



SICTA Alert – November 18, 2009

SIC reports a \$40 million dollar liability for unfunded retiree health benefits!

Is \$40 million a large number? Well, let's see:

--SIC's current long term debt obligation is \$31 million.

--SIC's health benefits liability is seven times the City's covered payroll. But: Ocean City's liability is only two times its covered payroll.

Why is the liability so large? The City does not take advantage of its eligibility to participate in one of the four state plans available to local governments.

What should be done?

--A SICTA research document posted at www.sicta.org suggests that **the City could save almost \$1.3 million dollars per year (36% of our projected 2010 healthcare costs!)** by choosing one of the four state plans.

--The current pay-as-you-go method used by the City makes it very difficult to smooth future budgets and tax levies. So, **SICTA believes that the City should put money aside now** – in the same way that it handles working employees' pension benefits. **SICTA calculates that the savings from choosing a state plan would cover 96% of the annual funding costs!**

For a more in-depth discussion and the health care costs comparison report, please visit the SICTA Web site at www.sicta.org.

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