

MBUTA Early Retirement Package 2010 in Agreement with MBUSD

This retirement package provides teachers a one-time cash retirement benefit of 40% of an eligible teacher's 2009-10 base salary, excluding stipends, to teachers who have reached 55 years of age as of July 1, 2010, and have at least 10 years of district service as of the effective date of their resignation. This one time cash retirement benefit shall be paid to the employee no later than August 30, 2010.

CURRENT CONTRACT LANGUAGE

In addition, those teachers who retire after 15 years of service to the district have the option to participate in the district's health plan at their own expense to age 65. The district will contribute \$400 a year for five years toward the cost of health and welfare benefits. (Article 17.1)

ELIGIBILITY

Teachers who are eligible for this one time cash retirement benefit of 40% of their 2009-10 base salary, excluding stipends, must be age 55 before July 1, 2010, and have worked at MBUSD for 10 years.

FLEXIBILITY

The 40% cash bonus incentive seeks to support teachers with varying needs.

INSURANCE: Some teachers need health insurance, and this money may be used to maintain MBUSD insurance if the teacher has been with the district for 15 years (Article 17.1). The entire cost of the annual premium would be the responsibility of the retiree, including cost increases, until the teacher wishes to sever insurance coverage or reaches age 65. In addition, our contract states that MBUSD will contribute \$400 a year for five years toward the cost of health insurance benefits to teachers who retire with 15 years of experience in the district.

STRS CREDIT: Some teachers wish to purchase STRS credit to increase their STRS retirement package. This one-time cash bonus provides funds to purchase additional STRS service credit. Teachers interested in this possibility should contact STRS to set up a meeting to determine individual cost.

OTHER NEEDS: Some teachers need cash to buy a home, purchase an annuity, or invest in a business. Rather than deciding what is best for each retiree, this plan allows individuals to make their own decisions regarding their retirement.

This package will be paid out no later than August 30, 2010. It is subject to taxes. If a teacher retires this year and receives the bonus, his or her 2010 income should be

close to one year's salary and his or her tax bracket should not change. Check with your financial planner to be sure.

SMALL PRINT

There is no minimum number of retirees tied to the package, but the Board does have the right to withdraw the offer if the package does not financially benefit the district. If the district withdraws the offer, participating teachers shall be notified by May 20, 2010, and their letters of resignation will be rescinded. Teachers will maintain the right to their positions.

COMPARE/CONTRAST WITH OTHER OFFERS/DISTRICTS

2007-08: In the past, MBUSD has offered teachers up to five years of health and welfare benefits or its cash equivalent as an early retirement incentive. It was stipulated that the benefits could be for the single or two-party plan only, and were capped at the 07-08 amount, with the teacher paying the subsequent increases to the premium cost. This amount was \$8255, for a maximum value of \$41,275 if the teacher retired at age 60.

However, many people eligible to retire don't need five years of benefits. This previous benefit was not as beneficial (or fair, as some saw it) for some because their needs weren't addressed or some colleagues "got more" than others.

ANNUITIES: Redondo Beach was offered an incentive of 100% of their 2009-10 salary in an annuity to be dispersed over the next 5 years. This is a benefit of about \$16,000 per year, subject to taxes. With inflation and tax issues, this benefit actually becomes less each year. It does not offer the flexibility that a one time cash payout offers.

DECISION DAY

Teachers must commit to retirement by April 29, 2010, by 4:30 p.m. to take advantage of this offer.

THE FUTURE, THE BUDGET

School districts are required to budget for the current year and two years out. This benefit is possible because in the current budget, there is unspent money this year. Teachers who retire will all be replaced with teachers who have less experience and cost less on the salary schedule, resulting in a savings that balances out the cost of the one-time cash bonus.

In looking at the budget through 2012, MBUSD will not be able to offer a retirement incentive in the next two years. The state budget has not yet been passed, but it does not appear at this time that any new money will be appearing, and it may be possible that further cuts ensue in the years to come.