

VII. STANDING COMMITTEES

- A. Academic and Student Affairs Committee
In Joint Session With
- B. Finance, Audit and Facilities Committee

Voluntary Retirement Incentive (VRI) Option for Tenured Faculty Members

RECOMMENDED ACTION

The administration recommends that the Board of Regents approve the adoption of a voluntary retirement incentive (VRI) option for tenured faculty members.

We propose the VRI option as an alternative retirement benefit available to all eligible tenured faculty members who elect to forego their vested right to partial reemployment upon retirement. When elected, a tax-free medical expense account, administered as a Voluntary Employee Beneficiary Association (VEBA) under rules established in the Internal Revenue Code, will be established for the payment of medical expenses after retirement.

The VRI option will be available only when the Provost announces an open election period, at which time eligible faculty members can declare their intent to retire during a specified interval of time and elect this alternative retirement benefit. Upon retirement of a participating faculty member, a VEBA account will be established and receive a lump-sum contribution from the nine or twelve month state-funded position that is vacated by the tenured faculty member. The contribution will amount to 25% of the five year value of the state-funded 40% reemployment, except that there will be a minimum contribution of \$25,000 and a maximum contribution of \$100,000.

BACKGROUND

Faculty members have reported delaying their retirement plans, with the downturn in the economy and the untoward consequences on retirement portfolios. One factor that continues to be identified as an influencing factor is an uncertainty and concern regarding health care costs. The VRI option for tenured faculty members is designed to respond to this concern by offering an alternative benefit that would have certainty at the time of retirement as to the availability of a tax-free medical expense account. At a time when academic units continue to be called upon to plan for declining financial resources, the VRI option is expected to incentivize retirement planning.

The option is modeled after a program already available to librarians, professional staff, classified non-union staff, and contract classified staff at the time of retirement. For these retirees, the VEBA account is funded by 25% sick leave cash-out, a program authorized by the Board of Regents in 1999.

The VRI option was developed in consultation with and received the support of the Board of Deans and Chancellors, Senate Committee on Planning and Budgeting, and Faculty Council on Benefits and Retirement.

Attachment:

Overview of a Proposed Voluntary Retirement Incentive (VRI) Option for Tenured Faculty Members

A-8/203-10

3/18/10

Overview of a Proposed Voluntary Retirement Incentive (VRI) Option for Tenured Faculty Members

Retirement Benefit

- Current – Five-year partial (40%) reemployment – a vested right
- Alternative – Tax-free medical expense account

Eligibility

- Tenured faculty member
- Eligible to retire under UW Retirement Plan (UWRP) rules – at least age 62
- Eligible for partial reemployment

Election

- Application during open election period
- Retirement during specific period
- Irrevocable at time of retirement
- No retroactive availability

Consideration

- Forego vested right to five-year reemployment – contractual agreement
- Lump sum contribution to VEBA account
 - 25% of five-year value of state funded reemployment
 - \$25,000 minimum and \$100,000 maximum

Cost/Benefit

- Improve academic planning
- Respond to faculty concerns
- Economic impact

Implementation Plan

- Spring 2010 announcement
- Open election period – May 1, 2010 through December 31, 2010
- Retirement timeline – May 1, 2010 through June 30, 2011