ACTION ITEM #1

Voluntary Early Retirement Incentive Program for Employees in the Washington State University Retirement Plan

TO ALL MEMBERS OF THE BOARD OF REGENTS

SUBJECT: Voluntary Early Retirement Incentive Program for Employees in the Washington State University Retirement Plan

PROPOSED: That the Board of Regents approve the Voluntary Early Retirement Incentive Program for Employees in the Washington State University Retirement Plan (WSURP) as set forth below, and authorize the President or his designee(s) to offer the incentive to any eligible member of the WSURP.

SUBMITTED BY: Elson S. Floyd, President

SUPPORTING INFORMATION: The Board of Regents has authority pursuant to RCW 28B.30.095 and RCW 28B.30.150 to govern the affairs of the university, including the financial terms of employment of members of the WSURP. Due to the projected $6 billion budget shortfall for the State of Washington for the 2009-11 Biennium, and the requirement to make double digit cuts in the University’s budget, it is necessary for the University to reduce its payroll costs significantly. The current downturn in economic conditions in our State and nationally has caused many employees who were contemplating retirement to delay their retirement plans. A major factor in this delay is the cost of paying health care costs after retirement.

The purpose of the proposed retirement incentive is to remove that obstacle to retirement by contributing to a tax exempt medical expense plan to help the employee with the costs of health care after retirement. This incentive will assist the University in addressing its need to reduce the number of employees. The amount of the incentive is approximately the average cost of the HCA self-pay retiree premium for an individual for a three year period.

PROGRAM ELEMENTS:

Basic provisions of the Voluntary Retirement Incentive Program:

1. To be eligible for the incentive payment, the employee must be a current member of the WSURP, must have been a member of the WSURP for at least 10 years, must be 55 or older before the effective date of retirement, and must begin receiving a retirement payment as a result of their retirement.
2. Eligible employees who wish to receive the incentive payment must submit their application for retirement to WSU Human Resource Services and apply for the incentive no earlier than March 1, 2009, and no later than May 31, 2009. Retirement must be effective no later than July 1, 2009.

3. WSU will make a one-time payment of $18,000 into the account of a retiring employee in a tax exempt medical expense plan that qualifies under Section 501(c)(9) of the Internal Revenue Code for any employee who retires under the WSURP because of this incentive program.

4. The incentive payment is not to be considered income for purposes of calculating retirement benefits, and an employee who accepts this incentive payment is not eligible for unemployment compensation.

5. Employees who prior to the adoption of this Plan had already submitted their notice of retirement or who had signed an agreement that identifies a retirement date are not eligible for the incentive unless they receive approval from the Provost and Executive Vice President to change their retirement date, and the cost savings to WSU of accelerating their retirement date exceeds the amount of the incentive.

6. An employee who receives this incentive payment may not return to service at WSU within five years of the date of retirement. However, employees who retire under this program may be eligible for temporary employment not to exceed .4 FTE, if such temporary employment is approved in advance by the Provost and Executive Vice President.

7. An employee’s decision to participate in this program is entirely voluntary. Any employee accepting an incentive payment under this program must sign a form that states their decision to participate in this program is entirely voluntary and they fully understand the re-employment and other restrictions applicable to participation in the program.