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PUBLIC SCHOOLS

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# Report Regarding Early Retirement Analysis

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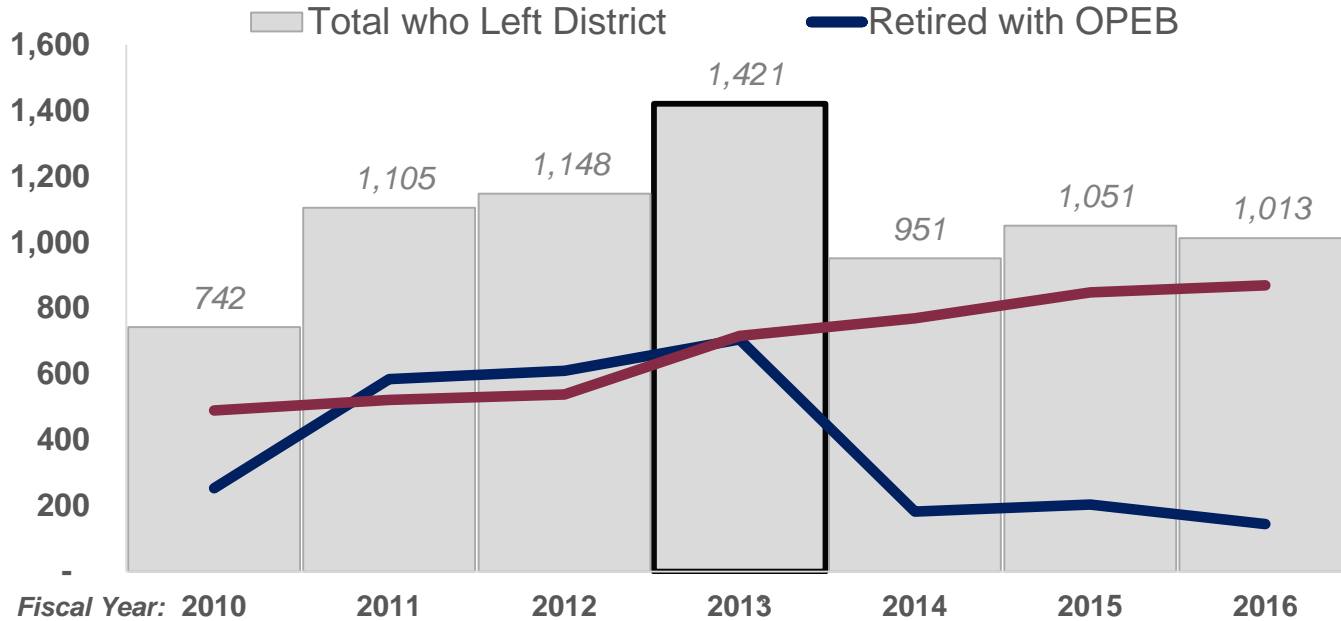
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# Overview

- **Per the Request of the Board's Committee on Accountability, Finance and Personnel**
  - **Benchmark benefits for surrounding school districts with regards to retirement age and other requirements**  
(for example, Green Bay, Kenosha, Madison and Racine)
  - **Scenarios with financial and staffing impact for each scenario**
    - Age 55 with 2-year window at 25%, 50%, 75% or 100% of eligible employees participating.
    - Modification of the retirement age requirement from 60 years to 57 years with current benefits intact, effective July 1, 2017.
    - Modification of the retirement age requirement from 60 years to 57 years with curtailment of benefits at age 65 years (current Medicare eligibility age), effective July 1, 2017.

# Employees who left MPS by Year



\*Note: OPEB eligibility provisions changed effective 07/01/2013

# Survey for School Districts

- Cedarburg
- Franklin Public Schools
- Grafton
- Green Bay
- Greendale
- Greenfield
- Kenosha
- Kettle Moraine
- Kewaskum
- Madison Metropolitan
- Menomonee Falls
- Mequon-Thiensville
- Merton Community
- Milwaukee Public Schools
- Mukwonago
- New Berlin
- Oak Creek-Franklin
- Oconomowoc
- Pewaukee
- Port Saukville
- Racine Unified School District
- Shorewood
- South Milwaukee
- St. Francis School District
- Waukesha
- Wauwatosa
- West Allis-West Milwaukee
- West Bend
- Whitefish Bay



# Survey Responses

School District Name	Open/Closed	Close date	Grandfather age	Grandfather Service
Cedarburg	Closed	10/1/2011	55	15
Franklin Public Schools	Open		55	20
Grafton	Open		55	15
Green Bay	Closed	6/30/2011	55	
Greendale	Closed	6/30/2011	none	15
Greenfield	Closed	7/1/2010	Eliminated benefit	
Kenosha	Open		At age 55 - Single and 62 family	15
Kettle Moraine	Closed	7/1/2012	Eliminated benefit	
Kewaskum	Open		57	15
Madison	Open		55	Formula: age + service = 75
Menomonee Falls	Closed	6/30/2013	57	20
Mequon-Thiensville	Open		58	20
Merton Community	Closed	6/30/2016	Eliminated benefit	
Milwaukee Public Schools	Closed	6/30/2013	60	20
Mukwonago	Tiered based on age and service years			
New Berlin	Open		57	20
Oak Creek-Franklin	HRA funded upon retirement		55	none
Oconomowoc	Closed		55 for administrators; 57 for teachers; 58 for support staff	15
Pewaukee	Open		Pre 2006 - 55; 2006 and later - 60	Pre 2006 - 15; 2006 and later - 20
Port Saukville	Closed	6/1/2011	57	20
Racine	Open		55	15
Shorewood	Open		57	none
South Milwaukee	Open-Tiered plan		55	20
St. Francis School District	Closed	6/30/2012	55	20
Waukesha	Open		55	20
Wauwatosa	Open		Pre-07/01/2010 - 55 or 07/01/2010 and later - 57	20
West Allis-West Milwaukee	Open		Varies with employment start date and years of service	15-20 years
West Bend	Open		57	17
Whitefish Bay	Closed	7/1/2011	57	10-20 years

# Summary of Survey Results

Age requirement for Retirement Benefits Eligibility (per Administration's survey)			
Current/Grandfathered Age Requirement (years)	Number of School Districts		Total
	Plan Open	Plan Closed	
55	10	3	13
57	5	3	8
58	1		1
60		1	1
Eliminated		3	3
Tiered/Other	3		3
<b>Total</b>	<b>19</b>	<b>10</b>	<b>29</b>

# Early Retirement Scenarios

- Review costs for each scenario
- Evaluate attrition savings and costs for five years
- Staffing impact for each scenario

# Early Retirement Window (ERW) - Age 55 with 20 Years of Service

- Change retirement eligibility for retiree healthcare benefits from age 60 with 20 years of service to age 55 with 20 years of service (ERW)
- Window effective for period July 1, 2017, to June 30, 2019
- School-based employees are required to retire at the end of the school year
- Members are expected to accelerate retirement
- 707 members eligible for ERW retiree healthcare benefits during July 1, 2017 to June 30, 2019
- ERW also impacts Supplemental Pension Plans, since retirement behavior is expected to change
  - 480 ERW members are eligible for Supplemental Pension Benefits



# Increase in Costs – Assuming 100% of All Eligible Members Elect Early Retirement Window (\$ Millions)

	Retiree Healthcare Program	Supplemental Pension Plans	Total Costs
<b>Actuarial Liability as of July 1, 2016<sup>a</sup></b>	\$ 52.48	\$ 5.93	\$ 58.41
<b>Employer Contributions for Plan Year End<sup>b</sup></b>			
<b>2018</b>	\$ 1.01	\$ 1.06	\$ 2.07
<b>2019</b>	7.91	0.90	8.81
<b>2020</b>	10.87	0.79	11.66
<b>2021</b>	10.02	0.72	10.74
<b>2022</b>	8.59	0.65	9.24
<b>2023</b>	7.14	0.60	7.74
<b>2024</b>	5.39	0.56	5.95

<sup>a</sup> Actuarial Liability measured as of July 1, 2016, based on data as of June 30, 2016.

<sup>b</sup> Additional ERW retiree health care costs for School-based Employees are first paid during the plan year ending June 30, 2019. Additional ERW retiree health care costs for other employees are first paid during the plan year ending June 30, 2018. Additional Supplemental Pension Plan contributions are first paid on July 1, 2018.

# Increase in Retiree Healthcare and Supplemental Pension Benefits Total Costs Assuming Alternate ERW Participation Rates (\$ Millions)

ERW Participation Rate	100%	75%	50%	25%
Actuarial Liability as of July 1, 2016	\$ 58.41	\$ 43.80	\$ 29.20	\$ 14.60
Employer Contribution for Plan Year End				
2018	\$ 2.07	\$ 1.55	\$ 1.03	\$ 0.51
2019	8.81	6.60	4.40	2.20
2020	11.66	8.74	5.83	2.91
2021	10.74	8.05	5.37	2.68
2022	9.24	6.92	4.62	2.31
2023	7.74	5.81	3.87	1.94
2024	5.95	4.46	2.98	1.49

# Alternative Retiree Healthcare Scenarios

- Scenario A
  - Eligibility for retiree healthcare benefits is permanently changed from age 60 with 20 years of service to age 57 with 20 years of service
  - District permanently eliminates Board-paid subsidy after both member and spouse attain age 65. Member receives Board-paid subsidies for no more than 8 years. Spouse younger than age 57 when the member retires may receive Board-paid subsidies for more than 8 years
- Scenario B
  - As of July 1, 2017, eligibility for retiree healthcare benefits is reduced from age 60 with 20 years of service to age 57 with 20 years of service

# Increase/(Decrease) in Retiree Healthcare Costs (\$ Millions)

	Cost/(Savings) Due to Alternative Benefit Design A	Cost/(Savings) Due to Alternative Benefit Design B
<b>Actuarial Liability as of July 1, 2016</b>	\$ (64.09)	\$ 64.72
<b>Employer Contributions for Plan Year End</b>		
2018	\$ 0.56	\$ 0.70
2019	1.18	1.43
2020	1.55	1.97
2021	2.11	2.79
2022	2.41	3.39
2023	2.68	4.05
2024	2.81	4.70

# Compensation Impact

- Compensation Impact has been estimated based on following assumptions:
  - All vacancies due to the Early Retirement window will be filled
  - We assumed that employees hired/transferred into the vacant positions shall be compensated as follows:
    - Principals and assistant principals at average of salary grade of the respective position
    - Teachers at \$ 47,000 (FY 2015-16 year average was \$46,800)
    - Building service helpers, children's health assistants and food service at starting salary range
    - All other employees at top of 1<sup>st</sup> quartile of salary range

# Age 55 with Two Year ERW at 100%

- Estimated Financial Impact (in millions)**

	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Compensation Attrition Savings	1.05	10.48	13.53	13.53	13.53
Employer Share of Pension and FICA and Medicare taxes estimated at 14.45%	0.15	1.51	1.96	1.96	1.96
Increase in OPEB/Supplemental Pension Employer contributions	(2.07)	(8.81)	(11.66)	(10.74)	(9.24)
Net Savings/ (Costs)	\$ (0.87)	\$ 3.18	\$ 3.83	\$ 4.75	\$ 6.25

# Age 55 with Two Year ERW at 75%

- Estimated Financial Impact (in millions)**

	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Compensation Attrition Savings	0.78	7.86	10.15	10.15	10.15
Employer Share of Pension and FICA and Medicare taxes estimated at 14.45%	0.11	1.13	1.47	1.47	1.47
Increase in OPEB/Supplemental Pension Employer contributions	(1.55)	(6.60)	(8.74)	(8.05)	(6.92)
Net Savings/ (Costs)	\$ (0.66)	\$ 2.39	\$ 2.88	\$ 3.57	\$ 4.70

# Age 55 with Two Year ERW at 50%

- Estimated Financial Impact (in millions)**

	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Compensation Attrition Savings	0.53	5.24	6.77	6.77	6.77
Employer Share of Pension and FICA and Medicare taxes estimated at 14.45%	0.08	0.76	0.98	0.98	0.98
Increase in OPEB/Supplemental Pension Employer contributions	(1.03)	(4.40)	(5.83)	(5.37)	(4.62)
Net Savings/ (Costs)	\$ (0.42)	\$ 1.60	\$ 1.92	\$ 2.38	\$ 3.13



# Age 55 with Two Year ERW at 25%

- Estimated Financial Impact (in millions)**

	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>
Compensation Attrition Savings	0.26	2.62	3.38	3.38	3.38
Employer Share of Pension and FICA and Medicare taxes estimated at 14.45%	0.04	0.38	0.49	0.49	0.49
Increase in OPEB/Supplemental Pension Employer contributions	(0.51)	(2.20)	(2.91)	(2.68)	(2.31)
Net Savings/ (Costs)	\$ (0.21)	\$ 0.80	\$ 0.96	\$ 1.19	\$ 1.56

## **Modification of the retirement age requirement from 60 years to 57 Years for Alternate Benefit Design A and B**

- **Due to the modification of retirement age from age 60 years to age 57 years is effective July 1, 2017 (not close ended like ERW), retirement projections are based on trends for MPS Supplemental Pension Plans.**
- **Attrition savings due to normal trends are included in the budget.**
- **Impact of this change would accelerate retirements for a short period and normalize due to permanent modification of retirement age from 60 years to 57 years.**
- **Hence, we are not able to segregate compensation savings due to attrition for this modification.**

# Staffing Impact of Changing to Age 55 with two-year window at 100% eligible employees participating

<b>Retirements in FY</b>	<b>2017-2018</b>	<b>2017-2018</b>	<b>2018-2019</b>	
<b>Impact in FY</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>Grand Total</b>
Accountants			1	1
Administrators		32	8	40
Clericals		22	7	29
Educational Asst		38	15	53
Engineers		11	7	18
Food Service		38	14	52
Local 1616		3		3
PAMPS		9	3	12
Teachers		295	101	396
<b>School based total</b>		<b>448</b>	<b>156</b>	<b>604</b>
<b>Retirements</b>				
<b>Impact in FY</b>	<b>2017-2018</b>	<b>2018-2019</b>	<b>2019-2020</b>	<b>Grand Total</b>
Administrators	46	15		61
Clericals	4	2		6
Engineers	6	0		6
Building Service Helpers	13	3		16
Local 1616	2	2		4
Skill Trades	7	3		10
<b>District support</b>	<b>78</b>	<b>25</b>		<b>103</b>

# Staffing Impact of Modification of the retirement age requirement from 60 years to 57 Years for Alternate Benefit Design A and B

Expected number of retirement for the permanent retirement eligibility change to age 57 with 20 years of service are as follows:

- Number in eligible group (57/20) at July 1, 2017: 472
- Expected retirements from July 1, 2017 to June 30, 2019: 247

Please note above information is based on retirement trends for the MPS Supplemental Pension Plans for Administrators (closed for participation on 07/01/2003) and teachers (closed for participation and frozen for salary and service credit effective July 1, 2013).

# Questions?

# Report regarding Early Retirement Analysis

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