

Decision Item #28: ELIMINATE ADMINISTRATORS' RETIREMENT PLAN (NOT WRS)

Background:

This administrator retirement plan is in addition to retirement benefits MMSD administrators receive through the Wisconsin Retirement System (WRS). The Administrators' Retirement Plan was initiated by the District as an early retirement incentive program and to reward long-term administrative service to the District. The program provides retirees with a retirement sum paid out over a three to five year period following retirement.

The program operates as a Board of Education approved plan with several essential elements:

- The program is voluntary
- Eligibility for an administrator to participate requires 7 years of administrative service and the participant's age and total service to the District must total an eligibility factor of at least 70. The seven-year requirement has several additional requirements listed in the plan detail. Once seven years is achieved administrators may begin participation in the required 5-year contribution period for eligibility.
- Eligibility is contingent upon administrator contribution required at a minimum of \$50/month for five years and continuously thereafter until leaving the District. Administrators receive these employee contributions back as a part of this plan, in addition to the District contribution.
- As of the latest plan revision in July 1999, fifteen years of administrative service, including five years employee contribution, results in \$30,600 District contribution. Twelve years of administrative service, including five years employee contribution results in \$27,540 District contribution. If an employee does not resign after five years of contributions, an additional \$1,000 is contributed by the District each year up to a maximum total benefit of \$34,203 per participant for the 2002-2003 year.
- The Board of Education can limit the number of retirees participating in the plan each year to 4, although if funds are available the Board may allow more participants. Historically, the Board has allowed all eligible retirees to participate.
- In consideration of the benefits afforded under this policy, participants in this plan must perform consultation to the District after retirement from the District. The District and the administrator enter into a contract for services determined most advantageous to the District by the District Superintendent. The consultation services have a minimum requirement of 20 days of consulting services.

Our review of this program indicates that this program does not benefit the District through promotion of early administrator retirements. All administrators meeting the eligibility factor of 70 and electing to participate will receive administrator retirement benefits, regardless of age. Additionally, benefits to the District resulting from consulting services rendered by the administrators are not substantial enough to offset the payout benefit.

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Expenditures: Recent historical eligibility payouts for the Administrator Retirement Plan program:

| Year | Total Plan Dollar Payout | Average Retiree Payout |
|-------------|---------------------------------|-------------------------------|
| 1999 | \$175,750 | \$ 29,292 |
| 2000 | \$108,000 | \$ 36,000 |
| 2001 | \$284,520 | \$ 35,565 |
| 2002 | \$136,812 | \$ 34,203 |

Revenues: No revenues are generated for the District under this program, however a minimum of 20 days of consultation services is provided to the District from each participant.

FTE: Recent historical retirees participating in this plan are as follows:

| Year | Number of Plan Participant Retirees |
|-------------|--|
| 1999 | 6 |
| 2000 | 3 |
| 2001 | 8 |
| 2002 | 4 |

Anticipated Savings: Elimination of this program would likely need to be phased out over a minimum 3-5 year and maximum 10 year time frame in order to accommodate those who have either already retired or already elected to participate in the plan's five-year contribution period. Participants are provided benefit payouts over an additional three to five year time frame as outlined in the program guidelines.

An interim savings measure would be for the Board of Education to enforce the maximum rule of 4 participants per year to cap the District payout of benefits each year at \$146,880. The Board of Education has granted benefits to greater than 4 participants in 2 of the past 4 years. Total potential District savings for these two years had the Board decided to cap the number of participants to 4 is \$266,880. For the 2002 year, the number of eligible participants is 4, thus no Board action is required. For future years, this could have savings impact.

Another alternative is for the Board of Education to immediately discontinue new participants retirees into the program and refund all participant contributions. The Board of Education could then decide to continue the three to five year payout plans for participants already receiving a payout, or provide lump sum payouts to these participants which would eliminate the program over a shorter time period.

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Anticipated Savings: **Option A** is elimination of the program over a 5-10 year time. This option allows all participants who have already elected to begin their five-year contribution period to continue the program. This option would not result in any District savings until after year 5. At year 5, savings would occur over a 3-5 year time frame until maximum savings of \$146,880 is achieved annually thereafter, This estimate assumes 4 eligible participants each year at a maximum eligibility payout.

Option B is for immediate plan elimination resulting in the District discontinuing District contributions to all those who have not given notice to retire. This would accelerate District savings by five years and provide the District additional savings of \$146,880 per year over a five year time period. Total additional potential savings under this option is \$734,440.

Either option has choices of providing lump sum payouts to existing retiree participants, or continuation of existing retiree payout plans over the stated 3-5 year period. District savings between these two payout alternatives are negligible. The potential additional benefit of lump sum payouts is earlier elimination of plan administration responsibilities through Human Resources.

Student Impact: Elimination of the Administrator Retirement Plan program should have no impact on students or student achievement levels.

Strategic Priorities: NA

Board Priorities: NA

Effectiveness: This program was intended to serve the District through overall cost savings generated as a result of administrator turnover. Over time, this program has evolved to result in additional District costs, instead of District savings as intended. Elimination of this program would have long-term positive financial impact for the District.

Redundancies or Availability of the Service Elsewhere: Administrator retirees already receive retirement benefits at retirement through other programs. Elimination of this program to administrators will be perceived as taking away a benefit.

Service Delivery: No impact.