Commonwealth of Pennsylvania
Public Employee Retirement Commission

FISCAL IMPACT OF THE

EARLY RETIREMENT INCENTIVE FOR PUBLIC SCHOOL EMPLOYEES

PROVIDED BY ACT 186 OF 1992 AND ACT 29 OF 1994

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PROVIDED BY ACT 186 OF 1992 AND ACT 29 OF 1994

An analytical report prepared for the
Pennsylvania General Assembly by the
Public Employee Retirement Commission
pursuant to House Resolution Number 52

Public Employee Retirement Commission
Commonwealth of Pennsylvania
Harrisburg, Pennsylvania

March 1996

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COMMONWEALTH OF PENNSYLVANIA
PUBLIC EMPLOYEE RETIREMENT COMMISSION
HARRISBURG
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March 1996

To: Members of the Pennsylvania General Assembly

As directed by House Resolution Number 52, the Public Employee Retirement Commission has conducted an analysis of the fiscal impact of the early retirement incentive provided to public school employees under Act 186 of 1992 and Act 29 of 1994.

The accompanying report shows that the early retirement incentive generated salary savings of approximately $216 million, however, when combined with the $284 million increase in actuarial accrued pension liability, a net cost of $68 million results. Consideration must also be given to the fact that the $284 million increase in actuarial accrued liability will be amortized over a twenty year period and will result in an outlay over that period of $800 million. To facilitate your further review, a more complete synopsis of the study's findings is provided in the report's executive summary.

The Commission's analysis of the early retirement incentive was made possible through the collection of data from the Public School Employes' Retirement System and the public school employers throughout the state. The Commission wishes to acknowledge the cooperation and assistance of these agencies, as well as the Pennsylvania Department of Education, in obtaining the data required to conduct the study and produce this analytical report.

Due to the complexity of the issues associated with early retirement incentive programs, the Commission issued a substantive report on the topic and transmitted it to you in March of 1995. Additional copies of that report, *Feasibility of Early Retirement Incentives in the Public Sector*, may be obtained by contacting the Commission's office at 783-6100.

On behalf of the Public Employee Retirement Commission, I am pleased to submit this report pursuant to your request.

Sincerely,

Paul D. Halliwell

Paul D. Halliwell
Chairman

EXECUTIVE SUMMARY

The Commonwealth provided an early retirement incentive for public school employees under Act 186 of 1992 and Act 29 of 1994. The incentive period commenced on May 15, 1992, and ended on August 31, 1993. To be eligible for the incentive, employees had to be fifty-five years of age and had to have at least 10 years of service. Eligible employees retiring during the incentive period received additional service credits equal to ten percent of their accumulated service.

Generally Applicable Information

- The salary savings associated with an early retirement incentive only occurs during the period of time that begins when the retiring employee leaves service and ends when the employee would have retired had the incentive not occurred.

- The amount of salary savings associated with an early retirement incentive is a function of:

  1. The number of employees replaced and the length of time the position remains vacant prior to replacement, and

  2. The differential in salary and benefits between the retiring employee and the replacement employee.

- An overall savings only occurs when the net salary and benefit savings exceeds the cost of additional pension benefits provided by the incentive.

- Additional long term costs are incurred when the cost of the additional pension benefits is amortized over future periods.

Findings of this Report

According to the Public School Employes' Retirement System's consulting actuary, the employees who retired under the early retirement incentive would have retired within 2.8 years. The study shows that the early retirement incentive produced an average utilization rate of 46%. Of the 14,977 positions vacated during the incentive period, the Commission received data on 13,096 (87%) of those positions. The data indicated that 93% of all retirees were replaced within 2.8 years of the date they left service. The data also indicated that 84% of teachers that were replaced were replaced immediately. Without regard to employee classification, the average retiring salary was $38,561, while the average replacement salary was $28,082.

- The additional pension benefit provided under the incentive produced an increase in unfunded actuarial accrued liability (additional pension costs) for the system of $284 million which will be funded over a period of twenty-two[1] years. There was a net salary and benefit savings of $216 million that occurred as a result of the incentive. When the net savings are combined with the additional pension liability of the incentive, a net cost of $68 million results.

- In the short term (the five-year period over which salary savings occurred), the early retirement incentive will have produced salary savings totalling $216 million and pension amortization payments totalling $107 million, resulting in a net short-term savings of approximately $109 million.

- Over the long term (twenty-two years), the early retirement incentive will have produced pension amortization payments totalling $800 million.

A shorter amortization period would reduce both the net short term salary savings and the total amount of the amortization payments.

Limitations of this Study

In the design and conduct of this study, the Commission endeavored to respond to the General Assembly's request for financial and demographic data regarding the impact of the early retirement incentive. Accordingly, the study was focused on that objective and did not address the policy issues associated with the design, implementation and overall utility of early retirement incentive programs. A Commission report dedicated to these issues, *Feasibility of Early Retirement Incentives in the Public Sector*, was issued in March of 1995. Copies of that report may be obtained by contacting the Commission's office.

[1]The twenty-two year funding period is actually comprised of multiple twenty-year amortization periods that extend for twenty-two years.

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PART I

INTRODUCTION

Through the passage of House Resolution Number 52 on March 21, 1995, the General Assembly directed the Commission to conduct a study of the actuarial cost and savings related to the early retirement incentive provided to public school employees under Act 186 of 1992 and Act 29 of 1994. (See Appendix IV.) In response to the direction of the General Assembly, the Commission initiated consultations with the Public School Employes' Retirement System and the Department of Education regarding the availability of data and most effective means to obtain the necessary data. The Commission developed a survey method to accommodate both hard copy and EDP responses and jointly with the Secretary of Education transmitted the initial solicitation to all public school employers on May 31, 1995.

The Commission received responses from 522 of the 586 public school employers (the resolution excluded universities and other non-school employers in the System), which represents an 89% response rate. When viewed from the individual employee perspective, the responses represented 87% of the total potential responses for individual employees.

The data submitted to the Commission was analyzed to determine the actuarial cost and net salary savings attributable to the early retirement incentive on both an individual employer and statewide basis. The information received by the Commission was compiled and analyzed to also provide, for each responding public school employer, the number of employees eligible for the early retirement incentive, the number of eligible employees who actually retired and the number of employees hired to replace the early retirees. These data for individual school districts are provided in Appendix I. Salary savings and replacement costs, as well as the impact of factors such as: early retirement bonuses provided by individual employers, outlays for health insurance, purchase of accrued annual and sick leave and other retirement related factors, were calculated and their net effect on the overall costs was determined. These data are available, upon request, from the Commission's office.

The information presented in the report was extracted from individual questionnaires and surveys submitted by public school employers and other entities from which information was requested. The Commission endeavored to ensure the accuracy, completeness and internal consistency of the data utilized by review and contact with individual public school employers.

PART II

FINDINGS OF THE STUDY

Actuarial Costs

The Public School Employes' Retirement System's consulting actuary determined that the increase in unfunded actuarial accrued liability as of June 30, 1992, due to the incentive was $284.5 million. The data in the latest actuarial valuation at that time indicated that 14,977 members, or 46% of those eligible, actually retired during the early retirement window. To be eligible for the additional 10% service credit, a member was required to be at least 55 years of age, have 10 or more years service, and terminate service between May 15, 1992, and August 31, 1993.

The legislation, Act 186 of 1992 and the retroactive amendment, Act 29 of 1994, required that the increase in unfunded actuarial accrued liability created by the incentive be amortized over a twenty year period. Based on the assumptions in effect at June 30, 1992, the amortization schedule for the incentive is as shown in Appendix II. Over the twenty-two year amortization period, the total payments according to the schedule equal $799,428,142. The original liability of $284.5 million equals $18,996 per retiree, while the total amount of amortization payments equals $53,420 per retiree.

Salary Savings and Replacement Costs

Information reported by the 522 employers who responded to the Commission's survey with data for 13,096 positions indicates that salary savings during the periods affected by the incentive totalled $189.2 million. The portion of the increase in unfunded actuarial accrued liability applicable to those employers is $248.8 million. Combining total salary savings with the increase in unfunded actuarial accrued liability results in a net cost of $59.6 million for the employers reporting. The number of positions accounted for in the data collected represent 87.4% of the total members who retired under the incentive. An extrapolation of this data to the total number of members who retired under the incentive indicates a net cost of $68 million.

Replacement Rates

The number of employees that are replaced and the period that the positions remained vacant have a direct impact on the costs or savings associated with an early retirement incentive. Of the positions reported to the Commission in the survey, replacements for teachers, administrators and other personnel were 96%, 88%, and 90% respectively. Overall, 93% of the employees retiring under this incentive were replaced within 2.8 years after they retired. Eighty-four percent

of the teachers who were replaced were replaced immediately. A table of the replacement rates by employee classification is shown below.

Table of Reported Positions Vacated and Filled

	Teachers	Administrative	Other Personnel	Total
Positions Vacated	6,980	1,247	4,869	13,096
Positions Filled	6,700	1,093	4,384	12,147
Percent Filled	96%	88%	90%	93%

The distribution of public school employers among replacement rate ranges is shown below.

Table of Replacement Rate Distribution

Replacement Rate Range	Public School Employers	
	Number	Percentage
91-100%	200	40%
81-90%	132	27%
71-80%	77	16%
61-70%	36	7%
51-60%	13	3%
41-50%	19	4%
31-40%	13	3%
21-30%	3	1%
11-20%	1	-

Salary Differentials

The difference between the cost of retiring employees and the cost of replacement employees is a potential area of savings of an early retirement incentive program. Without regard to employee classification, the average retiring salary of the 13,096 positions accounted for by the individual public school employers was $38,561. The average salary of the replacement employees was $28,082, or 73% of the retiree's salary. The largest salary differential occurred among retiring and replacement teachers. The average salary of a retiring teacher was $46,936, and the average salary

of a replacement teacher was $31,244. A table of the salary differentials by employee classification is shown below.

Table of Average Reported Salary Differential

	Teachers	Administrative	Other Personnel	Blended Salaries
Retiring Salaries	46,936	59,647	20,465	38,561
Replacement Salaries	31,244	53,576	16,712	28,082
Replacement as % of Retirees	67%	90%	82%	73%

Post-retirement and Separation Costs

When post-retirement benefits, such as the cost of medical insurance, are paid by an employer and the employee is induced by an early retirement incentive to retire early, the post-retirement benefits are paid for a longer period of time and the employer incurs higher costs than would otherwise be the case. Separation costs, such as payment for accrued sick and annual leave, that would have been paid had the early retirement incentive not occurred are paid sooner than they would have been without the incentive. In those cases the only cost effect to the employer is the time value of money associated with the earlier payment. Full or partial post-retirement health care was provided by 56% of the employers who reported to the Commission. The average employer cost of post-retirement health care when provided was $3,425 per year per employee.

Separation payments paid to employees who received the early retirement incentive were reported to be approximately $126 million. On average, these payments were made 1.4 years earlier than they would have been without the incentive. The time value of money associated with these early payments is about $11 million.

Number of Members Induced to Retire by the Incentive

The Public School Employes' Retirement System's consulting actuary determined that 14,977 members, or an average of 46% of those eligible for the incentive, retired and received the early retirement incentive during the period of eligibility. The actuary also indicated that of the 14,977 members who received the additional service credit, 4,944 were actually induced to retire by the incentive.

Local factors that may have induced a greater or lesser rate of utilization among individual employers include: employee demographics, local economic conditions, additional employer provided incentives, and the availability of post-retirement benefits such as health care.

PART III

OBSERVATIONS

- **Impact of Delayed Funding of Early Retirement Incentive**

The unfunded actuarial accrued liability, or the total pension cost, incurred in the provision of the early retirement incentive was approximately $284 million. Because of the prescribed twenty-year amortization, the payments attributable to the early retirement incentive will total approximately $800 million. Shortening or eliminating the amortization period for the pension liability incurred in providing future early retirement incentives may be desirable to reduce the total outlay required to fund the individual early retirement incentives. For example, if the liabilities of the early retirement incentive had been amortized over five years, the total amortization payments would have been $335 million. In addition, shortening or eliminating the amortization period may be desirable to reduce the potential for the amortization payments of one early retirement incentive to be compounded by those of one or more subsequent early retirement incentives. Stacking multiple layers of long-term liabilities would not be prudent.

- **Potential for Net Savings from Early Retirement Incentives**

Both the high replacement rate exhibited during the early retirement incentive and the rapid replacement of the retiring employees were significant in decreasing the potential for an aggregate net savings. With the possible exception of public school employers with decreasing school enrollments, vacated teaching positions appear to be filled very rapidly. If this practice is inherent in the nature of public school employment, the potential for an aggregate net savings attributable to an early retirement incentive is significantly reduced and, as demonstrated by this study, may be completely eliminated and replaced with a net cost.

- **Efficiency of Statewide Early Retirement Incentive in a Multi-employer Environment**

The high average rate of teacher replacement (96%), combined with the fact that almost all retiring teachers that were replaced were replaced immediately, suggests that the early retirement incentive resulted only in temporary reductions in the number of teachers. This occurrence serves to demonstrate that the early retirement incentive, which was provided on a statewide basis, did not reflect the varying economic and demographic circumstances of the individual public school employers. Because specific policy objectives of an early retirement incentive can only be determined and met on an employer by employer basis, the provision of early retirement incentives on a statewide basis is inherently inefficient because costs are incurred in instances where they are not necessary to meet the needs of the individual public school employer.

- **Effectiveness of Incentive as Retirement Inducement**

According to the findings of the consulting actuary of the Public School Employes' Retirement System, the early retirement incentive induced 4,944 members to retire that would not

have otherwise retired, while providing the additional 10% service credit to a total of 14,977 retiring employees. The 4,944 induced retirements represent approximately one third of the total members retiring and receiving the early retirement incentive.

APPENDICES

APPENDIX I

TABLE OF ELIGIBLE RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

APPENDIX I

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
ABINGTON HTS S D	68	26	38	26	100
ABINGTON S D	174	64	37	63	98
ADMIRAL PEARY AVTS	6	3	50	3	100
ALBERT GALLATIN S D	62	37	60	30	81
ALLEGHENY CLARION SD	24	13	54	12	92
ALLEGHENY I U	195	76	39	74	97
ALLEGHENY VALLEY S D	23	10	43	7	70
ALTOONA AREA S D	132	61	46	53	87
ALTOONA AREA VO TECH	22	11	50	6	55
AMBRIDGE AREA S D	56	16	29	13	81
ANVILLE CLEONA S D	32	16	50	14	88
APOLLO RIDGE S D	20	10	50	9	90
APPALACHIA I U #8	50	34	68	20	59
ARIN I U	16	9	56	4	44
ARMSTRONG S D	121	74	61	20	27
ATHENS AREA S D	40	23	57	23	100
AUSTIN AREA S D	5	4	80	2	50
AVELLA AREA S D	11	4	36	3	75
AVON GROVE SCH DIST	49	18	37	18	100
BALDWIN WHITEHALL SD	114	51	45	51	100
BEAVER AREA S D	53	26	49	23	88
BEAVER CO AVTS	7	4	57	3	75
BEAVER VALLEY I U	34	13	38	2	15
BEDFORD AREA S D	62	36	58	26	72
BELLE VERNON A S D	60	32	53	31	97
BELLEFONTE AREA S D	37	11	30	10	91
BELLWOOD ANTIS	27	6	20	6	100
BENTON AREA S D	19	12	63	11	92
BERKS CAR & TECH CTR	17	9	53	6	67
BERKS COUNTY I U 14	51	29	57	17	59
BERLIN BROS VAL S D	6	2	33	2	100
BERMUDIAN SPRINGS SD	19	8	42	5	63
BETHEL PARK S D	121	72	60	61	85
BETHLEHEM A V T S	15	6	40	4	67
BETHLEHEM CENTER S D	27	11	41	11	100
BIG BEAVER FALLS ASD	49	27	55	25	93
BIG SPRING S D	51	29	57	28	97
BLACKHAWK S D	40	14	35	9	64
BLAIRSVLE SALTSBG SD	33	13	39	12	92
BLAST I U 17	20	10	50	7	70
BLOOMSBURG AREA S D	23	12	52	11	92
BLUE MT S D	45	14	31	12	86
BOYERTOWN AREA S D	103	39	38	36	92
BRADFORD AREA S D	60	22	37	19	86
BRANDYWINE HGTS A S	22	5	21	5	100

APPENDIX I (CONT'D)

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
BRENTWOOD BORO	21	7	33	6	86
BRISTOL TWP	163	86	53	68	79
BROCKWAY AREA S D	17	9	53	8	89
BROOKVILLE AREA S D	40	22	55	22	100
BUCKS CO I U #22	58	18	31	15	83
BUCKS CO TECHNICAL	7	2	29	1	50
BURGETTSTOWN A S D	33	12	36	9	75
BURRELL S D	33	12	36	12	100
BUTLER AREA S D	154	90	58	85	94
BUTLER CO AVTS	5	4	80	2	50
CALIFORNIA AREA S D	25	14	56	14	100
CAMBRIA HGTS S D	20	7	35	7	100
CAMERON CO S D	20	10	50	9	90
CANON MCMILLAN S D	87	36	41	30	83
CANTON AREA S D	26	11	41	11	100
CAPITAL AREA I U	63	36	57	26	72
CARBON CO A V T S	7	2	29	2	100
CARBON LEHIGH I U	32	16	50	13	81
CARBONDALE AREA S D	20	9	45	6	67
CARLISLE AREA S D	86	38	44	35	92
CARLYNTON S D	24	15	63	10	67
CARMICHAELS AREA S D	17	4	24	3	75
CENTENNIAL S D	176	80	45	76	95
CENTER AREA S D	35	15	43	12	80
CENTRAL BUCKS S D	195	95	49	80	84
CENTRAL CAMBRIA SD	34	13	38	10	77
CENTRAL DAUPHIN S D	159	88	55	80	91
CENTRAL GREENE S D	39	20	51	14	70
CENTRAL I U	17	11	65	3	27
CENTRAL MONTG CTS	13	9	69	8	89
CENTRAL SUSQUEHNA IU	36	16	44	13	81
CENTRAL YORK S D	59	32	54	30	94
CENTRE CO AVTS	13	7	54	5	71
CENTRL WESTMRLND AVT	12	4	33	4	100
CHAMBERSBURG A S D	136	72	53	66	92
CHARLEROI AREA S D	44	23	52	22	96
CHARTIERS HOUSTON	16	4	25	4	100
CHARTIERS VALLEY SD	88	43	49	36	84
CHELTENHAM TWP SCH	137	66	48	63	95
CHESTNUT RIDGE S D	25	10	40	9	90
CHICHESTER S D	62	35	56	30	86
CLAIRTON S D	23	13	57	10	77
CLARION AREA S D	22	10	45	7	70
CLARION CO A V T S	4	3	75	2	67
CLARION LIMESTONE A	14	9	64	9	100
CLAYSBURG KIMMEL S D	12	5	42	5	100

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
CLEARFIELD AREA	53	18	34	13	72
CLEARFIELD CO VTS	5	3	60	2	67
COATESVILLE A S D	121	51	42	46	90
COCALICO S D	36	15	42	15	100
COLONIAL NORTHAMPTON	39	21	54	13	62
COLONIAL S D	126	62	49	61	98
COLUMBIA MONTOUR AV	2	1	50	1	100
COMMODORE PERRY S D	7	2	29	2	100
CONEMAUGH TWP A S D	21	12	57	11	92
CONEMAUGH VLY S D	27	11	41	10	91
CONESTOGA VALLEY SD	67	26	39	22	85
CONEWAGO VALLEY S D	17	11	65	11	100
CONNEAUT S D	38	16	42	15	94
CONNELLSVILLE AREA	107	36	34	33	92
CONRAD WEISER A S D	42	18	43	15	83
CORNELL S D	16	6	38	5	83
CORNWALL LEBANON S	75	32	43	27	84
CORRY AREA S D	34	17	50	15	88
COUDERSPORT AREA S	13	8	62	7	88
COUNCIL ROCK S D	121	49	40	43	88
CRANBERRY AREA S D	22	19	86	11	58
CRAWFORD CENTRAL S D	78	31	40	28	90
CRAWFORD CO A V T S	8	6	75	5	83
CRESTWOOD S D	32	11	34	10	91
CUMBERLAND PERRY AVT	15	6	40	5	83
CUMBERLAND VALLEY S	96	44	46	40	91
CURWENSVILLE A S D	19	5	26	2	40
DALLAS S D	42	24	57	24	100
DALLASTOWN AREA S D	55	25	45	21	84
DANIEL BOONE AREA SD	29	16	55	15	94
DANVILLE AREA S D	47	21	45	20	95
DAUPHIN CO A V T S	16	7	44	5	71
DEER LAKES S D	46	21	46	16	76
DELAWARE CO A V T S	24	14	58	10	71
DELAWARE CO I U	96	43	45	16	37
DELAWARE VALLEY S D	22	8	36	7	88
DERRY AREA S D	40	20	50	16	80
DERRY TWP S D	35	23	66	22	96
DONEGAL S D	34	15	44	15	100
DOWNINGTOWN AREA S D	84	20	24	16	80
DUBOIS AREA S D	65	28	43	25	89
DUNMORE S D	22	4	18	2	50
E LEBANON CO S D	32	17	53	13	76
EAST ALLEGHENY S D	27	8	30	7	88
EAST LANCASTER CO	89	39	44	34	87
EAST LYCOMING S D	18	11	61	11	100

APPENDIX I (CONT'D)

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
EAST PENN S D	90	50	56	43	86
EAST PENNSBORO A S D	28	14	50	6	43
EAST STROUDSBURG	39	23	59	23	100
EASTERN MONT CO AVT	11	5	45	2	40
EASTERN WSTMRLND V T	4	2	50	1	50
EASTERN YORK S D	46	19	41	18	95
EASTON AREA JT S D	143	63	44	57	90
ELIZABETH FORWARD	44	12	27	10	83
ELIZABETHTOWN AREA	30	16	53	15	94
ELK LAKE S D	12	5	42	5	100
ELLWOOD CITY A S D	51	30	59	29	97
EPHRATA AREA S D	51	24	47	22	92
ERIE CITY S D	247	122	49	109	89
ERIE COUNTY A V T S	15	9	60	8	89
EVERETT AREA S D	28	15	54	13	87
EXETER TWP S D	39	18	46	16	89
FAIRFIELD AREA S D	7	3	43	2	67
FAIRVIEW S D	41	24	59	24	100
FANNETT METAL S D	10	3	30	2	67
FARRELL AREA S D	33	21	64	16	76
FERNDALE AREA S D	10	6	60	5	83
FLEETWOOD AREA S D	24	16	67	16	100
FORBES RD EAST AVT	8	2	25	1	50
FORBES ROAD S D	12	3	25	3	100
FOREST AREA S D	12	7	58	6	86
FOREST CITY REGIONAL	18	5	28	5	100
FOREST HILLS S D	49	21	43	13	62
FORT CHERRY S D	23	11	48	10	91
FOX CHAPEL AREA S D	106	49	46	43	88
FRANKLIN AREA S D	66	34	52	32	94
FRANKLIN CO A V T S	14	7	50	3	43
FRANKLIN REGIONAL SD	57	14	25	11	79
FRAZIER S D	23	9	39	5	56
FREEDOM AREA S D	34	15	44	15	100
FREEPORT AREA SD	38	24	63	23	96
GALETON AREA S D	8	5	63	4	80
GARNET VALLEY S D	40	18	45	13	72
GATEWAY S D	97	40	41	32	80
GENERAL MCLANE S D	36	16	44	15	94
GETTYSBURG A S D	68	34	50	31	91
GIRARD S D	28	12	43	12	100
GLENDALE S D	15	3	20	3	100
GOVERNOR MIFFLIN S D	61	35	57	27	77
GR JOHNSTOWN A V T S	24	11	46	8	73
GREAT VALLEY S D	60	30	50	29	97
GREATER LATROBE S D	51	23	45	18	78

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
GREENCASTLE ANTRIM	34	18	53	13	72
GREENSBURG SALEM S D	44	22	50	16	73
GREENWOOD S D	12	7	58	6	86
HALIFAX AREA S D	9	5	56	5	100
HAMBURG AREA S D	36	18	50	17	94
HAMPTON TWP S D	59	24	41	21	88
HANOVER AREA S D	15	7	47	6	86
HANOVER PUBLIC S D	31	20	65	18	90
HARBOR CREEK S D	30	22	73	21	95
HARMONY S D	8	7	88	3	43
HARRISBURG CITY S D	177	66	37	58	88
HAVERFORD TWP S D	107	62	58	57	92
HAZLETON AREA S D	160	51	32	42	82
HBG STEEL HI VO TECH	7	1	14	1	100
HEMPFIELD AREA S D	123	67	54	51	76
HEMPFIELD S D	73	36	49	35	97
HERMITAGE S D	57	42	74	39	93
HIGHLANDS S D	48	25	52	15	60
HOLLIDAYSBURG AREA	57	22	39	18	82
HOMER CENTER S D	11	3	27	2	67
HOPEWELL AREA S D	59	23	39	22	96
HUNTINGDON A S D	35	17	49	14	82
HUNTINGDON CO AVTS	5	2	40	2	100
INDIANA AREA S D	60	26	43	26	100
INDIANA CO AVTS	5	4	80	3	75
INTERMEDIATE UNIT 1	91	31	34	23	74
IROQUOIS S D	18	9	50	8	89
JAMESTOWN AREA S D	8	3	38	3	100
JEANNETTE CITY	23	10	43	10	100
JEFF TECH	15	7	47	6	86
JEFFERSON MORGAN SD	17	9	53	7	78
JENKINTOWN S D	18	6	33	5	83
JERSEY SHORE AREA SD	63	32	51	32	100
JOHNSONBURG AREA S D	12	6	50	3	50
JUNIATA CO S D	44	17	39	14	82
JUNIATA MIFFLIN VT	10	6	60	6	100
JUNIATA VALLEY S D	19	11	58	11	100
KANE AREA S D	25	10	40	9	90
KEYSTONE CENTRAL S D	136	67	49	63	94
KEYSTONE OAKS S D	52	18	35	12	67
KEYSTONE S D	27	16	59	15	94
LACKAWANA TRAIL S D	24	8	33	5	63
LAKE LEHMAN S D	37	13	35	8	62
LAKELAND S D	20	6	30	5	83
LAKEVIEW S D	30	16	53	14	88
LAMPETER STRASBURG	35	13	37	12	92

APPENDIX I (CONT'D)

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
LANCASTER CO VO TECH	36	16	44	7	44
LANCASTER LEB I U	49	17	35	11	65
LAUREL HIGHLANDS S D	69	25	36	23	92
LAWRENCE CO A V T S	19	7	37	5	71
LEBANON AVTS	13	5	38	3	60
LEBANON S D	72	30	42	23	77
LEECHBURG AREA S D	19	14	74	11	79
LEHIGH CO AVT SCH	26	9	35	7	78
LEWISBURG AREA S D	32	11	34	11	100
LIGONIER VALLEY S D	52	32	62	27	84
LINCOLN I U	69	17	25	13	76
LINE MOUNTAIN S D	25	11	44	9	82
LOWER DAUPHIN S D	59	33	56	24	73
LOWER MERION S D	181	70	39	68	97
LOWER MORELAND S D	28	8	29	6	75
LOYALSOCK TWP SD	27	15	56	15	100
LUZERNE I U	48	18	38	11	61
MAHANOY AREA S D	23	9	39	8	89
MANHEIM CENTRAL S D	52	20	38	18	90
MANHEIM TWP S D	83	27	33	24	89
MARION CENTER AREA	35	16	46	15	94
MARPLE NEWTOWN S D	126	60	48	54	90
MARS AREA S D	22	6	27	6	100
MCGUFFEY SD	45	9	20	5	56
MCKEESPORT AREA S D	107	39	36	35	90
MECHANICSBURG AREA	65	39	60	35	90
MERCER AREA S D	30	13	43	11	85
MERCER CO A V T S	7	5	71	2	40
METHACTON S D	90	27	30	20	74
MEYERSDALE AREA S D	21	8	38	7	88
MID VALLEY SD	12	3	25	2	67
MIDD WEST S D	36	12	33	9	75
MIDDLE BUCKS A V T S	13	8	62	7	88
MIDDLETOWN A S D	31	18	58	13	72
MIDLAND BORO	5	3	60	3	100
MIDWESTERN I U	34	12	35	7	58
MIFFLIN CO S D	114	58	51	58	100
MILLERSBURG A S D	16	5	31	5	100
MILLVILLE AREA S D	21	11	52	11	100
MINERSVILLE AREA S D	11	6	55	6	100
MOHAWK AREA S D	44	12	27	10	83
MON VALLEY A V T S	16	9	56	4	44
MONITEAU S D	23	12	52	11	92
MONROE CO A V T S	10	4	40	4	100
MONTGOMERY AREA S D	13	10	77	8	80
MONTGOMERY CO I U	114	39	34	14	36

APPENDIX I (CONT'D)

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
MONTOUR S D	39	18	46	15	83
MONTOURSVILLE AREA	33	20	61	19	95
MONTROSE AREA S D	32	18	56	17	94
MOON AREA S D	79	38	48	34	89
MOSHANNON VALLEY SD	11	4	36	2	50
MOUNT LEBANON S D	134	65	49	55	85
MOUNT UNION AREA SD	32	22	69	16	73
MOUNTAIN VIEW S D	15	11	73	10	91
MT CARMEL AREA S D	35	18	51	13	72
MT PLEASANT AREA S D	35	14	40	14	100
MUHLENBERG TWP S D	56	28	50	28	100
NAZARETH AREA S D	49	21	43	17	81
NESHAMINY S D	217	127	59	108	85
NESHANNOCK TWP S D	26	14	54	14	100
NEW BRIGHTON AREA SD	25	16	64	14	88
NEW CASTLE AREA S D	69	31	45	28	90
NEW HOPE SOLEBURY SD	6	4	67	3	75
NEW KENSINGTON ARNOL	50	28	56	28	100
NEWPORT S D	13	6	46	4	67
NORRISTOWN AREA S D	165	68	41	49	72
NORTH ALLEGHENY S D	101	38	38	27	71
NORTH CLARION CO S D	8	1	13	1	100
NORTH FAYETTE CO VT	7	2	29	2	100
NORTH HILLS S D	87	35	40	29	83
NORTH MONTCO A V T S	11	4	36	3	75
NORTH PENN S D	193	69	36	63	91
NORTH POCONO S D	51	24	47	20	83
NORTH SCHUYLKILL S D	41	21	51	17	81
NORTH STAR S D	21	10	48	9	90
NORTH WSTMRLND AVTS	6	3	50	2	67
NORTHAMPTON AREA S D	56	30	54	25	83
NORTHEAST BRADFORD	5	3	60	3	100
NORTHEASTERN ED I U	64	29	45	21	72
NORTHERN BEDFORD CO	15	4	27	3	75
NORTHERN LEBANON S D	36	20	56	19	95
NORTHERN LEHIGH S D	17	5	29	5	100
NORTHERN POTTER S D	7	3	43	3	100
NORTHERN TIOGA S D	65	44	68	38	86
NORTHERN YORK CO SC	41	11	27	11	100
NORTHESTERN YORK S D	29	9	31	8	89
NORTHGATE S D	29	14	48	12	86
NORTHWEST AREA S D	26	16	62	14	88
NORTHWEST TRI CO I U	42	16	38	8	50
NORTHWESTERN LEHIGH	28	9	32	6	67
NORTHWESTERN S D	34	15	44	13	87
NORWIN S D	96	60	63	51	85

APPENDIX I (CONT'D)

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
OCTORARA AREA S D	28	14	50	12	86
OIL CITY AREA S D	47	26	55	24	92
OLD FORGE S D	11	6	55	2	33
OLEY VALLEY S D	28	5	18	5	100
OSWAYO VALLEY S D	6	4	67	4	100
OTTO ELDRED S D	11	5	45	5	100
OWEN J ROBERTS S D	85	30	35	27	90
PALISADES S D	32	15	47	6	40
PANTHER VALLEY S D	17	9	53	7	78
PARKLAND S D	102	48	47	46	96
PEN ARGYL AREA S D	18	8	44	7	88
PENN CAMBRIA S D	33	19	58	18	95
PENN CREST S D	85	28	33	25	89
PENN DELCO S D	91	35	38	30	86
PENN HILLS SD	156	105	67	79	75
PENN MANOR S D	57	28	49	27	96
PENN TRAFFORD S D	38	22	58	19	86
PENNRIDGE S D	92	52	57	48	92
PENNS VALLEY AREA	33	26	79	19	73
PENNSBURY S D	223	125	56	105	84
PEQUEA VALLEY S D	19	7	37	7	100
PERKIOMEN VLY S D	51	22	43	17	77
PETERS TWP S D	50	24	48	19	79
PHILA S D	5,340	2,493	47	2,182	88
PHOENIXVILLE AREA SD	46	15	33	11	73
PINE-RICHLAND S D	26	8	31	7	88
PITTSBURGH S D	1,112	470	42	360	77
PITTSTON AREA S D	55	25	45	10	40
PLUM BORO S D	70	15	21	15	100
POCONO MOUNTAIN	56	26	46	26	100
PORT ALLEGANY S D	21	13	62	13	100
PORTAGE AREA S D	19	7	37	6	86
POTTSGROVE S D	25	9	36	8	89
POTTSTOWN SD	53	27	51	26	96
POTTSVILLE AREA S D	49	22	45	22	100
PUNXSUTAWNEY AREA S	75	32	43	30	94
PURCHASE LINE S D	26	11	42	9	82
QUAKERTOWN COMM S D	43	18	42	17	94
READING MUHLENBG VT	15	8	53	5	63
READING S D	194	105	54	99	94
RED LION AREA	54	28	52	25	89
REDBANK VALLEY S D	25	14	56	14	100
RICHLAND S D	41	16	39	12	75
RIDGWAY AREA S D	24	11	46	7	64
RIDLEY S D	88	42	48	39	93
RINGGOLD S D	86	35	41	30	86

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
RIVERSIDE BEAVER CO	37	16	43	15	94
RIVERSIDE S D	15	3	20	3	100
RIVERVIEW I U	20	11	55	7	64
RIVERVIEW S D	19	7	37	7	100
ROSE TREE MEDIA S D	97	50	52	43	86
S D OF LANCASTER	150	73	49	63	86
SALISBURY ELK LICK	7	5	71	5	100
SALISBURY TWP S D	35	20	57	20	100
SAUCON VALLEY S D	29	18	62	16	89
SCHUYLKILL CO AVTS	18	7	39	3	43
SCHUYLKILL HAVEN ASD	22	9	41	8	89
SCHUYLKILL I U	19	6	32	6	100
SCHUYLKILL VALLEY	26	14	54	14	100
SELINSGROVE AREA SD	32	16	50	12	75
SENECA HIGHLANDS I U	21	9	43	6	67
SHADE CENTRAL CTY SD	11	1	9	1	100
SHAMOKIN AREA S D	50	23	46	17	74
SHARPSVILLE AREA S D	21	14	67	13	93
SHENANDOAH VAL S D	15	5	33	3	60
SHENANGO AREA S D	29	9	31	9	100
SHIKELLAMY S D	58	24	41	24	100
SHIPPENSBURG AREA S	43	19	44	12	63
SLIPPERY ROCK AREA	38	16	42	14	88
SMETHPORT AREA	30	16	53	15	94
SOMERSET AREA S D	46	28	61	24	86
SOMERSET CO A V T S	11	5	45	4	80
SOUDERTON AREA S D	62	27	44	27	100
SOUTH ALLEGHENY S D	26	15	58	14	93
SOUTH EASTERN S D	26	14	54	14	100
SOUTH FAYETTE TWP	19	8	42	6	75
SOUTH MIDDLETON S D	16	5	31	5	100
SOUTH SIDE AREA S D	21	11	52	10	91
SOUTH WESTERN S D	52	27	52	26	96
SOUTH WILMSPORT ASD	29	17	59	16	94
SOUTHEAST DELCO SD	65	31	48	25	81
SOUTHEASTERN GREENE	12	9	75	7	78
SOUTHERN COLUMBIA A	23	12	52	12	100
SOUTHERN FULTON S D	21	7	33	3	43
SOUTHERN LEHIGH SD	32	18	56	16	89
SOUTHERN TIOGA S D	30	20	67	19	95
SOUTHERN YORK CO S D	31	11	35	10	91
SOUTHMORELAND S D	35	14	40	9	64
SOUTHRN HUNTINGDON	30	10	33	9	90
SPRING COVE S D	34	9	26	9	100
SPRING GROVE AREA S	43	23	53	20	87
SPRINGFIELD TWP S D	59	25	42	19	76

APPENDIX I (CONT'D)

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
ST CLAIR AREA S D	16	3	19	1	33
ST MARYS AREA S D	33	16	48	11	69
STATE COLLEGE A S D	139	73	53	72	99
STEEL-HIGH S D	19	11	58	6	55
STO ROX S D	24	15	63	4	27
STROUDSBURG AREA S D	34	16	47	16	100
SULLIVAN CO S D	18	11	61	10	91
SUN AVTS	7	3	43	3	100
SUSQUEHANNA COMM S D	14	3	21	3	100
SUSQUEHANNA TWP S D	43	21	49	19	90
TAMAQUA AREA S D	40	19	48	19	100
TREDYFFRIN EASTTOWN	116	48	41	21	44
TRI VALLEY S D	14	8	57	7	88
TRINITY AREA S D	72	20	28	17	85
TROY AREA S D	27	8	30	6	75
TULPEHOCKEN AREA S D	24	4	17	4	100
TUNKHANNOCK AREA S D	45	17	38	16	94
TUSCARORA I U	9	5	56	2	40
TUSCARORA S D	50	22	44	16	73
TUSSEY MOUNTAIN S D	25	13	52	11	85
TWIN VALLEY S D	35	15	43	15	100
TYRONE AREA S D	25	12	48	8	67
UNION AREA S D	16	8	50	8	100
UNION CITY AREA S D	21	8	38	4	50
UNION S D	15	10	67	10	100
UNIONTOWN AREA S D	56	17	30	17	100
UNIONVILLE CHADDS	47	25	53	24	96
UNITED S D	18	10	56	9	90
UPPER BUCKS CO TECH	13	7	54	7	100
UPPER DARBY S D	116	45	39	45	100
UPPER DAUPHIN A S D	20	10	50	8	80
UPPER DUBLIN S D	78	39	50	39	100
UPPER MERION A S D	126	52	41	40	77
UPPER MORELAND S D	74	35	47	28	80
UPPER PERKIOMEN S D	47	21	45	18	86
UPPER ST CLAIR TWP	69	20	29	15	75
VALLEY GROVE S D	18	11	61	11	100
VALLEY VIEW S D	25	13	52	12	92
VENANGO CO A V T S	11	6	55	5	83
WALLINGFORD SWTHMR	61	29	48	26	90
WARREN CO S D	106	64	60	61	95
WARRIOR RUN S D	31	12	39	11	92
WARWICK S D	41	12	29	12	100
WASHINGTON S D	35	13	36	13	100
WATTSBURG AREA SD	30	14	47	14	100
WAYNE HGHLAND S D	43	23	53	23	100

TABLE OF ELIGIBLE, RETIRING, AND REPLACEMENT EMPLOYEES BY EMPLOYER

Local Education Agency	Number of Eligible Employees	Number of Retirees	Eligible Employees Retiring (%)	Number of [1] Retirees Replaced	Retiring Employee Replaced (%)
WAYNESBORO AREA S D	77	35	45	34	97
WEATHERLY AREA S D	17	5	29	2	40
WELLSBORO AREA S D	42	22	52	22	100
WEST BRANCH AREA	19	7	37	7	100
WEST CHESTER AREA	169	86	51	78	91
WEST JEFFERSON HILLS	62	27	44	19	70
WEST MIDDLESEX ASD	24	7	29	5	71
WEST MIFFLIN A S D	74	32	43	29	91
WEST PERRY S D	29	14	48	13	93
WEST SHORE S D	120	59	49	52	88
WEST SIDE A V T S	9	3	33	1	33
WEST YORK AREA S D	39	27	69	20	74
WESTERN BEAVER CO SD	25	15	60	13	87
WESTERN MNTGMERY VT	8	5	63	2	40
WESTERN WAYNE S D	26	9	35	5	56
WESTMONT HILLTOP S D	21	14	67	14	100
WESTMORELAND I U #7	60	24	40	24	100
WHITEHALL COPLAY S D	58	29	50	29	100
WILKES BARRE A S D	135	70	52	63	90
WILKES BARRE A V T S	29	15	52	12	80
WILLIAM PENN S D	81	44	54	25	57
WILLIAMS VALLEY S D	14	5	36	5	100
WILLIAMSBURG COMM S	8	3	38	2	67
WILMINGTON AREA S D	21	8	38	7	88
WILSON SCH DIST	68	32	47	29	91
WINDBER AREA S D	21	10	48	9	90
WISSAHICKON S D	96	45	47	34	76
WOODLAND HILLS	115	46	40	35	76
WYALUSING AREA S D	20	12	60	10	83
WYOMING AREA S D	50	24	48	21	88
WYOMING VALLEY WEST	105	43	41	39	91
WYOMISSING AREA S D	36	11	31	11	100
YORK S D	107	52	49	46	88
YORK SUBURBAN SCHOOL	51	25	49	20	80
YOUGH S D	30	8	27	8	100

[1]Number of original retiree positions reported as filled by the local education agencies.

APPENDIX II

ACTUARIAL DATA

APPENDIX II

CORRESPONDENCE FROM CONSULTING ACTUARY

BUCK CONSULTANTS
55 West Monroe Street Suite 1700
Chicago, Illinois 60603

April 14, 1995

Mr. Arthur Granito
Assistant Executive Director
for Financial Management
Pennsylvania Public School
Employes' Retirement System
P.O. Box 125
Harrisburg, Pennsylvania 17108

Re: Cost of Mellow I - Acts 186 (1992) and 29 (1994)

Dear Art:

As requested, we have determined the actual increase in unfunded accrued liability as of June 30, 1992 due to Mellow I.

Mellow I provided 10% additional credited service to a member who:

- declares his intent to retire prior to April 1, 1993
- is age 55 or older on August 31, 1993
- has 10 or more eligibility points
- terminates service between May 15, 1992 and August 31, 1993
- applies for retirement before September 1, 1993

The data supplied for the latest valuation indicates that the number of members who actually retired under Mellow I was 14,977 or 46% of those eligible.

The increase in accrued liability due to Mellow I is shown in the following table. The increase is based on the valuation assumptions in effect at June 30, 1992 including an interest rate of 8½% and a salary increase rate of 7¼%.

Mellow I Retirement Incentive Bill
Increase in Accrued Liability
($ Millions)

Valuation Date	Increase In Accrued Liability
June 30, 1992	$284.5 Million

Should you have any questions, please call.

Sincerely,

Kim M. Nicholl
Consulting Actuary

APPENDIX II (CONT'D)

AMORTIZATION SCHEDULE FOR UNFUNDED ACTUARIAL ACCRUED LIABILITY[1]

	Original Incentive Payment	Retroactive Incentive Payment	Additional Cost Due to Election Pattern	Total Payment
1994	$ 12,790,675			$ 12,790,675
1995	13,430,209			13,430,209
1996	14,101,719	$ 3,847,418	$ 7,538,681	25,487,818
1997	14,806,805	4,039,789	7,915.615	26,762,209
1998	15,547,146	4,241,779	8,311,397	28,100,322
1999	16,324,503	4,453,868	8,726,967	29,505,338
2000	17,140,728	4,676,561	9,163,315	30,980,604
2001	17,997,764	4,910,389	9,621,480	32,529,633
2002	18,897,653	5,155,909	10,102,555	34,156,117
2003	19,842,535	5,413,704	10,607,682	35,863,921
2004	20,834,662	5,684,389	11,138,066	37,657,117
2005	21,876,395	5,968,609	11,694,970	39,539,974
2006	22,970,215	2,267,039	12,279,718	41,516,972
2007	24,118,726	6,580,391	12,893,704	43,592,821
2008	25,324,662	6,909,411	13,538,390	45,772,463
2009	26,590,895	7,254,881	14,215,308	48,061,084
2010	27,920,440	7,617,625	14,926,074	50,464,139
2011	29,316,462	7,998,507	15,672,379	52,987,348
2012	30,782,285	8,398,432	16,455,997	55,636,714
2013	32,321,399	8,818,353	17,278,796	58,418,548
2014		9,259,271	18,142,736	27,402,007
2015		9,722,235	19,049,874	28,772,109
				$ 799,428,142

[1]Based on table prepared by Buck Consultants, Inc., actuarial consultants to the Public School Employes' Retirement System.

APPENDIX III

METHODOLOGY OF STUDY

APPENDIX III

DESCRIPTION

Objective

House Resolution Number 52 directed the Commission to conduct a complete study of the actuarial costs and savings related to Act 186 of 1992 and Act 29 of 1994. The Commission was directed to examine for each school district, vocational-technical school and intermediate unit the number of eligible and actual retirees under the acts and the savings and costs related to the retirees and replacement employees including but not limited to salary savings, pension costs, outlays for health insurance and payments for accumulated annual and sick leave.

Data Gathering

To respond to the legislative directive, each local education agency (LEA) impacted by the incentive had to be contacted and each LEA had to respond with detail on every factor that generated either costs or savings as a direct result of the incentive. As members in a multi-employer retirement system, each LEA functions as an independent employer within that system and may have widely varying employment objectives along with a wide range of employee benefits that serve to increase or diminish the net cost or savings of an early retirement incentive. Many of the factors affecting costs and savings are unique to each particular employer and the impact of employment contracts and benefits must be examined in the context of that particular employer.

The Public School Employes' Retirement System identified 586 school entities impacted by the incentive. To facilitate gathering the required information from the school entities, the Commission secured the use of the Pennsylvania Department of Education's PENNLINK system to question every LEA concerning their ability to provide data to the Commission in electronic media. Because of the large volume of data, the ease with which electronic data can be down loaded into a data base, and the manipulation required to perform the analysis, electronic filing was encouraged. The data response format questionnaire sent by way of PENNLINK to all LEAs is included in the appendix to this report. Approximately 30% of the individual schools provided data to the Commission in EDP format.

Prior to questioning each LEA the Commission constructed a database utilizing each employer and each retiree using both PSERS and Department of Education data. From this database the Commission transmitted to each LEA a schedule containing the name, social security number and final average salary of each employee who retired from that LEA and was credited with the incentive. Based on the preference of the LEA, the information transmitted to the LEA was either on computer diskette or a hard copy schedule (copy in appendix). Each LEA was then asked to provide for each position the retiring employee's annual salary on the last day of employment, cash payouts at the time of retirement, the employee's classification, whether the position was filled, abolished or vacant, if the position had been filled, the date filled and the beginning replacement salary for the position.

Each LEA was also requested to complete a questionnaire. The questionnaire (copy in appendix) asked for employee complement by class before the incentive, immediately after the incentive and again after the end of the 1994/95 school year. In addition, the questionnaire requested detail on the cost of post-retirement benefits and other data and cost information specific to that LEA. Instructions for completion of the schedule and questionnaire are also in the appendix.

Data Analysis

The data gathered on both the schedules and questionnaires submitted by each LEA was reviewed for accuracy, and the LEA was contacted for clarification if necessary. All the data received was loaded into the database for analysis. With the exception of Philadelphia, which is discussed below, all calculations of costs and savings were done on the basis of each individual employee position that was vacated as a result of the incentive.

The System's consulting actuary calculated that employees who retired under the incentive would have retired over a 2.8 year period had the incentive not occurred. From the date of retirement of each employee until the date of that employee's expected retirement had the incentive not occurred, the salary and benefit savings was calculated unless the position was reported as filled within that period. The values of employee benefits were applied to both salaries saved and replacement costs at calculated average statewide rates. The normal separation rate was applied to both retiring and replacement salaries to reflect the fact that employees would have retired during the period ending June 30, 1997, had the incentive not occurred. Both retiring and replacement salaries were assumed to increase at the average statewide salary growth rate for new and retiring positions as calculated by PSERS.

If post-retirement health care was provided by the LEA for which the employee worked, the cost of health care as provided by that LEA was deducted from salaries saved during the period until that employee would have retired without the incentive. Cash payouts, such as sick and annual leave payments, individual employer provided retirement incentives and other separation payments, which for the most part would have been paid without the incentive, were provided earlier than otherwise because of the incentive. A time value of money factor was applied to these payments and the resulting value reduced the salary savings.

The net salary savings was computed for each of the five school fiscal years affected by the incentive and for teachers, administrators and other employees. Substitute teacher costs were applied to teacher vacancies where they occurred during the school year. The savings that occurred in future periods were discounted back to the date at which the additional pension liability was calculated. The costs and savings for the population reported were extrapolated to the total population to calculate the total salary savings of the incentive. The total salary savings was then compared to the additional pension liability created by the incentive to determine a net cost of the incentive.

Modified Analysis for Philadelphia School District

In the Philadelphia School District, 2,491 employees retired during the period in which the incentive window was open and received the additional service credit under the incentive. That number represents about 17% of all recipients of the early retirement incentive. Philadelphia School District was unable to provide data on the individual positions as to whether the retiring employees were replaced, whether the positions were left vacant and if the positions were filled, when and at what salary. As a result, the Commission could not calculate salary savings and replacement costs on an individual employee basis as was done with the data from other LEAs. As an alternative the Commission obtained from the school district total numbers of employees by employee classification and total salaries at several points in time before, during and after the window. Actual numbers of retirees, the final average salary and dates of retirement from the district were obtained from PSERS. The district also provided data on separation payments, benefit costs and annual salary increments by employee classification. From this data the Commission calculated on an aggregate basis the salary savings attributable to incentive retirees, approximate replacement dates and replacement costs.

The savings and costs of the incentive attributable to the Philadelphia School District were determined using these aggregate data and using the same method as was used to calculate individual costs and savings for other LEAs as described above. The aggregate data computed in this manner for the Philadelphia School District did not differ substantially from data calculated for large employers on an individual employee basis over the rest of the Commonwealth.

INSTRUCTIONS FOR COMPLETION OF SURVEY

General Information

The survey of the Early Retirement Incentive Program for public school employees provided by Act 186 of 1992 consists of two parts, a "Schedule" and a "Questionnaire." Already provided on the "Schedule" are the salaries and the effective date of retirement of employees retiring under the incentive. Your local education agency (LEA) is being asked to provide the costs of replacement employees on the "Schedule" and to provide other information on the "Questionnaire" from which the Commission will determine the net personnel savings or costs to your LEA as well as aggregate statewide costs or savings of the incentive. The costs or savings will then be compared to the additional costs of the added pension benefits given. The data supplied by your LEA on the "Schedule" and the "Questionnaire" will be used together with data gathered from the Pennsylvania Public School Employes' Retirement System, the System's consulting actuary, and the Pennsylvania Department of Education to report to the General Assembly on the overall costs and savings of the Pennsylvania Public School Employes' Retirement System's early retirement incentive provided by Act 186 of 1992.

In addition to the specific questions asked, please provide information on any other factors specific to your LEA related to either costs or savings that may impact on this analysis. Use question number 8 for this response.

Instructions for "Schedule"

- Review the employee data provided on the "Schedule" for accuracy and reasonableness. All employees who received the retirement incentive and whose effective date of retirement was between May 15, 1992, and August 31, 1993, inclusive, should be included. Please indicate any modifications necessary and provide comments in the "Variable Response" column.

- Classification. Complete the "Classification" column by entering the number 1 for classroom teacher, 2 for administrative/supervisory employee, and 3 for all other employees.

- Status of Position. Enter the code in this column that represents the status of the position previously vacated as of the date of completion of this questionnaire.

  F - Filled. An employee has been hired to fill the vacancy.

  V - Vacant. The position has not yet been filled, but is neither approved to be filled nor abolished.

  A - Abolished. The position has been permanently eliminated.

  P - Projected to be filled. Enter "P" only if the position is approved to be filled in the 1995/96 school year, but an employee has not yet been hired.

- Date Filled. Enter the effective date of hire for replacement employees.

- Replacement Salary. Enter the annual salary of the employee who was hired to replace the retiring employee.

- Cash Payouts. Enter the total dollar of all amounts paid, lump sum or awarded at the time of retirement to be paid periodically. Include such payments as sick leave, annual leave, holiday pay, bonuses, or <u>any other payments</u> such as cash retirement incentives. If the payment is not lump sum, indicate the period over which it will be paid.

- Variable Response. Enter any information that applies uniquely to the position.

<u>Instructions for "Questionnaire"</u>

- Number 2, Personnel Complement. Enter, by classification, the personnel complement of the LEA as of April 30, 1992 (before the incentive's effective date), September 1, 1993 (after the expiration of the incentive), and July 1, 1995.

- Number 4, Post-retirement Benefits. If the LEA pays no post-retirement benefits from local funds, go on to the next question. If the annual costs of post-retirement benefits vary based on the circumstances of individual employees, please provide average annual costs for each benefit paid.

- Number 5, Benefit Factor. If, for budgetary purposes, the LEA has developed and uses a fringe benefit factor to estimate the indirect employee benefits paid over and above salaries, enter this percentage and list the fringe benefits comprising this factor.

- Number 6, Other Additional Costs. Enter here the calculated additional costs associated with the Early Retirement Incentive Program due to overtime, substitute teachers, or any other additional costs known to the LEA.

If you have any questions, or would like assistance, concerning the completion of the survey, please call David Noble at the Public Employee Retirement Commission at (717) 783-6100.

EDP SURVEY

A separate letter was mailed to your LEA on June 1, 1995, that will require your response with data concerning retirees under the recent public school early retiree incentive program. The Public Employee Retirement Commission would like your response to be in automated format. Depending on your answers to the questions below, you will be mailed a diskette on which the information will be submitted.

1. Do you have access to a personal computer? _____YES _____NO

   If yes, please provide the information requested below:

   _____ IBM, or IBM compatible

   _____ Apple/Macintosh

   _____ Other (identify) _____

   _____ 3 1/2" Diskette Size

   _____ 5 1/4" Diskette Size

2. Name of local education agency (LEA) and telephone number of person responding. (Please type or print.)

   LEA_____

   Name_____

   Telephone_____

Please return this form as soon as possible to the Public Employee Retirement Commission by way of facsimile at (717) 787-9531. As an alternative, you may mail your response to:

Public Employee Retirement Commission
Commonwealth of Pennsylvania
P. O. Box 1429
Harrisburg, PA 17105-1429

Call the Public Employee Retirement Commission at (717) 783-6100 if you have any questions.

QUESTIONNAIRE

1. Date this survey was completed:_____

2. What was the personnel complement of the LEA as of:

	April 30, 1992	September 1, 1993	July 1, 1995
Classroom Teachers	_____	_____	_____
Administrative/Supervisory	_____	_____	_____
Other	_____	_____	_____
Total	_____	_____	_____

3. Were any of the positions identified on the schedule filled by existing school personnel? If so, indicate how many and by what personnel classification.

Classroom Teachers	_____
Administrative/Supervisory	_____
Other	_____
Total	_____

4. Does your LEA pay post-retirement benefits of any kind?

Yes_____

No_____If no, go to Question 5.

A. Other than the PSERS administered program, is there a retiree health care plan funded in whole or in part by the LEA?

Yes_____What is the annual cost to the LEA per retiree?_____

No_____

B. Is there a retiree life insurance plan funded in whole or in part by the LEA?

Yes_____What is the annual cost to the LEA per retiree?_____

No_____

C. Are there any other post-retirement benefits funded in whole or in part by the LEA? Please describe._____

_____

Yes_____What is the annual cost to the LEA per retiree?_____

No_____

5. Does the LEA use a "benefit factor" for personnel budgeting purposes as a means of estimating personnel fringe benefit costs?

Yes_____What is the percentage added to reflect this factor?_____

Items included in benefit factor:

_____	_____%
_____	_____%
_____	_____%
_____	_____%
_____	_____%
Total _____	_____%

No_____

6. As a result of the early retirement incentive, did the LEA incur overtime or substitute teacher costs?

Yes_____What was the dollar amount of the costs incurred?_____

Explain_____

_____

No_____

7. Did the LEA prepare an independent analysis of the positions created or the costs/savings of the early retirement incentive?

   Yes_____Please forward a copy of the analysis to the Public Employee Retirement Commission at: P. O. Box 1429
   Harrisburg, PA 17105-1429

   No_____

8. Are there other factors specific to your LEA that may impact on either the costs or savings in this analysis?

   Yes_____Please describe:_____

   _____

   _____

   _____

   No_____

9. Name and telephone number of person who can respond to inquiries concerning this survey:

   Name_____

   Telephone Number_____

SCHEDULE

SCHEDULE

Social Security Number	Last Name	Final Average Salary	Date of Retirement	Class	Annual Salary	Status of Position	Date Filled	Replacement Salary	Cash Payouts at Time of Retirement	Variable Response
123-45-6789	SAMPLE NAME	$34,500	09/01/92	1	$36,200					
123-56-8958	SAMPLE DATA	$18,000	07/01/93	3	$18,500					
123-45-6789	SAMPLE NAME	$34,500	09/01/92	1	$36,200					
123-56-8958	SAMPLE DATA	$18,000	07/01/93	3	$18,500					
123-45-6789	SAMPLE NAME	$34,500	09/01/92	1	$36,200					
123-56-8958	SAMPLE DATA	$18,000	07/01/93	3	$18,500					
123-45-6789	SAMPLE NAME	$34,500	09/01/92	1	$36,200					
123-56-8958	SAMPLE DATA	$18,000	07/01/93	3	$18,500					
123-45-6789	SAMPLE NAME	$34,500	09/01/92	1	$36,200					
123-56-8958	SAMPLE DATA	$18,000	07/01/93	3	$18,500					
123-45-6789	SAMPLE NAME	$34,500	09/01/92	1	$36,200					
123-56-8958	SAMPLE DATA	$18,000	07/01/93	3	$18,500					
123-45-6789	SAMPLE NAME	$34,500	09/01/92	1	$36,200					
123-56-8958	SAMPLE DATA	$18,000	07/01/93	3	$18,500					
123-45-6789	SAMPLE NAME	$34,500	09/01/92	1	$36,200					
123-56-8958	SAMPLE DATA	$18,000	07/01/93	3	$18,500					
123-45-6789	SAMPLE NAME	$34,500	09/01/92	1	$36,200					
123-56-8958	SAMPLE DATA	$18,000	07/01/93	3	$18,500					

SCHOOL ENTITY CODE NUMBER 0000

APPENDIX IV

HOUSE RESOLUTION NUMBER 52

PRIOR PRINTER'S NOS. 727, 845 PRINTER'S NO. 951

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE RESOLUTION

No. 52 Session of 1995

INTRODUCED BY NICKOL, NYCE, FARGO, GEIST, COY, CLARK, HERSHEY, TRELLO, NAILOR, BAKER, TIGUE, CARONE, ROBERTS, MAITLAND, HUTCHINSON, WAUGH, SEMMEL, BATTISTO, ROHRER, B. SMITH, TULLI, VANCE, HENNESSEY, SATHER AND KENNEY, FEBRUARY 13, 1995

AS AMENDED, HOUSE OF REPRESENTATIVES, FEBRUARY 27, 1995

A CONCURRENT RESOLUTION

Directing the Public Employee Retirement Commission to study the long-term financial ramifications of Act 186 of 1992 and Act 29 of 1994.

WHEREAS, Act 186 of 1992, commonly referred to as the "Mellow Bill," which amended Title 24 of the Pennsylvania Consolidated Statutes, provided an early retirement incentive for certain school employees; and

WHEREAS, Act 29 of 1994 also amended Title 24 and provided for a retroactive change in the effective date of the early retirement incentive; and

WHEREAS, A thorough study of the actuarial cost and savings related to Act 186 of 1992 and Act 29 of 1994 must be undertaken in order to better understand the financial ramifications for the Commonwealth, school districts, vocational-technical schools and intermediate units; therefore be it

RESOLVED (the Senate concurring), That the General Assembly direct the Public Employee Retirement Commission to conduct a

complete study of the actuarial cost and savings related to Act 186 of 1992 and Act 29 of 1994; and be it further

RESOLVED, That the study include, but not be limited to, an examination of the following:

(1) for each school district, vocational-technical school and intermediate unit, the number of school employees by classification who were eligible to avail themselves of the provisions of Act 186 as modified by Act 29 of 1994, the number of employees who actually retired under the provisions of Act 186 as modified by Act 29 of 1994 and the number of replacement employees who were hired as a direct result of retirement of school employees under Act 186 as modified by Act 29 of 1994;

(2) for each school district, vocational-technical school and intermediate unit an estimate of the increase in retirements induced through passage of Act 186 and Act 29 of 1994;

(3) for each school district, vocational-technical school and intermediate unit, the cost of early retirement, including outlays for health insurance, purchase of accrued annual and sick leave, bonuses and other retirement-related costs related to early retirement of employees;

(4) for each school district, vocational-technical school and intermediate unit, the salary and benefits savings related to early retirement of employees;

(5) the initial and long-term cost or savings of providing early retirement for school employees to the Commonwealth; and

(6) an examination of factors which may have induced a comparably greater or lesser number of early retirements in

some reporting units than others;

and be it further

RESOLVED, That the Public Employee Retirement Commission, using reasonable and accepted actuarial assumptions, project the long-term financial ramifications of Act 186 of 1992 and Act 29 of 1994 and compare the cost that would have resulted absent the enactment of these acts; and be it further

RESOLVED, That the executive director of the Public School Employees' Retirement System be directed to cooperate with the Public Employee Retirement Commission in the conduct of its study, particularly by providing actuarial and demographic data requested by the Public Employee Retirement Commission; and be it further

RESOLVED, That the Secretary of Education be directed to assist the Public Employee Retirement Study Commission in conducting its study, particularly by obtaining data and information from school districts, vocational-technical schools and intermediate units requested by the commission; and be it further

RESOLVED, That the Public Employee Retirement Commission submit the results of its study and financial projections to the General Assembly ~~as soon as is feasible~~ NOT LATER THAN MARCH 30, 1996. <—