

Resolution 1920R-007

By Director Siemsen

WHEREAS, The Milwaukee Board of School Directors has legal and fiscal responsibilities for all district operations and is responsible for formulating and adopting policies; and

WHEREAS, The Milwaukee Board of School Directors provides for the welfare of its employees, former employees, and their eligible dependents by maintaining one or more post-employment benefit plans; and

WHEREAS, The District first granted health insurance benefits for retirees to MPS staff as part of the 1973-74 bargaining agreements; and

WHEREAS, The District, for decades, covered the additional costs of these health benefits for retirees with a pay-as-you-go method, rather than pre-funding; and

WHEREAS, The pay-as-you-go method of covering the costs for these post-employment benefits produces an unfunded liability, in that no funds are set aside to pay for these costs at the time they are due; and

WHEREAS, In 2009, the unfunded liability for the retiree health insurance benefit had grown to \$2.6 billion; and

WHEREAS, The District's actuary projected this \$2.6 billion unfunded liability to grow to \$4.9 billion by 2016; and

WHEREAS, The Wisconsin Department of Public Instruction acknowledged that it is fiscally appropriate to have the cost of funding such post-employment benefits recognized and provided for as such benefits accrue; and

WHEREAS, The Milwaukee Board of School Directors, on May 27, 2010, sought to fulfill its obligation to fund such post-employment benefits, as is fiscally appropriate, by approving the creation of an other post-employment benefit (OPEB) trust fund; and

WHEREAS, The Milwaukee Board of School Directors, on November 17, 2011, approved changes to retiree health and life insurance eligibility requirements and sick leave payout for future retirees, increasing the sustainability of the medical benefits in the face of escalating medical costs; and

WHEREAS, The Milwaukee Board of School Directors, on December 20, 2012, approved a recommendation to eliminate eligibility to earn retiree medical and life insurance benefits for all employees hired or rehired on or after July 1, 2013, and for all employees who, as of June 30, 2013, are in non-benefit-eligible positions and who transfer to benefit-eligible positions on or after July 1, 2013; and

WHEREAS, Due to each of these, and subsequent, actions taken by the Board, the District's unfunded liability was reduced to \$1.4 billion as of July 1, 2013, and \$997 million as of July 1, 2015; and

WHEREAS, Employees hired prior to July 1, 2013 are incentivized to accrue, rather than use, sick leave to meet the 90% of maximum sick leave balance to earn retiree health benefits; and

WHEREAS, Employees hired after July 1, 2013 earn sick leave at the same rate as employees hired before July 1, 2013, but are ineligible to earn a retiree health benefit as an incentive to accrue, rather than use, sick leave; and

WHEREAS, An analysis by the Office of Accountability and Efficiency showed an increased use in the number of sick days used by teachers in the fiscal years between 2015 and 2017; now, therefore, be it

RESOLVED, That the Board direct the Administration, in conjunction with the Office of Accountability and Efficiency, to explore options surrounding the creation of a defined contribution retiree health benefit that incentivizes an employee's accrual of sick leave; and be it

FURTHER RESOLVED, That, in exploring options, the following parameters are to be observed:

- Affordability
- Sustainability
- Competitiveness for the purpose of attraction and retention of employees; and be it

FURTHER RESOLVED, That this exploration include input from various bargaining units; and be it

FURTHER RESOLVED, That the options explored, their estimated short term and long term fiscal impacts, and possible recommendations be brought back to the Board no later than the ~~December~~ January 2019/20 Board cycle.

June 27, 2019