

**The Federal Reserve Bank of Chicago
and
The Civic Federation**

**Facing the Challenge of Retiree Health Care:
Liabilities and Responses of State and Local Governments**

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CPS Quick Facts

Total # of Schools	622
FY 2008 Operating Budget	\$4.8 Billion
Revenue Sources:	
Property Taxes & Other Local	46%
State Revenues	37%
Federal Revenues	17%
Total # of Students	409,000

Adoption of GASBS 45 – Accounting and Financial Reporting of OPEBs

- CPS adopted GASBS 45 in its fiscal year ending June 30, 2006.
- Recognized a liability of \$213.3 million.
- In FY 2007, our OPEB liability grew by an additional \$212 million to \$425 million.
- Net assets are expected to be negative at the end of FY 2008 due to anticipated Pension and OPEB charges.

OPEB - Cont

- Healthcare costs for retirees are capped at \$65 million by State Statutes. 70% of Retiree's health costs are covered.
- The source of the \$65 million is current pension contributions.
- All Pension and OPEB teacher benefits are governed by State Statutes.
- Bills adding billion of pension and OPEB costs are currently being proposed.

OPEB - Cont

- OPEB costs will be contained by ensuring that the Statutory cap does not rise significantly.
- Teachers pension fund will be reaching the \$65 million cap at the end of FY 2008 using the 70% coverage ratio.
- Engaging the fund to examine the Retiree Health plan for efficiencies.