

## ACTION ITEM #7

### Voluntary Retirement Incentive Plan (VRIP) (Joan King)

TO ALL MEMBERS OF THE BOARD OF REGENTS

**SUBJECT:** Voluntary retirement incentive plan for eligible WSU employees who are members of a State of Washington administered retirement system

**PROPOSED:** That the Board of Regents approve the attached Voluntary Retirement Incentive Plan (VRIP) for eligible WSU employees who are members of a State of Washington administered retirement system (DRS Plan), and delegate authority to the President or his designee(s) to provide the incentive to WSU employees who apply and meet the eligibility requirements of the VRIP.

**SUBMITTED BY:** Joan King, Executive Budget Director

**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, and Section 912 of Chapter 564, Laws of 2009 (ESHB 1244) authorizes the University to offer retirement incentive programs to members of state administered retirement plans, provided the program is approved by the Office of Financial Management. Due to the continued budgetary uncertainty and projected loss of funding, adoption of such an incentive would assist the University in reducing its budget. A similar plan was offered last year to WSU employees who are members of the WSU Retirement Plan, but we were not able to offer that plan to WSU employees who are members of a state administered retirement system due to a lack of legislative authority. WSU developed and presented a retirement incentive plan to OFM pursuant to the legislative authority granted in ESHB 1244, and OFM approved that plan in late December. The details of the plan are set forth in the Attachment to this item. If approved, the University would begin offering the VRIP on February 15, 2010.

# BOARD OF REGENTS

## Voluntary Retirement Incentive Plan (VRIP)

### Resolution #100129-376

WHEREAS, the Board of Regents of Washington State University by virtue of RCW 28B.10.528 has authority to delegate by resolution to the President of the University, or designee, powers and duties vested in or imposed upon the Board by law and to enable the President, or designee to act on behalf of the Board of Regents in matters relating to the administration and governance of the University.

RESOLVED: That the Board of Regents approve the attached Voluntary Retirement Incentive Plan (VRIP) for eligible WSU employees who are members of a State of Washington administered retirement system (DRS Plan), and delegate authority to the President or his designee(s) to provide the incentive to WSU employees who apply and meet the eligibility requirements of the VRIP.

Dated this 29<sup>th</sup> day of January, 2010.

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Chair of the Board of Regents

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Secretary to the Board of Regents



STATE OF WASHINGTON  
OFFICE OF FINANCIAL MANAGEMENT

*Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555*

December 22, 2009

Joan King  
Executive Director of Planning and Budget  
Washington State University  
P. O. Box 641041  
Pullman, Washington 99164-1041

Dear Ms. King:

Thank you for submitting a revised plan for Washington State University's participation in the Voluntary Separation, Retirement, and Downshifting Program. Your changes meet all of the conditions for approval that were previously specified. I am pleased to approve the revised plan (submitted yesterday through Mr. Larry Ganders) to take effect on December 23, 2009.

I have attached a copy of your approved plan. It indicates that you intend to offer voluntary retirement incentives of \$23,270 to eligible employees. Your agency will use expenditure savings resulting from the plan to recover the cost of these incentives by December 23, 2011. You have agreed to report to the Office of Financial Management and the Legislature on the outcome, or expected outcome, of this effort by June 30, 2011.

If you have any questions regarding the Voluntary Separation, Retirement and Downshifting Program, please contact Jane Sakson, Budget Assistant to the Governor, at (360) 902-0549.

Sincerely,

A handwritten signature in black ink, appearing to read "V.A. Moore".

Victor A. Moore  
Director

cc: Rich Heath, WSU  
Theresa Elliot-Cheslek, WSU  
Larry Ganders, WSU  
Jane Sakson, OFM

### Voluntary Retirement Incentive Program for WSU Employees in State Retirement Plans

Washington State University (WSU) submits this voluntary retirement incentive program to the Office of Financial Management for approval pursuant to the authority granted in Section 912 of Chapter 564, Laws of 2009 (ESHB 1244.)

The WSU Voluntary Retirement Incentive Program (VRIP) would be offered to all eligible WSU employees who are members of a retirement plan administered by the Department of Retirement Systems (DRS), including PERS, TRS, and LEOFF. WSU will strategically target VRIP offers to eligible DRS participants in a manner which will avoid disruption of government services. The VRIP will not be targeted to eligible DRS participants on the basis of individual or personal factors.

WSU currently has approximately 114 employees who would be eligible to participate in the VRIP. This is about 3% of WSU's non-faculty staff. WSU will retain sufficient positions, occupations and skills in order to achieve our mission and priorities. The cost of the VRIP will be offset by a reallocation of resources when vacancies created by the VRIP occur, including minimizing supervisory and overhead positions.

Basic provisions of the program are:

1. To be eligible the employee must have been employed by WSU for at least 10 years, must have been eligible for normal retirement for at least 12 months under their DRS administered plan, and must be a permanent employee.
2. Eligible employees who wish to receive the incentive payment must submit their application for retirement to DRS and apply to WSU for the incentive payment no later than (three month window period to apply.) Separation from service must be effective no later than (one month after the end of the window period.)
3. WSU will make a one-time payment of \$ 23,270 to the eligible retiring employee, which will on average, yield approximately \$18,000 of after tax benefit. Actual after tax benefit will vary based on individual tax status of the retiring employee. Participating employees may consult with their tax advisor to determine their individual after tax effect
4. An employee who accepts this incentive payment is not eligible for unemployment compensation.
5. The incentive payment is not considered income for purposes of calculating retirement benefits.
6. An employee's decision to participate in this program is entirely voluntary.
7. An employee who receives this incentive must repay the full amount of the incentive to the employee returns to service at the University or a state agency (as an employee or contractor) within five years unless, prior to hire, WSU requests and OFM authorizes it to require less than full repayment.
8. Any employee accepting an incentive payment under the VRIP must sign a form that states that the employee's decision to participate in this program is entirely voluntary and that the employee fully understands the re-employment, income, unemployment compensation, and other restrictions applicable to participation in the VRIP.

9. The expenditure savings resulting from the retirement must be identified, and the amount of the incentive payment must be recovered from the expenditure savings within the 2009-11 biennium.
10. No employee has a contractual right to an incentive offered by this program prior to acceptance and approval of an application by WSU.
11. WSU will submit the report required by Section 912 to the Legislature and OFM by June 30, 2011.

Employees who have questions about the plan may contact Lisa Gehring or Ann Monroe with Human Resource Services at 335-4521.

LHG/Dec. 21, 2009