

Analysis and Comparison of PTU Retirement Benefits

Presented to:

Special Committee on School Department Oversight

Presented by:

Gina M. Costa, Internal Auditor

Date:

March 20, 2018

Objective and Summary of Presentation

- The objective of this presentation is to analyze retirement benefits provided to teachers in Providence and to compare the benefits with those available to teachers in other communities in Rhode Island.
- The benefits considered in this report include sick severance, longevity, pre-65 health coverage and post-65 health coverage.
- The retirement benefits provided to teachers in the following communities are considered in this report:
 - Cranston
 - East Greenwich
 - East Providence
 - Johnston
 - Newport
 - North Providence
 - Pawtucket
 - Smithfield
 - Woonsocket

Assumptions

- All analysis is based on the assumption that all teachers have twenty five years of service in each respective community
- All retirees qualify for the sick severance packages, if provided
- One year of Pre-65 is used across the districts because the average age was 64.5

Sick Severance and Lump Sum Payments

- A Providence teacher must have 10 years with the Providence School Department and have 100 days in his/her sick leave reserve to be eligible for the sick leave payout.
- School year 2016-2017, 33 teachers were paid for an average of 130 days in sick severance. The average sick severance payout was \$14,637.86.
- Three districts do not provide a sick severance payout at retirement
- The eligibility criteria for sick severance varies amongst the communities
- This comparison is based upon 130 sick days per eligible teacher

District	Severance		Total
	Sick	Lump Sum	
Providence	14,561	-	14,561
Newport	8,561	3,750	12,311
Smithfield	11,396	-	11,396
North Providence	7,150	-	7,150
Johnston	5,259.80	250	5,510
Woonsocket	5,375		5,375
East Providence	5,000	-	5,000
East Greenwich	-	3,000	3,000
Pawtucket	-	1,750	1,750
Cranston	-	1,500	1,500

Pre-65 Healthcare Benefits

- A teacher who retires in Providence is eligible to receive individual healthcare with a co-share equal to an active member at retirement
- The average age of a retiree in school year 2016-2017 was 64.5
- One year of healthcare for all districts is assumed
- For this analysis, the following healthcare rates are applied:
 - Individual \$7,022
 - Family \$21,057
- Providence ranks 5th among the districts for pre-65 benefits.

District	# Yrs	Pre 65	Co-Share	Coverage	Total Value
					Net of Co-Share
Pawtucket	1	21,057	17%	SS	17,477
Newport	1	21,057	20%	SS	16,845
Johnston	1	21,057	20%	SS	16,845
North Providence	1	21,057	50%	SS	10,528
Providence	1	7,822	\$ 1,505.75	S	6,316
Cranston	1	7,822	20%	S	6,258
East Greenwich	1	7,822	20%	S	6,258
East Providence	1	7,822	20%	S	6,258
Woonsocket	1	7,822	20%	S	6,258
Smithfield	1	7,822	50%	S	3,911

Post-65 Healthcare Benefits

- At the age of 65, teachers are eligible to receive Medicare benefits.
- Four of the ten communities in this analysis absorb the cost for associated with a retirees' post-65 healthcare
- For this comparison, an annual premium costs of \$2,028 is assumed. Inflation is not applied.
- According to the SSA, a person reaching age 65 today can expect to live, on average, until 85.
- Providence and Johnston rank first for post-65 healthcare benefits.

	Available	# Yrs	% Co-Share	Cost
Johnston	Y	20	0%	40,560
Providence	Y	20	0%	40,560
Woonsocket	Y	20	20%	32,448
Newport	Y	20	25%	30,420
Cranston	N		0%	
East Greenwich	N		0%	
East Providence	N		0%	
North Providence	N		0%	
Pawtucket	N		0%	
Smithfield	N		0%	

Salaries over 25 Years

- Based on the 2016-2017 salary schedule for each district, a smoothing approach was used to determine the average salary a teacher would earn annually over a 25 year period
- Based on this approach, Providence ranks sixth for base salary

Salaries, Smoothed over 25 Years, 2016-2017

District	Salary (25 Yrs)	Base Rank
East Greenwich	70,624	1
Smithfield	69,717	2
Newport	69,342	3
Pawtucket	69,143	4
Cranston	67,365	5
Providence	67,352	6
Johnston	66,830	7
North Providence	65,138	8
East Providence	62,595	9
Woonsocket	62,410	10

Salaries over 25 Years, including Longevity and Prorating School Year

District	Days	Salary (25 Yrs)	Prorated (181 days)	Longevity	Total Annual Salary	Total Salary Rank
Smithfield	181	69,717	69,717	200	69,917	1
East Greenwich	184	70,624	69,472	-	69,472	2
Pawtucket	184	69,143	68,016	486	68,502	3
Newport	184	69,342	68,211	288	68,499	4
Providence	181	67,352	67,352	656	68,008	5
Johnston	183	66,830	66,100	1,274	67,374	6
Cranston	182	67,365	66,995	289	67,283	7
North Providence	183	65,138	64,426	1,652	66,078	8
East Providence	183	62,595	61,911	558	62,469	9
Woonsocket	183	62,410	61,728	468	62,196	10

- When adjusting the salaries for the number of school days per district and taking the smoothing approach for longevity (for those districts that provide), Providence ranks 5th of the districts considered.

All-In Comparison (Salaries and Retirement Benefits Over 25 Years)

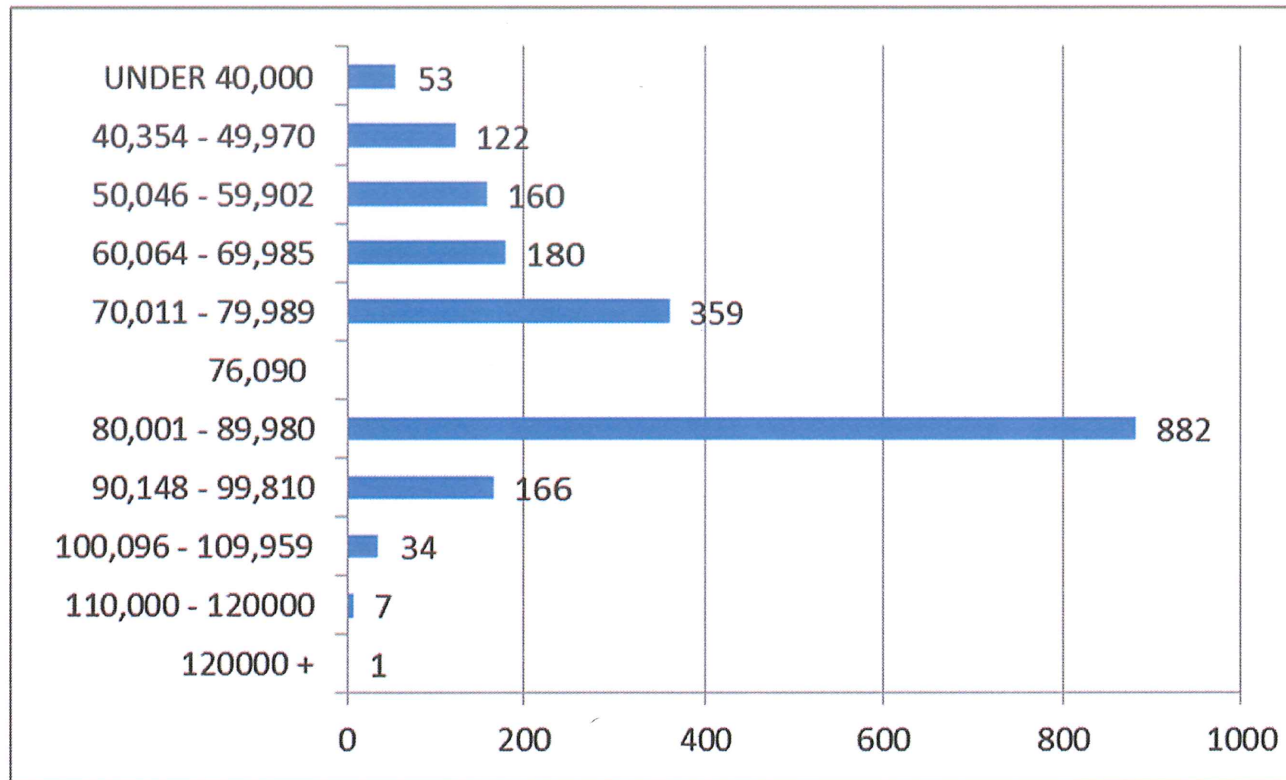
District	Total Annual Salary* (25 Yrs)	Sick Severance/ Lump Sum	Pre-65 Health	Post 65 Health	Total Benefits	Benefits/yr (25)	Top Step + Benefits
Newport	68,499	12,311	16,845	30,420	59,576	2,383	70,882
Smithfield	69,917	11,396	3,911	-	15,307	612	70,530
Providence	68,008	14,561	6,316	40,560	61,437	2,457	70,465
Johnston	67,374	5,510	16,845	40,560	62,915	2,517	69,891
East Greenwich	69,472	3,000	6,258	-	9,258	370	69,843
Pawtucket	68,502	1,750	17,477	-	19,227	769	69,271
Cranston	67,283	1,500	6,258	-	7,758	310	67,594
North Providence	66,078	7,150	10,528	-	17,678	707	66,785
Woonsocket	62,196	5,375	6,258	32,448	44,081	1,763	63,959
East Providence	62,469	5,000	6,258	-	11,258	450	62,919

** Total annual salaries are prorated for 181 days and includes longevity, using a smoothing approach over a 25-year period.*

Calendar Year 2017 Earnings

- The sample includes 1964 teachers
 - Removed any workers comp, retirees and substitute teachers from the original data
- The salaries are inclusive of all earnings
- The salary range is \$31,346 - \$120,905
- The average salary is \$76,090

Calendar Year 2017 Earnings



- The average earnings for a teacher in 2017 was \$76,090
- 1090 teachers earned more than the average in 2017
- 874 teachers earned less than the average in 2017

Calendar Year 2017 Earnings

- Total earnings in 2017 was \$150,757,785.
- Pay above base or “additional pay” accounted for 7.33% of the total earnings
- Base pay includes regular, sick, personal, jury duty, military pay and injury pay.
- The additional pay includes longevity, professional day, after school, coaching, in-house coverage, breakfast, additional student, etc.

