



**MILWAUKEE
PUBLIC SCHOOLS**

Early Retirement Window

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BOARD ACTION

- September 2019
- Direct the Administration and the Office of Accountability and Efficiency to estimate fiscal impact of
 - Current Early Retirement Window (ERW)
 - Extending ERW

CURRENT ERW

- Three-year period (July 1, 2017 – June 30, 2020)
- Eligibility
 - Hired before July 1, 2013
 - At least age 55 years
 - 20 years of service
 - 90% of sick leave (1,044 hours for 10 month employees; 1,080 for 12 month employees)

CURRENT ERW GOALS AND SUCCESS CRITERIA

- Goals
 - Cost savings
 - Opportunity to develop fresh talent
- Success Criteria
 - Savings realized and invested in HR
 - Sufficient quantity and quality of new talent

ANALYSIS OF OUTCOMES - CURRENT ERW

- Eligibility and Participation Rates

| | Fiscal Year | | | Total to Date |
|---------------------|-------------|-------|-------|---------------|
| | 17-18 | 18-19 | 19-20 | |
| Number Eligible | 531 | 184 | 174 | 889 |
| Number Participated | 151 | 122 | ? | 273 |
| Participation Rate | | | ? | 31% |

ANALYSIS OF OUTCOMES - CURRENT ERW

- Cost savings
 - Occur only during the period that begins the day the employee retires and ends the day the employee would have retired had the ERW not occurred (put simply, only short term)
 - Salary and benefit savings
 - Requires a match between replacement and retiree to calculate

ANALYSIS OF OUTCOMES - CURRENT ERW

- Cost savings continued...

| | Fiscal Year | | Total to Date |
|------------------------|-------------|-------|---------------|
| | 17-18 | 18-19 | |
| ERW Retirees | 151 | 122 | 273 |
| Matched Replacements | 86 | 61 | 147 |
| Match Rate | 57% | 50% | 54% |
| % of Savings Estimated | 43% | 50% | 46% |

CURRENT ERW

Compensation Analysis Associated With Early Retirement Window 7/1/2017-6/30/2019 (\$ in Millions)

| | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | Total |
|-----------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-------------------|-------------------|------------------|
| 1.Comp Savings | \$ 0.047 | \$ 2.862 | \$ 4.792 | \$ 3.990 | \$ 2.634 | \$ 1.653 | \$ 0.627 | \$ - | \$ 16.604 |
| 2.Benefit Savings | \$ 0.007 | \$ 0.414 | \$ 0.692 | \$ 0.577 | \$ 0.381 | \$ 0.239 | \$ 0.091 | \$ - | \$ 2.399 |
| 3.Total Savings | \$ 0.053 | \$ 3.275 | \$ 5.484 | \$ 4.566 | \$ 3.015 | \$ 1.892 | \$ 0.718 | \$ - | \$ 19.003 |
| 4.Health Care Cost (-) | \$ 0.058 | \$ 1.755 | \$ 3.518 | \$ 3.298 | \$ 2.249 | \$ 1.373 | \$ 0.540 | \$ - | \$ 12.790 |
| 5.ASC SERP Cost (-) | \$ 0.233 | \$ 0.182 | \$ 0.147 | \$ 0.121 | \$ 0.100 | \$ 0.084 | \$ 0.070 | \$ 0.060 | \$ 1.249 |
| 6.Teacher SERP Cost (-) | \$ 0.159 | \$ 0.159 | \$ 0.159 | \$ 0.159 | \$ 0.159 | \$ 0.159 | \$ 0.159 | \$ 0.159 | \$ 2.403 |
| 7.Total Cost (-) | \$ 0.449 | \$ 2.095 | \$ 3.823 | \$ 3.578 | \$ 2.508 | \$ 1.616 | \$ 0.769 | \$ 0.219 | \$ 16.442 |
| 8.Net Savings (Cost) | \$ (0.396) | \$ 1.180 | \$ 1.661 | \$ 0.989 | \$ 0.507 | \$ 0.276 | \$ (0.051) | \$ (0.219) | \$ 2.561 |



ANALYSIS OF OUTCOMES - CURRENT ERW

- Summary
 - 31% participation inception to date
 - Savings can only be estimated with uncertainty
 - New hires
 - Lower retention
 - Higher percentage of permit teachers

SCENARIO 1

EXTENDING ERW TO JUNE 30, 2023

Compensation Savings Associated With Extended Early Retirement Window (\$ in Millions)

| | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 | 2027-2028 | 2028-2029 | 2029-2030 | Total |
|-----------------------------|-------------------|-----------------|-----------------|------------------|------------------|-----------------|-------------------|-------------------|-------------------|-------------------|------------------|
| 1.Comp Savings | \$ 0.146 | \$ 2.774 | \$ 6.750 | \$ 9.831 | \$ 9.625 | \$ 8.189 | \$ 4.734 | \$ 1.383 | \$ - | \$ - | \$ 43.432 |
| 2.Benefit Savings | \$ 0.021 | \$ 0.401 | \$ 0.975 | \$ 1.421 | \$ 1.391 | \$ 1.183 | \$ 0.684 | \$ 0.200 | \$ - | \$ - | \$ 6.276 |
| 3.Total Savings | \$ 0.167 | \$ 3.174 | \$ 7.726 | \$ 11.251 | \$ 11.016 | \$ 9.373 | \$ 5.418 | \$ 1.583 | \$ - | \$ - | \$ 49.708 |
| 4.Health Care Cost (-) | \$ 0.124 | \$ 2.531 | \$ 6.410 | \$ 9.738 | \$ 9.686 | \$ 8.451 | \$ 5.181 | \$ 1.682 | \$ - | \$ - | \$ 43.801 |
| 5.Teacher SERP Cost (-) | \$ 0.411 | \$ 0.411 | \$ 0.411 | \$ 0.411 | \$ 0.411 | \$ 0.411 | \$ 0.411 | \$ 0.411 | \$ 0.411 | \$ 0.411 | \$ 4.110 |
| 6.ASC SERP Cost (-) | \$ 0.021 | \$ 0.006 | \$ (0.005) | \$ (0.002) | \$ 0.002 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 0.022 |
| 7.Total Cost (-) | \$ 0.556 | \$ 2.948 | \$ 6.816 | \$ 10.147 | \$ 10.099 | \$ 8.862 | \$ 5.592 | \$ 2.093 | \$ 0.411 | \$ 0.411 | \$ 47.933 |
| 8.Net Savings (Cost) | \$ (0.388) | \$ 0.227 | \$ 0.910 | \$ 1.105 | \$ 0.917 | \$ 0.511 | \$ (0.175) | \$ (0.510) | \$ (0.411) | \$ (0.411) | \$ 1.775 |

Actuarial Liability as
of July 1, 2017
(\$ in millions)

ERW 7/1/2020 to
6/30/2023

Eligible Members

463

Increased Unfunded
Actuarial Liability

\$31.97



SCENARIO 2

EXTENDING ERW TO JUNE 30, 2025

Compensation Savings Associated With Extended Early Retirement Window (\$ in Millions)

| | 2020-2021 | 2021-2022 | 2022-2023 | 2023-2024 | 2024-2025 | 2025-2026 | 2026-2027 | 2027-2028 | 2028-2029 | 2029-2030 | 2030-2031 | 2031-2032 | Total |
|-----------------------------|-------------------|-----------------|-----------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|
| 1.Comp Savings | \$ 0.146 | \$ 2.774 | \$ 6.750 | \$ 9.941 | \$ 13.137 | \$ 15.165 | \$ 11.472 | \$ 7.948 | \$ 5.018 | \$ 1.701 | \$ - | \$ - | \$ 74.053 |
| 2.Benefit Savings | \$ 0.021 | \$ 0.401 | \$ 0.975 | \$ 1.437 | \$ 1.898 | \$ 2.191 | \$ 1.658 | \$ 1.148 | \$ 0.725 | \$ 0.246 | \$ - | \$ - | \$ 10.701 |
| 3.Total Savings | \$ 0.167 | \$ 3.174 | \$ 7.726 | \$ 11.378 | \$ 15.035 | \$ 17.356 | \$ 13.130 | \$ 9.096 | \$ 5.743 | \$ 1.947 | \$ - | \$ - | \$ 84.753 |
| 4.Health Care Cost (-) | \$ 0.124 | \$ 2.531 | \$ 6.410 | \$ 9.913 | \$ 13.267 | \$ 15.781 | \$ 12.349 | \$ 8.616 | \$ 5.358 | \$ 1.975 | \$ - | \$ - | \$ 76.323 |
| 5.Teacher SERP Cost (-) | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 0.568 | \$ 6.816 |
| 6.ASC SERP Cost (-) | \$ 0.023 | \$ 0.008 | \$ (0.003) | \$ (0.001) | \$ 0.003 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 0.030 |
| 7.Total Cost (-) | \$ 0.715 | \$ 3.107 | \$ 6.975 | \$ 10.480 | \$ 13.838 | \$ 16.349 | \$ 12.917 | \$ 9.184 | \$ 5.926 | \$ 2.543 | \$ 0.568 | \$ 0.568 | \$ 83.169 |
| 8.Net Savings (Cost) | \$ (0.547) | \$ 0.068 | \$ 0.751 | \$ 0.898 | \$ 1.197 | \$ 1.007 | \$ 0.213 | \$ (0.087) | \$ (0.183) | \$ (0.596) | \$ (0.568) | \$ (0.568) | \$ 1.584 |

Actuarial Liability as
of July 1, 2017
(\$ in millions)

ERW 7/1/2020 to
6/30/2025

Eligible Members

787

Increased Unfunded
Actuarial Liability

\$53.83



PERMANENT CHANGE TO ERW SCENARIOS

| | Scenario 3 | | Scenario 4 | |
|---|---|---|---|---|
| Actuarial Liability as of July 1, 2017 (\$ in millions) | Eligibility 55/20/90% 100% Retire | Eligibility 55/20/90% Graded Retire | Eligibility 57/20/90% 100% Retire | Eligibility 57/20/90% Graded Retire |
| Eligible Members | 5,293 | 5,293 | 5,293 | 5,293 |
| Increased Unfunded Actuarial Liability | \$152.5 | \$46.3 | \$117.7 | \$26.0 |

No cost savings in these scenarios



QUANTITY AND QUALITY OF REPLACEMENT TALENT

- Considerations
 - Percentage of permit/unlicensed teachers
 - Number of vacancies and time to fill
 - Equitable distribution of highly-qualified teachers throughout District
 - Retention rate of replacement staff
 - WRS retiree return to work constraints

Thank you!

