than the employees they manage.

Double the Incentive Payments for the Health Benefit Waiver Program

Savings: $12 million in 2022, growing annually in the following years

New York City has experienced a dramatic rise in the cost of providing health care to its workforce. From 2008 through 2021, individual and family premiums have risen more than 125 percent, from $4,090 to $9,312 and $10,021 to $22,814, respectively. One strategy the city employs to reduce medical expenses is the Medical Spending Conversion Health Benefits Buy-Out Waiver Program. Employees who are covered by another health plan (either through their spouse/partner, parents, or outside employment) are eligible to receive an annual buyout from the city—$500 for waiving individual coverage and $1,000 for family coverage.

With one exception, the buyout waivers have remained at $500 and $1,000 since they doubled in 2008. With waiver payments remaining constant in nominal terms and declining in inflation-adjusted terms, participation in the waiver program gradually declined from 2010 through 2015. In 2016 the city briefly tripled the waiver payments, increasing the number of participants by over 1,000, or 24 percent. In 2017 the city returned the buyout amounts to $500 and $1,000. Participation in the program has since returned to its gradual decline and as of 2021 is down nearly 30 percent from its 2016 peak.

Under this option the city would double the health waiver benefit payments to roughly reflect the increase in premium costs over the last decade, providing a greater incentive for employees to join the program. Assuming an increase in the waiver participation rate rather than the declines seen in past years where payments stayed flat, IBO estimates that doubling the current payment levels would save the city an additional $12.0 million in the first year. Savings will continue to grow as health insurance premium costs continue to rise, outpacing the impact of possible future declines in waiver program participation.

Proponents might argue that the amount of the waiver has not been permanently increased in 13 years while the city's premium costs have more than doubled. Moreover, proponents could argue that an increase need not be as large as in 2016 when the city tripled the waiver payments and program signups spiked, but the net savings grew by a relatively modest 9.2 percent. Even a more modest increase would be sufficient to generate savings. Proponents also might contend that a regular calibration of the real value of the waiver payment to the increase in health care premium costs would enable the city to achieve a more balanced incentive and attract a greater pool of participants.

Opponents might argue that in years when the waiver amounts have remained steady the net number of waiver takers has declined relatively slowly despite the drop in the real value of the waiver amounts, and thus each year the city has accrued greater annual savings per participant. So long participation does not precipitously drop, the city should not further subsidize waiver takers who already have outside coverage in order to attract new waiver beneficiaries. They may also argue that increased participation in the waiver program would reduce the number of employees in the city's pool of health insurance recipients. At some point, if too many employees opt out of the city's health insurance program, the city's bargaining power with the health insurance companies may diminish, leading to higher premium costs.

Updated April 2022

Prepared by Robert Callahan

Savings Options

Eliminate Additional Pay for Workers on Two-Person Sanitation Trucks

Savings: $46 million in the first year

Currently, Department of Sanitation employees receive additional pay for productivity enhancing work, including the operation of two-person sanitation trucks. Two-person productivity pay began approximately 30 years ago when the number of workers assigned to sanitation trucks was reduced from three to two and the Uniformed Sanitationmens' Association negotiated additional pay to compensate workers for their greater productivity and increased work effort. In addition, certain Department of Sanitation employees also receive additional pay for operating the roll-on/roll-off container vehicles. These container vehicles are operated by a single person instead of two people. These container vehicles are used primarily at large residential complexes, such as Lefrak City and New York City Housing Authority developments.

Under this option, two-person productivity payments would cease, as assigning two workers to sanitation trucks is now considered the norm. Moreover, the one person roll-on/roll-off container differential would be eliminated. In 2020, 5,857 sanitation workers earned a total of $49.1 million in two-person productivity pay—$8,382 per worker on average. In 2020, 168 sanitation workers accrued $1.6 million in one person roll-on/roll-off container differential pay, averaging out to $9,275 per sanitation worker. Eliminating these types of productivity pay would reduce salaries and associated payroll taxes in the sanitation department by about $51 million in the first year. Because productivity pay is included in the final average salary calculation for pension purposes, the city would also begin to save from reduced pension costs two years after implementation (the delay is due to the lag methodology used in pension valuation), and the estimated savings jumps to nearly $68 million. This option would require the consent of the Uniformed Sanitationmens' Association.

Proponents might argue that employee productivity payments for a reduction in staffing for sanitation trucks are extremely rare in both the public and private sector. Since most current sanitation employees have never worked on three-person truck crews, there is no need to compensate workers for a change in work practices they have never experienced. Moreover, in the years since these productivity payments began, new technology and work practices have been introduced, lessening the additional effort per worker needed on smaller truck crews. Finally, some may argue that eventually, the productivity gains associated with decades-old staffing changes have been embedded in current practices making it unnecessary to continue paying a differential.

Opponents might argue that these productivity payments allow sanitation workers to share in the recurring savings from this staffing change. Additionally, since sanitation work takes an extreme toll on the body, the additional work required as a result of two-person operations warrants additional compensation. Finally, eliminating two-person productivity payments will serve as a disincentive for the union and the rank and file to offer suggestions for other productivity enhancing measures.

Eliminate Longevity Payments to City Employees

Savings: $641 million annually

New York City provides a variety of compensation to its employees to keep them motivated and engaged in their work. In calendar year 2021, nearly 103,000 city employees received payments for achieving certain milestones in the number of years they have been employed. These bonuses for longevity are awarded to employees who work for the city for a certain amount of time. For example, an employee may receive a bonus after achieving 10 years of service, and this payment is made each year until the employee's 15th year at, which time the increment increases. The purpose of this bonus structure is to award senior employees for their years of city service, increasing retention of more experienced workers. Because longevity bonuses are set forth in contracts between the city and the various labor unions, eliminating them would have to be collectively bargained with the city's municipal unions.

In 2021, the city paid an additional $415 million in wages for longevity bonuses. As with most wages the city pays, there are additional costs to the city of providing these bonuses outside of the total amount paid to the employees in their paychecks. IBO estimates that the longevity bonus payments increased the city's pension costs in 2021 by $183 million and the city's payroll tax and workers compensation payments by $43 million. IBO estimates the city's total cost of providing longevity benefits in calendar year 2021 was $641 million.

Longevity payments can be a significant portion of an employee's total wages. In 2021, over 1,000 city employees received longevity payments that exceeded $10,000. In the most extreme cases, some city employees received longevity payments that increased their total wages by one-third for the year. The average payment was approximately $4,000 for the 103,000 city employee receiving a longevity payment in 2021. Certain labor unions, such as those representing teachers, negotiate a salary structure that includes step increases. Under the terms of these contracts employees are provided salary increases with each additional year of service. This option does not include the elimination of these types of salary increases.

Proponents might argue that most city employees already get a variety of increases in their annual salary. Unions typically secure annual salary increases that provide additional wages to all of their members regardless of number of years employed. Collectively bargained increases, along with other benefits the city offers to employees such as low cost health insurance and a pension plans that are generous in comparison with the private sector, should be enough to retain city employees without the need for additional longevity payments.

Opponents might argue that these benefits allow the city to retain their most experienced employees, reducing the costs associated with high attrition rates. Additionally they may argue that the cost of longevity payments have been included in a package of benefits agreed to through the collective bargaining process. If the city were to unilaterally eliminate these types of benefits then it should be prepared to provide the unions with another benefit equal in cost. They would argue that if the elimination of longevity payments were offset by concessions elsewhere, the agreement might result in little or no real savings to the city.

Prepared by Jonathan Rosenberg

Eliminate Retiree Health Care Coverage for City Retirees Eligible for Coverage from Another Employer

Savings: $35 million to $70 million in 2022

In general, New York City employees who are eligible to receive a pension upon retirement are also entitled to receive retiree health care coverage from the city. Retirees who do not yet qualify for coverage under the federal Medicare program are provided the same health insurance options that are available to current city employees. The city continues to pay the employer portion of the health insurance premiums for these retirees until they qualify for Medicare. In 2020, the city spent approximately $284.1 million on health insurance premiums for non-Medicare eligible retirees.

While a majority of current New York City retirees are over 65 and therefore eligible for Medicare coverage, many city retirees have years to go before reaching the eligibility threshold. For most non-uniform city employees, pension eligibility is based on age. These employees are typically not eligible to retire, and thus collect benefits, until they reach 62 (although a certain segment of employees reach retirement age at 57). Unlike the non-uniform pension systems, qualifying for retirement in the city's uniform pension systems is based on years of city service. Most members of the city's Police and Fire Pension Systems can qualify for full retirement after just 20 years of city service; 22 years of service are required for individuals hired after July 1, 2009. As a result, a large number of current retirees (over 4,100) are under the age of 50. Many of these younger retirees will remain in the workforce, obtaining non-city jobs while collecting their city pensions.

In many instances, younger city retirees have the opportunity to qualify for health insurance through their current employer. Under this option, any city retiree who has the opportunity to receive health insurance through their current employer would be ineligible for health insurance paid for by the city.

While it is difficult to estimate the number of retirees who choose to be employed while collecting city pensions, if we assume that half of the 36,300 current New York City retirees under the age of 60 have other health insurance options available through their employers, the city would save $69.5 million in the current year.[1] If only 25 percent of these retirees had other health care coverage available, the city's savings would be $34.7 million.

Proponents might argue that the city's retirees not only receive a valuable pension benefit, but they also have the option of a no-upfront cost health insurance plan until they turn 65. This benefit is costly for the city to provide, especially when some retirees can begin collecting retirement health benefits as young as their early 40s. These younger retirees are still well within their prime working years and likely will find other employment opportunities that provide health insurance options. The city should not be liable for the health insurance costs of retirees who choose to find other income sources.

Opponents might argue that this policy would be difficult to monitor and enforce. Moreover, while many city retirees have jobs that offer options for health insurance, those options can be very costly. Opponents could also contend that health insurance coverage for city retirees is a benefit of working in the public sector. Many retirees made their decision to work in the public sector weighing both the income opportunities and the retirement benefits. Altering these benefits decades later is a callous treatment of these former public servants.

[1]We have excluded from this cohort any retiree under 60 designated as a disability-related retirement on the assumption that these retirees would be much less likely to find other full-time employment. There are currently 18,550 retirees under 60 whose retirements are designated as disability-related.

December 2020

Prepared by Jonathan Rosenberg

Savings Options

End City Contributions to Union Annuity Funds

Savings: $141 million annually

In addition to a city pension, some city employees are eligible to receive an annuity payment from their union, or in the case of teachers through the Teacher's Retirement System (TRS), upon retirement, death, termination of employment, or other eligible types of exit from city service. Virtually all of these unions offer lump-sum payments, though some also offer the choice of periodic payments, the form of payment available to eligible TRS members. Aside from members of United Federation of Teachers and Council of Supervisors and Administrators enrolled in TRS, most eligible employees are members of either the uniformed service unions or Section 220 craft unions representing skilled trade workers (such as electricians, plumbers, and carpenters). The city makes monthly contributions to unions' or TRS annuity funds, with per member contributions varying by union, hours worked during the month, and in some cases, tenure. The value of these annuity payments depends on the total amount of city contributions and the investment performance of the annuity funds. This option would end the city's contributions on behalf of current workers to union annuity funds and the TRS. If adopted, this option would effectively eliminate the benefit for future employees and limit it for current employees. Current eligible employees would receive their annuity upon retirement, but its value would be limited to the city's contributions prior to enactment of this option plus investment returns. The annuities of current retirees would not be affected. In fiscal year 2021, the city made approximately $110 million in union annuity contributions and $31 million to TRS. Annual savings from this option would be comparable. Implementation of this option would require the consent of the affected unions.

Proponents might argue that the city already provides generous support for employees' retirement through city pensions and, for some, recurring Variable Supplement Fund payments. Others might argue that it is inherently unfair for some union members to get this benefit, while other union members do not. Moreover, because employees eligible for annuities forgo further city contributions to their annuities when they move into management, there is a disincentive for these employees to leave their union jobs. Eliminating annuity benefits would remove this disincentive and enable the city to attract more qualified applicants for management positions.

Opponents might argue that annuities are a form of deferred compensation offered in lieu of higher wages and that the loss of this benefit without any other form of remuneration would be unfair. Moreover, some could contend that this benefit should actually be expanded for newer uniformed employees, since their pension allotment will be reduced at age 62 by 50 percent of their Social Security benefit attributed to city employment.

Merge Separate City Employee Pension Systems

Savings: $20 million in the first year, growing to $41 million in two years

New York City currently maintains five retirement systems: the New York City Employees' Retirement System (NYCERS), the New York City Teachers' Retirement System (TRS), the Board of Education Retirement System (BERS), the Police Pension Fund, and the Fire Pension Fund. This option would reduce the number of retirement systems to three—the same number that New York State maintains—by merging the city's Police and Fire Pension Funds into one system for uniformed police and fire personnel, and by transferring employees currently covered by BERS to either NYCERS or TRS.

The Police and Fire Pension Funds have very similar retirement plans making a merger of these two systems quite feasible. BERS covers civilian, nonpedagogical personnel employed by the Department of Education and the School Construction Authority, plus a small cohort of other personnel, such as education analysts, therapists, and substitute teachers, represented by the United Federation of Teachers (UFT). Under this option, the UFT-represented employees who are eligible for BERS would be merged into TRS, while the rest of BERS would be merged into NYCERS.

The estimated savings from merging pension systems, which would require state legislation, would come from reduced staffing made possible by greater administrative efficiencies, lower fees for investment fund advisors and program managers due to better bargaining power, interagency savings, and real estate savings. The city could also realize additional annual savings as a result of fewer audits by the Comptroller, and greater efficiencies in the Office of Actuary and other oversight agencies. There would be significant one-time costs of moving, training, portfolio rebalancing, and other transition expenses if this option were implemented. Allowing for these first year costs, the option would realize $20 million in savings in the first year, increasing to $41 million two years later.

Proponents might argue that given the broad overlap in the functions of the systems, it is wasteful to maintain separate administrative staffs in separate office spaces. Proponents could point out that the main differences between the police and fire pension systems relate only to actuarial assumptions and a few plan provisions. They could also note that recent pension reforms (Chapter 18) have placed almost all new BERS and NYCERS employees in the same retirement plan, thus facilitating any merger. Moreover, for BERS members who joined the pension plan prior to Chapter 18, there are plans in TRS and/or NYCERS with little, if any, differences regarding eligibility determination, benefit calculation, or credit for service time. Finally, many could advocate for this option because it achieves pension reform savings without adversely affecting retirement system members.

Opponents might argue that some differences between plans would complicate implementation of the option. Non-UFT members of the Board of Education Retirement System transferred to NYCERS would lose an attractive tax-deferred annuity benefit. Future school-based, part-time employees now in BERS would have to work about 25 percent more hours to obtain one year of credited service if their pensions were transferred to NYCERS. Some would argue that there are occupational and cultural differences between the police and fire departments that warrant separate pension systems. Opponents might also note that the city recently proposed merging BERS into TRS, but that the proposal was dropped due to union opposition.

Require a Health Insurance Contribution by Current City Employees

Savings: $584 million in 2022

City expenditures on employee health insurance have increased sharply over the past decade, and are expected to continue increasing rapidly in the future. The Health Insurance Plan of New York (HIP) base rate increased by 3.2 percent for 2020, and IBO projects that it will rise 5.5 percent annually in both 2021 and 2022. About 96 percent of active city employees are enrolled either in General Health Incorporated (GHI) or HIP health plans, with the city bearing the entire cost of premiums for these workers. Savings could be achieved by requiring all city workers to contribute a share of the cost now borne by the city for their health insurance. This option would require active employees to make a graduated contribution based upon their salary.

Under this option city employees making under $50,000 would contribute 5 percent of the HIP base rate ($450 a year for individuals and $1,182 for families), those earning between $50,000 and $100,000 would contribute 10 percent ($900 and $2,363), those earning between $100,000 and $150,000 would contribute 17.5 percent ($1,575 and $4,136 those earning between $150,000 and $200,000 would contribute 25 percent ($2,250 and $5,908), and those earning over $200,000 would contribute 30 percent ($2,700 and $7,090). The city's savings for a proposal with these contribution rates would be $584.2 million in 2022. Other alternatives could use a single rate for all employees or some variation of the proposed rate structure that could generate more or less savings.

Employee health insurance premium contributions would be deducted from salaries on a pretax basis. This would reduce the amount of federal income and Social Security taxes owed and therefore partially offset the cost to employees of the premium contributions. The city would also avoid some of its share of payroll taxes. Implementation of this proposal would require negotiations with the municipal unions and the applicable provisions of the city's Administrative Code would need amendment

Proponents might argue that this proposal generates recurring savings for the city and potential additional savings by providing labor unions, employees, and retirees with an incentive to become more cost conscious and to work with the city to seek lower premiums. Proponents also might argue that given the considerable increases in health insurance costs in recent years, premium cost sharing is preferable to reducing the level of coverage and service provided to city employees. Finally, they could note that employee copayment of health insurance premiums is common practice in the private sector, and becoming more common in public- sector employment.

Opponents might argue that requiring employees to contribute more for primary health insurance would be a burden, particularly for low-wage employees. Critics could argue that cost sharing would merely shift some of the burden onto employees, with no guarantee that slower premium growth would result. Additionally, critics could argue that many city employees, particularly professional employees, are willing to work for the city because of the attractive benefits package. Thus, the proposed change could hinder the city's ability to attract or retain talented employees, especially in positions that are hard to fill.

Reduce City Reimbursements to Retirees For Standard Medicare Part B Premiums

Savings: $253 million in the first year

Eligible city retirees and their spouses/domestic partners are currently entitled to three types of retiree health benefits: retiree health insurance, retiree welfare fund benefits, and reimbursement of Medicare Part B premiums. Medicare Part B covers approved doctors' services, outpatient care, home health services, and some preventive services. As of 2021, the standard Part B premium paid to Medicare by enrolled city retirees is about $170 per month, which translates to $2,041 per year or $4,082 per year for couples. The city at present fully reimburses all such premium payments, with a lag of about one year. Under this option, New York City would reduce standard Medicare Part B premium reimbursements by 50 percent, which would affect all enrolled city retirees and save the city $253 million in the first year. Implementation of this option would require neither state legislation nor collective bargaining, but could instead be implemented directly through City Council legislation.

Proponents might argue that reduction of Medicare Part B reimbursements is warranted because the city already provides its retirees with generous pension and health care benefits. Proponents might also note that the majority of other public-sector employers (including the federal government) do not offer any level of Medicare Part B reimbursement as part of retiree fringe benefit packages, and those that do typically offer only partial reimbursement.

Opponents might argue that reducing the reimbursement rate for standard Medicare Part B premiums could adversely affect relatively low-income retirees, many of whom may be struggling to survive on their pension and Social Security checks. They might also argue that if any reduction in reimbursement is to take place it should be limited to future (but not current) retirees who would at least have more time to make adjustments to their plans for financing retirement.

Updated April 2022

Prepared by Bernard O'Brien

Savings Options

Require Retirees to Use Direct Deposit to Receive Pension Payments

Savings: $1 million annually

The five pension systems covering retired New York City employees make payments to 337,000 retired city workers and their beneficiaries. Today, retirees and beneficiaries can elect to receive their pension payments through direct deposit into a bank account, or to receive paper checks—either mailed to their homes or available for pickup from city offices. Paper checks are printed on behalf of the pension systems by the city's Financial Information Services Agency – Office of Payroll Administration (FISA-OPA). The administrative and postage costs related to printing and mailing these physical checks, along with quarterly statements, are neither covered directly nor reimbursed by the pension system, but are borne entirely by the city through FISA-OPA.

Most retirees receive funds through direct deposit; only 9 percent of retirees elect to receive physical checks. In fiscal year 2021, the city cut 374,000 checks on behalf of the pension system, mailing 361,000 checks to retirees and holding 13,000 checks for pick-up, in contrast to just 55,000 paper checks for current city employees in that year. Were the city to require retirees to use direct deposit to receive pension payments, FISA-OPA would save $775,000 in postage costs and at least $400,000 in administrative costs each year, for a total savings of around $1 million annually.

Proponents might argue that paper checks for regularly occurring payments are obsolete. Retirees can receive payments via direct deposit for free with a bank account, so this option would reduce costs for the city without pushing those costs onto retirees. Direct deposit is also considered more secure than mailing paper checks, and allows for more timely payments. Few city employees take advantage of the option to receive paper checks, so the city should not devote time and taxpayer dollars to provide the choice to retirees.

Opponents might argue that state law bans employers from requiring direct deposit for earned wages and that retirees should receive the same option. Some retirees also may have difficulty signing up for direct deposit either over the phone or on the internet. Finally, this option would force any unbanked retirees to open bank accounts in order to receive their checks.

Prepared by Alec Goodwin and Robert Callahan

Savings Options

Shift Payment of All Fees for Commuter Benefit Plans to Employees

Savings: $700,000 annually

New York City employees have access to a variety of pre-tax benefit plans. Among the options available to employees are plans providing pre-tax benefits for the cost of commuting. Beginning in April 2019 the city contracted with Edenred to manage the provision of these commuter benefits on a per-user fee. Edenred's fees range from $1.25 to $2.05 for each user per month.

Prior to 2010 the city directly managed the pre-tax commuter benefit program with the administrative costs paid for by the city. In 2010 the city contracted with WageWorks to manage the benefit program. The contract allowed the city to offer a wider variety of commuting options to the plan participants. The city and its labor unions agreed that going forward, the city rather than employees would pay the commuter benefit administrative fee for those participating in commuter benefit plans that had existed prior to the shift to WageWorks. Employees who enrolled in the Transit Pass program, the Park-n-Ride program or the Unrestricted Commuter Card program—all programs newly available to city workers following the shift to WageWorks—were required to pay the administrative fee out of their post-tax income.

Over the past six years the city's fee payment for commuter benefits averaged $858,000 annually; in calendar year 2016 the city paid the fee for over 49,000 participating city employees. The new contract with Edenred reduces the city's administrative fees by about 30 percent overall to an estimated $700,000 annually at current usage rates. Because the Internal Revenue Service treats the payment of these city-subsidized fees as a fringe benefit, this arrangement increases the employees' taxable income, thus reducing the benefit of the payment. In 2016 nearly 22,000 other city employees participated in commuter plans in which the employee paid the WageWorks fee, paying a total of nearly $270,000.

This option would shift the monthly payment of the pre-tax commuter benefit fee for all of the commuter benefit programs to employees, ending the distinction between participants in different plans. The elimination of this fee would have to be done as a part of a collective bargaining agreement between the city and its labor unions.

Proponents might argue that the city is treating the variety of pre-tax commuter plans differently in subsidizing users of certain plans while not subsidizing those who opt for other plans. They could point out that the fees employees would now have to pay are relatively small compared with benefits received and that they would no longer be taxed on the fee since the city is no longer paying it.

Opponents might argue that city employees have never had to pay the fee for these pre-tax commuter plans and this change would result in a reduction in benefits provided to employees. They might also point out that for at least some of the lowest paid city employees, the extra burden of paying the fee could deter them from taking advantage of the program.

Prepared by Jonathan Rosenberg

Savings Options

Switch to Auto-Loading Garbage Pick-Up in Low-Density Neighborhoods

Savings: $32 million annually

he Department of Sanitation (DSNY) currently uses single or dual bin rear-loading trucks to pick up the majority of curbside refuse in New York City. These trucks require two DSNY workers—one to drive while the other manually loads curbside refuse onto the truck. Alternatively, the city could shift to using automatic side loading sanitation trucks in some areas. These trucks use mechanical arms to pick up standardized plastic garbage cans curbside and dump them overhead into the truck before replacing the empty can on the curb. If use of these auto-loading trucks were expanded in low-density neighborhoods, only one sanitation worker would be required per route, lowering DSNY labor costs. Additionally, eliminating the requirement to repeatedly lift heavy bags or cans on these routes could reduce injuries and worker compensation costs.

Many municipalities across the country have switched to automatic loading sanitation trucks and have successfully lowered waste collection costs. However, these trucks are usually deployed in low- to moderate-density areas because high density areas lack the requisite curbside space for them to operate. In New York City, this would mean restricting the use of auto-loader trucks to Staten Island and outlying areas of Brooklyn, the Bronx, and Queens. Rear auto-loading sanitation trucks could be used in high-density neighborhoods, but these trucks would still require a second sanitation worker to move the garbage cans onto the lifting platform, which eliminates much of the savings on labor. Parking and street cleaning regulations would need to be coordinated to facilitate the auto-loaders, especially in areas that do not have alternate side of the street parking rules.

If neighborhoods with a density of under 30,000 residents per square mile were converted to auto-loading pickup, about 32 percent of city curbside refuse, or 815,000 tons per year, could be collected on single-worker routes, achieving annual savings of about $32 million. This would require purchasing around 700 new side-loading trucks, which cost around $50,000 more per truck than regular sanitation trucks, and supplying participating households with truck-compatible bins at $50 apiece. The new trucks would be expected to last roughly as long as the city's current trucks, but would likely have higher maintenance costs, estimated at $8.1million per year. The estimated $32 million in annual savings is net of these costs.

Proponents might argue that New York is currently behind in taking advantage of new collection truck technology, and by using auto-loaders in neighborhoods where it is feasible, substantial savings on labor costs could be realized. In addition, it would create a safer work environment for DSNY workers. Switching to the uniform hard plastic garbage cans that are required for auto-loaders could make streets cleaner by containing leaks and smells and making it more di cult for rodents to rummage in the trash.

Opponents might argue that reducing the number of sanitation workers per route could involve di cult union negotiations that could reduce savings. In addition, the new trucks cost more to purchase and maintain. Residents may also be opposed to increased parking regulations, especially if they do not see the bene t of cleaner streets.

Prepared by Daniel Huber