

An Early Retirement Program generally allows members to add a number of years to either age or creditable service to achieve a higher retirement benefit. The City (WPS) would pay the Retirement System an amount to cover the increased pension cost for these employees.

From time-to-time the Administration is requested to explore a variety of early retirement incentive programs. In only a few instances over the past twenty-five years has the WPS participated in such plans (1994, 2002, and 2010). The Administration does not recommend adopting a city based comprehensive Early Retirement Program at this time based on the following reasons:

- **Budget:** Based on the adoption of the Student Opportunity Act, the next several years of budgets are not expected to have reductions in positions due to funding. (Although there may be positions reallocated as part of the annual review of resource allocation and district needs, it would be difficult to target these areas of possible reduction with an ERI).
- **Cost:** Early Retirement Incentives generally provide immediate savings but overall cost more than other budget saving strategies.

City-based early retirement programs would only be eligible for the following groups:

- Certain Administrators
- Instructional Assistants
- Transportation Drivers and Monitors
- Custodians and Skilled Trades Staff
- Full Year Clerical
- School Year Clerical
- Non-Instructional Staff
- Certain Educational Support Staff

In each of these groups, the positions would need to be backfilled to support district and school operations. If the position is immediately backfilled, any first year salary savings through the backfill of the position with a lower salary person is negated by the additional health insurance and OPEB costs for the new employee.

There have been considerable deliberations on ERI programs in the past. Most employees need to reach a certain retirement percentage or income replacement strategy in order to achieve participation. These incentives are and have been very costly.

In recent years, the WPS budget has included \$456,000 in assessments for the two prior early retirement programs (2002 and 2010). These additional assessments are costly and unnecessary at this time. The early retirement incentive offered to certain teachers and administrators in 1994 cost the district \$5.1 million over a 15 year repayment period. The total cost of the 2002 early retirement program cost the WPS more than \$5.5 million over the 15 year repayment schedule. The cost of the 2010 early retirement program for 12 employees will cost \$1 million over the ten year repayment period after initial budget savings of \$328,000.

It is for these reasons that the Administration's consistent reluctance to participate in ERI programs has been based on financial prudence and future costs to the budget of the Worcester Public Schools rather than immediate, short term possible savings.