

## UCHASTINGS

### VOLUNTARY SEPARATION INCENTIVE PROGRAM (VSIP)

JANUARY 25, 2012

As you are aware, UC Hastings recently completed a Strategic Plan that provides a sustainable model for a more dynamic, market driven, yet smaller institution. As part of the implementation process of this plan, the College will be reducing the JD enrollment by 240 students over the next 3 years. As a result of this reduction in class size, and subsequently, a reduction in revenues, it is necessary to cut the salary budget by \$1.55 million by June 30, 2012. By freezing many of our open positions, we have already recovered a portion of the savings. In order to recover the balance, in addition to other personnel-related cost savings measures already adopted or under consideration, UC Hastings is considering offering a Voluntary Separation Incentive Program (VSIP) to interested and eligible staff members.

Participation in the VSIP is entirely voluntary, and this program is separate from the layoffs planned for this fiscal year. However, our hope is that cost savings from voluntary separations under the VSIP will reduce the number of involuntary separations through layoffs that will be required.

The attached questions and answers provide information about the VSIP. As we are already well into this fiscal year, we need to know of your interest in participating in the program as soon as possible. If you are interested in participating in the program, please complete the VSIP Application Form that follows the questions and answers and submit the completed form to Human Resources by **no later than Wednesday, February 8, 2012, 5PM**. Once information regarding the level of proposed participation in the VSIP and the resulting cost savings is compiled and reviewed, the decision will be made whether to implement the program.

UC Hastings has no current plan to offer other programs of this type in the future, but reserves the right to do so. If eligible employees choose not to participate in the VSIP program, their decision not to participate will not affect their employment status or benefits in any way. However, continued employment at UC Hastings is never guaranteed.

Indicating your interest in participating in this program will not affect your employment status or be considered indication of resignation, should the program not be implemented.

Please review the attached information and, if you have additional questions, contact Marie Hairston at 415-581-8868 or [hairston@uchastings.edu](mailto:hairston@uchastings.edu) or Hillary Kane at 415-565-4812 or [kaneh@uchastings.edu](mailto:kaneh@uchastings.edu).

## UC HASTINGS VOLUNTARY SEPARATION INCENTIVE PROGRAM FOR FY 2011-12

### ***What is the UC Hastings Voluntary Separation Incentive Program (VSIP)?***

The UC Hastings VSIP is a method of reducing College staff and positions through voluntary separations with the goal of reducing personnel-related costs in the light of anticipated reductions in revenue as a result of reducing class size by 240 students over the next three years. The program provides participating employees with a one-time monetary incentive in exchange for electing to voluntarily resign or retire from UC Hastings.

### ***Why is UC Hastings considering a VSIP?***

UC Hastings must make significant budget reductions by June 30, 2012, the end of the fiscal year. We must cut expenses and achieve long-term savings in a way that would still enable us to absorb the impact of the loss of revenues as a result of smaller JD class sizes. While staff reductions are necessary, voluntary separations through the VSIP may help to reduce the number of involuntary separations through layoffs that will be required this 2011-12 fiscal year.

Because monetary incentives are part of the VSIP, UC Hastings needs to assess the costs and benefits of offering the VSIP. In order to do so, we are inviting eligible employees who are interested in participating in the VSIP to indicate their interest by completing the attached "VSIP Application Form" and returning it to Human Resources by **Wednesday, February 8, 2012, 5PM**. Based on the level of interest and cost savings that would be realized if the VSIP were implemented, the College will then decide whether to implement the VSIP. If the College proceeds with the VSIP, applicants who are eligible to participate will receive a packet of materials to review and complete, including a "separation agreement" that sets forth the terms of the VSIP payment and other information related to separation from employment, and includes a release of all claims.

### ***So is it uncertain now whether the VSIP will be implemented?***

Yes. The decision as to whether to implement the VSIP will be made only after we know how many employees are interested in participating and can calculate the costs of implementing the VSIP and the savings that would result from VSIP implementation.

### ***Who are eligible to apply for participation in the VSIP?***

All non-academic, regular, career staff are eligible to apply for participation in the VSIP **except** as noted below:

- Regular employees with less than one year of continuous service with UC Hastings.
- Regular employees who already have applied for retirement or who already have provided notice to the College of their intent to retire are ineligible to apply for VSIP.

- Regular employees who already have given notice of intent to resign are ineligible to apply for the VSIP.
- Employees whose positions are funded by grant money.
- Regular employees whose positions are considered mission critical to College operations and, therefore, would be unlikely to be selected for layoff.

***What is the “monetary incentive” offered through the VSIP?***

The monetary incentive offered through the VSIP is a one-time payment of 25% of the participating employee’s annual salary. Regardless of the employee’s annual salary, the minimum one-time payment will be \$25,000 and the maximum will be \$40,000. In addition to this payment, a participating employee would receive the equivalent of six (6) months COBRA payments, minus any administrative fee, towards their medical, dental and vision benefits as a one-time payment. If a participating employee decided to retire at the time of accepting an incentive through the VSIP, they would receive the equivalent of six (6) months of the employer’s share of the UCRP retiree health benefits for which the employee is eligible as a one-time payment.

***How is the incentive pay of 25% of annual salary calculated?***

The percentage of annual salary is based on gross base pay. However, as stated above, the minimum incentive payment will be \$25,000 and the maximum will be \$40,000 regardless of salary.

***How would the VSIP incentive payment be issued?***

If the VSIP is implemented, participating employees will receive a one-time taxable cash payment by check or direct deposit (subject to applicable withholdings and taxes).

Payment would be made under the terms of a “separation agreement,” including a release of all claims, which each participating employee will be required to sign as part of the VSIP.

***What is the applicable tax withholding rate for the incentive pay?***

The VSIP payment is subject to:

Federal Tax:	25.0%
State Tax:	6.6%
Social Security:	4.62%
Medicare:	1.45%

***Can the incentive pay be deposited into an employee’s 403(b) or 457(a) accounts (pre-tax), rather than as a cash payment (taxable)?***

No. Under the terms of these plans, only earned income and accrued/unused qualifying paid time off may be deposited in the 403(b)/457(a) accounts. At any time, however, employees may increase the

amount deposited into these plans from their regular paycheck, or from just their final paycheck (which may include extra payment for accrued/unused qualifying paid time off).

***How and when can interested employees apply?***

Eligible employees can apply by completing and submitting the attached “VSIP Application Form” to UC Hastings Human Resources by **Wednesday, February 8, 2012, 5PM.**

***If I apply and UC Hastings decides to implement the VSIP, will I be able to participate?***

Because the College savings from the VSIP would result from positions being vacated and then either eliminated or held vacant for a period of time, if your position is one that would have to be filled were it to become vacant, you would not be able to participate in the VSIP because your separation would not result in the necessary cost savings.

Once we know the level of interest in the VSIP, decisions will be made as to whether to implement the program and, if so, whether any of the employees who indicated interest in participating in the VSIP are ineligible to participate because of the positions they hold.

Also, the number of employees that can participate in the VSIP will be limited by available funding.

***What factors will be considered in determining whether to approve an individual employee’s participation in the VSIP?***

In reviewing applications, UC Hastings will take into consideration at least the following factors:

- Staffing needs to meet College priorities;
- Division/Departmental ability to implement College policies and fulfill operational needs;
- Availability of funding
- Intended overall strategic planning objectives

***What is the approval process?***

- Within 14 days of the close of the application period, applications will be reviewed and the potential cost savings will be calculated.
- The Chancellor & Dean will make the final decision whether to implement the VSIP and, if so, whether to approve individual employees’ participation in the VSIP.
- Human Resources will notify all employees who submitted applications of these decisions.

***If the VSIP is implemented, when would the separations take effect?***

If the VSIP is implemented, separations would likely be effective **Friday, April 6, 2012**, with the precise dates to be determined.

***If the VSIP is implemented, what would participating employees receive at the time of separation?***

If the VSIP is implemented, participating employees will receive, in addition to their VSIP monetary incentive, all earned and unpaid qualifying paid time off (vacation, compensatory time, holiday credit) to which they are entitled.

Participating employees who are not retiring from UC Hastings will also receive notice of their right to elect to continue group health insurances through COBRA.

***If I am considering retirement, can I participate and submit my retirement request at the same time?***

Yes, if you are considering retirement but have not yet applied for or provided notice of retirement, you may participate in the program provided that your retirement date coincides with your VSIP separation date. For specific information on retirement, contact Hillary Kane in Human Resources at [kaneh@uchastings.edu](mailto:kaneh@uchastings.edu) or 415-565-4812.

Human Resources will also be able to provide you information about qualifying benefits after retirement or information about your right to elect to continue group health insurance if you are not eligible for retiree medical benefits.

***If I separate under the VSIP will my VSIP incentive payment be part of my “final compensation” for purposes of calculating retirement benefits?***

No. VSIP payments are not part of “final compensation” for purposes of calculating retirement benefits. Your retirement benefits will be the same as if you were not participating in the program. For more information about retirement benefits, contact Human Resources.

***Can the incentive pay be converted into UCRP service credit?***

No. UCRP rules do not allow employees to “buy forward” service credit. However, under some circumstances the purchase of lost service credit from a previous leave without pay, a “buy back”, is allowed. Employees are encouraged to contact Human Resources for more information.

***If I separate under the VSIP will I be eligible for unemployment insurance benefits?***

No. Separation under the VSIP is a voluntary separation from UC Hastings, and employees who voluntarily separate from employment do not qualify for unemployment insurance.

***If I separate under the VSIP, may I later come back and work for UC Hastings?***

Participating employees may not work for the College in any capacity (e.g., temporary, retired annuitant, independent contractor, etc.) for at least 24 months from the date of separation unless approved as an exception by the Chancellor & Dean or designee (with prorated repayment of the incentive pay).

***Can I change my mind after I apply?***

Yes, for a limited period. If the VSIP is implemented participating employees will need to sign a separation agreement that includes a release of claims and details the terms of the separation, including acknowledgment that the participating employee will not seek reemployment with the College for at least 24 months.

If you are age 40 or over, federal law requires that you have 45 days to consider the agreement before you sign. After signing, you have 7 days to change your mind.

If you are under the age of 40, neither the 45-day consideration period nor 7-day revocation period applies, so your decision is final upon signing the agreement.

***If I don't participate in the VSIP and I am laid off, can I then decide to participate in the program?***

No. The deadline for submitting your application to participate in the VSIP is **Wednesday, February 8, 2012, 5PM.**

***If I apply for the VSIP but it is not implemented, or if I apply but later change my mind, will it have any effect on my prospects for future layoff?***

No. The VSIP decision-making process is entirely separate from considerations for future layoffs. The fact that any employee indicates interest in participating in the VSIP, or indicates interest but later changes his or her mind, will have no effect on that employee's prospects for future layoff. As initially indicated, the hope is that cost savings from voluntary separations under the VSIP will reduce the need for involuntary separations through layoffs.