

## University Policy 3113: Early Retirement Incentive Program

**Category:** Human Resources

**Subcategory:** Benefits

**Covered Individuals:** Benefit Eligible Employees

**Responsible Executive:** Executive Vice President and Chief Operating Officer

**Policy Custodian:** Office of Human Resources, Sr. Associate Vice President for Human Resources

**Last Revised:** 2022/06/23

**Previous USU Policy Number:** 349: Early Retirement Incentive Program

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### 3113.1 PURPOSE AND SCOPE

Entrance into the early retirement incentive program is strictly voluntary and is available to employees who obtain administrative approval and qualify based on the eligibility requirements below. Administrative approval may be granted after determining that the early retirement incentive request is in the mutual best interest of the employee and the University. The policy provides two mutually exclusive early retirement options for eligible employees: a five-year option or a six-year option.

### 3113.2 POLICY

#### 2.1 Initiation of the Early Retirement Agreement

Eligible employees desiring to participate in this program must advise their immediate supervisor, normally the department head or director, as soon as possible prior to the proposed date of early retirement. Academic year appointees may only enter the early retirement incentive program on January 1 or July 1 of any year, unless a different date is mutually agreed upon in writing by the department head, dean and provost, in consultation with the Office of Human Resources. If a request for Early Retirement is pre-approved to begin drafting the agreement, the department initiates the early retirement process by requesting the Office of Human Resources to prepare the Early Retirement Agreement.

#### 2.2 Five-Year Option: Eligibility and Benefits

2.2.1 For an employee to be eligible to request participation in the five-year option of the early retirement incentive program, the following criteria must be met: the employee must be a benefit-eligible employee, the employee's age must be at least 57, the employee's age plus years of service at Utah State University in a benefit-eligible position must be greater than or equal to 75.

2.2.2 All service of 50% time or more per year under University appointment will qualify for credit even if there are breaks in service during prior years. Approved leaves of absence with pay will be eligible for credit. Periods of leave without pay will be not credited.

#### 2.2.3 Five-Year-Option Incentives

2.2.3.1 [Participants](#) in this program shall be paid a financial incentive that is the lesser of 20% of the employee's [annual earnings](#), or the estimated single social security benefit available to the individual at Full Retirement Age (FRA) as defined by social security law. Incentive payments shall be paid in monthly installments (annual incentive base divided by twelve) for a maximum of 5 years or until FRA as a bridge to future social security benefits. Early retirement incentive payments will cease the first day of the month following the 5-year period or the FRA, whichever occurs first.

2.2.3.2 Incentive for participants shall be adjusted annually at a rate determined by the University administration. This annual adjustment will normally be at the same salary rate as that given to University employees performing at a satisfactory level. The early retirement incentive base may never exceed the estimated single Social Security benefit available to the individual at FRA.

#### **2.2.4 Five-Year-Option Benefits**

2.2.4.1 Benefits for which the retiring employee will be eligible during the five-year option of early retirement are:

2.2.4.2 Medical and dental insurance coverage on the University's group plans continued to the same extent and on the same terms that such coverage is available under applicable University policies to non-retired personnel. The premium rate will be based on the annual earnings used to calculate the employee's early retirement benefit. The retiree will have the applicable share of the medical and dental premiums deducted from the monthly early retirement incentive payment. If the early retiree or spouse reaches [Medicare eligibility age](#), he or she will be removed from the University medical plan and encouraged to apply for Medicare. Continuation of the dental plans is allowed for the duration of the early retirement agreement.

#### **2.3 Six-Year-Option: Eligibility and Benefits**

2.3.1 For an employee to be eligible to request participation in the six-year option of the early retirement incentive program, the following criteria must be met: the employee must be a benefit-eligible employee, the employee's age must be at least 56, the employee's age plus years of service at Utah State University in a benefit-eligible position must be greater than or equal to 75.

2.3.2 All service of 50% time or more per year under University appointment will qualify for credit even if there are breaks in service during prior years. Approved leaves of absence with pay will be eligible for credit. Periods of leave without pay will be not credited.

#### **2.3.3 Six-Year-Option Incentives**

2.3.3.1 Participants in this program shall be paid a financial incentive that is the lesser of 16.67% of the employee's annual earnings, or the estimated single social security benefit available to the individual at Full Retirement Age (FRA) as defined by social security law. Incentive payments shall be paid in monthly installments (annual incentive base divided by twelve) for a maximum of 6 years or until FRA as a bridge to future social security benefits. Early retirement incentive payments will cease the first day of the month following the 6-year period or the FRA, whichever occurs first.

2.3.3.2 The incentive for participants shall be adjusted annually at a rate determined by the University administration. This annual adjustment will normally be at the same salary rate as that given to University employees performing at a satisfactory level. The early retirement incentive base may never exceed the estimated single Social Security benefit available to the individual at FRA.

#### **2.3.4 Six-Year-Option Benefits**

2.3.4.1 Benefits for which the retiring employee will be eligible during the six-year option of early retirement are:

2.3.4.2 Medical and dental insurance coverage on the University's group plans continued to the same extent and on the same terms that such coverage is available under applicable University policies to non-retired personnel. The premium rate will be based on the annual earnings used to calculate the employee's early retirement benefit, except that an additional surcharge of 15% of the University's portion of premiums will be assessed to the early retiree. The retiree will have the applicable share of the medical and dental premiums, including the 15% surcharge, deducted from the monthly early retirement

incentive payment. If the early retiree or spouse reaches Medicare eligibility age, he or she will be removed from the University medical plan and encouraged to apply for Medicare. Continuation of the dental plan is allowed for the duration of the early retirement agreement.

## **2.4 Benefits Applicable to Both the Five- and Six-Year Options**

- 2.4.1 Participants in early retirement are eligible for the same benefits given to regular retirees. (See Retirement Policy 361.4)
- 2.4.2 Accrued annual leave will be paid in a lump sum at the time of early retirement and at the salary rate as of the last date of regular employment.
- 2.4.3 In the event of an early retiree's death during the Early Retirement agreement, incentive payments will continue until the end of the calendar month following the month in which the early retiree died. The surviving eligible family member(s) may continue insurance benefits by paying the early retiree rate for the remainder of the eligible early retirement period provided the eligible family member(s) is not Medicare eligible. For information regarding the continuation of medical coverage, see Policy 347: Continuation of Insurance Coverage.
- 2.4.4 The Consolidated Omnibus Budget Reconciliation Act (COBRA) runs concurrently with early retirement. An employee, whose early retirement incentive program ends prior to becoming eligible for Medicare, may elect to enroll in the University's Continuation of Coverage program (Policy 3106) until he/she is Medicare eligible.

Note: No further contribution will be made by the University to the employee's basic retirement program.

## **2.5 Re-employment**

- 2.5.1 Employees who retire under the early retirement incentive program may be re-employed only on the recommendation and the approval of administration (department head/director, dean/vice president, and provost/president). Re-employment of a previously tenured employee will always occur without tenure.
- 2.5.2 Re-employment must be wage/hourly and non-benefited.
- 2.5.3 Reemployment, while on early retirement, at a percentage of time greater than 33 1/3% time on an academic year base appointment or 25% time on a fiscal year base appointment will not be permitted.
- 2.5.4 Engaging in a pre-arranged strategy for termination/retirement with a guarantee or promise of subsequent rehiring is not permitted.
- 2.5.5 For employees participating in the Utah Retirement System: There are restrictions with regard to receiving pension payments from Utah Retirement Systems (URS) when an employee is re-employed at any organization that participates in URS including Utah State University. Employees on early retirement agreements, who are receiving pension payments from URS, who wish to return to work at USU in any paid position, are highly encouraged to contact URS. Refer to URS for these restrictions.

## **3113.3 RESPONSIBILITIES**

### **3.1 Responsible Office/Party**

#### **3.1.1 Department Heads and Supervisors**

Responsible for notifying and coordinating with the Office of Human Resources of any approved request for early retirement in order to facilitate the necessary documentation to complete the process.

### 3.1.2 Employees

Responsible for receiving pre-approval from the department to begin drafting the agreement to participate in the early retirement incentive program.

### 3.1.3 Office of Human Resources

Responsible for advising the department and employee and drafting the Early Retirement Agreement.

## 3113.4 REFERENCES

- [USHE Policy R962, Retirement Programs](#)

## 3113.5 RELATED USU POLICIES

- [Policy 3106: Continuation of Insurance Coverage](#)
- [Policy 3112: Retirement Plans and Retirement Benefits](#)

## 3113.6 DEFINITIONS

**6.1 Annual Earnings** –Calendar year gross earnings for the most recently completed calendar year (i.e. as of December 31 of the prior calendar year).

**6.2 Medicare Eligibility Age** – The normal age at which an otherwise qualified individual may enroll in Medicare by virtue of attaining a specific age, or by otherwise being qualified as defined by Medicare.

**6.3 Participant** – An eligible employee approved for the early retirement incentive program.

**6.4 Full Retirement Age (FRA)** – For Social Security purposes, the retirement age at which full retirement benefits may begin.

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Information below is not included as part of the contents of the official Policy. It is provided only as a convenience for readers/users and may be changed at any time by persons authorized by the President, subject to review by the USU Policy Committee.

## RESOURCES

### Procedures

- Hyperlink to procedures TBD

### Guidance

- None

### Related Forms and Tools

- Link to ServiceNow form TBD

### Contacts

- Human Resources Solution Center, [hr@usu.edu](mailto:hr@usu.edu), (435) 797-0122

## POLICY HISTORY

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