

WASHINGTON ELEMENTARY SCHOOL DISTRICT No. 6

TO: Governing Board

FROM: Dr. Susan J. Cook, Superintendent

DATE: February 1, 2011

AGENDA ITEM: Employee Phased Retirement Program

INITIATED BY: Interest-Based Negotiations Team SUBMITTED BY: Dr. Susan J. Cook, Superintendent

PRESENTER AT GOVERNING BOARD MEETING: Interest-Based Negotiations Team Representatives

GOVERNING BOARD POLICY REFERENCE OR STATUTORY CITATION: BBA; ARS §15-502; HB 2027

SUPPORTING DATA

Funding Source: various
Budgeted: yes

Beginning with the 2004-2005 school year and through the end of the 2008-2009 school year, eligible Washington Elementary School District (WESD) employees were able to participate in a phased retirement/employee leaseback program through smartschoolsplus, inc.


On December 8, 2008, the Board approved authorizing a contract with smartschoolsplus, inc. for the 2009-2010 school year, the implementation of which was contingent upon Arizona legislative actions and the District's forthcoming budgetary decisions. Ultimately, the contract was not implemented, given that the Board had approved the non-renewal of contracts for smartschoolsplus, inc. employees as one of several means of reducing the budget for 2009-2010. Moreover, with further personnel reductions imminent, WESD did not consider contracting with smartschoolsplus, inc. for the current school year.

Sandee McClelland, co-owner of smartschoolsplus, inc. presented updated information about her organization's phased retirement program to the District's Interest-Based Negotiations (IBN) Team on December 8, 2010. On January 14, 2011, team members implemented the interest-based process to consider the feasibility of recommending the reinstatement of a phased retirement program option for employees in 2011-2012. A detailed explanation of the group's labor is attached.

SUMMARY AND RECOMMENDATION

No action required.

Superintendent



Board Action	Motion	Second	Aye	Nay	Abstain
Adams					
Graziano					
Jahneke					
Lambert					
Maza					

Agenda Item II.A.

Employee Phased Retirement Program

Issue:

Washington Elementary School District has the opportunity to contract with smartschoolsplus, inc. in order to reestablish an employee phased retirement program for the 2011-2012 school year.

Involved Stakeholders:

WESD's 2010-2011 Interest-Based Negotiations (IBN) Team explored the feasibility of offering a phased retirement program, through smartschoolsplus, inc., to eligible employees during the upcoming school year. The Team is comprised of certified, classified and administrator representatives, and Superintendent Dr. Susie Cook serves as representative for the Governing Board. Of the 24-member team, 18 are voting members; the remaining 6 serve in a non-voting, resource capacity. The IBN team discussed the phased retirement issue during their meeting on January 14, 2011.

Components of the Interest-Based Process:

- **Story:** *the subject of discussion; the problem to be solved.* The following are story details that IBN members offered to explain the issue under consideration:
 - WESD does not currently offer a phased retirement program.
 - The District did offer a phased retirement program from 2004-2005 through 2008-2009.
 - An employee must qualify for normal retirement through the Arizona State Retirement System to be eligible to participate in a phased retirement program.
 - Employees are remaining in their jobs longer due to factors such as anxiety about their financial future and current economic conditions.
 - When the District did participate in a phased retirement program, 98 percent of the participant's original base salary was paid to smartschoolsplus, inc., while the remaining 2 percent was retained by WESD to cover the participant's substitute teacher costs.
 - Savings were realized by the District through the elimination of benefits expenses, i.e., health insurance, FICA/Medicare, unemployment insurance, Workers' Compensation, ASRS matching contributions, for smartschoolsplus, inc. employees.
 - smartschoolsplus, inc. participants did not receive incentives, bonuses or teacher performance pay (Proposition 301).
 - In order to qualify for the smartschoolsplus, inc. program, an individual had to apply and obtain his or her supervisor's approval.
 - Many of WESD's former smartschoolsplus, inc. participants remained in the program during the full five years it was available.
 - In 2004-2005, 32 individuals participated in smartschoolsplus, inc.
 - In 2005-2006, 56 individuals participated.
 - In 2006-2007, an average of 56 individuals participated.

- Some former smartschoolsplus, inc. participants returned to WESD; however, they had to apply and be selected for District employment.
 - Other smartschoolsplus, inc. participants wanted to continue with the program, but no positions were available for them.
 - During 2006-2007, the phased retirement program saved WESD approximately \$900,000.
 - Most people who participate in a phased retirement program hold full-time positions.
 - smartschoolsplus, inc. benefits the participant by enabling him or her to earn more income.
 - WESD offers sick leave buyback to eligible employees who leave the District; however, to ensure receipt of the buyback during the fiscal year in which the individual terminates employment, the departing employee must notify Human Resources by February 1. Sometimes logistical issues should be considered before enforcing that deadline.
 - To date, 17 teachers have notified the District of their intent to retire at the end of 2010-2011.
 - 224 WESD employees have 80 points or more through the state retirement system, which makes them eligible for full retirement benefits through ASRS.
 - Of those, 52 have completed 30 years or more of service.
 - Thirty-five employees are 62 years of age or older and have completed 10 or more years of service; on that basis, they are eligible for full retirement benefits.
 - During the first year in which WESD's phased retirement program was implemented, neither classified employees nor administrators were eligible to participate; effective with the second year, the program was opened to all three employee categories.
 - A perception exists that phased retirement programs strongly encourage employees to retire through ASRS, thereby harming the system through the loss of their retirement contributions.
 - The state is proposing an alternative ASRS contribution rate for phased retirement participants (as well as other leased or contracted workers and return-to-work employees), effective 7/1/2014.
 - Districts would be responsible for paying a percentage of the alternate rate.
 - Options for how districts would pay the percentage are being considered.
 - City and state employees also participate in phased retirement programs.
 - The Superintendent is not eligible to participate in any phased retirement program offered by the District, as per GCQE-R.
 - Based on current District regulation, smartschoolsplus, inc. employees would be part of the reduction in force process.
 - According to ASRS regulation, a return-to-work employee may only work half-time or less during the first year following retirement.
- **Interests:** *the concerns, needs or desires underlying an issue.* IBN members discussed the following interests with respect to the issue of phased retirement:
 - Saving the District money
 - Protecting the longevity of smartschoolsplus, inc. employees
 - Notifying potential participants up front regarding the length of commitment
 - Predictability in the budget
 - Honoring employees' longevity

- Retaining our best, strongest and most productive employees
 - Legal compliance (with new tenure law)
 - Not wanting employees to retire before they are ready to do so; protecting employees
 - Balance of new and veteran employees, i.e., teachers and other staff members
 - Correcting the perception of those who are not at retirement stage that the retired teacher is making considerably more money
 - Future staffing flexibility
 - Equity between smartschoolsplus, inc. employees and regular employees with regard to reduction in force
 - Analyzing all variables and not just past policy and practice
 - Establishing a return-to-work procedure related to smartschoolsplus, inc.
 - Prioritizing WESD employees versus contracted personnel
 - Stability; not depending on smartschoolsplus, inc.
 - Individuals being willing to accept the responsibilities and know the risks of participating in a phased retirement program
- **Straw Design:** *a combination of options that meet the stated interests, as well as any other evaluative criteria, e.g., affordability, legal concerns, alignment with mission and values.* IBN members developed and reached 100 percent consensus on a straw design for a WESD phased retirement program that includes the following components:
 - The program would remain in effect for one year only.
 - The program would be intended for eligible employees who wish to work for WESD for only one more year.
 - The program would be open to eligible classified employees, certified employees and administrators; the Superintendent would not be eligible to participate.
 - There would be only one entry date into the program (July 1) for eligible participants.
 - Prospective participants would be required to complete an application process.
 - Given that a prospective participant
 - has been employed by WESD for five or more consecutive years and
 - qualifies for full retirement benefits through ASRS,
 phased retirement program eligibility would be based on the outcome of the employee's RIF rubric, Productive Culture rubric and performance evaluations.
 - The intended placement of an eligible program participant would be the site at which he was located during his or her final year of employment with WESD.
 - As a phased retirement program participant, the employee would receive 80 percent of the base salary earned during his or her final year of employment with WESD.
 - As the phased retirement program provider, WESD would pay smartschoolsplus, inc. 91 percent of the base salary earned by a given participant during his or her final year of employment with WESD.
 - Program participants would be granted all general leave time up front.
 - 12-month employees would receive 12 days of general leave.
 - Employees who work fewer than 12 months per year would receive 10 days of general leave.
 - Program participants who are 12-month employees would be granted 10 vacation days up front.

- Program participants would not be eligible for professional development days.
- Program participants would not be eligible to receive incentives, unless 2141 (a function of No Child Left Behind [NCLB] that requires the equitable distribution of teachers) is instituted.
- Program participants would be eligible to receive stipends for additional work; if applicable, WESD would pay 100 percent of the stipend amount to smartschoolsplus, inc.
- WESD would not pay for program participants' health insurance.
- A position filled by a phased retirement program participant would be opened the following year for possible reduction or vacancy.
- At the conclusion of the phased retirement program year, a participant could submit a WESD employment application in order to be considered for vacant positions in the District.
 - The individual would follow the same procedure as any other external applicant.
 - If rehired by the District, the individual's salary placement and benefits would be determined according to procedures applicable to new hires.

Recommendation:

The 2010-2011 IBN Team recommends that the Governing Board authorize WESD to pursue a contract with smartschoolsplus, inc. for the 2011-2012 school year in accordance with the guidelines set forth in the straw design, above.

Attached, for your reference, are the following documents:

- Handout of PowerPoint presented to IBN Team by Sandee McClelland, smartschoolsplus, inc. (*Attachment A*)
- Copy of HB 2027 (*Attachment B*)

Phased Retirement

For

Washington Elementary School District

IBN - December 8, 2010

www.smartschoolsplus.com



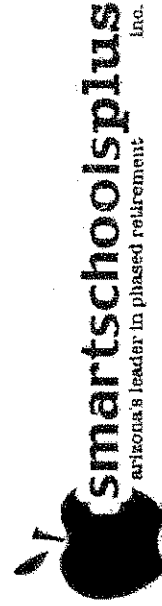
(Attachment A)

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Phased Retirement

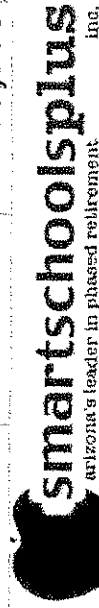
employee incentive

		yearly	monthly
District salary		50,000	4,167
three year average salary		50,000	
30 years experience (2.3 multiplier)		69%	
ASRS benefit (69% of 3 year average)		34,500	2,875
ssplus salary (District determines offered amount)	80.00%	40,000	3,333
total earnings as a ssplus employee		74,500	6,208
additional compensation	49.00%	24,500	2,042
contribution to ASRS is now saved	9.85%		
approx. earnings of exiting salary!	89.85%		



Phased Retirement

potential savings		District	ssplus	ssplus
contracted salary	employee base salary (District determines offered amount)	50,000		
			40,000	40,000
	social security	3,100	2,480	2,480
	F.I.C.A./medicare	725	580	580
	workers compensation (professional)	230	184	184
	workers compensation (grounds, etc.)	0	0	0
	AZ unemployment (first \$7,000 x 2)	218	218	218
	Fed unemployment (first \$7,000 x 2)	112	112	112
	total benefit cost	4,385	3,574	3,574
	total payroll cost	54,385	43,574	43,574
	ssplus service fee	0	1,600	1,600
	total ssplus cost	0	45,174	45,174
	ASRS			
	health insurance (includes ASRS \$1,800 reimbursement)	4,925	0	0
	total employment cost	4,800	3,000	0
	savings w/ insurance	64,110	48,174	45,174
	savings w/o insurance		15,936	
				18,936



Phased Retirement

long term savings w/health insurance

<u>employees</u>	<u>one year</u>	<u>three years</u>	<u>five years</u>
70	1,115,520	3,346,560	5,577,600
25	398,400	1,195,200	1,992,000
1	15,936	47,808	79,680

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Phased Retirement

long term savings – without insurance

<u>employees</u>	<u>one year</u>	<u>three years</u>	<u>five years</u>
70	1,325,520	3,976,560	6,627,600
25	473,400	1,420,200	2,367,000
1	18,936	56,808	94,680

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Phased Retirement

district considerations

- salary (WESD determines):
 - exiting year @ 80%, 83%, etc.
 - salary to remain constant or increase
 - Prop. 301 base, longevity (yes or no?)
 - addenda (tutoring, subbing, etc.) (yes or no?)
- health insurance (WESD determines):
 - reinstate after year 1 (yes or no?)
 - retiree pays (75% vs 80%)
- discretionary leave days: (non-accrual)
 - 12 month up to 12 days / vacation up to 20 days
 - 9/10 month up to 10 days

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PREFILED JAN 04 2011

REFERENCE TITLE: ASRS; return to work; contributions.

State of Arizona
House of Representatives
Fiftieth Legislature
First Regular Session
2011

HB 2027

Introduced by
Representative Robson

AN ACT

AMENDING SECTIONS 38-766 AND 38-766.01, ARIZONA REVISED STATUTES; AMENDING TITLE 38, CHAPTER 5, ARTICLE 2, ARIZONA REVISED STATUTES, BY ADDING SECTION 38-766.02; MAKING AN APPROPRIATION; RELATING TO THE ARIZONA STATE RETIREMENT SYSTEM.

(TEXT OF BILL BEGINS ON NEXT PAGE).

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 38-766, Arizona Revised Statutes, is amended to
3 read:

4 38-766. Retired members: return to work; suspension of
5 benefits; exceptions; maximum benefit

6 A. A retired member who is engaged to work by an employer for at least
7 twenty weeks in each fiscal year and at least twenty hours per week resumes
8 active membership in ASRS. ASRS shall suspend payment of the member's
9 retirement benefits until the member either:

10 1. Terminates employment and files an application for reretirement on
11 a form that is approved by the director.

12 2. Attains a normal retirement date, no longer meets the requirements
13 for active membership pursuant to this subsection and files an application
14 for reretirement on a form that is approved by the director.

15 B. A RETIRED MEMBER WHOSE RETIREMENT BENEFITS HAVE BEEN SUSPENDED
16 PURSUANT TO SUBSECTION A OF THIS SECTION SHALL REPAY ASRS ANY RETIREMENT
17 BENEFITS RECEIVED BY THE MEMBER FROM THE DATE ASRS NOTIFIES THE MEMBER IN
18 WRITING THAT THE MEMBER'S EMPLOYMENT RESULTED IN ACTIVE MEMBERSHIP IN ASRS
19 PURSUANT TO SUBSECTION A OF THIS SECTION, FROM THE DATE ASRS DETERMINES THAT
20 THE MEMBER KNEW OR SHOULD HAVE KNOWN THAT THE MEMBER'S EMPLOYMENT RESULTED IN
21 MEMBERSHIP IN ASRS PURSUANT TO SUBSECTION A OF THIS SECTION OR FOR ANY OTHER
22 PERIOD AS DETERMINED BY ASRS.

23 ~~B.~~ C. A member who satisfies subsection A, paragraph 1 or 2 of this
24 section is entitled to receive an annuity recomputed to include the
25 additional compensation and credited service. However, the recomputed
26 annuity shall be in the original optional form chosen pursuant to section
27 38-760, with the same beneficiary, if applicable, as when the member first
28 retired, unless the member has resumed active membership for at least sixty
29 consecutive months. A member who retired under a provision of law allowing
30 increased benefits if the retirement occurred during a specific period of
31 time and who subsequently becomes an employee under ASRS shall not retain the
32 increased benefits under the prior law when benefits are computed for the
33 member's most recent retirement.

34 ~~C.~~ D. Notwithstanding subsection A of this section, ASRS shall not
35 suspend the payment of retirement benefits if a retired member begins or
36 returns to employment with an employer in a position that satisfies all of
37 the following:

38 1. Results in a true change in position, job duties and job title from
39 the position occupied by the member before ASRS retirement.

40 2. Either:

41 (a) Requires participation in another state retirement system, plan or
42 program and the retired member makes contributions or waives participation
43 pursuant to section 38-804, subsection A.

44 (b) Permits a member to elect to participate in another state
45 retirement system, plan or program and the member makes such an election.

3. Does not require membership in the defined benefit plan established by this article.

~~D.~~ E. A retired member who returns to work pursuant to subsection ~~E~~ D of this section does not accrue credited service, member service as provided in section 15-1628, subsection B, paragraph 4, additional account balances, retirement benefits or long-term disability program benefits pursuant to article 2.1 of this chapter for the period the retired member returns to work. The period the retired member returns to work is not eligible for purchase under section 38-743 or 38-744.

~~E.~~ F. Section 38-769, subsection L applies when determining the maximum benefit that may be paid to a retired member who resumes active membership and subsequently retires.

G. AN EMPLOYER THAT ENGAGED THE RETIRED MEMBER TO WORK PURSUANT TO THIS SECTION SHALL PAY TO ASRS AN AMOUNT EQUAL TO THE RATE ESTABLISHED BY THE ACTUARY PURSUANT TO SECTION 38-766.02, SUBSECTION B FOR THE PERIOD STARTING WITH THE FIRST DAY THE RETIRED MEMBER BEGAN WORKING AFTER RETIREMENT THROUGH THE EARLIER OF:

1. THE DATE THE MEMBER TERMINATES EMPLOYMENT.
2. THE DATE THE EMPLOYER BEGINS PAYMENT FOR THAT MEMBER PURSUANT TO SECTION 38-766.02.
3. THE DATE THE MEMBER RESUMES ACTIVE MEMBERSHIP PURSUANT TO SUBSECTION A OF THIS SECTION AND THE MEMBER AND EMPLOYER ARE REQUIRED TO MAKE CONTRIBUTIONS PURSUANT TO SECTION 38-736, 38-737 OR 38-738.

Sec. 2. Section 38-766.01, Arizona Revised Statutes, is amended to read:

38-766.01. Retired members: return to work

A. Notwithstanding section 38-766, at a retired member's election, a retired member may return to work and still be eligible to receive retirement benefits if all of the following requirements are satisfied:

1. The retired member has attained the member's normal retirement age.
2. The retired member terminated DIRECT employment WITH AN EMPLOYER at least twelve CONSECUTIVE months before returning to work.
3. If the retired member returns to work as a teacher, the retired member's employment is not subject to the requirements prescribed in sections 15-536, 15-538, 15-538.01 and 15-539 through 15-543.

B. A retired member's election to return to work under this section is irrevocable for the remainder of the retired member's employment for which the retiree made the election.

C. The retired member shall acknowledge this section in writing and file the acknowledgement with the employer within thirty days of returning to work.

D. An employer of a retired member who returns to work pursuant to this section shall not pay contributions on behalf of the retired member pursuant to section 38-736, 38-737 or 38-797.05.

E. A retired member who returns to work pursuant to this section does not accrue credited service, member service as provided in section 15-1628, subsection B, paragraph 4, additional account balances, retirement benefits or long-term disability program benefits pursuant to article 2.1 of this chapter for the period the retired member returns to work. The period the retired member returns to work is not eligible for purchase under section 38-743 or 38-744.

Sec. 3. Title 38, chapter 5, article 2, Arizona Revised Statutes, is amended by adding section 38-766.02, to read:

38-766.02. Retired members; return to work; employer contribution payments; definitions

A. NOTWITHSTANDING SECTION 38-766.01, SUBSECTION D, BEGINNING JULY 1, 2014, AN EMPLOYER SHALL PAY CONTRIBUTIONS AT AN ALTERNATE CONTRIBUTION RATE ON BEHALF OF A RETIRED MEMBER WHO RETURNS TO WORK IN ANY CAPACITY IN A POSITION ORDINARILY FILLED BY AN EMPLOYEE OF THE EMPLOYER WHO IS INCLUDED IN AGREEMENTS PROVIDING FOR THEIR COVERAGE UNDER THE FEDERAL OLD AGE AND SURVIVORS INSURANCE SYSTEM. THIS SUBSECTION APPLIES TO A RETIRED MEMBER WHO HAS BEEN RETIRED FOR MORE THAN THREE HUNDRED SIXTY-FIVE DAYS IF THE RETIRED MEMBER HAS REACHED A NORMAL RETIREMENT AGE OR IF THE RETIRED MEMBER RETIRED UNDER SECTION 38-758 AND THE RETIRED MEMBER'S RETIREMENT BENEFIT HAS NOT BEEN SUSPENDED PURSUANT TO SECTION 38-766.

B. THE ASRS ACTUARY SHALL DETERMINE THE ALTERNATE CONTRIBUTION RATE IN AN ANNUAL VALUATION PERFORMED AS OF JUNE 30. FOR THE FISCAL YEAR BEGINNING ON JULY 1 OF THE FOLLOWING CALENDAR YEAR, THE VALUATION SHALL DETERMINE THE PERCENTAGE TO BE APPLIED TO THE COMPENSATION, GROSS SALARY OR CONTRACT FEE OF A RETIRED MEMBER WHO MEETS THE REQUIREMENTS OF THIS SECTION.

C. THE ALTERNATE CONTRIBUTION RATE SHALL NOT BE LESS THAN TWO PER CENT IN ANY FISCAL YEAR. THE ALTERNATE CONTRIBUTION RATE IS EQUAL TO THE LESSER OF:

1. THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY THE ASRS ACTUARY PURSUANT TO SECTION 38-737 PLUS THE EMPLOYER CONTRIBUTION RATE ESTABLISHED BY THE ASRS ACTUARY PURSUANT TO SECTION 38-797.06.

2. TWO TIMES THE PAST SERVICE FUNDING REQUIREMENT RATE ESTABLISHED BY THE ASRS ACTUARY PURSUANT TO SECTION 38-737 PLUS THE PAST SERVICE FUNDING REQUIREMENT RATE ESTABLISHED BY THE ASRS ACTUARY PURSUANT TO SECTION 38-797.06.

D. ASRS SHALL DETERMINE THE SCHEDULE AND METHOD OF PAYMENT OF THE ALTERNATE CONTRIBUTION RATE. SUBJECT TO SECTION 38-738, SUBSECTION A, ALL CONTRIBUTIONS MADE BY THE EMPLOYER AND ALLOCATED TO THE FUND ESTABLISHED BY SECTION 38-712 ARE IRREVOCABLE AND SHALL BE USED AS BENEFITS UNDER THIS ARTICLE OR TO PAY THE EXPENSES OF ASRS. PAYMENTS MADE PURSUANT TO THIS SECTION BY EMPLOYERS BECOME DELINQUENT AFTER THE DUE DATE PRESCRIBED IN THE BOARD'S RULES AND THEREAFTER SHALL BE INCREASED BY INTEREST FROM AND AFTER THAT DATE UNTIL PAYMENT IS RECEIVED BY ASRS. ASRS SHALL CHARGE INTEREST ON THE DELINQUENT PAYMENTS AS PRESCRIBED IN SECTION 38-711. ASRS MAY RECOVER

1 DELINQUENT PAYMENTS DUE UNDER THIS SECTION, TOGETHER WITH INTEREST CHARGES AS
2 PROVIDED IN THIS SECTION, BY ACTION IN A COURT OF COMPETENT JURISDICTION
3 AGAINST AN EMPLOYER LIABLE FOR PAYMENTS OR, AT THE REQUEST OF THE DIRECTOR,
4 ASRS MAY DEDUCT THE DELINQUENT PAYMENTS AND INTEREST CHARGES FROM ANY OTHER
5 MONIES, INCLUDING EXCISE REVENUE TAXES, PAYABLE TO THE EMPLOYER BY ANY
6 DEPARTMENT OR AGENCY OF THIS STATE.

7 E. AN EMPLOYER OF A RETIRED MEMBER SHALL SUBMIT ANY REPORTS, DATA,
8 PAPERWORK OR MATERIALS THAT ARE REQUESTED BY ASRS AND THAT ARE NECESSARY TO
9 DETERMINE THE COMPENSATION, GROSS SALARY OR CONTRACT FEE ASSOCIATED WITH A
10 RETIRED MEMBER WHO RETURNS TO WORK OR TO DETERMINE THE FUNCTION, UTILIZATION,
11 EFFICACY OR OPERATION OF THE RETURN TO WORK PROGRAM.

12 F. FOR THE PURPOSES OF THIS SECTION:

13 1. "CONTRACT FEE" MEANS THE GROSS AMOUNT PAID TO A RETIRED MEMBER AS
14 AN INDEPENDENT CONTRACTOR MINUS AN AMOUNT, NOT TO EXCEED TEN PER CENT, FOR AN
15 ADMINISTRATIVE FEE.

16 2. "GROSS SALARY" MEANS THE GROSS AMOUNT PAID TO A RETIRED MEMBER BY A
17 LEASING COMPANY AS SALARY OR WAGES, INCLUDING AMOUNTS THAT ARE SUBJECT TO
18 DEFERRED COMPENSATION OR TAX SHELTER AGREEMENTS, FOR SERVICES RENDERED OR
19 THAT WOULD HAVE BEEN PAID TO THE RETIRED MEMBER EXCEPT FOR THE MEMBER'S
20 ELECTION OR A LEGAL REQUIREMENT THAT ALL OR PART OF THE GROSS AMOUNT BE USED
21 FOR OTHER PURPOSES.

22 Sec. 4. Rule making authority

23 Notwithstanding any other law, the Arizona state retirement system may
24 conduct rule making for the purpose of implementing this act.

25 Sec. 5. Legislative intent: alternate contribution rate: ASRS
26 employers

27 The legislature intends by this act to establish an alternate
28 contribution rate in order to mitigate the potential actuarial impact that a
29 retired member who returns to work for an employer may have on the Arizona
30 state retirement system. Through the establishment of the alternate
31 contribution rate the legislature intends to assure employers that the use of
32 leased, contracted or retired employees and services will have a minimal, if
33 any, actuarial impact on the Arizona state retirement system.

34 Sec. 6. Appropriation: Arizona state retirement system:
35 exemption

36 A. The sum of \$150,000 is appropriated from the Arizona state
37 retirement system administration account in fiscal year 2011-2012 to the
38 Arizona state retirement system for the administrative implementation of this
39 act.

40 B. The appropriation made in subsection A of this section is exempt
41 from the provisions of section 35-190, Arizona Revised Statutes, relating to
42 lapsing of appropriations.

PHASED RETIREMENT

Governing Board Study Session
February 1, 2011

The Issue

WESD has the opportunity to
contract with *smartschoolsplus, inc.*
to reestablish a phased retirement
program for 2011-2012.

Involved Stakeholders

2010-2011

Interest-Based Negotiations Team:

Certified Employees

- Maggie Brogan
- Joslyn Brown
- Paula Gray
- Nina LaPine
- Talia Perry
- Darrin Squire
- Grace Wood

Classified Employees

- Pat Barrier
- Eric Carpenter
- Bruce Hertzog
- Nancy Heydorn
- Jessica Martinez
- Stephanie Phillips
- Angie Taylor

Administrators

- Betty Paterson
- Dr. Mike Trevillion
- David Velazquez

Resources (nonvoting members)

- | | | |
|------------------|------------------|----------------|
| • Dr. Lyn Bailey | • Janet Sullivan | • Mindy Whalen |
| • Dr. Susie Cook | • Cathy Thompson | • Justin Wing |
| • Ken Simmons | • Janet Sullivan | |

Interest-Based Process

~ STORY ~

Timeline of Phased Retirement Program in WESD

- 2004-2005: first year of program
 - 32 participants
 - Open to certified employees only
- 2005-2006 through 2008-2009
 - Averaged 56 participants each year
 - Open to certified and classified employees
 - Open to administrators, except Superintendent
- Many participants remained in program for full 5 years
- Currently no phased retirement program

Eligibility Criteria

- Qualify for normal retirement through ASRS
- Complete WESD application process
- Obtain supervisor's approval

Financial Details - District

- 98% of participant's base salary to *smartschoolsplus, inc.*
- 2% retained by WESD for substitute costs
- \$900,000 savings in 2006-2007
- Savings due to elimination of benefit expenses

Financial Details - Participants

- Participation increases earning capacity
- No incentives, bonuses, teacher performance pay

Current Situation

- To date, notification by 17 teachers of intent to retire at end of 2010-2011
- Number of employees who qualify for full ASRS retirement:
 - 224 with 80 points or more, of whom 52 have 30 or more years of service
 - 35 are 62 years of age or older, with 10 or more years of service

Internal Concerns

- Impact of reduction in force on phased retirement program participants
- Sick leave buyback deadline

External Concerns

- Perception that phased retirement programs are detrimental to ASRS
- HB 2027: alternate ASRS contribution rate for leased, contracted, return-to-work employees

~ Interests ~

Financial

- Saving District money
- Predictability in the budget
- Stability; not depending on *smartschoolsplus, inc.*
- Correcting perception of salary inequities: *smartschoolsplus, inc.* and return-to-work employees vs. regular employees

Staffing

- Retaining best, strongest, most productive employees
- Balance of new and veteran employees
- Future staffing flexibility

Ethical / Legal

- Clear communication to potential phased retirement program participants
 - Ensuring understanding of responsibilities and risks
 - Length of commitment to program
 - Not encouraging employees to retire before ready
- Honoring employee longevity while complying with law
- Establishing equitable procedures for
 - Reduction in force
 - Return-to-work procedures

Phased Retirement Program
~ Straw Design ~

100% Consensus!

Program Duration *(Proposed)*

- One year only (2011-2012)
 - Intended for eligible employees who want to work in WESD for only one more year
 - July 1 entry date only
- End of 2011-2012 procedures:
 - Positions held by program participants to be opened as vacancies or considered for possible reductions
 - Program participants could reapply to WESD to be considered for posted vacancies
 - External application and selection procedures would apply
 - New hire salary placement and benefits procedures would apply

Program Eligibility *(Proposed)*

- Open to eligible members of all employee groups
 - Certified
 - Classified
 - Administrators, except Superintendent (per GCQE-R)
- Basic requirements
 - Employed by WESD for five or more consecutive years
 - Qualify for full retirement benefits through ASRS
 - Complete application process
- Additional criteria
 - Reduction in Force Rubric results
 - Productive Culture rubric results
 - Performance evaluation results
- Intended placement of participant is at site where located immediately prior to retirement

Program Compensation and Benefits *(Proposed)*

- Participant would receive 80% of base salary earned during final year of WESD employment
- WESD would pay *smartschoolsplus, inc.* 91% of base salary earned by participant during final year of WESD employment
- WESD would not pay participants' health insurance
- Participants would be granted general leave days up front
 - 12-month employees: 12 general leave days
 - less than 12-month employees: 10 general leave days
- 12-month participants to receive 10 vacation days up front

Program Compensation and Benefits

(Proposed) ...continued

- Participants not eligible for professional development days
- Participants not eligible to receive incentives, unless NCLB 2141 is instituted
- Stipends for additional work completed
 - Participants are eligible to receive, if applicable
 - If applicable, WESD would pay 100% of stipend amount to *smartschoolsplus, inc.*

~ Recommendation ~

**The 2010-2011 IBN Team
recommends that the
Governing Board authorize
WESD to pursue a contract
with *smartschoolsplus, inc.*
for the 2011-2012 school
year in accordance with the
guidelines set forth in the
preceding straw design.**

QUESTIONS?