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For immediate release:

Oct. 3, 2019

## Progress on Costly Promises

*Schools, counties lower retiree health care liabilities but billions in obligations remain*

In the past five years, Wisconsin's largest school districts and counties together shed more than \$779 million in potential costs for health benefits for their retirees, according to an analysis by the non-partisan Wisconsin Policy Forum. Though these largely unfunded liabilities still total a projected \$3.26 billion, these numbers show progress has been made in addressing them by local governments such as Milwaukee Public Schools (MPS) and Racine County.

In the latest *Wisconsin Taxpayer*, WPF finds net obligations for retiree benefits excluding pensions have fallen since 2013 for most of the state's 15 largest school districts and 10 largest counties.

Milwaukee County is a notable exception. Because of more conservative assumptions, projections of its unfunded commitments to provide health and life insurance to retirees rose \$210.7 million between 2013 and 2018, not counting a separate increase in liabilities for the county transit system.

"These future costs matter to the public because they could lead to higher local taxes – or reduced services," the report reads.

Over the past several decades, many local governments in Wisconsin made the seemingly modest commitment to pay some or even all of their retirees' health insurance costs – obligations known as "Other Post-Employment Benefits" (OPEB). Since then, the size of these projected liabilities has shot upward along with the cost of health care, but local governments have set little or no money aside to cover these future costs.

Using annual financial reports, WPF last year examined these liabilities for Wisconsin's 25 largest cities and is now extending that analysis to the biggest counties and school districts. The review found over the past five years:

- The largest school districts report their projected OPEB liabilities fell to a total \$1.31 billion, a decrease of over \$930 million, or 42%. Nine of the 15 districts have seen their expected commitments fall since the 2012-13 school year.
- The estimated liability for MPS has dropped by nearly 45% over the period but remains substantial at \$765 million.
- In all but Milwaukee and Rock counties, projected OPEB liabilities for the state's largest counties fell over the period. Liabilities ranging from \$246 per resident to more than \$1,700 remain, however, in Milwaukee, Racine, Kenosha, and Rock counties.
- Milwaukee County's unfunded health and life obligations grew from a projected \$1.13 billion to \$1.35 billion. That doesn't include the Milwaukee County Transit System, which saw its separate unfunded obligations grow by \$44.2 million to \$285.3 million. One bright spot: the county's challenge looks somewhat larger today because it has adopted more realistic financial assumptions than in the past.
- The greatest challenges in Wisconsin lie in the Milwaukee and Racine areas, where liabilities at the city, county, and school district level compound the overall problem.

The longstanding trend toward reducing OPEB obligations appears to have accelerated in the wake of 2011 legislation limiting union bargaining. Local changes have included ending the retirement benefit for new hires, requiring retirees to pay more of the premiums, or taking steps to reduce overall health costs.

Local officials will have to consider how to pay for or reduce the remaining benefits while retaining good employees, controlling the growth in property taxes, and maintaining local services. [Go here to view the WPF report](#) and [here for an accompanying interactive tool](#) detailing the liabilities.