

POST-ANALYSIS REPORT Revised: May 28, 2020

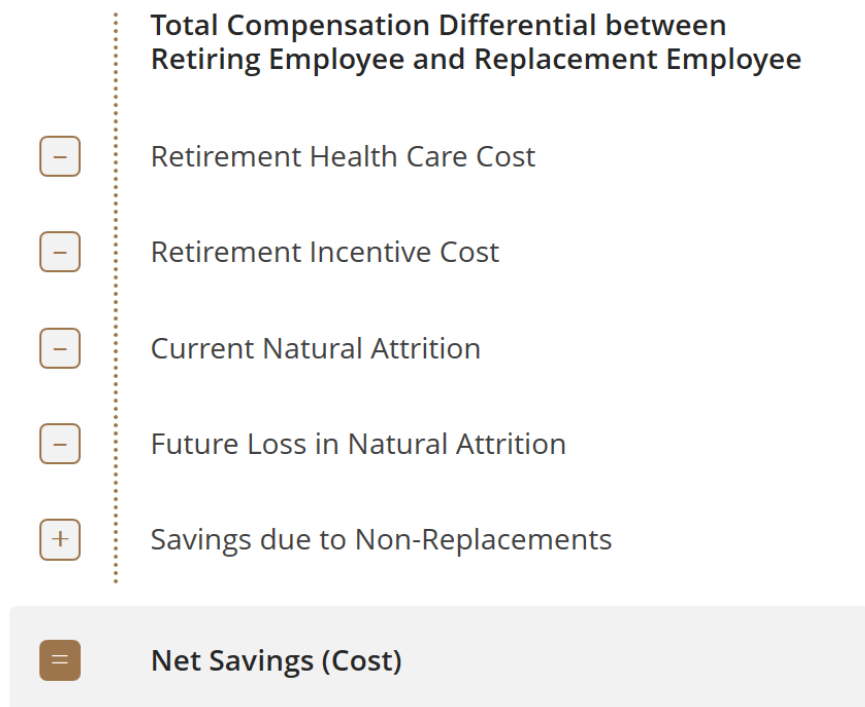
Introduction

The primary objective of a retirement incentive is to increase and accelerate the retirement rate over and above natural attrition in order to facilitate specific District objectives such as personnel restructuring, fiscal savings, etc. Fiscal savings are achieved by replacing the retiring employee, who is typically at the top of the salary schedule, with a replacement employee at the bottom of the salary schedule. With retirement incentives involving teachers, the resulting salary differential is sufficient to pay for the costs of the plan and generate additional savings over and above natural attrition.

Analysis Method of Calculation

The analysis compares the savings projected over a five-year period from offering the PARS Supplementary Retirement Plan (SRP) during the 2019-20 academic year to the savings expected over the same period if natural attrition runs its normal course. The analysis examines current and future costs and compensation differentials, including projections of all compensation and benefit increases. This analysis has been used nationwide for well over one thousand plans, and is a well-accepted model of calculation.

The basic model of calculation is as follows:



Assumptions

<p>Eligibility Requirements</p>	<p>Certificated Non-Management Employees</p> <ul style="list-style-type: none"> Age 50 and at or above Step 17 on the salary schedule; or Age 55 with at least 5 years of service in MDUSD; or Age 50 with at least 25 years of STRS service credit as of June 30, 2020 <p>Psychologists & Certificated Management Employees</p> <ul style="list-style-type: none"> Age 55 with 5 years of STRS service; or Age 50 with 30 years of STRS service; At least 5 years of District service <p>Classified Non-Management Employees</p> <ul style="list-style-type: none"> Age 50 with 5 years of District service FTE ≥ 0.50 (Classified Non-Management only) <p>Clerical/Secretarial/Technical, Classified Management and Confidential Employees</p> <ul style="list-style-type: none"> Age 50 with 5 years of District service <p>Employed by District as of April 27, 2020</p> <p>Resignation from District employment effective:</p> <ul style="list-style-type: none"> June 30, 2020 	
<p>Benefit Level</p>	<p>70% of Final Pay Spend Amount*</p> <ul style="list-style-type: none"> Certificated Management: Capped at 70% of \$118,015 Classified Management: Capped at 70% of \$81,786 <p>* 2019-20 Contract Salary multiplied by current FTE.</p>	
<p>Replacement Salaries</p>	<p>Certificated Non-Management: \$61,972 (Based on PARS 1-Year New Hire Study)</p> <p>Psychologists: 90.69% (Step 3*)</p> <p>Certificated Management: 90.56% (Step 3* for Management, Step 5* for Principals)</p> <p>Classified Non-Management: 74.69% (Step 1**)</p> <p>Clerical/Secretarial/Technical: 78.40% (Step 1**)</p> <p>Classified Management & Confidential: 90.70% (Step 3*)</p> <p>* Excluding career increment steps</p> <p>** Excluding longevity</p>	
<p>Health Care Costs</p>	<p>Certificated Non-Management:</p> <p>Active Employee: \$19,182</p> <p>Retired Employee (Pre-63): \$14,755</p> <p>Retired Employee (Post-65): \$7,375</p>	<p>All Other Groups:</p> <p>Active Employee: \$19,182</p> <p>Retired Employee: \$14,755</p>
<p>PARS Plan Funding</p>	<p>5 years</p>	
<p>Replacement Positions</p>	<p>100% to 0% replacement of positions, in varying increments</p>	

PARS has provided non-replacement figures in this proposal with the District's understanding that these non-replacement numbers represent position cuts obtained through the offering of a retirement incentive plan. The District should be sure not to budget a similar number of position cuts, thereby double counting savings within this retirement incentive analysis and the budget. The following summarizes the results of the analysis:

FISCAL SUMMARY OF SAVINGS

70% of Final Pay Spend Amount Benefit

2019-20 Retirements			
Employee Group	# of Eligible Employees	Retirements with PARS SRP	Percentage Retirements
Certificated Non-Management	498	84	16.87%
Psychologists	8	1	12.50%
Certificated Management	21	7	33.33%
Classified Non-Management	494	68	13.77%
Clerical/Secretarial/Technical	165	37	22.42%
Classified Management/Confidential	23	4	17.39%
TOTAL	1209	201	16.63%

Projected Fiscal Impact: 100% Full-Replacement

Employee Group	Non-Replace PARS	Projected Savings in Year 1	Projected Savings over 3 Years	Projected Savings over 5 Years
Certificated Non-Management	0.00	\$555,443	\$1,115,210	\$1,072,803
Psychologists	0.00	(\$13,237)	(\$45,725)	(\$77,585)
Certificated Management	0.00	(\$77,082)	(\$307,103)	(\$520,365)
Classified Non-Management	0.00	(\$62,231)	(\$277,405)	(\$691,851)
Clerical/Secretarial/Technical	0.00	(\$21,732)	(\$179,013)	(\$527,972)
Class. Management/Confidential	0.00	(\$23,405)	(\$103,629)	(\$180,092)
TOTAL	0.00	\$357,757	\$202,335	(\$925,063)

FISCAL SUMMARY OF SAVINGS (CONT.)

70% of Final Pay Spend Amount Benefit

Projected Fiscal Impact: Break-Even

Employee Group	Non-Replace PARS	Projected Savings in Year 1	Projected Savings over 3 Years	Projected Savings over 5 Years
Certificated Non-Management	0.00	\$555,443	\$1,115,210	\$1,072,803
Psychologists	1.00	\$57,604	\$179,070	\$310,315
Certificated Management	2.00	\$90,064	\$229,188	\$410,948
Classified Non-Management	6.00	\$70,385	\$144,017	\$51,244
Clerical/Secretarial/Technical	3.00	\$110,686	\$245,004	\$224,692
Class. Management/Confidential	1.00	\$29,739	\$68,285	\$119,559
TOTAL	13.00	\$913,922	\$1,980,774	\$2,189,561

NON-REPLACEMENT SCENARIOS

70% of Final Pay Spend Amount Benefit

Certificated Non-Management

Replacement Scenario	Non-Replace PARS	Projected Savings in Year 1	Projected Savings over 3 Years	Projected Savings over 5 Years
100% Replacement	0.00	\$555,443	\$1,115,210	\$1,072,803
90% Replacement	8.40	\$1,043,297	\$2,638,172	\$3,716,490
80% Replacement	16.80	\$1,531,151	\$4,161,135	\$6,360,178
70% Replacement	25.20	\$2,019,006	\$5,684,098	\$9,003,866
60% Replacement	33.60	\$2,506,860	\$7,207,060	\$11,647,553

Psychologists

Replacement Scenario	Non-Replace PARS	Projected Savings in Year 1	Projected Savings over 3 Years	Projected Savings over 5 Years
100% Replacement	0.00	(\$13,237)	(\$45,725)	(\$77,585)
0% Replacement	1.00	\$57,604	\$179,070	\$310,315

Certificated Management

Replacement Scenario	Non-Replace PARS	Projected Savings in Year 1	Projected Savings over 3 Years	Projected Savings over 5 Years
100% Replacement	0.00	(\$77,082)	(\$307,103)	(\$520,365)
86% Replacement	1.00	\$6,491	(\$38,957)	(\$54,708)
71% Replacement	2.00	\$90,064	\$229,188	\$410,948
57% Replacement	3.00	\$173,636	\$497,334	\$876,604

NON-REPLACEMENT SCENARIOS (CONT.)

70% of Final Pay Spend Amount Benefit

Classified Non-Management

Replacement Scenario	Non-Replace PARS	Projected Savings in Year 1	Projected Savings over 3 Years	Projected Savings over 5 Years
100% Replacement	0.00	(\$62,231)	(\$277,405)	(\$691,851)
91% Replacement	6.00	\$70,385	\$144,017	\$51,244
90% Replacement	6.80	\$88,067	\$200,207	\$150,324
80% Replacement	13.60	\$238,365	\$677,818	\$992,498
70% Replacement	20.40	\$388,663	\$1,155,430	\$1,834,673
60% Replacement	27.20	\$538,961	\$1,633,041	\$2,676,848

Clerical/Secretarial/Technical

Replacement Scenario	Non-Replace PARS	Projected Savings in Year 1	Projected Savings over 3 Years	Projected Savings over 5 Years
100% Replacement	0.00	(\$21,732)	(\$179,013)	(\$527,972)
92% Replacement	3.00	\$110,686	\$245,004	\$224,692
90% Replacement	3.70	\$141,584	\$343,941	\$400,314
80% Replacement	7.40	\$304,900	\$866,894	\$1,328,600
70% Replacement	11.10	\$468,215	\$1,389,847	\$2,256,887
60% Replacement	14.80	\$631,531	\$1,912,801	\$3,185,173

Classified Management & Confidential

Replacement Scenario	Non-Replace PARS	Projected Savings in Year 1	Projected Savings over 3 Years	Projected Savings over 5 Years
100% Replacement	0.00	(\$23,405)	(\$103,629)	(\$180,092)
75% Replacement	1.00	\$29,739	\$68,285	\$119,559
50% Replacement	2.00	\$82,883	\$240,198	\$419,211

Notice

This analysis attempts to quantify in economic terms - not budgetary terms - the fiscal impact of a retirement incentive program at the District. This analysis is entirely driven by the assumptions set forth by the District. If the assumptions are changed or modified by the District the results shall vary from what is set forth in this analysis. The accuracy of any results and/or analysis will depend entirely upon the accuracy of the information provided and the assumptions used.

The information, data and assumptions used in this analysis have been provided to Public Agency Retirement Services (PARS) by the District. It shall be the responsibility of the District to certify the accuracy, content and completeness of the information, data and assumptions so that PARS may rely on such information without further audit. PARS shall be under no duty to question the information, data and assumptions received from the District including, but not limited to, inquiries about how the analysis, information, data and assumptions work in conjunction with the District's budget.

PARS shall not be liable for non-performance of Services if such non-performance is caused by or results from erroneous and/or late delivery of information, data and assumptions.

PARS is not licensed to provide and does not offer tax, accounting, legal, investment or actuarial advice.