WORCESTER FACING PENSION LIABILITY

The City Manager for the city of Worcester, Michael V. O'Brien, has made it clear that the city is not going to be able to decrease the current $666 million liability that it is facing unless there are more health insurance reforms that are added or if there is another available funding stream. The city is currently facing the liability of financing for the health benefits for both current public school retirees and those who will, at some point in the future, become public school retirees. O'Brien also made it clear that the city is going to have to look into making some serious budget cuts, which would be painful for all involved. Aside from the budget cuts, tax increases could take place as well. At this point in time, the city is funding around $22 million for retiree health benefits per year. This amount only covers the cost of health insurance for the current retirees. O'Brien also said that if there are not any major reforms and without a source of funding, he believes that the amount of liability is only going to continue to increase each and every year, especially as the cost of healthcare continues to increase and a larger number of employers are retiring. He feels that the only way for the city to start funding for the liability for the next year would be to earn around $20 million. Of that $20 million, $12 million would come from the different schools within the city and $8 million would come from the city. He also said that because there is no set funding source, the city will be unable to make such money unless they make some severe budget cuts and increase taxes as well. This could cause a huge issue for those living in the city. O'Brien prepared a report for the City Council in which he said, "We must begin to properly fund this liability as we do our pension obligations, and we must address this in our annual planning process." He also said, "We will not be able to reduce our liability without continued reforms or a dedicated funding stream. Beginning in fiscal year 2014, I intend to recommend that the city pursue both of these options." It is currently the state law for the city to provide retired city employees with the necessary health insurance benefits. The city is currently paying the vast majority of the health insurance premiums for retirees, paying a total of around 75 percent. At this point in time, the city is currently funding more health insurance benefits for those who have retired over those who are actually employed.