



Educational Services, Inc.

TUSD

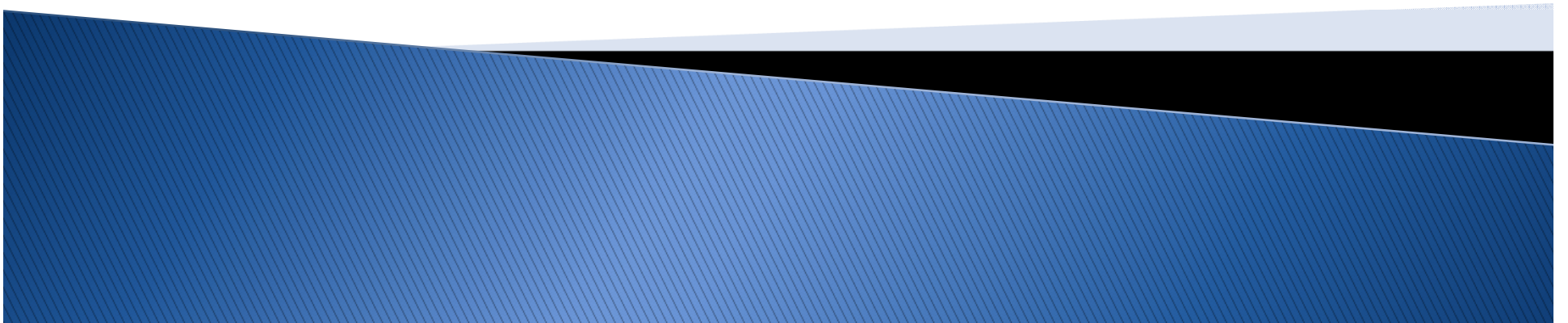
Post Retirement Employment Option (PREO)
and
Optional Retirement Plan (ORP)

Who is Educational Services, Incorporated (ESI)?

- ▶ ESI is an employee leasing company incepted in 1999 by three retired educators.
- ▶ Founder and leader of the Return-to-Work (RTW) program in Arizona.
- ▶ Ushered original legislation to make the RTW concept legal.
- ▶ Currently in over 160 Arizona school districts, colleges, cities, and towns.
- ▶ Offices in Tucson, Phoenix and Northern Arizona.



Post Retirement Employment Option (PREO)



What is the PREO program?

- ▶ Retire through ASRS, receive your pension check and continue employment in your same position (or other).
- ▶ Increase current pay substantially by receiving two checks.
- ▶ Continue working until you are truly ready to retire.



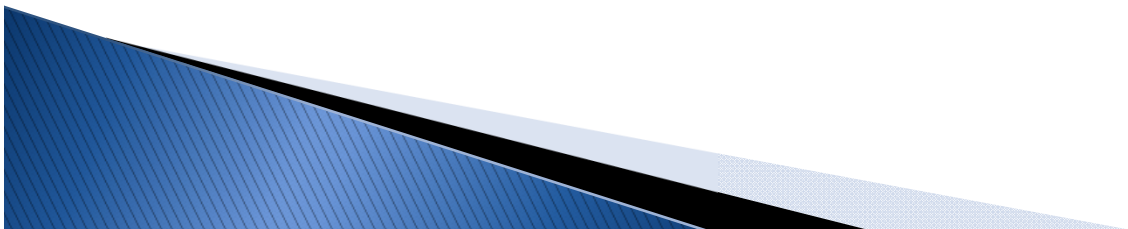
PREO Benefits

▶ Employer

- District retains trusted and experienced personnel.
- A win-win solution for staff shortages.
- District saves money; On average over 30% per employee.

▶ Employee

- Increase current pay substantially.
- Continue employment in same position post-retirement.
- Increase retirement funds by investing additional monies.



Who's doing a PREO/RTW Program in Arizona?

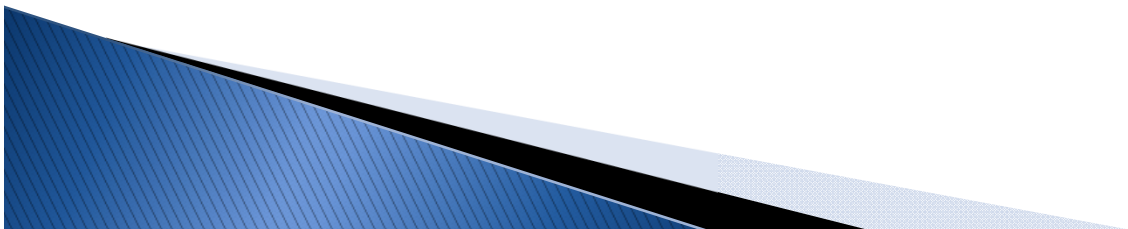
- ▶ 206 K-12 School Districts
- ▶ 53 Municipalities
- ▶ 11,986 (Direct-Hire & Leased Employees)



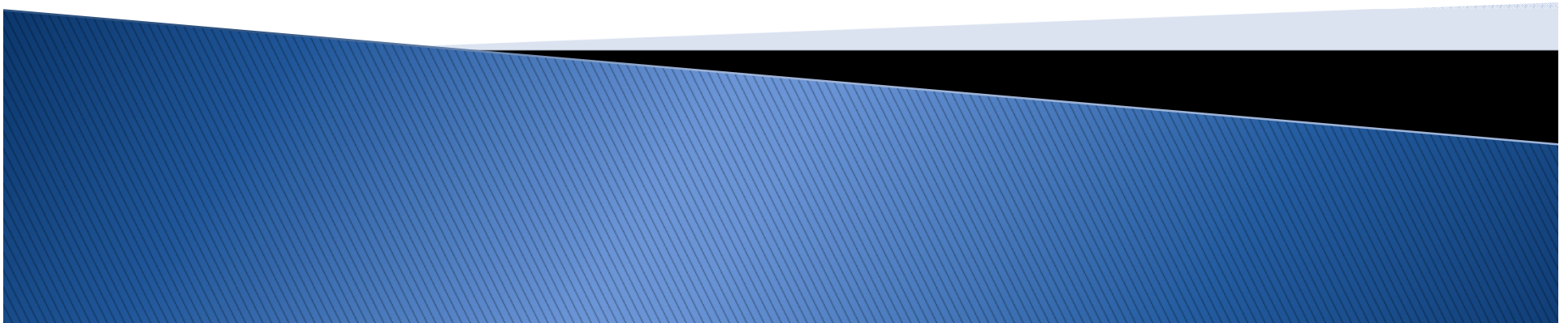
How Does This Program Impact the Arizona State Retirement System?

- ▶ **Alternate Contribution Rate (ACR)**
 - SB1609–Signed by Governor: April 29, 2011
 - Effective date of July 1, 2012
 - Employer is responsible for ACR
 - 2014–2015 ACR Rate: 9.57%

- ✧ \$22,333,574 ACR Collected (FY12–13)
- ✧ (.22%) Contribution Rate Impact
- ✧ No Negative Actuarial Impact to the ASRS



Optional Retirement Plan (ORP)



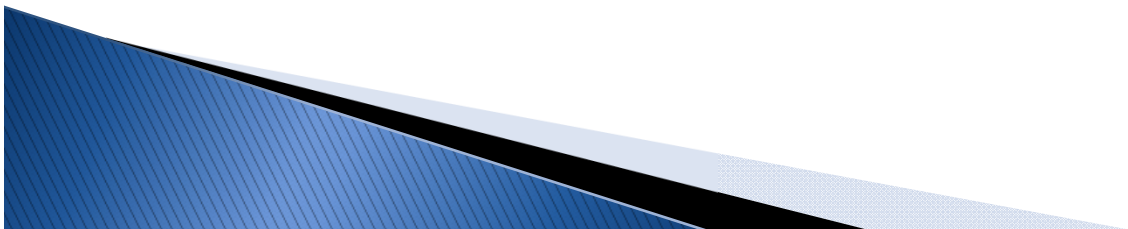
What is the ORP?

- ▶ Allows for employees to “opt-out” of the Arizona State Retirement System (ASRS).
- ▶ ORP employees must be leased in order to “opt-out” of the ASRS if they work more than 20 hours per week for more than 20 weeks per year.



Why “opt-out”?

- ▶ Pursuing another career.
- ▶ Relocating out of State.
- ▶ Retired from another State.
- ▶ Need additional money.
- ▶ No expectation of making it to normal retirement age with the ASRS.
- ▶ Desire to take control of own retirement

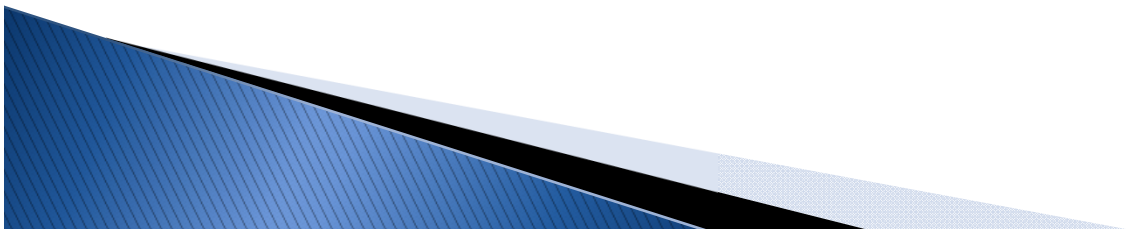


ASRS Contribution Rate History

Year (Fiscal)	Retirement	LTD	Total
2001-2002	2.00%	0.49%	2.49%
2002-2003	2.00%	0.49%	2.49%
2003-2004	5.20%	0.50%	5.70%
2004-2005	5.20%	0.50%	5.70%
2005-2006	6.90%	0.50%	7.40%
2006-2007	8.60%	0.50%	9.10%
2007-2008	9.10%	0.50%	9.60%
2008-2009	8.95%	0.50%	9.45%
2009-2010	9.00%	0.40%	9.40%
2010-2011	9.60%	0.25%	9.85%
2011-2012	11.13%	0.26%	11.39%
2012-2013	10.90%	0.24%	11.14%
2013-2014	11.30%	0.24%	11.54%
2014-2015	11.48%	0.12%	11.60%

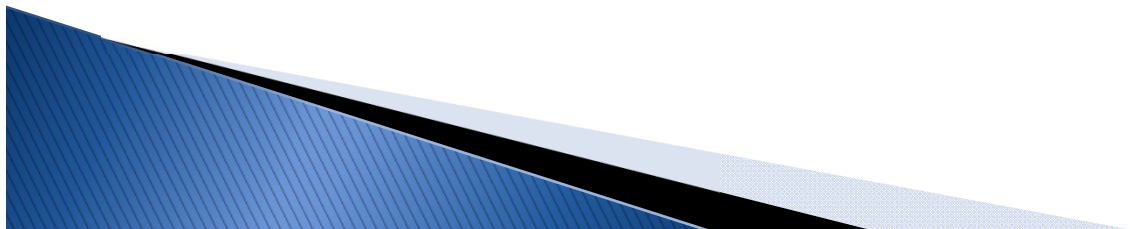
ASRS Vesting Schedule (Employer Contributions)

- ▶ 0.00 – 4.99 credited years of service 0% of employer contributions
 - ▶ 5.00 – 5.99 credited years of service 25% of employer contributions
 - ▶ 6.00 – 6.99 credited years of service 40% of employer contributions
 - ▶ 7.00 – 7.99 credited years of service 55% of employer contributions
 - ▶ 8.00 – 8.99 credited years of service 70% of employer contributions
 - ▶ 9.00 – 9.99 credited years of service 85% of employer contributions
 - ▶ 10 or more credited years of service 100% of employer contributions
- ▶ *Note: Members who join the ASRS on or after July 1, 2011 do not receive any employer contributions when refunding, unless separation is due to a reduction-in-force termination or position elimination.*



District/Employee Savings

	<i>District</i>		<i>Employee</i>	
	District Employee	ORP Employee	District Employee	ORP Employee
Wage	\$ 34,000.00	\$ 34,000.00	\$ 34,000.00	\$ 34,000.00
FICA (7.65%)	\$ 2,601.00	\$ 2,601.00	\$ (2,601.00)	\$ (2,601.00)
FUTA, SUTA, WC	\$ 662.00	\$ 662.00	\$ -	\$ -
ASRS (11.60%)	\$ 3,944.00	\$ -	\$ (3,944.00)	\$ -
Benefits	\$ 5,172.00	\$ 600.00	\$ -	\$ -
ORP Subsidy	\$ -	\$ 1,500.00	\$ -	\$ 1,500.00
Leasing Fee (3%)	\$ -	\$ 1,020.00	\$ -	\$ -
Total	\$ 46,379.00	\$ 40,383.00	\$ 27,455.00	\$ 32,899.00
District Savings (\$)	\$5,996.00			
District Savings (%)	12.93%			
Employee Increase (\$)			\$5,444.00	
Employee Increase (%)			19.83%	



ORP Benefits

▶ Employer

- Recruitment and retention.
- Higher employee morale resulting in less turnover.
- District Savings
 - No ASRS Match (11.60%)
 - Benefits Savings
 - Transfer of WC, PPACA and Unemployment liability

▶ Employee

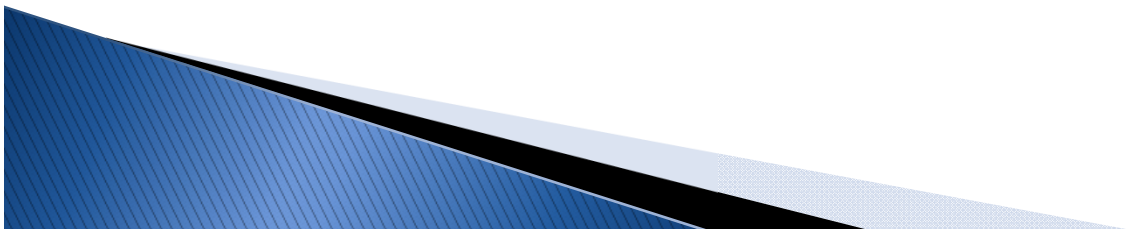
- Immediate increase in pay:
 - No ASRS Contribution (11.60%)
- Control of own retirement:
 - Voluntary 401(k) Option
- Career flexibility



SB1609

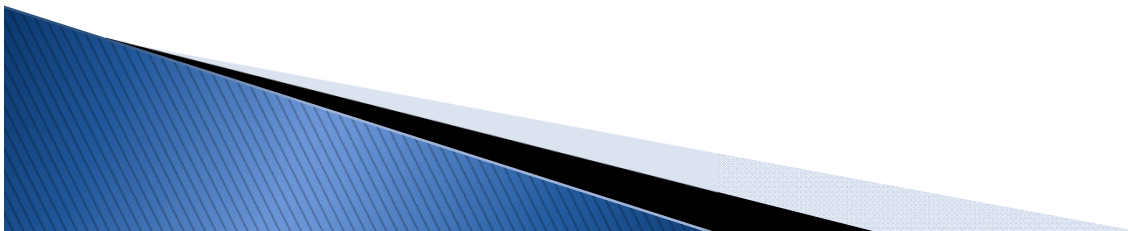
- ▶ *Signed April 2011, Pension Study Committee*
 - Final Report 12/21/2012
 - Findings:
 - *Task 1 (pg. 16 of 25) “The Legislature should consider enacting an optional DC plan for new or current employees who voluntarily desire such a plan. This will assist government at all levels in attracting and retaining those employees who would like to work in government for a limited time period as a public service option and not as a career.”*

<http://www.aztreasury.gov/wp-content/uploads/2012/02/SB1609-Pension-Study-Committee-Final-Report-Dec-21-2012.pdf>



ORP Recommendation

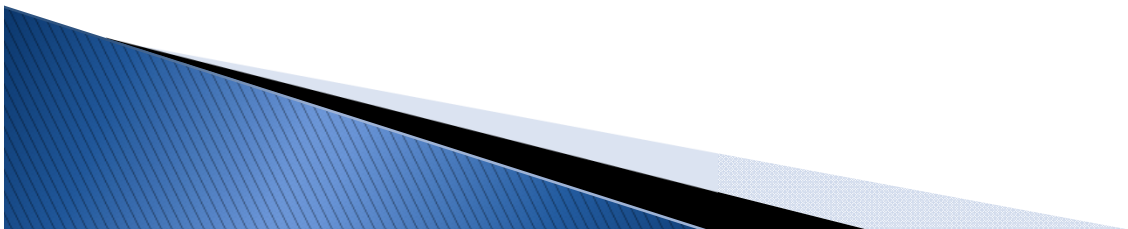
- ▶ 1.) Offer a voluntary ORP option effective July 1, 2014 for any new or existing employee who desires to “opt-out” of the Arizona State Retirement System.



PREO Recommendations

- ▶ 1.) Future PREO Employees
 - 72% Plan
 - Must be employed through a third-party leasing agency.

- ▶ 2.) Existing PREO/ACR Employees
 - All PREO/ACR employees moved to a third-party leasing agency.
 - Grandfathered salary.
 - Transfer of PPACA liability to ESI.



Questions

