

PERFORMANCE AUDIT REPORT

REVIEWING EARLY RETIREMENT INCENTIVE PROGRAMS IN KANSAS SCHOOLS

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
September 1995**

Legislative Post Audit Committee

Legislative Division of Post Audit

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REVIEWING EARLY RETIREMENT INCENTIVE PROGRAMS IN KANSAS SCHOOLS

Summary of Legislative Post Audit's Findings

How much are school districts spending on early retirement incentive programs? In Kansas, 152 school districts offer their employees an early retirement incentive program. Over the past six fiscal years, those districts reported spending more than \$50 million to pay for early retirement benefits. For fiscal years 1996 through 2000, the cost of these programs could be more than \$200 million if every employee who is eligible in those years elects to retire early. Past experience has shown that about half of eligible employees actually elect to retire early. If this trend holds true, a more realistic estimate of the cost to districts that currently have programs would be between \$90 million and \$100 million through the year 2000.

Have school districts realized any cost savings from their early retirement incentive programs? The most common goal for early retirement incentive programs in Kansas is the reduction of salary costs. Nine of the 10 school districts we reviewed achieved a cost savings in fiscal year 1995 ranging from \$7,400 to \$288,000. This savings was achieved, for the most part, by replacing higher-salaried retirees with lower-paid staff.

What other units of government in Kansas have instituted early retirement incentive programs? Only three Kansas cities and one county either offer or have offered an early retirement incentive program to their employees. In all, 14 of the State's 19 community colleges offer an early retirement incentive program. The programs offered by the community colleges are similar to those offered in Kansas school districts. In fiscal year 1995, the community colleges, as a group, reported spending about \$132,600 for retirement benefits to 33 retirees.

Have early retirement incentive programs been successful in other states? Officials in 10 of the 12 states we reviewed for this audit told us their early retirement programs initially were successful in achieving their stated goals. But often times those results were short-lived. The reasons cited generally included inadequate planning, lack of controls over replacing retired employees, lack of good cost and savings information, lack of education about the program, and a tendency to offer early retirement incentive programs too often.

This report contains several recommendations to the Legislature. We would be happy to discuss these recommendations or any findings presented in this report with any legislative committees, individual legislator, or other State officials.



Barbara J. Hinton
Legislative Post Auditor

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OBTAINING AUDIT INFORMATION

This audit was conducted by Trish Pfannenstiel, Tracey Elmore, and Scott Brunner. If you need any additional information about the audit's findings, please contact Ms. Pfannenstiel at the Division's office.

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Reviewing Early Retirement Incentive Programs In Kansas Schools

The 1980 Legislature authorized the board of education of any school district to establish an early retirement incentive program for the benefit of district employees. The purpose of these programs is to restore, in whole or in part, any reduction in retirement benefits an employee would incur under Social Security (FICA) or the Kansas Public Employees Retirement System (KPERS) for retiring before the normal retirement age of 65. By law, a board of education may budget and spend whatever amount it deems desirable and necessary for these programs.

In 1993, the Legislature enacted a law that allowed members of the Kansas Public Employees Retirement System—including school employees—to retire with full benefits when their age plus their years of service totaled 85 or more. This legislation, which is often referred to as the 85-point plan, effectively removed the early retirement penalty for many employees covered under the Retirement System. Social Security retirement benefits were not affected by this legislation.

A recent news article speculated that the multi-year liability for the school districts that have early retirement incentive programs may exceed \$150 million. Legislative concerns have been raised about the financial impact of these early retirement incentive programs on school districts and other units of government that offer them. Specific concerns are that these local units of government are assuming a large financial burden that will increase significantly in the future, that retirees are being paid supplemental amounts for early retirement when most are no longer penalized by the Retirement System, that local units of government may not be saving money by not refilling positions or by replacing retirees with lower-paid staff, and that some employees are retiring from one school district or unit of government and going to work for another.

This audit addresses the following questions:

- 1. How much are Kansas school districts spending on early retirement incentive programs?**
- 2. Have school districts realized any cost savings from their early retirement incentive programs?**
- 3. What other units of government in Kansas have instituted early retirement incentive programs?**
- 4. Have early retirement incentive programs been successful in other states and, if not, why not?**

To answer these questions, we reviewed State laws and interviewed officials at the Department of Education, the Kansas Public Employees Retirement System,

the Revisor of Statutes Office, the Legislative Research Department, and the Attorney General's Office. We surveyed all 304 school districts in the State, and conducted follow-up interviews with those districts that reported having an early retirement incentive program. We conducted a more in-depth review at 10 sample districts to determine whether they experienced a cost savings from their early retirement incentive programs during fiscal year 1995. Those sample districts were:

- | | | | |
|-----------|----------|----------------|----------|
| • Ulysses | USD #214 | • Great Bend | USD #428 |
| • Wichita | USD #259 | • Independence | USD #446 |
| • Salina | USD #305 | • Lawrence | USD #497 |
| • Buhler | USD #313 | • Kansas City | USD #500 |
| • Newton | USD #373 | • Topeka | USD #501 |

We also reviewed available actuarial studies for Kansas school districts.

We contacted local government officials in Kansas to determine what other units of government may have early retirement incentive programs. Finally, to learn about early retirement incentive programs in other states, we reviewed national publications and contacted officials in those states. In conducting this audit, we followed all applicable government auditing standards set fourth by the U.S. General Accounting Office.

We found that during fiscal year 1995, half the school districts in Kansas had early retirement incentive programs for one or more employee groups. The school districts that had early retirement incentive programs during the past six fiscal years have spent a total of more than \$50 million on those programs. For the 153 school districts that currently have early retirement incentive programs, we estimate total program expenditures over the next five fiscal years will be between \$90 million and \$210 million, depending on the number of eligible employees who elect to retire early.

We also found that payments for these early retirement incentive programs generally have not grown faster than the districts' overall budgets. Over the past six fiscal years, expenditures for early retirement benefits have remained fairly constant at an average of just less than 1% of the districts' general fund budgets. Nine of the 10 sample districts we reviewed saved money during fiscal year 1995 as a result of their early retirement incentive programs.

We found that only three cities and one county in Kansas have established early retirement incentive programs. However, 14 of the State's 19 community colleges have established these types of programs.

Officials in 10 of the 12 states we contacted told us their early retirement incentive programs generally were successful; however, independent surveys of those programs indicated the savings were not as great as first reported. These and related findings are discussed in more detail after a brief overview of early retirement incentive programs.

Overview of Early Retirement Incentive Programs

School district employees in Kansas are eligible for retirement benefits under the Federal Insurance Contributions Act (FICA), commonly referred to as Social Security. In addition, since January 1, 1971, school district employees also have been eligible for retirement benefits from the Kansas Public Employees Retirement System. Each year since school employees became members of the Retirement System, the Legislature has made an annual appropriation from the State General Fund to pay the employer contribution to the Retirement System for each of the State's 304 school districts. (Appendix A shows the State's employer contribution to the Retirement System for each school district in fiscal year 1995.)

In 1980, the Legislature Authorized School Districts To Establish Early Retirement Incentive Programs To Offset Reductions in Social Security and Retirement System Benefits

The 1980 Legislature passed a law allowing school districts to offer early retirement incentive programs to their employees. That law defines an early retirement incentive program as "a program that provides cash payments, either in the form of a lump-sum payment at the beginning of the fiscal year, or in regular payments during the fiscal year." The law states the intent of these programs is to restore all or part of any reduction in Social Security or Retirement System benefits that an employee would incur by retiring early.

What constitutes early retirement under Social Security and under the Retirement System depends on a number of factors, such as the year in which the employee was born, the number of years the employee worked for a participating employer, the employee's age at the time he or she retires, and the year in which the employee elects to retire.

Under current law, retiring early can result in a 7% to 20% reduction in Social Security benefits. In 1995, normal retirement age for a person covered by Social Security is age 65. Over the next few years, normal retirement age will gradually be increased to age 67. However, an individual currently may retire as early as age 62 and still receive Social Security benefits. The benefit amount of an individual who elects to retire before the age of 65 will be reduced as shown below:

- those retiring at age 62 receive about 80% of their full benefit amount
- those retiring at age 63 receive about 87% of their full benefit amount
- those retiring at age 64 receive about 93% of their full benefit amount

Those persons who retire early will continue to receive reduced payments for as long as they receive benefit payments from the Social Security Administration.

Like Social Security, the Kansas Public Employees Retirement System reduces benefits for employees who retire early. As a member of the Retirement System, a school district employee can retire and receive full benefits if he or she:

- is age 65
- is age 62 with 10 years of service credit with the Retirement System
- is between the ages of 60 and 65 with the completion of 35 years of service credit with the Retirement System
- is any age with the completion of 40 years of service credit with the Retirement System
- has a combined age and years of service with the Retirement System equal to 85 "points"

This last provision, often referred to as the "85-point plan," was enacted by the 1993 Legislature to allow members of the Retirement System to retire at a younger age without having their benefits reduced.

All conditions for retirement listed above are considered normal retirement under the Retirement System. Those members of the Retirement System that meet the conditions for normal retirement may retire and receive full benefits.

Early retirement under the Retirement System is allowed for those members who have at least 10 years of service with the System and are at least 55 years of age. However, like Social Security, retiring early comes with a reduced benefit payment for as long as benefit payments are received. Those penalties are listed below:

- members retiring between the ages of 55 and 60 receive a benefit payment that is reduced by .6% multiplied by the number of months between the retiree's age and age 60
- members retiring between the ages of 60 and 62 receive a benefit payment that is reduced by .2% multiplied by the number of months between the retiree's age and age 62

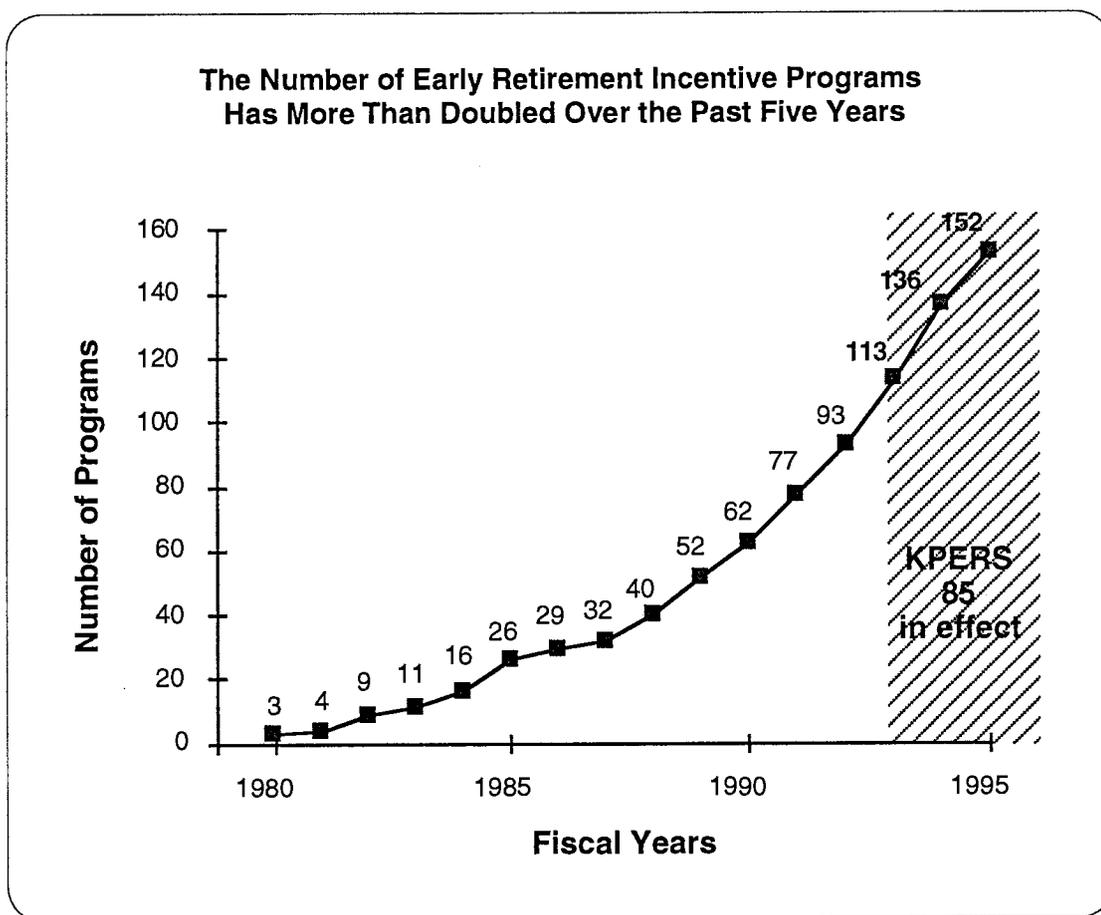
For example, if a member of the Retirement System retired on his or her 55th birthday and would have received benefit payments of \$800 a month at normal retirement, his or her benefit payment would be only about \$474 per month, representing a penalty of more than \$326 a month. This is the type of penalty the early retirement incentive law was designed to help offset.

School district employees must retire from the Retirement System before they can be paid early retirement benefits from their district. The 1994 Legislature amended the law regarding early retirement incentive programs in school districts. Now, a district employee must retire under the Retirement System's requirements before he or she can elect early retirement from the school district. This

change was made to the law at the request of the Retirement System. According to Retirement System officials, before this change was made school district employees were inflating their retirement benefits by taking early retirement from the school district while continuing to work for the district full- or part-time, and accumulating service credits in the Retirement System.

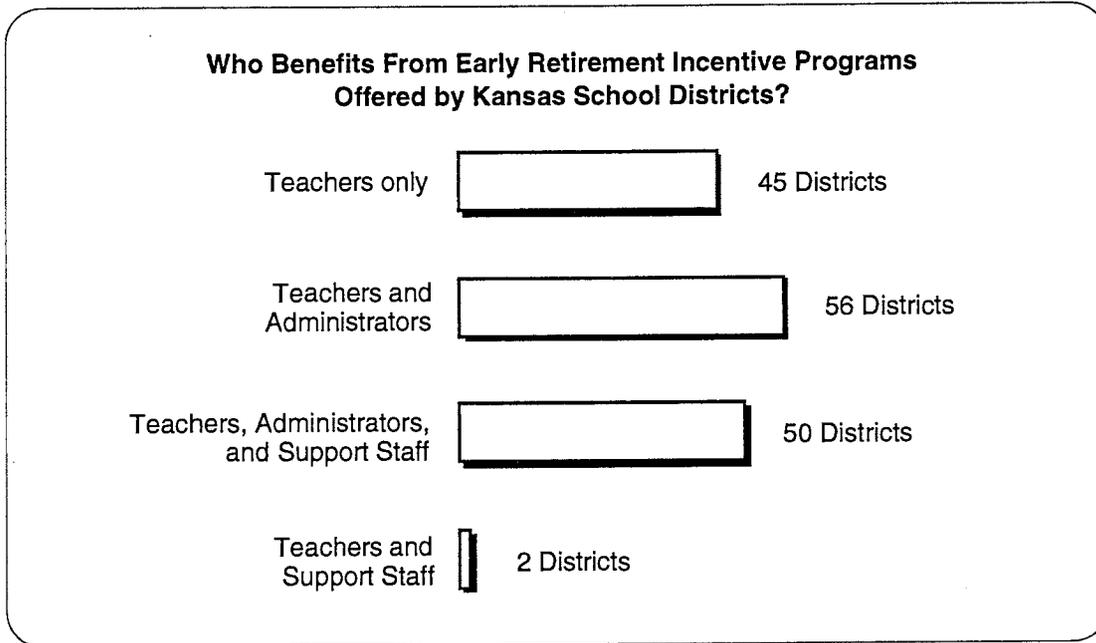
Half the School Districts in Kansas Report Having an Early Retirement Incentive Program

During fiscal year 1995, a total of 152 of the State's 304 school districts had early retirement incentive programs in effect. The number of such programs has more than doubled during the past five years. The accompanying graph shows the number of active early retirement incentive programs each year since they were officially authorized in 1980.



The graph also shows when the 85-point plan went into effect for members of the Retirement System. Since then, 59 school districts have enacted early retirement incentive programs.

All school districts include teachers in their early retirement incentive programs, but some districts don't include administrators or support staff. The following chart shows the number of school districts that include each of the various groups of employees in their early retirement incentive programs.



As the chart shows, 56 districts offer their early retirement incentive program to administrators as well as teachers; only 52 districts include support staff in their programs.

The basic benefits offered under school districts' early retirement incentive programs include lump-sum payments, monthly or annual payments, payments for health or life insurance premiums, and payments for unused sick leave. The number of districts offering each of these benefits is shown below.

Type of Benefit	Number of Districts Offering this Benefit(a)
One-time, lump-sum payment	30
Monthly or annual payment	119
Payment of health insurance premiums	32
Payment of life insurance premiums	4
Payment for unused sick leave	13

(a) Some districts' programs offer more than one type of benefit; therefore, the total is more than the number of districts that have early retirement incentive programs.

The combination of benefits and the level of benefits offered varies considerably among the districts. Also, the benefits offered to the various employee groups are not always the same. For example, in some school districts teachers and administrators may receive a benefit payment that represents a percent of their former salaries, while support staff are provided a flat monthly payment regardless of their former salaries.

How Much Are Kansas School Districts Spending on Early Retirement Incentive Programs?

During the past six fiscal years, the districts with early retirement incentive programs reported spending more than \$50 million to pay for early retirement benefits. For fiscal years 1996 through 2000, the cost of these programs could be more than \$200 million if every employee who is eligible in those years elects to retire early. Past experience has shown that about half of eligible employees actually elect to retire early. If this trend holds true, a more realistic estimate of the cost to districts that currently have programs would be between \$90 million and \$100 million through the year 2000.

Over the past six fiscal years, the districts, as a group, have spent an average of less than 1% of their general fund budgets on these programs. So far that percentage does not appear to be increasing. Most districts have enacted their programs through the collective-bargaining process. Experts agree that if a district decided to do away with the program, it would have to offer some sort of alternative or counterbalancing benefit to those with a vested interest in the program. These and related findings are discussed in the sections that follow.

Kansas School Districts Report Spending More Than \$50 Million For Early Retirement Incentive Programs Over the Past Six Fiscal Years

To determine which Kansas school districts have early retirement incentive programs, we surveyed all 304 districts in the State. We asked the districts that reported having an early retirement incentive program to report their program costs for fiscal years 1990 through 1995. We received a 100% response to our survey, however, not all school districts responded to all the questions on the survey.

The table on the facing page shows the expenditures reported by these school districts, along with the number of active participants for each fiscal year. [Great Bend (USD #428) was unable to provide participation and cost information for fiscal years 1990-92. Caney Valley (USD #436) did not provide any participation or cost information.] Responses to other questions asked in our survey of Kansas school districts can be found in Appendix B.

As the table shows, the districts paid about \$12 million to cover the cost of benefits for early retirement incentive programs in fiscal year 1995. Since 1990, school district expenditures for early retirement incentive programs have increased about 115%, from about \$5.6 million to almost \$12 million. Appendix C lists the expenses reported by each district with an early retirement incentive program for fiscal year 1995.

**Early Retirement Expenditures for Kansas School Districts
(Fiscal Years 1990-1995)**

Fiscal Year	# of Districts with Programs	Percent Change	Retirees Receiving Benefits(a)	Percent Change	Total Cost of Benefits(b)	Percent Change
1990	62		635		\$ 5,562,696	
1991	77	24.2%	768	20.9%	\$ 6,115,363	9.9%
1992	93	20.8%	806	4.9%	\$ 7,449,754	21.8%
1993	113	21.5%	943	17.0%	\$ 8,653,604	16.2%
1994	136	20.4%	1,075	14.0%	\$ 10,297,368	19.0%
1995	152	11.8%	<u>1,305</u>	21.4%	\$ <u>11,988,412</u>	16.4%
Totals			5,532		\$ 50,067,197	
% Change 1990-95		145.2%		105.5%		115.5%

(a) The number of retirees is for each fiscal year. Some retirees are included in more than one year, depending on how many years the retiree is eligible to receive benefits. For example, if an employee retires in fiscal year 1991 at age 60 and is eligible to receive benefits until age 65, that employee will be counted in the number of retirees for fiscal years 1991 through 1995.

(b) The total cost of benefits does not include amounts paid by the Shawnee Mission school district. Its program was discontinued in 1986; however, the school district continued making benefit payments until January 1995 when all retirees' benefits ended.

It should be noted that there is not a direct relationship between the increase in the number of participants in early retirement incentive programs and the associated cost of benefits. This is because the different types of benefits offered, and the costs associated with providing those benefits to district employees who have elected early retirement, vary greatly among the districts.

Districts' Liability for Early Retirement Incentive Programs Through Fiscal Year 2000 Is Estimated To Be Between \$90 Million and \$210 Million

To determine the amount of future benefit payments that school districts may need to make under these programs, we asked districts to report the number of employees working for the school district in fiscal year 1995 who would be eligible for early retirement for fiscal years 1996 through 2000. The table on the following page shows the number of employees and the estimated cost of benefits, based on the programs the districts had in place in fiscal year 1995. [Chanute (USD #413), and Caney Valley (USD #436) did not provide this information and are not included in the totals shown in the table.]

**Estimated Costs for the Early Retirement Incentive Programs
If All Eligible Employees Elected To Retire Early
(Fiscal Years 1996-2000)**

Fiscal Year	# of Eligible Employees(a)	Estimated Cost of Benefits	Average Benefit Payment
1996	3,286	\$ 35,385,483	\$ 10,769
1997	3,530	\$ 38,171,617	\$ 10,813
1998	3,762	\$ 41,336,537	\$ 10,988
1999	3,944	\$ 44,275,834	\$ 11,226
2000	<u>4,146</u>	<u>\$ 46,944,140</u>	\$ 11,323
Totals	18,668	\$ 206,113,611	\$ 11,041

(a) The number of retirees is for each fiscal year. Some retirees are included in more than one year, depending on how many years the retiree is eligible to receive benefits.

As the table above shows, more than 4,100 district employees could be receiving benefits from school districts' early retirement incentive programs in the year 2000. The estimated one-year cost for the districts to fund these benefits is about \$47 million. However, this is a worst-case scenario. The reported number of employees who are predicted to take advantage of early retirement and the associated cost of benefits is much less.

Only about 50% of those eligible for early retirement are predicted to retire early. To determine how many employees are likely to elect early retirement, we asked district officials with early retirement incentive programs to estimate how many eligible employees in their district probably would elect early retirement, based on their past experience. We also asked them to compute the anticipated cost of benefits for those employees based on the benefit structure contained in their program as of fiscal year 1995. [Chanute (USD #413), and Caney Valley (USD #436) did not provide this information and are not included in the totals shown in the table.] The results of those estimates are shown in the table on the facing page.

As the table shows, based on the programs currently in effect, it is estimated that slightly more than 2,000 former employees will be receiving benefits by the year 2000. The estimated cumulative expenditures for those programs over the next five fiscal years will be nearly \$92 million.

Some legislators and school district officials have raised questions about whether districts are incurring a future liability for benefits they won't be able to fund. School districts, like other municipalities, are subject to Kansas' cash-basis law. That law prohibits a district from entering into a contract that creates an obliga-

tion in excess of its current-year funds. Some legislators were concerned that districts' early retirement incentive programs were in violation of this law.

To help resolve this concern, an Attorney General's opinion was requested. Attorney General's Opinion 95-49 stated that early retirement incentive programs do not violate the cash-basis law. According to the Attorney General's Office, the cash-basis law doesn't prohibit a school district from entering into an agreement that provides for an early retirement incentive program for district employees.

Under the districts' current cash funding approach, the benefits for early retirement incentive programs each year are paid from current-year funds. We talked to some district officials who said they would like to put money aside and invest it to fund the future benefits of the program. For example, the Topeka school district had an actuarial study completed to help the district get an idea of the future liability for its early retirement incentive program. According to that study, the district would have needed to invest \$24.7 million in 1994 at a 7.5% interest rate to cover the costs of benefits for all those eligible for early retirement between fiscal years 1994 and 2003. However, this type of investment by school districts is not allowed under current law.

**Predicted Participation and Cost of Benefits
For Early Retirement Incentive Programs
(Fiscal Years 1996-2000)**

Fiscal Year	Estimated # of Participating Employees(a)	Estimated Cost of Benefits	Average Benefit Payment
1996	1,659	\$ 15,975,992	\$ 9,630
1997	1,769	\$ 17,101,811	\$ 9,668
1998	1,892	\$ 18,462,293	\$ 9,758
1999	1,970	\$ 19,630,952	\$ 9,965
2000	<u>2,049</u>	\$ <u>20,642,914</u>	\$ 10,075
Totals	9,339	\$ 91,813,962	\$ 9,831

(a) The number of retirees is for each fiscal year. Some retirees are included in more than one year, depending on how many years the retiree is eligible to receive benefits.

The amount of money spent on early retirement benefits generally doesn't appear to be increasing faster than the districts' general fund budgets. To determine if costs for early retirement incentive programs are increasing at a greater pace than the districts' general funding, we looked at how those dollars have changed over the past six fiscal years.

Information about the total cost of benefits was provided by the school districts that responded to our survey. [Great Bend (USD #428) was unable to provide participation and cost information for fiscal years 1990-92. Caney Valley (USD #436) did not provide participation or cost information for any of the years.] The general fund expenditure information for the school districts was obtained from the Department of Education. The table below shows the percentage of general fund expenditures used to finance the early retirement incentive programs for Kansas school districts over the past six fiscal years.

**Early Retirement Expenditures
As a Percent of School Districts' General Fund Expenditures
(Fiscal Years 1990-1995)**

Fiscal Year	Total Cost of Benefits	General Fund Expenditures(a)	Benefit Costs as a % of General Fund Expenditures
1990	\$ 5,562,696	\$ 573,108,715	0.97%
1991	\$ 6,115,363	\$ 668,853,403	0.91%
1992	\$ 7,449,754	\$ 788,874,950	0.94%
1993	\$ 8,653,604	\$ 1,051,057,590	0.82%
1994	\$ 10,297,368	\$ 1,268,993,006	0.81%
1995	\$ <u>11,988,412</u>	\$ <u>1,390,116,172</u>	0.86%
Totals	\$ 50,067,197	\$ 5,741,003,836	0.87%

(a) Because the reporting of expenditures by school districts changed in 1993, the budget numbers for fiscal years 1990-92 were adjusted by officials at the Department of Education to make them comparable with fiscal years 1993-95. In all cases, the general fund expenditure totals are only for those districts in the State that offered an early retirement incentive program in each of the fiscal years shown.

As the table shows, the costs have remained below 1% of the school districts' general fund expenditures. We did a similar comparison of our sample of 10 school districts. Of the 10 districts, only Wichita and Topeka averaged more than 1%. Wichita's costs averaged 2.6% of its general fund expenditures over the past six fiscal years ranging from a low of 2.3% to a high of 2.9%. Topeka's costs averaged 1.5% over the same period ranging from 1.1% to 1.8%.

Legislators also have questioned whether early retirement incentive programs in school districts are needed since the Retirement System's 85-point plan was passed. As mentioned earlier, school district employees must retire from the Retirement System before they can elect to retire early from the district.

We researched records for a sample of 225 early retirees to learn how many had incurred a penalty on their Retirement System benefits since this law took effect. Only eight of the retirees in our sample were receiving reduced benefits from the Retirement System for retiring early. The average monthly penalty for these retirees was \$216.

Although it doesn't appear that many district employees are receiving reduced benefit payments from the Retirement System, we don't know what penalties, if any, the retirees in our sample were incurring on their Social Security benefit payments. Officials at the Social Security office refused to give us any information about payments made to our sample retirees, whether those payments were penalized, and how much those penalties were. In addition, if a district employee elects early retirement, that employee needs to pay for health insurance until age 65 when he or she would be eligible for Medicare. Therefore, it is difficult to say whether these programs are still needed to make up for penalties an early retiree would incur.

Early Retirement Incentive Programs Are Negotiated in the Collective-Bargaining Process With Local Labor Unions

Some questions were raised about whether early retirement incentive programs could be eliminated. In all, 126 of the 152 school districts with programs (about 83%) reported their programs are included in employees' contracts, which usually are negotiated for a one-year period. Most districts indicated the benefit could be eliminated by negotiating it out of the contract. However, they also indicat-

Early Retirement Incentive Programs Can Be Lucrative For Some Individuals

During our audit, we learned from interviews with school officials that several people had retired or taken sabbatical from one school district and gone to work for another. For example, one administrator who had taken sabbatical from one school district and gone to work for another school district was receiving more than \$25,000 per year from the Retirement System, and more than \$55,000 per year from his new job. In a few years, when his sabbatical ends, he will be eligible to begin collecting an annual early retirement payment from his former school district. When he begins collecting his early retirement payment, which he could collect for as many as five years, his annual income could total more than \$100,000.

In another case, an administrator received more than \$30,000 per year for early retirement, and was paid more than \$50,000 per year at a new job. In addition, this administrator received more than \$25,000 per year from the Retirement System, for a total annual income of more than \$110,000.

This was not unique. We reviewed nine cases where an administrator had taken early retirement or sabbatical from one school district and gone to work for another. Of these nine cases, the person with the lowest annual income received more than \$60,000, and two received more than \$115,000.

**Two Districts Have Stopped
Early Retirement Incentive Programs
Due to Cost**

In our survey of all 304 Kansas school districts, we identified only two districts that discontinued their early retirement incentive programs. Those districts were:

- USD #482 Dighton—discontinued its program in fiscal year 1991 because the local board of education feared the potential cost of continuing to offer early retirement incentives. No teachers would have been eligible to take early retirement for several years, but the district was concerned about committing to a benefit that it might not be able to afford in the future. The relatively young teaching staff agreed to negotiate the benefit out of the teachers' contracts.
- USD #512 Shawnee Mission—discontinued its program in fiscal year 1986 because the program was too costly. District officials reported that the incentive paid the difference between the retiree's Kansas Public Employees Retirement System benefits and the retiree's final salary until they could receive Social Security or for 10 years. District officials reported that some retirees were receiving between \$20,000 and \$30,000 annually, and the district spent more than \$400,000 for benefits in some years of the program.

ed that employees probably would not agree to eliminating the program without some type of alternative or counterbalancing benefit.

We found that some school districts inform employees who elect to retire early from the district that the program could be terminated. For example, when employees declare their intent to elect early retirement from the Lawrence school district, they sign an application form that states the local board of education may amend or terminate the policy at any time.

Other districts have provisions in school board policy that would allow the board to eliminate the early retirement incentive program. For example, the Kansas City school board has included a cost savings clause in its early retirement incentive program policy. The policy states the program will be discontinued if it does not generate a cost savings for the district.

Early retirement incentive programs generally are funded by lower increases in teachers' salaries which may give district employees a vested right in the program. School district officials report that about 85% of the money appropriated by the State to the school districts is available for salaries. Once district officials have reached a settlement on the amount available for salaries and benefits, labor unions decide how much will be used for employee benefits, and how much will be used to increase employees' salaries. To fund early retirement incentive programs, most districts we spoke with reported that teachers have agreed to accept lower increases in salary.

According to the Attorney General's Office, district employees have a vested interest in the early retirement incentive program if they have worked for the district long enough to meet the eligibility requirements for early retirement, and if the program has been in effect for a number of years, generally 10 or more. If employees have a vested interest, an alternative benefit must be offered in order to eliminate the early retirement incentive program. Alternative benefits could include severance pay or increased buy-back of unused sick leave.

Officials at the Attorney General's Office also stated that school districts that have had a program for only a few years should be able to eliminate the program without offering an alternative benefit. But, even if districts are not able to discontinue an early retirement incentive program, they are able to change the benefits offered.

If a district decides to eliminate the early retirement incentive program, that doesn't mean more money would be available for other purposes, or that taxpayers would save any money. It is more likely that the money that would have funded the early retirement incentive program would be used for increases in salaries for the district's employees, or for other benefits.

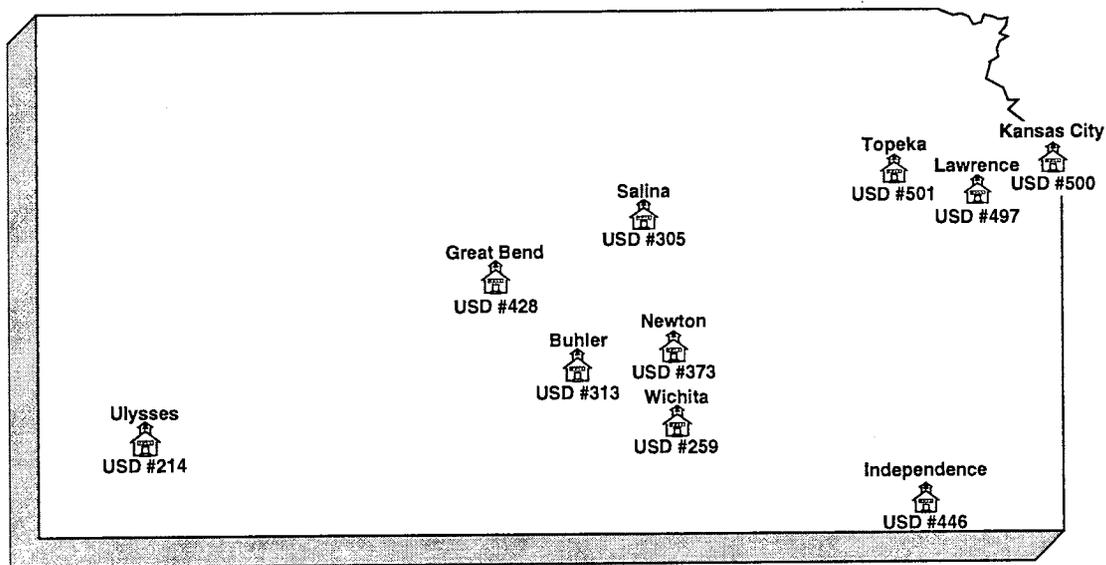
Have School Districts Realized Any Cost Savings From Their Early Retirement Incentive Programs?

The most common goal for early retirement incentive programs in Kansas school districts is the reduction of salary costs. Nine of the 10 school districts we reviewed achieved a cost savings in fiscal year 1995. This savings was achieved, for the most part, by replacing higher-salaried retirees with lower-paid staff. Other goals of early retirement incentive programs include offsetting early retirement penalties from Social Security or the Retirement System, providing an incentive for people to work for the school district, and encouraging “burned-out” staff to retire earlier than they normally might. Officials we talked to in the districts told us they thought the programs generally were successful at accomplishing these other goals. These and related findings are discussed in the sections that follow.

Nine of the 10 School Districts We Reviewed Achieved a Cost Savings in Fiscal Year 1995 Through Early Retirement Incentive Programs

Legislators have raised questions about whether early retirement incentive programs in school districts are really saving the districts money. To determine whether districts appeared to be saving money, we conducted an in-depth review of early retirement incentive programs in a sample of 10 school districts across the State. Our sample included some of the largest districts in Kansas, as well as several medium-sized and smaller districts. These 10 districts accounted for more than half of the people receiving early retirement benefits from Kansas schools during fiscal year 1995. The locations of the 10 districts we reviewed are shown on the map below.

Location of Kansas School Districts in Our Sample



To determine whether these districts saved money, we added the amount of early retirement benefits paid to each retiree to the estimated salary and benefits paid to the person hired to replace that retiree. We then subtracted that sum from the estimated salary and benefits the district would have paid the retiree had he or she continued to work.

We had to estimate the replacements' salaries and benefits because information was not available to allow us to specifically track which new teachers replaced retiring teachers. Most of the districts do not track such information, and in the time available for this audit, they were unable to reconstruct the information for us. Therefore, to determine the cost of replacing a teacher who retired, we used the average salary and benefits paid to all new teachers hired by the district in the year a retiree was replaced. Most districts were able to provide specific information about the people who replaced administrators or support staff who retired early. (Appendix D explains the methodology used to estimate the cost savings for the districts in greater detail.)

The table on the following page shows the results of our analysis. As the table shows, nine of the 10 districts appeared to have a cost savings during fiscal year 1995. The savings in those nine districts ranged from about \$7,400 in Ulysses to more than \$288,000 in Great Bend. Most of the districts replaced all early retirees with lower-paid staff. Great Bend's large savings was the result of not refilling two positions and refilling one position as part-time. Ulysses realized a cost savings in fiscal year 1995 because one position was not refilled. Had the position been refilled, the district would have shown a loss.

It should be noted that the amounts shown in the table are only estimates. Because of time constraints, our estimates for the Wichita and Topeka districts were based on a random sample of retirees. Because our estimates are based on a sample rather than the entire population of retirees, we can't say with certainty that the districts actually experienced a loss or gain. And, because the districts do not track replacements, they cannot tell either. However, it is likely that a similar result would occur using the entire population to calculate a cost savings (or loss) for these two districts.

The Wichita school district was the only district we reviewed that did not appear to generate a cost savings during the fiscal year. One reason why Wichita did not show a cost savings was that the average amount it paid to early retirees during fiscal year 1995 was significantly higher than the combined average for the other nine districts we reviewed. During that year, Wichita paid early retirement benefits totaling \$5,690,249 to 388 early retirees, for an average benefit payment of \$14,666 per retiree.

As a group, the other nine districts paid out a total of \$2,718,072 to 330 early retirees, for an average benefit payment of \$8,237. Kansas City had the second highest average benefit payment of about \$12,900 per retiree.

**Estimated Savings or Costs
Generated by Early Retirement Incentive Programs
In Our 10 Sample School Districts
(Fiscal Year 1995)**

USD#	Location	Retirees in FY 95 Reviewed	FY 95 Total Cost of Benefits For Sample	Savings (Cost) FY 95	Average Savings (Cost) FY 95
214	Ulysses	6	\$ 57,775	\$ 7,413	\$ 1,236
259	Wichita (a)	50	\$ 776,911	(\$ 321,868)	(\$ 6,437)
305	Salina	38	\$ 221,413	\$ 107,348	\$ 2,825
313	Buhler	8	\$ 47,110	\$ 16,776	\$ 2,097
373	Newton	26	\$ 224,039	\$ 126,517	\$ 4,866
428	Great Bend	27	\$ 75,698	\$ 288,023	\$ 10,668
446	Independence	15	\$ 105,960	\$ 16,859	\$ 1,124
497	Lawrence	40	\$ 325,440	\$ 134,191	\$ 3,355
500	Kansas City	49	\$ 631,565	\$ 196,861	\$ 4,018
501	Topeka (b)	35	\$ 281,017	\$ 85,376	\$ 2,439

(a) Calculations are based on a sample of 50 retirees who received benefit payments for all of fiscal year 1995. In fiscal year 1995, Wichita school district had 388 former employees receiving early retirement benefit payments, for a total benefit cost of \$5,690,249.

(b) Calculations are based on a sample of 35 retirees who received benefit payments for all of fiscal year 1995. In fiscal year 1995, Topeka school district had 121 former employees receiving early retirement benefit payments, for a total benefit cost of \$1,029,072.

In Wichita, 46 of the 50 cases (92%) we reviewed, high-salaried employees who retired early were replaced with lower-paid staff. However, in 44 of the 46 cases mentioned above, the cost of retirement benefits paid to the retiree along with the cost to the district to replace the former employee, exceeded any cost savings generated by replacing the retiree with lower-paid staff.

Officials in the Wichita district told us that cost savings was not a goal of their early retirement incentive program. They said the district's program was designed to offset reductions in benefits from Social Security and the Retirement System for those who retire early, and to serve as an incentive for people to work for the district. The table on pages 20 and 21 shows more detailed information about our 10 sample districts, including goals, eligibility criteria, benefits, and associated costs.

Costs or savings associated with a district's early retirement incentive program can change significantly from year to year. The estimated costs and savings for the 10 districts shown in the table above are for fiscal year 1995 only. These amounts can change significantly over time, because each year new people become eligible for early retirement benefits, while others' benefits expire.

The trends in costs and savings generated by a program will depend on the age and years of service of the school district's workforce. For example, if 20 people in a school district elect to take early retirement in a given year, and only five people reach the end of their benefit payments that year, the benefit costs for the district likely will increase because the district would have 15 additional people to pay benefits to in that year. The converse would be true for any year in which more people go off the program than start it for the first time.

The following information, contained in an actuarial study produced for the Kansas City school district, illustrates how a program's savings and costs can change over time.

**Actuarial Projected Savings (Losses) For
Kansas City School District's Early Retirement Incentive Program
Over a Seven-Year Period**

Year	Projected Savings (Loss)
1	\$ 167,352
2	\$ 145,744
3	\$ 107,158
4	\$ 93,582
5	\$ 3,208
6	(\$ 81,964)
7	(\$ 143,553)

As shown in the table above, the actuary projected a cost savings through year five, and then a loss in both years six and seven. The projected losses in the final two years are largely because the costs of benefits to retirees are larger than the savings generated by replacing higher-salaried teachers with lower-paid teachers. Therefore, just because a district shows cost savings in one year does not mean that the district will always experience cost savings.

The figures the actuary projected and the estimates we show for Kansas City in the table on page 18 are different. (Fiscal year 1995 represents the third year of the program for the Kansas City school district.) The reason for the difference is that the actuary study assumed all employees would elect early retirement when they became eligible. Our estimated cost savings were based on actual retirement information provided by the district. Kansas City district officials reported they have experienced greater savings than the actuary predicted, because the number of employees electing early retirement is lower than the number used in the study.

School District	District Location	District Information	Year Program Started	Program Goals	Staff Eligible for Program
Ulysses (USD #214)	Grant County in southwestern Kansas	Schools 5 Students 1,800 Teachers 120 Administrators 9 Support Staff 170	1992	• Offset Social Security or KPERS early retirement penalties	Teachers Administrators Support Staff
Wichita (USD #259)	Sedgwick County in south central Kansas	Schools 109 Students 50,000 Teachers 3,400 Administrators 225 Support Staff 2,000	1984	• Offset Social Security or KPERS early retirement penalties • Provide an incentive to employees to work for the district	Teachers Administrators Support Staff
Salina (USD #305)	Saline County in central Kansas	Schools 20 Students 7,500 Teachers 630 Administrators 32 Support Staff 540	1984	• Encourage teachers near the top of the pay scale to retire to help reduce salary costs • Offset Social Security or KPERS early retirement penalties	Teachers Administrators
Buhler (USD #313)	Reno County in south central Kansas	Schools 6 Students 2,300 Teachers 150 Administrators 9 Support Staff 145	1989	• Reduce salary costs • Offer "burned out" teachers an option to staying on the job	Teachers Administrators Support Staff
Newton (USD #373)	Harvey County in south central Kansas	Schools 11 Students 3,600 Teachers 300 Administrators 17 Support Staff 300	1985	• Reduce staffing levels • Provide an incentive to employees to work for the district	Teachers Administrators
Great Bend (USD #428)	Barton County in central Kansas	Schools 10 Students 3,500 Teachers 265 Administrators 14 Support Staff 140	1985	• Offer "burned out" teachers an option to staying on the job • Increase educational opportunities through new teachers • Offset Social Security or KPERS early retirement penalties	Teachers Administrators Support Staff
Independence (USD #446)	Montgomery County in southeastern Kansas	Schools 5 Students 2,500 Teachers 140 Administrators 10 Support Staff 140	1983	• Reduce salary costs • Offset Social Security or KPERS early retirement penalties • Restructure departments in the district	Teachers Administrators
Lawrence (USD #497)	Douglas County in northeast Kansas	Schools 22 Students 9,000 Teachers 760 Administrators 50 Support Staff 520	1983	• Offset Social Security or KPERS early retirement penalties • Offer "burned out" teachers an option to staying on the job	Teachers Administrators Support Staff
Kansas City (USD #500)	Wyandotte County in northeast Kansas	Schools 52 Students 22,000 Teachers 1,600 Administrators 150 Support Staff 1,800	1993	• Reduce salary costs • Offer "burned out" teachers an option to staying on the job	Teachers
Topeka (USD #501)	Shawnee County in northeast Kansas	Schools 40 Students 14,000 Teachers 1,200 Administrators 80 Support Staff 750	1982	• Reduce staffing levels • Offer "burned out" teachers an option to staying on the job • Provide an incentive to employees to work for the district • Provide a supplemental retirement benefit	Teachers Administrators Support Staff

Eligibility Requirements	Duration of Benefits	Benefits	FY95 Number of Retirees	FY95 Cost of Benefits	% of Total FY95 Expenditures
<ul style="list-style-type: none"> • Age 58 • 20 years of service • Full-time employee • Vested member of KPERS 	3 years or until age 65 (One year for administrators)	<ul style="list-style-type: none"> • Cash payments based on a percent of the last calendar year's salary that was subject to KPERS 	6	\$57,775	0.67%
<ul style="list-style-type: none"> • 15 years of service • Vested member of KPERS 	Until age 62 (Social Security bridge) Until age 65 (KPERS bridge)	<ul style="list-style-type: none"> • Social Security bridge • KPERS bridge • Life insurance 	388	\$5,690,249	2.85%
<ul style="list-style-type: none"> • 15 years of service • Eligible to retire under KPERS, or between age 60 and age 64 	Until age 65	<ul style="list-style-type: none"> • Total benefit of \$35,000 per retiree which is divided into equal payments and distributed between the retiree's date of retirement and 65th birthday 	34	\$233,788	0.86%
<ul style="list-style-type: none"> • Under age 65 • 10 years of service • Qualifies for KPERS 85-point plan 	5 years or until age 65	<ul style="list-style-type: none"> • Annual benefit payment equal to 10% of the employee's base salary at the time of retirement • Health insurance 	13	\$72,545	0.77%
<ul style="list-style-type: none"> • Age 53 (teachers) • Age 60 (administrators) • 15 years of service (teachers) • 7 years of service (administrators) 	Until age 65	<ul style="list-style-type: none"> • Monthly payment based on a percent of the employee's salary earned through the last base contract 	25	\$224,038	1.60%
<ul style="list-style-type: none"> • 12 years of service • Eligible to retire under KPERS 	Until age 62 for cash payments Until age 65 for health insurance	<ul style="list-style-type: none"> • Monthly benefit payment equal to 10% of the employee's base salary at the time of retirement • Health insurance • Sick leave buyback 	23	\$90,964	0.71%
<ul style="list-style-type: none"> • Age 53 • 10 years of service • Eligible to retire under KPERS 	5 years or until age 65	<ul style="list-style-type: none"> • Annual benefit payment based on a percent of the employee's last annual salary 	18	\$112,910	1.28%
<ul style="list-style-type: none"> • 15 years of service • 20 years of service recognized by KPERS • Age 57 	5 years or until age 65	<ul style="list-style-type: none"> • Annual payment based on KPERS service and the largest base salary in last five years of employment • Health insurance 	40	\$325,440	0.81%
<ul style="list-style-type: none"> • Under contract to USD #500 • Between age 55 and age 61 • 25 years of contract teaching experience, including at least 17 years with USD #500 	Until age 62	<ul style="list-style-type: none"> • Monthly payments based upon number of years of experience and final total annual salary 	49	\$623,235	0.67%
<ul style="list-style-type: none"> • Eligible to retire under KPERS • Between age 60 and age 65 (teachers only) • Age 55 or older (administrators only) • 10 years of service (Teachers may qualify with 15 years of half-time service) 	Until age 66 for teachers and administrators Until age 65 for classified	<ul style="list-style-type: none"> • Annual payment equal to 1/3 of the base salary for class (teachers and administrators) • Monthly payment ranging from \$50 to \$225 based upon retiree's age (support staff) • Health insurance • Life insurance (administrators) 	121	\$1,029,072	1.66%

District Officials Express Varied Opinions About Early Retirement Incentive Programs

We interviewed several school district and Department of Education officials regarding the success of Kansas school districts' early retirement incentive programs. The officials expressed varied opinions, but the consensus was that most of these programs are successful. For example:

- several officials said they wanted to save money for their district, and the programs were helping them do this
- others said they wanted to offer "burned-out" teachers a retirement option, which the programs were providing

Despite being pleased with their programs, some officials did express reservations. For example:

- one district wanted to change its program, but if the district did this, its employee unions might file class action suits against the district. This threat made the district extremely cautious in its program management.
- other districts have reserved the right to terminate their programs with a one-year notice if they stop saving money through their early retirement incentive programs

Other officials expressed concern with our audit. One official told us that the school districts had made good use of early retirement incentive programs, and he hoped the Legislature considers this before changing these programs.

School District Officials Told Us The Other Goals of Their Programs Generally Are Being Accomplished

Cost savings are not always the reason for implementing an early retirement incentive program in a school district. For example, officials we talked to in several districts said their early retirement incentive programs provide them with a way to encourage "burned-out" teachers to leave the district so that they can be replaced with younger, more energetic teachers. Still others mentioned the programs can be used as a recruitment tool to encourage people to work for their school district. The chart below shows how school districts responded when we asked them what the goals of their early retirement incentive programs were.

**Early Retirement Incentive Programs
Accomplish Different Goals for Different Districts**

Districts' Stated Goals	Districts Citing This Goal	
	In the State(a)	In our Sample(a)
To reduce salary costs	97	4
As an incentive to work for the district	76	4
To offset Social Security or KPERS penalties	48	4
To reduce staff	25	3
To rearrange department staffing levels	17	1
To replace "burned-out" staff	10	4
Various other reasons	25	5

(a) Some districts listed more than one goal for their early retirement incentive program; therefore, the total is more than the number of districts that have early retirement incentive programs.

We asked district officials in our 10 sample districts if they thought the goals of their early retirement incentive programs were being achieved. Nine of the 10 districts said they were pleased with the results of their programs. Only the Ulysses school district expressed disappointment, reporting that the program was too expensive.

Conclusion

The Legislature originally authorized early retirement incentive programs to make up for any penalties a district employee would incur by retiring early. School districts have expanded the programs beyond this original intent to accomplish a number of other goals. Only 31% of the districts with early retirement incentive programs listed the offset of early retirement penalties as the goal of their programs.

With the passage of the Kansas Public Employee Retirement System's 85-point plan in 1993, only about 4% of the early retirees in our sample experienced a benefit reduction from the Retirement System. Nonetheless, most early retirees will still experience some loss of Social Security benefits, and will have to bear the cost of health insurance until age 65, when they are eligible for Medicare. Hence, the programs may still be needed to bridge those gaps.

School districts also are reporting the accomplishment of other less tangible goals such as creating an opportunity to replace "burned-out" teachers with younger, more energetic faculty. These types of benefits may be desirable for the educational system.

According to our testwork, some school districts appear to be saving salary costs by operating early retirement incentive programs. However, there is no guarantee that the savings will continue into the future. The cost of early retirement benefits has more than doubled over the past six fiscal years. And, as the "baby boomer" generation approaches retirement age, school districts could be faced with large increases in the number of district employees electing early retirement.

It will be important for the Legislature to consider the potential for achieving savings and looking for ways to avert any possible financial crises in school districts due to funding early retirement incentive programs.

There are a number of options the Legislature could consider ranging from gradual phase outs of current programs, to restricting or capping benefits, to authorizing or requiring districts to set aside money from current-salary savings to fund future benefits on an actuarially sound basis.

Recommendations

1. If the Legislature chooses to continue to allow school districts to offer early retirement incentive programs, it should consider enacting provisions to help ensure that such programs are funded on a fiscally sound basis. Options that could be considered include:
 - a. limiting the amount a district can spend on early retirement incentive programs each year to a certain percent of the district's general fund budget.
 - b. changing the law to require school districts to set aside current-year savings achieved from early retirement incentive programs, and authorizing them to invest that money to build up reserves to pay early retirement benefits in the future.
 - c. limiting the types and amounts of early retirement benefits that districts can offer.

What Other Units of Government in Kansas Have Instituted Early Retirement Incentive Programs?

Only three Kansas cities and one county either have offered or currently offer an early retirement incentive program to their employees. In all, 14 of the State's 19 community colleges offer an early retirement incentive program. The programs offered by the community colleges are similar to those offered in Kansas school districts. In fiscal year 1995, the community colleges, as a group, reported spending about \$132,600 for retirement benefits to 33 retirees.

Fourteen Community Colleges, Three Cities, And One County in Kansas Have Offered or Currently Offer An Early Retirement Incentive Program

To determine what other units of government in the State offered their employees an early retirement incentive program, we contacted various organizations and agencies associated with public employees and local governments. We also contacted 33 of the State's cities with a population of 10,000 or more and all 105 counties to determine if any of them offered their employees an early retirement incentive program. We found that the following municipalities either have offered or currently offer an early retirement incentive program:

- Kansas City—offered a window for early retirement in late 1992 and again in late 1994 to early 1995
- Prairie Village—offers an on-going early retirement incentive benefit
- El Dorado—offers an on-going program that pays 50% of the former employee's health insurance premium until age 65
- Wyandotte County—offered a window from late 1992 to mid-1993

Appendix E provides additional information about the early retirement incentive programs mentioned above. In addition, Atchison officials reported they are in the process of developing a program for their employees that probably will be implemented sometime in 1996.

The community colleges offer early retirement incentive programs that are similar to those offered by Kansas school districts. For fiscal year 1996, 14 of the State's 19 community colleges (73.7%) are offering their employees an early retirement incentive program. These programs are viewed as an employee benefit.

Like school districts, funding for the programs usually comes from the community college's general fund budget. In fiscal year 1995, the community colleges reported spending about \$132,600 to pay early retirement benefits for 33 participants. The table on the following pages shows more detailed information about the programs offered by the community colleges in Kansas, including eligibility criteria, participation rate, and cost of benefits.

Community College	City	Year Program Started	Staff Eligible for Program	Eligibility Requirements	Duration of Benefits
Allen County	Iola	FY95	Faculty only	<ul style="list-style-type: none"> • Eligible to retire under KPERS • 20 years of full-time service 	5 years or to age 65
Barton County	Great Bend	FY89	All employees	<ul style="list-style-type: none"> • 60 years of age • 15 years of service 	To age 65
Butler County	El Dorado	FY89	All full-time employees	<ul style="list-style-type: none"> • 60 to 64 years of age • Eligible to retire under KPERS • 10 years of full-time service to the college 	To age 65
Cloud County	Concordia	FY90	All employees (Program for support staff starts in FY96)	<ul style="list-style-type: none"> • 55 years of age (faculty and administrators) • 60 years of age (support staff) • 15 years of service (20 yrs/KPERS) 	5 years or to age 65
Colby	Colby	FY96	Full-time faculty only	<ul style="list-style-type: none"> • Eligible to retire under KPERS • 59 years of age • 15 years of full-time service 	To age 65
Cowley County	Arkansas City	FY85	All employees (Program for support staff starts in FY96)	<ul style="list-style-type: none"> • 60 years of age (for insurance) • 10 years of service 	To age 65
Fort Scott	Fort Scott	FY93	Full-time faculty only	<ul style="list-style-type: none"> • 60 to 64 years of age • 15 years of full-time service 	To age 65
Garden City	Garden City	FY94	Full-time contract employees	<ul style="list-style-type: none"> • 60 years of age • Eligible to retire under KPERS • 10 years full-time service • Participation in group insurance plan for 5 continuous years 	To age 65
Hutchinson	Hutchinson	FY89	All full-time employees	<ul style="list-style-type: none"> • 60 to 64 years of age • 15 years of full-time service 	3 years or to age 65
Independence	Independence	FY90	Full-time faculty only	<ul style="list-style-type: none"> • 56 to 64 years of age • Eligible to retire under KPERS • 10 years of full-time service 	5 years or to age 65
Johnson County	Overland Park	FY91	All full-time employees	<ul style="list-style-type: none"> • 60 years of age • Eligible to retire under KPERS • 20 years of full-time service • Enrollment in group plan in retirement year 	To age 65
Labette	Parsons	FY93 for faculty FY95 for administrative/ classified personnel		<ul style="list-style-type: none"> • 59 to 64 years of age • Eligible to retire under KPERS • 15 years of full-time service 	6 years or to age 65
Neosho	Chanute	FY91	Full-time faculty only	<ul style="list-style-type: none"> • 56 to 64 years of age • 15 years of full-time service 	5 years or to age 64
Seward County	Liberal	FY95	All full-time employees	<ul style="list-style-type: none"> • 60 years of age • 15 years of full-time service • Participation in group insurance plan for 5 continuous years 	To age 65 (insurance) To age 64 (cash benefit)

Benefits	FY95 Number of Participants	FY95 Participation Rate	FY95 Cost	Program Funding Source
• Percent of salary on a declining scale	0	0%	\$0	General budget under employee benefits
• Percent of salary • Health and life insurance	7	58%	\$34,395	General budget
• Fixed amount • Percent of unused sick leave (faculty only) • Health insurance	2	Not Available	\$2,000	Employee benefits
• Bonus based on age at retirement • Health insurance	7	100%	\$25,000	General budget under employee benefits
• Percent of salary on a declining scale • Health insurance	N/A	N/A	N/A	Employee benefits
• Health insurance (if at least 60 years of age) • Sick leave buyback	2	14%	\$8,811	• General budget for insurance • Employee benefit budget for sick leave
• Percent of salary on a declining scale	0	0%	\$0	General budget
• Health insurance (up to \$235/month)	3	60%	\$7,622	General budget
• Fixed percent of salary	3	50% (estimated)	\$10,841	General budget
• Percent of salary on a declining scale	1	25%	\$3,878	General budget
• One time lump sum payment (amount declines with age) • Health insurance (to age 65)	4	100%	\$14,683	Not available
• Percent of salary on a declining scale • Health insurance	1	100%	\$10,841	General budget
• Percent of salary or a cash incentive benefit • Optional health insurance deducted from benefit	3	33%	\$14,500	General budget
• Percent of salary on a declining scale • Health insurance (may get health insurance only with ten years of service)	0	0%	\$0	Employee benefits

Recommendation

Because of the lack of other units of government in Kansas offering early retirement incentive programs, the Legislative Post Audit Committee should reconsider its decision to conduct additional audits regarding these types of programs in Kansas.

Have Early Retirement Incentive Programs Been Successful in Other States?

This question focused on early retirement incentive programs at the state government level, not at the school district level. When identifying states to review for this question, we looked for those states that offered early retirement incentives for a defined period of time, or a "window of opportunity," during the past five fiscal years. Most of the 12 states we identified offered programs that allowed employees to retire early without reduced benefits. Only half the states we reviewed offered additional benefits or incentives to make the early retirement option more attractive to their employees. For the most part, these 12 states' programs were offered to reduce the size of their workforces and save money.

Officials in 10 of these 12 states told us their early retirement programs initially were successful in achieving their stated goals. Although most states didn't keep track of the savings they achieved, they estimated they had saved a total of more than \$300 million over the three-year period from fiscal year 1992 through 1994. But, oftentimes those results were short-lived. The reasons cited generally included inadequate planning, lack of controls over replacing retired employees, lack of good cost and savings information, lack of education about the program, and a tendency to offer early retirement incentives too often. These and related findings will be discussed in more detail in the following sections.

The Other States' Early Retirement Incentive Programs We Reviewed Allowed Employees To Retire Before Age 65 Without Incurring Any Penalties

We reviewed early retirement incentive programs in 12 other states. In making our selection, we looked at states that offered early retirement incentives for a defined period of time, or "window of opportunity." Also, we limited our review to those states that had offered programs since 1990.

The early retirement incentive programs in each of the 12 states had certain unique features. However, some features were common. All the programs allowed employees to retire before the normal retirement age of 65 without incurring a penalty in their benefit payments. Half the programs also offered incentives or additional benefits to entice them to elect early retirement, and five states offered employees the option of additional years of service to help increase the amount of their benefit payment.

Appendix F provides detailed information about these other states' early retirement incentive programs. The following sections describe some of the common or more interesting features of those programs.

State	Early Retirement Eligibility	Normal Retirement Eligibility	Early Retirement Incentives	Participants in Early Retirement Program
IL	<ul style="list-style-type: none"> •Age 50 with 25 years of service •Age 55 with 3 years of service •Any age with 30 years of service 	<ul style="list-style-type: none"> •Age 55 with 30 years of service •Age 60 with 8 years of service •Any age with 35 years of service 	Buy up to 5 years of service credit	4,630 or 32% of those eligible
IA	<ul style="list-style-type: none"> •Age 59 to 65 with 20 years of service (State) 	<ul style="list-style-type: none"> •Age 65 with 4 years of service •Age 62 with 30 years of service •Age and years of service total 92 	Health insurance paid to age 65	800 or 57.5% of those eligible
MA	<ul style="list-style-type: none"> •Any age with 20 years of service •Age 55 and 10 years of service 	<ul style="list-style-type: none"> •Age 65 with 10 years of service 	Receive up to 5 years of service credit and age	3,800 or 84.1% of those eligible
MI	<ul style="list-style-type: none"> •Combined age and years of service total 70 	<ul style="list-style-type: none"> •Age 60 with 10 years of service •Any age with 30 years of service 	Unused sick leave paid	2,479 or 16% of those eligible
MN	<ul style="list-style-type: none"> •Age 55 with 25 years of service •Age 65 with 1 year of service 	<ul style="list-style-type: none"> •Age 65 with 3 years of service •Age 62 with 30 years of service •Age and years of service total 90 	Increased multiplier by .25%	651 or 37.5% of those eligible
MO	<ul style="list-style-type: none"> •Age and years of service total 80, with a minimum age of 50 	<ul style="list-style-type: none"> •Age 65 with 4 years of service •Age 60 with 15 years of service •Age 55 with 30 years of service 	None	152 or 32% of those eligible
MT	<ul style="list-style-type: none"> •Age 50 with 5 years of service •Any age with 25 years of service 	<ul style="list-style-type: none"> •Age 65 •Age 60 with 5 years of service •Any age with 30 years of service 	Buy up to 3 years of service credit	900 or 15% of those eligible
PA	<ul style="list-style-type: none"> •Age 55 with 10 years of service 	<ul style="list-style-type: none"> •Age 62 •Age 60 with 30 years of service •Any age with 35 years of service 	Receive a 10% service credit	6,684 or 40.7% of those eligible
SC	<ul style="list-style-type: none"> •Age 65 or 30 years of service. •Age 60 (with penalty) •Age 55 with 25 years 	<ul style="list-style-type: none"> •Age 65 with 5 years of service •Any age with 30 years of service 	25% of the retiree's salary or \$7,500	2,447 or 35%-40% of those eligible
TX	<ul style="list-style-type: none"> •Age 50 with 30 years of service •Age 55 with 25 years of service •Age 60 with 5 years of service 	<ul style="list-style-type: none"> •Age 50 with 30 years of service •Age 55 with 25 years of service •Age 60 with 5 years of service 	Increased multiplier by .25%	4,704 or 52% of those eligible
VA	<ul style="list-style-type: none"> •Age 50 with 25 years of service 	<ul style="list-style-type: none"> •Age 65 with 5 years of service •Age 55 with 30 years of service 	Receive up to 5 years of service credit and \$100 a month to age 62	3,190 or 67% of those eligible
WA	<ul style="list-style-type: none"> •Any age with 25 years of service •Age 55 with 5 years of service •Age 50 with 20 years of service 	<ul style="list-style-type: none"> •Any age with 30 years of service •Age 60 with 5 years of service •Age 55 with 25 years of service 	None	1,198 or 12.8% in '92 and 867 or 9.5% in '93 of those eligible

Some states allowed employees to retire as early as age 50, with from five years to 30 years of credited service in the retirement system. The accompanying table shows the different eligibility requirements for age and years of service set by the 12 states we reviewed, along with information about the states' normal retirement criteria. Also included in the table is information about the early retirement incentives and number of employees who elected to retire early under the provisions of the programs.

As the table shows, the eligibility for early retirement incentive programs ranged from age 50 to age 65, and between one year and 30 years of service. Several states allowed employees to retire early at any age without penalty so long as they had worked at least 20 to 30 years. Two states—Michigan and Missouri—allowed employees to retire early if their age and years of service totaled 70 or 80, respectively.

Some states sweetened the offer to retire early by offering additional benefits. For example, Virginia offered employees who retired early an additional \$100 a month on their benefit payments until age 62. Both Iowa and Minnesota paid an employee's health insurance until age 65 when he or she elected early retirement under the program.

South Carolina offered employees retiring early a one-time, lump-sum payment equal to 25% of their salary or \$7,500, whichever was greater, in addition to their regular retirement benefit payment. Michigan paid early retirees for accumulated unused sick leave in 60 equal monthly installments on their benefit payments.

Some states simply increased the multiplier that retirement systems use when calculating an employee's benefit payment. For example, Minnesota and Texas increased the multiplier by .25%, which in turn increased the benefit payment the employee received from the retirement system for as long as he or she received benefit payments.

Some other states also increased employees' retirement benefits by either crediting them with additional years of service credit at no cost, or allowing them to purchase additional years of service credit. For example, the Illinois state retirement system had established normal retirement age as age 60 with at least eight years of service, or any age with 35 years of service. When it implemented its early retirement program, it allowed employees to purchase up to five years of additional service credit and also receive that same number of years added to their age. For example, a 55 year old employee with only three years of service could have purchased five additional years of service credit, thereby receiving the same retirement benefits he or she would have been eligible for at age 60 with eight years of service.

Illinois helped those employees wishing to take advantage of the early retirement program buy the additional years of service needed to meet normal retirement requirements by allowing employees to purchase additional years of service with payments for unused sick leave or vacation. Other states that offered employees the option of additional years of service were Massachusetts, Montana, Pennsylvania, and Virginia.

The eligibility criteria, additional benefits, and incentives offered by the states we reviewed were all designed to help the states achieve the goals of their early retirement incentive programs.

Officials in Other States Generally Reported That the Successes Achieved by Their Early Retirement Incentive Programs Were Short-Lived

The table below provides information about the dates and primary goals of the 12 states' early retirement incentive programs.

State	Dates		Primary Goal(s)
	Last Offered (From)	(To)	
Illinois	8-1-91	12-1-91	Payroll savings, reduce workforce, avoid layoffs
Iowa	5-15-93	1-15-93	Payroll savings, reduce workforce, avoid layoffs
Massachusetts	5-2-92	6-15-92	Payroll savings, reduce workforce
Michigan	9-1-91	3-1-92	Reduce workforce, avoid layoffs
Minnesota	5-16-93	1-31-94	Payroll savings, encourage older employees to retire
Missouri	8-28-92	8-27-93	Payroll savings
Montana	6-25-93	12-31-93	Reduce workforce
Pennsylvania	2-1-91	12-31-91	Reduce workforce, avoid layoffs
South Carolina	8-1-93	11-1-93	Payroll savings
Texas	9-1-93	8-31-95	Payroll savings, avoid layoffs
Virginia	6-1-91	9-1-91	Payroll savings, reduce workforce, avoid layoffs
Washington	5-18-93	8-31-93	Payroll savings

As the table shows, the most common goals of early retirement incentive programs in these 12 states were to achieve payroll savings, reduce the size of the state's workforce, and to minimize layoffs.

We contacted officials in several agencies within each state to gather information about whether these programs had achieved their goals. Those agencies included the state's retirement system, legislative research department or its equivalent, and state auditor's office.

Most of these agencies had not specifically tracked the results or outcomes of their states' early retirement incentive programs, and could provide only projected costs or estimates of cost savings. For example, early estimates provided to the Michigan legislature reported that an early retirement incentive program there would decrease the workforce by about 2,700 employees, and save the state more than \$8 million in the first year of the program if only 50% of the vacated positions were refilled. (Unfortunately, Michigan never did a formal study of the actual outcomes of the program.) Information provided to the Massachusetts legislature estimated the first

year's savings at between \$7.8 million and \$12.4 million, depending on the exact number of participants.

Most states in our sample did not track the number of employees who elected to retire early, the salary of the person who retired, the salary of the person who replaced the retiree, and the like. A report by the Public Employee Retirement Commission of Pennsylvania stated that "between 30% to 40% of the public employers who offered early retirement incentive programs were unable to measure whether their programs had succeeded in meeting their objectives of salary savings and reductions in numbers of employees."

State officials generally said the results of their early retirement incentive programs did not last. In 1994, the Texas Pension Review Board reviewed a number of early retirement incentive programs including 10 of the 12 states we reviewed during this audit—Montana and Virginia were not included. According to an earlier Texas report, many states thought their early retirement incentive programs were useful in meeting the initial stated goals of reducing the number of public employees, avoiding layoffs, and providing payroll savings. At the same time, most states indicated disappointment in the long-term reduction of employees and costs.

For example, officials in Pennsylvania reported the intent of their program was to permanently reduce the size of the state's workforce. Although Pennsylvania initially shaved its workforce by about 6,700 state employees, all those who retired early had been replaced within three years.

In other cases, the costs of the incentives were greater than the payroll savings the program generated. For example, officials in Illinois reported that Illinois' program achieved its goal of payroll savings. The reports showed a \$26 million savings in fiscal year 1992, and an estimated \$83 million savings in fiscal year 1993. However, they also reported that the costs of the benefits caused the state's retirement system to incur a future liability of an estimated \$231.5 million.

The Texas report also concluded that the costs generated by the incentives can sometimes wipe out any financial gains. For example, in Pennsylvania the early retirement program provided a payroll savings of \$112.3 million over a three-year-period, while creating a 20-year liability for the retirement system of more than \$310.6 million. In most cases, the state simply transferred the costs associated with the employees to the retirement system.

Finally, evaluations of other states' early retirement incentive programs have shown that incentives get people to retire only one or two years earlier than they normally would have. This factor also contributes to the short-lived nature of the salary savings generated by an early retirement program. The savings from an early retirement incentive program only occur during the period between the day the employee retires early, and the day the employee would have retired had the program not been offered.

Experience in Other States Suggests That Early Retirement Incentive Programs Should Be Carefully Planned

The success or failure of an early retirement incentive program will depend heavily on the goals of the program and how the program is set up. Officials in the states we contacted, along with reports published by the National Conference of State Legislatures, the Texas State Pension Review Board, and others, offered a number of suggestions to help ensure that the goals of an early retirement incentive program are achieved. These suggestions are summarized below.

State policymakers should decide what their goals are, and whether they need to offer an early retirement incentive program to achieve them. It's critical that a state decide up front what goals it wants to achieve. Almost all the states we contacted had established their early retirement incentive programs to achieve two primary goals: reducing the number of state employees without layoffs, and saving money. However, in our discussions with officials from those states, they now recommend that a state not use an early retirement incentive program if there are other ways to accomplish the same goals.

Sometimes a reduction in government employees can be accomplished simply through normal attrition and by not refilling certain positions. This was also the conclusion drawn by a federal study of the Federal Workforce Restructuring Act of 1994. (This Act requires the federal government to reduce its workforce to a certain level by 1999.)

Another method to reduce the state workforce is to adopt stronger personnel policies that would enable agencies to terminate unproductive employees. For example, a report by the Virginia Joint Legislative Audit and Review Commission suggested that Virginia institute a "bottom-five" policy, in which the bottom 5% of agency employees, in terms of performance, are terminated each year. The report suggested this could prevent poor performers from remaining in the agency for too long.

If state policymakers decide an early retirement incentive program will help them achieve their goals, they need to set eligibility requirements at a level that will allow the desired number of employees to participate. As described earlier, some states allowed employees to retire as early as 50 with a minimum of five years of credited service. However, most of the states we contacted allowed employees to retire under their programs at age 55 with 10 to 25 years of credited service with the state's retirement system. There are no "magic" eligibility requirements; it all depends on how large a reduction in employees the state wants to achieve.

In general, studies have shown that about 30% to 40% of the employees eligible to retire under an early retirement program actually do. Thus, if a state wants to reduce its workforce by about 5,000 employees, it may need to consider setting eligibility requirements so that between 12,500 and 16,700 employees would be eligible to participate. The state does run the risk that more employees will retire than anticipat-

ed. For example, Virginia reported a participation rate of 67%. However, some states reported a low participation rate. For example, Montana had a participation rate in its early retirement incentive program of only 15%.

Policymakers also need to consider which employees they want to target to take advantage of the program, and the consequences of losing employees who may be essential to carry out the necessary operations of the state. Thus, they need to consider aiming the eligibility criteria of the program toward the targeted group of employees.

According to a report published by the Public Employee Retirement Commission of Pennsylvania, determining the employees to be targeted in the public sector is rarely simple. Employers may achieve an acceptable degree of targeting by using the incentive itself as a targeting device.

For example, an incentive that consists of an additional service credit will tend to attract older employees who already have met the age requirement for retirement. Cash incentives or lump-sum payments tend to target younger employees who may wish to take time off and join the work force again at a later date. Deciding these issues in advance can help give the program the best chance for long-term success, and can be least disruptive to state operations.

In deciding what incentives to offer to entice eligible employees to participate, state policymakers need to keep in mind the cost of those incentives. Deciding which incentives to offer under an early retirement program can be critical in controlling the costs of that program. Officials in the 12 states we contacted described a number of techniques for controlling the costs of these programs. Among the suggestions they made were:

- Don't offer a more generous incentive than is needed to get people to retire. Evaluations of other states' retirement incentive programs have shown there is little evidence that offering a more generous incentive leads to more retirements. For example, officials in Virginia reported that many of their early retirees would have retired early even if the state hadn't offered a \$100 per month Social Security bridge payment until age 62 as an additional incentive.
- Offer an incentive that doesn't increase the retirement system's liability. For example, Virginia established a voluntary separation plan that would pay employees in the executive branch up to 36 weeks' salary, and health insurance premiums for one year. These costs were funded through the agency's current-year operating funds, and weren't passed on as unfunded liabilities to Virginia's retirement system.

An alternative can be to require the employer to pay the amount of the incentive to the retirement system, as South Carolina did.

- *Make agencies demonstrate that there will be a cost savings before an employee is allowed to take early retirement.* A report by the National Conference of State Legislatures stated that Alaska required its state and local agencies to demonstrate a savings in salary and benefits projected over five years that exceeded the costs for early retirement incentives, before an employee was eligible for early retirement. Under this criteria, the state auditor's office reported the program paid for itself, and saved participating state and local governments about \$23 million over three years.

If the goal is to reduce a state's workforce, state policymakers should restrict state agencies' ability to replace retired employees. Early retirement incentive programs generate most of their savings when positions vacated by retirees aren't refilled. This conclusion was reported by the National Conference of State Legislators and supported by the officials we talked with in our sample states. Without statutory limits, state agencies may not have the discipline to eliminate positions, or hold them open.

Pennsylvania is a case in point. As noted earlier, Pennsylvania initially reduced its workforce by about 6,700 employees. But because it had no statutory restrictions on replacing those early retirees, all vacated positions had been refilled within three years. Officials in Pennsylvania now suggest that legislation in this area should specify how the workforce will be controlled, including maximum replacement rates and agency staff size for some number of years—up to 10 years—following the program.

In deciding what restrictions to put in place, state policymakers need to consider which positions shouldn't be refilled, and which may need to be refilled. For example, many smaller agencies can't carry out their operations with a significant cut in their workforce (or sometimes, with any cut in their workforce). Other employees—such as corrections officers—may be critical to the function of certain state agencies. Also, policymakers need to realize and try to take into account that, when an employee decides to retire early, the state agency loses the expertise and skills associated with that individual. Although the agency would have lost those skills anyway if the employee had retired at the regular retirement age, the agency would have had more time to find another employee with those skills, or develop those skills in an existing employee.

The State of Washington developed one way to help address the problem of which positions to replace. State agencies there had to justify why positions needed to be refilled to ensure public health or safety, to qualify for or continue receiving federal funding, or provide essential public services.

Once the desired incentives and replacement policies have been established, but before the program is implemented, state policymakers need to estimate the potential savings and costs of the program. At a minimum, the costs that should be considered include the following:

- the cost of each incentive being offered - For example, Massachusetts' Senate Post Audit and Oversight Bureau estimated the cost of providing additional years to the age credit (in calculating the retirement benefit) of a state employee electing early retirement. This information also was used to estimate the potential savings to the state.
- the cost of administering the program - For example, the retirement systems in Michigan, Montana, and Pennsylvania hired temporary staff and logged a lot of overtime hours to meet the requests for information about the program.
- the impact of the program on the retirement system's liability and contribution rates - For example, many states reported that the programs generated a large unfunded liability for their retirement system that would last 20 to 30 years. The Illinois retirement system's unfunded liability was reported to be \$232 million. Pennsylvania's was \$311 million, and Virginia's was \$238 million.

Regarding the latter point, the study by the Texas State Pension Review Board noted: "Those pension funds that are overfunded or at least adequately funded will be able to assume the additional liabilities without jeopardizing the system's funding. But, in the case of a retirement system that has marginal funding, the costs will most likely be borne by future taxpayers. In some states, pension funds joined by other concerned individuals have filed lawsuits which would force the state of the participating employer to fund fully any liabilities associated with the adoption of an early retirement incentive window."

Illinois officials suggested that an actuarial study of the liability created by an early retirement incentive program should be completed in order to evaluate the true costs and savings to the state. Virginia projected the actuarial impact to the retirement system and tried to determine how much contribution rates would need to be increased. In addition, officials in Pennsylvania recommended including this step in their next incentive program to help make it more successful.

State officials told us policymakers should carefully review the projected cost savings from the early retirement incentive program they are considering. If these estimates show the expected savings won't be realized, they should consider appropriate changes at that time, rather than after the program has been put into place.

Policymakers need to give employees enough time to learn about the program, so they can make informed decisions about whether to select the early retirement option. Officials in Illinois expressed concerns about the impact of the short early retirement "window" on employees' decisions about taking early retirement. They observed that some employees were choosing early retirement without considering all the consequences. They said their state had not given them enough time to provide adequate counseling to all eligible employees before those employees had to make a final decision about retiring early.

Providing sufficient "lead" time for employees to learn about the program can also increase employees interest and participation in the program. Other states reported that they had used newsletters, seminars, press releases, brochures, and payroll inserts to notify government employees about the early retirement incentive program. They said they thought such communication was effective in increasing participation rates.

Once an early retirement incentive program has been implemented, state policymakers should ensure that mechanisms are in place to track the results of the program. The types of information that need to be collected, analyzed, and reviewed on an on-going basis include the following:

- the number and type of positions vacated and refilled
- the costs associated with those positions (for example, the salary and fringe benefit costs for the employee who left, and for the replacement employee, if any)
- the actual cost of the incentives offered under the program
- the long-term liability being incurred by the retirement system, if any
- the impact to the employer contribution, if any

In conjunction with its early retirement incentive program, the State of Washington mandated that all agencies report who was retiring, what his or her salary and fringe benefit costs were, who replaced the retiree, what the new employee's salary and benefit costs were, and the like. All this information was required to be reported to a central state agency, which reports it to the Washington legislature on a regular basis.

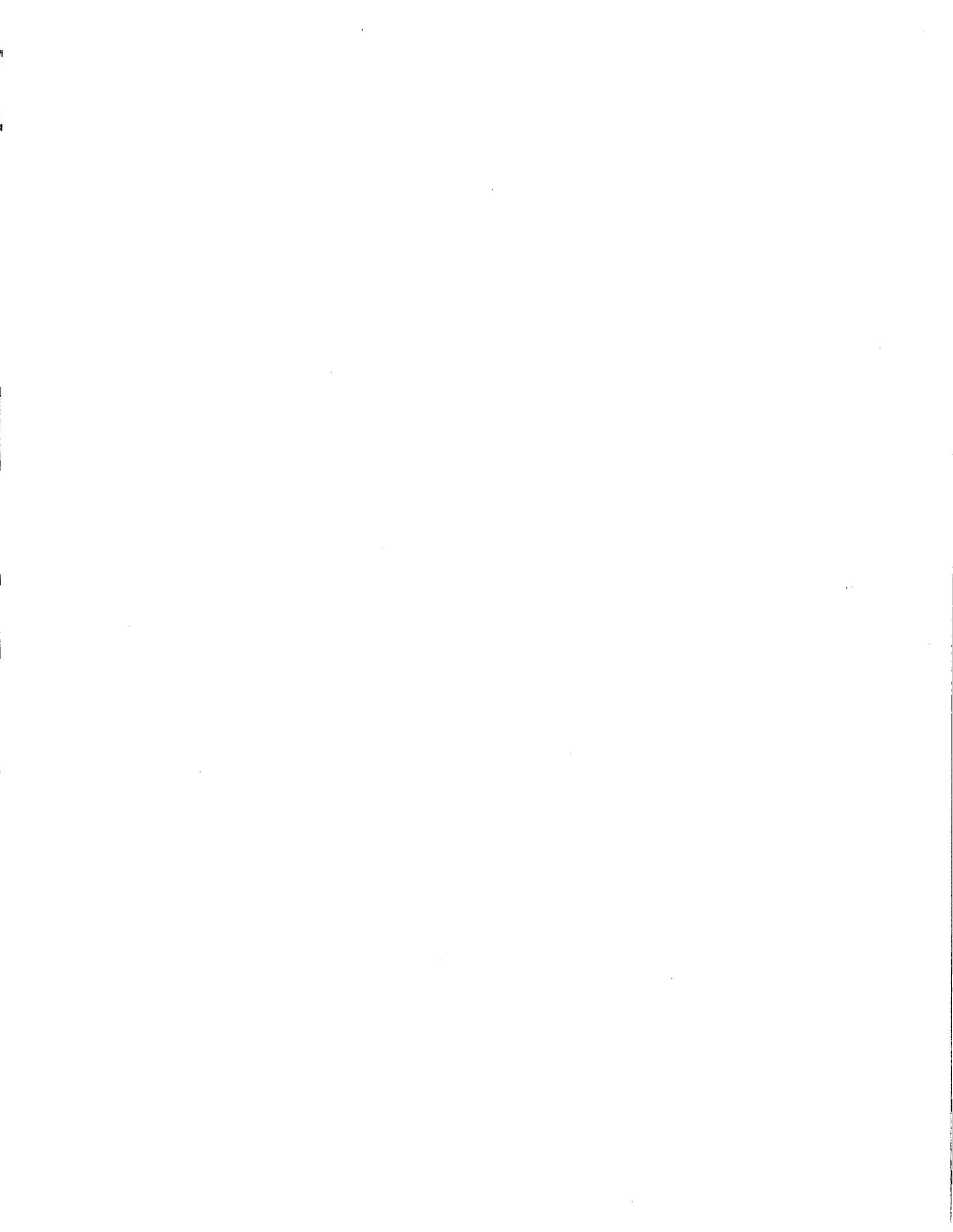
Collecting such information will enable the state to determine if the early retirement incentive program is meeting its goals, and if the goals are being met at the level the state intended.

Finally, officials in other states told us policymakers shouldn't offer early retirement incentive programs too often, or they will be viewed as "just another" employee benefit and will lose their effectiveness. When a state offers an early retirement incentive program for the first time, eligible employees are often encouraged to participate. However, some states have offered early retirement incentive programs on a regular basis since the early 1980s. Other state officials told us that overuse of early retirement incentive programs reduces the effectiveness of such programs as a means to reduce the workforce or create cost savings. For example, officials in Iowa reported that employees came to expect the program, and delayed their early retirement date until another, potentially more "lucrative" program was offered.

Conclusion

Early retirement incentive programs in other states generally haven't provided lasting reductions in workforce size or payroll costs. This result is primarily because states haven't enacted controls to ensure that any initial reductions in the number of public employees aren't canceled out when those positions are refilled.

If Kansas intends to implement an early retirement incentive program, it is important for the legislative and executive branches to invest the time and resources needed to carefully study and plan the program. Once the program is designed, additional studies need to be completed to provide cost and savings estimates to the Legislature. Armed with this type of information, the Legislature will be able to make a more informed decision as to what would be best for Kansans in the long run.



APPENDIX A

State Contribution to the Kansas Public Employees Retirement System For Educational Institutions in Fiscal Year 1995

K.S.A. 74-4931 made school district and community college employees members of the Kansas Public Employees Retirement System since January 1, 1971. And, under K.S.A. 74-4939 the State pays the employer contribution to the Retirement System for school district and community college employees. The Legislature appropriates money annually to pay the employer contribution based on 3.3% of the total compensation paid to eligible school district and community college employees. This appendix lists school districts, community colleges, and other educational institutions in Kansas, the number of eligible employees for each in fiscal year 1995, and the employer contribution to the Retirement System made by the State for each in fiscal year 1995. The Kansas Public Employees Retirement System provided this information.

USD #	District	# of Employees FY95	Employee Contributions FY95	USD #	District	# of Employees FY95	Employee Contributions FY95
101	Erie-St. Paul	170	\$133,617.46	257	Iola	228	\$187,835.10
102	Cimarron-Ensign	75	\$68,067.46	258	Humbolt	95	\$78,894.21
103	Cheylin	40	\$31,068.23	259	Wichita	5,866	\$5,264,307.69
104	White Rock	42	\$34,382.41	260	Derby	807	\$640,925.49
200	Greely	63	\$48,716.40	261	Haysville	532	\$445,429.70
202	Turner	598	\$414,207.80	262	Valley Center	237	\$223,768.95
203	Piper	142	\$125,607.76	263	Mulvane	206	\$170,225.55
204	Bonner Springs	258	\$242,186.15	264	Clearwater	133	\$114,643.70
205	Bluestem	128	\$98,964.90	265	Goddard	309	\$244,783.09
206	Remington-Whitewater	92	\$74,742.76	266	Maize	439	\$363,931.03
207	Fort Leavenworth	186	\$173,930.85	267	Renwick	192	\$156,939.99
208	Trego County	114	\$83,961.03	268	Cheney	89	\$76,504.40
209	Moscow	43	\$37,455.46	269	Palco	40	\$31,981.23
210	Hugoton	161	\$129,961.28	270	Plainville	83	\$62,642.50
211	Norton	106	\$100,783.74	271	Stockton	68	\$56,274.71
212	Northern Valley	38	\$35,498.86	272	Waconda	99	\$76,994.73
213	West Solomon Valley	27	\$18,112.41	273	Beloit	201	\$175,271.22
214	Ulysses	239	\$199,644.36	274	Oakley	113	\$83,408.19
215	Lakin	112	\$102,984.86	275	Triplains	28	\$20,580.03
216	Deerfield	69	\$52,800.25	277	Jetmore	46	\$43,178.06
217	Rolla	43	\$42,163.88	278	Mankato	59	\$45,104.00
218	Elkhart	96	\$76,123.44	279	Jewell	43	\$28,734.89
219	Minneola	42	\$39,848.07	280	West Graham-Morland	34	\$24,561.41
220	Ashland	51	\$40,918.82	281	Hill City	87	\$74,240.91
221	North Central	49	\$33,630.21	282	West Elk	117	\$90,269.77
222	Washington	54	\$53,071.37	283	Elk Valley	46	\$34,089.35
223	Barnes	74	\$62,801.74	284	Chase	107	\$82,478.05
224	Clifton-Clyde	64	\$57,869.15	285	Cedar Vale	28	\$21,943.52
225	Fowler	35	\$27,238.81	286	Chautauqua	70	\$62,520.57
226	Meade	63	\$62,293.69	287	West Franklin	111	\$97,343.27
227	Jetmore	46	\$43,178.06	288	Central Heights	78	\$64,604.37
228	Hanston	33	\$25,248.64	289	Wellsville	98	\$86,045.18
229	Blue Valley	1,801	\$1,477,630.80	290	Ottawa	290	\$255,099.48
230	Spring Hill	173	\$153,686.35	291	Grinnell	35	\$29,847.00
231	Gardner	262	\$203,724.72	292	Grainfield	35	\$27,328.25
232	DeSoto	283	\$212,231.03	293	Quinter	70	\$60,670.44
233	Olathe	2,463	\$2,043,333.33	294	Oberlin	97	\$82,025.10
234	Fort Scott	277	\$237,564.92	295	Prairie Heights	28	\$17,677.25
235	Uniontown	77	\$63,248.90	297	St. Francis	73	\$61,456.15
237	Smith Center	80	\$75,713.54	298	Lincoln	67	\$57,137.64
238	West Smith County	36	\$33,980.82	299	Sylvan Grove	38	\$27,672.35
239	North Ottawa County	109	\$74,560.52	300	Commanche	103	\$80,008.20
240	Twin Valley	83	\$64,227.66	301	Nes Tre La Go	25	\$18,677.39
241	Wallace County	52	\$35,246.67	302	Smoky Hill	38	\$31,902.62
242	Weskan	26	\$16,787.26	303	Ness City	54	\$48,866.89
243	Lebo-Waverly	88	\$77,272.52	304	Bazine	31	\$21,313.16
244	Burlington	165	\$155,127.70	305	Salina	1,205	\$948,644.61
245	Leroy-Gridley	60	\$49,259.80	306	South East of Saline	80	\$76,049.93
246	North East	83	\$74,267.94	307	Eli-Saline	78	\$52,301.96
247	Cherokee	138	\$108,761.23	308	Hutchinson	720	\$591,104.31
248	Girard	113	\$108,377.82	309	Nickerson	179	\$142,721.81
249	Frontenac	67	\$54,421.49	310	Fairfield	89	\$54,476.40
250	Pittsburg	687	\$466,671.73	311	Pretty Prairie	54	\$40,771.54
251	North Lyon	118	\$93,773.38	312	Haven	161	\$126,394.94
252	South Lyon	99	\$84,897.27	313	Buhler	270	\$228,168.24
253	Emporia	854	\$583,328.93	314	Brewster	43	\$25,111.87
254	North Barber	110	\$94,063.65	315	Colby	202	\$156,482.31
255	South Barber	56	\$49,924.74	316	Golden Plains	44	\$30,981.10
256	Marmaton Valley	56	\$45,423.77	317	Herndon	23	\$14,003.21

USD #	District	# of Employees FY95	Employee Contributions FY95	USD #	District	# of Employees FY95	Employee Contributions FY95
318	Atwood	105	\$78,183.33	379	Clay Center	271	\$222,239.65
320	Wamego	258	\$183,871.21	380	Vermillion	88	\$64,022.06
321	Kaw Valley	213	\$168,356.65	381	Spearsville-Windthors	40	\$37,338.21
322	Onaga-Havensville-Wheaton	75	\$64,389.74	382	Pratt	167	\$156,984.01
323	Rock Creek	107	\$80,822.52	383	Manhattan	1,025	\$759,184.92
324	Eastern Heights	38	\$28,158.95	384	Blue Valley	47	\$39,230.76
325	Phillipsburg	239	\$176,104.63	385	Andover	252	\$186,552.80
326	Logan	35	\$34,294.66	386	Madison-Virgil	51	\$42,634.22
327	Ellsworth	123	\$112,985.64	387	Altoona-Midway	77	\$56,067.51
328	Lorraine	102	\$82,268.89	388	Ellis	71	\$59,944.37
329	Mill Creek Valley	90	\$73,810.06	389	Eureka	140	\$131,872.77
330	Wabaunsee East	120	\$100,386.35	390	Hamilton	28	\$20,274.26
331	Kingman	167	\$136,466.20	392	Osborne	77	\$66,790.31
332	Cunningham	66	\$52,212.13	393	Solomon	62	\$46,256.14
333	Concordia	279	\$211,965.83	394	Rose Hill	186	\$160,308.32
334	Southern Cloud Co	46	\$36,403.23	395	Lacrosse	62	\$51,695.19
335	Jackson Heights	60	\$55,541.30	396	Douglass	114	\$97,859.24
336	Holton	216	\$158,882.51	397	Centre	54	\$40,518.60
337	Mayetta	128	\$100,453.27	398	Peabody-Burns	73	\$54,347.96
338	Valley Falls	70	\$58,342.33	399	Paradise	36	\$23,133.80
339	Jefferson North	71	\$57,699.98	400	Lindsborg	118	\$101,458.07
340	Jefferson West	118	\$98,586.41	401	Chase	47	\$41,692.34
341	Oskaloosa	116	\$87,542.00	402	Augusta	244	\$184,399.56
342	McLouth	77	\$66,920.21	403	Otis-Bison	71	\$56,827.57
343	Perry	133	\$112,590.71	404	Riverton	89	\$86,577.31
344	Pleasanton	62	\$52,365.34	405	Lyons	189	\$150,005.42
345	Seaman	456	\$378,122.55	406	Wathena	62	\$57,758.18
346	Jayhawk	74	\$61,358.59	407	Russell County	228	\$176,026.88
347	Kinsley-Offerle	80	\$64,249.89	408	Marion	97	\$78,455.91
348	Bladwin City	168	\$134,693.05	409	Atchison	318	\$245,442.43
349	Stafford	52	\$43,335.10	410	Hillsboro-Durham-Lehigh	98	\$75,918.28
350	St. John	79	\$71,744.01	411	Goessel	38	\$38,315.74
351	Macksville	52	\$41,375.99	412	Hoxie Community	90	\$69,178.38
352	Goodland	218	\$147,990.00	413	Chanute	250	\$209,821.05
353	Wellington	270	\$221,316.91	415	Hiawatha	176	\$137,129.29
354	Clafin	61	\$49,447.90	416	Louisburg	134	\$123,680.93
355	Ellinwood	84	\$80,772.30	417	Council Grove	160	\$123,521.48
356	Conway Springs	85	\$71,627.43	418	McPherson	424	\$334,554.17
357	Belle Plaine	112	\$91,659.77	419	Canton-Galva	80	\$62,610.57
358	Oxford	73	\$48,787.14	420	Osage City	81	\$62,631.35
359	Argonia Public	36	\$30,788.08	421	Lyndon	64	\$49,093.89
360	Caldwell	47	\$41,923.53	422	Greensburg	50	\$43,574.80
361	Anthony-Harper	130	\$118,041.36	423	Moundridge	75	\$65,576.96
362	Prairie View	115	\$119,831.37	424	Mullinville	23	\$19,387.46
363	Holcomb	103	\$104,229.87	425	Highland	44	\$37,392.06
364	Marysville	186	\$156,084.49	426	Pike Valley	52	\$43,569.40
365	Garnett	152	\$124,308.43	427	Belleville	104	\$87,177.29
366	Woodson	91	\$72,182.12	428	Great Bend	501	\$411,390.62
367	Osawatomie	163	\$143,013.51	429	Troy	64	\$49,867.20
368	Paola	388	\$292,650.26	430	South Brown County	104	\$86,107.30
369	Burrton	49	\$46,428.99	431	Hoisington	116	\$99,242.50
371	Montezuma	36	\$30,558.79	432	Victoria	59	\$53,709.41
372	Silver Lake	104	\$95,030.39	433	Midway	37	\$30,002.81
373	Newton	507	\$405,921.50	434	Santa Fe Trail	179	\$142,113.86
374	Sublette	73	\$70,788.50	435	Abilene	161	\$159,465.28
375	Circle	183	\$155,881.54	436	Caney Valley	100	\$86,345.29
376	Sterling	79	\$60,989.72	437	Auburn-Washburn	684	\$515,097.93
377	Atchison County	135	\$99,703.57	438	Skyline	60	\$51,577.39
378	Riley County	95	\$72,903.23	439	Sedgwick	51	\$44,747.41

USD #	District	# of Employees FY95	Employee Contributions FY95	USD #	District	# of Employees FY95	Employee Contributions FY95
440	Halstead	101	\$96,153.03	497	Lawrence	1,344	\$1,113,808.46
441	Sabetha	163	\$138,026.24	498	Valley Heights	75	\$61,576.14
442	Nemaha Valley	107	\$76,163.13	499	Galena	107	\$95,162.47
443	Dodge City	566	\$470,291.60	500	Kansas City	3,552	\$2,929,184.82
444	Little River	51	\$41,781.25	501	Topeka Public	2,241	\$1,888,519.54
445	Coffeyville	298	\$240,060.87	502	Lewis	32	\$29,373.86
446	Independence	228	\$225,324.10	503	Parsons	230	\$208,094.90
447	Cherryvale	93	\$79,022.54	504	Oswego	74	\$63,852.00
448	Inman	64	\$58,027.22	505	Chetopa	49	\$43,738.21
449	Easton	99	\$80,557.90	506	Labette	226	\$198,723.11
450	Shawnee Heights	437	\$382,282.69	507	Satanta	69	\$61,610.55
451	Baileyville-St. Benedict	39	\$28,710.55	508	Baxter Springs	109	\$108,538.41
452	Stanton County	89	\$65,478.46	509	South Haven	35	\$30,319.14
453	Leavenworth	730	\$556,192.04	511	Attica	39	\$29,957.90
454	Burlingame	52	\$40,286.58	512	Shawnee Mission	4,046	\$3,852,143.65
455	Hillcrest	37	\$27,900.73				
456	Marais Des Cygnes Valley	50	\$36,469.84		School District Subtotals	64,886	\$54,387,100.90
457	Garden City	1,013	\$813,848.88				
458	Basehor-Linwood	162	\$137,626.18				
459	Bucklin	47	\$44,076.26		19 Community Colleges		
460	Hesston	119	\$99,267.79				
461	Neodesha	114	\$96,670.94		Allen	75	\$72,688.10
462	Central	66	\$52,635.96		Barton	292	\$225,397.74
463	Udall	55	\$50,683.98		Butler	354	\$322,593.56
464	Tonganoxie	169	\$163,761.76		Cloud County	117	\$103,602.99
465	Winfield	517	\$397,526.09		Coffeyville	130	\$103,739.41
466	Scott County	159	\$131,385.56		Colby	140	\$119,559.12
467	Leoti	99	\$81,731.80		Cowley County	164	\$137,061.88
468	Healy	28	\$18,084.21		Dodge City	217	\$160,481.25
469	Lansing	227	\$174,848.78		Fort Scott	143	\$115,335.61
470	Arkansas City	395	\$304,459.69		Garden City	197	\$204,592.90
471	Dexter	29	\$28,092.66		Highland	87	\$68,711.15
473	Chapman	156	\$140,633.70		Hutchinson	311	\$302,165.18
474	Haviland	35	\$32,398.31		Independence	98	\$95,730.51
475	Junction City	961	\$747,751.46		Johnson	1,103	\$1,136,142.96
476	Copeland	30	\$20,121.81		Kansas City	361	\$397,150.50
477	Ingalls	38	\$38,643.05		Labette	118	\$114,909.90
479	Crest	54	\$44,670.18		Neosho	102	\$94,659.27
480	Liberal	596	\$459,572.74		Pratt	131	\$107,308.58
481	Rural Vista	73	\$49,741.68		Seward	125	\$108,249.91
482	Dighton	58	\$48,290.87				
483	Kismet-Plains	97	\$84,573.19		Community College Subtotals	4,265	\$3,990,080.52
484	Fredonia	139	\$121,485.19				
486	Elwood	33	\$31,027.31				
487	Herington	95	\$70,605.25		29 Other Institutions		
488	Axtell	67	\$51,758.64				
489	Hays	576	\$473,866.26		These institutions include	3,323	\$2,070,488.93
490	El Dorado	567	\$367,927.49		vocational technical schools,		
491	Eudora	108	\$91,036.49		educational cooperatives, and		
492	Flinthills	41	\$42,659.24		other education services		
493	Columbus	195	\$169,584.94				
494	Syracuse	63	\$57,468.91				
495	Fort Larned	263	\$192,388.57				
496	Pawnee Heights	32	\$26,882.51		TOTALS	72,474	\$60,447,670.35

APPENDIX B

Summary of Survey Responses from School Districts

On June 29, 1995, we mailed surveys to the superintendents of all 304 school districts in Kansas. We had a response rate of 100%, with 152 districts reporting having an early retirement incentive program during fiscal year 1995 and one district starting an early retirement incentive program in fiscal year 1996. Three districts with early retirement incentive programs did not provide complete information on the participation and costs of their programs. Caney Valley (USD #436) provided no information on the participation or cost of their program. Chanute (USD #413) did not provide projections for participation or costs between fiscal years 1996 and 2000 for their program, and Great Bend (USD #428) did not provide participation or cost information for fiscal years 1990 through 1992. This appendix is a summary of the responses from the returned surveys.

School District Survey

The Legislative Post Audit Committee of the Kansas Legislature has directed the Legislative Division of Post Audit to conduct a performance audit of early retirement incentive programs in Kansas school districts. One of the main objectives of the audit is to determine the costs associated with early retirement incentive programs. To help us meet this objective and identify those school districts in the State that offer early retirement incentive programs, we are conducting a survey of all school districts in Kansas.

We would appreciate it if you would take the time to answer the following questions. The returned surveys will be included in the audit working papers which will become part of a public document once the audit is completed. Please return the completed survey in the enclosed, self-addressed, postage-paid envelope (or fax the completed survey to the attention of Trish Pfannenstiel at 913-296-4482) by **Friday, July 14, 1995**. If you have any questions related to the survey, please contact, Trish Pfannenstiel, Scott Brunner, or Tracey Elmore at Legislative Post Audit, 8th and Jackson, Topeka, KS 66612 or phone (913) 296-3792.

1. Name of Contact Person _____
USD # _____ Phone # _____

2. Does your district have an early retirement incentive program?

Such a program would include any payments made by the local school district to former employees who have elected to retire before the normal age of 65. This would include payments made as a percent of salary, as a percent of their KPERS benefit payment, and insurance premiums (health and life) paid by the district. Payments for unused sick leave which are made **only if the employee retires early** may also constitute an early retirement incentive plan.

153 Yes Please go to Question 3.

151 No If "no," please complete only the questions on this page and return the survey.

Has your district ever had an early retirement incentive program?

149 No

2 Yes

If yes, in what year was the program discontinued? _____

What was the reason for discontinuing the program?
(attach additional pages if needed)

10. Did your district conduct any actuarial studies regarding the early retirement incentive program

- 26 before it was implemented? 7 after it was implemented?
 122 No actuarial studies were performed.

Please attach any copies of actuarial studies that were done.

11. Is your district's early retirement incentive program incorporated in:

- 126 union contracts? 79 board policy? 4 other? (explain below)

Board Handbooks or on a case by case basis.

12. Please complete the following information regarding your district's early retirement incentive program. **Please include payments made by the district for unused sick leave (only if paid when an employee retires early) and insurance premiums in addition to any cash payments.** If insurance costs are not tracked separately, you may use an estimate of the average premium cost per early retiree when reporting cost of benefits.

<u>Fiscal Year</u>	<u># of Former Employees Receiving Benefits</u> (as of June 30)	<u>Actual Cost of Benefits</u> (include costs for all items marked in Question 5)
1990	<u>635</u>	\$ <u>5,562,696</u>
1991	<u>768</u>	\$ <u>6,115,363</u>
1992	<u>806</u>	\$ <u>7,449,754</u>
1993	<u>943</u>	\$ <u>8,653,604</u>
1994	<u>1,075</u>	\$ <u>10,297,368</u>
1995	<u>1,305</u>	\$ <u>11,988,412</u>

<u>Fiscal Year</u>	<u>Projected # of Eligible Employees</u>	<u>Projected Cost of Benefits</u> (if all eligible employees elect early retirement)	<u>Anticipated # of Participating Employees</u>	<u>Projected Cost of Benefits</u> (If only anticipated employees elect early retirement)
1996	<u>3,286</u>	\$ <u>35,385,483</u>	<u>1,659</u>	\$ <u>15,975,992</u>
1997	<u>3,530</u>	\$ <u>38,171,617</u>	<u>1,769</u>	\$ <u>17,101,811</u>
1998	<u>3,762</u>	\$ <u>41,336,537</u>	<u>1,892</u>	\$ <u>18,462,293</u>
1999	<u>3,944</u>	\$ <u>44,275,834</u>	<u>1,970</u>	\$ <u>19,630,952</u>
2000	<u>4,146</u>	\$ <u>46,944,140</u>	<u>2,049</u>	\$ <u>20,642,914</u>

The staff of Legislative Post Audit wishes to thank you in advance for your cooperation in this matter by completing this survey. If you wish to make any additional comments on the subject of early retirement incentive programs for school districts, please use the space on the back of this page or attach additional pages. Please return the completed survey in the enclosed, self-addressed, postage-paid envelope or fax the completed survey to the attention of Trish Pfannenstiel at 913-296-4482.

APPENDIX C

School Districts With Early Retirement Incentive Programs

Based on the responses to our survey of all 304 school districts in Kansas, 152 districts reported having an early retirement incentive program in fiscal year 1995. This appendix lists the districts that reported having an early retirement incentive program, the year the program started, the primary goal of the program, the number of program participants in fiscal year 1995, and the cost of the program to the district in fiscal year 1995. This information was provided by the school districts.

The cost and participation information reported for our 10 sample school districts in fiscal year 1995 may not match the information we reported in the table on page 18 of the report. This difference is because those districts may have counted all retirees who received early retirement benefits in fiscal year 1995. When we calculated cost savings, we only counted retirees who received benefits for all of fiscal year 1995 and only the cost of those benefits received due to retiring early.

USD #	District	Primary Goal	Year Program Began	Number of Retirees FY 95	Cost of Benefits FY 95
101	Erie-St. Paul	Reduce salary cost	1992	0	\$0
102	Cimarron-Ensign	Replace burned out teachers	1991	2	\$13,088
202	Turner	Reduce salary cost	1989	14	\$156,939
204	Bonner Springs	Reduce salary cost	1993	6	\$71,889
206	Remington-Whitewater	Reduce salary cost	1994	2	\$11,789
209	Moscow	Reduce salary cost	1994	0	\$0
210	Hugoton	Offset early retirement penalties	1993	2	\$9,486
214	Ulysses	Offset early retirement penalties	1991	6	\$57,775
215	Lakin	Reduce salary cost	1993	5	\$44,327
218	Elkhart	Employee incentive	1994	3	\$15,396
219	Minneola	Offset early retirement penalties	1985	0	\$0
220	Ashland	Provide medical leave	1987	4	\$25,175
224	Clifton-Clyde	Reduce staff	1990	0	\$0
226	Meade	Reduce salary cost	1992	3	\$15,066
231	Gardner	Employee incentive	1980	4	\$34,326
232	DeSoto	Employee incentive	1993	4	\$18,050
233	Olathe	Reallocate costs	1994	17	\$145,613
234	Fort Scott	Reduce salary cost	1990	7	\$29,900
239	North Ottawa County	Employee incentive	1987	5	\$49,106
241	Wallace County	Reduce staff	1994	1	\$4,386
244	Burlington	Offset early retirement penalties	1982	2	\$10,000
246	North East	Reduce salary cost	1994	1	\$3,500
247	Cherokee	Reduce salary cost	1989	3	\$17,683
248	Girard	Reduce salary cost	1994	3	\$16,220
249	Frontenac	Reduce salary cost	1994	1	\$6,605
250	Pittsburg	Reduce salary cost	1989	12	\$100,344
253	Emporia	Replace burned out teachers	1991	23	\$154,200
257	Iola	Replace burned out teachers	1989	4	\$13,400
258	Humboldt	Reduce salary cost	1993	2	\$9,836
259	Wichita	Offset early retirement penalties	1984	388	\$5,690,249
260	Derby	Reduce salary cost	1982	30	\$164,962
261	Haysville	Offset health costs	1995	4	\$20,000
262	Valley Center	Employee incentive	1993	6	\$56,000
263	Mulvane	Encourage retirements	1993	10	\$46,671
264	Clearwater	Offset early retirement penalties	1985	2	\$16,521
265	Goddard	Employee incentive	1991	4	\$7,759
267	Renwick	Employee incentive	1991	8	\$81,870
268	Cheney	Reduce salary cost	1993	1	\$4,140
273	Beloit	Reduce salary cost	1985	4	\$1,501
274	Oakley	Reduce salary cost	1995	3	\$30,500
278	Mankato	Employee incentive	1994	0	\$0
281	Hill City	Employee incentive	1989	4	\$5,100
283	Elk Valley	Restructure departments	1992	2	\$8,000
287	West Franklin	Reduce salary cost	1994	0	\$0
288	Central Heights	Employee incentive	1995	0	\$0
289	Wellsville	Reduce salary cost	1994	1	\$7,000
290	Ottawa	Reduce salary cost	1980	2	\$19,000
293	Quinter	Reduce salary cost	1995	0	\$0
295	Prairie Heights	Employee incentive	1990	0	\$0
298	Lincoln	Reduce salary cost	1993	1	\$3,590
300	Commanche	Reduce salary cost	1995	3	\$18,585
301	Nes Tre La Go	Reduce salary cost	1994	1	\$10,443
305	Salina	Offset early retirement penalties	1984	34	\$233,788
306	South East of Saline	Reduce salary cost	1993	3	\$15,980
308	Hutchinson	Reduce salary cost	1988	25	\$152,753
309	Nickerson	Replace burned out teachers	1993	6	\$40,155
310	Fairfield	Restructure departments	1990	1	\$7,350
311	Pretty Prairie	Reduce salary cost	1992	3	\$16,873
312	Haven	Employee incentive	1987	4	\$11,012
313	Buhler	Reduce salary cost	1989	13	\$72,545
318	Atwood	Employee incentive	1994	1	\$1,600

USD #	District	Primary Goal	Year Program Began	Number of Retirees FY 95	Cost of Benefits FY 95
321	Kaw Valley	Reduce salary cost	1989	0	\$0
327	Ellsworth	Reduce salary cost	1990	4	\$16,500
329	Mill Creek Valley	Reduce salary cost	1982	1	\$2,500
331	Kingman	Reduce salary cost	1992	4	\$13,571
333	Concordia	Reduce salary cost	1986	9	\$40,331
336	Holton	Employee incentive	1988	2	\$9,600
338	Valley Falls	Reduce salary cost	1991	0	\$0
340	Jefferson West	Reduce salary cost	1992	2	\$28,199
345	Seaman	Extend health insurance	1983	4	\$9,622
350	St. John	Reduce salary cost	1992	1	\$6,421
353	Wellington	Reduce salary cost	1992	7	\$52,651
355	Ellinwood	Reduce salary cost	1994	3	\$11,184
356	Conway Springs	Replace burned out teachers	1981	1	\$3,000
359	Argonia Public	Reduce salary cost	1989	5	\$21,624
360	Caldwell	Encourage retirement	1988	0	\$0
361	Anthony-Harper	Reduce salary cost	1992	10	\$42,549
369	Burrton	Reduce salary cost	1992	0	\$0
373	Newton	Reduce staff	1985	26	\$224,038
374	Sublette	Reduce salary cost	1992	2	\$16,842
375	Circle	Restructure departments	1995	0	\$0
376	Sterling	Reduce salary cost	1991	6	\$24,024
380	Vermillion	Reduce salary cost	1995	2	\$8,298
382	Pratt	Employee incentive	1994	2	\$14,407
383	Manhattan	Offset early retirement penalties	1989	25	\$136,314
387	Altoona-Midway	Reduce salary cost	1995	1	\$6,384
389	Eureka	Reduce salary cost	1991	3	\$15,000
393	Solomon	Employee incentive	1988	0	\$0
394	Rose Hill	Replace burned out teachers	1995	0	\$0
396	Douglass	Maintain quality of education	1991	2	\$15,150
397	Centre	Restructure departments	1992	1	\$1,596
398	Peabody-Burns	Maintain quality of education	1993	1	\$6,728
400	Lindsborg	Encourage retirement	1985	9	\$77,143
404	Riverton	Employee incentive	1985	6	\$34,000
405	Lyons	Reduce salary costs	1992	4	\$13,835
407	Russell County	Employee incentive	1990	5	\$59,665
409	Atchison	Restructure departments	1995	0	\$0
411	Goessel	Employee incentive	1995	0	\$0
412	Hoxie Community	Reduce staff	1993	2	\$24,000
413	Chanute	Employee incentive	1989	6	\$21,323
415	Hiawatha	Reduce salary cost	1993	3	\$10,920
417	Council Grove	Offset early retirement penalties	1985	1	\$3,713
418	McPherson	Offset early retirement penalties	1988	15	\$75,360
419	Canton-Galva	Employee incentive	1988	3	\$17,499
422	Greensburg	Encourage retirements	1993	0	\$0
423	Moundridge	Employee incentive	1992	2	\$9,081
426	Pike Valley	Reduce salary cost	1994	1	\$8,000
427	Belleville	Response to teacher request	1985	0	\$0
428	Great Bend	Offset early retirement penalties	1985	23	\$90,964
432	Victoria	Reduce salary cost	1990	6	\$16,800
434	Santa Fe Trail	Employee incentive	1994	3	\$14,400
435	Abilene	Reduce salary cost	1984	9	\$76,866
436	Caney Valley	Employee incentive	1993	0	\$0
437	Auburn-Washburn	Employee incentive	1991	15	\$120,760
438	Skyline	Reduce salary cost	1995	2	\$6,335
439	Sedgwick	Replace burned out teachers	1989	3	\$32,919
440	Halstead	Employee incentive	1991	9	\$69,818
441	Sabetha	Reduce salary cost	1994	1	\$1,840
442	Nemaha Valley	Provide a retirement option	1980	3	\$21,018
443	Dodge City	Offset early retirement penalties	1986	3	\$29,035
444	Little River	Maintain quality of education	1985	4	\$18,200
445	Coffeyville	Reduce salary cost	1991	6	\$60,000

USD #	District	Primary Goal	Year Program Began	Number of Retirees FY 95	Cost of Benefits FY 95
446	Independence	Reduce salary cost	1983	18	\$112,910
447	Cherryvale	Reduce salary cost	1993	0	\$0
448	Inman	Offset early retirement penalties	1990	1	\$4,474
450	Shawnee Heights	Employee incentive	1988	13	\$29,012
453	Leavenworth	Offset early retirement penalties	1995	0	\$0
458	Basehor-Linwood	Reduce salary cost	1992	2	\$26,777
459	Bucklin	Reduce salary cost	1988	0	\$0
460	Hesston	Maintain quality of education	1989	6	\$45,076
461	Neodesha	Offset early retirement penalties	1990	0	\$0
465	Winfield	Offset early retirement penalties	1984	11	\$56,744
469	Lansing	Employee incentive	1995	0	\$0
470	Arkansas City	Replace burned out teachers	1986	7	\$30,000
471	Dexter	Reward for long term employees	1994	0	\$0
473	Chapman	Offset early retirement penalties	1992	2	\$16,148
475	Junction City	Reduce salary cost	1993	14	\$68,701
483	Kismet-Plains	Offset early retirement penalties	1995	2	\$8,700
484	Fredonia	Offset early retirement penalties	1993	6	\$37,708
487	Herington	Offset early retirement penalties	1984	2	\$5,000
489	Hays	Reduce salary cost	1994	2	\$9,423
490	El Dorado	Employee incentive	1990	24	\$108,479
493	Columbus	Reduce salary cost	1994	2	\$9,000
494	Syracuse	Maintain quality of education	1991	2	\$9,950
495	Fort Larned	Employee incentive	1994	5	\$24,837
497	Lawrence	Offset early retirement penalties	1982	40	\$254,036
499	Galena	Employee incentive	1991	1	\$14,000
500	Kansas City	Reduce salary cost	1993	49	\$623,235
501	Topeka Public	Employee incentive	1982	121	\$1,029,072
503	Parsons	Reduce salary cost	1994	6	\$39,127
505	Chetopa	Reduce staff	1995	0	\$0
507	Satanta	Employee incentive	1991	1	\$7,933
			Total	1,305	\$11,988,412

APPENDIX D

Calculating Cost Savings for School Districts' Early Retirement Incentive Programs

To determine if Kansas school districts are achieving a cost savings from early retirement incentive programs, we selected a sample of 10 districts for a more in-depth analysis. We gathered information on retirees receiving early retirement benefits in fiscal year 1995, including the salary of the retiree at retirement, whether the retiree was a teacher, administrator, or classified employee, and the cost of their early retirement benefit payment in fiscal year 1995. We also gathered information on the salary and benefits paid to the retiree's replacement, if any.

The cost savings (losses) for our sample districts on page 18 were calculated by:

- **projecting the fiscal year 1995 salary for those employees who elected early retirement:** The salary at retirement was inflated by the percent increase in salaries for the retiree's type of employment (teacher, administrator, or classified employee) for each year between the year of retirement and fiscal year 1995. This represents an estimate of the salary the former employee might have received had he or she continued working for the district. In most districts, we located the retiring teachers salary step and range on the district's salary schedule in the year they retired. We projected the fiscal year 1995 salary by finding the salary at the same step and range on the fiscal year 1995 salary schedule.
- **gathering information about the costs for early retirement benefit payments made to former employees for fiscal year 1995:** We included all benefits the retiree is eligible to receive, including health insurance or life insurance premiums and the like. This represented the total cost of benefits of the early retirement incentive program to the district.
- **calculating the fiscal year 1995 salary for the employees replacing the retirees:** Usually we could identify the replacements for administrators and classified employees. Information was not available to allow us to specifically track which new teachers replaced retiring teachers in most school districts. Therefore, to determine the cost of replacing a teacher who retired, we used the average salary and benefits paid to all new teachers hired by the district in the year a retiree was replaced. This represented the cost to the district to maintain those positions.
- **subtracting the costs of early retirement benefits along with the salary costs for the replacements from the projected fiscal year 1995 salaries of the retirees had they continued to work for the district:** This estimated the cost savings or loss the district incurred during fiscal year 1995 due to employees electing early retirement rather than continuing to work for the district.

Using this procedure, we estimated the cost savings or losses for only fiscal year 1995. The savings or losses may not occur in the future and may not have occurred in the past.



APPENDIX E

Local Units of Government With Early Retirement Incentive Programs

To determine if other units of government in Kansas offer early retirement incentive programs, we contacted 33 cities with populations over 10,000 and all 105 counties. We also contacted officials from the Kansas League of Municipalities, Kansas Association of Counties, Kansas Association of Public Employees, and other labor organizations. This appendix describes the early retirement incentive programs we identified in three cities (Kansas City, Prairie Village, and El Dorado) and Wyandotte County.

City/County	Window Dates	Program Goal(s)	Eligibility Requirements
El Dorado	N/A (On-going)	To show appreciation to long-term city employees	<ul style="list-style-type: none"> • 20 years of continuous service with the city • Under age 62 • Retired with full KPERS benefit • Employee has no other health insurance coverage
Kansas City <i>(First Program)</i>	9/1/92 - 12/31/92	Replace existing employees with less tenured employees at lower compensation	<ul style="list-style-type: none"> • Combined years of credited service and age equal or exceed 90
<i>(Second Program)</i>	10/1/94 - 2/1/95	Reduce staffing levels without layoffs	<ul style="list-style-type: none"> • Must be eligible to retire under KPERS, the City's police and fire pension plan, or Social Security
Prairie Village	N/A (On-going)	Supplement employees' retirement income without cost to the employees	<ul style="list-style-type: none"> • Work at least 1,040 hours per year (not including overtime) • Age 55 (may retire as early as age 50 if have 20 years of service)
Wyandotte	Late 1992 - 1993	Reduce payroll costs by either replacing existing employees with lower paid employees or eliminating positions	<ul style="list-style-type: none"> • 55 years of age • 25 consecutive years of service

Benefits	Number of Participants	% of Eligible Employees Participating	Dollars Saved	Plan to Offer Program Again
<ul style="list-style-type: none"> • Payment of 50% of health insurance premiums until age 62 (may get insurance from age 62 to age 65 at own expense) 	4	About 40%	Not Reported	N/A (Ongoing)
<ul style="list-style-type: none"> • Payment of individual health insurance premiums and family coverage on a declining scale over a three-year period 	34	Not Available	\$1.6 Million	Yes
<ul style="list-style-type: none"> • One month severance pay • Sick leave buyback (up to 120 days for non-public safety positions and 135 days for sworn public safety officers) • Payment of health insurance premiums on a declining scale over a three-year period 	83	Not Available	Not Available	Yes
<ul style="list-style-type: none"> • City contributes 5% of each employee's annualized monthly base salary/wage (up to \$2,500 per year) into a retirement trust fund <i>(Employees who retire at age 55+ with at least 11 years of service receive full benefits from the fund. Those who leave work before retiring forfeit some or all of the funds set aside for them. Those with at least 20 years of service may retire as early as age 50. Those who retire prior to age 55 with less than 20 years of service must wait until age 55 to begin receiving benefits. Retirees will get benefits regardless of their retirement age. The average monthly retirement benefit is \$1,500. Each retiree may draw benefits until the funds designated for him/her are depleted.)</i> • Retirees may continue membership in the city's group health plan at their own expense until they reach age 65. 	Not Available	Less than 10%	N/A	N/A (Ongoing)
<ul style="list-style-type: none"> • Three months severance pay • Reimbursement for vacation and compensatory time as per county policies • Sick leave buyback (up to 90 days) • Health insurance coverage until eligible for another health plan or until age 65 	Less than 10	About 25%	Not Available	Yes



APPENDIX F

Information About Other States' Early Retirement Incentive Programs

We obtained information about 12 other states' early retirement incentive programs offered since 1990 (Illinois, Iowa, Massachusetts, Michigan, Minnesota, Missouri, Montana, Pennsylvania, South Carolina, Texas, Virginia, and Washington). To learn about the early retirement incentive programs in these other states, we interviewed various state officials and reviewed national publications. The early retirement incentive programs in all the states we reviewed were available only for a set period of time or a "window of opportunity" not as an on-going employee benefit.

This appendix contains the information obtained from the 12 other states including the goals of the programs, whether officials thought the goals were achieved, the period of eligibility, the eligibility criteria, the type of incentive offered and the like. We also gathered information on the success of the program including the participation rate, the percent of vacated positions that were replaced, and the amount of cost savings.

	Illinois	Iowa	Massachusetts	Michigan
Goals	<ul style="list-style-type: none"> • Payroll savings • Reduce workforce • Reduce layoffs 	<ul style="list-style-type: none"> • Payroll savings • Reduce workforce 	<ul style="list-style-type: none"> • Payroll savings • Reduce workforce 	<ul style="list-style-type: none"> • Payroll savings • Reduce workforce
State Officials Report Goals Achieved	Yes	Yes	Reported to be a major success	Yes
PROGRAM				
Window Dates	Before 12/1/91 (State) 3/1/93 (School Districts)	5/15/92 to 1/15/93 (State) Before 3/1 of the retirement year. (School Districts)	5/1/92 to 6/15/92	9/1/91 to 3/1/92 (State employees) 6/1/92 to 7/15/92 (State employees)
Eligibility Criteria	<ul style="list-style-type: none"> • Age 50 with 25 years of service • Age 55 with 3 years of service • Any age with 30 years of service 	<ul style="list-style-type: none"> • Age 59 to 65 with 20 years of service (State) • Between ages 59 and 65 (School Districts) 	<ul style="list-style-type: none"> • Any age with 20 years of service • Age 55 and 10 years of service 	<ul style="list-style-type: none"> • Combined age and years of service total 70
Eligible Employees	• State employees	<ul style="list-style-type: none"> • State employees • Local government employees • Teachers 	• State employees	• State employees
INCENTIVES				
Years added to pension fund service	Employee must purchase up to 5 years.	N/A	Up to 5 years	N/A
Years added to age	Employee's age is increased by the amount of service purchased.	N/A	Up to 5 years (total additional age and service can equal 5)	N/A
Benefit Enhancements	N/A	N/A	N/A	Unused sick leave is paid in 60 equal monthly installments
Health Insurance	N/A	State contribution paid to age 65	N/A	N/A
OTHER				
Other Incentives or Restrictions	Can use payment for unused vacation or sick leave to purchase additional service time.	School districts can offer an additional cash payment.	N/A	No penalty for early retirement.
Reemployment Limitations	Temporary employment only. (75 days)	No employment with the state or any political subdivision.	N/A	Lose benefits if return to state payroll.
Replacement Rate of Vacated Positions	Not available	Refilled 54% of vacated positions.	Replacement limited to 15% of vacated positions	Not available
RESULTS				
Cost Savings	\$26 million (FY92) \$83 million (FY93 estimated)	\$2.4 million (FY93) \$5.6 million (FY94)	Not available	\$14.7 million (FY92) \$55.8 million (FY93)
Participation Rate of Those Eligible	32%	57.5%	84.1%	16% (FY92)
Miscellaneous	The incentive created a \$231.5 million liability for the retirement system. Employees must purchase enough service credit to reach normal retirement criteria to retire early.	N/A	Defined reporting requirements on savings, costs, and actuarial liability	The cost savings assume a 50% replacement rate. The actual replacement rate was not calculated.

	Minnesota	Missouri	Montana	Pennsylvania
Goals	<ul style="list-style-type: none"> Encourage older employees to retire Payroll savings 	<ul style="list-style-type: none"> More options for retirement 	<ul style="list-style-type: none"> Reduce workforce 	<ul style="list-style-type: none"> Reduce workforce Reduce layoffs
State Officials Report Goals Achieved	No	Yes	Yes	Short term success
PROGRAM				
Window Dates	5/17/93 to 1/31/94 (State employees) 5/17/93 to 7/31/93 (School Districts)	8/28/92 to 8/27/93	6/25/93 to 12/31/93	2/1/91 to 12/31/91
Eligibility Criteria	<ul style="list-style-type: none"> Age 55 with 25 years of service Age 65 with 1 year of service 	<ul style="list-style-type: none"> Age and years of service total 80, with a minimum age of 50 	<ul style="list-style-type: none"> Age 50 with 5 years of service Any age with 25 years of service 	<ul style="list-style-type: none"> Age 55 with 10 years of service
Eligible Employees	<ul style="list-style-type: none"> State employees Teachers (required) Local government employees (optional) 	<ul style="list-style-type: none"> State employees 	<ul style="list-style-type: none"> State employees Teachers Local government employees (optional) 	<ul style="list-style-type: none"> State employees Teachers (1993)
INCENTIVES				
Years added to pension fund service	N/A	N/A	Employee can buy up to 3 years of service credit.	10% service credit
Years added to age	N/A	N/A	N/A	N/A
Benefit Enhancements	Multiplier increased by .25% for state employees and .10% for teachers for up to 30 years of service.	N/A	N/A	N/A
Health Insurance	Paid to age 65.	N/A	N/A	N/A
OTHER				
Other Incentives or Restrictions	State employees must choose between the higher multiplier or health insurance. Teachers receive both.	No penalty for early retirement.	N/A	No penalty for early retirement.
Reemployment Limitations	Can not refill positions created by retirement.	If return to work, benefits are frozen until they retire.	If work more than 600 hours for their former employer, lose the incentive.	If teachers return to school service or enter state service, benefits are frozen
Replacement Rate of Vacated Positions	Refilled 38.8% of vacated state positions.	Not available	Not available	Refilled 72% of vacated positions.
RESULTS				
Cost Savings	Salary savings did not exceed costs.	Not calculated	Not available	Will cost \$6 million (FY92-FY94)
Participation Rate of Those Eligible	37.5% (FY93) (state employees)	36% (FY92-93)	15%	40.7% (FY92)
Miscellaneous	The only positions that can be refilled are correctional guards, those involved in patient care, or with a directive from the governor.	The 80 and out eligibility requirements have become a normal retirement benefit.	Defined reporting requirements on savings, costs, and actuarial liability	Reporting requirements on cost and savings part of first bill (1984)

	South Carolina	Texas	Virginia	Washington
Goals	• Payroll savings	• Payroll savings • Reduce layoffs	• Payroll savings • Reduce layoffs • Reduce workforce	• Payroll savings
State Officials Report Goals Achieved	Yes	Yes	Short term success	No
PROGRAM				
Window Dates	8/1/93 to 11/1/93	9/1/93 to 8/31/95	6/1/91 to 9/1/91	5/18/93 to 8/31/93 (State employees) 5/18/93 to 8/31/93 (School districts)
Eligibility Criteria	• Age 65 or 30 years of service. • Age 60 (5% penalty for each year under 60) • Age 55 with 25 years	• Age 50 with 30 years of service • Age 55 with 25 years of service • Age 60 with 5 years of service	• Age 50 with 25 years of service	• Any age with 25 years of service • Age 55 with 5 years of service. • Age 50 with 20 years of service
Eligible Employees	• State employees • Local government employees • Teachers	State employees	• State employees • Local government employees (optional) • Teachers (optional)	• State employees • Teachers
INCENTIVES				
Years added to pension fund service	N/A	N/A	5 years	N/A
Years added to age	N/A	N/A	N/A	N/A
Benefit Enhancements	25% of the employee's salary or \$7,500 which ever is greater.	Increase multiplier .25%	\$100 each month in supplemental Social Security until age 62	N/A
Health Insurance	N/A	N/A	N/A	N/A
OTHER				
Other Incentives or Restrictions	N/A	N/A	No penalty for early retirement	No penalty for early retirement
Reemployment Limitations	Must earn less than \$12,500	Can work up to 9 months	N/A	No state agency can hire an early retiree.
Replacement Rate of Vacated Positions	Refilled 93% of vacated positions.	N/A	Refilled 61% of vacated positions.	Refilled 86% of vacated positions. (1992)
RESULTS				
Cost Savings	\$4-14.2 million	\$40.8 million (projected FY93-94)	\$37.1 million (FY92 estimated)	\$11.7 million (FY 93) \$15.6 million (FY 94)
Participation Rate of Those Eligible	35% to 40%	52% (as of 5/94)	67% (State) 72% (Teachers) 64% (Local governments)	12.8% (1992) 9.5% (1993)
Miscellaneous	Any cost savings are carried forward by the agency, school district, or municipality. The incentives cost the state \$21.6 million.	Agencies must reduce budgets by specific amounts through retirement salary savings With 10 years of service employees receive health insurance on retirement.	The incentive also created a \$231 million actuarial liability for the retirement system.	Require reporting of cost, savings, and actuarial liability of incentive program The incentive increased the unfunded liability by \$29 million.

APPENDIX G

Agency Responses

On September 12, 1995, we provided the Department of Education and the superintendents of our 10 sample school districts with copies of the draft audit report.

The Department of Education and the superintendents from Ulysses (USD #214), Buhler (USD #313), Great Bend (USD #428), Independence (USD #446), Lawrence (USD #497), Kansas City (USD #500), and Topeka (USD #501) indicated they would have no written response to the audit report.

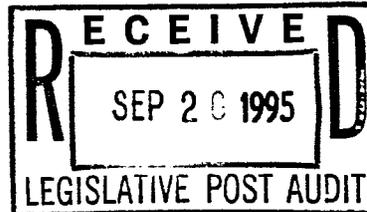
Responses from Salina (USD #305), Newton (USD #373), and Wichita (USD #259) are included in this appendix.

NEWTON UNIFIED SCHOOL DISTRICT 373

124 WEST SEVENTH STREET, BOX 307, NEWTON, KANSAS 67114-0307

(316) 284-6200

Trish Pfannenstiel
Legislative Division of Post Audit
800 SW Jackson St., Suite 1200
Topeka, Kansas 66612-2212



Dear Ms. Pfannenstiel,

I found your draft report on early retirement incentive programs very interesting. I concur with your finding that districts generally are accomplishing the goals for which they established the program initially. USD 373 has found our program to be an effective tool in improving education for students by encouraging marginal or "burned out" teachers to look at other employment options. It has also helped us to reduce staffing levels during times of tight budgets and to provide additional incentives for teachers to work for the district. Our studies show that the program is at worst a break-even financial situation, even over an extended time period.

As I reviewed your conclusions and recommendations, several concerns came to mind. We would be opposed to legislation requiring districts to set aside current savings or limiting the amount or type of early retirement benefits. We would be even more opposed if legislation would require additional reporting or paperwork for districts.

We would favor legislation providing districts who have early retirement incentive programs the option of unilaterally dropping the program for future retirees if it becomes unfundable. We would strongly support legislation not allowing retirees who take advantage of incentive programs to be employed in regular certified positions in other Kansas school districts. (This should not apply to substitute teaching positions)

Thank you for the opportunity to respond to your draft report.

Sincerely,

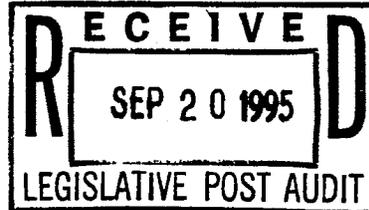
A handwritten signature in cursive script, appearing to read "Gary Jantz".

Gary Jantz
Director of Business Operations
USD 373



Dr. Gary W. Norris
Superintendent

September 20, 1995



Trish Pfannenstiel
Legislative Division of Post Audit
800 S.W. Jackson Street
Suite 1200
Topeka, KS 66612-2212

Dear Trish:

Members of our administrative team have reviewed the audit findings. U.S.D. #305's early retirement program has been in place for over ten years and has served our district well. We see no need to make any revisions in the statute.

The savings generated from early retirements in FY95, plus a staff reduction and the small per pupil increase we received for FY96 allowed us to give our employees a small salary increase, and carry on other district programs.

Mr. Soetaert, our Director of Business, will attend the session on the 27th in Topeka. Thanks for the opportunity for input.

Sincerely yours,

Dr. Gary W. Norris, Superintendent

/mv

pc: U.S.D. #305 Board Members



Larry R. Vaughn
Superintendent

September 25, 1995

Ms. Barbara Hinton
Legislative Post Auditor
Mercantile Bank Tower
800 Southwest Jackson Street, Suite 1200
Topeka, Kansas 66612-2212



Dear Ms. Hinton:

On behalf of Unified School District #259, I want to express my appreciation to you and your staff for the professional manner in which you conducted the recent legislative post audit. Our employees tell me that the process was implemented with sensitivity to our schedules and with an awareness of the complexity associated with managing a large and changing school district. Ms. Trish Phannenstiel was very helpful in responding in a timely manner to our questions and in seeking information related to her charge.

In reviewing the draft, Early Retirement Incentive Programs in Kansas Schools, I want to compliment the audit team for the accuracy of data, especially as it applies to the Wichita program. The purpose of the audit was to review early retirement incentive programs and to see if cost savings resulted.

While I generally agree with the findings of the auditors and their report, I am respectfully submitting the following response for your consideration and deliberation.

** Quoting from the audit report page 17, "Because of time constraints, our estimates for the Wichita and Topeka districts were based upon a random sample of retirees. Because our estimates were based upon a sample, rather than the entire population of retirees, we can't say with certainty the districts actually experienced a loss or gain."*

In Wichita, consideration was not given to the cost savings for those positions when there was not a replacement. We can easily identify five highly paid administrators who over the past two years were not replaced after taking advantage of the early retirement program. Their entire salary and benefits were saved resulting in a savings in excess of \$400,000.00. In addition to these, there are other administrators, teachers, and classified employees who have taken advantage of the program and were not replaced. I do not believe this was considered in the random sample.

September 25, 1995
Ms. Barbara Hinton
Page 2

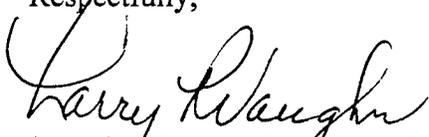
* KSA 72-5413, the Professional Negotiation Act of Kansas, requires that benefits, including retirement, be a mandatory subject of bargaining. The program in Wichita is a direct result of this statute. Since 1984 the employees of this district have elected to create an early retirement benefit in lieu of higher salary increases. Perhaps the legislature should consider the local prerogative that Boards and Unions have in allocating funds as they see fit in the negotiation process.

* If serious consideration is to be given to the Legislative Post Audit Committee recommendations on page 24, then considerable statutory action of the legislature would be required on KSA 72-5413 and perhaps others.

I believe the early retirement program should remain the prerogative of local Boards. However, there is another issue which seems to warrant legislative interrogation more so than the early retirement programs. It seems to me that the issue of an employee retiring from one institution covered under KPERS and moving to another covered under KPERS with full salary is clearly a legislative issue. Compound this with locally approved early retirement programs and you have an issue that reduces public confidence in public institutions at the very best.

In closing, thank you for the opportunity to respond to the audit report. If any additional information is needed or I can provide further assistance, please feel free to contact me.

Respectfully,



Larry R. Vaughn, Superintendent
Wichita Public Schools, USD #259

