

VII. STANDING COMMITTEES

B. Finance, Audit and Facilities Committee

UW Supplemental Retirement Plan OverviewINFORMATION:

In addition to the University of Washington Retirement Plan (UWRP) defined contribution 403(b) plan available to public higher education plan participants, there is the UW Supplemental Retirement Plan (UWSRP), a defined benefit, or formula-driven retirement plan. The Regents authorized the UWSRP in 1955 as established in RCW 28B.10.430 et seq. Effective January 2009, the Regents authorized a split of the UWSRP Defined Benefit into its own 401(a) Plan Document in response to changes in the Internal Revenue Code. Regardless of the Plan Document split, participants in the UWRP 403(b) continue to be concurrent participants in the UWSRP 401(a).

Eligibility for a UWSRP benefit calculation applies to those who retire with a minimum of 10 or more years of service in the Plan, and who are age 62 or older. The UWSRP is a formula-driven calculation created in 1955 in response to faculty concerns that there be some sort of “minimum benefit” provided by the institution. There are no employee contributions to the UWSRP; the benefit is fully funded by the institution, and projected future liabilities are funded within the Benefits Loading Rate calculation. Eligibility for a calculation does not guarantee that a benefit will be provided. Historically about 5 to 10% of those eligible for a UWSRP benefit calculation actually received a benefit. However during the economic downturn of the past three years, the rate of those retiring for whom there is a positive benefit calculation has risen to approximately 25% of those eligible for a calculation.

The calculation is actually a comparison of two separate calculations. Following is an abridged summary of that process.

One half of the UWSRP calculation process is similar to the state Public Employees’ Retirement System (PERS) Plan 1 formula:

$$2\% \times \text{Years of Service (up to 25 years maximum)} \times \text{Average Final Monthly Salary (high 2 years)}$$

The result of this calculation is translated into a monthly retirement *goal income* amount.

The second half of the calculation is establishing a retirement *assumed income* amount based upon the contributions made during the individual’s participation in

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the UWRP. State law requires this calculation to assume that the total contributions (employer and employee) were invested 50% in a *fixed annuity* and 50% in a *variable annuity*. That is, instead of the actual returns the participant achieved, this model runs the actual contributions through an actuarial model as if they had been invested in a fixed annuity and variable annuity. The result is turned into a monthly annuity. Actuaries perform this calculation and provide the results to UW which uses the data to complete the calculation of the assumed income.

The goal income and assumed income, stated as monthly amounts, are compared. If the goal income calculation is higher, the difference between the two amounts is paid to the participant for the rest of his/her life, plus the life of the selected beneficiary. If the assumed income is higher, then no payment is due to the participant.

The UWSRP calculation is performed once, effective as of the date of retirement. No further calculations are ever performed.

UWSRP FACTS

Current number of retirees receiving a UWSRP lifetime benefit	220
Average monthly benefit amount	\$ 745
UWSRP payments to retirees for fiscal year 2009 – 2010	\$2.2 million

Additional details about the UWSRP are available online at:

<http://www.washington.edu/admin/hr/benefits/retirement/plans/uwrp/uwsrp.html>