

## **Memorandum**

December 12, 2008

To: School Board Members  
Dr. Jim Scales, Superintendent

From: Thomas Kranz

Re: Proposed FY2009 Retirement Incentive

As we have discussed in the past approximately 81% of our dollars are spent on personnel and related costs. In light of the current economic conditions our District is facing, coupled with the difficult budget hurdles we are facing in fiscal years 2010 and 2011; we will probably need to reduce our employee count. In order to do this, we would like for you to consider the following plans: retirement incentive and layoff health care plan.

### **Retirement Incentive**

For those employees who are eligible to retire under TCRS rules as of June 30, 2009:

Employees with 30 years of service or more. A one time payment of 20% of their annual salary, excluding any career ladder payments, coaching and/or other supplements, and car allowances.

This item applies to all eligible certified and classified employees.

2. Employees with 29 years of service plus at least one year of accumulated sick leave. The employee would need to purchase one year of service from TCRS. Then a one time payment of 20% of their annual salary, excluding any career ladder payments, coaching and/or other supplements, and car allowances.

This item would apply to all eligible certified and classified employees.

3. Certified employees at least 55 years old with at least 20 years of service, but less than 30 years. A one time payment of 10% of their annual salary, excluding any career ladder payments, coaching and/or other supplements, and car allowances.

This item would apply to the certified employees only.

4. Classified employees at least 55 years old with at least 15 years of service, but less than 30 years. A one time payment of 10% of their annual salary, excluding any career ladder payments, coaching and/or other supplements, and car allowances.

Total number of employees eligible under each of these options is 526 employees. Assuming that 65% of eligible employees under item #1 and #2 and 35% of eligible employees under item #3 and #4 would take this incentive, then the estimated financial impact would be approximately \$2.1 million.

In order to receive the benefits under this plan, the employee would have to notify human resources by signing the applicable paperwork on or before February 1, 2009 of their intention to retire.

While the total payout may seem large in light of our current economic condition, we believe that the benefits to be derived from this program will far outweigh the cost. This program will allow the District to reward those employees who contributed to the overall success of the District to leave the system with some dignity and appreciation. In addition, if we have to replace any retiring employees the new employee will be paid at a lower rate of pay.

If this is acceptable it would be our intent to notify the employees before January 1<sup>st</sup> in order to give them at least thirty (30) days to consider this offer.

### **Layoff Health Care Plan**

If the District is faced with having to do a layoff we would propose offering those employees the following:

1. Employees with 0 to less than 5 years of service; would be eligible to continue participation in the current health plan paying the employee rate for a period of six (6) months.
2. Employees with 5 years to less than 15 years of service; would be eligible to continue participation in the current health plan paying the employee rate for a period of one (1) year.
3. Employees with 15 or more years of service would be eligible to continue participation in the current health plan paying the employee rate for a period of two (2) years.

We have discussed these proposed plans with HCEA and they have indicated an acceptance with these proposals. HCEA will need to conduct a formal vote in order to

actually accept both of these proposals. We are working with them to ensure that all of the necessary approvals are obtained before any information is disseminated to the applicable employees.

If anyone should have any questions, please do not hesitate to contact me.

Thanking each of you in advance for your prompt consideration of this request.