

# Estimated Feasibility Study

Estimated

February 13, 2012

## Big Walnut Local Schools

Employee Severance Plan - ESP™

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## Educators Preferred Corporation

**Educators Preferred Corporation** has a proven track record implementing incentive programs in school districts and colleges. We have over 40 years experience serving the financial needs of educational employers throughout the country. EPC is the leading provider of consulting services for incentive programs implemented in educational institutions. We have processed over \$1 billion in benefits and have counseled thousands of employees since our inception.

EPC administers over \$3,000,000 per month in severance plan benefits. EPC operates in 14 states, servicing hundreds of school districts.

We employ experienced professionals and support staff. Each consultant has an average 16 years experience with educational/institutional benefits consulting, or is a former educator or administrator. Many of our finest professionals come from the ranks of those opting for past plans. These include teachers, superintendents, business managers, and human resource managers.

EPC dedicates significant resources to technical matters as they pertain to plan documentation, federal and state statutes and other issues. The company has specialized in educational employees for the past two decades and continues to develop new and meaningful services and technologies for this market.

## Employee Severance Plan - ESP™

The Employee Severance Plan™ (ESP™) was developed by Educators Preferred Corporation to help educational employers reduce salary costs. Typically salaries and fringe benefits represent 80-85% of a school system's budget. By implementing the ESP™, EPC's clients have significantly reduced salary costs.

The ESP™ is a severance program that provides a monthly stream of income to the opting participant or their beneficiaries for a fixed number of years. The employee agrees, during a window period, to terminate service on a common date determined by the employer.

This meaningful benefit induces a diverse age group of employees to retire, make a career change, return to school, or be with family. Past results show that 50% of our ESP™ participants are age 56 or younger.

Results are dramatic as exits of top of scale staff are significantly increased during the program. The employer can choose to offer the ESP™ only to certain groups, thus tailoring the plan to their specific needs. EPC provides this study on a no-cost, no-risk basis. Past studies were accurate in assessing, in advance, the number of employees that may opt for the ESP™.

The ESP™ is a complete consultative approach. EPC effectively manages the entire process for the employer, including administering benefits to the employee. There is minimal demand on the employer's administrative staff and resources.

Many positive results are achieved through the implementation of the ESP™. These include: reducing salary costs, increasing or decreasing staff, promoting of employees, avoiding program and staff cuts, and renewed enthusiasm for the educational process within the district. The ESP™ is a "win-win" for the employer, participant, students and community.

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## EDUCATORS PREFERRED CORPORATION

Value added services that assure success...

**A proactive program that helps avoid lay-offs and program cuts, the ESP™ :**

- ▶ **Is a controlled approach to buy-outs that can be structured for specific employee groups.**
- ▶ **Is a non age discriminatory program.**
- ▶ **Is a proven plan, with a successful track record with over 400 plans implemented in school systems and colleges.**
- ▶ **Attracts employees as young as age 38, with 50% of ESP™ participants under age 56.**
- ▶ **Is a cost effective approach.**
- ▶ **Is a flexible plan, allowing for purchase of service time options, and alternate pay-out periods.**
- ▶ **Greatly reduces the work load on the school system's central office, as details are deferred to an experienced firm:**
  - ◆ Enrollment procedures
  - ◆ Address changes
  - ◆ Beneficiary changes
  - ◆ Lost checks
  - ◆ Document preparation
  - ◆ Toll free access
  - ◆ Record keeping
  - ◆ Name changes
  - ◆ Death claims
  - ◆ General tax questions
  - ◆ Prepare annual tax reporting
  - ◆ Employee communications
- ▶ **Includes a complete set of legal documents for review by employer legal counsel:**
  - ◆ Plan Document
  - ◆ Release and Waiver of Claims Agreement
  - ◆ Resignation/Retirement Election Form
  - ◆ Older Workers Benefit Protection Act Requirements
  - Enrollment Forms:
    - ◆ Tax Withholding
    - ◆ Beneficiary
    - ◆ Electronic Deposit
- ▶ **Includes comprehensive counseling for employees and their spouses, CPA's, etc., complete with a Personal Retirement Planning Package:**
  - ◆ STRS/SERS projections
  - ◆ Retirement planning
  - ◆ Pre vs. Post retirement projection
  - ◆ Retirement Application Seminars
  - ◆ Tax worksheets
  - ◆ Life\Health\Vision\Dental insurance
- ▶ **Is received positively by the press and community, EPC prepares press releases.**

## Benefit Summary for the Employee Severance Plan - ESP™

**Plan Benefits** - Teachers and administrators electing the ESP™ will receive \$45,000, plus an amount equivalent to the employee's applicable contractual severance pay, the total of which is divided into equal monthly payments. Classified staff electing the ESP™ will receive 100% of his/her 2011-2012 base salary, not to exceed \$20,000, plus an amount equivalent to the employee's applicable contractual severance pay, the total of which is divided into equal monthly payments. Refer to Group 1 and Group 2 below for benefit payment structure.

**Group 1: Those electing the ESP™ who are eligible to retire under the State Teachers Retirement System (hereinafter "STRS") or the School Employees Retirement System (hereinafter "SERS") with full or reduced benefits as of June 30, 2012.**

Group 1 Participants receive the total ESP™ benefit over 5 years, divided into 60 equal monthly payments made to the participant's Post Employment 403(b) account. If the participant chooses, they can access the funds each month, within the parameters of the Post Employment 403(b) tax code.

Under current tax rules, the employer and employee do not have to pay Medicare taxes on the ESP™ amounts deposited into the 403(b), and federal and state taxes are deferred until the individual withdraws funds from their Post Employment 403(b) account.

**Group 2: Those electing the ESP™, but are not eligible to retire under STRS or SERS with full or reduced benefits as of June 30, 2012.**

Group 2 Participants receive the benefit paid over 8 years, divided into 96 equal monthly payments subject to all applicable Medicare, Federal, State, and local taxes (if applicable), paid to his/her bank or credit union of choice.

## Big Walnut Local School District ESP™ Sample Time-Line 2011-2012 School Year

Activity	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Study Period								
Board Review								
Board Approval								
Association Review								
Legal Documents Prepared								
Announcement Memo and Data Form Mailed								
Collect Data Forms								
Prepare ESP™ Packages								
ESP™ General Information Meeting								
*Window Period of Election/Enrollment								
ESP™ Counseling								
Recruitment/Replacement								
Retire/Resign Date								
Billing Date								August-12
Benefit Start Date								October-12

\*By law the employee must be given a minimum of 45 days to consider the Plan, followed by a 7 day revocation period.

## Cumulative Projected Net Budget Reduction from Implementing the ESP™ Net of All Plan and Replacement Costs Less Than Full Replacement (Excluding Administrators)

### Teachers - 10 Opting and 6 Replaced

Opting	Replaced	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
10	6	\$461,699	\$314,998	\$288,541	\$488,933	\$466,538	\$391,439	\$315,550	\$238,939
Cumulative	→	\$461,699	\$776,696	\$1,065,237	\$1,554,170	\$2,020,708	\$2,412,147	\$2,727,698	\$2,966,637

### Administrators - 2 Opting and 2 Replaced

Opting	Replaced	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
2	2	\$60,565	\$2,225	\$36,305	\$33,280	\$32,281	\$31,313	\$30,374	\$29,462
Cumulative	→	\$60,565	\$62,790	\$99,095	\$132,375	\$164,657	\$195,970	\$226,343	\$255,805

### Classified Staff - 7 Opting and 5 Replaced

Opting	Replaced	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
7	5	\$83,985	\$63,510	\$71,421	\$126,859	\$119,190	\$128,215	\$124,759	\$98,579
Cumulative	→	\$83,985	\$147,496	\$218,917	\$345,776	\$464,966	\$593,180	\$717,939	\$816,518

### Total Staff - 19 Opting and 13 Replaced

Opting	Replaced	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
19	13	\$606,249	\$380,733	\$396,267	\$649,072	\$618,009	\$550,967	\$470,683	\$366,980
Cumulative	→	\$606,249	\$986,982	\$1,383,249	\$2,032,322	\$2,650,331	\$3,201,297	\$3,671,980	\$4,038,961

## Cumulative Projected Net Budget Reduction from Implementing the ESP™ Net of All Plan and Replacement Costs *Full Replacement (Excluding Classified)*

### Teachers - 10 Opting and 10 Replaced

Opting	Replaced	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
10	10	\$207,881	\$49,085	\$9,723	\$196,330	\$159,194	\$123,328	\$88,844	\$55,858
Cumulative	→	\$207,881	\$256,966	\$266,688	\$463,018	\$622,212	\$745,540	\$834,384	\$890,242

### Administrators - 2 Opting and 2 Replaced

Opting	Replaced	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
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Cumulative	→	\$60,565	\$62,790	\$99,095	\$132,375	\$164,657	\$195,970	\$226,343	\$255,805

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Opting	Replaced	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020
19	17	\$352,431	\$114,820	\$117,449	\$356,469	\$310,665	\$282,855	\$243,977	\$183,899
Cumulative	→	\$352,431	\$467,251	\$584,700	\$941,169	\$1,251,834	\$1,534,689	\$1,778,666	\$1,962,566