

**SRP**

Supplementary  
Retirement Plan



PUBLIC  
AGENCY  
RETIREMENT  
SERVICES

**PARS**

TRUSTED SOLUTIONS. LASTING RESULTS.

# GARVEY SCHOOL DISTRICT

PARS Supplementary Retirement Plan (SRP)

January 25, 2018



# ABOUT US

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- Established in 1984
- 3<sup>rd</sup> Largest Multiple Employer Public Retirement System in California
- 800+ Member Agencies
- Over 375,000 Participants
- 1,400+ Retirement Plans
- Headquartered in Orange County
- \$2.5 Billion of assets under administration

# SAMPLING OF PARS SRP CLIENTS

UPDATED: DECEMBER 2017

## LOS ANGELES COUNTY

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Alhambra Unified School District

Downey Unified School District

Duarte Unified School District

El Monte City School District

### **Garvey School District**

Glendale Unified School District

Long Beach Unified School District

Los Angeles Unified School District

Monrovia Unified School District

Montebello Unified School District

Pasadena Unified School District

Pomona Unified School District

San Gabriel Unified School District

## COUNTY OFFICE OF EDUCATION

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Los Angeles County Office of Education

Orange County Office of Education

San Bernardino County Office of Education

Sacramento County Office of Education

Santa Clara County Office of Education

## NON-LOS ANGELES COUNTY DISTRICTS

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Anaheim Union High School District

Bakersfield City School District

Capistrano Unified School District

Corona-Norco Unified School District

Elk Grove Unified School District

Fresno Unified School District

Irvine Unified School District

Moreno Valley Unified School District

Oakland Unified School District

Rialto Unified School District

Riverside Unified School District

Sacramento City USD

San Bernardino City USD

San Diego Unified School District

San Francisco Unified School District

Santa Ana Unified School District

Stockton Unified School District

Sweetwater Union High School District

Twin Rivers Unified School District

# BACKGROUND

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- Retirement Incentive Plans encourage long-term or senior employees, typically at the top of the salary schedule, to retire early.
- The savings are achieved by replacing the senior employee with a lower paid employee or not replacing at all.
- The goal is to increase the number of natural attrition retirements by 3-4 times.
- Additional retirements from a Retirement Incentive Plan can reduce the need for layoffs for some agencies.

# SRP PROCESS AND STEPS

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- Board approves a contingent plan offering to designated eligible employees, which creates a 45-60 day enrollment window
- Interested employees submit an irrevocable letter of resignation during the enrollment period.
- At the end of the enrollment period, a fiscal analysis is conducted to determine the savings (or cost) to District
- Based on results, Board determines if Plan proceeds or is cancelled
- If Plan proceeds, employees resign
- If Plan is canceled, the offer and resignation letters are rescinded

# PROPOSED PLAN DESIGN

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**Plan offered through a tax-sheltered annuity program:  
Internal Revenue Code Section 403(b)**

**District Contribution Level**

**85% of Final Pay**

- Post-Employment contributions funded over a period of five (5) years following termination of employment
- District Contributions are used to fund the purchase of an annuity through Pacific Life Insurance Co.
- Distribution options receive favorable tax treatment and are eligible for IRA rollovers

# BENEFIT OPTION CHOICES

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## Option 1

### Lifetime

*Monthly cash payment for the participant's lifetime*

## Option 2

### Joint & 100% Survivor

*Reduced Joint and Survivor monthly payment paid for the participant's lifetime and beneficiary's lifetime.*

## Option 3

### Life or 10 Years

*Modified monthly cash payment paid for the greater of 10 years or the participant's lifetime.*

## Options 5-15

### Fixed Payments\*

*Higher, fixed period payments, based on the present value of the unmodified benefit, paid monthly for a fixed number of years. These options are guaranteed to pay out for the specified period.*

# PLAN ASSUMPTIONS

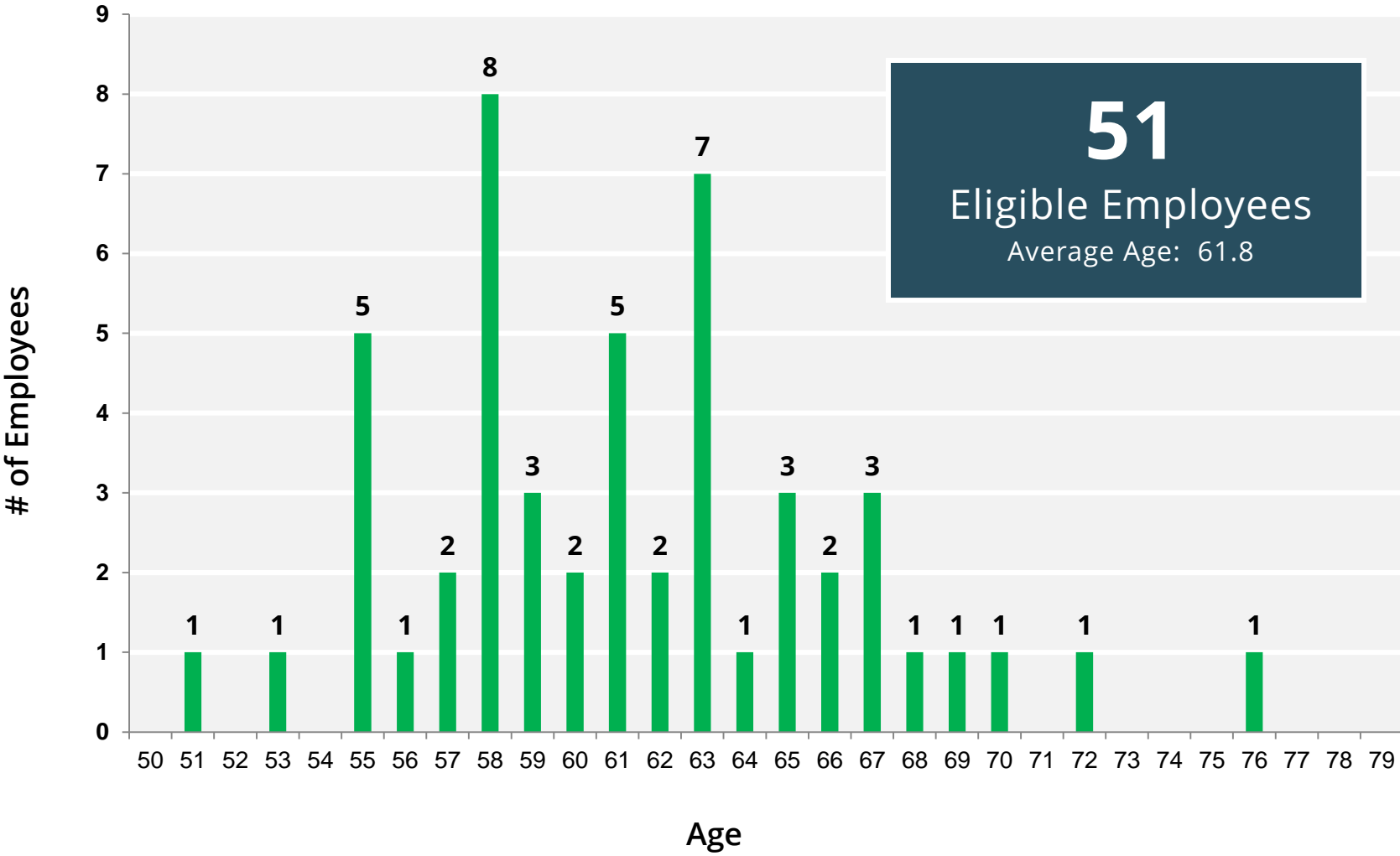
	Certificated Non-Management	Certificated Management	Classified Non-Management	Classified Mgmt./Conf.
<b>Eligibility Requirements</b>	Age <b>55, 10</b> Years of Service; or Age <b>50, 30</b> Years of Service		Age <b>55, 10</b> Years of Service	
<b>Benefit Level</b>	<b>85% of Final Pay</b>			
<b>Replacement Salaries</b>	<b>\$65,986</b> <i>Based on PARS New Hire Study (1 year)</i>	<b>Replace @ 90.00%</b>	<b>Replace @ 78.15%</b> <i>Replace at Step 1 *Excluding Longevity</i>	<b>Replace @ 90.00%</b>
<b>Health Care Costs</b>	Active: \$19,499 Pre-65 Retiree: \$5,938 Post-65 Retiree: \$1,596	Active: \$25,655 Pre-65 Retiree: \$8,799 Post-65 Retiree: \$1,596	Active: \$25,655 Pre-65 Retiree: \$8,799 Post-65 Retiree: \$1,596	Active: \$25,655 Pre-65 Retiree: \$8,799 Post-65 Retiree: \$1,596
<b>STRS/PERS Retirement Plan Costs</b>	<b>STRS:</b>		<b>PERS:</b>	
	2018-19	16.280%	2018-19	18.100%
	2019-20	18.130%	2019-20	20.800%
	2020-21	19.100%	2020-21	23.800%
<b>PARS Plan Funding</b>	5-Year Annuity purchased through Pacific Life Insurance			



# CERTIFICATED EMPLOYEES

# PLAN ELIGIBILITY

## CERTIFICATED NON-MANAGEMENT



# FISCAL SUMMARY OF SAVINGS

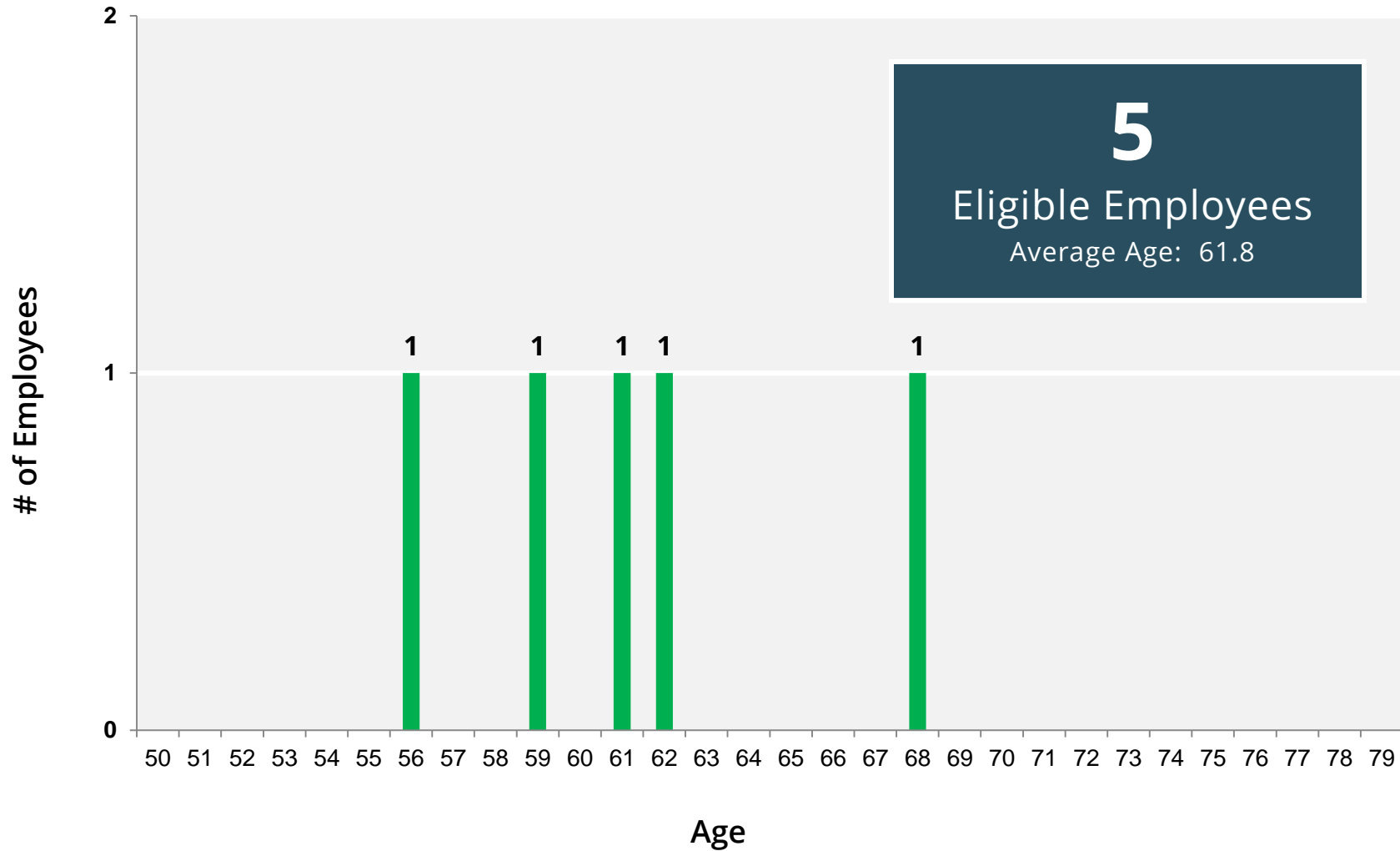
## CERTIFICATED NON-MANAGEMENT

85% of Final Pay; Assuming 15 Retirements (29.41% of Eligible Group)

Replacement Scenario	# of Positions Replaced	Proj. Savings in Year 1	Proj. Savings over 3 Years	Proj. Savings over 5 Years
100% Replacement	15.00	\$57,052	\$61,197	(\$78,367)
90% Replacement	13.50	\$159,818	\$387,683	\$494,033
80% Replacement	12.00	\$262,585	\$714,169	\$1,066,432
70% Replacement	10.50	\$365,352	\$1,040,655	\$1,638,832
60% Replacement	9.00	\$468,118	\$1,367,141	\$2,211,232
50% Replacement	7.50	\$570,885	\$1,693,628	\$2,783,631

# PLAN ELIGIBILITY

## CERTIFICATED MANAGEMENT





# FISCAL SUMMARY OF SAVINGS

## CERTIFICATED MANAGEMENT

85% of Final Pay; Assuming 2 Retirements (40.00% of Eligible Group)

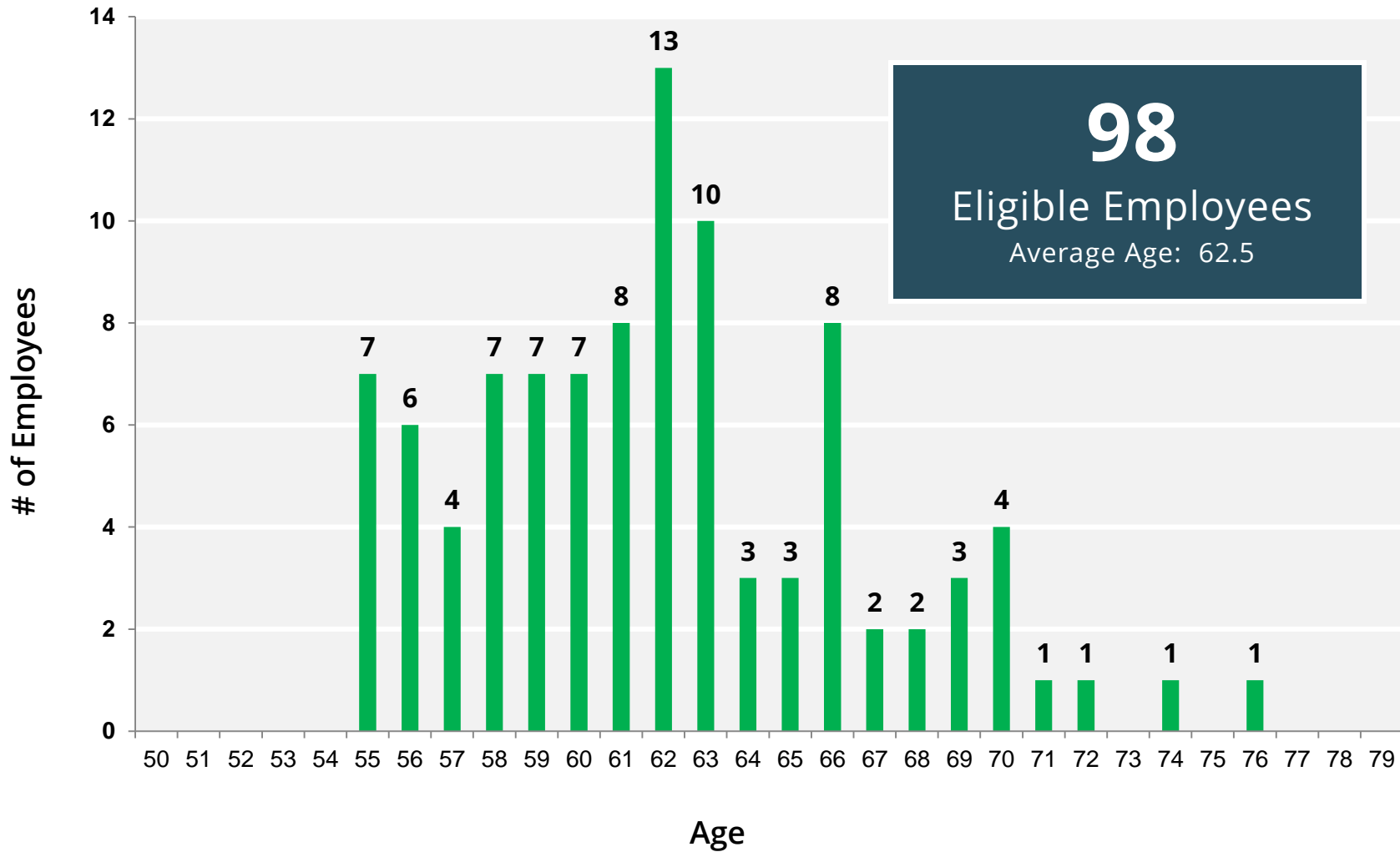
Replacement Scenario	# of Positions Replaced	Proj. Savings in Year 1	Proj. Savings over 3 Years	Proj. Savings over 5 Years
100% Replacement	2.00	(\$36,514)	(\$128,911)	(\$236,673)
50% Replacement	1.00	\$48,532	\$146,321	\$251,529
0% Replacement	0.00	\$133,578	\$421,552	\$739,731



# CLASSIFIED AND CONFIDENTIAL EMPLOYEES

# PLAN ELIGIBILITY

## CLASSIFIED NON-MANAGEMENT



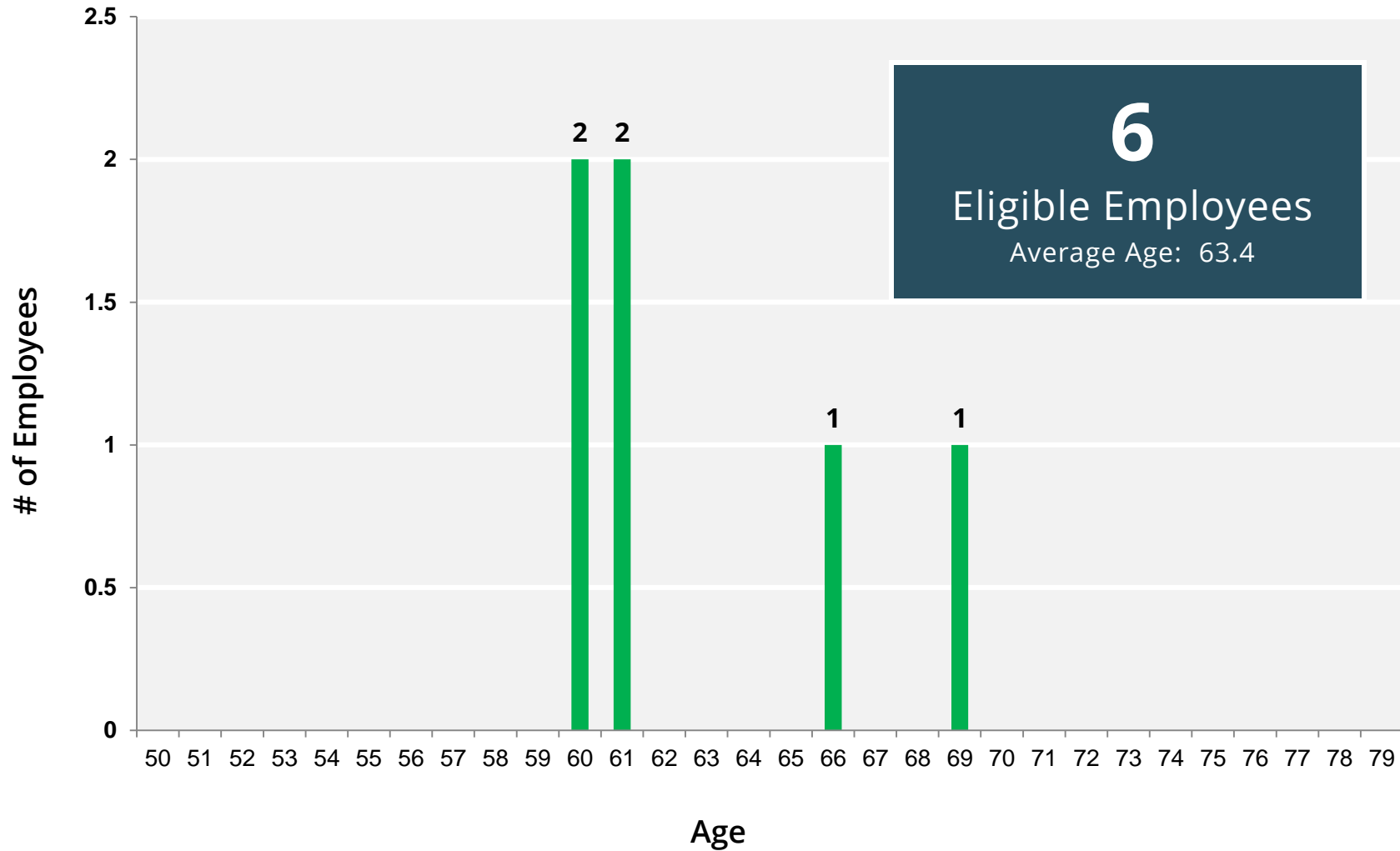
# FISCAL SUMMARY OF SAVINGS – 85%

## CLASSIFIED NON-MANAGEMENT

85% of Final Pay; Assuming 15 Retirements (15.31% of Eligible Group)				
Replacement Scenario	# of Positions Replaced	Proj. Savings in Year 1	Proj. Savings over 3 Years	Proj. Savings over 5 Years
100% Replacement	15.00	(\$47,612)	(\$186,508)	(\$391,225)
90% Replacement	13.50	\$11,509	\$5,966	(\$43,822)
80% Replacement	12.00	\$70,630	\$198,439	\$303,580
70% Replacement	10.50	\$129,750	\$390,913	\$650,983
60% Replacement	9.00	\$188,871	\$583,387	\$998,385
50% Replacement	7.50	\$247,992	\$775,860	\$1,345,788

# PLAN ELIGIBILITY

## CLASSIFIED MANAGEMENT/CONFIDENTIAL





# FISCAL SUMMARY OF SAVINGS – 85%

CLASSIFIED MANAGEMENT/CONFIDENTIAL

85% of Final Pay; Assuming 2 Retirements (33.33% of Eligible Group)

Replacement Scenario	# of Positions Replaced	Proj. Savings in Year 1	Proj. Savings over 3 Years	Proj. Savings over 5 Years
100% Replacement	2.00	(\$24,447)	(\$86,159)	(\$157,391)
50% Replacement	1.00	\$41,328	\$127,733	\$224,928
0% Replacement	0.00	\$107,103	\$341,624	\$607,248



# PROPOSED TIMELINE

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- January 25, 2018 ▪ Board Study Session on PARS Retirement Incentive
- February 8, 2018 ▪ Board authorization to offer plan to eligible employees
- Mid-February 2018 ▪ PARS mails individual benefit illustration packets to eligible employees
- Late February 2018 ▪ PARS holds orientation meeting
- Late March 2018 ▪ PARS holds employee workshop
- April 6, 2018 ▪ PARS enrollment window closes
- April 19, 2018 ▪ District announces approval/rescission of the Plan no later than this date
- June 8, 2018 ▪ Employees resign from District employment on last day of school
- August 1, 2018 ▪ PARS Benefit Checks commence

# CONTACTS

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