

A Looming Liability

While many people know about shortfalls in public pension funding, there's another, often larger, cost for cities and towns to consider with their retired workers: health insurance. The expense comprises the largest component of “other post-employment benefits” in municipal budgets, prompting the Daily News and its sister papers to survey communities about the burden and then fill in the gaps with publicly available financial statements. The findings? Local cities and towns have only saved a combined \$20.5 million, just 1.5 percent of their \$1.3 billion long-term liability.

Town/city	1. What will they owe? (millions)	2) How much have they saved?	3) What should they pay each year to get on track? (millions)	4) What are they actually paying? (millions)	5) How much does town contribute toward premiums?
Framingham	\$371.5	\$1,500,000	\$25.30	\$10.40	75-84%
Marlborough	\$133.8	\$2,000,000	\$8.71	\$2.63	60-70%
Natick	\$126.0	\$221,608	\$11.69	\$3.40	50% for Medicare supplements, 80-90% for younger retirees
Shrewsbury	\$89.9	\$1,006,020	\$7.61	\$2.04	50-80%
Franklin	\$84.7	\$169,000	\$7.19	\$1.66	50-68%
Weston	\$69.8	\$4,959,133	\$6.15	\$3.38	67-87%
Milford	\$53.6	\$205,855	\$4.60	\$2.10	50-70%
Hudson	\$51.9	\$0	\$4.68	\$2.63	50%
Westborough	\$51.8	\$0	\$4.70	\$2.00	75%
Holliston	\$46.3	\$500,000	\$3.82	\$1.47	60%
Wayland	\$45.7	\$9,800,000	\$3.70	\$5.24	50-66%
Sudbury	\$36.4	\$0	\$3.52	\$0.88	50%
Bellingham	\$32.7	\$0	\$2.93	\$1.00	50%
Southborough	\$31.6	\$0	\$3.27	\$1.14	50-75%
Medway	\$29.6	\$24,954	\$3.30	\$0.89	50%
Ashland	\$29.3	\$0	\$3.80	\$0.90	50%
Northborough	\$28.1	\$0	\$3.60	\$0.93	70% for Medicare supplements, 51-68% for younger retirees
Hopkinton	\$25.9	\$150,000	\$2.40	\$0.47	50%
TOTALS	\$1,338.6	\$20,536,570			

1) ACCRUED LIABILITY: Can change slightly each year, and measures how much towns will have to pay to cover current, eligible workers and retirees through the rest of their lives (regular coverage until age 65, then supplemental Medicare plans). Accrued liability is not formally computed each year, though, and data submitted to the Daily News ranges from 2009-2012. The liability is also likely to be a little smaller for towns that have been saving. But the forecast might also prove low if towns overestimate the interest they will get on savings and low-ball annual rises in health care costs.

2) SAVINGS TOWARD LIABILITY: This is the cumulative amount towns have set aside for the future liability, plus any money they have committed from the coming budget to do so. Towns can earn more interest if they put the money in a trust they can't later raid for other purposes. Framingham, Hopkinton, Medway, Milford, Natick, Shrewsbury, Wayland, Weston, Northborough and Sudbury have established such accounts, though the latter two have not yet put anything in them. Sudbury is trying to rectify that.

3) ANNUAL REQUIRED CONTRIBUTION (ARC): Towns are not required to save for future liability, though accounting standards encourage them to calculate this number to show how much they should be setting aside annually to have the full liability funded in 30 years. The Daily News' numbers range from fiscal 2010 to fiscal 2013.

4) ACTUAL CONTRIBUTION: This is the amount towns paid in a recent year for their current retirees' health insurance, plus any money set aside that year for the larger liability. A town might save more money one year than the next, making some numbers appear higher. (Most Daily News data is from fiscal 2011, with fiscal 2010 for Hudson and Shrewsbury and fiscal 2012 for Westborough and Weston.)

5) PREMIUM SPLITS: Towns contribute a negotiated portion of premiums for regular plans until age 65, then chip in for coverage that supplements Medicare.