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Memo

To Board of Education

From Vernon Hal, Deputy Superintendent Business and Operations

Board Meeting Date March 9, 2011

Subject **Authorizing the Oakland Unified School District to Implement the Public Agency Retirement Services Supplemental Retirement Plan for Certain CALSTRS and PERS Member District Employees**

Action Requested Adopt Resolution No. 1011-0137 Authorizing the District to implement the Public Agency Retirement Services Supplemental Retirement Plan for certain CALSTRS and PERS Member District Employees.

Background By Board Resolution No. 1011-0058, approved on December 14, 2010, the District entered into an agreement with Public Agency Retirement Services (PARS) to design a Supplementary Retirement Plan (SRP), for eligible certificated and classified non-management and management employees. The goals of the retirement incentive program are 1) to enable the District to continue to reduce its structural deficit by decreasing overall employee compensation expenses by increasing the number of retirements in the 2010-2011 school year, and 2) anticipating further State budget cuts and a revised State budget in early 2011, to enable the District to be fiscally prepared to react to anticipated State reductions for the current fiscal year and further cuts for the 2011-12 fiscal year. The retirement plan provides participating certificated, classified and management employees with a benefit of 75% of their final year annual base salary, paid over a minimum five-year period. During the open enrollment period for the program, 15.25% of the eligible participants submitted a completed application packet to participate in SRP. This number includes 145 certificated non-management, 67 classified non-management, 14 certificated management and 6 classified management employees. Assuming conservatively that 100% of program participants (i.e., retirees) are replaced with new hires, we project that the cost to the District to implement SRP over a five year period is approximately \$425,000 net of the approximately \$10.5 million to fund the benefit to retiring employees. To the extent that fewer than 100% of program participants are replaced, the cost to the District should decrease



and potentially result in a net savings.

Discussion

The Superintendent recommends to the Board that the District adopt the PARS Supplementary Retirement Plan, as part of the District Retirement Program, and authorize the District to implement the SRP Plan. If the Board authorizes implementation of the Plan, the following is the timeline:

- 1) Board action authorizing implementation of the Plan (March 9, 2011);
- 2) Employees resign/retire from District employment (June 30, 2011);
- 3) SRP benefits commence (August 1, 2011)

Recommendation

Adopt Resolution No. 1011-0137 Authorizing the District to implement the Public Agency Retirement Services Supplemental Retirement Plan for certain CALSTRS and PERS Member District Employees

Fiscal Impact

Assuming 100% of program participants (i.e., retirees) are replaced with new hires, we project that the cost to the District to implement the SRP over a five year period is approximately \$425,000 net of the approximately \$10.5 million to fund the benefit to retiring employees.

Attachments

- Resolution 1011-0137

**RESOLUTION
OF THE
BOARD OF EDUCATION
OF THE
OAKLAND UNIFIED SCHOOL DISTRICT**

RESOLUTION NO.1011-0137

**Authorizing the Oakland Unified School District to Implement the Public
Agency Retirement Services Supplemental Retirement Plan for Certain
CALSTRS and PERS Member District Employees**

WHEREAS, as provided in Board of Education Resolution No. 1011-0058, approved by the Board on December 14, 2010, the District entered into an agreement with Public Agency Retirement Services (PARS) to design a Supplementary Retirement Plan (SRP), a retirement incentive that may encourage certain certificated and classified non-management and management employees to retire early; and

WHEREAS, the goals of the retirement incentive program are 1) to enable the District to continue to reduce its structural deficit by decreasing overall employee compensation expenses by increasing the number of retirements in the 2010-2011 school year, and 2) anticipating further State budget cuts and a revised State budget in early 2011, to enable the District to be fiscally prepared to react to anticipated State reductions for the current fiscal year and further cuts for the 2011-12 fiscal year; and

WHEREAS, the Supplementary Retirement Plan provides participating certificated, classified and management employees with a monthly benefit of 75% of their final year salary, paid over a minimum five-year period; and

WHEREAS, to be eligible for the program, the employee must be:

- 1) Employed by the District as of December 14, 2010;
- 2) For certificated employees, a minimum of 55 years of age with at least 5 years of District service as of June 30, 2011; and
- 3) For classified employees, a minimum of 50 years of age with at least 5 years of District service as of June 30, 2011; and

WHEREAS, the following is the implementation timeline for the retirement incentive program:

- 1) Board adopted resolution to approve Plan (December 14, 2010);
- 2) Enrollment packets mailed to eligible employees (December 23, 2010);
- 3) Employee orientation meetings (January 11, 12, 13, 18, 19, 2011) [5 days of meetings with two a day];
- 4) Employee Workshops (February 22, 23, 2011);
- 5) Enrollment window closed (February 28, 2011);
- 6) Board action authorizing implementation of the Plan (March 9, 2011);

- 7) Employees resign/retire from District employment after completion of the 2010-11 school year, on or before June 30, 2011; and
- 8) SRP benefits commence (August 1, 2011); and

WHEREAS, during the open enrollment period for the program 15.25% of the eligible participants submitted a completed application packet to participate in the SRP; and

WHEREAS, 145 certificated non-management, 67 classified non-management, 14 certificated management and 6 classified management employees submitted a complete application packet to participate in the SRP plan; and

WHEREAS, the cost to the District to fund the SRP retirement benefit over a five year period is approximately \$10.5 million dollars;

WHEREAS, assuming conservatively that 100% of program participants (i.e., retirees) are replaced with new hires, the cost to the District to implement SRP over a five year period is approximately \$425,000 net of the approximately \$10.5 million to fund the benefit to retiring employees; and

WHEREAS, to the extent that fewer than 100% of program participants are replaced, the net cost to the District should decrease and potentially result in more savings; and

WHEREAS, the District desires to adopt the Supplementary Retirement Plan and to fund the SRP Plan; and

NOW THEREFORE BE IT RESOLVED THAT, the Board of Education of the District hereby adopts the PARS Supplementary Retirement Plan, as part of the District Retirement Program, and authorizes the District to implement the SRP Plan.

PASSED AND ADOPTED by the Governing Board of the Oakland Unified School District this day of March, 2011; by the following vote, to wit:

AYES:

NOES:

ABSTAINED:

ABSENT:

CERTIFICATION

I, Edgar Rakestraw, Secretary of the Governing Board of the Oakland Unified School District, Alameda County, State of California, do hereby certify that the foregoing Resolution was duly approved and adopted by the Governing Board of said District at a Regular Meeting thereof held on the 9 day of March 2011 with a copy of such Resolution being on file in the Office of the Governing Board of said District.

Edgar Rakestraw, Jr.
Secretary, Governing Board

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