



Legislation Text

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Int. No. 367

By The Speaker (Council Member Quinn) and Council Members Weprin, Comrie, Clarke, Garodnick, Martinez, Nelson, Palma, Recchia Jr., Vann, Sears, James and The Public Advocate (Ms. Gotbaum)

A Local Law in relation to the establishment of a retiree health benefits trust fund.

Be it enacted by the Council as follows:

Section 1. Legislative Intent. The Council hereby finds that it is in the best interests of the City to begin to address the ongoing liability of funding the increasing costs of health benefits for the City's retired workers and their dependents covered under the City's health and welfare plans. In his Fiscal 2007 Preliminary Budget the Mayor proposed the establishment of a retiree health benefits trust fund into which would be deposited money for the exclusive purpose of funding the health and welfare benefits (other than those paid through the Management Benefits Fund) of retired city employees and their dependents. The rationale behind the fund's creation is to give the City the ability to place certain surplus and potentially non-recurring funds in fiscal years of strong revenues in trust for the purpose of irrevocably funding certain of the City's retiree health and welfare benefit obligations. The Council, agreeing with this goal, approved a budget modification in March, appropriating \$1 billion for such a trust fund.

The Council further finds that it is imperative that in order to establish and employ such a trust for the purpose of funding these costs, the trust fund must be irrevocable so that the funds may not be able to be used for any other purpose than for the payment of such retiree health and welfare benefits. Funds in the trust must be used only to pay these costs and must be paid directly to the retirees, to the providers of the health and welfare benefits to retired City workers and their dependents or to welfare funds established for their benefit.

In addition, the Council finds that the creation and existence of such a trust fund must in no way affect

the operation of the budget adoption process as it relates to the funding of these costs. In other words, decisions as to whether or not the liability for retiree health benefits should be paid from current revenues or from money previously set aside in the trust fund should be made in the budget adoption process and neither the Council nor the Mayor should be able to use the trust fund to circumvent or short circuit that process. For this reason the Council and the Mayor have agreed that all appropriations for such retiree health and welfare benefits shall be paid into the fund and all expenses shall be paid from the fund as long as such funds are available. In this way the annual liability will be paid first from money available in the trust fund to the extent these funds are available, and the City will determine, in the course of adopting a budget, how much will be paid into the fund from current revenues.

Finally, to ensure accountability, the Council finds that the City's chief fiscal officer, the Comptroller, should be responsible for auditing the trust and managing the investment of the funds.

§2. Establishment of Trust. (a) Notwithstanding any provision of law to the contrary, the mayor is hereby authorized to establish a retiree health benefits trust fund for the exclusive benefit of retired city employees and their dependents.

(b) Such trust fund shall be established under the common law of the state of New York.

(c) The sole purpose of the trust fund established pursuant to subdivision (a) of this section shall be to fund the health and welfare benefits of retired city workers and their dependents.

§3. Payments into and from the trust. (a) Payments into and from the trust fund established pursuant to section two of this local law shall be made in accordance with this section.

(b) All appropriations in the city's expense budget for retiree health and welfare benefits (other than those provided through the management benefits fund) shall be paid into such trust fund.

(c) All payments for retiree health and welfare benefits (other than those provided through the management benefits fund) shall be made from such trust fund to the extent funds are available therefore.

§4. Investments; audits. (a) The comptroller shall be responsible for managing the investments of

the trust fund established pursuant to section two of this local law.

(b) The comptroller shall have the power to audit such trust fund and shall ensure that all funds appropriated for retiree health and welfare benefits (other than those provided through the management benefits fund) are paid into such trust fund and that monies paid out of such trust fund are used solely as set forth in section two of this local law.

§5. Other Matters. Prior actions taken by the city in connection with the establishment of the trust fund are hereby ratified.

§6. This local law shall take effect immediately.