

# MEMORANDUM FROM THE ULSTER COUNTY OFFICE OF THE COMPTROLLER

March S. Gallagher, Esq.  
Comptroller



Christopher Quirk, CPA  
Deputy Comptroller

## MEMORANDUM

To: Ulster County Legislature Ways & Means Committee  
 From: March Gallagher, Ulster County Comptroller  
 Date: November 24, 2020  
 Re: Discussion of Voluntary Retirement Incentive Cost Benefit Analysis

The topic of potential savings from the Voluntary Retirement offered through 2020 Resolution No. 172 has been discussed by the Committee without detailed data or information. As the Comptroller’s Office has already begun tracking the benefits and costs associated with the County’s Early Retirement Incentive offered this year in response to the pandemic, we thought it would be instructive to share what we have so far with the Legislature. After much internal deliberation about the value of sharing preliminary numbers, I have chosen to share this information.

Our intention in sharing this is to assist policy makers in understanding the potential costs and benefits associated with such a program. A more detailed and thorough analysis in the coming year will assist in framing the next early retirement program, should another be offered.

The County offered, and 125 employees accepted, the voluntary retirement incentive. Of those positions 85 of the positions are slated for refilling. Retiring employees receive a bump up in the amount of health insurance coverage to be borne by the County. The separation of employees results in an immediate cost to the County as long-standing employees have accruals earned (such as vacation) that must be paid out. On the other hand, newer employees come in with lower salary and benefits costs so there is an overall savings to the County over time. There are many different nuances and employee-specific variables based on their status, tenure and replacement.

We estimate a total three-year savings to Ulster County from the implementation of the Voluntary Retirement Incentive of \$8.3 million, with costs in 2020 made up for by savings in 2021 and 2022.

Estimated Savings/Costs	2020	2021	2022	Totals
Salary Savings	\$ 665,310.83	\$ 3,164,909.00	\$ 3,164,909.00	\$ 6,995,128.83
Benefits Savings based on .5745	\$ 382,221.07	\$ 1,818,240.22	\$ 1,818,240.22	\$ 4,018,701.51
Estimated accrual payout	\$ (1,438,945.60)	\$ (1,245,654.40)	N/A	\$ (2,684,600.00)
Total estimated annual savings/cost	\$ (391,413.70)	\$ 3,737,494.82	\$ 4,983,149.22	\$ 8,329,230.34

In addition to the estimated savings based on salary, benefits ratios, and accruals, there are many additional variables to consider that provide additional savings and costs.

- Retiring Ulster County provides 16.1% retirement contribution for a Tier 4 employee versus a lower retirement contribution for a new Tier 6 employee of only 9.6% resulting in a savings to the County.
- Ulster County pays 10% more for health insurance premiums for non-management retirees than it would have without the incentive, so this is an additional cost to the County.
- These health insurance coverage costs only last until the employee is eligible for Medicare so the duration is age dependent.
- The number of days the new employee would work during year one would be more than a retiree because of vacation accruals. An unquantified benefit is that a new employee would be “at work” more hours, but an unquantified cost is that older employees may be more efficient and experienced to and get more work done each hour.
- The County contributes up to approximately \$6,000 more for health insurance coverage per employee with a family plan depending on the hire date and class for the employee. In addition, younger, healthier, new employees may put less burden on the self-insurance. There are significant unquantified health insurance savings for the County as a result of the Early Retirement incentive.

While no cost analysis will ever be free of assumptions, tracking the costs and benefits of the Voluntary Retirement Incentive program can inform taxpayers and policy-makers as to the value of such a program. The Comptroller’s Office intends to analyze the full costs and benefits of the program after the completion of separation and replacement at the end of 2021. Taking a snapshot glance at the costs and benefits now allows time for consideration and tracking of other variables. We welcome feedback on our methodology and additional information that could inform the analysis.