

Policy: **Voluntary Termination Incentive**  
Policy Number: 294.0  
Date Adopted: 1993-1994  
References: HB 517; BOR Item 79-002-R0593  
Approved By: George M. Dennison, President

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All University policies are available in an alternative format upon request.

**1. PUBLIC EMPLOYEES RETIREMENT (PERS) INCENTIVE**

The intent of the 53rd Legislature is to provide an active member of the public employees' retirement system who is eligible for normal or early retirement with an incentive to terminate service between March 1, 1993 and December 31, 1993.

The incentive provided in the HB is that the employer, at no cost to an eligible member, will buy for the eligible member up to three years of additional service for the purpose of calculating the member's retirement benefits.

The cost of purchasing full years of service for a less than full-time employee is based on a full-time salary to appropriately compensate the retirement system for the benefit. The cost of purchasing one additional year of service will be 13.4 percent of the employee's immediately preceding 12-months salary, as of their termination date, not to exceed 40.2 percent.

The Legislature also intended that the employer may pay for the additional service on an installment basis over as many as 10 years at an interest rate set according to the retirement board's policy.

**POLICY**

The University of Montana - Missoula has elected to repay any installment loans due to PERS as soon as savings are available, but not to extend beyond a 5-year time period.

PERS will provide The University of Montana - Missoula with a minimum annual amount payable which will include principal and interest.

All annual savings related to the vacated position line will be applied to the outstanding balance until the incentive plus interest has been repaid.

All deficiencies between the minimum annual payment and the savings available will be funded annually by the employing department or in a manner determined by the appropriate Executive Officer.

**STATE GENERAL FUND ACCOUNTS**

Upon retirement of an employee electing the VTI, the difference between the retiring

employees final base salary at a specific classification grade level and the entry-level base salary for a similar classification grade level will be reflected in the Department's base budget in Object Code 1402 and be considered the "annual savings." Retirement Incentive Expenditures will be directly charged against this object code.

Current year savings will be calculated in the same manner, following the final payment of sick and annual leave for the retiring employee.

#### NON-STATE GENERAL FUND ACCOUNTS

No movement of budget will occur. Expense will be charged directly to Object Code 1402.

## 2. **TEACHER'S RETIREMENT SYSTEM (TRS) OPTIONAL RETIREMENT PROGRAM (ORP)**

### GENERAL

#### Teacher's Retirement

The Board of Regents adopted a Voluntary Retirement Policy which allows TRS members an early retirement incentive equal to an amount, when combined with employer contributions due the Teacher's Retirement System, of 14.503 percent of final year's salary for each five full years of creditable service within the TRS, not to exceed 43.509 percent of final year's salary.

#### Optional Retirement Program

The Board of Regents adopted a Voluntary Retirement Policy which allows ORP members an amount equal to 12 percent of final year's salary for each five full years of service with the Montana University System, not to exceed 36 percent of final year's salary.

Employees participating in TRS or ORP who elect to participate in the VTI must notify their employer no later than the end of business on December 1, 1993.

The incentives shall be paid directly to the retiring employee and are fully taxable when received.

"Definition of "final year's salary": For purposes of this policy final year's salary means the base compensation on an employee's final AY or FY contract as reported to or approved by the Board of Regents and evidenced by the Regents' minutes; exclusive of any additional compensation such as stipends, overload pay, extra compensation, or any other type of special or severance payment or cashout of previously earned benefits, whether reported to the Regents or not."

### POLICY

Employees under TRS/ORP electing to participate in the VTI will be paid directly for the full incentive amount by The University of Montana - Missoula. The University will pay the full cost of associated fringe benefits on the amount. The total amount of the incentive

and the associated fringe benefits will be charged to an institutional account funded from Auxiliary revenues which will be established to pay the incentives and fringe benefits and to accept repayment over a period not to exceed 10 years.

A Repayment Agreement, signed by the appropriate Executive Officer, Dean or Director, and Department Chair, will describe the details of the repayment plan, over a period not to exceed 10 years. Each Executive Officer is responsible for providing sufficient funds (budget) in each current year to repay the institutional account for incentive payments and associated fringe benefits.

The Controller's Office will calculate the annual payment and provide a payment schedule to the appropriate Executive Officer. No interest will be charged on the outstanding balance.

The University of Montana - Missoula  
Voluntary Retirement Incentive  
Repayment Agreement

Retiree: \_\_\_\_\_

Voluntary Retirement Incentive Amount: \$ \_\_\_\_\_

Department: \_\_\_\_\_ INDEX \_\_\_\_\_

Unit: \_\_\_\_\_

The undersigned hereby agrees to repay the Institutional Voluntary Retirement Fund the above amount over a period not to exceed 10 years, commencing FY 95 through FY 2005. The annual payment will be calculated in equal installments over the period and will not bear interest.

Annual Payment: \$ \_\_\_\_\_

Executive Officer: \_\_\_\_\_

Date: \_\_\_\_\_

Dean/Director: \_\_\_\_\_

Date: \_\_\_\_\_

Department Chair: \_\_\_\_\_

Date: \_\_\_\_\_