

Business Operations
Ofelia San Pedro, Deputy Superintendent

**SUBJECT: REQUEST APPROVAL TO IMPLEMENT AN INCENTIVE PROGRAM
 FOR MEP EMPLOYEES CURRENTLY IN DROP**

COMMITTEE: SCHOOL SUPPORT ACCOUNTABILITY

In 1997, the Florida Legislature created the Deferred Retirement Option Program (DROP). DROP allows an eligible employee covered by the Florida Retirement System (FRS) Pension Plan to retire without terminating employment for up to five years. While in DROP, the employees' monthly pension benefits are accumulated in the FRS Trust Fund, where they earn an effective annual interest rate of 6.5%. When the employee ultimately terminates employment, they receive their monthly FRS benefit plus the accumulated amounts in the Trust Fund. The latter can be taken in a lump sum or rolled over into a qualified retirement (e.g. IRA or a qualified trust).

MDCPS currently has 83 MEP employees participating in DROP in central and regional office locations. Seventeen of these employees have DROP end dates that fall between September 1, 2005 and February 28, 2007. Annualized salaries and benefits for these 17 employees total nearly \$2.4 million. The District is looking for ways to reduce staff at senior levels in order to redirect budget dollars into new programs. To this end we have designed an incentive program aimed at encouraging some or all of these 17 employees to elect to terminate employment effective September 1, 2005. A MEP PAC would be closed for each person accepting the offer, thereby reducing both headcount and expenses.

The incentive program would offer the following to the 17 employees:

- A lump sum payment equal to four months salary. This would compensate the employee for the loss of some or all of the amounts that would have been transferred into the Trust Fund during the months they would have been working.
- Continuation of Board subsidized health insurance for the period through their existing DROP end date, but no later than February 28, 2007.
- Continuation of Board subsidized group term life insurance for the period through their existing DROP end date, but no later than February 28, 2007.

If all 17 MEP employees accept the offer, the cost of the program would be:

• Lump sum payments, including FICA	\$667,989
• Health insurance	94,602
• Life insurance	<u>17,815</u>
Total Cost	\$780,405

The funds required to pay for the program would be taken from the General Fund Undesignated Contingency. The Contingency would be rebuilt in a little over four months from salary and benefit savings resulting from elimination of the MEP PACs.

RECOMMENDED: That The School Board of Miami-Dade County, Florida:

1. authorize the Superintendent to develop and implement an incentive program for MEP employees currently in DROP; and
2. authorize the establishment of a reserve of up to \$780,405 for the cost of this program.