

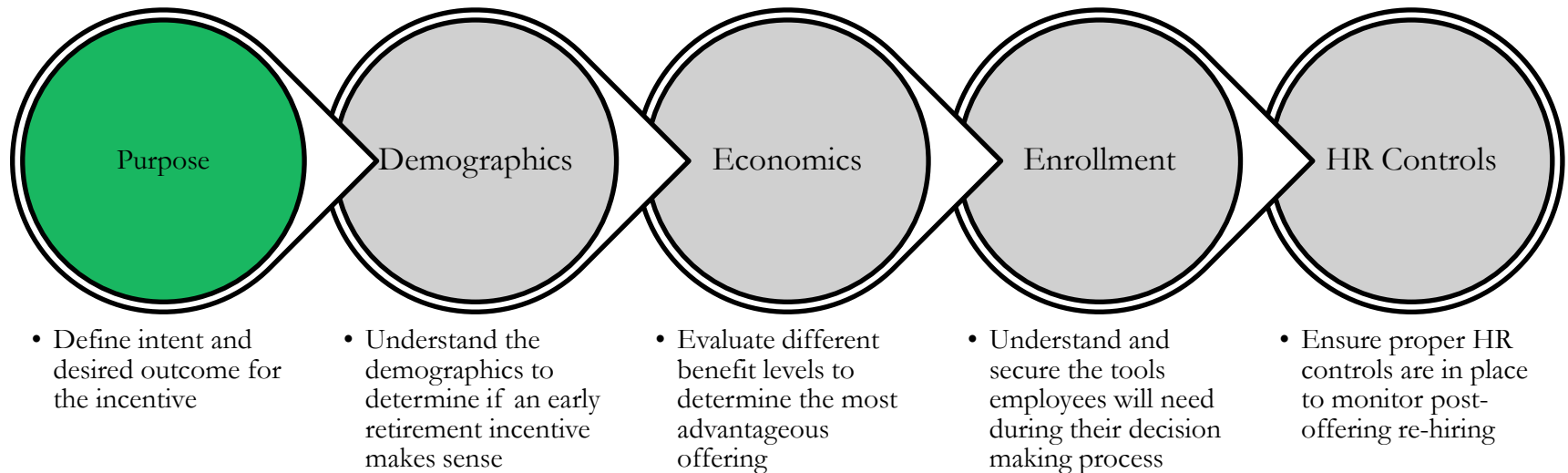


SUPPLEMENTAL EMPLOYEE RETIREMENT PLAN

Alvord Unified School District
July 10, 2018

Keenan
Associates
Innovative Solutions. Enduring Principles.

5 Step SERP Development Process





A Keenan Solution

Supplemental **E**mployee **R**etirement **P**lan (SERP) is Keenan's early retirement incentive solution since 1984. The program is designed to:

- Address declining enrollment
- Assist in proactive staff planning
- Enhance retiree benefits
- Compensate long-term Employees

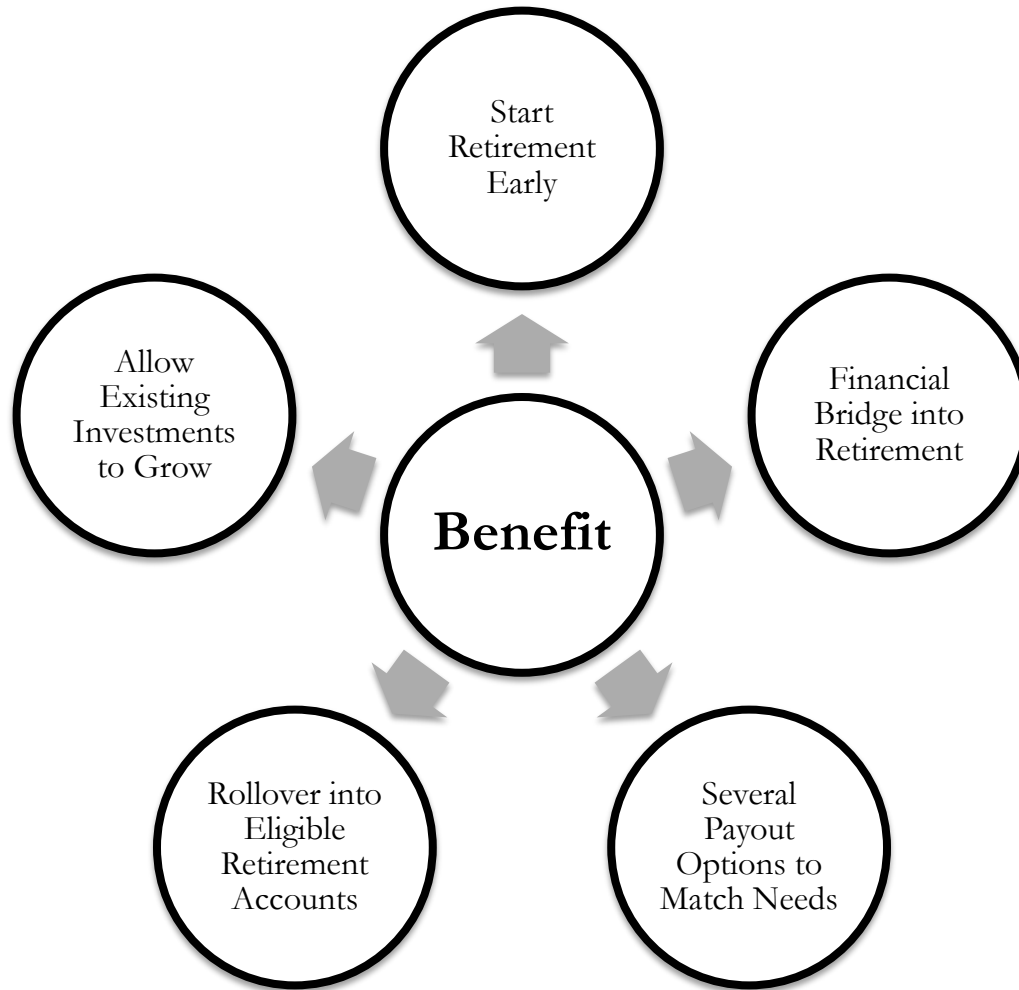


Why is SERP a Win-Win?

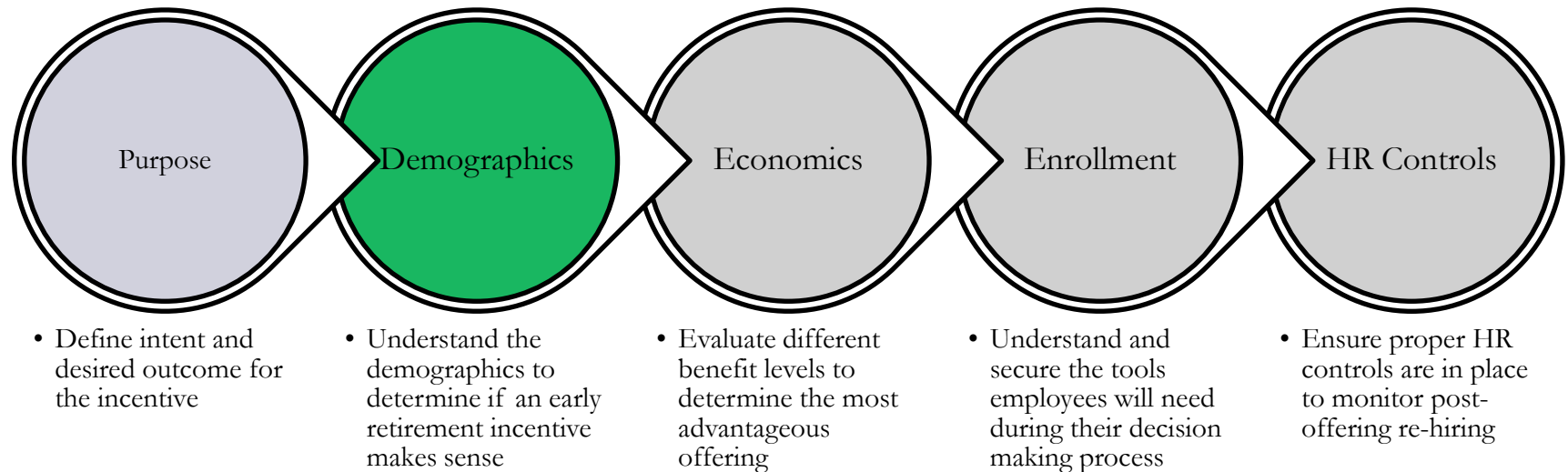


SERP allows Districts to develop and offer an incentive plan that will enhance retiree benefits and improve job security for existing employees while providing an effective budget and staff planning solution

What is the Benefit for the Retiree?



Step #2: Understanding the Demographics

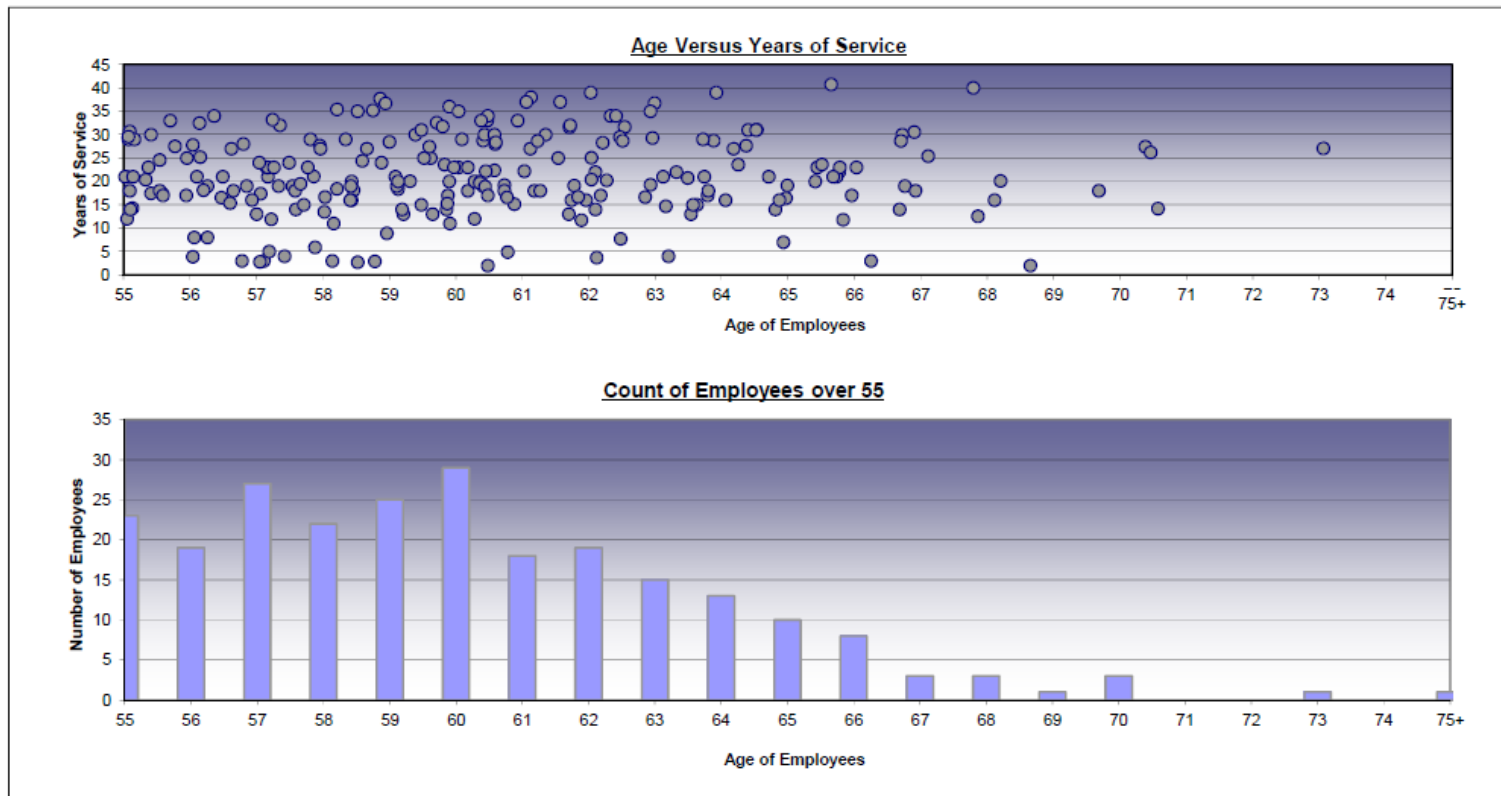


Demographic Study: Scenario #1

1. Evaluate all employee groups
2. General Eligibility:
 1. Employee must be at least 55 years of age
 2. Employee must have at least zero (0) years of service

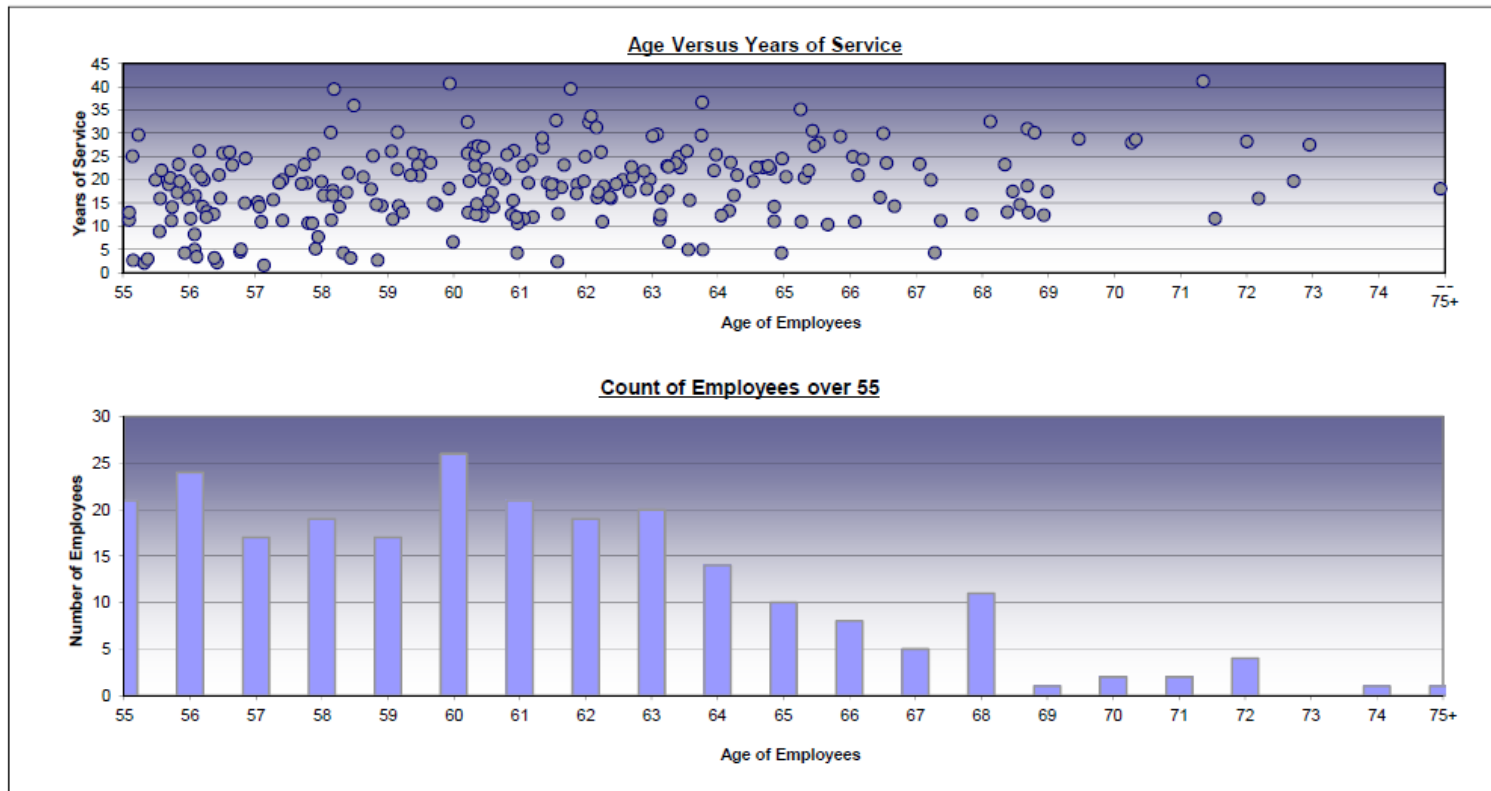
Employee Group	Certificated	Classified
Total Eligible Employees	240	243
Average Age	60.4	61.4
Average Service	21.4	18.9

Scenario #1 - Certificated



Age of Employee	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75+
Number of Employees	23	19	27	22	25	29	18	19	15	13	10	8	3	3	1	3	0	0	1	0	1
Reverse Cumulative Totals	240	217	198	171	149	124	95	77	58	43	30	20	12	9	6	5	2	2	2	1	1
Reverse Cumulative %	100	90	83	71	62	52	40	32	24	18	13	8	5	4	3	2	1	1	1	0	0

Scenario #1 – Classified



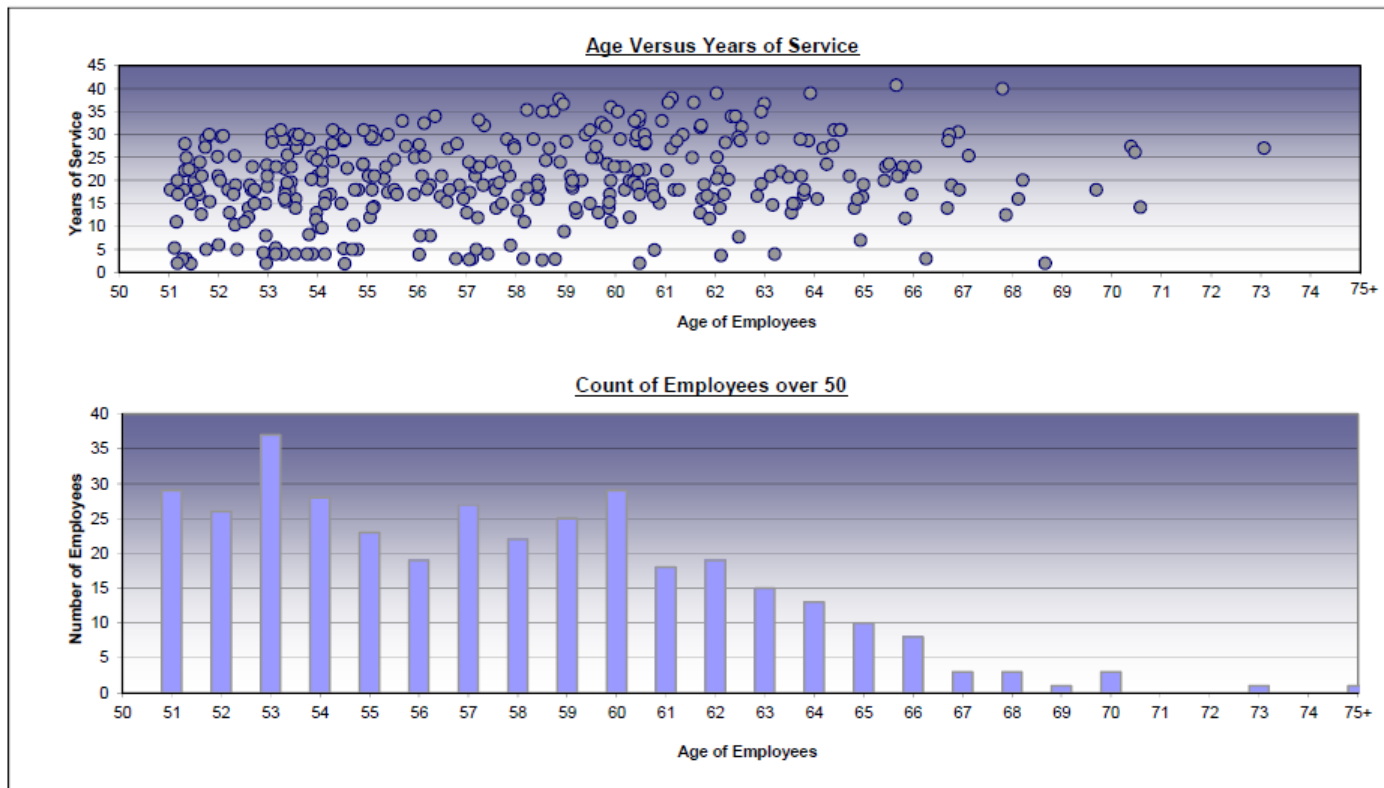
Age of Employee	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75+
Number of Employees	21	24	17	19	17	26	21	19	20	14	10	8	5	11	1	2	2	4	0	1	1
Reverse Cumulative Totals	243	222	198	181	162	145	119	98	79	59	45	35	27	22	11	10	8	6	2	2	1
Reverse Cumulative %	100	91	81	74	67	60	49	40	33	24	19	14	11	9	5	4	3	2	1	1	0

Demographic Study: Scenario #2

1. Evaluate all employee groups
2. General Eligibility:
 1. Employee must be at least 50 years of age
 2. Employee must have at least zero (0) years of service

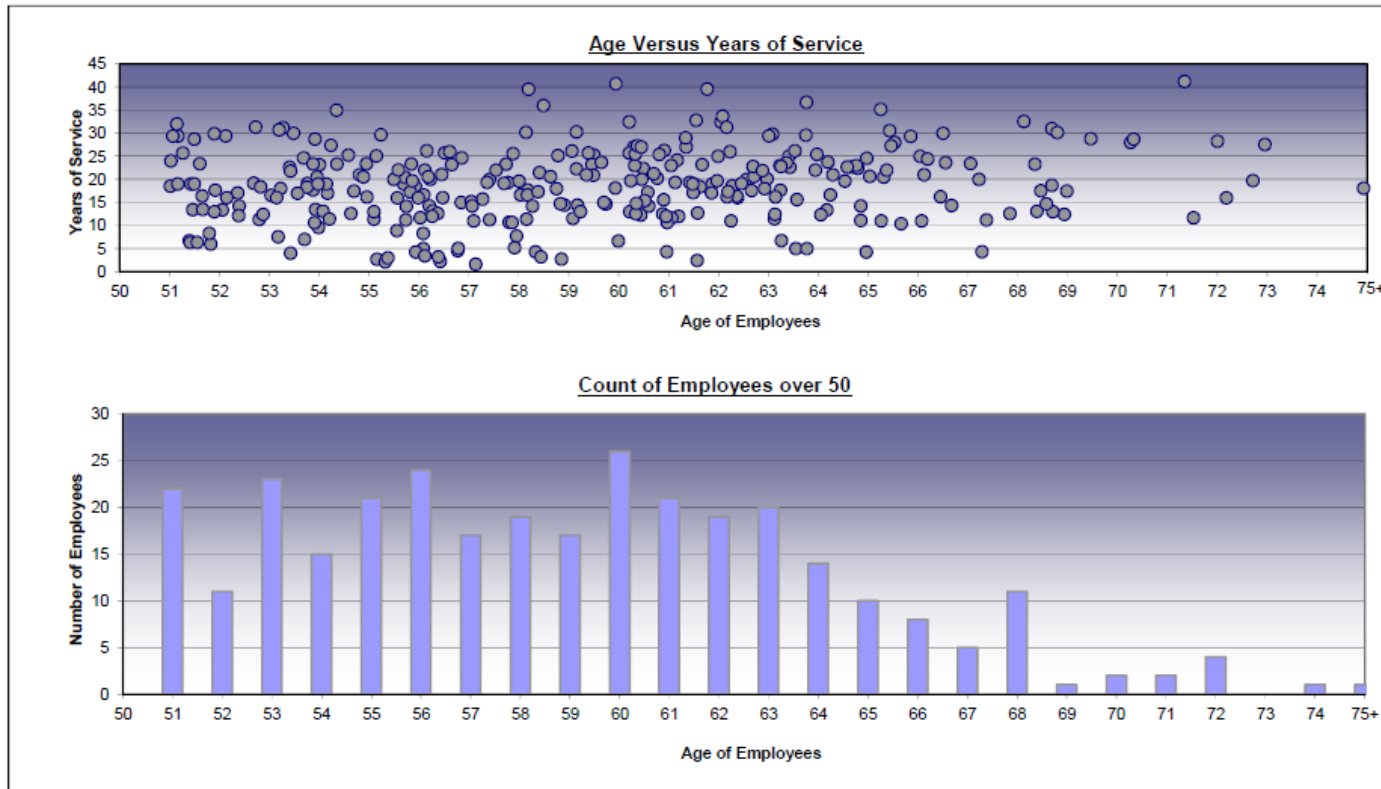
Employee Group	Certificated	Classified
Total Eligible Employees	360	314
Average Age	58.42	59.42
Average Service	20	19

Scenario #2 - Certificated



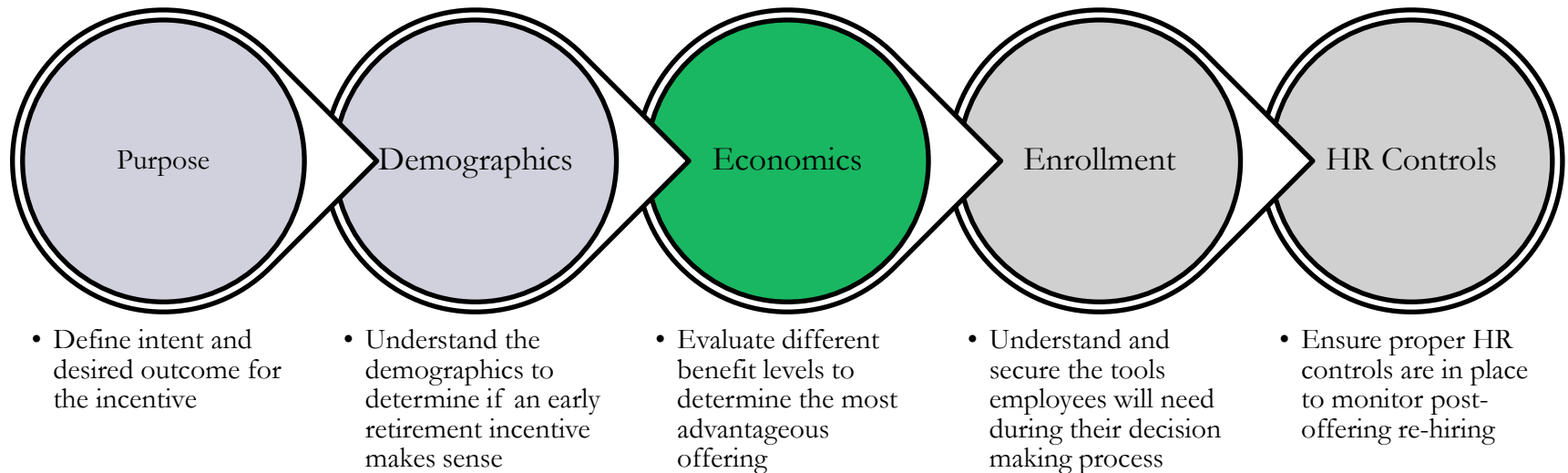
Age of Employee	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75+
Number of Employees	0	29	26	37	28	23	19	27	22	25	29	18	19	15	13	10	8	3	3	1	3	0	0	1	0	1
Reverse Cumulative Totals	360	360	331	305	268	240	217	198	171	149	124	95	77	58	43	30	20	12	9	6	5	2	2	2	1	1
Reverse Cumulative %	100	100	92	85	74	67	60	55	48	41	34	26	21	16	12	8	6	3	3	2	1	1	1	1	0	0

Scenario #2 – Classified



Age of Employee	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75+
Number of Employees	0	22	11	23	15	21	24	17	19	17	26	21	19	20	14	10	8	5	11	1	2	2	4	0	1	1
Reverse Cumulative Totals	314	314	292	281	258	243	222	198	181	162	145	119	98	79	59	45	35	27	22	11	10	8	6	2	2	1
Reverse Cumulative %	100	100	93	89	82	77	71	63	58	52	46	38	31	25	19	14	11	9	7	4	3	3	2	1	1	0

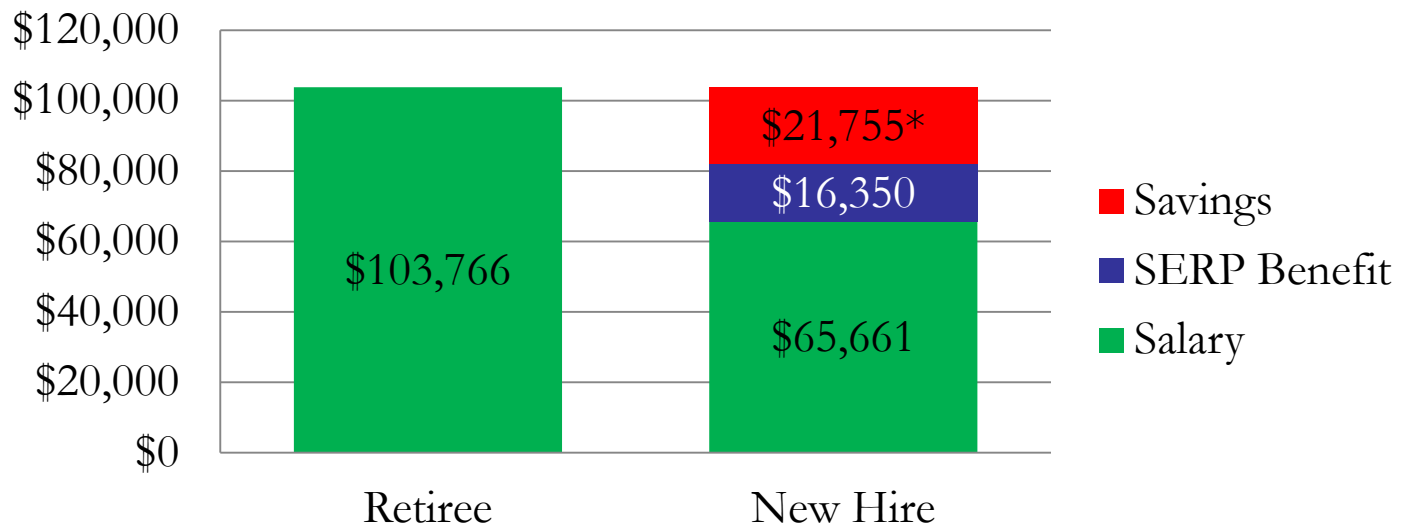
Step #3: Evaluating the Economics



How Does SERP Work?

SERP generates cost savings through the differential in salary costs for a retiring employee and a new hire. The benefit design depends on the size of differential.

Year #1 Savings Concept



Annuity Options: Certificated (85% of Salary)

Estimated Monthly Payments

	Annuity Option	Certificated	Certificated Mgmt.
1	Life Only	\$409.48	\$508.68
2	Joint & 50% Survivor	\$378.63	\$471.93
3	Life or Ten Years	\$401.38	\$500.03
4	<u>Five (5) Year*</u>	<u>\$1,470.58</u>	<u>\$1,875.24</u>
5	Six (6) Year*	\$1,248.60	\$1,592.17
6	Seven (7) Year*	\$1,090.26	\$1,390.26
7	Eight (8) Year*	\$971.73	\$1,239.12
8	Nine (9) Year*	\$879.72	\$1,121.79
9	Ten (10) Year	\$806.28	\$1,028.15
* Eligible for tax-deferred IRA Rollover			

Annuity Options: Classified (75% of Salary)

Estimated Monthly Payments

	Annuity Option	Classified	Classified Mgmt.
1	Life Only	\$136.83	\$328.96
2	Joint & 50% Survivor	\$126.13	\$304.11
3	Life or Ten Years	\$133.73	\$322.38
4	<u>Five (5) Year*</u>	<u>\$479.19</u>	<u>\$1,179.00</u>
5	Six (6) Year*	\$406.85	\$1,001.03
6	Seven (7) Year*	\$355.26	\$874.08
7	Eight (8) Year*	\$316.64	\$779.06
8	Nine (9) Year*	\$286.65	\$705.29
9	Ten (10) Year	\$262.73	\$646.42
* Eligible for tax-deferred IRA Rollover			

SERP Analysis

Certificated (85% of Salary)

Participation
67 retirees

Non-Replaced Positions
8

Average Cost per Retiree
\$89,717.94

“Break-Even” Amount
26 retirees

Estimated 5 yr. Savings
\$3,884,035

Classified (75% of Salary)

Participation
55 retirees

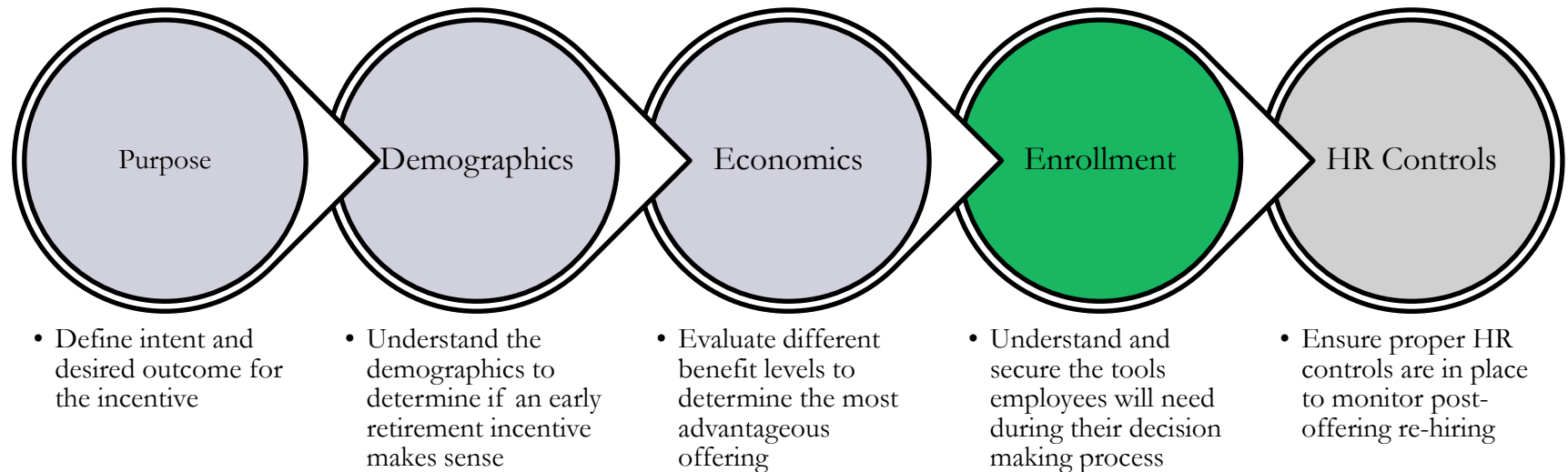
Non-Replaced Positions
All Replaced

Average Cost per Retiree
\$30,294.56

“Break-Even” Amount
n/a

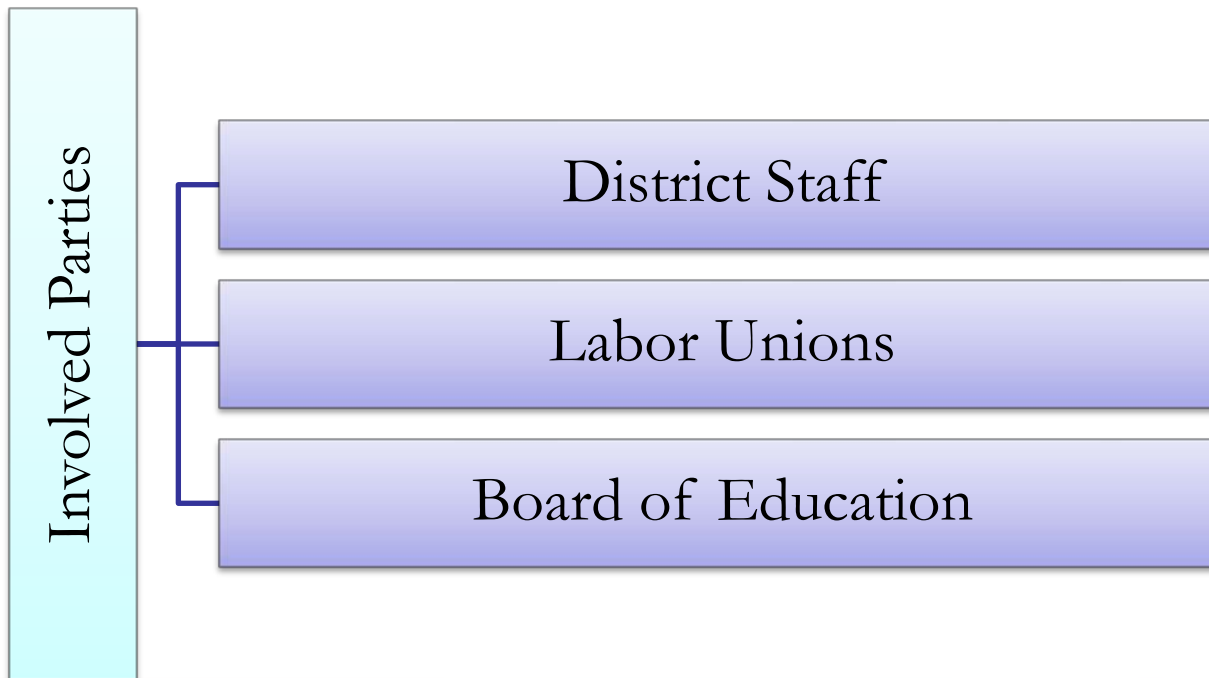
Estimated 5 yr. Savings
-\$1,418,259

Step #4: SERP Enrollment Planning



SERP Communication Plan

SERPs are most successful when all involved parties are in coordination through collaboration:



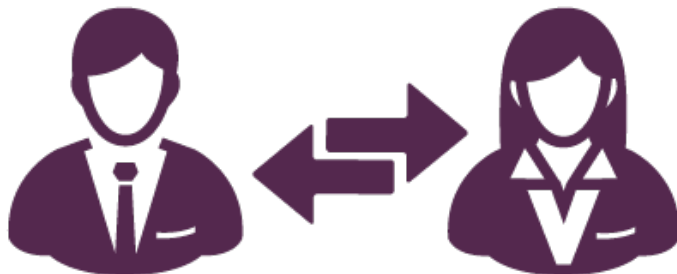
SERP Communication Plan

SERP achieves maximum participation through effective communication and marketing of the plan:



Group Sessions

- Ensure understanding of SERP
- Facilitate a transparent process
- On-Site Presentations



Individual Counseling

- One-on-One Q&A sessions
- Facilitated by *actual retirees*
- On-Site or by Telephone

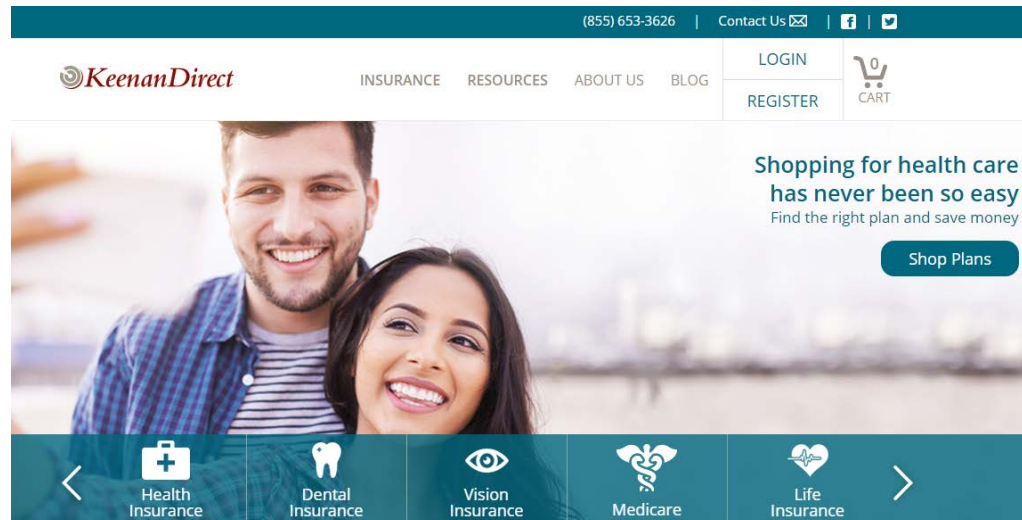
SERP Communication Plan

Keenan Financial Services can assist in coordinating representatives and presentations from the following:

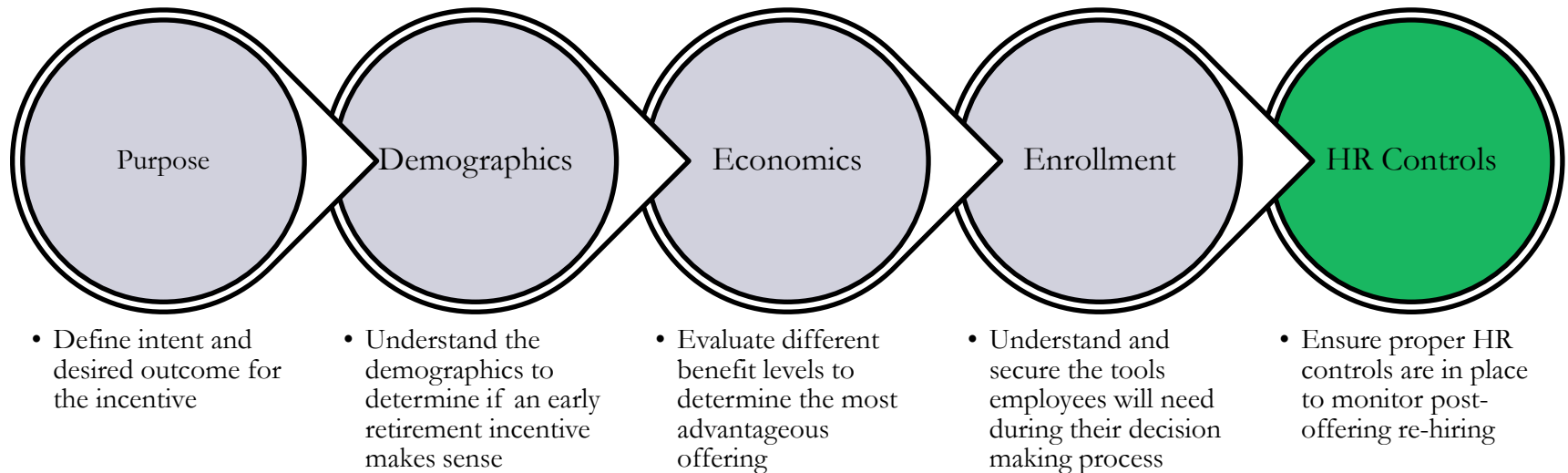




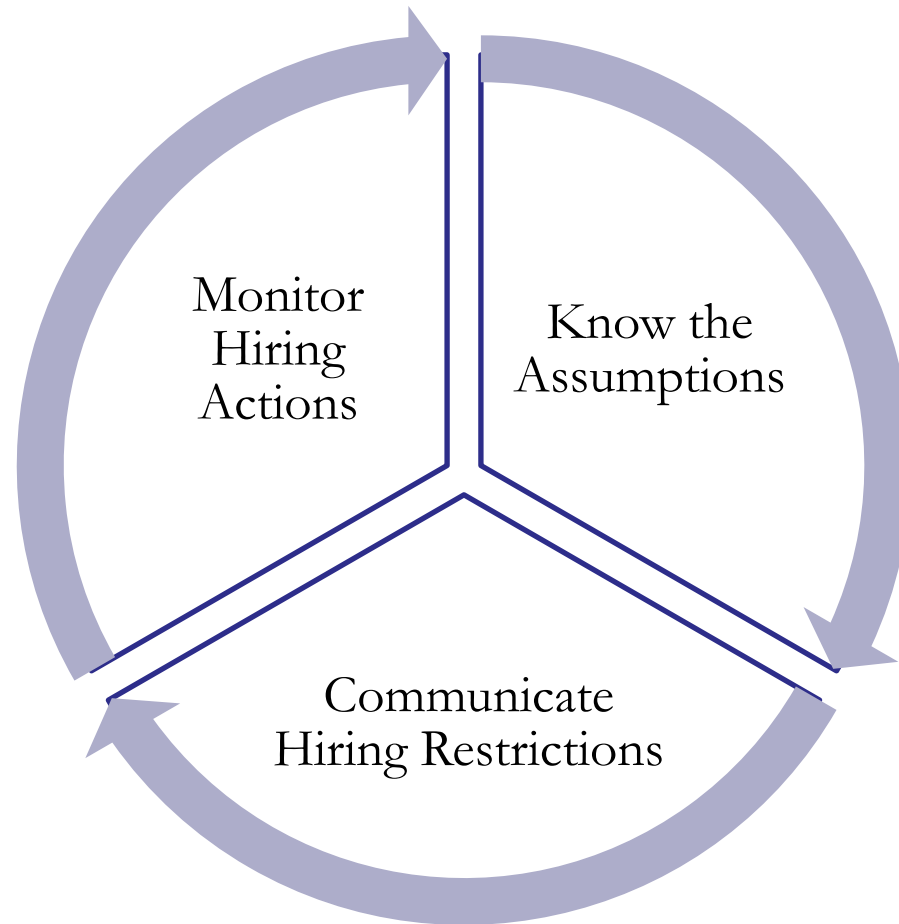
Medical benefits are a large part of the retirement decision. SERP provides access to Keenan Direct which can assist participants in shopping for individual medical plans.



Step #5: Ensure HR Controls



HR Controls



Timeline - Proposal

July/August 2018

- Development and Board Approval

November 2018

- Confirm participants and prepare final analysis

July 2019

- Plan Effective Date .

Sept./Oct. 2018

- Group and Individual Counseling Sessions

December 2018

- Final Savings Analysis Presented to Board

August 2019

- First Benefit Payment



ANY QUESTIONS?