

The Case For The Cap

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In Dan Nelson's email on negotiations from November 9, 2022, he laid out the offer from the district including a 10% on schedule raise if we agree to a cap on health benefits. His final line in this section reads as follows: "Don't be spooked, we are committed to VUSD fully funding our healthcare benefits. Anything else is a pay cut."

First, I would like to thank Dan and VUEA for all they have done. It is clear Dan is listening to the members' responses in the copious surveys he has sent out. My goal in writing this is to provide data so that we all can make an informed decision.

Accepting a cap on benefits is not, necessarily, a pay cut. After analyzing salary data I have reached the following conclusions:

- This deal results in an increase in salary.
- Increasing base salary increases retirement benefits.
- The proposed cap of \$19,600 by the district is generous compared to other districts.
- There are healthcare plans available below the cap, which means no monthly premiums.
- VUSD's salary scale would increase in expected value by 65% compared to other districts.

I believe the current offer of 10% plus a cap of \$19,600 on benefits puts more money in our pocket—both short-term and long-term—and strengthens our position for larger salary increases in the future.

If you have the time and are interested in the details, please keep reading. What follows is a detailed account—with examples—of how I have reached the preceding conclusions. Calculations have been made with publicly available data which has been aggregated in this [GitHub repository](#). As always, if anyone believes I have made an error in my calculations, please let me know and I will issue a correction as soon as possible.

Accepting a Cap Increases Salary

The average annual salary for a 36 year career as currently offered by VUSD is \$77,445. A 6% increase yields a new average of \$82,091 (+\$4,646). A 10% increase yields a new average of \$85,189 (+\$7,744). The 10% increase results in \$3,098 more than the 6% increase. Even if health insurance increases at \$1,000 per year, it would take three years in a row before it breaks even. I find it highly unlikely that costs will go up \$1,000 per year in perpetuity.

If you are interested in looking at salary for a specific degree and numbers of units, check out the [Salary Comparison website](#).

Base Salary Helps With Retirement

For the vast majority of members, CalSTRS's final compensation is based on the highest average 36 month period. The formula for the monthly retirement benefit is:

MONTHLY RETIREMENT BENEFIT = SERVICE CREDIT x AGE FACTOR x FINAL COMPENSATION

For the purpose of retirement, it is in our best interest to increase salary, even if 100% of the increase is put towards healthcare premiums. Consider this hypothetical. Employee A ends their career making \$100,000

with the district fully funding \$20,000 in benefits. Employee B ends their career making \$120,000 but has to pay all \$20,000 into healthcare. These two employees have the same spending power of \$100,000.

Calculating the monthly retirement benefit for employee A:

SERVICE CREDIT = 36

AGE FACTOR = 2%

FINAL COMPENSATION = \$100,000 / 12 = \$8,333.33

MONTHLY RETIREMENT BENEFIT = 36 x 2% x \$8,333.33 = **\$6,000**

Calculating the monthly retirement benefit for employee B:

SERVICE CREDIT = 36

AGE FACTOR = 2%

FINAL COMPENSATION = \$120,000 / 12 = \$10,000

MONTHLY RETIREMENT BENEFIT = 36 x 2% x \$10,000 = **\$7,200**

That is a difference of \$1200 in monthly retirement benefits or \$14,400 annually. If you assume a 20–30 year lifespan after retirement employee B receives \$288,000–\$432,000 more in retirement than employee A.

Or consider another example of monthly retirement benefits pulled directly from the [CalSTRS handbook](#). Let's assume, for the sake of argument, that the 4% difference in VUSD's offer has to be contributed to healthcare premiums. We would see no difference in our gross monthly check between the 6% increase without contribution and the 10% increase with contribution.

Calculating the monthly retirement benefit:

SERVICE CREDIT = 32

AGE FACTOR = 2%

FINAL COMPENSATION = \$5,100

MONTHLY RETIREMENT BENEFIT = 32 x 2% x \$5,100 = **\$3,264**

But with the extra 4% going to salary:

FINAL COMPENSATION = \$5,304

MONTHLY RETIREMENT BENEFIT = 32 x 2% x \$5394 = **\$3,395**

That is an increase of \$131 in monthly retirement benefit or approximately an extra \$1500 annually in retirement. Again, with a lifespan of 20–30 years after retirement that is between \$30,000–\$45,000 in additional retirement benefits.

The Cap In Context

The proposed cap from the district is \$19,600. To put this in context, Ocean View School District has a cap of \$12,073 ([OVEA Agreement 21-22](#)). Hueneme Elementary school district has a cap of \$16,800 ([HEA Agreement 2022-2023](#)). Simi Valley Unified School district has a cap of \$12,421 ([SVUSD benefits](#)).

Additionally, there are several plans available that are below the cap. Employees in both Oxnard Union High School District and Ocean View School District who choose Kaiser do not have any monthly premiums. I spoke with an employee in Ocean View. Ocean View has negotiated the use of a health savings account (HSA). The difference between the overall cost of the plan and the cap was contributed by the district into the employee's HSA. Even though their plan has a high deductible, they can use the HSA to pay the deductible.

Expected Value

As I have spent time thinking about this, I have developed a metric for lifetime earnings that I call overall expected value. I assume a teacher works in the same district for 36 years and has a given degree type and number of units. Overall expected value is computed by calculating the difference between VUSD and all other districts in Ventura County with at least 1,000 students—including both paying for and opting out of benefits—and across all degree types and units and calculating the average.

Currently, VUSD has an expected value of \$-369,000. To put it plainly, working in VUSD for 36 years, a teacher would earn \$369,000 less than a teacher working in other districts on average. Assuming a 6% raise, VUSD's expected value increases to \$-198,000 (46% increase). However, assuming a monthly contribution of \$212.08 (the average contribution of the other districts) and a 10% raise, VUSD has an expected value of \$-130,000 (65% increase).