



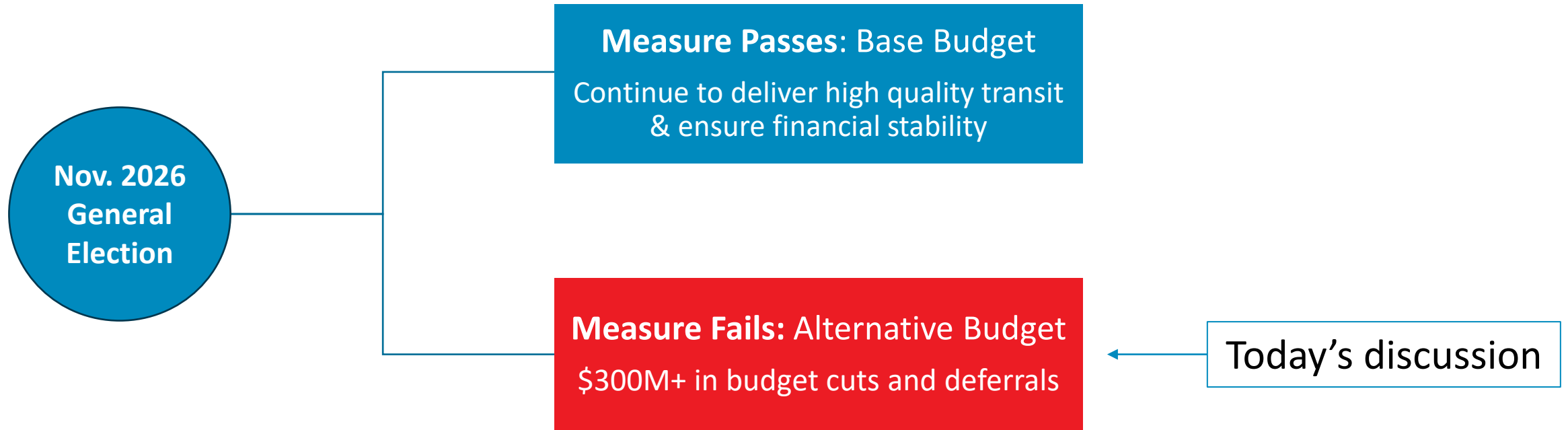
Retirement Incentive Program Evaluation

BART Board of Directors

May 14, 2026



FY27 Context: Planning for Multiple Outcomes



- If the November 2026 measure fails, BART will need to reduce its workforce by an estimated 1,170 positions
- Today's presentation focuses on whether a retirement incentive program could increase savings or reduce involuntary separations

Follow Ups from 2026 Board Workshop



February 12

February 26

April 23

May 14

May 28

Board
Workshop

Alternative
Service Plan
(ASP) adopted
by Board

Strategy for
Managing
Loans,
Deferrals,
and Reserves

Retirement
Incentive
Program
Evaluation

Capital Program
Impacts

- Staff were asked to follow up on three items related to the Alternative Service Plan (ASP) at the February Board Workshop
- Follow ups are being presented to the Board over the course of April and May

“Measure Fails” Budget Strategy

To take place January 2027:

- 63% reduction in service: 9pm closure; 3-line service; 30-minute frequencies
- 30% fare and parking increases
- \$30M in cuts from non-service reductions to fleet maintenance, policing, cleaning, admin support
- Over 800 employee layoffs
- Deferrals and one-time sources
- Assess: ridership/revenue impacts; performance of support services; impacts/risks of asset closures

To take place July 2027 if feasible:

- Cumulative 70% reduction in service: maintain 9pm closure, 3-line service, 30 min frequencies and close up to 15 stations and/or 25% of system track miles (no named stations, Board will be responsible for closure decisions)
- Cumulative 50% fare and parking increase
- Cumulative \$130M in cuts from non-service reductions to fleet maintenance, policing, cleaning, admin support
- Another 400 layoffs (total 1,200)
- Continue deferrals
- Based on observed conditions of closed segments, study options and tradeoffs for stopping train service

Safety Contingency:

- If BART can't safely or legally operate with the available resources, we will stop passenger service
- Use District tax revenues to secure system assets and other ongoing obligations
- Work to determine the system's future

- At the February Board Workshop, staff presented a “Measure Fails” strategy contemplating up to 70% service cuts
- This plan includes the elimination of 1,170 positions
- BART’s 2021 retirement incentive program has generated modest savings over the past 5+ years
- Staff were asked to analyze whether a retirement incentive program could optimize savings or reduce layoffs

Staff Recommendation

- Analysis: retirement incentive program would cost more money than it would save
 - Staff does not recommend pursuing
- BART's 2021 District Retirement Incentive Program (DRIP) will generate \$12.1M in savings through the end of FY26; those savings are driven by:
 - Position eliminations;
 - Salary differentials; and
 - Time to hire
- These drivers of savings do not apply in the program being discussed today because staffing reductions are already required; retirements would substitute for layoffs rather than create additional savings
- Without the savings described above, a new retirement program would generate additional costs, which would then need to be offset with further cuts

Retirement Program Candidate Pool

- 1,509 current BART employees will be eligible to retire on 12/31/2026
- Key assumptions: Only employees who have met certain thresholds will consider taking a retirement incentive:
 - At least 55 years old;
 - 15 years of service; and
 - Eligible for at least 65% of current income replacement
- Resulting “likely to consider retirement” group consists of 205 current employees

Financial Components of a Retirement Incentive Program

Program Elements	Typical Savings / Costs	Description
Position elimination	+\$	Individual retires and their position is removed from the budget
Salary differentials between retirees and newly-hired backfills	+\$	Many BART employees are part of a salary step progression system; new hires start at bottom step
Recruitment lag between retirement and backfill	+\$	Only relevant if position is backfilled
Change in pension/retiree healthcare actuarial liabilities	+\$ or -\$	Actuarial calculations of impact of individuals retiring before or after assumed dates; costs are spread over time but accrue immediately
Retirement incentive payments	-\$	Standard practice to incentivize individuals to retire as part of the program

- Since 2021, BART has realized ~\$12.1M in operating savings due to DRIP; position savings have been greater than actuarial increases and incentive payments



Comparison with 2021 District Incentive Retirement Program (DRIP)

Program Elements	2021 DRIP		Potential 2026 Program	
	Savings/Costs	Notes	Savings/Costs	Notes
Position elimination	+\$	Major ongoing savings from 129 of 287 positions eliminated	None	Positions must be eliminated in ASP, so no savings
Salary differentials between retirees and newly-hired backfills	+\$	Modest savings over 4 years	None	Positions will not be backfilled Cuts will likely eliminate all lower-step employees
Recruitment lag between retirement and backfill	+\$	Modest one-time savings	None	No positions are anticipated to be backfilled
Change in pension/retiree healthcare actuarial liabilities	-\$	Major ongoing cost	-\$	Major ongoing cost; individuals likely to consider program would add liability
Retirement incentive payments	-\$	Large one-time cost	-\$	

- A retirement program would generate more costs than savings



Analysis Summary and Financial Impact

Likely program participants	Number	Eliminated positions (\$M)	Salary differentials (\$M)	Actuarial liability (increase) / decrease (\$M)	Incentive payment	Total (\$M)
<i>Total likely to consider program</i>	205	0.0	0.0	(37.2)	N/A	(37.2)
High (75% take up)	156	0.0	0.0	(27.9)	N/A	(27.9)
Medium (50% take up)	105	0.0	0.0	(18.6)	N/A	(18.6)
Low (25% take up)	53	0.0	0.0	(9.3)	N/A	(9.3)

**Sums do not exactly match 75%, 50%, and 25% due to rounding to nearest full number*

- In all scenarios, a retirement incentive program is a net cost
- Higher participation generates higher costs
- Incentives are not included above because they could only be offered if program generated savings
 - One week of pay per year served (up to 20 weeks) was assumed in analysis; though the exact cost would depend on how many and which individuals participate, the range could be between \$2.5M if 25% participate and \$10.1M if 100% participate
- In Alternative Service Plan (ASP) context, adding costs would require additional cuts (vicious cycle)

Conclusion

- Staff does not recommend pursuing a retirement incentive program
 - In all scenarios, the program would result in net costs for BART
 - These costs would need to be offset by additional cuts
 - More participants would generate higher costs for BART

Discussion