

**Pasadena Unified School District
Frequently Asked Questions
Public Employee Retirement Services (PARS)
March 19, 2018**

Q: When did the district last do PARS?

A: PARS was last approved in 2014- 2015

Q: What were the terms of the PARS agreement, and how much was it expected to save?

A: The terms were the same as our Last, Best and Final offer given to UTP for this current year PARS. You can see the original PARS report from 2015 on the PUSD web site [2] The amount expected to save was between \$34,456 (if the district replaced all of the departing staff) to \$2,281,893 (if the district replaced 83.72% of departing staff).

Q: Did the district make a mistake by replacing positions offered in the May 2015 PARS?

A: The District can neither control nor predict who will take advantage of PARS. When PUSD offers PARS, it has to offer it to the entire bargaining unit. In the 2015 PARS agreement 16 (38%) of retirees were multiple subject and six (6) resigned, so we did bring back some multiple subjects. In terms of Special Education, where we always need people 10 (23%) took PARS and 16 resigned, so we definitely had to back fill there and then secondary teachers 12 (29%) took PARS and another 12 resigned, so we did also back fill there.

So while the district did have the need to replace a number of the PARS retirees it was function of more than one factor. If PUSD was able to move forward with the offer of PARS to UTP and all of the nurses took the retirement, for example, the district would of course have to hire back a number of nurses to make sure the district was adequately staffed. We can provide an absolute number of people who the District would need to bring back. That said, the District is taking deliberate steps to not over staff as a general practice and is committed "right sizing" so it is both our expectation and goal that we would bring back a large amount. But again, it is predicated upon who takes advantage of PARS.

Q: Did this result in zero cost savings?

A: This is difficult to quantify. That is the message that came from budget this year. Given that the district hires folks not only through the main office, but also at sites (using site funds or grant funds) it is hard to say how many of each position had to be backfilled or were backfilled by a site decision, or not backfilled at all. What we do know is that we are overstaffed and the District is deliberate in its efforts to not over staff.

Q: Does this mean that the \$3.92 million paid out in PARS could have been used for raises for the entire unit?

A: No, of course not. Remember that PARS costs are offset by the fact that any backfilled positions are filled by employees who are lower on step and column than the folks who retired. Even if the district replaced all 100% of the PARS-eligible employees in 2015, we were still projected to save money (albeit a rather small amount.) Additionally, the District has continued to face daunting budget challenges and reductions to varying degrees each year.

Q: But aren't we still paying for the last PARS? Couldn't we offer that money as a raise if we hadn't committed to PARS?

A: We have two payments left, of \$784,894.98, one due in July of 2018 and one in July of 2019. Of these two payments, approximately \$542,000 is UTP's "portion", the balance is for other units that participated. But it's important to remember that we had 74 people take PARS in 2015. Even for the positions that were backfilled, they would have been backfilled with employees who, in general, were paid a lower salary than the folks who retired. That's the whole point of PARS. So if we had not offered PARS, most of those employees would have continued working for the district, and the PARS payment would have been paid out to those employees who didn't wind up retiring, as their regular salary. Remember that PARS is expected to be - in the worst case scenario - at or close to revenue neutral.

Q: Why hasn't the district moved its position on the PARS discussion?

A: The district has moved three (3) times, two (2) of which were significant in terms of money. The original proposal was to offer 75% of base pay to early retirees. The district moved by both agreeing to increase the payout in terms of percentage, from 75% to 85% and agreed to include language that it is 85% of final base payout, which means if an employee is receiving longevity, educational or other stipends that are included by STRS when a person retires this is included in the

calculation of the 85% payout. Additionally, the district has also moved the timeline.

Q: Why won't the district commit to paying for PARS out of one-time funds?

A: It is not that the District might not use one time funds one year or another but it is the Board and Districts prerogative to determine how it pays its bills. The bottom line is that the District is legally obligated to pay for PARS annually over a five (5) year period. Also, the district has no control over what the Governor calls "one-time funds" vs. "ongoing funds". More than once in the last half-decade, the state budget has classified a significant number of funds as "one-time" rather than declaring the funds as ongoing. For 2015-16, for example, the state budget gave the district \$601 per ADA, or over \$9 million in one-time funds. This is uncommon, however. If the district agreed to pay for PARS out of one-time funds, as a priority, and the state of California decided to give us a substantial amount of one-time funds in 2019-2020, we would then have to pay off all of PARS in 2019-2020

Remember one advantage of PARS is that we have the cost of the program spread out over multiple years, which makes the impact on the budget in any given year much less than if we pay all of PARS in a single year.

Regardless, how we really pay for PARS is not via revenue, but via the savings in the difference between our total costs for labor prior to PARS vs. the total cost of labor after PARS. Remember, PARS is designed to be, in the worst-case scenario, revenue-neutral over 5 years. Nonetheless, year is a new year and the District has different fiscal and programmatic priorities and the Board of Education cannot agree to abdicate its decision-making authority in any given year.

Q: Why won't the district commit to a minimum number of 67 PARS recipients in order to do PARS?

A: The proposal for PARS includes a projected savings based on a minimum of 50 participants. This savings factors in the natural attrition, the savings is net after factoring in the average number of retirees each year. UTP proposed the 67 based on the assumption that the natural attrition of 17 was not included. The District is optimistic that we would have more than 50 participants but does not want a hard number as high as 67, are we going to pull the PARS if we only get 49 or 65? That is a decision for the Board. The District will not agree to have the decision to move forward made by UTP.

As shown by the last time we did PARS, when a large portion of the retirees were from a single service domain, rather than spread across the bargaining unit, having a minimum number of PARS recipients does not guarantee that the district won't have to replace a significant number of the positions.

It is also important to remember that cost-savings is not the only deciding factor. The district does not have equal distributions of "newer" teachers and tenured teachers; some sites have very few or no teachers who are impacted by a Reduction In Force (RIF) notices. Others have several teachers, in some cases making up a significant portion of site staff.

The district wants to preserve site continuity, reduce staff bumping, and avoid involuntary transfers that will be required if a significant portion of single site's staff are laid off. If the district can save 44 of its newer teachers and provide 44 of its retirement-age teachers an advantageous position going into retirement, this may be a trade-off that is important even if it were to cost the district a small amount of funds over 5 years. The Board of Education wishes to retain this decision as a Board.

Q: So what is the next step?

A: The district offered a Last, Best, and Final proposal on (insert date here). The union did not accept that proposal, so the district withdrew its offer of PARS. The next move, if any, is at the discretion of the UTP bargaining team.