COUNTY OF ERIE

STEFAN I. MYCHAJLIW
COMPTROLLER

August 26, 2013

The Honorable Erie County Legislature
92 Franklin Street
Buffalo, New York 14202

Re: County Pension Bill

Dear Honorable Legislators:

The State has notified the County of the amount of pension expense to be paid on December 15, 2013, a total of $47,617,771 including ECC. The County portion is $43,377,502, including all funds. This differs from the estimated bill received last year that totaled $52,324,154, including ECC. The County portion was $47,968,231, including all funds.

The total reduction of County's portion is $4,590,729, all of this is subject to final reconciliation of adjustments between the County and ECC. This is a **positive cash impact** for the County and was factored into the reduced Revenue Anticipation Note borrowing that the County will be closing.

The reduction in the bill is due primarily to the reduction in the County's work force in 2011. The State's estimate assumed an increasing salary base. The elimination of jobs in 2011, under the previous administration, resulted in lower salaries reported for the State's 2011-12 fiscal year, ended March 31, 2012 than State estimates. The inflated salary base carried forward to the estimated salary base for State year ending March 31, 2013. This resulted in an overpayment of last year's bill totaling $2,338,483. The State estimates were inflated and now are right sized based on the smaller County work force, all of which took place prior to the current administration.

To determine the exact amount of County operating fund savings at this point is difficult due to the multiple funds involved: sewer; road; E911 and grants as well as ECC and the Library being a part of the County's bill. Last year the operating fund share of the pension bill was 85.3%. Using that percentage the 2013 impact on the operating fund would be **$3,916,327 positive.**

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This reinforces your Honorable Body's actions last December in reducing estimated fringe benefit expense and reducing the unnecessary property tax burden.

It is important to note that the pension rate for Tier 6 employees is 11.4% while Tier 4 employee's pension rate is 21.0% a difference of 9.6%. A new contract with the CSEA workforce that results in employee share of health insurance, elimination of retiree health insurance for new hires as well as a set date to end free retiree health insurance for current employees would most likely result in a spike in retirements of current employees. Replacement of those employees with new Tier 6 employees would result in lower pension expense as well as health insurance savings and step salary savings.

If you have any questions, please do not hesitate contacting this office.

Sincerely yours,

Gregory G. Gach
Deputy Comptroller

cc: Erie County Fiscal Stability Authority
Robert Keating, Director of Budget & Management