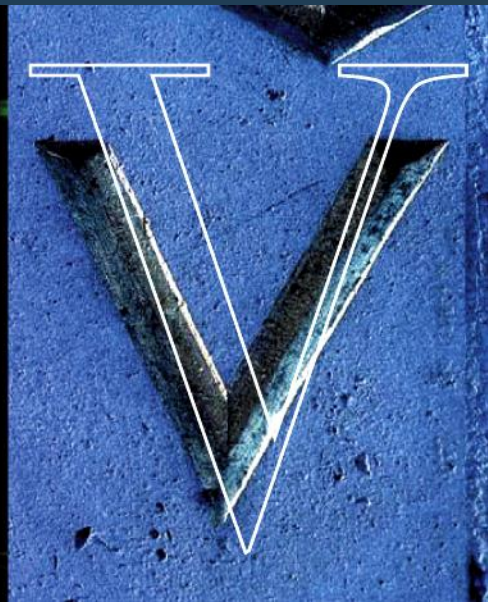
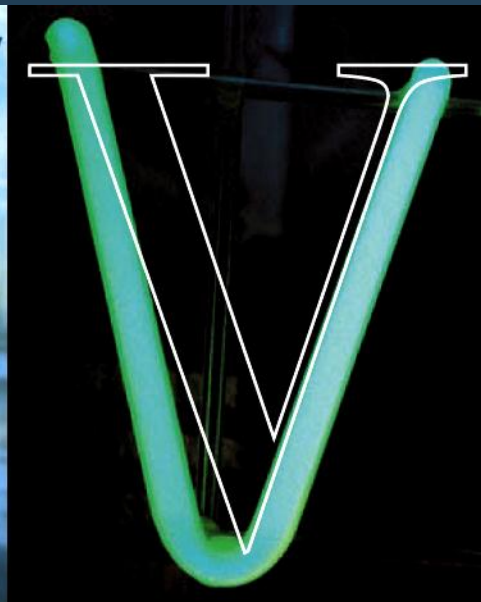
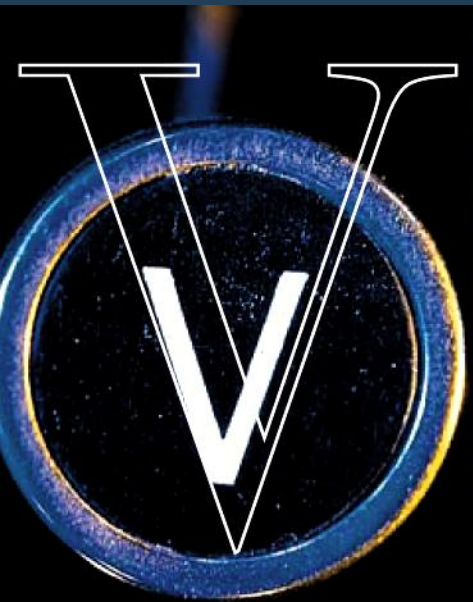


VENABLE[®]_{LLP}

Right Sizing: Using Early Retirement Effectively

NBOA 2013 Meeting

Presented by Caryn Pass and Cindy Stadulis



overview

- impacted by change in economy
 - schools again considering retirement programs
 - for period plans were offered but no one was electing to participate
 - couldn't afford to retire
- schools beginning to contemplate staffing
 - reviewing needs and expectations
- baby boomers and more senior employees
 - employees who are ready to retire or should be retiring
- way to reconfigure staff to make changes needed to be nimble and responsive to educational shifts and new goals



basic considerations

- culture is key
 - consider culture of your school and how such an offer will be received
- benefits and detriments of early retirement plan
 - must be offered to all in the “classification”
 - may have employees you don’t want to loose accept the plan
 - may have employees you want to accept the plan not accept the offer
- can’t force participation
- need to consider the cost both financial and operational of the plan vs the savings and benefits to the school



designing the plan

- category of employees
 - reduction in specific area
 - i.e. faculty, maintenance
 - eligible employees
 - age/tenure/department
- amount school wishes to spend on plan
- type of benefits and or salary school will offer
- amount of time plan will be available
- time line for selection by employee
- written documentation
 - description of plan, election form, separation agreement



designing the plan

- category of employees
- amount school wishes to spend on plan
- type of benefits and or salary school will offer
 - helpful if the school can determine what motivates employees
- amount of time plan will be available
- time line for selection by employee
- written documentation
 - description of plan, election form, separation agreement



early retirement selection process

- determine departments or employee categories
 - can select smaller groups – maintenance, faculty,
 - all employees at school
 - confirm those employee categories eligible
 - review areas of school to determine areas of school that retirement offer may be most effective
 - less productive workers
 - less employees needed
 - need for new talent set
- create census
 - name, tenure (at school), age, position, salary
- establish cut off point
 - review list of census
 - review possible candidates the school wishes to capture



financial cost to school

- amount spent by school
 - how much the school intends to invest in the retirement plan
 - length of time the payout may take
- may be impacted by amount of time expenditure will be recovered
 - lower salary
 - elimination of positions
 - modification of positions
 - lower benefits costs
 - 403(b) contributions
 - vacation
 - grandfathering of plans
 - tuition remission

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incentives: financial payment

- calculation options:
 - one year of final salary; fixed amount per year of service; the value of the insurance premiums if the employee chooses not to take insurance continuation ;an amount established as a result of a formula (i.e., "fixed amount" times "number of years of service at the school");
- taxable income upon commitment to pay, rather than at the time actually paid, unless the following conditions are met:
 - receives the severance pay within two years of termination;
 - total amount of the payout does not exceed twice the employee's final salary
 - payment schedule is fixed and documented at the time of termination.



incentives: deferred compensation

- once termination no longer contribute into 403(b)
- can make contribution if done in same tax year
 - i.e. first 6 months employee contributes 1/2; financial payment can be contributed up to maximum allowable
- other contribution options into 403(b)
 - must be mandatory
 - established at time of selection
- if employee highly compensated (over \$100,000)
 - establish 457(b) which can receive contribution



incentives; health insurance

- insurance premium payments
 - In full amount or consistent with contribution plan at time of termination
- Options:
 - continued coverage on current plan
 - contain written confirmation of the health insurance company's commitment to allow the continuation of former employees
 - pursuant to COBRA
 - supplemental plan
- limit the amount of time for coverage:
 - by number of months; until eligibility for Medicare; based on total cost of plan
- premium payments not considered taxable income to the Employee



time line

- amount of time offer available
 - Only one year
 - Over two or more years
- how long do employees have to elect after information described
 - after offer described
 - Time line of acceptance
- when will retirement become effective
- when are payments and other benefits over



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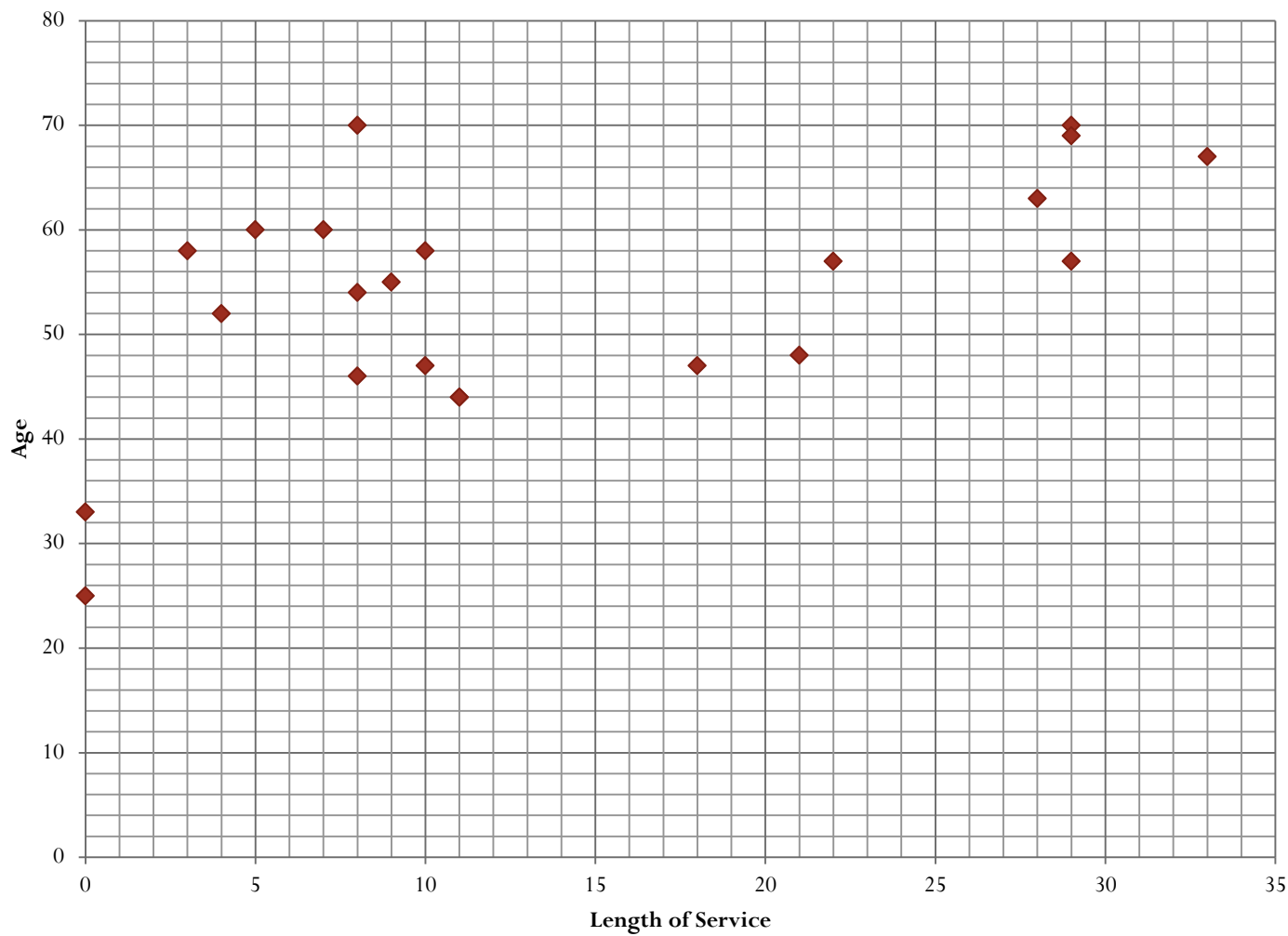


documents

- memo describing plan
- letter of intent to accept offer and provisions accepted
- severance agreement:
 - waiver of rights to bring lawsuit against employer
 - non-disparagement; non-solicitation
 - Right to consider offer 21vs 41 days/7 days to revoke/consult with lawyer
 - specificity of agreement terms



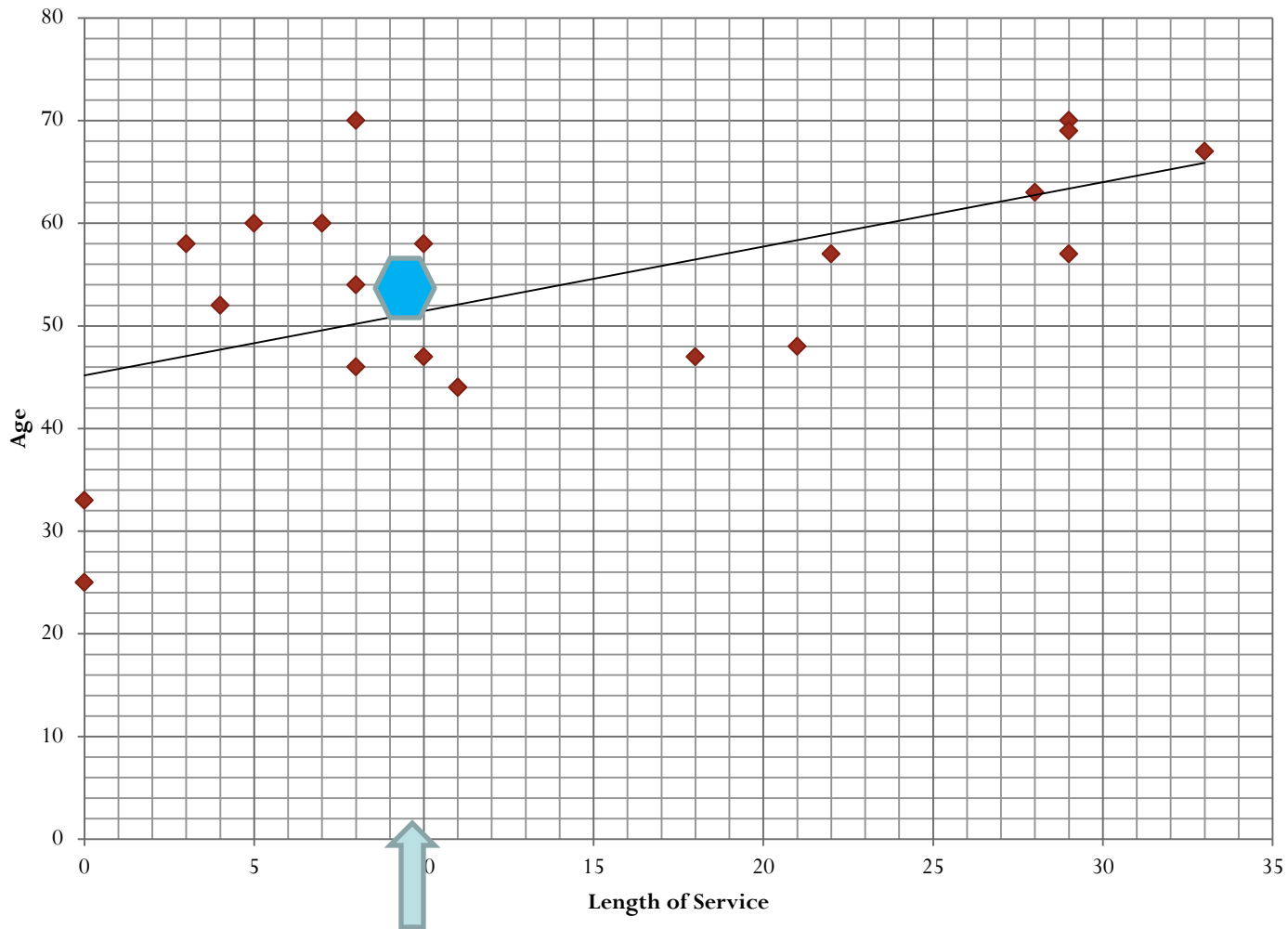
Dwight Facilities staff



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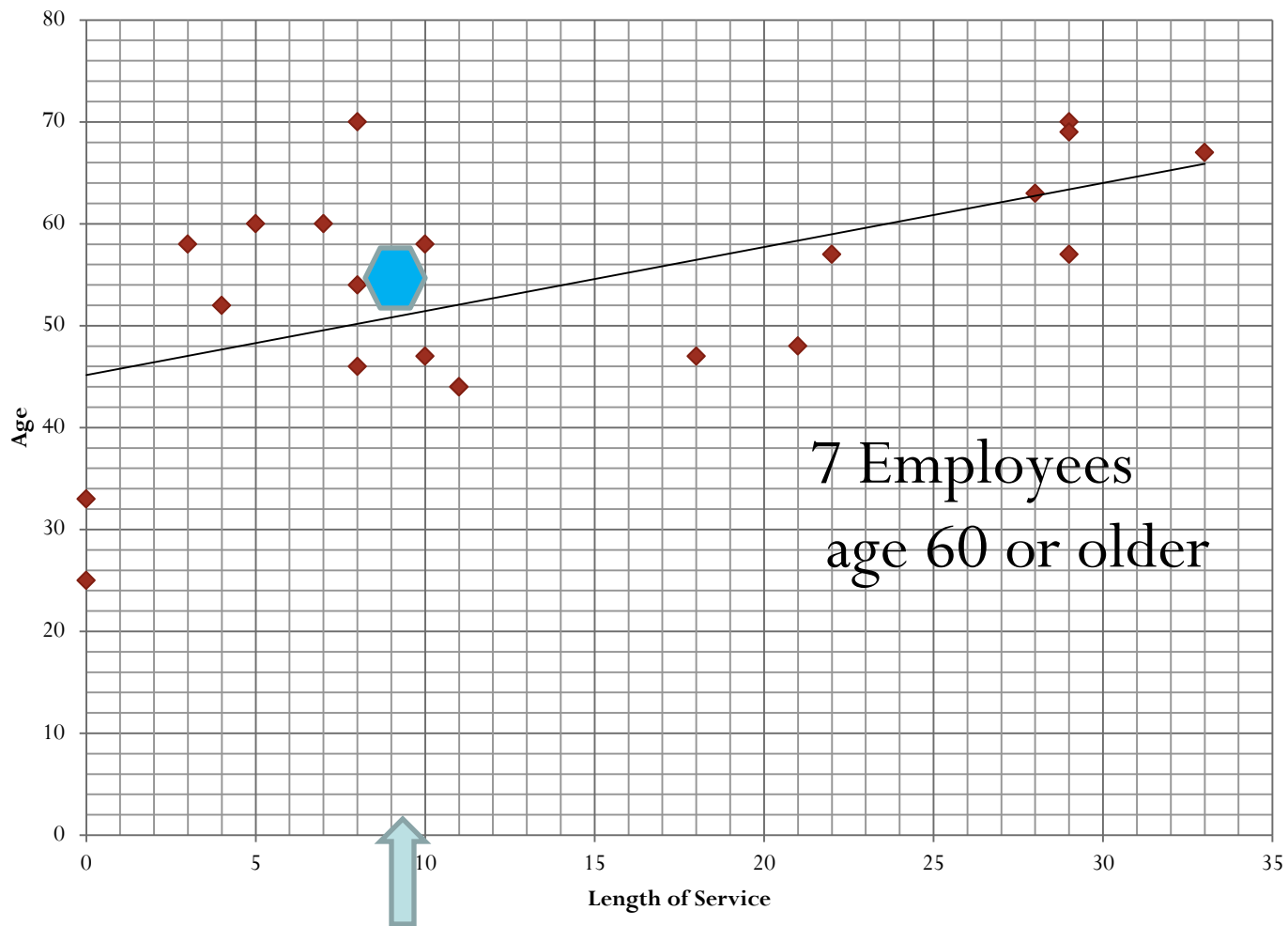
Dwight Facilities staff



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EE	Date of Hire	8/31/2012 Yrs of svc	Date of Birth	8/31/2012 Age		Hourly rate	Weekly benefit		Med benefit
RM	07/11/76	36	01/01/43	69	105	22.41	32,270	Custodial	7,200
HM	08/02/80	32	04/15/40	72	104	19.44	24,883	Custodial	3,600
JM	08/04/80	32	07/09/41	71	103	27.08	34,662	Custodial	4,800
KS	07/01/81	31	02/12/47	65	96	33.46	41,490	Maintenance	12,000
HB	10/06/80	31	03/11/53	59	90	30.24	37,498	Maintenance	19,200
NP	10/01/86	25	04/10/48	64	89	16.20	16,200	Dining service	13,200
AJ	07/01/85	27	12/31/54	57	84	22.30	24,084	Dining service	21,600
GvH	03/30/87	25	07/04/53	59	84	80,240	38,577	Grounds	19,200
JQ	09/24/01	10	11/16/40	71	81	13.00	5,200	Custodial	4,800
JD	11/25/91	20	02/18/53	59	79	24.40	19,520	Grounds	19,200
MC	09/01/98	13	01/04/47	65	78	22.74	11,825	Office	12,000
						Exposure	286,210		136,800
						Reality	108,423		
JMc	08/25/96	16	09/18/53	58	74				
TS	05/16/88	24	01/07/62	50	74	27.67			
JC	08/18/99	13	08/26/52	60	73	25.57			
AF	05/09/02	10	06/29/50	62	72	11.35			
MM	08/31/04	8	03/04/50	62	70				
PC	03/06/00	12	09/27/55	56	68	21.28			
SA	09/12/06	5	11/19/52	59	64	11.94			
EB	09/07/05	6	11/30/56	55	61				
JP	09/27/99	12	08/17/63	49	61	24.30			
CL	02/17/06	6	03/30/58	54	60	12.31			
TS	07/28/98	14	06/13/66	46	60	17.24			
SB	07/09/01	11	10/07/64	47	58	17.00			
JH	09/10/98	13	12/28/66	45	58	20.16			
EG	09/01/09	2	11/24/77	34	36	13.79			
KT	12/07/10	1	01/20/86	26	27	17.00			

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the road ahead looks bright

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