



**GOVERNING BOARD AGENDA ITEM FORM
AMPHITHEATER UNIFIED SCHOOL DISTRICT NO. 10**

DATE OF MEETING: February 22, 2011

TITLE: Approval of Post-Retirement Employment Opportunities During the 2011-2012 Fiscal Year for Staff Retiring in the Current Fiscal Year.

BACKGROUND:

Significance of Staff Retention

As the Board has previously discussed, there are increasing pressures on Arizona school districts to retain highly qualified personnel:

- The federal NCLB Act demands that instruction be provided by teachers and paraprofessionals meeting high levels of qualification.
- Student achievement goals under state and federal law depend upon placement and retention of skilled staff.
- Fifty percent of all teachers in the profession today are expected to retire by the end of this decade.
- Arizona state retirement contribution rates for employees have increased and will continue to do so, pressuring some people to retire.
- The private sector and other schools continue to compete for personnel in hard to fill disciplines.

The loss of staff to retirement can therefore be counterproductive to the efforts of school districts to overcome these pressures. School districts are consequently searching for new ways to attract and retain personnel.

Many personnel who retire from school districts do pursue “second careers” in another field. Often, they would prefer to remain in the field of education or other public service, but state retirement rules preclude them from doing so, at least in a direct employment relationship.

The “Lease-Back” Solution

New businesses have arisen which offer school districts the ability to hire teachers, administrators and classified employees who have retired. (The Arizona State Retirement System would normally preclude those retirees from returning to employment with any Arizona school district for one year after retirement.) In this way, those employees whose valued skills might have otherwise been lost can continue their contributions. Additionally, these personnel may earn substantial post-retirement incomes without violating state retirement rules.

At present, more than seventy Arizona school districts have this kind of program.

The legality of retaining retired teachers and other employees through a third party “lease-back” arrangement is expressly established in A.R.S. § 15-502. It reads in relevant part:

The governing board may obtain the services of any employee, including teachers, substitute teachers and administrators, by contracting with a private entity that employs personnel required by the school district.

The District currently offers such a program through Educational Services, Inc., a service provider under a Mohave Educational Services Contract and a current Amphitheater bid. Our ESI contract sets a fee for the service to be provided by the retiree based on a percentage of the retiree’s former salary as a district employee (80% of former salary). ESI hires the retiree and “leases” the employee back to the District. ESI assumes all responsibilities for paying the retiree, who is then an employee of ESI. Like any employer is required, ESI makes appropriate withholdings and payments of all applicable taxes and then issues W-2 forms. ESI also offers a benefit plan that its employees may purchase. ESI bills the District for the cost of the retirees, salary costs and ESI’s service fee.

The district saves the difference between the cost of the employee’s pre-retirement salary (and employee related costs) and the fees paid to ESI. The employee earns income both as a state retiree and as an ESI employee placed with the district.

The District has offered such a program for several years, and participants have been very positive about the opportunity. The program’s approval by the Board expires at the end of this fiscal year.

In recent years, these “leased employee” arrangements have received scrutiny both by the Arizona State Retirement System and the legislature. We have seen, for example, the introduction of bills that would have modified the terms of these arrangement in various ways. One proposal included assessment of a “contribution” to the ASRS by the employer that retains a retiree through a third party.

The Administration’s Proposal

The Administration recommends again offering current Amphitheater employees the opportunity to continue their public service even after retirement through this program. Specifically, the recommendation is that retiring Amphitheater employees may again be retained through ESI to fill their pre-retirement positions following their retirement, on the following terms and conditions:

1. The option will be offered for the remainder of the current fiscal year, allowing the retiree’s retention through ESI beginning in 2011-2012.
2. The terms of the retiree’s employment with the service provider are determined by the provider, and the retiree must acknowledge those terms prior to placement with the District.

3. ESI will compensate former employees of the District at the rate of eighty percent (80%) of the salary paid to the employee by the District prior to retirement, less any amount the District or ESI is required by law to contribute to the Arizona State Retirement System as a consequence of the former employee's employment through ESI. Calculation of the compensation due to a former employee through ESI will not include Career Ladder compensation or other addenda or stipends paid prior to retirement. This shall not preclude, however, an ESI participant from being retained and additionally compensated to fill an addendum position, such as a coaching position.
4. The provider will make and/or pay all appropriate payroll deductions and taxes. The District will pay a service fee to the provider as determined by the District's contract with the vendor.
5. Personnel placed with the District through this program must meet all district, state and federal qualification standards, including but not limited to, fingerprint/background clearance, certification, endorsement, education level, and licensure.
6. Pursuant to the terms and conditions of the District's Early Retirement Program (ERP) and Early Retirement Phase Out Program (ERPOP), participants in those former programs are ineligible to participate in this program.
7. Regardless of their status as employees of a third-party rather than the District, all personnel placed with the District must comply with district, state and federal laws, policies, regulations, directives as well as school improvement plans of the Amphitheater District.
8. The arrangement through ESI would ensure that any ASRS contribution that becomes required of the District would reduce the level of compensation paid to the retiree, ensuring the 80% cost is not exceeded.

RECOMMENDATION: This item is presented for the Board's consideration and action. The administration recommends the Board approved expanded participation on the terms and conditions specified above.

INITIATED BY:



Todd A. Jaeger, Associate to the Superintendent

Date: February 16, 2011



Vicki Balentine, Ph.D., Superintendent