

VOLUNTARY RETIREMENT INCENTIVE

Proposed Budget Proviso, March 16, 2009

WSU requests authority to extend retirement medical benefits program to its 2,100 classified employees and some exempt staff employees that are all on state administered retirement systems, principally PERS.

- **WSU has existing authority to offer its program to 80 percent of its 1,500 exempt staff and all of its 2,280 faculty members.** WSU's existing authority allows us to make this program available to faculty that are in the federal retirement system and the WSU Retirement Plan.
- **The university has already extended the offer to participate in this program to those eligible staff & faculty members and would like the authority to offer it to its remaining employees, including all classified staff.**

The WSU program is simple.

If an employee is eligible to retire under the current system, then WSU will offer the employee an incentive of depositing \$18,000 into a tax-exempt medical expense plan account. This account can be used by the retiree to pay medical expenses, including health insurance premiums. The \$18,000 is an amount considered adequate to fund continued health insurance benefits for a single employee for three years (an average projection for available plans.)

The goal of the bill is also simple.

We want to encourage our employees that are eligible to retire to actually retire this year. The vacated positions would apply to WSU budget cuts and reduce the number of current university employees that would become unemployed through funding reductions. WSU will not fill vacant positions created by the retirements unless it is critical to do so. This means that we can lay off fewer employees due to the biennial budget cuts. The attached proviso language would grant permissive authority to any higher education institution or state agency to utilize the same plan. The \$18,000 per retiring employee

benefit must be paid by that institution or agency out of its own funds. We drew the permissive language broadly but would also be willing to narrow it.

A similar provision was included in the current appropriations budget (Section 909).

WSU could live with a similar program if it was included in the 2009-11 appropriation bill, as long as OFM and DRS extend this benefit to all persons eligible to retire, which this proviso does. Currently under OFM guidelines, an employee must have been eligible for “normal” retirement for at least 12 months in order to receive the incentive. WSU’s program seeks to allow all employees who are eligible for early or normal retirement to receive the incentive. OFM also currently prohibits offering the incentive to employees in critical positions. WSU would not include that requirement so the incentive could be offered to any employee eligible to retire. We will internally adjust our resources to accommodate critical staffing situations caused by retirement.

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