



Voluntary Separation Incentive Plans (VSIP) are an important tool to consider when looking to maximize fiscal and operational resources. They can help to balance future budgets, streamline the workforce and ensure that resources remain in the classroom. But what exactly are they and how do you determine if and/or when they are right for your district? Public Agency Retirement Services (PARS) is here to help.

What is a Voluntary Separation Incentive?

A **one-time financial offer made to employees** in exchange for their voluntary separation from employment.

Serves as a tool to help **accelerate natural attrition** by encouraging employees to resign or retire earlier than they would ordinarily.

Can be **individually structured and designed** to meet the unique fiscal and operational needs of a workforce.

A positive, **proactive solution** that benefits both employees and employers.

INCENTIVES MAY BE OFFERED AS A WAY TO:

Achieve budget, fiscal, or cash flow savings	Reorganize departments or programs	Mitigate the potential of layoffs or other cost cutting measures	Manage issues stemming from declining enrollment	Revitalize the workforce to ensure it reflects necessary future skillsets	Address diversity goals	Meet mutual needs of labor and administration
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Determine if an Incentive is Right for Your District

Completing an in-depth analysis of any incentive is imperative prior to plan implementation.

The analysis should **compare savings** created over the next 5 or more years and consider the cost of the benefit, retiree health care premiums, natural attrition, loss of future natural attrition, and projected replacement scenarios.

Using your district's actual demographics, a correctly structured analysis can help **determine whether an incentive will meet your goals**, as well as the plan structure and benefit levels that will bring optimal success.

PARS is proud to provide a no-cost, no obligation analysis that has been successfully utilized thousands of times.

Importance of Plan Design and Structure

Design features can make or break the success of an incentive, with small changes in the design potentially adding millions of dollars in savings or losses. **Design features that should be analyzed include:**

Benefit Level e.g., % of salary, fixed dollar amount	Plan Eligibility e.g., age/service requirements	Employee Groups e.g., incentive only available to specific departments or groups	Benefit Distribution Options e.g., lump sum, joint and survivor, fixed term payments	Incentive Funding Timeline e.g., one-time payment, spread over time (up to 5 years)
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Historically, cash offerings have been most utilized in education, but there are other ways to structure an incentive which bring added benefits to employers and participating employees.

For instance, a locally controlled tax qualified retirement vehicle, such as a 403(b) plan allows employer-to-employee contributions for 5 years post-employment, the ability to fund the incentive over 5 years for cash flow purposes, and more flexible distribution options such as IRA rollovers. They are less costly and more flexible than cash/severance payouts, and typically lead to increased participation rates.

Key Considerations for Driving Participation and Success



EFFECTIVE EMPLOYEE COMMUNICATION

Holding workshops, one-on-one meetings and providing **personalized materials** on the incentive and what is being offered is key to making employees feel comfortable and deciding that enrolling in the plan is in their best interest.



DON'T GO IT ALONE

External firms, such as PARS, can manage communication with employees, take care of ongoing benefit payments and understand IRS rules and state laws associated with tax-deferred separation incentives.

They **take the workload and burden away from staff** and HR departments.



THE TIMING

It shouldn't be rushed. Allow time for an in-depth initial analysis, time for employees to make an informed decision about whether to accept the offering, and then time for the entity (at the close of the enrollment window) to determine if they want to move forward and implement the plan.



POST ANALYSIS OPT-OUT CLAUSE

We recommend including a clause that allows for the plan to be cancelled if, at the close of the enrollment window, it is determined that the district's fiscal and/or operational goals and objectives won't be met. This is an **added layer of security**, ensuring that the plan only goes into effect if it truly benefits the district long-term.

Implementation Timeline - *If you're considering an incentive during this academic year*

JANUARY	FEBRUARY / MARCH	MARCH / APRIL	APRIL	APRIL / MAY	MAY	JUNE 30 (OR END OF ACADEMIC YEAR)	JULY	AUGUST 1
Complete in-depth analysis & determine the optimal design structure	Board votes to open an enrollment window	Enrollment window is opened	Enrollment window is closed (after 45-60 days)	Post Analysis is completed	Board decides to move forward / cancel plan based on Post Analysis	Employees retire / separate from employment	District makes 1st of 5 annual payments to fund the incentive	Employee benefit payments begin

Why PARS' VSIP Stands Above the Rest

Experience and Knowledge

PARS has over four decades of experience as the leading tax-deferred retirement/separation incentive plan specialist in the nation, implementing over 1,000 plans to 500+ educational entities.

Tax-Deferred Plan Structure

PARS' unique 403(b) plan structure brings: (a) less costly and more flexible than cash/severance payouts, (b) more distribution options and plan design flexibility, and (c) tax advantages and savings for both the entity and its employees.

Detailed Analysis

Our no-cost, highly complex, proprietary analysis has been successfully used over 5,000 times and helps to ensure that an incentive is only offered and implemented if it meets a district's fiscal and operational goals.

Full-Service Program

PARS' "turn-key" administrative approach encompasses analysis, design, communication and ongoing implementation of the incentive. Our hands-on service model minimizes the workload of our clients.

Design Flexibility

Our VSIP's are highly customizable, and we seek to maximize local control by providing each client with sole and exclusive autonomy of its plan design.

Ongoing Communication with Participants

From the initial plan analysis stage until completion of the final benefit payment, we handle all distributions, employee materials, participant orientations/communications, and have a dedicated call center for participants.

For more information, or to get started with our no-cost, no obligation analysis, please contact us today!

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PARS PUBLIC AGENCY
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