

SERP

Supplemental Early Retirement Plan



SWEETWATER UNION HIGH SCHOOL DISTRICT

PARS Supplemental Early Retirement Plan (SERP)
Post Analysis: December 18, 2018 - **Updated**

PUBLIC
AGENCY
RETIREMENT
SERVICES

PARS

TRUSTED SOLUTIONS. LASTING RESULTS.

ABOUT PARS

- Established in 1984
- Headquartered in Orange County
- 1,900+ Retirement Plans
- Exclusive focus on retirement plan consulting and administration
- Clear leader in providing early retirement incentive plans not just in San Diego County, but all throughout California
- Proven Track record with Sweetwater UHSD
- Impartial and Consistent Analytical Models
- Strength and stability of annuity payments from Pacific Life Insurance Company
- Fully disclosed fees

PLAN DESIGN

Plan offered through a tax-sheltered annuity program: Internal Revenue Code Section 403(b)

**85% of Final Pay (for resignation on or before December 31, 2018)/
60% of Final Pay (for resignation between January 1, 2019 and June 30, 2019)**

- District Contributions are used to fund the purchase of an annuity through Pacific Life Insurance Co.
- Benefit payments through PARS annuity is tax-qualified, providing greater advantages for plan participants versus a cash payout
- District annuity payments do not incur payroll tax cost for Medicare and Social Security
- Post-Employment District contributions funded annually over a period of five (5) years starting on July 10, 2019 through July 10, 2023

PACIFIC LIFE INSURANCE COMPANY

- Founded in 1868, Pacific Life Insurance Company provides life insurance products, individual annuities, and mutual funds, and offers a variety of investment products and services to individuals, businesses and pension plans
- PARS does not receive any compensation nor commissions from Pacific Life Insurance Company
- As of December 31, 2017, \$158 billion in Company Assets
- Highly Rated: AM Best: A+ (Superior), Standard & Poor: AA- (Very Strong), Fitch: A+ (strong), which puts them among some of the most highly rated insurance companies in the U.S.
- All annuity contracts are fully guaranteed by Pacific Life and its General Investment Account Portfolio
- Visit them for more information and current ratings at www.pacificlife.com

RETIREE DEMOGRAPHICS

Certificated				
Group	Mid-Year Retirements/ Resignation	End of Year Retirements/ Resignation	Total Retirements/ Resignations	Average Salary of Retiree/Resignee
SEA	94 <i>Projected: 39</i>	50 <i>Projected: 67</i>	144 <i>Projected: 106</i>	\$88,204
SCGA	7 <i>Projected: 2</i>	4 <i>Projected: 4</i>	11 <i>Projected: 6</i>	\$110,168
Certificated Mgmt.	4 <i>Projected: 3</i>	7 <i>Projected: 5</i>	11 <i>Projected: 8</i>	\$145,987
Classified				
Office, OPER, PARA	98 <i>Projected: 34</i>	28 <i>Projected: 50</i>	126 <i>Projected: 84</i>	\$51,502
NAGE	9 <i>Projected: 2</i>	3 <i>Projected: 4</i>	12 <i>Projected: 6</i>	\$76,755
Classified Mgmt.	2 <i>Projected: 0</i>	1 <i>Projected: 1</i>	3 <i>Projected: 1</i>	\$108,012
Total				
All Employees	214 <i>Projected: 80</i>	93 <i>Projected: 131</i>	307 <i>Projected: 211</i>	\$75,744

PARS ANALYSIS METHODOLOGY

Total Compensation Differential between Retiring Employee and Replacement Employee

-

Retirement Health Care Cost

-

Retirement Incentive Cost

-

Current Natural Attrition

-

Future Loss in Natural Attrition

+

Savings due to Non-Replacements

=

Net Savings (Cost)

PARS has provided non-replacement figures in this calculation. The District should be sure not to budget a similar number of position cuts, thereby double counting savings within this retirement incentive analysis and the budget.

PLAN ASSUMPTIONS

	Certificated Non-Management	Certificated Management	Classified Non-Management	Classified Mgmt/Conf.
Eligibility Requirements	Age 50, 5 Years of District Service Resign/Retire on or before June 30, 2019		Age 50, 5 Years of District Service Resign/Retire on or before June 30, 2019	
Benefit Level	85% of Final Pay (Mid-Year)/60% of Final Pay (Year-End) First benefit payable on August 1, 2019			
Average Replacement Salaries	\$66,311	\$125,549	\$43,656	\$92,890
Replacement of Retiring Positions	80% Replacement Level			
Health Care Costs	Active: \$14,130 Pre-65 Retiree: \$14,130 (for Retirees Age 55 with 15 years of District Service) Post-65 Retiree or Resignation: \$0			
STRS/PERS Retirement Plan Costs	STRS: 2018-19 16.280% 2019-20 18.130% 2020-21 19.100%		PERS: 2018-19 18.100% 2019-20 20.800% 2020-21 23.800%	
PARS Plan Funding	5-Year Annuity purchased through Pacific Life Insurance; 1 st Payment due on July 10, 2019 with 4 subsequent annual payments from 2020-2023 paid every July 10th			

FISCAL SUMMARY OF SAVINGS – 80% REPLACEMENT

ALL EMPLOYEES

307 Total Retirements 214 Mid-Year Retirements + 93 Year-End Retirements 80% Replacement of Positions							
	Mid-Year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Year 5 2023-24	Total
Gross Savings	\$3,330,511	\$7,976,787	\$7,591,587	\$7,458,867	\$7,386,306	\$7,243,158	\$40,987,216
Less: Annuity Premium	\$0	\$3,571,341	\$3,571,341	\$3,571,341	\$3,571,341	\$3,571,341	\$17,856,705
Less: PARS Fees	\$0	\$142,854	\$142,854	\$142,854	\$142,854	\$142,854	\$714,268
Net Annual Savings	\$3,330,511	\$4,262,593	\$3,877,393	\$3,744,672	\$3,672,111	\$3,528,963	\$22,416,243
Cumulative Savings	\$3,330,511	\$7,593,103	\$11,470,496	\$15,215,168	\$18,887,280	\$22,416,243	
<i>Original Projected Cumulative Savings</i>	\$1,460,452	\$4,334,972	\$6,734,098	\$8,786,223	\$10,504,404	\$11,888,661	

FISCAL SUMMARY OF SAVINGS – 80% REPLACEMENT

CERTIFICATED - SEA

144 Total Retirements 94 Mid-Year Retirements + 50 Year-End Retirements 80% Replacement of Positions							
	Mid-Year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Year 5 2023-24	Total
Gross Savings	\$1,870,628	\$4,819,259	\$4,557,486	\$4,449,119	\$4,363,379	\$4,225,942	\$24,285,813
Less: Annuity Premium	\$0	\$1,930,634	\$1,930,634	\$1,930,634	\$1,930,634	\$1,930,634	\$9,653,172
Less: PARS Fees	\$0	\$77,225	\$77,225	\$77,225	\$77,225	\$77,225	\$386,127
Net Annual Savings	\$1,870,628	\$2,811,399	\$2,549,627	\$2,441,259	\$2,355,519	\$2,218,082	\$14,246,514
Cumulative Savings	\$1,870,628	\$4,682,027	\$7,231,654	\$9,672,913	\$12,028,432	\$14,246,514	
<i>Original Projected Cumulative Savings</i>	\$966,271	\$3,041,051	\$4,765,588	\$6,228,720	\$7,436,186	\$8,387,641	

FISCAL SUMMARY OF SAVINGS – 80% REPLACEMENT

CERTIFICATED - SCGA

11 Total Retirements 7 Mid-Year Retirements + 4 Year-End Retirements 80% Replacement of Positions							
	Mid-Year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Year 5 2023-24	Total
Gross Savings	\$215,177	\$559,888	\$533,997	\$501,951	\$494,521	\$487,665	\$2,793,199
Less: Annuity Premium	\$0	\$184,077	\$184,077	\$184,077	\$184,077	\$184,077	\$920,383
Less: PARS Fees	\$0	\$7,363	\$7,363	\$7,363	\$7,363	\$7,363	\$36,815
Net Annual Savings	\$215,177	\$368,449	\$342,557	\$310,511	\$303,081	\$296,225	\$1,836,000
Cumulative Savings	\$215,177	\$583,626	\$926,183	\$1,236,694	\$1,539,775	\$1,836,000	
<i>Original Projected Cumulative Savings</i>	\$61,146	\$219,488	\$349,069	\$452,939	\$533,720	\$591,567	

FISCAL SUMMARY OF SAVINGS – 80% REPLACEMENT

CERTIFICATED MANAGEMENT

11 Total Retirements 4 Mid-Year Retirements + 7 Year-End Retirements 80% Replacement of Positions							
	Mid-Year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Year 5 2023-24	Total
Gross Savings	\$94,368	\$431,547	\$395,705	\$381,709	\$369,635	\$377,098	\$2,050,062
Less: Annuity Premium	\$0	\$221,913	\$221,913	\$221,913	\$221,913	\$221,913	\$1,109,566
Less: PARS Fees	\$0	\$8,877	\$8,877	\$8,877	\$8,877	\$8,877	\$44,383
Net Annual Savings	\$94,368	\$200,756.80	\$164,915	\$150,920	\$138,845	\$146,308	\$896,113
Cumulative Savings	\$94,368	\$295,125	\$460,041	\$610,960	\$749,806	\$896,113	
<i>Original Projected Cumulative Savings</i>	\$78,058	\$227,058	\$339,736	\$421,775	\$475,135	\$505,025	

FISCAL SUMMARY OF SAVINGS – 80% REPLACEMENT

CLASSIFIED – OFFICE, OPER & PARA

126 Total Retirements 98 Mid-Year Retirements + 28 Year-End Retirements 80% Replacement of Positions							
	Mid-Year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Year 5 2023-24	Total
Gross Savings	\$959,358	\$1,755,574	\$1,714,062	\$1,744,960	\$1,792,092	\$1,794,649	\$9,760,695
Less: Annuity Premium	\$0	\$1,037,992	\$1,037,992	\$1,037,992	\$1,037,992	\$1,037,992	\$5,189,958
Less: PARS Fees	\$0	\$41,520	\$41,520	\$41,520	\$41,520	\$41,520	\$207,598
Net Annual Savings	\$959,358	\$676,062.80	\$634,551	\$665,448	\$712,580	\$715,138	\$4,363,138
Cumulative Savings	\$959,358	\$1,635,421	\$2,269,972	\$2,935,420	\$3,648,000	\$4,363,138	
<i>Original Projected Cumulative Savings</i>	\$304,837	\$689,972	\$1,027,035	\$1,342,294	\$1,638,599	\$1,912,359	

FISCAL SUMMARY OF SAVINGS – 80% REPLACEMENT

CLASSIFIED - NAGE

12 Total Retirements 9 Mid-Year Retirements + 3 Year-End Retirements 80% Replacement of Positions							
	Mid-Year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Year 5 2023-24	Total
Gross Savings	\$146,260	\$284,237	\$270,118	\$264,669	\$255,707	\$253,802	\$1,474,794
Less: Annuity Premium	\$0	\$146,762	\$146,762	\$146,762	\$146,762	\$146,762	\$733,810
Less: PARS Fees	\$0	\$5,870	\$5,870	\$5,870	\$5,870	\$5,870	\$29,352
Net Annual Savings	\$146,260	\$131,604.69	\$117,486	\$112,037	\$103,075	\$101,170	\$711,632
Cumulative Savings	\$146,260	\$277,865	\$395,351	\$507,387	\$610,462	\$711,632	
<i>Original Projected Cumulative Savings</i>	\$31,160	\$91,246	\$143,170	\$190,039	\$232,726	\$270,823	

FISCAL SUMMARY OF SAVINGS – 80% REPLACEMENT

CLASSIFIED MANAGEMENT


3 Total Retirements 2 Mid-Year Retirements + 1 Year-End Retirement 80% Replacement of Positions							
	Mid-Year 2018-19	Year 1 2019-20	Year 2 2020-21	Year 3 2021-22	Year 4 2022-23	Year 5 2023-24	Total
Gross Savings	\$44,720	\$126,282	\$120,218	\$116,458	\$110,973	\$104,002	\$622,653
Less: Annuity Premium	\$0	\$49,963	\$49,963	\$49,963	\$49,963	\$49,963	\$249,815
Less: PARS Fees	\$0	\$1,999	\$1,999	\$1,999	\$1,999	\$1,999	\$9,993
Net Annual Savings	\$44,720	\$74,320.47	\$68,256	\$64,497	\$59,012	\$52,040	\$362,845
Cumulative Savings	\$44,720	\$119,040	\$187,297	\$251,793	\$310,805	\$362,845	
<i>Original Projected Cumulative Savings</i>	\$3,722	\$35,053	\$64,217	\$91,827	\$117,345	\$140,272	

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