

# Early Retirement Guideline (Enhanced)

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December 8, 2021



# Early Retirement Guideline

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- Not a Board Policy
  - Administrative Guideline – Code No. 432
  - Must give employees one year notice of change  
– *Negotiated Agreement* language (teachers)
  - One time benefit
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# Purpose of meeting

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- Highlight eligibility criteria for early retirement guideline
  - Compare existing guideline with the enhancement
  - Outline benefits for those who qualify
  - Explain tax aspects for cash benefit
  - Explain rationale for enhancement
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# Criteria to qualify for 2021 - 2022 existing early retirement

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- ICCSD employee
  - Worked in District at least fifteen (15) years – last ten (7) consecutively
  - Must declare to Human Resource Department in writing by January 28, 2022
  - Employed during entire year of request
  - Eligible for IPERS (1.800.622.3849)
    - Be at least 55 years of age
    - Seven (7) years IPERS covered service
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## Existing early retirement benefits provided

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- 50% of current year's base salary
- Last seven (7) years consecutive
- One time payment
- Base salary excludes TSS (teachers), any stipends, overtime, extended days, summer school wages, etc.
- Cash will be placed in a Special Pay Deferral Plan (SPDP)

**Note:** Can purchase District's insurance to age 65

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# Criteria to qualify for 2021-2022 early retirement **enhancement**

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- ICCSD employee
  - Last seven (7) years consecutive
  - Must declare to Human Resource Department in writing by January 28, 2022 (4:00 pm)
  - Employed during the current year
  - Eligible for IPERS (1.800.622.3849)
    - Be at least 55 years of age
    - Seven (7) years IPERS covered service
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# Enhanced early retirement benefits provided

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- Stipend for employees that have been in the district for 15 years or more will be 70% of the base salary
  - Stipend for employees that have been in the district for 7 to 14 years will be 60% of the base salary
  - NO health insurance benefits will be provided with this incentive.
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## Enhanced early retirement benefits provided

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- To calculate incentive \$ amount, multiply appropriate % by current year's base salary
- One time payment
- This excludes TSS (teachers), any stipends, overtime, extended days, summer school wages, etc.
- Funds will be placed in a Special Pay Deferral Plan (SPDP)

**Note:** No District contribution for health or dental insurance

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# Example

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Employee with required years of service

## Existing Policy (15 years)

- ❑ Employee – base salary \$50,000
- ❑ Benefit – 50% of \$50,000 equals \$25,000  
(.50 X 50,000)

## Enhancement (15 years)

- ❑ Employee – base salary \$50,000
  - ❑ Benefit – 70% of \$50,000 equals \$35,000  
(.70 X 50,000)
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# Deadline

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Retirees must notify District of intent to retire on or before January 28 (enhanced) under the early retirement guideline

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# SPECIAL PAY DEFERRAL PLAN

## Employer (403B)

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For Employees of the Iowa City  
Community School District

# Special Pay Deferral Plan

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- ❑ Offered through National Insurance Services (Brookfield, WI)
  - ❑ Administered by MidAmerica Administrative & Retirement Solutions, Inc (Lakeland, FL)
  - ❑ Investment portfolio provided by American United Life Insurance Company (AUL)
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# Special Pay Deferral Plan

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- ❑ All payments made at retirement are eligible (retirement incentives, sick pay and vacation pay are examples)
  - ❑ FICA tax @ 7.65% is permanently avoided
  - ❑ Federal and state income taxes are deferred until the employee receives distribution from the plan (rollovers or plan to plan transfer do not create taxable event)
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# Special Pay Deferral Plan

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- Retiree accounts are established with plan administrator
- District deposits the funds in the plan in October following retirement (possible January payment per IRS rules)
- Retiree is responsible for directing the investment choice of their funds after District deposit
- District has no access to the funds after deposit

# Special Pay Deferral Plan

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## □ Retiree Options

- Leave \$\$ in plan in guaranteed income contract (initial deposit is placed here until directed by retiree and these funds earn approximately 1-2%)
  - Transfer \$\$ to an annuity product offered by plan
  - Transfer \$\$ to another retirement vehicle the employee already has (annuity or IRA)
  - Receive cash distributions from the plan, either in installments or full distribution → This option triggers federal and state tax liability
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# Special Pay Deferral Plan

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- Funds currently deposited in October following retirement (Oct 2022 for 2021-22 retiree)
  - National Insurance Services and District will host a meeting at district offices for all early retirees in April or May
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# What about insurance coverage?

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- ❑ Iowa Code Section 509A.13 allows retirees to purchase health insurance from the District until age 65 at the districts premium rate as determined annually during health insurance renewal process. (Current single health insurance premium is \$675 per month but subject to renewal in February 2022)
  - ❑ Premium costs are payable by the retiree
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# Rational for enhancement

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- ❑ State funding for ICCSD continues to lag behind district enrollment growth and staffing costs
  - ❑ Flexibility for district programs and class size considerations
  - ❑ Considerations due to COVID-19 experiences of the district
  - ❑ Prepare for possible budget challenges for fiscal year 2023 and beyond as federal resources are reduced or eliminated
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# Next Steps for Employees

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- ❑ Complete the early retirement application and submit prior to deadline to the HR Dept
  - ❑ Your early retirement application to the HR Dept will also serve as your notice to the district of your intent to retire. The employee's early retirement will also be presented in board agendas upon receipt of the application.
  - ❑ Contact IPERS (1-877-473-7799) regarding any questions about timing of benefits, amount of any benefits and needed IPERS paperwork. The District does not make any computations of IPERS benefits or income tax considerations.
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# Future District Employment

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By taking the early retirement incentive, the retiree acknowledges and agrees:

- That he or she is no longer eligible to work in the Iowa City Community School District in the same employment capacity / employment group as currently employed
  
- For example: if employee is a teacher, the retiree cannot return to the district in a teacher role or other certified staff position
  
- **This agreement does not prohibit a retiree from working in a substitute employee capacity in the future**

# Future Employment Options

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- District – must be separated from service for at least 6 months
  - Other IPERS employers – can begin work on July 1, 2022, however, may impact benefit options or levels as determined by IPERS
  - Other employers – can begin work on July 1, 2022 subject to income level restrictions
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# Disclaimer

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The District will make a good faith effort to adhere to this timeline. During the 2021-22 school year, the superintendent of schools will review the District's Early Retirement Policy. Unforeseen circumstances (judicial, legislative, financial, etc.) may require the superintendent to modify the policy for the 2022-2023 school year.

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# Questions?

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