An analysis of the early retirement programs offered during the 1992-1993 school year by the public school districts in the state of Florida

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AN ANALYSIS OF THE EARLY RETIREMENT PROGRAMS OFFERED DURING THE 1992-1993 SCHOOL YEAR BY THE PUBLIC SCHOOL DISTRICTS IN THE STATE OF FLORIDA

by

PETER B. BERRY

A dissertation submitted in partial fulfillment of the requirements for the degree of Doctor of Education in the Department of Educational Services at the University of Central Florida Orlando, Florida

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Major Professor: Kenneth T. Murray
ABSTRACT

This study surveyed the public school districts in Florida and examined the 19 school districts which utilized incentives to motivate school district employees to retire. The data was collected for the 1992-1993 school year.

A survey administered to all of the 67 school districts in Florida determined what types of incentives were being used, to what degree the school districts were able to reduce costs, and what types of incentives were effective. In depth information was obtained from interviews with assistant superintendents, personnel directors, and State Department of Education Specialists. A relationship was found between the amount of discretionary income and the type of incentive offered by the school districts. The school districts with budgets under $60 million were only able to primarily offer bonus incentives, while those above this level used annuities or combinations. An experiment was discovered using a different type of incentive—insurance. A negative relationship was discovered between annuities and employee interest during the year of the study. Recommendations were made for additional research on the insurance program as well as other cost cutting improvements.
ACKNOWLEDGEMENTS

A special thank you to my major professor, Dr. Kenneth T. Murray who not only encouraged me but guided me through the entire process of completing the dissertation. The other members of the committee, Barbara Murray, Charles Dziuban, and Naval Modani were all supportive and offered appropriate inspiration, guidance and suggestions. A special recognition for Marcella Kysilka for patience with Doctoral Candidates.

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My sincerest gratitude goes to my wife Bonnie and my son Andrew. Their endurance, understanding and patience have enabled me to stay the course and finally to complete my journey!
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>LIST OF TABLES</th>
<th>vi</th>
</tr>
</thead>
<tbody>
<tr>
<td>LIST OF FIGURES</td>
<td>vii</td>
</tr>
</tbody>
</table>

## CHAPTER I--INTRODUCTION

- Statement of the Problem                                  2
- Statement of the Purpose                                   4
- Significance of the Study                                  8
- Limitations of the Study                                   8
- Definitions of Terms                                       9

## CHAPTER II--REVIEW OF THE LITERATURE AND RESEARCH

- Introduction                                              13
- Retirement Plans in General                                13
- Corporate Programs                                         18
- Legal Implications                                         24
- Successful Early Retirement Programs in Other States       31
- Previously Successful Programs in Florida                  37
- Summary                                                   44

## CHAPTER III--METHODS AND PROCEDURES

- Research Design                                           46
- Pilot Testing of the Instrument                            47

## CHAPTER IV--RESEARCH FINDINGS

- Overview                                                  49
- Demographic Comparisons                                    54
- Alachua County School District                             59
- Columbia County School District                            66
- Dade County School District                                71
- Gulf County School District                                78
- Hendry County School District                              82
- Hernando County School District                            86
- Hillsborough County School District                        90
- Indian River County School District                        95
- Liberty County School District                             99
- Martin County School District                              101
- Orange County Public Schools                               107
<table>
<thead>
<tr>
<th>TABLES</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. NEA Surveys Completed in 1985 and 1990</td>
<td>27</td>
</tr>
<tr>
<td>2. Comparison of 1984 and 1989 NEA Surveys</td>
<td>36</td>
</tr>
<tr>
<td>5. Maximum Terminal Pay Allowed By Florida Statutes</td>
<td>43</td>
</tr>
<tr>
<td>6. 19 Florida School Districts with Type of Incentive Program and Window during the 1992-1993 School Year</td>
<td>52</td>
</tr>
<tr>
<td>7. Employee Average Ages and Teacher Experience</td>
<td>55</td>
</tr>
<tr>
<td>8. Sources of Funding</td>
<td>56</td>
</tr>
<tr>
<td>10. Teacher Salary Comparisons</td>
<td>58</td>
</tr>
<tr>
<td>11. Service Requirements for Health Care Coverage</td>
<td>102</td>
</tr>
<tr>
<td>12. Sabbatical Leave Savings</td>
<td>105</td>
</tr>
<tr>
<td>13. Leaves Available to Pasco County School District Employees</td>
<td>119</td>
</tr>
<tr>
<td>14. Pinellas County School District Sick Leave Reimbursement Policy</td>
<td>123</td>
</tr>
<tr>
<td>15. Benefits Payable through the Different Options Offered by the Florida Retirement System</td>
<td>131</td>
</tr>
</tbody>
</table>
16. Retirements from The Sarasota County School District

17. From the School District's Perspective

18. Financial Comparison of District Revenue

19. General Fund Expenditures and Other Comparisons
LIST OF FIGURES

FIGURES                                      PAGE

1. Companies that have Implemented Early Retirement Programs 21
CHAPTER I

INTRODUCTION

The 67 public school districts in the state of Florida face the problem of working with limited financial resources while at the same time maintaining levels of educational quality. Continued growth for the majority of districts, coupled with recession and competition for tax dollars, has limited per student funding that districts receive. While some districts have opted to increase class size, others have delayed salary increases for teachers, while still others have selected a combination of both. For example, during the 1991-1992 and 1992-1993 school years, there were no increases in beginning teacher salaries in 41 of the 67 districts in Florida (Florida Department of Education-Educational Information Services, June 1993). Typically, educators often find themselves at the forefront of budget cuts because, as Richard Schromm President of the American Association of School Personnel Administrators (AASPA) stated, "the budgets are 80 percent salaries and benefits - that's where the difficulties are" (Natale, 1991, p. 30). In an attempt to maintain a balance between educational quality and limited resources, many districts have decided neither to increase class sizes nor limit pay increases, but to seek other budget control options.
Statement of the Problem

Current research is limited concerning the option of early retirement as an opportunity to better utilize the limited resources of public school districts. In 1992, the Florida Legislature requested that the Department of Education provide information about the dollars spent for sick and annual leave buy back benefits in Florida school districts. Legislators were primarily concerned with the massive pay outs to retiring administrators and teachers Linda Harageones (personal communication, June 21, 1993). Since a relationship exists between early retirement incentives and sick leave buy back, it is believed that a study of all pertinent considerations would furnish information that will be useful for critical decision making. By surveying all districts in the state, a financial evaluation outlining existing early retirement programs was compiled. The intent is to provide this study for review by legislators and others who are involved in planning, to suggest alternative solutions which could be formulated for solving current problems. Since critical decisions are regularly made, the design is such that suggested changes will not adversely affect retirement benefits of over 550,000 active members (Florida Retirement System Handbook, 1993) currently available from the Florida Retirement System.
Additionally significant is the impact of limiting the accumulation of sick leave. The 1992-1993 Florida legislative session had four bills introduced, David Hernandez (personal communication, June 14, 1993) to change the current system utilized in many Florida districts governing accumulation of sick leave. If Florida changes to a "use it or lose it" system like the one currently in place in California, Bill Lambert (personal communication, July 2, 1993), it is felt that there will be an adverse influence on the progression of learning (Harvey, Rogers, & Schultz 1983). Emphasis is taken away from continuity and placed on encouraged absenteeism. Sick leave becomes a benefit that must be used at the expense of students. Higher teacher absenteeism has been shown to have a positive correlation with higher pupil absenteeism (Ehrenberg, Ehrenberg, Rees & Ehrenberg, 1989). Further related research has suggested significant relationships between frequency and pattern of student absences and subsequent achievement scores (Monk & Ibrahim, 1984).

This study reviewed early retirement incentive programs currently offered by public school districts in the state of Florida for cost effectiveness and affordability. The results of this study should provide comprehensive information to legislators and Florida school districts about Early Retirement Incentive Programs. The developments already in use in some school districts should suggest
opportunities to utilize early retirement as a management tool which is effective and efficient.

Statement of the Purpose

One alternative solution to the limited financial resources dilemma being faced by several school districts in Florida and around the country, is that of early retirement incentives for employees. Under this provision, older, presumably higher paid, more experienced teachers, administrators and support personnel are offered incentives to leave the system. The rationale for this provision involves two parts. By removing these individuals from the system before the traditional retirement age, the district frees critical payroll dollars. Secondly, since beginning teachers and other new personnel who are lower on the salary schedule replace retiring employees, they provide equivalent staff numbers for less expenditure. This method of restructuring, coupled with periodic reorganization and realignment of positions, should make the district more cost effective.

A typical case might involve offering an early retirement incentive to a tenured veteran teacher, who will be replaced by a beginning teacher. A retiring 55-year old, with a Master's Degree and 25 years of experience, receives a salary of $38,133 compared with the beginning teacher's salary of only $20,401 (Seminole County 1993-1994 Salary Schedule). This replacement would allow the district to
realize a direct annual cost savings of $17,732, without consideration for the cost of fringe benefits. This initial savings of over $17,000 must be reduced by the additional cost of purchasing an annuity for the retiring teacher. The annuity provides a continuing income for that teacher until he or she qualifies for regular retirement with the Florida Retirement System. Depending on the teacher's salary at the time of retirement, a typical annuity costs between $20,000 and $45,000, Don Coleman (personal communication, July 28, 1993). Since this is a single payment by the school district, a net loss of at least $3000 would result for the first year. Savings realized would be in the following years when the replacement teacher's salary is still far less. The $20,540 for the second year's salary and the $3000 loss from the annuity, provides a net savings of $14,593 for the district when compared to the original salary of $38,133. The net savings to the district in substituting the less experienced teacher for the experienced one is approximately $14,000 after two years. This plan presupposes that the school district can afford the $20,000 cash outlay to purchase the annuity.

In addition to freeing up payroll dollars, there are several other benefits to early retirement. By avoiding the lay-off of teachers during a time of limited finances, the district not only saves jobs but maximizes limited resources and retains teaching continuity (Polansky, 1990). Employee
morale and loyalty are improved when teachers feel that their jobs are secure. Additionally, the district can benefit by hiring new teachers, who, still fresh from school, are trained in the newest educational ideas and methods. Finally, those long term teachers who are "burned out" or over-worked to the point of noncontinuance, find an alternative to remaining in the classroom until regular retirement age by retiring early.

While early retirement appeals to some individuals, others prefer to continue working into their later years. Since the 1986 Amendment to Public Law 99-592, known as the Age Discrimination in Employment Act (A.D.E.A.) (Mackey & Uhler, 1990) removed the mandatory retirement age for employees, there is no law prohibiting such continued employment. This amendment applies to all public school employees, except certain university professors with tenure who were already in the system or grand fathered in until 1994 (Tarter & McCarthy 1988). Further, the 1986 Amendment, requires that early retirement be voluntary, with no discrimination against the employee who chooses not to retire (Chronister & Kepple, 1987). The act also disallows providing different levels of health benefits for those ages between 65 and 69 (Smith, 1989). In consideration of this legislation, additional incentives to motivate individuals to retire early are usually required. One example of such an incentive used in several Florida districts is the 100%
"buy back" of accrued sick leave, which compensates the teacher for unused sick days.

Due to the importance of being able to afford quality education, our districts must operate as effectively as possible. Since 80% of these criminals are high school dropouts, the impetus for using resources directly for the benefit of the student becomes evident (Florida Education Foundation, 1993). This comparative case study reviews those employment related issues which are being negotiated in Florida school districts in order to ascertain the most cost-effective utilization techniques - particularly incentives for early retirement of personnel. It examines the value of offering early retirement to all employees, while identifying advantages and disadvantages of the various programs for the employees and employers. All aspects of this financially significant topic are explored.

The study centers around the following questions:

1. Do early retirement incentives motivate additional teachers and administrators to retire early?
2. What are the early retirement options available through the Florida Retirement System?
3. Are adequate teaching replacements available to succeed retiring teachers in all areas?
4. What cost savings are the Florida districts realizing by using early retirement incentives?
Significance of the Study

It was the intent of this study to determine if the early retirement incentives available were financially feasible for the public school districts in Florida. Secondly, were the district offered incentives, which supplement the benefits offered by the Florida Retirement System, lucrative enough to interest those educators who were eligible to retire? Finally, did Florida have sufficient numbers of teachers willing to work at the current salary scales to replace those individuals who opt for early retirement? This was significant for a state in which 61% of the districts did not offer salary increases for beginning teachers for two years, Linda Harageones (personal communication, June 11, 1993). By surveying all of the districts in the state, a comparative study was developed outlining the existing early retirement programs.

Limitations of the Study

The study was primarily concerned with negotiated early retirement incentives for public school districts in Florida. While literature was reviewed to provide a historical perspective of the developments leading up to the present, it was basically concerned with the period of time encompassing the 1992-1993 school year. There was minimal research covering the other occupations which fall under the Florida Retirement System.
Little was included on educational evolvements in other states, nor does the study cover current practices in business and industry, the military, and other branches of the federal government offering an "early out" to employees (Mutter & Nichols, 1991).

Chapter II provides a historical perspective of early retirement as it emerged into the educational arena. Data collection methods and procedures are described in Chapter III and an analysis of the data is presented in Chapter IV. Chapter V provides a summary and recommendations on early retirement in relation to the public school districts in Florida.

Definition of Terms

Annuity--a contract with a financial institution to pay income at regular intervals at some future date.

Average Final Compensation--the average of the five highest years (in Florida) of salary earned during covered employment. Salaries are counted by fiscal year from July 1 until June 30 (Florida Retirement System Handbook, 1993).

COLA--an automatic cost of living allowance provision. It allows for an increase in the retirement payments. It is usually based on changes in the Consumer Price Index with a cap on the size of the increase.

Covered Employment or Position--a regularly established position with an employer that participates in the retirement plan (Florida Retirement System Handbook, 1993).
Defined benefit plan--a promise to pay a fixed pension to employees during retirement. The retirement benefit is determined by a formula that includes years of participation in the system, age at retirement, and a salary figure that is the average of the five highest years of salary.

Defined contribution plan--funds set aside and invested on behalf of the employee. When retirement age is reached, the employee receives all monies available from contribution and investment.

Florida Retirement System--a defined benefit plan, qualified under section 401(a) of the Internal Revenue Code. It was established in 1970 by Chapter 121 of the Florida Statutes and is noncontributory for members; defined contributions are made by over 800 participating Florida Retirement System employers (FRS Handbook, 1993).

Incentive-Based Early Retirement Programs--arrangements between the employer and an employee that provide tangible inducements or rewards for early retirement.

Normal Retirement Age or Date--in Florida, when an employee first becomes eligible to retire without a reduction of benefits. This occurs after becoming vested and reaching the age of 62; or completing 30 years of creditable service regardless of age (FRS Handbook, 1993).

Pension portability--the ability of workers to carry their pension benefits with them when they leave their employer.
Pension security--by law, pension benefits already earned or reasonably expected, which cannot be reduced or otherwise curtailed by the employer.

Regularly established position--one authorized by law and paid from a salary appropriation or salary account. At the local level, it is a position that will last beyond six consecutive months (FRS Handbook, 1993).

Rule of 85--combined age and service credit that totals 85 points for retirement eligibility. For example, being 57 years old and having 28 years of experience (Tarter & McCarthy, 1988).

Severance Pay--lump sum payment made at time of retirement; taxable as current income.

Vested--the guarantee that an employee has earned the right to receive a future benefit after working a certain number of years. In Florida, after 10 creditable years (FRS Handbook, 1993).

FRS Retirement Options--benefit options offered by the Florida Retirement System. When a qualified employee retires, one of the four options must be selected and this choice cannot be changed. The options are:

Option 1--a monthly benefit paid to the retiree for his/her lifetime. This benefit stops with death and the beneficiary receives only a refund of any contributions paid in excess of benefits received.
Option 2—a reduced monthly benefit paid to the retiree during his/her lifetime. If the retiree dies within 120 months of retirement, the designated beneficiary will receive a monthly benefit payment in the same amount as the retiree was receiving for the balance of the 120 month period. At the end of the 120 months, no further benefits are payable.

Option 3—a reduced monthly benefit payable to the retiree during his/her lifetime. Upon death, the joint annuitant, if living, will receive a lifetime monthly benefit payment in the same amount as the retiree was receiving. Upon death of the joint annuitant, no further benefits are payable.

Option 4—an adjusted monthly benefit payable to both the retiree and the joint annuitant while both are living. Upon the death of either the retiree or the joint annuitant, the monthly benefit payable to the survivor is reduced to two-thirds of the monthly benefit the retiree was receiving. No further benefits are payable after the death of the survivor. (Florida Retirement System Handbook, 1993).
CHAPTER II

REVIEW OF RELATED LITERATURE AND RESEARCH

Introduction

Since the 1970s there have been many dissertations and articles written concerning incentives for early retirement from public education. While common in business, industry and the military, the custom in education of motivating employees into retiring early is still in the developmental stage in many districts across the country (Auriemma, 1990). Although information on the topic is limited, the review of literature and research for this study will focus on five basic topics. Retirement plans in general, corporate programs, legal implications, successful programs in other states, and successful programs in Florida.

Retirement Plans in General

In the early 1930s, United States workers received compensation entirely from either wages from hours worked or for units of output; benefits as we know them today were virtually nonexistent (Stelluto & Klein, 1990). After the passage of the Social Security Act in 1935, employees had protection against income loss due to unemployment, old age, disability and death. The two nationwide systems included a
Federal-State unemployment insurance program and retirement, survivors, and disability insurance. In 1946, the Social Security Administration was established to administer a national program of contributory social insurance whereby both employers and employees are taxed to fund a retirement program which was enforced by Federal Law (Social Security Administration, 1986). As negotiations continued between labor unions and various organizations, many fringe benefits came into existence and acceptance. Benefits developed included paid holidays, vacations, pensions, workers’ compensation, Federal and State unemployment insurance, and accident and health insurance. Concurrently, 65 years of age was instituted as the standard age for regular and mandatory retirement (Bauman, 1990). This mandate was valid until the 1978 amendment to the Age Discrimination in Employment Act (A.D.E.A.) modified the age from 65 to 70. Later a 1986 amendment to ADEA, completely removed any mandatory retirement age, making it illegal to force any employee to retire.

If a retirement plan is to qualify for federal income tax benefits, it must comply with the provisions of the Employee Retirement Income Security Act (ERISA) of 1974. In addition to insuring that the normal retirement age could be no later than age 65 (Government Accounting Office, 1987), the act established the Pension Benefit Guaranty Corporation. This organization guaranteed payment of
nonforfeitable benefits in covered private sector-defined benefit plans, even if the programs became insolvent (Girand, 1992).

Also preceding the A.D.E.A., in 1956 the Social Security Administration proposed an amendment, § 202 AQ, which permitted the early retirement of women at age 62. In 1961, Public Law 87-164, § 216 A, followed allowing the same opportunity for men to take early retirement at age 62 (Social Security Administration, 1986). If qualified, an employee, could select to receive retirement benefits at 62, however, the total amount of the benefit would be reduced by 20% (National Education Association, 1988). Seemingly in direct conflict with other programs promoting early retirement, Meier (1988) identified a disincentive of increasing the benefit reduction to 30% for early retirement to go into effect in 1988. The 1985 amendment authorized this latest change increasing the full retirement age from 65 to 67 after the year 2000 (Social Security Administration, 1986). Chronister & Kepple (1988) clarified early retirement for all organizations as "taking place before an institution's designated regular or mandatory age," (Teachers Insurance and Annuity Association, 1988), that is to say, the organization dictates the actual age of early retirement.

The committee dealing with retirements from the 99th Congress explained the contradiction in national policies
between employees retiring early and no mandatory retirement age. Early retirement in America has been perceived as a short term solution to avoid layoffs during difficult economic periods. At the same time, the long term goal remains to have greater participation of older workers in the labor force to counteract rising retirement costs and to better utilize the resources of the current and projected aging of the population. The Government Accounting Office (1987) estimated that in 1987 an additional tax revenue of $1.4 billion would be realized, if only 25\% of the early retirees, aged 50-64, returned to work. By reemploying workers during periods of economic growth, the United States can provide profitability both for the individuals--through jobs and to the country--through an increased tax base.

In a different light, Corporate America's profitability is also linked to retirement. With this case, it is not the productivity of a group of workers, but of the individual employee that is the key to financial success. In 1983, Lazear postulated a formula for business using organizational standards to define when the individual worker should retire (cited by Luzadis & Mitchell, 1990). In Lazear's formula, \( VMP(R^*) \geq PDVE(R^*) + PDVP(R^*) - R^* \) represents the target retirement date, \( VMP(R) \) the worker's lifetime productivity, \( PDVP(R) \) the discounted pension benefit from death, and \( PDVE(R) \) the sum of his discounted wage stream until retirement. The outcome derived from this
formula is a date that the value of compensation paid equals the worker's productivity. By allowing workers to retire before or after this age, the corporation, according to Lazear, loses its competitiveness in the marketplace.

Shaiken (1985) suggested that the process of retirement should be taken one step further in the quest of competition to the point of "reducing the amount of direct labor and increasing control over the manufacturing process" (p. 15). He recommended retiring individuals and replacing them with technology and automation. In recent history, many jobs have been abolished due to the speed of technological developments. To lessen this impact of unemployment caused by automation, many corporations have changed to incentive-based early retirement (Hanks, 1990).

Crist (1989) reviewed the two incentive-based early retirement plans, defined benefit and defined contribution, which were first developed by the business world. He found that the defined contribution plans are similar to those in the private sector and the type most often offered to university and college instructors and other professionals. Defined contribution plans provide for mobility with benefits paid to employees who terminate or fail to retire. Examples include profit sharing, matching employer contributions and tax breaks for contributions. Since these plans have more portability and they are completely funded, their popularity is growing. At the other end of the
spectrum are the defined benefit plans funded primarily by the employers. These plans guarantee stated benefits to all vested members upon retirement. These plans provide security but as Logue (1985) reported, many of these plans are seriously under funded. Public school teachers in 14 states, including Florida, are covered by defined benefit plans (National Education Association Survey, 1992) which have the ability, controlled by public law, to raise employer contributions to handle future liabilities.

Corporate Programs

Kohli (1988) suggests that as early as 1880, the idea of a public pension fund started in Germany with Bismark's "revolution from above". The program in Germany has developed until the present with regular retirement starting after 35 years of work—normally at age 63. The pension is automatically 75% of the last year's salary. Unless dictated by the state, all employees in the system participate in regular retirement, Ursula Scholtz (personal communication, June 10, 1993). There are, however, economic events that can require employees to retire early. From a global aspect, Stelluto & Klein (1990) reported that the two major financial hardships, the oil shortages in the 1970s and the economic recession in the late 1980s, were two examples of employers being forced to offer early retirement to workers as alternatives to massive layoffs. The recession in the late 1980s was particularly severe in
Europe where many of the European nations suffered an average of nearly 11% unemployment (Bureau of Labor Statistics, 1988).

Gaullier & Thomas (1991) identified France as one of the hardest hit countries economically in the last 20 years. Drastic reform measures that included early retirement were forced on steel workers who were as young as 50 years. As of 1992, a worker must retire as young as 55 while receiving 55% to 60% of the terminal wage. In contrast to the early retirement incentives in other parts of the world, French retirement system funding is derived from the national-level unemployment insurance fund of the state, never from the retirement pension funds. Gaullier and Thomas (1991) also suggest that the economic hardships of France are increased by forbidding those individuals who retire early from working at other employment, even part-time, once they have accepted early retirement.

Additionally, since the state pays all but 12% of the retirement, companies are actually made more competitive by being able to make substantial cuts in payroll on a regular basis. Gaullier & Thomas (1991) also confirmed that 80% of the total unemployment budget in 1985 in France was devoted strictly to retired individuals. It is easy to understand the political unrest in France. Not only are workers forced to retire early and prohibited from working second careers, but subsequently, 80% of the unemployment budget must be
used for retirement rather than other necessary programs.

By contrast, in the United States, Meier (1988) relates the success of the E. I. Dupont de Nemours & Co. Inc. After a merger with Conoco, Inc, in 1985, there was a duplication of staff. Dupont offered incentives for early retirement to include five years of credit for employees who would leave within a specified "window." While it was anticipated that 4,500 to 6,500 would retire, Days (1985) noted that over 11,000 took advantage of the offer. In 1986, Meier (1988) also related that The Exxon Company offered a similar early retirement program with a "sweetener" bonus of three years of credit for employees who would exercise the early retirement option. Sullivan (1986) related that in this situation, 6,200 employees were able to retire instead of being terminated due to declining oil prices. Other organizations to provide early retirement incentives include: CBS, Kodak, AT&T, US Steel, Sears, and Union Carbide (BNA Pension Reporter, 1986). Figure 1, illustrates the number of companies that have offered early retirement incentive programs by size (AARP, 1986). The figure suggests that a significant change occurs when the number of retirement incentive programs increases to 500.

With the documented success of reduction of the work force in the United States, Congress became concerned about whether any workers were retiring involuntarily. A report from the Human Resources Division of the Government
Accounting Office (1989) identified that an estimated 80% of the Fortune 100 companies offered an early retirement plan at least once between 1979 and 1988. Of these companies, 28% required the retiring employee to sign a waiver stating that the retirement be voluntary in nature and that there was no coercion from the company. Consequently, there could be no future lawsuits concerning this action. This requirement prompted Hanks (1990) to point out that even with the protection of Congress, employees were aware that

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Figure 1. Companies that have implemented Early Retirement Programs. The American Association Retired Persons, November 1986.
their value is contingent on world market conditions.

The world economy effects not only private industry, but also the United States Government. The Government Accounting Office (1980) reported that over 29,000 federal civil service employees chose early-retirement between 1973 and 1974. This period was known as the post-Vietnam reduction in Federal Government. By the end of 1979, the number of early retirees has risen to 125,000 or 10.5% of all civil service employees. The average age of these early retirees was 54. The economic predicament later in the 1980s prompted legislation for The Federal Employees Optional Early Retirement Act of 1986. This started as Senate Bill 2197, which extended eligibility to employees with 15 years of service and age 55. The Government Accounting Office (1987) reported that the bill died in Committee. This was due to lobbying by several government employees unions and the Director of Personnel Management who was concerned about the loss of valuable older and experienced workers.

Through a developmental progression, corporate retirement plans have improved for the employee. This change is due largely to many incentives being developed through collective bargaining. The multiemployer program, with several organizations offering the opportunity for employees to transfer between employers, is one type of incentive that has emerged with membership composed of
incorporated employees from many different employers. "Most multiemployer plans are quiet large and permit considerably more portability than do their single employer counterparts, allowing workers to carry their coverage with them from one job to the next" (Employee Benefit Research Institute, 1985, p. 15). The data from the Bureau of Labor Statistics, clearly pointed out that multiemployer pensions rewarded continued work and deferred retirement. Luzadis & Mitchell (1990) presented evidence to confirm the government's efforts to promote portability and to ultimately delay retirement. This assertion was substantiated when the multiemployer plans received more favorable treatment in the regulatory environment in which pensions operate.

A prime example of a multiemployer plan that relates closely to this study is the Florida Retirement System. Not only do public school teachers, administrators and non-instructional employees belong to this plan, but also employees of counties, municipalities, water management districts and judicial districts. The system provides portability, or the opportunity to transfer from one career to another while maintaining the accrued retirement. Public Law requires that the employer completely pay for all benefits. Since the state of Florida dictates the amount of contributions made by the employers, financial weaknesses of the Florida Retirement System are somewhat controlled. John Reichard (personal communication, July 15, 1993) noted
that the latest rate increase occurred January 1, 1993, with contributions changing from 16.51% to 17.27% thereby reducing the amount of unfunded pension liability. Since there is a distinction between the different categories of pension plans, it is logical to include information on the legal aspects of pension plans.

Legal Implications

As planners and forecasters project into the future, it is anticipated that the drain on the current world economic systems will be substantial. As more "baby boomers" reach retirement age and with longevity increasing the "mean duration of retirement" (Kohli, 1988) financing becomes a matter of concern. In 1890, the life expectancy of men and women was 52.43 and 53.14 years respectfully. As of 1988, the corresponding numbers are 66.92 and 70.36 (Bureau of Labor Statistics, 1988). With longer life spans, the number of years spent in retirement has increased, requiring additional funding to cover the cost of retirement. Figure 2 depicts the increase in U.S. wages and salaries as compared with the growth of benefits over a period of 22 years (Bauman, 1990). This increase has been proportional to keep pace with inflation and other economic forces, but has put an additional burden on the business world to remain competitive. Compensation packages have had to change radically to attract and hold quality employees. Collective bargaining has promoted expanded benefits for the workers.
To insure the availability of funding for retirement benefits, it has become necessary that all pension plans, both public and private, be financially sound and properly governed. Contributions are no longer enough, the funds must be well managed, with sound investments, to remain solvent.

As the level of benefits increases due to the Consumer Price Index and other indicators of inflation, the governing
bodies for the pension plans must adjust to insure continuation of adequate benefits. Clark & McDermid (1990) recommend indexing final pension payments to the national inflation rate.

The National Educational Association, henceforth referred to as NEA, surveyed state and local governments, to determine how many pension plans have changed. The information contained in Table 1 is from the two NEA surveys completed in 1985 and 1990. The surveys compiled data from 53 state sponsored plans as well as five locally controlled plans. Collectively, these plans represent a total active membership of 6.4 million employees and pay annual benefits of over $18 billion. To protect against inflation, over 60% of the plans surveyed had automatic Cost of Living Raises (COLAs) included. Funding COLAs requires additional capital, which must come either from increasing contributions or from realizing a better return on investment. To obtain adequate earnings to cover the COLAs, and to counteract the decreasing interest rates, it became necessary to change the types of the investments held by many plans. The emphasis changed from being completely safe to seeking higher risk investments with higher returns. While regulations control pension fund investments, there is flexibility with amounts devoted to approved investments.

Several plans have changed to a Tier System, as indicated in questions #1, #4, #5, and #8. By using tiers
TABLE 1
NEA SURVEYS COMPLETED IN 1985 AND 1990

<table>
<thead>
<tr>
<th>Change Description</th>
<th>Number of plans*</th>
<th>1985-86 % of plans</th>
<th>1990-91 % of plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Benefit formula was changed.</td>
<td>33</td>
<td>34.7</td>
<td>57</td>
</tr>
<tr>
<td>2. System was made noncontributory.</td>
<td>3</td>
<td>4.2</td>
<td>5</td>
</tr>
<tr>
<td>3. System was integrated/coordinated with Social Security.</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4. Survivor benefits were changed.</td>
<td>26</td>
<td>33.3</td>
<td>45</td>
</tr>
<tr>
<td>5. Death benefits were changed.</td>
<td>17</td>
<td>23.6</td>
<td>29</td>
</tr>
<tr>
<td>6. Board of trustees selection process was changed.</td>
<td>8</td>
<td>9.7</td>
<td>14</td>
</tr>
<tr>
<td>7. Investment policy was liberalized.</td>
<td>20</td>
<td>36.1</td>
<td>35</td>
</tr>
<tr>
<td>8. Contribution rate was changed.</td>
<td>34</td>
<td>47.2</td>
<td>59</td>
</tr>
</tbody>
</table>

*Total number of plans was 53.

or layers, many of the plans have adjusted requirements for new members joining. Either total contributions are higher or benefits are lower than the original members in the plans. By making these changes, Reilly (1985) points out "in general, teachers in the United States are benefiting from large, sound, and well-run retirement systems, which are equal to if not better than many private plans" (p.7).

Tarter & McCarthy (1988) address the legislation of early retirement programs that pension plans represent. The landmark court cases that have increased the power of the
original Age Discrimination Act of 1967 and all subsequent amendments (29 U.S.C.§ 623 et seq.) are briefly mentioned. Tarter & McCarthy explained the first case, United Airlines v. McMann (1977), which went to the Supreme Court, with the resulting decision permitting forcing employees into early retirement because of the mandatory age. This ruling prompted Congress to increase the mandatory retirement age from 65 - 70 in 1978, and to prohibit involuntary retirements for employees within the protected age group of 40 - 70. As Patton (1979) confirmed, early retirements now had to be voluntary.

Both Patterson v. Independent School District #709, (1984) and Cipriano v. Board of Education of North Tanawanda, (1986), involved employees excluded from early retirement incentives and considered ineligible because of their advanced age (Mackey & Uhler, 1990, Tarter & McCarthy, 1988). The plans offered early retirement for employees who were 55-60 years old with the defendants being over age 60. Both cases were clear examples of age discrimination with the defendants receiving retribution. Congress later amended the laws.

The Government Accounting Office (1989) reported Paolillo v. Dresser Industries, Inc., (1987), as the case that established the precedent for so many Fortune 100 companies to require retiring employees to sign waivers. The agreement must state that they would not bring legal
action against the company for forcing them into retirement.

Tarter & McCarthy, (1988) identified Karlen v. City Colleges of Chicago, (1988), as the case that ended mandatory retirement. In this case, three professors charged discrimination against them because they chose not to retire when offered early retirement. In an attempt to persuade them to change their minds, the City Colleges of Chicago decreased the insurance benefits and the value of the accumulated sick leave for all employees after the age of 65. The courts ruled that the professors had been victims of age discrimination and consequently, Congress passed another amendment on January 1, 1988 that prohibited the practice of reducing benefits after the recipient reaches a certain age. Since the majority of the rulings have been for the benefit of the employee, the courts have been clear that corporations do have the right to charge additional amounts for both life and health insurance coverage after age 65, without accusations of discrimination (Tarter & McCarthy, 1988).

While the legal challenges to the Age Discrimination and Employment Act and its subsequent amendments have currently stopped, there is still legislation being introduced to control areas that include benefits. Bill Lambert (personal communication, July 2, 1993) reported that employee sick leave was cumulative in California until 1985. At this time the legislature changed the basic law and
disallowed the buildup of sick days. Teachers and other employees now receive one sick day per month and the annual policy is "use them or lose them." It is no longer possible to save days for reimbursement at retirement. Currently, Florida faces much the same financial problem as California, and during the 1993 legislature, there were four bills introduced to limit the accrual of unlimited sick leave. David Hernandez (personal communication, June 14, 1993). Senator Kirkpatrick introduced Senate Bill 1516 with provisions to limit sick leave by allowing districts to buy back unused leave on an annual basis by paying 80% of the employee's regular pay. Senator Grant proposed Bill 1678 that would limit sick leave accrual to 480 hours total. Further, Senator McKay introduced Senate Bill 1864 to limit the total of carried over leave to 520 hours, with other earned leave required to be used within one year of the time it accrued. Finally, Representative Casey introduced House Bill 1285 which was very similar to Senator's McKay's Bill in the Senate. Although none of these bills became law, the intent was to limit the massive dollar pay outs that the local school districts are making to their retiring employees. Linda Harageones (personal communication, June 11, 1993) reported a reimbursement of $35,803,677 for unused sick leave in the State for the 1990-91 school year. An additional $21,611,143 was paid the following year. If the state legislature changes the law concerning the
accumulation of sick leave, it will further decrease the collective bargaining power currently enjoyed by the two state education unions. Geiger (1983) contends that while the State Pension Plans are not subject to collective bargaining since they are based on State Law, local associations can only bargain for supplements to encourage early retirement.

**Successful Early Retirement Programs in Other States**

Early retirement plans have been available for many years, but widely used only when the economy has forced districts into using the plans as a pressure relief valve. In recent history, the decade of the 1970s was the first example of financial hardship triggered by the world economy and declining enrollments in many districts. Johnson & Gaetino (1982) reported the first successful implementation of early retirement incentives was 1972 in the California Unified School District in Pasadena. The district was able to save $250,000 during the first two years of implementation. Ridley (1974) reported that by 1974, an additional 18 California school districts had started early retirement incentive programs.

The idea of early retirement continued to spread across the country. Gerstein (1983) reviewed a study of 61 districts in New York State, in which 47 districts reported saving between $50,000 and $150,000 per year. Over half these Incentive Plans were started by the teachers
themselves. Trainer (1978) also confirmed success between 1973 and 1978 when the Newport, Rhode Island school system was able to save an average of $19,500 per retiring teacher or administrator. After an economic resurgence, the general downturn of the late 1980s saw a renewal of the early retirement movement. Auriemma (1990) reported that Governor Mario Cuomo of New York signed new legislation to provide an additional three years of credit to all employees under the New York State Retirement System to induce them to retire early. Hogarth (1988) completed a study that suggested that only an additional ten percent of the eligible employees took advantage of the extra incentive. Cohn and Williams (1988) suggest that this was still successful since a total of 40% or those eligible chose to retire.

During the 1986-87 school year, Tarter & McCarthy (1988) reported that over 37% of the districts in Indiana and Illinois were offering early retirement incentives. The Indiana State Teacher's Association (1988) estimated that going to a "Rule of 85" that was a combination of age and experience, would result in saving the state approximately $38,008,576 or over $7000 per eligible teacher. Tarter & McCarthy (1988) related additional success during this year in Mason City, Iowa, when the district had an estimated cost savings of $181,148. Earlier, this district reported saving approximately $327,275 between 1976 and 1981. Gerardi (1990) reports a projected total savings of
$3,330,893 over eight years in the Pawtucket, Rhode Island School System. The savings in this example are significant because of the size of the system, which has only 650 certified employees. One reason for the savings is that thirteen administrators and 18 of the 33 teachers who retired did not have their positions refilled. Also during this period, Pennsylvania, Michigan and New Jersey enacted statutes for statewide Early Retirement Incentive Programs (Tarter & McCarthy, 1988).

In an extensive study in 1988, Baacke & Splaine reported that for the Montgomery County Public Schools, Rockville, Maryland, there was a potential savings of between $0.4 million and $4.9 million. This study was inclusive to the point of calculating the savings for all of the 173 cases of eligible employees who could retire early. Computations included the cost of incentives, as well as replacement costs to fill the positions. All amounts were projected over a period of 25 years, using the same 1988 salary dollars. These amounts, plus the cost if some employees chose not to retire, future COLAs, and future salary increases, were all taken into consideration to explain the wide variance of possible savings. Natale (1991) reported of successes closer to the present. New York City expected to have as many as 4,000 teachers agree to take early retirement in 1991 with a projected savings of $50 million. Washington, D.C. offered 1,300 administrators and teachers a
bonus of $10,000 each to retire. Virginia offered incentives to include an additional five years of credit and $100 a month as a supplement until Social Security started at age 62. All these measures were enacted to reduce the amount of total salaries paid by the board, by reducing the number of employees at the top of the salary scale.

The financial difficulties in education were not restricted to only the public school districts across the country, but also included colleges and universities. With some of the rationale for early retirement different, the result was still to become more cost efficient. Reasons to promote incentives included: staff reduction, women and minority hiring initiatives, and the creation of turnover to bring in new faculty (Patton, 1979; Kepple, 1984; Chronister & Trainer, 1985).

Financially justifying any restructuring requires consideration of the retiring teacher's salary, benefits that include health insurance, plus the savings' decrease each year as the newer teacher receives step increases. Jefferson (1991) reported a net savings of approximately $5,000,000 from an early retirement window provided to the faculty of 14 colleges and Universities in Canada in 1989. The savings were realized during the period from two to ten years following the window. In addition to the early retirement programs being financially feasible, Patton (1979) completed a study that found that 93% of the early
retirees were satisfied with their decisions to retire early.

While the positive attributes of cost savings and individual satisfaction listed above are definite, the question arises why more districts do not have active early retirement programs. One possible answer comes from the teachers and administrators themselves. The Bureau of Labor Statistics (1988) cites three points that are meaningful when considering why employees' 55 and older chose not to retire early. The first, increased longevity, healthier lives, and higher inflation have created economic pressures on older workers to supplement inadequate retirement income. Secondly, there is a need for older workers to maintain the nation's productivity, since the birth rate is now lower than it has been since the 1950s. The senior worker's experience and knowledge are important to not only education but to other fields as well. Finally, the percentage of individuals, 55 and older, is growing in the United States. By the year 2020, the Census Department estimates that 33% of the population will be in this classification. Many of these individuals desire to remain productive in their later years. Redmond (1986) estimates that most adults can be productive beyond traditional retirement, for another 15-25 years. These beliefs are why older people have a natural reluctance to retire. Additionally, as the Teachers Insurance and Annuity Association (1988) points out--
retirement is one of the top ten stress inducers. Many early retirees also worry about an unstructured environment, inadequate funding, and personal well being.

To illustrate the most recent data on a national basis, Table 2, contrasts those teachers retiring in 1984 and 1989.

**TABLE 2**

**COMPARISON OF 1984 AND 1989 NEA SURVEYS**

<table>
<thead>
<tr>
<th>Years of service</th>
<th>1984 % of retirees</th>
<th>1989 % of retirees</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 9</td>
<td>7.8</td>
<td>8.3</td>
</tr>
<tr>
<td>10 - 19</td>
<td>33.7</td>
<td>10.1</td>
</tr>
<tr>
<td>20 - 29</td>
<td>29.3</td>
<td>45.7</td>
</tr>
<tr>
<td>30 - 39</td>
<td>26.9</td>
<td>32.6</td>
</tr>
<tr>
<td>40 +</td>
<td>2.3</td>
<td>3.3</td>
</tr>
</tbody>
</table>

Source: National Education Association Retirement Provisions Surveys

The total percentage of teachers retiring with 20 or more years of experience increased from 58.5% in 1984 to 81.6% in 1989. This suggests a trend away from early retirement in the 58 plans surveyed by the National Education Association. The drop from 33.7% (1984) to 10.1% (1989) is indicative of teachers desiring to remain employed during difficult economic times. Conkling (1991) counters with the point that many teachers have spouses who are older and not in the best of health, and early retirement provides a prime opportunity to spend some time with their loved ones. William Devereaux (personal communication, August 2, 1993) found that as many as 35% of the teachers eligible for early
retirement in the Sarasota County School District today are not financially able to retire without supplemental income.

With the successes in other parts of the country, it is also important to investigate what has been happening in Florida. The programs listed below were utilized prior to the 1992-1993 school year.

Previously Successful Programs in Florida

Due to a combination of many reasons, several Florida districts are faced with the possibility of having to layoff teachers. Cut backs in funding, reduced enrollment due to Hurricane Andrew driving families out of the south Florida area, and a growing reluctance of voters to approve additional funding for education have all affected Florida education. Florida Education Foundation (1993) reported that 70% of Floridians have no school age children. To counteract these challenges, school districts have resorted to several innovative solutions. During the 1991-1992 school year, Dr. Ron Stone, Assistant Superintendent in Pinellas County School District (personal communication, August 11, 1993) offered a monetary incentive for teachers and administrators to take leaves of absence. These Enhanced LOAs were designed for employees to obtain additional education. The benefits included a stipend of $500 per month for full time enrollment, reimbursement for tuition to a maximum of $1,500 a year and continued health and life insurance coverage. Veronica Gibson (personal
communication, August 9, 1993) reported that 140 educators took leaves of absence during this school year, with 60 of those considered professional; the normal number of leaves in an average year is about 30. Except for maternity leave, all leaves for other reasons were approved for up to two years, with full job reinstatement rights upon return. The emphasis of this program and justification for expenditures, was to eliminate the need for the district to terminate employees and to pay individuals unemployment compensation of $8,775 ($225 x 35 weeks). The program was successful and was be planned to be continued on a smaller scale in the future. To expand on the cost savings, the Pinellas County School District also implemented early retirement incentives to include the purchase of an annuity to supplement the income until normal retirement. The program was for those employees who were at least 57 years old with 25 years of creditable FRS service. Pierce (1992) reports that an additional incentive of $8,500 was paid to each individual for the continuation of the employee's health care insurance or for any other purpose. Linda Harageones (personal communication, June 11, 1993) provided the statistics in Table 3 showing the success by the number of employees retiring from the Pinellas County School District for the 1991-1992 school year. The support personnel were the largest group of employees who took advantage of the opportunity for retirement.
TABLE 3
REPORT OF 1991-1992 PINELLAS SCHOOL DISTRICT RETIREMENTS

<table>
<thead>
<tr>
<th>CLASSIFICATION</th>
<th>NUMBER PAID</th>
<th>AMOUNT PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrators</td>
<td>255</td>
<td>$1,812,744.18</td>
</tr>
<tr>
<td>Instructors</td>
<td>67</td>
<td>$154,975.30</td>
</tr>
<tr>
<td>Support</td>
<td>2,030</td>
<td>$3,039,310.99</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
<td>$3,154.00</td>
</tr>
<tr>
<td>Total</td>
<td>2,356</td>
<td>$5,010,184.47</td>
</tr>
</tbody>
</table>

Education Information and Accountability Services
Florida Department of Education

These figures were the highest of any Florida district for the period reported.

One year earlier, the School Board of Broward County faced the same problem of insufficient funding. Thomas (1991) reported that the Board opted for an early retirement incentive, instead of terminations, and offered all eligible employees the opportunity to retire as early as age 55 if they had at least 25 years of vested experience. Table 4 represents an example of a work sheet showing the breakdown of the costs and benefits.

Thomas (1991) also estimated a savings of $34,397 for a 59-year old employee, and a gain of $84,745 for a retiring 60-year old employee. These amounts are typical of projected savings using the convention early retirement incentives that allow the employee to leave early.
TABLE 4
EARLY RETIREMENT ESTIMATION BASED ON 1991-92 INFORMATION

<table>
<thead>
<tr>
<th>INFORMATION</th>
<th>AMOUNTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Employee &quot;A&quot;</td>
</tr>
<tr>
<td>Birthdate</td>
<td>1 May 37</td>
</tr>
<tr>
<td>Retirement Date</td>
<td>June 92</td>
</tr>
<tr>
<td>Age at Retirement</td>
<td>55.1</td>
</tr>
<tr>
<td>Present salary 1991-1992</td>
<td>$37,609.00</td>
</tr>
<tr>
<td>Annual Retirement Benefit (Option 3)</td>
<td>$16,541.70</td>
</tr>
<tr>
<td>Reduction for Early Retirement</td>
<td>0.65417</td>
</tr>
<tr>
<td>Early Annual Benefit</td>
<td>$10,821.08</td>
</tr>
<tr>
<td>Yearly Amt. to be Funded by Board</td>
<td>$5,720.62</td>
</tr>
<tr>
<td>Estimated cost of Annuity</td>
<td>$62,293.79</td>
</tr>
</tbody>
</table>

Projected Salary Savings

<table>
<thead>
<tr>
<th>Cost of Salary if No Retirement</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Yr 1 (92-93)</td>
<td>$37,609.00</td>
</tr>
<tr>
<td>Salary Yr 2 (93-94)</td>
<td>$37,609.00</td>
</tr>
<tr>
<td>Salary Yr 3 (94-95)</td>
<td>$37,609.00</td>
</tr>
<tr>
<td>Salary Yr 4 (95-96)</td>
<td>$37,609.00</td>
</tr>
<tr>
<td>Salary Yr 5 (96-97)</td>
<td>$37,609.00</td>
</tr>
<tr>
<td>Total to be paid if no retirement</td>
<td>$188,045.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cost of rehire, no experience</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Yr 1 (92-93)</td>
<td>$21,051.00</td>
</tr>
<tr>
<td>Salary Yr 2 (93-94)</td>
<td>$21,359.00</td>
</tr>
<tr>
<td>Salary Yr 3 (94-95)</td>
<td>$21,736.00</td>
</tr>
<tr>
<td>Salary Yr 4 (95-96)</td>
<td>$21,970.00</td>
</tr>
<tr>
<td>Salary Yr 5 (96-97)</td>
<td>$22,197.00</td>
</tr>
<tr>
<td>Total to be paid for rehire</td>
<td>$108,313.00</td>
</tr>
</tbody>
</table>

ESTIMATED FIVE YEAR SALARY SAVINGS | $79,732.00
ESTIMATED FIVE YEAR BENEFIT SAVINGS | $18,362.00

TOTAL FIVE YEAR SAVINGS SALARIES & BENEFITS | $98,094.00

Frequently, the school board will purchase an annuity to supplement the employee for the difference between staying until normal retirement and leaving during the "window" or period of offering. While this plan was cost effective, the
expense of purchasing annuities worth over $90,000 put a strain on the cash flow of the school board of Broward County. After a special promotion of early retirement, the school board, in following years, labeled the early retirement incentive of purchasing an annuity, as a "negotiated" item that must be bargained for by the union.

Another factor closely related to the retirement buy out is the sick leave buy back. This can also put a strain on the cash flow of the school district. As reported by Linda Harageones (personal communication, June 11, 1993) at end of the 1991-1992 the Broward County School District paid a total of $2,491,289 for instructional sick leave buy back and $1,121,401 for other sick leave buy back, during the 1990-1991 school year. Since the dollar amounts for sick leave buy backs and annuities must be paid in one lump sum, many school districts are simply unable to make large expenditures at the end of the school year.

The Dade County School District also faced a shortfall in revenue for the 1990-1991 school year. The fourth largest district in the country (Florida Department of Education, 1992) projected a layoff of between 400 and 600 teachers (Cerra, 1991). To avert this action, the school district offered the following incentives to teachers willing to retire early: up to ten years reimbursement of medical insurance coverage with the most expensive carrier; ten years of term life insurance equal to the employee's
annual salary; and early retirement annuity purchases for employees as young as 50 years old. Polansky (1990) commented that the ten year's bonus to pay for future health care coverage was the most common approach to provide for the employee until age 65 when Medicare would take over.

At the close of the window, which extended from June 6 to July 31 of 1991, 328 employees had retired early in response to the one time offer. Cerra (1991) reported the termination categories as follows: 266 teachers, 45 managerial exempt employees, 14 paraprofessionals and three confidential exempt employees. When these numbers were added to the 262 regular retirees, a total of 590 employees left the school system thereby alleviating the necessity of laying off employees. Pierce (1992) confirmed that even with the amount paid out in incentives, the Board still realized a net savings of $1.82 million in payroll cost for the 1991-92 school year. This amount is significant when the amount paid out for unused sick leave is factored in. Linda Harageones (personal communication, June 11, 1993) reported for the 1990-1991 school year, the cost of the sick leave buy back for all employees in Dade County was $10,043,566.

Besides the early retirement incentives mentioned for Pinellas, Broward and Dade School Districts, 29 other districts offer similar versions of early retirement programs. Sick leave buy back, mentioned earlier, is considered by many counties as one of the primary incentives
for retirement. Not only is it beneficial for the retiring teacher to receive a single check for unused sick leave, but it is also cost effective when the cost of a substitute teacher is factored in. Ehrenberg, et. al. (1989) point out that districts that allow for unlimited sick leave accumulation have somewhat lower usage of sick leave than districts that limit the accumulation. Linda Harageones (personal communication, June 11, 1993) identified a total of 32 districts of the 67 counties (county = district), which provide the maximum reimbursement allowed by Florida Statutes. Table 5 summarizes the distribution of sick leave

TABLE 5
MAXIMUM TERMINAL PAY ALLOWED BY FLORIDA STATUTES

1. One to three years in the district, the daily rate shall be multiplied by 35% times the number of days of accumulated sick leave.

2. During the next three years of service, the daily rate multiplied by 40% times the number of days of accumulated sick leave.

3. During the next three years of service, the daily rate multiplied by 45% times the number of days of accumulated sick leave.

4. During the next three years of service, the daily rate multiplied by 50% times the number of days of accumulated sick leave.

5. During and after the 13th year of service with the school board, the employee will be paid 100% of his/her daily rate of pay times the number of days he/she has accumulated.

AS IDENTIFIED IN FLORIDA STATUTE 231.40(2)(a)(4)
reimbursement. While these amounts were authorized for use in case of death of the employee, many districts have changed this to include retirement terminations (Florida Department of Education, 1992).

Summary

The research done on early retirement incentives during years has been minimal, with a limited number of studies completed in the last four years. This dissertation has proceeded from an overview of plans from the corporate world to models in education. The section on legal background was the past 20 included to explain the development and control of retirement plans from the legitimate backing provided by the judicial branch of government, as applied to the real world. The research mentioned above indicates that early retirement incentive plans work and do cut expenses for the organization using them, but little is published on why every organization does not use them or what could be done to improve some programs. Pierce (1992) relates how successful some of the school districts in Florida have been in reducing payroll by enticing the higher paid employees to leave and replacing them with those making beginning salaries. However, no provision is made to look at the future, for saving limited resources next year or the year after that.

The intent of this study was to review what was being accomplished in all of the school districts in Florida and
to report those findings for the improvement of other school districts with limited resources and significant future commitments. The techniques reported highlight all of the standard procedures as well as innovations being utilized during the 1992-1993 school year.
CHAPTER III

METHODS AND PROCEDURES

Research Design

The data collection for this study involved a three-step procedure. The first step was to design and administer a survey to the individuals in charge of personnel for the 67 public school districts in the state of Florida. The next step consisted of follow up interviews with selected Personnel Directors actually involved with innovative practices in early retirement. The final step synthesized all of the data from the survey, the interviews and additional information supplied by the Education Information and Accountability Services from the Florida Department of Education.

For the design of the survey, 14 questions were grouped together to obtain as much relevant information as possible (Appendix A). The first two questions were general, designed to ascertain reasons about why some school districts did not have an early retirement incentive program. If the school district had a program, then questions 3-10 were fact finding about the program. The second page included questions designed for districts that
did not offer early retirement, as well as those that did. A copy of the current contract/policy was also requested to provide additional information about the retirement programs offered.

**Pilot Testing of the Instrument**

The original questions were assembled in a format that was reviewed by a statistics class of graduate students at the University of Central Florida. The questions were rated as understandable and making sense. After consulting with committee members, the format was reviewed and revised. Linda Harageones, (personal communication June 11, 1993), a Program Specialist for the Education Information and Accountability Services Office at the Florida Department of Education, also reviewed the instrument. Mr. John Reichard, the Personnel Director for Seminole County (personal communication, July 16, 1993) reviewed the instrument and made several suggestions for improvement.

The second stage involved interviewing individuals from the personnel departments in the districts that were using early retirement incentives. The personnel interviewed were selected after evaluating the responses to the survey. Preliminary interviews by phone included Mr. Gerald Gould, the Director of Research for the American Federation of Teachers in Washington; Mr. Bill Lambert, the Director of Government Relations for the United Teachers of Los Angeles, California; Mr. Tom Fackender, a Research Specialist for the
Florida Education Association / United, in Tallahassee, Florida; and Mr. Mike Dorman, a financial planner and insurance agent in Sarasota. Follow up interviews were also conducted in person on August 2, 1993 with Ms. Janice Mee, the President of the School Board of Sarasota County and Past President of the Florida School Boards Association; Mr. William Devereaux, the President of Devereaux Benefit Service; and Mr. William O. Doorman, an E.O.P. Consultant for the School Board of Sarasota County.

The next step in the process involved tabulating the results obtained from the surveys. The data was added to the results of the 1992 Request for Information completed by the Department of Education for the Florida Legislature. Additional information was also obtained from the DOE Computer data base concerning other aspects of retirement in Florida.
CHAPTER IV

RESEARCH FINDINGS

Overview

Public school districts in Florida have always been seeking ways to better manage limited fiscal resources. Results of this research indicated that the largest controllable school district expenditures consist of employee salaries and benefits. During the 1992-93 school year, only 19 Florida school districts were attempting to regulate the amount of resources expended by offering incentives to employees to retire early. This survey identified ten additional school districts where retirement incentives had been used in the past on at least a one-time basis, either as a restructuring tool to adjust district administrative positions or as a means to avoid a financially necessitated reduction of personnel.

This study analyzed the progress achieved by each of the 19 school districts in controlling these expenses. It further examined financial conditions significant to each individual school district. Since all school district employees, after ten years of Florida service, are vested in the Florida Retirement System, incentives must augment the amount received from the state. While the Florida
Retirement System allows employees to retire after vesting of benefits at age 62 or at any age following 30 years of service (whichever occurs earlier), there is no requirement that forces any employee to leave. To motivate employees toward early retirement and the individual retirement benefits from the state, the school districts must use some type of inducement. This motivation is an important tool because as the more experienced, and therefore more highly paid employees retire, less experienced replacements can be hired at substantially lower salaries.

During the 1992-1993 school year, there were basically three types of incentives used in Florida. First, several school districts offered potential retirees a monetary bonus if they elected to retire during the first year of their eligibility. The compensation is paid by the school district and is in addition to regular retirement benefits received from the Florida Retirement System.

Second, other school districts proposed an annuity program which provided a supplemental income to retirees as compensation for the early retirement penalty imposed by the Florida Retirement System. This type of program was more effective than the bonus method in motivating employees to retire early, but was less cost effective for the district. The primary reason was that the annuities are typically large, single payment expenses which range from $35,000 to $90,000, depending upon the current salary and age of the
retiree. Although enticing to the individual retiring employee, this type of benefit considerably taxed the cash flow of the school district when several employees selected early retirement during the same year. To counteract these large expenditures, many school districts incorporated the opportunity to restructure their county offices and the abrogation of one or more of the higher paid administrative positions. By abolishing or combining such posts, the school districts were able to realize both immediate and future cost savings.

During the 1992-1993 school year, three school districts found it necessary to combine both cash bonuses with annuity incentives to encourage a sufficient number of employees to retire. Due to the costs of mixing these incentives, alternate solutions are continually sought. In the Sarasota County School District, a third, different type of incentive was developed and tested. Based on life insurance purchased by the school district for the employees to provide retirement security, the program enables retirees to receive the highest monthly payment from the Florida retirement System plus continuing income coverage for the surviving spouse after the employee's death.

Table 6 presents the 19 Florida school districts which offered early and regular retirement incentives during the 1992-93 school year and displays the window or time accessibility in which the inducement was available to the
potential retirees. Also shown is the type of incentive program provided by the school district: annuity, cash, bonus, insurance or a combination of incentives. As indicated above, six school districts or 32% of those involved offered incentives only during a limited period or window, while 13 school districts or 58% employed an annuity to encourage early retirement. Furthermore, the table also indicated that 15% of the school districts have found the need to offer a combination of two or more

### TABLE 6

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>RETIREMENT PLAN OFFERED IN WINDOW OR YEARLY</th>
<th>TYPE INCENTIVES OFFERED ANNUITY/BONUS/INSURANCE OR CASH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alachua</td>
<td>Y</td>
<td>Cash</td>
</tr>
<tr>
<td>Columbia</td>
<td>Y</td>
<td>Bonus</td>
</tr>
<tr>
<td>Dade</td>
<td>Y</td>
<td>Annuity/Bonus</td>
</tr>
<tr>
<td>Gulf</td>
<td>Y</td>
<td>Bonus</td>
</tr>
<tr>
<td>Hendry</td>
<td>Y</td>
<td>Annuity</td>
</tr>
<tr>
<td>Hernando</td>
<td>Y</td>
<td>Annuity</td>
</tr>
<tr>
<td>Hillsborough</td>
<td>Y</td>
<td>Annuity</td>
</tr>
<tr>
<td>Indian River</td>
<td>W</td>
<td>Annuity/Bonus</td>
</tr>
<tr>
<td>Liberty</td>
<td>Y</td>
<td>Bonus</td>
</tr>
<tr>
<td>Martin</td>
<td>W</td>
<td>Bonus</td>
</tr>
<tr>
<td>Orange</td>
<td>Y</td>
<td>Annuity</td>
</tr>
<tr>
<td>Osceola</td>
<td>W</td>
<td>Annuity</td>
</tr>
<tr>
<td>Palm Beach</td>
<td>Y</td>
<td>Annuity</td>
</tr>
<tr>
<td>Pasco</td>
<td>Y</td>
<td>Annuity/Bonus</td>
</tr>
<tr>
<td>Pinellas</td>
<td>Y</td>
<td>Annuity</td>
</tr>
<tr>
<td>Polk</td>
<td>Y</td>
<td>Annuity</td>
</tr>
<tr>
<td>Sarasota</td>
<td>W</td>
<td>Insurance</td>
</tr>
<tr>
<td>Suwannee</td>
<td>W</td>
<td>Bonus</td>
</tr>
<tr>
<td>Washington</td>
<td>W</td>
<td>Bonus</td>
</tr>
</tbody>
</table>

Educational Information Services, Florida DOE
incentives as additional enticement to insure that enough employees opt for early retirement.

Beyond early retirement incentives, successful retirement packages also offer reimbursement for accrued sick leave. With this approach the school districts have the option of paying the maximum amount allowable by law or reducing the percentage that each individual retiree will receive for unused sick leave days. In fact, this strategy of accrued sick leave reimbursement became so significant that in 1984 the Florida Legislature enacted Florida Statute Chapter 230.22 (2) controlling the amount that school districts could reimburse terminating employees for accrued sick leave. The primary limits of the statute are shown in Table 5, page 43.

The statutory limits illustrated in Table 5 are the maximum allowable compensation percentages per specified years of service. Based on the guidelines of this statute, individual school districts established the length of service and percentage factors which were, in turn, multiplied by the daily rate that the employee was to receive upon retirement. Although school districts cannot exceed these standards, lower percentage rates or increased years of service are permitted and are already substituted by several school districts in the State.

While it is financially viable to limit sick leave reimbursement, several school districts have taken the
opposing view and implemented good attendance inducements based on studies which suggested that improved teacher and administrator attendance preserved the continuity of education. One of the most common policies included a cash bonus to all employees who miss fewer than two days during the school year. Because of this encouragement, many educators have accumulated substantial amounts of sick leave which must be budgeted for in each district.

Demographic Comparisons

Table 7 illustrates the average ages of all of the employees in the 19 school districts examined by this study. This information is used to plan for a balanced budget, the school districts collect data on the number of employees approaching retirement age. The higher the age of the employee classification, the more advantageous it will become for the school district to plan to offer early retirement incentives. It should be noted in Table 7 the average ages for the administrators are higher than those of the teachers and support personnel. There is also a large variance in the years of experience for each of the school districts. Of particular interest is the Martin County School District with an average of 6.1 years of experience, which demonstrates that the various retirement plans offered seem to be working. At the opposite end of the spectrum is the Washington County School District with an average of 16.6 years.
The funding available to each school district is derived from three sources: Federal, State and Local. Table 8 depicts the amount of funding received by each of the 19 school districts from the different sources of revenue. The total funding determines the amount spent for the different classifications of expense, i.e., salaries, benefits, capital improvement, categorical programs, maintenance, and all other aspects required for a school district to function.

**TABLE 7**

EMPLOYEE AVERAGE AGES AND TEACHER EXPERIENCE

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>ADMINISTRATOR AVERAGE AGE</th>
<th>SUPPORT PERSONNEL AVERAGE AGE</th>
<th>TEACHER AVERAGE AGE</th>
<th>TEACHER EXPERIENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alachua</td>
<td>47.7</td>
<td>43.2</td>
<td>41.7</td>
<td>14.7</td>
</tr>
<tr>
<td>Columbia</td>
<td>47.9</td>
<td>43.3</td>
<td>42.7</td>
<td>16.2</td>
</tr>
<tr>
<td>Dade</td>
<td>48.8</td>
<td>43.0</td>
<td>42.2</td>
<td>14.6</td>
</tr>
<tr>
<td>Gulf</td>
<td>49.0</td>
<td>47.8</td>
<td>42.9</td>
<td>16.1</td>
</tr>
<tr>
<td>Hendry</td>
<td>46.9</td>
<td>42.3</td>
<td>40.0</td>
<td>12.5</td>
</tr>
<tr>
<td>Hernando</td>
<td>47.1</td>
<td>47.6</td>
<td>40.7</td>
<td>12.3</td>
</tr>
<tr>
<td>Hillsborough</td>
<td>48.4</td>
<td>45.4</td>
<td>41.4</td>
<td>13.9</td>
</tr>
<tr>
<td>Indian River</td>
<td>47.2</td>
<td>45.2</td>
<td>43.2</td>
<td>14.7</td>
</tr>
<tr>
<td>Liberty</td>
<td>45.8</td>
<td>46.8</td>
<td>43.2</td>
<td>15.6</td>
</tr>
<tr>
<td>Martin</td>
<td>48.6</td>
<td>45.0</td>
<td>42.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Orange</td>
<td>47.9</td>
<td>45.1</td>
<td>41.6</td>
<td>14.3</td>
</tr>
<tr>
<td>Osceola</td>
<td>46.5</td>
<td>43.4</td>
<td>37.9</td>
<td>10.8</td>
</tr>
<tr>
<td>Palm Beach</td>
<td>48.7</td>
<td>44.5</td>
<td>41.5</td>
<td>12.9</td>
</tr>
<tr>
<td>Pasco</td>
<td>46.2</td>
<td>47.0</td>
<td>40.3</td>
<td>12.8</td>
</tr>
<tr>
<td>Pinellas</td>
<td>48.5</td>
<td>44.6</td>
<td>43.1</td>
<td>14.7</td>
</tr>
<tr>
<td>Polk</td>
<td>49.2</td>
<td>45.9</td>
<td>42.6</td>
<td>14.6</td>
</tr>
<tr>
<td>Sarasota</td>
<td>48.5</td>
<td>52.3</td>
<td>45.4</td>
<td>12.6</td>
</tr>
<tr>
<td>Suwannee</td>
<td>49.5</td>
<td>45.2</td>
<td>43.9</td>
<td>14.0</td>
</tr>
<tr>
<td>Washington</td>
<td>49.8</td>
<td>46.5</td>
<td>44.2</td>
<td>16.6</td>
</tr>
<tr>
<td>State Average</td>
<td>48.4</td>
<td>44.8</td>
<td>42.0</td>
<td>14.1</td>
</tr>
</tbody>
</table>
The Dade County School District is by far the largest in the State. The numbers are higher for all categories of comparison. The size provides for a higher overall budget with a higher discretionary fund for expenses. As can be noted by Table 8, Dade County School District had over 300 times the amount of funding available to the Liberty County School District. The school districts identified with the higher local funding enjoy an advantage over the other 15 school districts in the study.

**TABLE 8**  
SOURCES OF FUNDING

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>FEDERAL</th>
<th>STATE</th>
<th>LOCAL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dade</td>
<td>43.92</td>
<td>943.6</td>
<td>511.7</td>
<td>1539.3</td>
</tr>
<tr>
<td>Hillsborough</td>
<td>2.50</td>
<td>379.6</td>
<td>178.0</td>
<td>559.3</td>
</tr>
<tr>
<td>Palm Beach</td>
<td>1.90</td>
<td>185.2</td>
<td>363.4**</td>
<td>550.7</td>
</tr>
<tr>
<td>Orange</td>
<td>1.35</td>
<td>242.5</td>
<td>235.6</td>
<td>479.3</td>
</tr>
<tr>
<td>Pinellas</td>
<td>.22</td>
<td>229.1</td>
<td>209.7</td>
<td>439.0</td>
</tr>
<tr>
<td>Polk</td>
<td>2.89</td>
<td>190.4</td>
<td>79.9</td>
<td>270.7</td>
</tr>
<tr>
<td>Pasco</td>
<td>.10</td>
<td>99.0</td>
<td>51.7</td>
<td>150.8</td>
</tr>
<tr>
<td>Sarasota</td>
<td>.88</td>
<td>37.4</td>
<td>105.4**</td>
<td>143.0</td>
</tr>
<tr>
<td>Alachua</td>
<td>.08</td>
<td>81.6</td>
<td>27.3</td>
<td>108.9</td>
</tr>
<tr>
<td>Osceola</td>
<td>.02</td>
<td>51.3</td>
<td>32.0</td>
<td>85.2</td>
</tr>
<tr>
<td>Martin</td>
<td>.03</td>
<td>10.1</td>
<td>49.9**</td>
<td>59.9</td>
</tr>
<tr>
<td>Hernando</td>
<td>.02</td>
<td>32.4</td>
<td>22.9</td>
<td>55.3</td>
</tr>
<tr>
<td>Indian River</td>
<td>.03</td>
<td>15.3</td>
<td>36.7**</td>
<td>52.0</td>
</tr>
<tr>
<td>Columbia</td>
<td>.10</td>
<td>27.7</td>
<td>5.1</td>
<td>32.8</td>
</tr>
<tr>
<td>Hendry</td>
<td>.06</td>
<td>16.8</td>
<td>7.9</td>
<td>24.8</td>
</tr>
<tr>
<td>Suwannee</td>
<td>.26</td>
<td>19.0</td>
<td>3.4</td>
<td>22.4</td>
</tr>
<tr>
<td>Washington</td>
<td>.02</td>
<td>16.3</td>
<td>2.6</td>
<td>18.9</td>
</tr>
<tr>
<td>Gulf</td>
<td>.03</td>
<td>5.8</td>
<td>3.8</td>
<td>9.5</td>
</tr>
<tr>
<td>Liberty</td>
<td>.07</td>
<td>4.3</td>
<td>.6</td>
<td>5.0</td>
</tr>
</tbody>
</table>

* Amounts are rounded.
** School Districts with higher local funding.

Educational Information Services, Florida DOE
Table 9 presents comparative data on district ranking based on student enrollment, the number of teachers, and the funding per student. The data on the number of dollars available per student was obtained by dividing the total budget for the school district by the number of students enrolled. While the overall numbers of students will vary year by year, the rankings for the 19 school districts has stayed the same for the past five years, Linda Harageones (personal communication, June 11, 1993).

Another point of interest is Washington County School

<table>
<thead>
<tr>
<th>DISTRICT</th>
<th>RANKING BY STUDENT</th>
<th>NUMBER OF STUDENTS</th>
<th>NUMBER OF TEACHERS</th>
<th>DOLLARS AVAILABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dade</td>
<td>1</td>
<td>303,438</td>
<td>14,834</td>
<td>$5,197.02</td>
</tr>
<tr>
<td>Hillsborough</td>
<td>3</td>
<td>132,210</td>
<td>8,330</td>
<td>$4,308.95</td>
</tr>
<tr>
<td>Palm Beach</td>
<td>5</td>
<td>116,458</td>
<td>6,790</td>
<td>$4,921.43*</td>
</tr>
<tr>
<td>Orange</td>
<td>6</td>
<td>110,196</td>
<td>6,900</td>
<td>$4,391.69</td>
</tr>
<tr>
<td>Pinellas</td>
<td>7</td>
<td>98,051</td>
<td>6,240</td>
<td>$4,351.49</td>
</tr>
<tr>
<td>Polk</td>
<td>8</td>
<td>67,721</td>
<td>4,159</td>
<td>$4,126.09</td>
</tr>
<tr>
<td>Pasco</td>
<td>14</td>
<td>36,522</td>
<td>2,233</td>
<td>$4,136.55</td>
</tr>
<tr>
<td>Sarasota</td>
<td>16</td>
<td>29,308</td>
<td>1,753</td>
<td>$5,135.23*</td>
</tr>
<tr>
<td>Alachua</td>
<td>20</td>
<td>27,864</td>
<td>1,663</td>
<td>$4,049.72</td>
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<tr>
<td>Osceola</td>
<td>26</td>
<td>21,832</td>
<td>1,235</td>
<td>$3,914.82</td>
</tr>
<tr>
<td>Hernando</td>
<td>29</td>
<td>13,857</td>
<td>827</td>
<td>$4,049.89</td>
</tr>
<tr>
<td>Martin</td>
<td>33</td>
<td>12,560</td>
<td>806</td>
<td>$5,077.62*</td>
</tr>
<tr>
<td>Indian River</td>
<td>34</td>
<td>12,099</td>
<td>691</td>
<td>$4,591.94*</td>
</tr>
<tr>
<td>Columbia</td>
<td>38</td>
<td>8,522</td>
<td>483</td>
<td>$3,873.81</td>
</tr>
<tr>
<td>Hendry</td>
<td>41</td>
<td>6,271</td>
<td>343</td>
<td>$4,255.32</td>
</tr>
<tr>
<td>Suwannee</td>
<td>43</td>
<td>5,608</td>
<td>321</td>
<td>$3,980.15</td>
</tr>
<tr>
<td>Washington</td>
<td>56</td>
<td>3,109</td>
<td>221</td>
<td>$5,912.26</td>
</tr>
<tr>
<td>Gulf</td>
<td>59</td>
<td>2,179</td>
<td>151</td>
<td>$4,670.65</td>
</tr>
<tr>
<td>Liberty</td>
<td>65</td>
<td>1,170</td>
<td>75</td>
<td>$4,592.44</td>
</tr>
</tbody>
</table>

* School districts with higher local than State funding.
District with only 3,109 students yet a higher dollars per student rate than any other school district reviewed.

Comparisons of several measures of teacher salary, as well as the number of teachers in each school district as provided in Table 10. Of the 11 school districts with starting salaries below the state average, seven districts had fewer than 1,000 teachers and the remaining four were located within easy commuting range of a college or university thereby insuring an adequate of beginning teachers. The four school districts with the local funding

<table>
<thead>
<tr>
<th>District</th>
<th>Average</th>
<th>Median</th>
<th>Salary Range</th>
<th>Teachers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alachua</td>
<td>$26,859</td>
<td>$25,609</td>
<td>$21,010 - $43,625</td>
<td>1,663</td>
</tr>
<tr>
<td>Columbia</td>
<td>$28,876</td>
<td>$31,010</td>
<td>$20,910 - $37,930</td>
<td>483</td>
</tr>
<tr>
<td>Dade</td>
<td>$37,262</td>
<td>$35,251</td>
<td>$26,500 - $50,400</td>
<td>14,834</td>
</tr>
<tr>
<td>Gulf</td>
<td>$26,706</td>
<td>$26,430</td>
<td>$20,604 - $35,496</td>
<td>151</td>
</tr>
<tr>
<td>Hendry</td>
<td>$27,844</td>
<td>$27,320</td>
<td>$20,700 - $36,070</td>
<td>343</td>
</tr>
<tr>
<td>Hernando</td>
<td>$27,149</td>
<td>$25,995</td>
<td>$21,400 - $38,205</td>
<td>827</td>
</tr>
<tr>
<td>Hillsborough</td>
<td>$29,159</td>
<td>$28,024</td>
<td>$21,403 - $40,803</td>
<td>8,330</td>
</tr>
<tr>
<td>Indian River</td>
<td>$31,558</td>
<td>$31,976</td>
<td>$22,485 - $38,975</td>
<td>691</td>
</tr>
<tr>
<td>Liberty</td>
<td>$29,963</td>
<td>$29,066</td>
<td>$22,360 - $39,292</td>
<td>75</td>
</tr>
<tr>
<td>Martin</td>
<td>$29,990</td>
<td>$29,284</td>
<td>$21,000 - $42,085</td>
<td>806</td>
</tr>
<tr>
<td>Orange</td>
<td>$28,755</td>
<td>$28,053</td>
<td>$21,250 - $38,246</td>
<td>6,900</td>
</tr>
<tr>
<td>Osceola</td>
<td>$26,966</td>
<td>$25,629</td>
<td>$22,107 - $40,478</td>
<td>1,235</td>
</tr>
<tr>
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<td>$35,125</td>
<td>$35,231</td>
<td>$26,000 - $46,400</td>
<td>6,790</td>
</tr>
<tr>
<td>Pasco</td>
<td>$26,738</td>
<td>$25,138</td>
<td>$21,300 - $38,800</td>
<td>2,233</td>
</tr>
<tr>
<td>Pinellas</td>
<td>$30,396</td>
<td>$29,650</td>
<td>$23,000 - $40,400</td>
<td>6,240</td>
</tr>
<tr>
<td>Polk</td>
<td>$28,219</td>
<td>$27,661</td>
<td>$21,260 - $36,450</td>
<td>4,159</td>
</tr>
<tr>
<td>Sarasota</td>
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<td>$21,630 - $59,428</td>
<td>1,753</td>
</tr>
<tr>
<td>Suwannee</td>
<td>$29,963</td>
<td>$29,701</td>
<td>$21,500 - $38,131</td>
<td>321</td>
</tr>
<tr>
<td>Washington</td>
<td>$28,710</td>
<td>$30,173</td>
<td>$19,244 - $35,511</td>
<td>221</td>
</tr>
</tbody>
</table>

| State Average | $31,176  | $30,416 | $21,607 - $39,046 |

Educational Information Services, Florida DOE
higher than the state funding have higher than average teacher salaries and per student dollars available.

Each of the 19 Florida School Districts that proffered some type of retirement or early retirement package is described in detail in the following pages. All of the school districts were the same in that each offers education from Pre-Kindergarten through the 12th grade. The data was obtained from the survey, the Florida Department of Education Finance Data Base and subsequent phone calls to the districts.

Alachua County School District

A cash incentive retirement program was first established in 1984, the first year such a program was legally possible under Florida Law. Although it provided a means for just a few employees to retire early. Although such initiative is endorsed by the Alachua County Education Association, the bargained agreement has limited its use since many of the employees were unable to meet the requirements of the incentive. The Alachua County Education Association is a member of the Florida Education Association / United, FEA / U, an affiliate of the American Federation of Teachers, which is part of the American Federation of Labor-Congress of Industrial Organizations, or AFL-CIO.

The Alachua County School District offered cash incentives for all qualified employees to retire as early as age 55 so long as the employee had accumulated 25 years of
service. Although this program was offered on a yearly basis, only about 18 to 20 employees per year took advantage of it. This was due to the specifications of the plan which required all participants to qualify under the "Rule of 80". This provision stipulated that the potential retirees must have a combination of age and years of experience that totaled 80. Unfortunately, this was inherently difficult to obtain.

The Alachua County School District approach was a self funded actuarial trust that produced capital funding for retiring employees. In other words, through this program a controlled amount of money was set aside in an interest-bearing account used to provide funding for retirement purposes. As with the Florida Retirement System, determining the amount of funding needed to maintain the account's self sufficiency was accomplished through a biannual actuarial valuation or appraisal. Since the fund's stability was crucial, it was required by law to represent no more than a 40% unfunded liability. During the 1992-1993 school year, this school district was at 38.6% unfunded liability. This means that the fund can have no more than a 40% unfunded liability. Additional money was obtained from the general fund as needed.

As of June 30, 1993, the trust's balance was $1,841,886.50. Interest earned by the pension fund was $41,940.13 for the fiscal year ending on June 30, 1993.
Biannual appropriations were made into the trust from the general operating budget as an allocated expense. This was accomplished at a rate of 1.25% of the amount budgeted for salaries. The amount allocated for the 1992-93 school year was $202,642.54, which when added to the interest, provided total operating revenues of $244,582.67.

The Alachua County School District's operating budget for 1992-93 school year was approximately $112,841,406.37; $73,699,086.62 of that was spent for salaries for support staff, instructional personnel, and administration. Benefits paid to these same individuals were $22,684,569.74 or 30% of the amount paid for salaries. Salaries and benefits combined accounted for 85% of the total general fund operating budget.

Revenues for the Alachua County School District are shown in Table 8, page 56. The additional funding needed to reach the $112,841,406.37 of total expenditures was obtained from the sale of district bonds, insurance loss recoveries, and the transfer of Capital Projects Funds.

Each of the school districts examined had several state sources of revenue which were specific to the district including accounts classified as Categorical Program Funding. These are special projects restricted for a specific use only with funds not to be diverted into the other accounts for salaries or benefits. Examples of programs receiving financing in Alachua County School
District include: Safe Schools, Community Education Program, and Preschool Projects. During the 1992-93 school year, these funds accounted for $1,800,283.31 of revenue for the Alachua County School District.

The Alachua County School District was unique in that it regularly budgeted cash outlays for employees who have selected the early retirement option. For example, if an employee would normally be entitled to $1000 a month at regular retirement at age 62, but only received $800 because of the five percent penalty per year imposed by the Florida Retirement System for early retirement, the school district then paid the additional $200 per month. The Alachua County School District required that for employees to be eligible for such early retirement, each must have been employed for the five years immediately preceding retirement. The school district does allow for Board approved leave to be included as part of this requirement.

Due to the salary variances caused from incentives that motivated the higher paid employees to leave and the interest received from the trust fund established by the school district, the district reported the following annual cost savings for the past three years:

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One explanation for this type of savings to be possible is the large variance between the minimum salary for a
beginning teacher with only a Bachelor's Degree, and the maximum salary available for an experienced teacher with a Doctorate. These salaries range from $21,010 to $43,625. When compared with the state salary averages of $21,607 to $39,046, the average range of salaries available in Alachua County School District was 129% greater. This fact allowed for a greater cost savings when an employee at the bottom of the salary scale replaced an employee at the top of the scale. To encourage retirement, the school district provided counseling sessions for those employees who were eligible to retire early.

The Alachua County School District reimbursed for accrued sick leave to its retiring employees the maximum allowed by statute, as shown in Table 5, page 43. During the past three school years, the extremes in sick leave reimbursement have fluctuated between a low of $3,918.44 each for support personnel in 1990-91 to an average high of $66,571.42 for each of the seven administrators retiring during the 1992-93 school year. Because of the retirement of senior administrators, the district was not forced to use early retirement incentives to eliminate administrative positions but relied instead on attrition.

Working to the advantage of the school district was the fact that located within Alachua County is one of the nine state universities. This abundant source of new teachers insured that retirees may be replaced with the least
expensive replacements possible, thereby maximizing cost savings from their early retirement.

Disadvantages

One of the negative aspects of the retirement program established by the Alachua County School District is that only non-instructional receive compensatory time off or, in specialized situations, overtime pay. Generally, there must be some type of emergency required for such employees to receive overtime pay.

An important factor limiting the amount of potential savings for the district from early retirement incentives was the 108% negotiated value of the daily rate for sick leave reimbursement. The school district, through collective bargaining, agreed to calculate the daily rate for accrued sick leave reimbursement using a standard with the ten days of sick leave already subtracted. For example, if a teacher contracted to work for 196 days, with 10 days of sick leave, the district must compute the per day average pay by dividing the total salary by 186 instead of 196. For career service employees, administrators and noninstructional support employees, the factor was about 120%. This variance was because these employees normally contract to work a greater number of days and consequently have more sick leave days. The administrators also receive 120% of their regular daily rate. This additional incentive for career service and administrators was scheduled to end
during the 1993-1994 school year. In this way the decrease will be equal to the percentage that the instructional employees receive. This new acceptability should provide an additional incentive for career service and administrative employees to retire this year, since the daily rate will decrease and consequently the amount received for sick leave reimbursement.

Conclusions

The Alachua County School District had a large availability of replacement teachers since the largest university in the state, the University of Florida, is located within the school district. The university's proximity was also an underlying reason for the small number of teachers with only Bachelor's Degrees. While 59% of teachers in the state have no graduate degrees, only 652 of the 1,663 or 39% of Alachua County School District teachers were at the Bachelor's level. With an additional 883 or 53% of educators holding Master's Degrees, the school district maintains the highest percentage in the state. Henceforth, a higher number of graduate degrees and higher salaries will provide a larger potential savings to the school district when the experienced teachers retire.

Alachua County School District also had a lower median salary. The median salary was $25,609 while the state's average was $30,416. These lower salary costs add to the fact that this school district's teachers continue to
receive step increases or raises for years of experience up to 29 years. The longer the time required to reach the maximum step, the smaller the amount of each increase.

Another factor contributing to decreased retirement costs was that the school district offered to reimburse employees annually for sick leave accrued during that year, but only at 80% of the daily rate. This option was available to employees who used two or fewer days for the year. The 20% savings helped the school district - although the vast majority of employees chose to save these days for sick leave reimbursement upon retirement.

In essence, an early retirement program was available in the Alachua County School District, and a few employees took advantage of it, with some cost savings. However, this amount of $50,975 was minimal, compared with the annual benefits' payment of $22,684,569.74. For the 1991-92 school year the average accrued sick leave reimbursement was $18,319.42, which increased the next year to $20,145.83.

Columbia County School District

By student enrollment, the Columbia County School District was in the lower 50% of the state. Consequently, the general fund for the 1992-1993 school year was less than the larger school districts but included the same basic revenues, as shown in Table 8, page 56. Several State sources include: Florida Education Finance Program (FEFP), State License Tax, and District Discretionary Lottery Funds.
The Columbia County School District's total expenditures from the general fund were $33,012,688.53 for the 1992-93 school year. Salaries paid during the year accounted for $21,248,253.99 of that amount. The benefits paid totaled $6,573,527.35 or 30% of the salaries. Together, salaries and benefits accounted for 84% of the total expenses.

Special Revenue Funds for the school district generate a portion of the income, and include: The National School Lunch Act, Education of the Handicapped Act, and Donated Foods from the United States Department of Agriculture. A total of $778,039.27 was received as revenue from student and adult lunches, breakfasts and a la carte meals. Another source of revenue not common to most of the school districts was from Racing Commission Funds. The school district received $223,250.00 in taxes from the race tracks located within the school district. Even with the varied sources of funding, annual expenditures were higher than revenues, The difference of $149,180.58 was derived from the sale of district bonds and the transfer of funds from the previous school year.

To promote retirement, the Columbia County School District enacted a cash bonus incentive program in 1991. A bonus of ten percent of the last year's salary, excluding supplements, was paid to the employee who was willing to retire. The amount could not exceed $5,000. The incentive was a retirement gift for "any member of the
noninstructional, nonunion staff and any member of the administrative / supervisory staff" (p. 80-A of the Columbia County School Board Employment Regulations). To be eligible for the bonus, the employee must retire by July 1. However, the bonus must be requested no later than March 1 of the same year that the individual plans to retire. This retirement program maintains the endorsement of the local union, which is associated with the Florida Teaching Profession of the National Education Association.

Written notification was also required by March 1 for any retiring employee to receive sick leave reimbursement if leaving at the end of the fiscal year. The Superintendent had the power to waive this deadline if the employee could provide documentation that retirement was justified for one reason or another. For example, if there was a medical situation, any licensed, practicing physician could verify the problem. The Superintendent's decision was final and could not be used as a grievance in final arbitration.

With only slight variations, the sick leave reimbursement schedule for the school district complied with the standard policy shown earlier. While Florida statutes allowed reimbursement of 100% of the total sick leave accrued, Columbia County opted to remit only 90% of the last step for non-instructional employees with thirteen or more years of service. School district policy also stipulated that instructional employees would only receive 95% for this
final step. An additional penalty provided that any written requests received after March 1 would automatically drop to only 80% of the maximum.

Sick Leave reimbursement for the three years starting in 1990 ranged from an average low of $4019.94 for each support employee in 1991-92 school year to an average high of $25,135.55 for each administrator retiring in the same year. The average amount of compensation received by all 14 employees retiring during the 1991-92 school year was $14,109.02.

The school district regularly provided for payment of the benefits package for all personnel at the time of retirement. If service was terminated by death, the designated beneficiary would receive all compensation for which the employee was eligible. Unused vacation pay accrued by personnel working a 12 month contract, was treated the same as other terminal compensation.

Computation of the final benefits were based on the salary steps for the Columbia County School District which stopped at 16 years for instructional personnel and for the certification held. Over 62% (300) of the teachers in Columbia County School District held only a Bachelor's Degree during the 1992-1993 school year with another 170 or 35% maintaining a Master's Degree. The school district additionally granted credit for service transferred in from other Florida Public School Districts. As of the 1992-93
school year, there were no shortages of replacement teachers to succeed those educators who retired from the Columbia County School District.

Disadvantages

For the employees of the school district, a disadvantage was the policy of "any person entitled to terminal pay benefits shall have been under contract to render services for the period immediately preceding retirement or death and shall not be under suspension from duty or have any charges pending which could result in dismissal from employment" (p. S2-5, SBER). An additional problem for the employees involved all sick leave transferred into the school district after December 1, 1991. The policy provided for employees to receive only 50% of the daily rate reimbursement.

Columbia County School District's only provision to compensate employees for working beyond the normal time was to reimburse non-instructional personnel for overtime. These employees received either compensatory time or overtime pay, which was monitored closely by the district and limited in all but emergency circumstances.

Conclusions

The large number teachers holding Bachelors' and Masters' Degrees in the school district suggested a lack of incentive to pursue advanced degrees. While the average teacher's salary was less than the state average, the median
salary for the school district was higher due to the notable number of years of experience in the school district which was 115% of the state mean. Only three percent of the teachers had earned higher than a Master's Degree. The fact that the Columbia County School District did not offer an incentive to instructional personnel diminished the number of potential retirements. Lower compensation for the other types of employees also had not induced many administrators and instructional personnel to leave the system.

Since teachers were excluded from the bonus incentive retirement program, the Columbia County School District provided few incentives to retire. The higher than average years of experience and higher median salary compared to state averages support this observation.

**Dade County School District**

The Dade County School District received funding for the 1992-1993 school year as shown in Table 8, page 56. The gross expenditures for the school district were $1,576,976,079.68. Of this amount, salaries accounted for $1,012,719,382.05 with employee benefits equaling $360,644,889.69. Employee benefits amounted to 35% of the total paid for salaries. Together salaries and benefits totaled $1,373,364,271.74 or 87% of total expenses.

Special revenues, which included funds received for the Handicapped, for Adults Education, Vocational Education and for student / adult lunches, breakfasts, and a la carte
meals totaled $170,566,055.03. The state categorical funding received by the Dade County School District came from the following programs: Inservice Education Training (State), Vocational Equipment Replacement, Community Education Program, Instructional Materials, Transportation, Safe Schools, Preschool Projects, Diagnostic & Learning Resource Centers, Programs of Emphasis, and Full Service Schools / Interagency Cooperative.

The Dade County School District originated their program in 1984 as a way for teachers who were "burned out" or to the point of not being effective in the classroom, to leave the profession early. As of the 1992-93 school year, the program was primarily a fringe benefit that was endorsed and promoted by the United Teachers of Dade. This local union maintained membership in the Florida Education Association / United, the state version of the American Federation of Teachers, or AFT.

The Supplemental Early Retirement Program of the Dade County School District paid the five percent annual penalty assessed by the state for retiring early. All employees selecting early retirement received this benefit for life. Additionally, the payments could be extended to a beneficiary, depending upon the retirement option selected from the Florida Retirement System.

The source of the funding for this incentive was a self administered, actuarial controlled trust established to pay
for the benefits of the Dade County School District Early Retirement Program. As of the 1992-93 school year, there were approximately 400 retirees receiving benefits from this fund, which had a June 30, 1993 balance of $17,888,711.91. For the 1992-1993 school year total expenses amounted to $1,522,064.92. Revenue for this period included: $1,389,347.77 from interest and $2,516,575.00 appropriated by the district into the fund to meet the actuarial requirements for the school year.

The school district was unable to provide individual cost figures for the benefits offered due to the large number of employees retiring under either the regular or early retirement programs. With collective bargaining, the Supplemental Early Retirement Program was believed to be a necessary liability. In 1991 due to economic difficulties caused by the loss of revenue, the school district was able to avoid an imminent Reduction in Force or RIF by adding further incentives to avoid terminating employees. The primary additional incentive required the school district to pay the premiums for health insurance for employees between the time of selecting early retirement to age 65 when each became qualified for Medicare. Because of the number of employees under contract, the Dade School District offered a selection of the seven plans with the potential retirees having the option to choose the one offering the best value.
In 1992 the school district changed this additional incentive to a flat $2400 for ten years to enable employees to purchase their own health insurance. This modification insured that the district would not have to pay additional sums if health insurance premiums increased over the ten-year period.

An additional motivation included a compromise on the sick leave reimbursement. The school district's policy was to freeze the employee's reimbursement for accrued sick leave at the rate for the first year the employee was eligible to retire. The concession made by the school district, allowed the employee to receive a higher remuneration if he or she agreed to retire after staying beyond the first year of eligibility. This incentive motivated a sufficient number of employees to retire to avoid a second potential Reduction In Force. An additional stimulus was to provide $50,000 of Term Life Insurance for the employees to cover them from the beginning of early retirement until age 65.

The Dade County School District employed three full time counselors to deal strictly with employee retirement. While not required by law, it was deemed necessary to handle the large number of employees. The Division of Retirement originally viewed this as competition, however once the formulas were standardized, the working arrangement was found beneficial for both the school district and the state.
The sick leave reimbursement for the Dade School District had been substantial for the past three school years, as indicated below:

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In an attempt to counteract this enormous drain, the school district was one of the few in the state that offered to purchase unused sick leave annually. This policy provided teachers with additional funds at the end of the school year and was considered as a good attendance incentive by the school district. Although the compensation for unused annual sick leave was only at 80% of the daily rate, many newer employees viewed this as a straightforward advantage. No longer was it necessary for an employee to wait for a number of years until retirement to finally receive disbursement. This strategy was also designed to reduce the massive end of career sick leave reimbursements. Since the range of salary was 137% larger than the state range, having up to ten additional days of pay, at an average of $152 per day ($190 x 80%), the potential of over $1500 for the school year was enticing to the average employee.

During the 1992-93 school year in the Dade County School District, 265 teachers retired. An additional 226 teachers either resigned (146), were dismissed (10), had their contract expire (25), died (29) or left without providing a reason (16). If the district saved an average
of $400 ($1900 - $1500) on each of these individuals, plus the administrators and other professional instructors who left, the total savings to the school district would have been $104,800 ($400 x 262).

Disadvantages

The size of the school district, along with the influx of a large number of students needing English for Speakers of Other Languages, ESOL, have combined to cause a high level of stress on the instructors who taught in the Dade County School District. Additionally, the severe physical damage done to several of the buildings in the school district two years ago by Hurricane Andrew caused many of the more affluent students and their families to leave the district. The subsequent lower property taxes adversely affected the anticipated revenues for the school district. Since one of the parameters of funding from the state was the count of Full Time Equivalent Students, the Dade County School District lost revenue from several sources simultaneously. These factors all combined to cause financial hardship to the school district. Fortunately, the potential Reduction In Force was averted, but it was costly to the school district.

Conclusions

The salary schedule for the Dade County School District was a factor in attracting teachers and other employees to work in the school district. Since the average salary for
teachers was 19% higher than the state mean or $6,086 in actual dollars for the 1992-1993 school year, a number of employees were willing to sacrifice work conditions for the salary. The median salary was 155% above the state average. Since the beginning increment was $2000 above the Masters Degree for the Specialist Degree with an additional $2000 for the Doctorate, the number of graduate degrees above the Master's is significant. For the 1992-1993 school year, 12% of the teachers in the school district were being paid above the Master's Degree. Another fact was that the salary range from minimum to maximum on the teachers salary schedule was a full 137% of the average for the state. A teacher with a doctorate could receive a maximum salary of $50,400. This was $11,354 or 29% over the state mean. Due to these high salaries, the daily rates of pay for the employees were also considered high. This meant that for each employee who could be motivated to retire, the school district would realize savings that were substantial when compared with the rest of the state. The challenging teaching conditions, with the large numbers of cultural differences, also added encouragement for the teachers to leave early.

**Gulf County School District**

The Gulf County School District revenues for the 1992-1993 school year are shown in Table 8, page 56. Two local sources of revenue not seen in larger school districts were
Bus Fees and the Sale of Junk.

The total expenditures for the 1992-1993 school year were $10,177,368.04. Of that amount, $6,407,735.95 was paid for salaries and $2,061,353.44 was expended as employee benefits. Both salaries and benefits totaled $8,469,089.39 or 83% of the total. Employee benefits equaled 32% of the amount paid for salaries.

Several sources of state funding for the Gulf County School District were from the following categorical programs: Inservice Education Training, Vocational Equipment Replacement, Preschool Projects, Transportation and Instructional Materials. While the same categorical programs are identified for each school district, the combination of categories from which funding is received is different for each school district.

The school district retirement program began in 1991 and offered a bonus incentive of ten percent of the last year's salary for those employees who retired when eligible after 30 years of service. These contract terms were supported by the union, the Gulf County Classroom Teachers Association, which is associated with the Florida Education Association / United.

For accrued sick leave reimbursement, non-instructional employees, teachers and administrators received the standard percentage through the tenth year of service. The number of years needed to qualify for receiving the maximum amount,
100% of accrued sick leave, was increased from 13 years to 20 years. A special "terminal" pay was granted after 20 years of service. The Gulf County School District further agreed to transfer in only sick leave days earned in other Florida Public School Districts, nothing from out of state. If death occurred before retirement, any terminal benefits due would be paid to the designated beneficiary.

When an employee decided to retire, it was first necessary for he or she to submit a letter of resignation prior to July 1 of the year before retirement would begin. This allowed the district to allocate terminal pay funds for all retirees for the following fiscal year. Terminal pay was not a regular budget account in Gulf Count School District. All funding required for retirement must be subtracted from the General Revenue Fund before other accounts receive allocations. This meant that if several employees retired concurrently, no money was allocated for raises for those continuing to work. During the 1992-1993 school year in the Gulf County School District, nine employees retired: two were non-instructional and seven were teachers. The total sick leave reimbursement was $128,000.

Disadvantages

The small size of the school district did not allow funding for many supplementary functions that the larger school districts in the state enjoyed. The entire school
district operated on only a $10 million budget and had fewer students enrolled than the number currently attending a single high school in some larger school districts in the state. Further, the school district policy of not planning for retirements until the year before could severely damage the yearly budget if a number of employees decided to leave at one time.

Conclusions

The average teacher's salary was $4,470 or 14% below the state mean and the median teacher's salary was $3,986 below the state standard; which did not help recruitment of new teachers. While the salary increment between a Masters Degree and a Specialist Degree was $1,014, which was comparable to the state average $1020, the commuting distance to the nearest college or state university was prohibitive. This was one reason that there was only one teacher with a Doctorate on the teacher's salary schedule in the Gulf County School District.

A cost saving factor in the short run may be detrimental in the end. The policy of not paying 100% of the accrued sick leave until the 20th year saved the school district a few dollars, since the school district only had to reimburse the retirees a percentage of the number of accrued days, if the employees retired before the 20th year. Indications were, however, that teachers were delaying retirement in order to receive the full reimbursement. This was evidenced
when the average years of experience for a Bachelor's Degree in the state of Florida was 11.95 years, compared with Gulf County with 14.15 years or 18% more. For a Master's Degree, the difference was even more pronounced, with the state average of 16.87 years being overshadowed by Gulf County School District's 20.42 years, or 21% higher. All three categories of employees: administrators, teachers and support personnel had higher current ages than the state averages, also indicating a reluctance to retire.

The lower daily rate that the teachers received also reduced the amount of reimbursement for accrued sick leave. When questioned by the district office, most employees freely admitted that they were financially unable to retire at the end of 30 years. Consequently, only one individual elected to take advantage of the retirement incentive during the 1992-1993 school year with also just one employee leaving the year before. While the Gulf County School District retirement program offered an incentive that was collectively bargained for, it was one that was not utilized. As of the 1992-93 school year, there were several teachers still on the job with more than 30 years of experience each. One female teacher, after retiring once, had returned to teaching and had a total of 42 years as an educator.
Hendry County School District

In 1992-1993 the total funds received by the Hendry County School District are illustrated in Table 8, page 56. The expenditures for the 1992-1993 school year were $26,685,133.67. Of this amount, salaries and benefits accounted for a total of $21,323,765.93 or 79% of the total amount. Benefits equaled 37% of the amount paid for salaries.

While these benefits were higher than the average of the 19 school districts in the state that offered retirement incentives, the school district was gradually bringing these amounts down. Hendry County School District maintained membership in a ten school district consortium that originated in 1980. The South Central Education Risk Management Program, SCERMP, a coalition that seeks competitive bids on insurance for every school district in the group, has provided significant cost savings for all of the members. All ten of the county school districts: Charlotte, Desoto, Glades, Highlands, Hendry, Hardee, Indian River, Martin, Osceola, and St. Lucie purchased property / casualty insurance collectively. However only six of the districts found it advantageous to purchase employee benefits packages which include Disability, Life, Dental and Health. The first year that Hendry County School District was a member, the property / casualty insurance cost dropped from $122,000 to $68,000.
The Hendry County School District developed an early retirement annuity incentive plan to offer employees which was patterned after the adjoining school districts. The 1993-94 school year would be the first full year in existence, though the program started during the 1992-1993 school year. In the past, there had not been any type of incentive for employees to retire, other than reimbursement for accrued sick leave.

Hendry County School District sick leave reimbursement ranged from an average low of $207.00 for eight noninstructional personnel in the 1990-1991 school year to an average high of $35,136.63 each for four administrators in the 1992-1993 school year. Employees in the school district were reimbursed the maximum allowable by Florida Statute, unless the employee was terminated due to misconduct.

Disadvantages

Several opportunities to educate the employees and promote an innovative program in the school district were missed by starting a new retirement program after the school year began. By holding informational seminars, with invited speakers from Social Security, insurance companies, annuity dealers and bankers, more individuals could have been motivated to see the advantages of either regular retirement or possibly early retirement. In previous years without a program of incentives, the school district had realized
sporadic cost savings from replacing higher paid employees with beginning employees, primarily since few employees retired early. Since the community was well established, the school district did not have a large turnover problem.

Conclusion

Since school district and the local union, the Hendry County Education Association, HCEA, had worked together, there were no hostilities and a retirement program started to develop. With current operations remaining stable, there was little incentive to change, until the possibility of a cost savings was realized. The Hendry County Education Association remained a part of the Florida Teachers Profession, an affiliate of the National Education Association.

The average salary for teachers in the Hendry County School District for the 1992-1993 was $3332 or ten percent below the state average. The teacher's median salary was also ten percent below the median for the state with the range of salaries equaling only 88% of the state range. All of these factors influenced the percentage of expenditures paid for salaries and benefits. In the Hendry County School District, only 79% of total expenditures were allocated for these expenses.

Since 75% of the teachers were working with only a Bachelor's Degree, the potential for savings was not as high as in other school districts with a greater percentage of
graduate degrees and higher salaries. There were fewer teachers going on for additional education due to the lack of incentive of an increment of only $700 between a Master's Degree and a Specialist's Degree. Furthermore, the school district was not located in close proximity to any colleges or universities.

An early retirement program should enable the school district to realize both cost savings and allow teachers additional promotional opportunities. Since the ages of all three categories of employees were below the state averages, rapid change with excessive movement was not expected.

To control expenses in other areas, the school district had taken steps to reduce the total expenditures. One example involved claims for health insurance that had increased the premium cost to $3000 per employee for the 1991-1992 school year. This was one of the highest rates in the state. During the 1992-1993 school year these costs declined from $3000 to $2750 per individual, due to competitive shopping done by the consortium. The goal was to decrease the amount to $2500 by next school year.

Another important factor, that should have been accomplished by all school districts with retirement plans, was to request individual employee audits from the Florida Retirement System, in Tallahassee. This would determine how many employees were eligible to retire. The Division of Retirement does not charge for audits, while providing
helpful information necessary to effectively project a plan with a target market for a cost effective retirement program.

Hernando County School District

The revenues for the Hernando County School District for the 1992-1993 are shown in Table 8, page 56. Some income derived from state sources included a portion of the state forest funds, since part of the school district lies within the Withlacoochee State Forest. Additional state funding came from the District Discretionary Lottery Funds and State License Tax. Three of the sources of Local Revenues were the accounts: Gifts, Grants, and Bequests; District School Tax; and Lost, Damaged & Sale of Textbooks.

Total expenditures for the Hernando County School District during the 1992-1993 school year were $56,119,327.04. Salaries were $36,453,969.58 with benefits running $11,110,852.39. Salaries and benefits together represented 84% of the budget with benefits accounting for 30% of the amount expended for salaries.

An annuity incentive retirement program was first offered by the school district in 1987. The program was supported and endorsed by the local union, the Hernando United School Workers, an affiliate of the Florida Education Association / United. The FEA / U is a member of the American Federation of Teachers. The program continued year round and required that the employees have 25 years of...
service and be 57 years old to qualify for early retirement. After these prerequisites were met, the school district agreed to purchase an annuity to supplement the retirement income received from the Florida Retirement System. The number of years that a five percent penalty was imposed by the Florida Retirement System depended on the age and experience of the retiree. With this incentive, early retirement for the Hernando County School District averaged approximately ten employees per year.

During the 1992-1993 school year, the Hernando County School District added two incentives to the program. The first incentive was for the school district to fund the health insurance of employees who agreed to retire for a period of five years. The insurance carrier acceded to continue coverage just as if the employees had continued to work for the school district. This incentive also included continuing the term life insurance for the employees with the same coverage previously carried.

The school district established a window or opportunity extending from March until September for employees to take advantage of this offer. The potential retirees were required to agree to retire during that period. Due to this extra incentive, a total of 25 employees retired during this window. The school district also took this opportunity to restructure and eliminated three top level administrative positions and replaced all of the other employees with lower
paid workers. This resulted in an estimated $400,000 savings for the school district. When first suggested, these extra incentives were a one-time only offering. However, the school district and the teacher's union were using collective bargaining to provide a similar offering with a window that included the summer months of the 1993-1994 school year.

The balance of the school district's terminal pay package provided reimbursement of accrued sick leave at the maximum level allowed by Florida Statutes. The average compensation paid by the school district had continued to increase over the past three years. From a total of $129,996.32 for all employees who retired during the 1990-1991 school year to $181,119.86 in the 1991-1992 school year and to almost $250,000.00 in the 1992-1993 school year.

Disadvantages

By increasing the dollar value of incentives necessary to convince employees to retire early, the school district was acquiring projected debt that would have to be paid from the operating budget in the future. While this was considered an unfunded liability, the fact that the average teacher's salary was $4027 or 13% below the state average indicated that anticipated revenues would decrease the amount of this liability. Additionally, the increased turnover rate for the school district kept the average years of experience below the state average for teachers and
administrators, and consequently reduced the accrued sick leave reimbursement.

Conclusions

Since the Hernando County School District compensated its employees well below the state average, it could afford to purchase annuities to induce higher paid employees to leave early and lower expenses even more significantly. The average salary for teachers was only 87% of the state average for the 1992-1993 school year, with the median salary just 85% of the state median.

Also, since the salary schedule was lower for the beginning salary and the maximum salary, the sick leave reimbursement was also lower proportionally, when computed on a daily rate basis. A policy of 100% of sick leave reimbursement became more attractive to potential retirees and helped to encourage more retirement.

The district also did not appropriately reward additional education. With 98% of the teachers on the Bachelor's and Master's Degree salary schedule, it was evident that there was little actual encouragement to earn additional graduate degrees. The salary increase for a teacher progressing from a Master's Degree to a Specialist's Degree during the 1992-1993 school year was only $545. The next increment to a Doctorate was also just $545.

Directly related to the lower teacher's salary schedule was the decreased years of experience. The state average
for teachers with a Bachelor's Degree was 11.95 years of experience. In Hernando County, the average was 9.80 years or only 82% of the rest of the state. At the same time, the state average for a Master's Degree was 16.87 years and in the Hernando County School District, the average was 15.90 or 94% of the mean. The average for all degrees was 12.30 compared with 14.06 years for the state. This was 13% below the state average for the 1992-1993 school year. Average ages of both administrators and teachers were also below the state average.

Hillsborough County School District

The total funds received by the Hillsborough County School District for the 1992-1993 school year are shown in Table 8, page 56. Total expenditures for the school district for the year were $569,686,338.39. Of that, $380,208,667.35 was paid for salaries and $121,475,290.48 was disbursed for benefits. The benefits represented 31% of salaries, with both salaries and benefits accounting for 88% of total expenses for the school district.

The present day Retirement Program in the Hillsborough County School District was initiated in 1984. It was designed by a committee that included union representatives, board members, an attorney and an actuary. Due to the size of the school district, it was necessary to submit an invitation for public bid. The lowest bidder obtained the
right to be the custodial organization to administer the trust fund to support the retirement program. Barnett Bank provided the winning bid and won the business.

As of the 1992-93 school year the actuarial status was reviewed every two years as required by law, to insure that resources were available for funding retirements. The trust balance as of June 30, 1993 was $2,770,048.26. Interest earned for the year totaled $200,436.65 with $298,348.15 appropriated from the general fund. The school district was responsible for appropriating capital to replenish the fund to the point of no more than 40% unfunded liability. The 375 employees retiring from the Hillsborough County School District during the 1992-1993 school year received $203,926.86 of employee benefits from the fund. Due to the size of the school district, the auditors have affirmed the necessity to maintain a balance of at least two million dollars. If all of the potential 500 to 1000 employees who were eligible to retire early or at the regular age elected to leave, the trust would have to contain over five million dollars.

Originally the program was established in 1984 to provide "burned out" and "worn out" teachers an opportunity to leave the classrooms. When designed, the earliest age possible to retire was 51, however this was quickly changed because of the inability of the school district to fund this. During the 1992-1993 school year, the criterion
necessary to apply for the early retirement program required the teachers with "twenty-five or more years of credible service but less than twenty-eight years of service who have reached age 55 but are less than age 60" (p. G-60, Hillsborough County Guidebook of Policies and Procedures). Unfortunately, many individuals were typically unable to take advantage of this due to a mismatch of age or years. The teachers who would really have benefitted from this incentive were not able to use it. Characteristically those who could have qualified to retire early were healthy and continued working in second careers. The Hillsborough County School District estimated that only ten percent of those who really needed this benefit actually were able to take advantage of it. Unfortunately, when these individuals did leave, beginning teachers were not always hired as replacements, thereby decreasing the school district's potential savings. An audit was requested from the Florida Retirement System for all employees interested in retiring early. Employees were notified of the difference between how much the regular retirement check would be contrasted with the new early retirement amount that penalized the employee five percent per year. If the employee retired early, the district made up the difference, by providing checks for the life of the retiree from the trust fund.

When the total savings for the Hillsborough County School District were calculated for the past two school
years, plus the current one, the amounts saved were:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1991</td>
<td>$415,000</td>
</tr>
<tr>
<td>1991-1992</td>
<td>$293,529</td>
</tr>
<tr>
<td>1992-1993</td>
<td>$277,346</td>
</tr>
</tbody>
</table>

The Hillsborough County School District regularly presented retirement seminars for those potential retirees. One of the incentives that the school district offered as terminal pay was reimbursement for accrued sick leave. The school district paid the maximum remuneration allowed by the state as shown in Table 5, page 43. The local union, the American Federation of Teachers of Hillsborough, an affiliate of the Florida Education Association / United, a division of the American Federation of Teachers, endorsed the program as a benefit. Even with the union's input as part of the collective bargaining process, the program still failed to accomplish the goal it was designed for.

The dollar amount paid by the Hillsborough County School District yearly for accrued sick leave was significant. During the last three school years, terminal sick leave reimbursements ranged from an average low of $156.47 each for support personnel during the 1992-93 school year to a high of $42,760.54 per administrator during the 1991-92 school year. In total, for the last three school years, the Hillsborough County School District paid $9,184,422.36 to 1,138 employees, for an average of $8070.66 each.
Disadvantages

As with many annuity programs, the requirements for age and service were difficult to meet for many employees who needed to retire. Many employees were eligible to retire, however, additional incentives were not offered by the school district.

Conclusion

Therefore, since nothing new was added to motivate additional employees to retire, little was accomplished to remove large numbers of employees, which was necessary to accomplish significant cost savings. In a school district with over a half billion dollar budget and seven percent of the teachers in the state, there should be larger savings than the amounts shown above. Factors which contributed to the circumstance included salary, increments, and policy. The average salary for all of Hillsborough's County School District's teachers was $2,017 or six percent below the state average. The median teacher's salary was $2,392 or seven percent below the state median, although the range of salaries for the school district was 111% of that offered across the state.

The increment between a Bachelor's Degree and a Master's Degree in the Hillsborough County School District was $2109, which was greater than the state average of $1885. This was an incentive to continue education and a reason why 36% of the teachers had obtained Master's Degrees by the 1992-1993
school year. The years of experience for the Bachelor's and the Specialist's Degrees equalled state averages.

While 375 employees did select retirement during the 1992-1993 school year, there were between 500 and 1000 employees eligible who opted not to elect either early retirement or regular retirement. Many employees decided not to retire because the financial incentives were not substantial enough to motivate leaving a secure salaried position.

Indian River School District

The revenues received by the Indian River County School District for the 1992-1993 school year were shown in Table 8, page 56. Total expenditures for the year were $55,557,969.79. Total salaries amounted to $35,504,079.55 and benefits were $12,849,859.63. Benefits equaled 36% of salaries and when added to salaries, accounted for 87% of the total expenditures for the school district.

During the 1992-1993 school year, the school district offered a combination of an annuity and a bonus for retiring employees. The basic program started in 1989 when the school district offered a single retirement package. The local union, the Indian River County Education Association, affiliated with the Florida Education Association / United, a member of the American Federation of Teachers, had negotiated additional incentives on a yearly basis. This primary package provided a 15% bonus of the highest annual
salary plus 50% of the accrued number of sick days if the employee had worked in the district from 10-12 years. If service was for 13 or more years, the sick leave reimbursement increased to 70%, instead of the maximum of 100% as allowed by Florida Statute. For this study, the school district reported the following savings using the combinations of retirement incentives:

<table>
<thead>
<tr>
<th>Year</th>
<th>Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-1991</td>
<td>$40,000</td>
</tr>
<tr>
<td>1991-1992</td>
<td>$50,000</td>
</tr>
</tbody>
</table>

For the 1992-1993 school year, the final retirement package negotiated by the union, above the primary package, included a $10,000 cash bonus, five years of paid health insurance if the employee switched to Medicare at age 65, and 100% of the daily rate of accrued sick leave. The Assistant Superintendent of Personnel Processing reflected that the most sought after benefit was the health insurance. He stated that one year it was deleted and that only two additional people retired as compared with the normal 25-30 with the benefit included. He evaluated the program as cost effective and successful.

The school district provided optional periodic retirement workshops for the prospective retirees. Additionally, a state consultant from the Division of Retirement visited during the spring and provided information about the four options under the Florida Retirement System. Another part of the benefits package
included sick leave reimbursements which had averaged less than some other school districts in the state. Indian River County School District sick leave reimbursements have ranged from $1,595 each for support personnel to $29,304 for administrators during the past three school years. All the policies explained have been endorsed by the local teacher's union that is associated with the Florida Educator's Association / United.

Disadvantages

While a cost savings to the school district, the sick leave reimbursement was considered a disadvantage by the employees. Since the maximum, regular remuneration was 70% of daily rate times the number of accrued sick leave days not taken, the employee failed to realize the full potential of 100% of accrued sick leave that many other school districts in the state receive.

Conclusions

The retirement incentives in the Indian River County School District were working. By collective bargaining with the union, the school district had motivated many employees to retire early for the benefit of the school district. One of the primary reasons that employees elected to retire was the offer of five years of paid health insurance. This inducement was designed to provide for the employees until age 65 when Medicare became available. The district was
able to afford this benefit economically through the use of two cost saving strategies.

The first tactic involved maintaining membership in the South Central Education Risk Management Program, SCERMP, a consortium of ten school districts working together to obtain competitive insurance coverage for the group rather than just one district. For the 1992-1993 school year, the basic health care premium for each retiring employee was $2040.00 per year. This was budgeted annually for five years and did not have to be paid in one lump sum.

Another component involved the termination package that the Indian River County School District provided to employees. Since the school district did not pay 100% of the accrued sick leave reimbursement, discretionary funds were available to use for early retirement incentives. For the 1992-1993 school year, a total of $210,600 was paid to all employees as reimbursement for accrued sick leave. Cost savings realized from this strategy of not paying the maximum amount permissible were $90,258. These moneys were used to fund the health insurance premiums, another incentive in the retirement package.

Indian River County School District's salary schedule offered more value than several other school districts utilizing retirement incentives. While the average salary was comparable to the state average, the median salary was $1,560 or five percent higher than the state median.
The average number of years of service for teachers in this school district, 13.19, was higher than the state average of 11.95. This was influenced by the fact that during the 1992-1993 school year, 63% of the teachers in the Indian River County School District possessed only a Bachelor's Degree. This difficulty was due to the location of the school district. Indian River County is on the east coast of Florida and not within easy commuting range of colleges or universities. This availability of graduate schooling is notable when a contrast is drawn between the Indian River County School District with a 63% Bachelors / 34% Masters mix of teacher certification and the Alachua County School District with a 39% Bachelors / 53% Masters combination.

Liberty County School District

Total revenues received by the Liberty County School District for the 1992-1993 school year are displayed in Table 8, page 56. Total expenditures for the school district for the year were $5,373,156.10. Of this amount, salaries amounted to $3,630,989.67 and benefits accounted for $1,092,643.34. These two sources of expenditures together equaled $4,723,633.01 or 93% of the total budget. Benefits were 30% as high as salaries. One of the state sources of revenue was Racing Commission Funds that accounted for a total of $173,250.00.
This school district started a retirement program in 1984 that provided a ten percent bonus incentive of the highest annual salary for employees who retire the first year that they were eligible. This plan was endorsed by the local union. There was also a provision for employees to receive 50% compensation for sick leave buy back, if there had been ten years of service in the district. The retirement clerk assisted the one or two employees who retire each year by obtaining forms and making phone calls, etc. There were no planned seminars for this district with 75 of the State's 114,617 teachers during the 1992-1993 school year.

Disadvantages

Due to the small size and limited student enrollment of the school district, excess revenues were not available to fund additional activities or annuities for retirement incentives. The total budget was only $5 million dollars and there were just over 1,000 students in the entire school district, thereby limiting sources of State and Federal funding.

Conclusions

With salaries and benefits costing 93% of total expenditures, Liberty County School District had little or no discretionary funds to afford incentives. Maintaining the average teaching salary at just three percent or $1,213 below the state average had been a notable undertaking.
Although the median salary was less than the state median by $1,350 or four percent, the minimum and maximum salaries for the school district were higher than the state averages. This was due in part to the efforts of the union, the Florida Teachers Profession, the affiliate of the National Education Association.

As with the other smaller districts in the state, the teachers average more years of experience than the state average. For a Bachelor's Degree in Liberty County School District, the average was 14.37 years or 20% higher than the rest of the state at 11.95 years. For a Master's Degree, the state average was 16.87 years and the school district averages 18.04 years or six percent higher.

**Martin County School District**

The revenues received by the Martin County School District for the 1992-1993 school year are shown on Table 8, page 56. Expenditures for the school district were $63,774,970.53. Salaries amounted to $39,811,858.70 and benefits were $15,156,741.29. Together, the salaries and benefits equaled $54,968,599.99 or 86% of total expenditures. The benefits were the equivalent of 38% of salaries.

This school district initiated a retirement program in 1984, which was later expanded to the plans defined below. **Plan I - Enhanced Normal Retirement** was designed to encourage fully vested employees to retire. The school
district designed a supplement to the benefits that employees receive who are qualified under the Florida Retirement System or the Teacher's Retirement System. The predecessor to the Florida Retirement System had prerequisites of age 60 and ten years of service if started before July 1, 1963 or age 62 if started after July 1, 1963.

The incentives provided by this Martin County School District plan included: 100% of sick leave balance, payable in two disbursements; an $8,000 bonus, also paid in two installments; and a percentage of the single health insurance premium paid until the retiree reaches Medicare age, as shown in Table 11.

Plan II - Retirement/Rehire Option was designed for the teachers who were qualified for Plan I, but who wished to return to teaching to supplement their retirement income. These teachers had the option to be rehired on an annual contract at the salary and their position and credentials, subject to annual evaluation, reappointment, and with step advancement after that. This was available after one year.

<table>
<thead>
<tr>
<th>YEARS WITH MARTIN COUNTY</th>
<th>PERCENTAGE OF COVERAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19 years</td>
<td>25%</td>
</tr>
<tr>
<td>20-22 years</td>
<td>50%</td>
</tr>
<tr>
<td>23-27 years</td>
<td>75%</td>
</tr>
<tr>
<td>28+ years</td>
<td>100%</td>
</tr>
</tbody>
</table>

School Board of Martin County Contract
away from the job, at the employee's option. This leave allowed the teacher to receive the terminal pay earned from the first career. These teachers had to have an acceptable performance evaluation for the last year evaluated.

Plan III - Enhanced Early Retirement Program was designed for full time teachers who qualified for early retirement with the following criterion.

To qualify for the Basic Plan, subtract a total of two years from criteria 1 or 3 listed below, or one year each from criteria 1 and 3 shown below:

* Age 55 or above
* 25 or more years of creditable service
* Martin County Schools Service - 15 or more years

To qualify for the Supplemental Plan, subtract a total of two years from criteria 3 listed below, or one year each from criteria 1 or 3 below:

* retirement age 51-54
* years of creditable service 26-29
* Martin County Schools Service - 15 years or more

Teachers who qualified were encouraged to take advantage of the following incentives: 100% sick leave balance; $7000 bonus; plus the enhanced sick leave bonus shown in Plan I.

Plan IV - Bonus Retirement was designed for teachers who may not meet some of the criteria in Plan III, but who were interested in early retirement. These teachers had to be at least age 55 or above, on step 14 on the salary schedule with ten or more years of creditable service and be eligible for retirement with either the Florida Retirement System or
the Teachers' Retirement System.

The teachers electing to retire using this option received a bonus of $7,000: 100% of accrued sick leave balance, and the health insurance premium described with Plan I.

Plan V - Sabbatical/Enrichment Leave was designed to encourage a teacher to take professional leave for: multicultural interests and activities, additional certification, advanced studies, community service, language skills, and to upgrade vocational skills. To qualify, teachers had to be full time, received an acceptable performance evaluation, be on step ten or above on the salary schedule, and possess a current professional certificate.

Benefits included a salary of $4000 per year, with the board paying the retirement contributions for the $4000, full health insurance for the leave period, and guaranteed assignment upon return. The leave was irrevocable upon approval.

During the 1992-1993 school year six teachers took advantage of this benefit with seven approved for 1993-94. A comparison illustrating the savings is shown in Table 12.

The Martin County School District provided one annual workshop to provide information about social security, insurance, annuities and other topics of interest for potential retirees. The Martin County Education Association, the local union associated with the Florida
Education Association / United, had been involved in the collective bargaining process and endorsed all five of the current programs.

### TABLE 12

**SABBATICAL LEAVE SAVINGS**

<table>
<thead>
<tr>
<th>FINANCIAL ASPECTS</th>
<th>TEACHER</th>
<th>REPLACEMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average salary</td>
<td>$37,576</td>
<td>$21,000</td>
</tr>
<tr>
<td>Fringe benefits</td>
<td>12,997</td>
<td>8,547</td>
</tr>
<tr>
<td>Salary for leave (includes retirement)</td>
<td>-7,682</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>$42,891</td>
<td>$29,547</td>
</tr>
<tr>
<td>Net saving</td>
<td>$13,344</td>
<td></td>
</tr>
</tbody>
</table>

The Martin County School District also provided for an annual remuneration for unused sick leave. The policy allowed the employee to be reimbursed for the number of days not used, times the daily rate of pay times 80%. This discounted reimbursement allowed the school district to control expenditures. For the 1992-1993 school year, the following amounts were paid: $60,815.00 paid to four administrators; $16,310.00 paid to four instructional personnel; and $39,052.00 paid to 24 retiring support personnel. When this was compared with the other school districts offering retirement incentives, the average of $3630.53 per individual seemed reasonable.
Disadvantages

In the area of compensation, the only disadvantage to the employees was that the annual buy back of sick leave was not at the full 100%. Before the collective bargaining process, the Martin County School District provided for reimbursement of accrued sick leave during and after the tenth year of service using the daily rate multiplied by 50%. During and after the 13th year of service, the daily rate was multiplied by 100% times the number of accumulated sick leave days, as allowed by the Florida Statutes.

Conclusions

The retirement plans for Martin County School District were effective during the 1992-1993 school year, as evidenced by the low number of average years of experience. The average number of years of experience for a teacher with a Bachelor's Degree was 5.04 which was 42% of the state average of 11.95 years. The teachers with Master's Degrees in Martin County averaged 7.24 years of experience while the rest of the state was at 16.87 years. The low number of years suggested that many teachers were retired and replaced by new teachers.

While the average and median salaries for Martin County School District teachers were both three percent below the state, the total salary range was 120% larger than the state average. This was another indication that the
retirement programs were functioning and saving funding for the school district. The more experienced teachers were retiring and the replacements were being hired at the lowest salary.

**Orange County School District**

The revenues received by the Orange County School District for the 1992-1993 school year are illustrated in Table 8, page 55. The total expenditures for the same period included $483,947,631.02. Of this amount, $306,271,367.31 was spent for salaries and $108,732,463.02 was expended for benefits. Salaries and benefits together equaled $415,003,830.33 or 85% of total expenditures. Benefits accounted for 35% of salaries.

This school district started an annuity retirement program in 1984 that had been in effect until the 1993-1994 school year. Designed to provide teachers who were tired of teaching with an opportunity to leave the classroom earlier than normal retirement, the program failed to accomplish what it was created to do. For teachers to qualify they had to be at least 58 years old with at least 28 years of creditable experience. If the employee agreed to retire, the school district would purchase an annuity for life that would supplement the retirement received from the Florida Retirement System. Since the majority of the teachers would be leaving two years early, a standard one time payment annuity would cost approximately $30,000. This would make
up for the ten percent penalty charged by the Florida Retirement System for leaving two years early.

While it was traditionally a contract item, many employees did not meet the requirements and did not have the correct combination of years and experience. Of the 250 employees per year that retire, only five or six a year qualified to retire early.

The local union, the Orange County Classroom Teachers Association, had previously endorsed the early retirement incentive program offered, primarily since no other programs had been collectively bargained. It was not considered cost effective, since the annuities cost an average of $30,000 each and had to be paid in full before being issued. While the program did not motivate many employees to retire, it was a negotiated part of the contract and not easily replaced.

In addition to the annuity, the school district provided two employees who worked part-time answering retirement questions and assisting with the completion of the paperwork. There was also an Annual Pre-retirement Seminar.

At the time of this study, the Orange County Classroom Teachers Association had completed negotiations with the school district to replace the existing plan with an alternative program. The new proposal would require that the employee have an age and experience combination equal to 80 and that each potential retiree would have at least ten
years of service in the Orange County School District. If qualified, the employee would have the option to select one of the following: (1) to have paid health insurance coverage for up to ten years or to age 65 when Medicare would take over, (2) if eligible for Medicare in two years, to receive health insurance to age 65 plus $1,500, (3) if eligible for Medicare within one year to receive health insurance to age 65 plus $3,000, or (4) if not selecting to receive health insurance, a lump sum payment of $7,200. The number selecting each new option was not available during the 1992-1993 school year.

Another component of the termination package offered to retiring employees was sick leave reimbursement. Sick leave buy back for the Orange County Schools District has traditionally been the maximum allowed by state statute. During the 1992-1993 school year, the expenditures were substantial with 18 administrators receiving an average of $44,270.18 each, $17,245.81 average for the 123 instructional personnel, and $4,438.09 for the 257 support personnel. The district average was $13,357.65 each for the 257 employees who retired.

An additional benefit not available in most school districts was the policy that "teachers retiring from the Orange County School System, who are not eligible for Medicare at the time of their retirement, will be eligible for a position as a retired substitute teacher and will,
under this provision, be entitled to extended medical benefit" (p.52. Orange County Classroom Teachers Association Contract). To keep this benefit in force, the teacher had to agree to substitute for at least 28 days during the year in which benefits commence. The school district also maintained a multioptional insurance program through the Internal Revenue Service--Section 125 provision. This allowed retirees to continue to purchase coverage in the same group as the current employees, at a higher cost than the nonretirees.

Disadvantages

For a school district that paid $3,432,918.23 in 1992-1993 and over $2,800,000 for 1991-1992 for accrued sick leave reimbursement, an early retirement program that allowed five or six people to retire early was not adequate. In previous years, the school district had employed a record number of teachers when revenues were proportionally higher than during the 1992-93 school year, however, with current funding the necessity to control benefit costs was crucial. Salaries averaged below the state means suggesting a lower than normal student to teacher ratio for a school district with a budget approaching half a billion dollars. The benefit ratio of 35% of salaries indicated a need to encourage some of the higher paid administrators and teachers to retire and alleviate the imbalance.
Conclusions

During the 1992-1993 school year, the Orange County School District was the sixth largest school district in the state. There were 6900 certified teachers with degrees, in addition to the administrators and support personnel who all receive annual total salaries of $108,732,463.02. The abundance of instructional personnel is one reason why the average teaching salary for the school district was $2421 or seven percent below the state average. The median salary for the entire school district was also low indicating an excess of personnel. It was $2363 or seven percent below the state median. Since all other statistics approached the state averages, the data suggests that a revised early retirement program might provide additional motivation to retire a large number of those teachers and other employees who are eligible, thereby providing additional funding for other purposes including salary increases to approach state standards.

Osceola County School District

For the 1992-1993 school year, total revenues for the Osceola County School District are illustrated in Table 8, page 55. Total expenditures for the same period were $85,468,524.46. Of this amount, $54,720,124.45 went for salaries with $19,137,313.52 being paid in benefits. The salaries and benefits together equaled $73,857,627.04 or 86% of the total expenditures. Benefits amounted to 34% of
This school district offered an early retirement incentive plan based on the purchase of an annuity. The plan was instituted in 1983. The prerequisites required the employee to be at least 55 years old with at least 25 years of service. Known as the 80 plan, the combination of two numbers had to equal 80. If the employee qualified, he or she could retire early with retirement benefits from the Florida Retirement System and with an annuity from the school district to supplement the monthly pension. An added incentive was for the school district to pay 100% of accrued sick leave through terminal pay. The retirement incentive program was endorsed by the local union, the Osceola County Teacher's Association, an affiliate of the Florida Teachers Profession, and the National Education Association, FTP-NEA.

Disadvantages

Out of the 25 to 30 employees who retire each year, only one or two took advantage of the annuity incentive offered. Additional funding had not been available to offer cash bonuses or to pay for additional health insurance.

Conclusions

The Osceola County School District had the second lowest dollar amount available per student of all of the school districts studied. This influence caused the school district to be able to afford a salary schedule with the
average teacher salary $4,210 or 13% below the state average for the 1992-1993 school year. The median salary for the school district was $4,787 or 15% below the state average. One result of these low figures was the high number of teachers certified with only Bachelor's Degrees; 841 or 66% of the total number of teachers. This was compared with a state average of 58.68% and a retirement incentive group of school districts average of 57.66%. Conversely, the low percentage with Master's Degrees, 32%, was considerably lower than both the state mean of 37.69% and the retirement incentive group mean of 36.19%

A second factor relevant to the salary schedule was the years of experience for Bachelor's and Master's Degrees. Osceola County School District had an average of 9.14 years contrasted with the 11.95 years for the state average for the Bachelor's Degree and 13.75 years compared with 16.87 years for the state average. Current ages were also all low when paralleled with the rest of the state. Administrators averaged 46.5 years old against 48.4 for the state, the teacher's mean was 37.9 years old compared to 42.0 years old for the state, and the support personnel averaged 43.4 years old against the state 44.8 years' old average. The younger ages, higher number of Bachelor's Degrees and lower salaries all combined to portray a school district that would not benefit considerably from a token early retirement incentive program.
The total revenues received by the Palm Beach School District for the 1992-1993 school year are shown in Table 8, page 56. Total expenditures for the same year were $573,140,192.96. Of this amount, $362,789,549.19 was spent for salaries with $129,808,954.85 expended for benefits. Together, the salaries and benefits equaled $492,598,504.04 or 85% of the total spent. Benefits represented 35% of salaries.

The school district enacted an annuity early retirement program in 1991. It was based on the Rule of 80 plan, with the employees being required to be at least 55 years old and to have at least 25 years of experience. The annuity was used to supplement the retiree's income for the amount penalized by the Florida Retirement System each month. It had to provide between $100 and $700 per month to the retiree. The specifications needed were submitted for competitive bid. Employees were only able to sign up for retirement during a window or specified period, from February 15 until July 1.

The early retirement incentive program was having an actuarial evaluation during 1994 to determine if it was effective since originally only authorized for a precursory period of four years. A preliminary study projected a savings of approximately $500,000 over a period of three years, although school district records reported that during
the 1991-1992 school year just 21 employees took advantage of incentives. During the 1992-1993 school year only 16 employees elected to use the incentive plan. The school district's responses to the survey conducted for this study indicated that the district had used the early retirement program to restructure the district and to eliminate positions. This program started as a side agreement and was not part of the original contract language. The local union, the American Federation of Teachers of Palm Beach County, an affiliate of the Florida Education Association / United, part of the American Federation of Teachers was involved in the creation of the agreement.

The Personnel Information Management Division of the Palm Beach County School District conducted two workshops per year to educate the employees about retirement. During the 1992-93 school year, nearly 300 employees retired from the school district.

The school district offered a liberal Sabbatical Leave Policy that allowed an employee with six years of tenure with the Palm Beach County School District to apply for a maximum of two years of leave. The school district paid one half of the base monthly salary, plus retirement and Social Security contributions on the amount of salary actually received while the teacher was on leave of absence. Sabbatical Leaves were granted for educational travel or professional academic advancement. Each teacher
participating had to sign a contract with the school district agreeing to return to the district and serve an additional three school years following the expiration of the leave. If the employee failed to return, he or she agreed to repay the full amount of compensation received from the district. There was no limit on the number of participants in the program.

The amount of sick leave reimbursement that the school district conceded to pay was the maximum allowable. The school district reimbursed employees for accrued sick leave only at retirement.

Due to the accounting procedures used by this school district, statistics were not available to determine if the program was cost effective, however the retirement specialist of the Personnel Information Management Division believed it was working. The prediction was made that the program would be continued as a regular part of the employment contract.

Disadvantages

Since the district had not kept detailed records on the retirement program, it was difficult to evaluate the effectiveness. Indications were that the actual cost savings realized were from the restructuring that motivated employees to retire without placing another employee in the position.
Conclusions

Since the school district enrolled 116,458 students and employed only 6790 teachers during the 1992-1993 school year, each student share of the total was $4,921.43. This amount, plus the average of 17.15 students per teacher, allowed the district to offer a competitive salary range. The average teacher's salary was $3,949 or 12% higher than the state average. The median salary was $4,815 or 15% higher than the state median. The average years of experience for the teachers was below the state averages for the Bachelors, Masters and Specialist Degrees. The range between the minimum and maximum salaries was 116% compared to the state average.

An interesting contrast was drawn between Palm Beach County School District, with the fifth highest number of students in the state for the 1992-1993 school year and Orange County School District, which had the sixth highest number of students. Orange County School District had 110 more teachers for 6,262 fewer students. The ratios showed Orange with an average of 15.97 students per teacher and Palm Beach School District with 17.15 average students per teacher. The per teacher student ratio and other factors, influenced the average teaching salary. In Orange County School District it was $28,755 compared with $35,125 in Palm Beach County School District. The amount of local funding available in the Palm Beach County School District made a
significant difference in the per student funding.

**Pasco County School District**

The total revenues received by the Pasco County School District during the 1992-1993 school year are shown in Table 8, page 55. Total expenditures for the school district for the same period were $151,075,177.72. Of this amount, salaries accounted for $95,972,692.46, and benefits were $34,677,265.78. These two quantities together totaled to $130,649,957.00 or 86% of aggregate expenditures. Benefits equaled 36% of the amount paid for salaries.

State sources included State Forest Funds for the Withlacoochee State Forest that is partially in the school district; as well as Florida Education Finance Programs, FEFP; and District Discretionary Lottery Funds. The largest account in local sources was the District School Tax that provided 92% of the total local revenues.

This school district offered an annuity with cash option, which permitted the retiring employee to receive the cash equivalent of the lowest priced single-payment annuity. The early retirement program started in 1984 with the benefit available on a yearly basis. To qualify, employees had to be at least 50 years old with 25 years of service. The school district even granted employees the opportunity to transfer out-of-state credit into the school district.

The annuities or cash option were paid for by a Pension Trust Fund established by the school district. The fund
balance as of July 1, 1992 was $359,459.75. Income added during the year in the amount of $234,542.57 created a total fund balance as of June 30, 1993 of $594,002.32. The income was derived from interest received of $10,412.17 and an appropriation from the general fund of $383,921.17.

The school district also offered special leaves of absence for specified periods as shown in Table 13 both with and without pay. Several other school districts in the state also provide the opportunity for employees to benefit from these leaves, however, the requirements are not always the same. An example of a dissimilarity was Military Leave. While most of the districts offer up to 17 days of paid leave per year for Reservists and National Guardsmen to

### TABLE 13

<table>
<thead>
<tr>
<th>LEAVES AVAILABLE TO PASCO COUNTY SCHOOL DISTRICT EMPLOYEES</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Advanced Study and Education Service Leave--without pay, up to one year.</td>
</tr>
<tr>
<td>b. Child rearing Leave--without pay, up to one year.</td>
</tr>
<tr>
<td>c. Civic Participation Leave--without pay, renewed yearly while holding elected office.</td>
</tr>
<tr>
<td>d. Health Leave--without pay, for a period of up to one year.</td>
</tr>
<tr>
<td>e. Military Leave--without pay, until released from active duty.</td>
</tr>
<tr>
<td>f. Sabbatical Leave--55% or regular salary, up to two years.</td>
</tr>
</tbody>
</table>

Pasco County School District Leave Policy

complete Annual Training, the Pasco County School District does not fund this type of absence.
Sick leave reimbursements ranged from $957.51 each for support personnel in 1990-1991 to an average of $25,617.03 for administrative personnel in the same year. Reimbursements for all 165 retirees averaged $2,226.71 in 1990-1991. The amounts for the next two school years were similar but slightly less. The local union, the United School Employees of Pasco, an affiliate of the Florida Education Association / United, endorsed the early retirement program.

Sick leave reimbursement, known as Meritorious Attendance Incentive Pay, was paid through the tenth year, as indicated in Table 5, page 43. In the Pasco County School District the remainder of the time through the 15th year was reimbursed at only 75% of the amount allowed by state statute. For the twentieth year and after, the rate was 100%. If employment was terminated for any reason other than retirement or death, members of the bargaining unit would receive one-half the established percentage for all accumulated sick leave as stipulated above.

Disadvantages

The Pasco County School District included many retirees from other states who did not believe in subsidizing the education of children of others. Bond issues and proposed tax increases are therefore voted down. The result is that the school district employees received proportionally low salaries. This affected not only the individual daily rate
of pay but consequently the future rate of pay for retirement. This forced the many employees of the Pasco County School District to delay retirement until additional years of experience had been accumulated.

Conclusions

The average salary for Pasco County School District was $4,438 or 14% below the state average. The median salary was $5,278 or 17% below the state median. The small local support maintained the low rate of pay which in turn caused a significant number of teachers to be employed with only a Bachelor Degree. In the school district, 64% of the teachers had the lowest professional certification, compared with the state average of 59%.

The reduced salaries were beneficial for the school district when the sick leave reimbursement was computed, since it was based on the daily rate of pay. The resulting savings were used to fund other aspects of the retirement package. The current ages of the administrators and the teachers were below the state averages suggesting a slightly faster than normal turnover, however the average years of experience for teachers equalled the state average for most of the levels of certification.

Pinellas County School District

The total revenues received by the Pinellas County School District for the 1992-1993 school year are shown in Table 8, page 56. Total expenditures for the same period
were $426,668,591.03. Of that amount, $287,551,322.19 was spent for salaries with $87,045,415.00 being paid in benefits. Benefits equaled 30% of salaries while both benefits and salaries together totaled $374,596,737.19 or 87% of the total expenditures. The Pinellas County School District was the fifth highest district of those studied and the lowest of the school district with total budgets over $400,000.

Several local sources of revenue that were different from the other districts included: Tuition, Tax Redemptions, and Receipt of Federal Indirect Cost Rate. These accounts were significant to the point that local revenues nearly matched state revenues.

The school district provided for an early retirement incentive by offering an annuity for qualified employees at least 58 years of age with 26 years of experience. The program started in 1989, as a way for teachers to get out of the classroom, but it was used during the 1991-1992 school year as a restructuring tool to eliminate and restaff several administrative positions. The annual average number of retirees for the school district was approximately 250 with 410 employees retiring during the restructuring. The retirement incentive program was offered during a window to insure that the Pinellas County School District could effectively budget for and plan for replacing all individuals who planned to retire.
Three different retirement systems were recognized by the school district and employees could qualify to retire from any of the three. Included were The Teachers Retirement System (TRS), the Florida Retirement System (FRS) and the State and County Officers and Employees' Retirement Systems (SCOERS).

The Pinellas County School District established a policy for reimbursement of accrued sick leave that was different from the maximum allowable payment by Florida Statute. All percentages remained the same through ten years. Table 14 shows the changes applicable after ten years.

**TABLE 14**

<table>
<thead>
<tr>
<th>YEARS OF EXPERIENCE</th>
<th>PERCENT AVAILABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>From 10 - 11 years</td>
<td>50% of the daily rate</td>
</tr>
<tr>
<td>From 12 - 15 years</td>
<td>65% of the daily rate</td>
</tr>
<tr>
<td>From 16 - 20 years</td>
<td>70% of the daily rate</td>
</tr>
<tr>
<td>From 21 - 25 years</td>
<td>80% of the daily rate</td>
</tr>
<tr>
<td>From 26 - 29 years</td>
<td>90% of the daily rate</td>
</tr>
<tr>
<td>30 years or more</td>
<td>100% of the daily rate</td>
</tr>
</tbody>
</table>

Pasco County School District Contract

Sick leave reimbursement for the school district during 1991-1992 school year was an expenditure of $4,080,780. Divided among 215 employees the average equalled $18,980.
each. During the 1992-1993 school year, 208 individuals shared $4,150,000 for an average of $19,952 per employee. A local union. The union maintains membership with the Florida Teachers Professional, a member of the NEA.

Disadvantages

Many employees were discontented with the extended years of service for full reimbursement of sick leave and this also seemed to discourage early retirement. A number of workers also were against the policy that the board reserved the right to require employees at any time to submit to a physical and/or psychiatric examination, at school district expense. The examinations could be conducted by one or more physicians or psychiatrists to be chosen from a list of doctors approved by the school board.

Conclusions

Pinellas County School District offered an annuity retirement program that motivated few employees to retire annually. Generally, since the percentages for the district are very close to the state averages, there was no significant advantage to retire with only an annuity as an incentive. Indication was that employees were continuing to work instead of retiring, as demonstrated by the average years of experience for all levels was 14.65 years for the school district as compared with 14.06 years for the state. The 13.12 average years of experience for the Bachelor's
Degree level in Pinellas County School District was significantly higher than the 11.95 average years for the state. A longer average time indicated that either the incentive to move up to the next higher educational increment was not conducive for mobility or that the school district was not located in the vicinity of a college or university.

The average salary of $30,396 coincided with other school districts in the state. Additionally, the 6,240 Pinellas County School District teachers averaged 15.71 students for each class, which was below the 16.60 average for the 19 school districts that offered retirement incentives.

**Polk County School District**

The total revenues received by the Polk County School District during the 1992-1993 school year are shown in Table 8, page 55. Total expenditures for the school district for the same period were $279,423,181.96. Of this amount, $176,072,379.20 was expended for salaries and $57,569,498.95 was paid for benefits. Together, salaries and benefits accounted for $233,641,878.15 or 83% of total expenditures with benefits amounting to 32% of salaries.

The Polk County School District offered an annuity as an early retirement incentive. The program began in 1984 and was available on an annual basis. Employees could retire as early as age 55 however they would not receive the full
potential value of their retirement. As stated previously, the Florida Retirement System penalized all early retirees five percent for each year. While the school district provided an annuity to supplement that penalty, the annuity was also penalized five percent for each year.

In other words, if an employee retired at age 55, which was seven years before the regular retirement age, the retiree was penalized 35% of the maximum possible monthly payment from the Florida Retirement System. Instead of having the retirement completely supplemented by an annuity, as was done in other school districts, the Polk County School District also deducted a total of 35% from the value of the annuity. If the retiree was eligible to retire with a monthly check of $2000, the state would only pay $1,300 per month after the penalty. The amount supplemented by the school district would be only $455, so the early retiree from Polk County School District would only receive $1755, or 87% of the benefit received in other school districts offering annuities.

Further, there was no Cost of Living Allowance, COLA, increase built in for the annuity, as there was with the state, under the Florida Retirement System. While a retirement program was available, however, it was not a completely positive incentive.

The Polk County School District instituted this policy in 1984, the year that it was first authorized by in Florida.
Statutes, so that it would not be part of the collective bargaining process. If the Polk Education Association, Inc, the local union, attempted to change the process, the standard answer was that it was already part of the contract. The administration for the 1992-1993 school year was satisfied to continue with the present program, which was approved by the Internal Revenue Service.

There was no justification for additional cost of the actuary and trust fund, as required by some of the larger school districts, since the school district could purchase annuities on the open market using a competitive bid process. Because of the terms offered, there was not a great demand for annuities.

The records kept by the school district during the past ten years indicated that the average period required to recoup the retirement program costs had been 17 months. The quickest recovery had taken only eight months while the longest and highest had lasted three years and seven months. By replacing an employee making the maximum amount on the salary scale, with another employee who is just starting and consequently receiving the lowest level on the salary scale, the Polk County School District provided savings maximum savings. Seven employees took advantage of the early program during the 1992-1993 school year.

Polk County School District annually provided an early retirement seminar and a regular retirement seminar for all
interested employees. Eligible individuals were called in and provided with figures demonstrating how much they would receive when and if they retired. Other than the annuity, the only other retirement benefit was sick leave reimbursement, which was less than what the Statutes allow.

The Polk County School District reimbursed employees for sick leave as allowed by statute, up to ten years of service. Beyond this, the maximum rate paid was 50% of the daily rate times the number of days of accrued sick leave. This policy applied to any days accrued after July 1, 1985; days accrued before this date were payable at 100% of the daily rate. All policies were established to make the program cost effective. The variation to statute came after two employees retired before 1985 with over $100,000 worth of sick leave.

For the last three school years the sick leave reimbursement amounts went from an average low of $1682.50 for a support employee in the 1991-1992 school to an average high of $47,500 for administrators retiring during the 1992-93 school year. The highest average for all categories was paid during the 1990-1991 school year when 377 employees received a average reimbursement of $4874.53 each.

Disadvantages

The early retirement program for the school district was cost effective but at the expense of the employees. The sick leave reimbursement and annuity penalty made the
retirement program one of the most retiree unfriendly programs available. Since the school district was located in a rural setting, with limited local tax base, the program design was necessary to be effective. The difference between the seventh largest school district, Pinellas and the 8th largest district, Polk, was only a total of 30,330 students for the 1992-1993 school year. This narrow margin however, equated to $168,281,630.04 less in total revenues. The largest variance was $125,063,836.39 less collected from the District School Tax in Polk County School District compared with the Pinellas County School District.

Conclusions

During the 1992-1993 school year, Polk County School District teachers averaged $2,957 or nine percent below the state mean. Additionally, the median salary was $2,755 or nine percent below the median for the state. The salary step increment between a Bachelor's Degree and a Master's Degree was $1,550 compared with a state average of $1,885. The increment between a Master's Degree and a Specialist was $700 compared with the state average of $1,014. Advancing to a Doctorate, the increment was only $200 in the Polk County School District compared with an average of $843 for the state. These factors suggested an explanation for the fact that during the 1992-1993 school year, the school district had the second highest percentage of Bachelor's Degrees and the lowest percentage of Masters Degrees in the
entire state of Florida.

By not offering average increments to obtain advanced degrees, and by keeping the average and median salary below the rest of the state, it was apparent how the salary plus benefits were only 83% of the total expenditures for the school district. This was the second lowest of all school districts that offered retirement incentives in the state of Florida.

Sarasota County School District

Total revenues received by the Sarasota County School District during the 1992-1993 school year are displayed in table 8, page 55. Total expenditures for the same period were $150,503,342.92 with $97,248,786.49 spend on salaries and $33,000,422.66 being paid for benefits. The total of salaries and benefits together was $130,249,209.15 or 86% of the total expenditures. The amount paid for benefits was 33% as large as salaries.

Sarasota County School District spent a record $2,000,000 less in salaries in one year using an approach known as Early Out Planning. The program offered an incentive to the retiring employee to select Option One from the Florida Retirement System to receive the maximum monthly benefits available. The plan still allowed the individual to receive the same protection for a surviving spouse that would have been provided if Option Three had been selected. Shown in Table 15 is a comparison of the different amounts
that the average retiree must chose from when selecting an option for retirement.

This incentive, plus the offer of individual counseling of up to eight hours, seemed to appeal to the employees who were eligible to retire during the summer of 1993. The

**TABLE 15**

**BENEFITS PAYABLE THROUGH THE DIFFERENT OPTIONS OFFERED BY THE FLORIDA RETIREMENT SYSTEM**

<table>
<thead>
<tr>
<th>PERCENTAGE AVAILABLE TO RETIREE</th>
<th>OPTION</th>
<th>RETIREE RECEIVES</th>
<th>SPOUSE RECEIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>Option 1:</td>
<td>$2000 a month</td>
<td>0</td>
</tr>
<tr>
<td>96.924%</td>
<td>Option 2:</td>
<td>$1925 a month (10 years)</td>
<td>10 years</td>
</tr>
<tr>
<td>78.028%</td>
<td>Option 3:</td>
<td>$1500 a month</td>
<td>$1500 a month</td>
</tr>
<tr>
<td>86.049%</td>
<td>Option 4:</td>
<td>$1800 a month</td>
<td>$1200 a month</td>
</tr>
</tbody>
</table>

Florida Retirement System

normal retirement in the Sarasota School District for the past five years is shown in Table 16. With the Early Out Planning Program offered for the first time during a retirement window in the summer of 1993, the number of employees retiring increased from a yearly average of 30 to 169.

The Early Out Planning Program was designed to enable the school district to recoup much of the initial costs in three areas: sick leave, consultant / administrative fees,
and the insurance premiums. Since the amount expended for sick leave varied per person and per year, it was impossible to project an accurate amount of expenditure for this area.

The basic concept involves motivating senior employees, who were receiving maximum salary and benefits, to retire by providing them with the opportunity to receive the highest benefits possible with the Florida Retirement System. By agreeing to retire during a specified time period, or window, the potential retiree was able to receive the highest compensation from Option One and also receive insurance / income protection equivalent to that provided by Option Three. The opportunity was provided by the Sarasota District School Board and involved purchasing a life insurance policy on the retiree. To qualify, the employee

### TABLE 16

<table>
<thead>
<tr>
<th>SCHOOL YEAR</th>
<th>NUMBER OF ADMINISTRATIVE AND INSTRUCTIONAL STAFF RETIREMENTS COMPARED WITH THE TOTAL EMPLOYED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-1992</td>
<td>41/1,915</td>
</tr>
<tr>
<td>1990-1991</td>
<td>18/1,989</td>
</tr>
<tr>
<td>1989-1990</td>
<td>36/1,973</td>
</tr>
<tr>
<td>1988-1989</td>
<td>32/1,862</td>
</tr>
<tr>
<td>1987-1988</td>
<td>23/1,818</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>30/1,911</strong></td>
</tr>
</tbody>
</table>

Education Information and Accountability Services, Florida Department of Education.
had to be eligible to retire through the Florida Retirement System or its predecessor the Teachers Retirement System. Not only did the retiree receive the best retirement package, but the school district enjoyed an immediate cost savings in salary expenditures. An example showing the amount saved, on the average, is shown in Table 17.

**TABLE 17**

FROM THE SCHOOL DISTRICT'S PERSPECTIVE

<table>
<thead>
<tr>
<th>MONEY SAVED</th>
<th>SOURCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 34,997.89</td>
<td>average salary for retiring employee</td>
</tr>
<tr>
<td>-18,567.26</td>
<td>average salary for beginning employee—Administrative, instructional and noninstructional</td>
</tr>
<tr>
<td>16,430.63</td>
<td>difference</td>
</tr>
<tr>
<td>+ 5,064.78</td>
<td>fringe benefit variation, with the new employee having reduced costs for insurance, retirement, and sick leave</td>
</tr>
<tr>
<td>$ 21,495.41</td>
<td>total average money being saved by the district</td>
</tr>
<tr>
<td>$-7,489.52</td>
<td>premium for two insurance policies,</td>
</tr>
<tr>
<td>$ 14,005.89</td>
<td>Initial savings</td>
</tr>
</tbody>
</table>

Devereaux Benefit Services

Also significant was the fact that the Early Out Planning Program provided eight hours of individual consultation to all prospective retirees. At these consultations, the employee was invited to bring spouse, financial planner, CPA, lawyer, or any other interested party. The concept is
to provide a clear picture of what retirement will be like financially.

Interestingly enough, the consulting team had determined that 35% of the potential retirees were unable financially to retire. Even if eligible, many chose not to exercise this retirement option during the window due to poor individual planning, inflation and the national economy.

An additional innovation of Early Out Planning Program required the district to purchase a second insurance policy covering the retiring employee, with the School Board as the beneficiary. The settlement anticipated from these policies should have reimbursed the school district for the premiums paid for both policies; plus the majority of funding expended for sick leave reimbursement.

Another distinct advantage of the Early Out Planning Program was that the plan guaranteed to provide for funded liabilities with the district recovering a significant portion of all monies expended. The potential of a future deficit should be avoided.

Disadvantages

One aspect of the program that should be introduced is the timing. For the school district to benefit from Early Out Planning to the fullest extent possible, it was necessary to offer this opportunity through a window only periodically. The preliminary plan justified use only once every five years. This provided an extra incentive when the
program was going to be offered, for the eligible employees to take advantage of an opportunity. It was also to motivate some who were normally apprehensive of leaving the security of steady employment. The employees with normal retirement years which fall among the five year anniversaries would have to leave without the district having to purchase insurance policies for them. If the program was clearly explained, then the incentive would be there if any employee was unsure about the future and providing for his/her spouse.

The counselors who work with the employees also include other incentives to increase the numbers officially retiring. One incentive is that the insurance policies require no physical examination. Employees who might have an existing health problem would be covered since they agree to retire while inside the window and while still employed with the school board.

Conclusions

By using this method of motivating employees to retire when they are qualified, it is related to but not the same as the conventional format in which the school district purchases an annuity to supplement the retirement benefits provided by the Florida Retirement System. A truer comparison would be to compare Early Out Planning with the bonus incentives with which the smaller districts try to entice their vested employees to retire. While the
advantages of the Early Out Planning seem apparent, the success of the program will only be tested with time. Since substantial funding, approximately $325,000, was paid for the consultants, the Sarasota County School District will not recover the benefit of the life insurance policies until the district starts to receive compensation from the insurance company.

Suwannee County School District

The total revenues received by the Suwannee County School District during the 1992-1993 school year are illustrated in Table 8, page 56. Total expenditures for the same school year include $22,320,714.94. Of this amount, $14,702,838.78 was spent for salaries and $4,514,850.95 was paid for benefits. Together, salaries and benefits equaled $19,217,689.73 or 86% of total expenditures. Benefits amounted to 30% of what was spent for salaries.

The only source of revenue that was common to the accounts introduced by the other school districts was a state source for Racing Commission Funds. This source of revenue was available if a professional race track was located within the school district boundaries.

This district offered a retirement bonus to those employees who qualified with the Florida Retirement System to retire with 30 years of service at any age. Also, the school district would pay the medical insurance for the
employee only until eligible for Medicare. The $1000 was available for those who signed up during a window open the last two weeks of the fiscal year, closing on July 1, which starts the new fiscal year in most school districts. Suwannee County School District also had a policy to buy back unused sick leave at the end of the school year, at 80% of the regular rate. During the 1991-1992 school year, not one employee chose this option.

Also, during the last three school years, sick leave reimbursement ranged from an average low of $744.44 each for support personnel in 1990-1991 school year to an average high of $49,206.86 for each of administrator retiring during the 1991-1992 school year. The average for all retiring personnel for this year was $11,645.67. This program was endorsed by the local union, the United Teachers of Suwannee, a member of the Florida Education Association / United, an affiliate of the American Federation of Teachers.

Disadvantages

Since the cash incentive was small and available only after employees were fully vested, there was no real advantage for an employee to retire. The school district was small, and surveys have shown that many of the employees preferred to continue to work for job security and to not receive a reduction in pay by retiring.
Conclusions

Suwannee County School District was one of the poorest in the state of Florida, with local revenues generated of only $3,423,047.62 or 15% of the total revenues. With these limited resources, the school district was able to offer a salary schedule and compensation package close to state standards, with the average salary approximately four percent below the state standards. The average age of teachers was nearly two years above the state average, indicating a reluctance to leave teaching. The overall indications were that the teachers in this district value their positions and plan to stay as long as possible.

Washington County School District

The total revenues received for the 1992-1993 school year by Washington County School District are shown in Table 8, page 56. Total expenditures for the same school year were $18,381,223.52. Of that amount, $11,479,927.66 was paid for salaries and $3,639,681.78 was expended for benefits. Together, salaries and benefits equaled $15,119,609.44 or 82% of the total expenditures. Benefits equaled 31% of salaries.

Washington County School District received revenues from the state for State Forest Funds and Racing Commission Funds. The highest source of funding was the Florida Education Finance Program, or FEFP, which was the categorical funding for the entire state that attempts to
balance the state revenues.

This school district implemented a retirement incentive program starting in 1992-1993 school year. As of January 30, 1994, only five employees agreed to retire to receive the $1000 bonus. All potential retirees had to be qualified to retire with 30 years of service in the Florida Retirement System. The program was initiated as a method of restructuring the Washington County School District to eliminate positions.

An additional incentive offered by the school district was to reimburse accrued sick leave at 80% of the daily rate instead of the standard rate of 50%. Until the 1992-1993 school year, the highest reimbursement was paid during the 1991-92 fiscal year. The three categories of personnel averaged $6,647.38 each, with one administrator earning $1,190.53 and nine teachers receiving an average of $13,194.12. The program was endorsed by the local teachers union affiliated with the Florida Teachers professional, part of the National Education Association.

Disadvantages

Due to the small size of the school district, the retirement incentive was limited to what could be allocated from the budget. In this school district, which has only $3,639,681.78 appropriated for benefits, the funds were very limited. Included in the fixed costs were Health Insurance costs of $1,589.76 per teacher or a total of $351,336.96
just for medical coverage. When projected sick leave reimbursement totaling $125,000 for the entire school district for the same time period is factored in, the concept of a cash bonus was not considered a valuable incentive to retire.

The average teacher's salary was seven percent below the state average, and the starting teachers's salary was $2363 or ten percent below the state median. Also, the beginning salary for 1992-1993 was the third lowest in Florida.

Conclusions

In a school district like Washington County, the teachers generally stay in one place. The average years of experience for a Bachelor's Degree were 14.80 which was 19% higher than the state average. Further, the years of experience for a Master's Degree was nine percent above the state average. The good point was that the students per teacher ratio was 14.06, the lowest of the 19 school districts that offered retirement incentives.
CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

The purpose of this dissertation was to determine the following: (1) which Florida Public School Districts were offering early retirement incentives and what type of incentives were available; (2) did early retirement incentives motivate school district employees to retire early, and if so, what types of incentives were most effective, (3) were an adequate number of teachers available to replace those early retiring teachers; and, (4) what savings were obtainable by the school districts using the different retirement incentives examined in this study? In this chapter, conclusions, discussion, and recommendations based on analysis of the data are presented.

Summary

This study surveyed all of the school districts in the State of Florida and examined the 19 school districts that were attempting to control labor costs through the early retirement of high salary employees. By providing incentives to motivate employees to retire early, some of these school districts had controlled salary and benefit expenditures. Other school districts were able to avoid teacher layoffs while limiting class sizes to an average of
16.64 students per teacher, slightly above the state average of 16.52.

In addition to managing class sizes, emphasis was also placed on controlling total expenses. During the 1992-1993 school year, total expenditures for the 67 school districts in Florida amounted to almost nine billion dollars ($8,828,563,180.76). Of that amount, 85.9% was spent for the two areas that school districts exercise the least control over in the General Fund: salaries and benefits. Salaries for instructional, administrative and noninstructional employees in Florida totaled over five and a half billion dollars ($5,667,958,094.27) with almost two billion dollars ($1,914,142,819.40) being disbursed for employee benefits.

In an effort to reduce expenditures, the 19 school districts established incentives to encourage either early or standard retirement. Since all school district employees participate in the Florida Retirement System, the individual school districts had to determine a method to motivate qualified employees to retire early. Regular retirement was available to qualified employees at age 62 with ten years of Florida Public School Service or at any age with 30 years of service. Since the system offered no incentive to accept early retirement when eligible, and state legislation prohibits age discrimination, positive motivation was necessarily provided by the school districts.
The size of the school district was significant with reference to the type of retirement incentive that was provided. Due to limited discretionary resources, the less populated districts with annual revenues of less than \$60,000,000 resorted to providing a bonus incentive for the employees who had become fully qualified for retirement with the Florida Retirement System. While the bonuses provided limited inducements to retire, their appeal was to those employees who were not in good health or otherwise did not wish to continue working.

The largest regularly proposed bonus indicated by the results of the survey was a lump sum inducement equal to 15% of the employee's salary, not to exceed \$7,500, and was offered by the Indian River County School District. While attractive to a few employees, even this amount did not motivate adequate retirements and was increased annually through the collective bargaining process to a maximum of 25%, not to exceed \$10,000. This amount plus an annuity, comprised a motivating incentive for employees to retire.

As part of a total package of extra incentives, several school districts had also justified reimbursing employees for 100% of accrued sick leave. Since not all of the school districts regularly compensate retiring employees for the maximum allowed by statute, this substantially draining benefit became a matter for collective bargaining. However, the increased number of employees retiring due to this
additional incentive was encouraging and not only reduced total expenditures in many school districts, but also alleviated Reduction in Force problems in others. Several school districts, in addition to the ones identified in this study, opted to use these types of incentives for one-time-only opportunities to either avoid terminating employees or to restructure and eliminate unnecessary positions.

The data suggested the most common type of early retirement incentive program offered during the 1992-93 school year in Florida school districts employed an annuity. The annuity was used primarily to entice employees nearing qualification with the Florida Retirement System to retire early. In the school districts offering this type of incentive, a standard was established using a combination of the employee's age and number of years of experience. The Rule of 80, for example, required an employee to be 55 years of age with 25 years of experience; $55 + 25 = 80$. If the employee agreed to retire beforehand, the district purchased an annuity that would provide a monthly check to the retiree to offset the five percent yearly early retirement penalty imposed by the Florida Retirement System. A few school districts offered the option of the cash equivalent of the annuity if requested by the employee. Once the potential retirees were identified, the annuity specifications were submitted for competitive bid with the school district awarding the contract to the lowest bidder. This approach
offering early retirement incentives reduced long range expenditures eventually. However the single cash outlay to purchase the annuity was prohibitive if the school district had limited discretionary revenues.

One of the incentives that had to be added to several of the school districts' early retirement programs was medical insurance. Several of the larger school districts, Dade County, for example, found it necessary to provide those employees retiring early with some form of coverage, either paid for by the school district or cash paid to the individual to purchase private insurance. Indications were that life insurance was also a strong motivator for enticing some employees to retire.

Individual data collected for this survey indicated the supply of available replacement teachers was ample for the entire state of Florida. In fact only five of the 67 school districts, or less than eight percent, reported any shortage of teachers to replace those that retired. One reason for this problem was that the five school districts were located outside of easy commuting range of any of Florida's nine state universities. The only difficulty discovered was in replacing special education teachers. Of the school districts indicating a problem, four had median salaries lower than the state average, with the lowest--Glades County having a salary 12% below the median for the state of Florida.
The final type of early retirement incentive program was first put into effect in the summer of 1993 in the Sarasota County School District. It involved a new concept which proved to be successful. The district reported an approximate $2,000,000 reduction in salaries from the previous year while retiring a record number of employees. The average number of annual retirements had been typically 31 but during the two-month window in the summer of 1993, a total of 169 employees retired.

The idea of the Early Out Planning that the Sarasota County School District employed was established using insurance policy protection. Since the Florida Retirement System allows the retiree to choose only one option of payment, many retirees, approximately 85% of the total, selected the option that provided for a smaller monthly payment but included benefits for the spouse after the death of the retiree. Early Out Planning allowed the retiree to select the highest paying option from the Florida Retirement System, while the district provided an insurance policy to supply income to the surviving spouse. To offset some expense, the Early Out Planning provided for the district to purchase a second policy on the prospective retiree's life, so that all policy costs and a major portion of the costs involved with sick leave buy back would be reimbursed upon the retiree's death. This program needs to be monitored over a period of years to determine its level of success.
Conclusions

The type of early retirement incentives offered by the various Florida School Districts was affected by the level of funding which the school districts received from the three sources of revenue. As displayed in Table 18, a natural division occurred between the $55 and $60 million levels; above this amount, the school districts appeared to have enough discretionary funding to afford annuities rather than just bonuses. Martin County School District and Indian River County School District were two districts that were the exception. Their total revenues were greater that those of the other school districts encompassed by this study. Both school districts received higher revenues from local sources than from State sources. The four districts of the 19 examined by this study, with primary revenue from local sources, had the advantage over the traditional school districts which developed budgets based on a majority of funding received from state sources. Three of the four, Indian River County, Sarasota County, and Palm Beach County School Districts, had higher average salaries and higher median salaries than the State averages, due to this strong financial base. Additionally, three of the four school districts with strong sources of local funding also had higher average salary and benefits percentages than the remainder of the 19 school districts addressed in this study.
TABLE 18

FINANCIAL COMPARISON OF DISTRICT REVENUES

<table>
<thead>
<tr>
<th>A. DISTRICT</th>
<th>B. RANK BY NUMBER OF STUDENTS</th>
<th>C. INCENTIVE TYPE</th>
<th>D. BUDGET IN MILLIONS</th>
<th>E. PREDOMINANT SOURCE OF FUNDING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dade</td>
<td>1</td>
<td>Annuity/Bonus</td>
<td>1,539.3</td>
<td>state</td>
</tr>
<tr>
<td>Hillsborough</td>
<td>3</td>
<td>Annuity</td>
<td>559.3</td>
<td>state</td>
</tr>
<tr>
<td>Palm Beach</td>
<td>5</td>
<td>Annuity</td>
<td>550.7</td>
<td>local</td>
</tr>
<tr>
<td>Orange</td>
<td>6</td>
<td>Annuity</td>
<td>479.3</td>
<td>state</td>
</tr>
<tr>
<td>Pinellas</td>
<td>7</td>
<td>Annuity</td>
<td>439.0</td>
<td>state</td>
</tr>
<tr>
<td>Polk</td>
<td>8</td>
<td>Annuity</td>
<td>270.7</td>
<td>state</td>
</tr>
<tr>
<td>Pasco</td>
<td>14</td>
<td>Annuity/Bonus</td>
<td>150.8</td>
<td>state</td>
</tr>
<tr>
<td>Sarasota</td>
<td>16</td>
<td>Insurance</td>
<td>143.0</td>
<td>local</td>
</tr>
<tr>
<td>Alachua</td>
<td>20</td>
<td>Cash</td>
<td>108.9</td>
<td>state</td>
</tr>
<tr>
<td>Osceola</td>
<td>26</td>
<td>Annuity</td>
<td>85.2</td>
<td>state</td>
</tr>
<tr>
<td>Hernando</td>
<td>29</td>
<td>Annuity</td>
<td>55.3</td>
<td>state</td>
</tr>
<tr>
<td>Martin</td>
<td>33</td>
<td>Bonus</td>
<td>59.9</td>
<td>local</td>
</tr>
<tr>
<td>Indian River</td>
<td>34</td>
<td>Annuity/Bonus</td>
<td>52.0</td>
<td>local</td>
</tr>
<tr>
<td>Columbia</td>
<td>38</td>
<td>Bonus</td>
<td>32.8</td>
<td>state</td>
</tr>
<tr>
<td>Hendry</td>
<td>41</td>
<td>Annuity</td>
<td>24.8</td>
<td>state</td>
</tr>
<tr>
<td>Suwannee</td>
<td>43</td>
<td>Bonus</td>
<td>22.4</td>
<td>state</td>
</tr>
<tr>
<td>Washington</td>
<td>56</td>
<td>Bonus</td>
<td>18.9</td>
<td>state</td>
</tr>
<tr>
<td>Gulf</td>
<td>59</td>
<td>Bonus</td>
<td>9.5</td>
<td>state</td>
</tr>
<tr>
<td>Liberty</td>
<td>65</td>
<td>Bonus</td>
<td>5.0</td>
<td>state</td>
</tr>
</tbody>
</table>

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A final comparison of the Florida Education Finance Program costs is shown in Table 21, column F. Florida Education Finance Program incorporated a formula which includes cost factors established by Florida Statute Section 236.081, this formula is designed to equitably allocate State funds among school programs, based upon the relative costs of the programs to each other. The higher the number, the greater the amount of money able to be generated by the school district for State and local programs. The formula used to calculate percentages is complex, but basically
factors in differences from the following: student population, number and type of special programs, population growth rate, and types of services offered. The comparison is shown in Table 19.

**TABLE 19**

GENERAL FUND EXPENDITURES AND OTHER COMPARISONS

<table>
<thead>
<tr>
<th>A. DISTRICT</th>
<th>B. SALARY</th>
<th>C. BENEFITS PERCENTAGE OF SALARY</th>
<th>D. AVERAGE SALARY</th>
<th>E. MEDIAN SALARY</th>
<th>F. TOTAL PROGRAM COSTS-ALL FEFP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dade</td>
<td>87%</td>
<td>35%</td>
<td>+</td>
<td>+</td>
<td>4,225</td>
</tr>
<tr>
<td>Hillsborough</td>
<td>88%</td>
<td>31%</td>
<td>-</td>
<td>-</td>
<td>4,022</td>
</tr>
<tr>
<td>Palm Beach</td>
<td>85%</td>
<td>35%</td>
<td>+</td>
<td>+</td>
<td>4,363</td>
</tr>
<tr>
<td>Orange</td>
<td>85%</td>
<td>35%</td>
<td>-</td>
<td>-</td>
<td>3,827</td>
</tr>
<tr>
<td>Pinellas</td>
<td>87%</td>
<td>30%</td>
<td>-</td>
<td>-</td>
<td>4,059</td>
</tr>
<tr>
<td>Polk</td>
<td>83%</td>
<td>32%</td>
<td>-</td>
<td>-</td>
<td>3,863</td>
</tr>
<tr>
<td>Pasco</td>
<td>86%</td>
<td>36%</td>
<td>-</td>
<td>-</td>
<td>3,907</td>
</tr>
<tr>
<td>Sarasota</td>
<td>86%</td>
<td>33%</td>
<td>+</td>
<td>+</td>
<td>4,459</td>
</tr>
<tr>
<td>Alachua</td>
<td>85%</td>
<td>38%</td>
<td>-</td>
<td>-</td>
<td>3,916</td>
</tr>
<tr>
<td>Osceola</td>
<td>86%</td>
<td>34%</td>
<td>-</td>
<td>-</td>
<td>3,634</td>
</tr>
<tr>
<td>Hernando</td>
<td>84%</td>
<td>30%</td>
<td>-</td>
<td>-</td>
<td>3,776</td>
</tr>
<tr>
<td>Martin</td>
<td>86%</td>
<td>38%</td>
<td>-</td>
<td>-</td>
<td>4,339</td>
</tr>
<tr>
<td>Indian River</td>
<td>87%</td>
<td>36%</td>
<td>+</td>
<td>+</td>
<td>4,385</td>
</tr>
<tr>
<td>Columbia</td>
<td>84%</td>
<td>30%</td>
<td>-</td>
<td>+</td>
<td>3,740</td>
</tr>
<tr>
<td>Hendry</td>
<td>79%</td>
<td>37%</td>
<td>-</td>
<td>-</td>
<td>4,139</td>
</tr>
<tr>
<td>Suwannee</td>
<td>86%</td>
<td>30%</td>
<td>-</td>
<td>-</td>
<td>3,858</td>
</tr>
<tr>
<td>Washington</td>
<td>82%</td>
<td>31%</td>
<td>-</td>
<td>-</td>
<td>3,919</td>
</tr>
<tr>
<td>Gulf</td>
<td>83%</td>
<td>32%</td>
<td>-</td>
<td>-</td>
<td>4,480</td>
</tr>
<tr>
<td>Liberty</td>
<td>93%</td>
<td>30%</td>
<td>-</td>
<td>-</td>
<td>4,402</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>85.4%</td>
<td>33.3%</td>
<td></td>
<td></td>
<td><strong>4,068.6</strong></td>
</tr>
</tbody>
</table>

Educational Information Services, Florida DOE

**Successful Strategies**

Some of the individual strategies developed by various school districts in the state used retirement incentives are:
1. Monthly cash payments instead of a single payment annuity, thereby allowing better control over the annual budget. This program worked for Alachua County but requires a large amount of capital to be in escrow available for use.

2. Paying less than the maximum amount for accrued sick leave reimbursement. Even though the four bills introduced into the Florida legislature during the year were not enacted into law, additional efforts are anticipated for the future. The Polk County School District reimbursed a maximum of 50% for accrued sick leave.

3. Replacing sabbatical leave teachers with teachers low on the salary schedule. Indian River County School District was able to utilize this idea to allow several teachers to take time off for professional improvement.

4. Reimbursing employees for unused sick leave on an annual basis for less than 100% of the daily rate. This plan saves the school district a certain percentage. Several school districts found this financially feasible and while many employees chose to accrue sick leave, others found it advantageous to accept the immediate annual payment less the predetermined percentage.

5. Providing the incentive of extended medical coverage after early retirement. This plan proved to be an important consideration for those employees who were
undecided, particularly in economic setting with steadily increasing health care costs. Several of the larger districts relied on this plan including Dade, Indian River, Martin and Orange County School Districts.

6. Providing bonuses in other than single payments. This plan allowed the school district more flexibility in controlling the budget.

7. Providing counseling and workshops on retirement benefits. This plan proved to be one of the key factors for the significant number of employees who retired from the Sarasota County School District.

8. Cash bonuses for the employees who retire during a specific time window. This plan provides a variable control by the school district which motivating for employees to retire.

9. Forming cooperatives which include several school districts in order to take advantage of quantity purchasing power and economies of scale. Substantial savings are available if adequate amounts of goods and services are contracted for at a given time.

Recommendations

The following recommendations are suggested for interested school districts and additional studies in the future:

1. School Districts should investigate the possibility of insuring retiring employees with adequate life insurance
to provide the surviving spouse with an income. Such would allow the employee to select Option One from the Florida Retirement System and thereby receive the highest possible monthly allotment.

2. School Districts should investigate grouping themselves into cooperatives/coalitions to purchase insurance coverage for the larger groups of employees thereby decreasing the cost of insurance per individual.

3. School districts should consider limiting the amount of reimbursement for accrued sick leave for new employees. Those employees already employed in the districts should not be penalized, but a policy should be developed to allow a less than 100% of the daily rate to be paid for all employees hired after a specific date.

4. School districts should consider offering employees an annual reimbursement for unused annual sick leave. The refund should be for less than the basic daily rate. This plan would save an immediate savings, however, a more significant savings would be realized for the future since the district would be reimbursing current salaries rather than amounts accumulated annually but paid at the highest daily rate for the career.

5. School districts should investigate the early retirement incentive of providing extended health care coverage until the retiring employee reaches age 65 when he or she qualifies for Medicare.
6. The Florida Division of Retirement of the Department of Management Services should consider installing a toll free number to answer questions concerning the Florida Retirement System.

7. Florida School Districts should consider a more standardized program of early retirement incentives. If an employee has accrued a substantial number of sick days, there should be a procedure established allowing the employee to use this bank of accrued sick days to purchase "paid up" life or health insurance. Such would allow the school districts more flexibility and alleviate the need to make large cash disbursements each year.

Further Study

Given the funding pressures, many districts may have to seriously consider initiating or modifying existing early retirement programs. Monitoring this type of change is an area for further study. Other areas include: discovering the effect of early retirement on the quality of education; examining the possibility of the Florida Retirement System offering other options for retirement; or case studies on individuals who have used the portability of a pension system to transfer from one career to another.
APPENDICES
APPENDIX A

EARLY RETIREMENT SURVEY
EARLY RETIREMENT SURVEY

The following questions are designed to collect information relating to early retirement incentives in use in Florida School Districts in the 1990s. Please check the appropriate response and add any comments that you feel are pertinent.

1. Does your district now offer incentives for employees to retire early? YES ___ NO ___

2. If your response to #1 was NO, please specify WHY and continue on page 2.

3. What is the earliest age that an employee can retire from your district using the early retirement program? AGE ___

4. If retiring early, how is the employee supplemented until he or she reaches eligibility for the Florida Retirement System? ANNUITY ___ CASH ___ OTHER ___ Please explain any other compensation:

5. Has your district ever used an Early Retirement Program to eliminate positions within the past five years? YES ___ NO ___
If NO please continue with #7.

6. Is your early retirement program offered yearly, or approved only occasionally during a "window" or brief time period? YEARLY ___ WINDOW ___

7. In what year did your district start offering an early retirement program? 19 ___

8. What was the approximate annual cost savings, per year, in your district due to early retirement?
   90-91 $ ___________
   91-92 $ ___________
   92-93 $ ___________
9. In the same three years shown in #8, how many employees from your district chose early retirement?

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-91</td>
<td></td>
</tr>
<tr>
<td>91-92</td>
<td></td>
</tr>
<tr>
<td>92-93</td>
<td></td>
</tr>
</tbody>
</table>

10. Does your district offer any early retirement incentives in addition to sick leave buy back?  
YES ___ NO ___

If so, what are they:

11. Does your district offer to "buy back" unused sick leave at the end of the year, so that employees do not accumulate substantial numbers of days before retirement?  
If NO, please continue with #13.  
YES ___ NO ___

12. What percentage of the regular daily rate do the employees receive when selling back sick leave on an annual basis?  
PERCENTAGE ___

13. Does your district provide reimbursement for employees who must work additional hours beyond the normal work day?  
If NO, please continue with #15.  
YES ___ NO ___

14. If the answer to #13 was YES, Check the employee classification that receives "Comp" time reimbursement.  
NON-INSTRUCTIONAL ___  
INSTRUCTIONAL ___  
ADMINISTRATIVE ___

15. At what step does your district salary schedule reach the maximum level for teachers?  
YEARS ___

Your cooperation in completing this questionnaire is appreciated. Please list your name, district, and phone number, in case additional information is needed.

NAME ___________________ DISTRICT __________ PHONE __________

If possible, please enclose a copy of the last approved teachers' contract from your district.
APPENDIX B

LETTER
Attached is a questionnaire designed to collect information about early retirement incentives being offered in the state of Florida. It is being sent to all 67 counties. Your cooperation in completing it is sincerely appreciated!

As a Doctoral Candidate at the University of Central Florida, my dissertation deals with the costs involved in compensating employees to retire early from the different Florida districts. The information provided by you will be combined with statistics from the Department of Education, plus other research, in a study to determine if early retirement is effective in reducing total expenditures of the districts. If early retirement is not cost effective, then why not?

Return of the questionnaires is requested by the
This will permit compilation of the data and will allow sufficient time for follow up interviews.

If additional information is needed for clarification, please do not hesitate to call me at 407-679-4420.

Respectfully,

Peter B. Berry
2636 Lake Howell Lane
Winter Park, Florida 32792-6048
BIBLIOGRAPHY


BNA Pension Reporter (1986, July 21). IBEW contracts with AT&T include pension increases, new 401(K) plan, p 1286. Washington, DC: Author


