

# Early Out Program for School Division Employees



# General Information

- The House Appropriations Committee is considering an early-out incentive retirement program for School Board employees.
- Intended for employees who are at least 50 years of age with a minimum of 25 years of service through VRS as of June 30, 2009.
- Participation by each employee who meets the age/service criteria must receive approval by their school division.

# Early Retirement Incentive

- If approved, the school division could add 1 to 5 years of creditable coverage to an employee's VRS service at the time of his/her retirement.
- Approved participants would have to retire between July 1, 2009 and June 30, 2010.
- Participating school divisions would be obligated to pay VRS a rate of 20% of each employee's creditable compensation for each year purchased in five equal installments beginning July 1, 2010.

# Sample of Fiscal Impact of Early Out Proposal

## Annual Cost of Employment in FY 2010

Annual Salary of an Eligible Employee	\$66,456
Annual Salary and Benefits of an Eligible Employee	\$81,934

## Cost of Providing Early Out Benefit

Annual Salary of an Eligible Employee		\$66,456
Cost Per Employee for Each Year of Additional Service Purchased	20.0%	<u>\$13,291</u>
Total Cost Per Employee: Assuming 3 Years of Additional Service Purchased	3	\$39,874

## Savings per Employee in FY 2010

Savings Per Employee if Assumed 3 Years  
of additional service is paid in full and  
no Replacement of Employee in FY 2010 (\$42,060)

Locality's Annual Payment if Total Cost  
is made over 5 years \$7,975

FY 2010 Savings Per Employee if the  
total cost of additional service is  
Paid over 5 years and  
no Replacement of Employee in FY 2010 (\$73,959)

\* Remaining Cost would be paid over the next four years  
(FY2011-FY2014 - \$7,975 each year)

# Impact to Participants

- Employees would need to decide whether to participate in the Early Out Program or in the CCPS Supplemental Retirement Program (SRP). Participation in both is not an option.
- For employees with enough years to participate in SRP or those close to meeting the SRP requirements of 10 years in CCPS (and 20 years in VRS) this may not be financially beneficial.

# Difference in Early Out and SRP

<b>Age</b> 60	<b>Salary</b> \$62,100	<b>VRS Exp</b> 29 Years	<b>CCPS Exp</b> 15 Years
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Monthly VRS Retirement Amount: \$2,438

Add 1 Year: \$2,654

Increase of \$216 per month (would take 46 years to equal amount of SRP)

Add 5 Years: \$3,006

Increase of \$568 per month (would take 16 years to equal amount of SRP)

SRP = Salary x 175% divided by number of months

\$1,848 per month for 5 years

# Estimated Number Of CCPS Employees Eligible For Early Out

- There are approximately 670 employees who have 25 years of service and are at least 50 years of age who would qualify for the early out program.
- Of those, there are approximately 45 employees who do not currently meet the SRP requirements with a minimum of 10 years in CCPS.

# Summary

This proposal is currently in the draft stage. Further information will be communicated as it becomes available.