



Milwaukee Public Schools

November 21, 2011

District positioned for savings in benefits, wages ***Decision targets ballooning “legacy costs”, unaddressed for years***

The Milwaukee Public Schools’ Board of School Directors took bold action in approving sweeping new health care changes and wage freezes for District employees that are expected to save more than \$170 million over the next five years. The changes are also projected to significantly trim the District budget deficits that had been projected for the next five years, due in large part to the cost of health care, increasing at a rate of up to 9% a year. The cost of maintaining health and life insurance benefits for *retirees* alone (often described as legacy costs) is currently at \$2.2 billion and accelerating.

Superintendent Gregory Thornton had urged prompt action on health care costs, which are at \$203 million in the current fiscal year. With both student enrollment and financial resources decreasing, both Dr. Thornton and School Board President Michael Bonds warned that if the benefit costs for employees and retirees were left unaddressed, the District’s sustainability was in jeopardy. “We have put off decisive action for too many years,” said the Superintendent. “To me, it was the elephant in the room, the massive mountain on the horizon.” The District was projecting a deficit of \$24 million in the next budget (Fiscal Year 2013) and a deficit of \$33.6 million in FY2014. “Without the adjustment to those costs, our most conservative five-year forecast showed the District laying off an additional 200 to 300 teachers over the next two years.”

In proposing the benefit changes and salary freezes, President Bonds said he knew this was a hard decision, but one that must be made now. “This measure not only helps prevent layoffs of teachers, it provides resources for the classroom and allows the continuation of retiree pensions.” Changes will be implemented as early as July 1, 2012 when the first round of union contracts expire.

Included are higher levels of employee contributions to health insurance premiums based on salary ranges. The premiums for the lower cost plan (EPO) are considerably lower than for the higher-cost plan, designed as an incentive to employees to choose the lower cost plan. Deductibles also increase, though not by as much as in a plan proposed by the administration earlier in the week. The Board supported President Bonds’ plan as a compromise, endorsing it on a 6 to 3 vote.

MPS currently employs approximately 9,000 employees. Each bargaining unit has a different level of employee premium contribution now, ranging from a percent of salary to a

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percent of premium. Employees in the low-cost (EPO) plan are currently paying about \$11 a month for single coverage and \$29 a month for the low-cost family plan. Under the measure approved by the Board last week, premiums will be based on salary ranges. The following chart shows the anticipated premiums by salary range and type of coverage:

Employee salary	New EPO Employee Premium contribution	New PPO Employee Premium Contribution
Under \$25,000	5%	11%
\$25,001-\$50,000	8%	12%
\$50,001-\$75,000	10%	13%
\$75,001+	12%	14%

In addition to increased employee premium contributions, employees will pay higher deductibles whether they are in the single or family plans, but will have the ability to earn a \$450 wellness incentive that can be used toward their health care expenses by participating in the district’s health and productivity management program. These benefit changes are in line with most Wisconsin employers.

The Board also approved changes in employee salaries, instituting a freeze on the routine pay increases known as “step level increases” within each pay grade for three years following expiration of union contracts.

The redesign of MPS’ health insurance benefits structure for its employees and retirees and the salary freezes will help the District achieve financial sustainability for the near future, explained Dr Thornton. “We had to take steps now to improve opportunities for Milwaukee’s children. The changes will help us to address the sustainability of quality health care benefits that our employees, retirees and their loved ones count on.”

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