

MEMORANDUM

TO: All DPS Employees
 FROM: Gwendolyn A. de Jongh, Esq., Chief Human Resources and Labor Relations Officer
 DATE: May 3, 2013
 SUBJECT: Employee Severance Plan - ESP™

P.O.A.M.

Atten: Tony
 From: Ky

937-9165

John Barr

An early severance package known as the Employee Severance Plan (hereinafter the "ESP™") is being offered by the Detroit Public Schools to certain eligible employees. The ESP™ is a one-time offer available to actively working employees represented by the Detroit Federation of Teachers (excluding hourly and substitute DFT employees) who: (1) will have ten (10) or more years of service with Detroit Public Schools as of June 30, 2013; or (2) will be earning a minimum of \$60,000 and have a minimum of 5 years of service with Detroit Public Schools as of June 30, 2013.

The ESP™ is also available to employees represented by AFSCME, Local 345, OSAS, OSAS Related, DAEOE, DAEOE Related, Police Officers Association of Michigan (POAM), POAM Related, Police Officers Labor Council, NISP, Paraprofessionals, and non-represented employees including, Principals, Assistant Principals, and Executive staff who will have ten (10) or more years of service with Detroit Public Schools as of June 30, 2013.

The ESP™ is not available to any DPS employee who has notified the district in writing on or before May 1, 2013 (postmarked) that they will be resigning/retiring from DPS.

The exit date for participating employees electing the ESP™ will be June 30, 2013. Employees who elect to participate in the ESP™ will receive sixty-five percent (65%) of his/her 2012-2013 base annual salary (the "incentive"), the total of which will be paid to the employee in equal monthly payments as set forth below. The District retains the right in its sole discretion to modify [or determine] the exit date of a participant to any alternate date based on operational needs of the District; provided, however, the alternate date shall not be later than June 30, 2014. An employee retained by the District until such an alternate date will receive the same incentive amount he/she would have received had the District not modified the exit date of such employee, except that the payment of the incentive benefit will start not later than four (4) months following the employee's alternate exit date.

Failure by the employee to fulfill his/her contractual obligations through the employee's exit date will result in forfeiture of the incentive benefits. ESP™ participants shall not be eligible to participate in any other District severance or termination incentive plans and ESP™ participants are not eligible for the pay out of sick days.

ESP™ participants will receive the total incentive benefit over a period of 5 years, divided into 60 equal monthly payments paid directly to the participant's selected Post Employment 403(b) account. The Participant will be able to access monthly benefits within the parameters of the Post Employment 403(b) account. ESP™ benefits begin to be deposited into a Post Employment 403(b) account on any date between October 15 and October 30 following the employee's Exit Date and will be paid on or about the 15th of each month thereafter until all payments are completed. There are NO other payment options for participants to elect. All payments of the incentive benefit must be deposited into the employee's Post Employment 403(b).

There can be no exceptions or options for Plan benefit payments, including future deferral of Plan benefits or acceleration of Plan benefits, to alter the formulas, calculations, or method of Plan benefit payments, or timing or number of payments, as explained herein. The deposits into the Eligible Employee's Post Employment 403(b) account are considered employer contributions rather than employee contributions, transfers or rollovers.

Under current tax rules, the District and the participating employee are not required to pay FICA or Medicare tax on any incentive benefit amounts deposited into the participants Post Employment 403(b). Federal and state income taxes applicable to the incentive benefit amount shall be deferred until such time as the individual withdraws funds from their Post Employment 403(b) account. Participants should consult with their personal advisor for any specific tax questions.

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To participate, an Employee must agree to separate from Detroit Public Schools' service, but there is no requirement that an Employee commence his/her pension.

Educators Preferred Corporation (EPC) will be handling all of the information and enrollment procedures for the ESP™ so you can feel comfortable discussing financial details with someone other than a school official. EPC has assisted over 400 districts and colleges in the implementation of similar plans. EPC will provide estimates of plan benefits, social security estimates and other important issues concerning state retirement.

To obtain an Employee Severance Plan™ package that provides greater details of the program, please *complete the attached confidential Data Sheet, and fax to 888-676-8792 or log on to www.epcinternet.com/dps* and complete the form required there, *no later than Wednesday, May 8, 2013*. Returning the Confidential Data Sheet *does not obligate* you to elect the plan, and allows the plan administrator, EPC, to prepare an estimated illustration of state retirement benefits, Social Security benefits and the Employee Severance Plan™. All information will be held confidential by EPC, and will be used to prepare a comprehensive package for you.

You may schedule an individual counseling session by calling EPC at 1-800-747-1504 or log onto www.epcinternet.com/dps

The window period for the election to participate is May 13, 2013 through June 28, 2013