

Feasibility Study

Estimates Based on Current Data

July-09

West Virginia State University

Employee Severance Plan - ESP™
Utilizing the Post Employment 403(b) Component

Confidential Draft Proposal

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|---|---|
| <i>Introduction</i> | 1 |
| <i>Executive Summary</i> | 2 |
| <i>Employee Severance Plan™ Faculty Study</i> | 3 |
| <i>Employee Severance Plan™ Administrative Staff</i> | 4 |
| <i>Employee Severance Plan™ Staff (earning \$40,000-\$49,999)</i> | 5 |

NOTICE:

The information contained in this document is confidential and proprietary to Educators Preferred Corporation and should not be disclosed to anyone not a recipient or reviewer of this study. However, in the event of approval, this information may be disclosed to and will be used on behalf and according to the interests of West Virginia State University.

Educators Preferred Corporation

Educators Preferred Corporation has a proven track record implementing incentive programs in school districts and colleges and universities. We have over 30 years experience serving the financial needs of educational employers throughout the country. EPC is the leading provider of consulting services for incentive programs implemented in educational institutions. We have processed over \$1 billion in benefits and have counseled thousands of employees since our inception.

EPC administers over \$3,000,000 per month in severance plan benefits and operates in 14 states.

We employ experienced professionals and support staff. Our consultants have an average of 16 years experience in educational/institutional benefits consulting. Most of our individual participant counselors are former educators or administrators. Many of our finest professionals come from the ranks of those opting for past plans.

EPC dedicates significant resources to technical matters as they pertain to plan documentation, federal and state statutes and other issues. The company has specialized in educational employees for the past two decades and continues to develop new and meaningful services and technologies for this market.

Employee Severance Plan - ESP™

The Employee Severance Plan™ (ESP™) was developed by Educators Preferred Corporation to help educational employers reduce salary costs. Typically salaries and fringe benefits represent 80-85% of a institution's budget. By implementing the ESP™, EPC's clients have significantly reduced salary costs.

The ESP™ is a severance program that provides a monthly stream of income to the opting participant or their beneficiaries for a fixed number of years. The employee agrees, during a window period, to terminate service on a common date determined by the employer.

This meaningful benefit induces a diverse age group of employees to retire, make a career change, return to school, or be with family. Past results show that 50% of our ESP™ participants are age 56 or younger.

Results are dramatic as exits of top of scale staff are significantly increased during the program. The employer can choose to offer the ESP™ only to certain groups, thus tailoring the plan to their specific needs. EPC provides this study on a no-cost, no-risk basis. Past studies were accurate in assessing, in advance, the number of employees that may opt for the ESP™.

The ESP™ is a complete consultative approach. EPC effectively manages the entire process for the employer, including administering benefits to the employee. There is minimal demand on the employer's administrative staff and resources.

Many positive results are achieved through the implementation of the ESP™. These include: reducing salary costs, increasing or decreasing staff, promoting of employees, avoiding program and staff cuts, and renewed enthusiasm for the educational process.

EDUCATORS PREFERRED CORPORATION

Value added services that assure success...

A proactive program that helps avoid lay-offs and program cuts, the ESP™ :

- ▶ Is a controlled approach to buy-outs that can be structured for specific employee groups.
- ▶ Is a non age discriminatory program.
- ▶ Is a proven plan, with a successful track record with over 300 plans implemented.
- ▶ Has attracted employees as young as age 38, with 50% of ESP™ participants under age 56.
- ▶ Is a cost effective approach.
- ▶ Is a flexible plan, allowing for purchase of service time options, and alternate pay-out periods.
- ▶ Greatly reduces the work load on the administration's staff, as details are deferred to an experienced firm:
 - ◆ Enrollment procedures
 - ◆ Address changes
 - ◆ Beneficiary changes
 - ◆ Lost checks
 - ◆ Document preparation
 - ◆ Toll free access
 - ◆ Record keeping
 - ◆ Name changes
 - ◆ Death claims
 - ◆ General tax questions
 - ◆ Prepare annual tax reporting
 - ◆ Employee communications
- ▶ Includes a complete set of legal documents for review by employer legal counsel:
 - ◆ Plan Document
 - ◆ Release and Waiver of Claims Agreement
 - ◆ Resignation/Retirement Election Form
 - ◆ Older Workers Benefit Protection Act Requirements
 - Enrollment Forms:
 - ◆ Tax Withholding
 - ◆ Beneficiary
 - ◆ Electronic Deposit
- ▶ Includes comprehensive counseling for employees and their spouses, CPA's, etc., complete with a Personal Retirement Planning Package:
 - ◆ Retirement projections
 - ◆ Retirement planning
 - ◆ Pre vs. Post retirement projection
 - ◆ Retirement Application Seminars
 - ◆ Tax worksheets
 - ◆ Life\Health\Vision\Dental insurance
- ▶ Is received positively by the press and community, EPC prepares press releases.

Executive Summary for the Employee Severance Plan - ESP™

Objective - WVSU offers the ESP™ as a proactive solution that benefits both the University and its valued employees. The ESP™ gives employees the chance to retire or retire early, make a career change, or explore other pursuits. The ESP™ gives the University an opportunity to reduce costs and/or reallocate resources to meet contemporary needs.

Plan Eligibility - The Employee Severance Plan - ESP™ is a one time offer to West Virginia State University faculty earning a base salary of \$50,000 or higher and WVSU staff earning a base of \$40,000 or higher as of June 30, 2008. Additionally, employees electing the ESP™ must have a minimum of seven (7) years of service with WVSU.

Plan Benefits - Faculty and Administration staff earning \$50,000 or higher shall receive \$50,000, which is divided into equal monthly payments. Staff earning \$40,000-\$49,999 shall receive \$20,000 which is divided into equal monthly payments. See the following page for benefit payment details.

Window Period of Election - The window of opportunity to elect the ESP™ is a two month period for example, Nov-Dec, 2008.

Exit Dates (examples) - May, 2010. Alternate of Dec, 2009 or Dec, 2010.

Benefit Start Date - Four months following exit date.

Operational Needs - The University reserves the right to retain certain employees for up to one year beyond his/her elected exit date, based on educational and operational needs of the University. Those retained would receive the ESP™ benefits starting after their actual exit date.

ESP Teaching Stipend - Faculty electing the ESP can return to teach courses, at the University's discretion based on teaching needs. Faculty electing the ESP that do teach courses after terminating employment with the University would received an additional \$100 per course hour taught, compared to non-ESP Faculty.

Effect on Educational Process - The replacement process necessary to fill most, if not all of the vacated positions can have a very beneficial effect on educational objectives. Although a number of excellent staff may elect the ESP™, overall results of new, enthusiastic teaching professionals, and newly promoted staff are invariably positive.

Implementation - Educators Preferred Corporation (EPC) implements the plan throughout the entire 5 to 8 year period. EPC provides all informational meetings, private counseling, enrollment procedures, and administrative details. EPC also provides prototype plan documents for approval by the university. A non-refundable deposit of \$15,000 is due at the start of the window period which is 100% applied toward final plan costs.

Billing Explanation - The ESP™ monthly benefits are administered through a Group Benefit Administration Contract. There are three annual scheduled billings for the plan. The plan cost illustrated includes the plan benefits, the underwriting insurance carrier and EPC's administrative expenses. This contract/policy is issued approximately 30 days before benefits commence. Until such time, all plan costs presented are estimates only. Actual plan costs are based on investment/interest rates at the time the contract/policy is issued, and may vary significantly from estimated plan costs.

Taxation and Legal Issues - As EPC is not tax or legal counsel, we recommend that any questions and all tax and legal decisions be reviewed by university advisors.

Benefit Summary for the Employee Severance Plan - ESP™

Plan Benefits - Faculty and staff earning \$50,000 or higher receive \$50,000, which is divided into equal monthly payments. Staff earning \$40,000-\$49,999 shall receive \$20,000 which is divided into equal monthly payments. Refer to Group 1 and Group 2 below for benefit payment structure.

Group 1: Those electing the ESP™ who RETIRE from WVSU at the time of exit:

Group 1 Participants receive the total ESP™ benefit over 5 years, divided into 60 equal monthly payments made to the participant's Post Employment 403(b) account. If the participant chooses, they can access the funds each month, within the parameters of the Post Employment 403(b) tax code.

Under current tax rules, the employer and employee do not have to pay Medicare taxes on the ESP™ amounts deposited into the 403(b), and federal and state taxes are deferred until the individual withdraws funds from their Post Employment 403(b) account.

Group 2: Those electing the ESP™ who RESIGN (NOT RETIRE):

Group 2 Participants receive the total ESP™ benefit over 8 years, divided into 96 equal monthly payments subject to all applicable Medicare, Federal, State, and local taxes (if applicable). Those participants over the age of 59 at the time his/her benefits begin will receive the same total benefit in a compressed time frame, distributed on a monthly basis between their age at separation and age 67 (the compressed plan costs are illustrated in this study). Those who will be age 66 or older at the time benefits begin, shall receive their ESP™ benefit as a lump sum, paid by the employer in January of the year following his/her elected exit date.

West Virginia State University ESP™ Sample Time-Line - 2009-2010

| Activity | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|---------|
| Study Period | | | | | | | | | | | | |
| Board Review | | | | | | | | | | | | |
| Association/Employee Review | | | | | | | | | | | | |
| Board Approval | | | | | | | | | | | | |
| Legal Documents Prepared | | | | | | | | | | | | |
| Announcement Memo and Data Form Mailed | | | | | | | | | | | | |
| Collect Data Forms | | | | | | | | | | | | |
| Prepare ESP™ Packages | | | | | | | | | | | | |
| ESP™ General Information Meeting | | | | | | | | | | | | |
| Window Period of Election/Enrollment | | | | | | | | | | | | |
| ESP™ Counseling | | | | | | | | | | | | |
| Recruitment/Replacement | | | | | | | | | | | | |
| Retire/Resign Date | | | | | | | | | | | | various |

Cumulative Projected Net Budget Reduction from Implementing the ESP™ Net of All Plan and Replacement Costs *Full Replacement*

Faculty - 15 Opting and 15 Replaced

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------|----------|-----------|-----------|-----------|-----------|-----------|
| 15 | 15 | \$102,659 | \$58,781 | \$39,307 | \$252,385 | \$228,821 |
| Cumulative → | | \$102,659 | \$161,440 | \$200,747 | \$453,132 | \$681,953 |

Administrative Staff & Non-Classified (Earning \$50,000+) 5 Opting and 5 Replaced

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------|----------|----------|-----------|-----------|-----------|-----------|
| 5 | 5 | \$67,082 | \$38,789 | \$8,625 | \$56,998 | \$22,813 |
| Cumulative → | | \$67,082 | \$105,871 | \$114,495 | \$171,493 | \$194,307 |

Support Staff (Earning \$40,000 - \$49,999) 5 Opting and 5 Replaced

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------|----------|----------|----------|----------|-----------|-----------|
| 5 | 5 | \$48,677 | \$31,360 | \$12,886 | \$29,739 | \$8,775 |
| Cumulative → | | \$48,677 | \$80,037 | \$92,923 | \$122,662 | \$131,437 |

Total Faculty and Staff

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------|----------|-----------|-----------|-----------|-----------|-------------|
| 25 | 25 | \$218,417 | \$128,930 | \$60,818 | \$339,122 | \$260,409 |
| Cumulative → | | \$218,417 | \$347,347 | \$408,165 | \$747,287 | \$1,007,696 |

Study Assumptions

Per Participant:

| | |
|--|----------|
| Annual Pay Increase for Top of Scale Staff: | 3.00% |
| Annual Pay Increase for Entry Level Staff: | 3.00% |
| TIAA-CREF: | 6.00% |
| FICA: | 7.65% |
| *Group 1 Estimated Annual Plan Cost Years 1-3: | \$17,583 |
| *Group 1 Total Estimated Plan Cost: | \$52,750 |
| *Group 2 Estimated Annual Plan Cost Years 1-3: | \$14,859 |
| *Group 2 Total Estimated Plan Cost: | \$44,578 |
| EPC Consulting Fee Per Participant: | \$275 |

*Plan costs are based on an employee receiving 60 months of payments.

| | |
|--|-----|
| Total Number of Staff: | 305 |
| Eligible for ESP™: | 80 |
| Percentage of Staff at Top of Pay Scale: | 26% |
| Estimated Opting for ESP™: | 15 |

| | | |
|--|----------|-------------------------------------|
| Average ESP™ Benefit: | \$50,000 | Includes Contractual Sick Leave Pay |
| Average Retiree Health Insurance Cost: | \$1,680 | |

Three annual installments cover all 5 - 8 years of plan benefits and administrative expenses.
 Rates are estimated up until thirty days before benefits begin and can vary significantly until that time.

Reduction Per Exiting Position

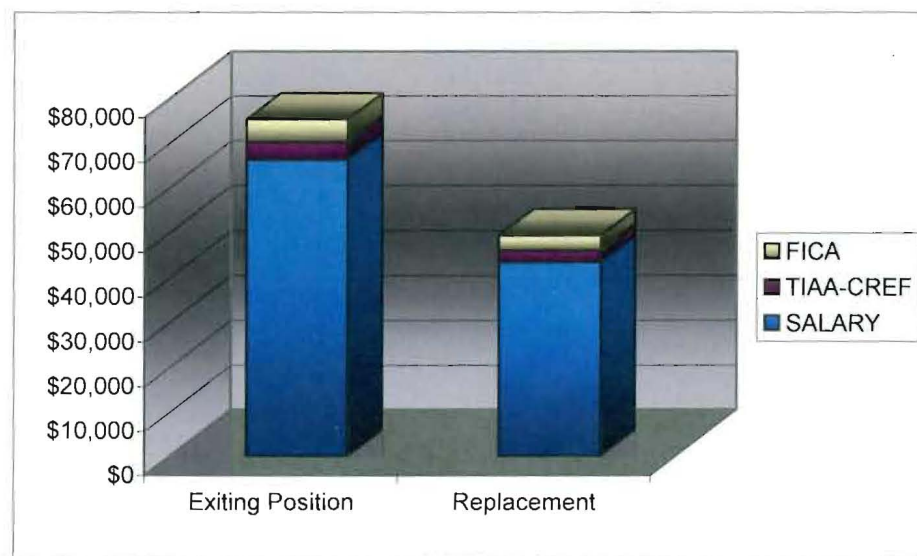
Projected Average Top of Scale Cost Per Position

| | |
|------------------------------------|-----------------|
| Average Salary of Eligible Staff : | \$66,047 |
| TIAA-CREF Cost: | \$3,963 |
| FICA Cost: | \$5,053 |
| TOTAL: | \$75,062 |

Projected Average Replacement Cost Per Position

| | |
|-----------------------------|-----------------|
| Average Replacement Salary: | \$43,260 |
| TIAA-CREF Cost: | \$2,596 |
| FICA Cost: | \$3,309 |
| TOTAL: | \$49,165 |

Gross Reduction Per Position: \$25,897



West Virginia State University ESP - Employee Severance Plan™ 15 Opting - 15 Replaced - Full Replacement

Estimated Number Opting for the ESP™: 15
 Estimated Number Replaced: 15

Exit Salary + TIAA-CREF + FICA = \$75,062
 Replacement Salary + TIAA-CREFF + FICA = (\$49,165)
Gross Budget Reduction = \$25,897

Average Monthly Benefit: \$833
 Average Annual Benefit: \$10,000
 Average Total Benefit: \$50,000

| ESTIMATED BUDGET SAVINGS from ESP™ EXITS/REPLACEMENTS | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Net Number of Staff | 15 | 13 | 12 | 10 | 9 |
| <i>Estimated Exit Salaries</i> | \$1,125,931 | \$1,005,081 | \$955,600 | \$820,223 | \$760,347 |
| <i>Estimated Replacement Salaries</i> | (\$737,475) | (\$658,319) | (\$625,910) | (\$537,239) | (\$498,021) |
| <i>EPC Consulting Fee 15 Employees</i> | (\$4,125) | (\$4,125) | (\$4,125) | | |
| <i>Group 1 Plan Cost for 13 Employees with 60 Month Benefit</i> | (\$228,583) | (\$228,583) | (\$228,583) | | |
| <i>Group 2 Plan Cost for 2 Employees with 96 Month Benefit</i> | (\$29,719) | (\$29,719) | (\$29,719) | | |
| <i>Group 2 FICA Match</i> | (\$1,530) | (\$1,530) | (\$1,530) | (\$1,530) | (\$1,530) |
| <i>*Retiree Health Insurance Cost</i> | (\$21,840) | (\$24,024) | (\$26,426) | (\$29,069) | (\$31,976) |
| Annual Totals | \$102,659 | \$58,781 | \$39,307 | \$252,385 | \$228,821 |
| Cumulative Totals | \$102,659 | \$161,440 | \$200,747 | \$453,132 | \$681,953 |

*Annual Retiree health insurance cost is \$1,680 and is increasing annually by 10%.
 On average, faculty retirees receive approximately 7 years of retiree health insurance.

West Virginia State University No Severance Plan - 2 Normal Retirements Per Year Full Replacement

| | |
|--|-----------------|
| Exit Salary + TIAA-CREF + FICA = | \$75,062 |
| Replacement Salary + TIAA-CREFF + FICA = | (\$49,165) |
| Gross Budget Reduction = | \$25,897 |

| ESTIMATED BUDGET REDUCTION FROM NORMAL RETIREMENTS/REPLACEMENTS | | | | | |
|--|-----------------|-----------------|------------------|------------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| | 2 | 2 | 2 | 2 | 2 |
| Exit Salaries | \$150,124 | \$154,628 | \$159,267 | \$164,045 | \$168,966 |
| Replacement Salaries | (\$98,330) | (\$101,280) | (\$104,318) | (\$107,448) | (\$110,671) |
| *Retiree Health Insurance Cost | (\$3,360) | (\$7,392) | (\$12,197) | (\$17,889) | (\$24,597) |
| Annual Totals | \$48,434 | \$45,956 | \$42,752 | \$38,708 | \$33,698 |
| Cumulative Totals | \$48,434 | \$94,390 | \$137,142 | \$175,850 | \$209,548 |

Assumptions

2 normal retirements per year.

*Annual Retiree health insurance cost is \$1,680 and is increasing annually by 10%.
 On average, faculty retirees receive approximately 7 years of retiree health insurance.

Cumulative Projected Net Budget Reduction from Implementing the ESP™ *Full Replacement*

Faculty - 15 Opting and 15 Replaced

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------|----------|-----------|-----------|-----------|-----------|-----------|
| 15 | 15 | \$102,659 | \$58,781 | \$39,307 | \$252,385 | \$228,821 |
| Cumulative | → | \$102,659 | \$161,440 | \$200,747 | \$453,132 | \$681,953 |

Normal Retirements with NO ESP™

Faculty - No ESP™ - 2 Normal Retirements Per Year

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|------------|----------|----------|----------|-----------|-----------|-----------|
| 2 | 2 | \$48,434 | \$45,956 | \$42,752 | \$38,708 | \$33,698 |
| Cumulative | → | \$48,434 | \$94,390 | \$137,142 | \$175,850 | \$209,548 |

Administrative & Non-Classified Staff

Study Assumptions

| Per Participant: | |
|--|----------|
| Annual Pay Increase for Top of Scale Staff: | 3.00% |
| Annual Pay Increase for Entry Level Staff: | 3.00% |
| TIAA-CREF: | 6.00% |
| FICA: | 7.65% |
| *Group 1 Estimated Annual Plan Cost Years 1-3: | \$15,825 |
| *Group 1 Total Estimated Plan Cost: | \$47,475 |
| *Group 2 Estimated Annual Plan Cost Years 1-3: | \$14,859 |
| *Group 2 Total Estimated Plan Cost: | \$44,578 |
| EPC Consulting Fee Per Participant: | \$275 |

*Plan costs are based on an employee receiving 60 months of payments.

| | |
|--|-----|
| Total Number of Staff: | 57 |
| Eligible for ESP™: | 32 |
| Percentage of Staff at Top of Pay Scale: | 56% |
| Estimated Opting for ESP™: | 5 |

| | | |
|--|----------|-------------------------------------|
| Average ESP™ Benefit: | \$45,000 | Includes Contractual Sick Leave Pay |
| Average Retiree Health Insurance Cost: | \$1,680 | |

Three annual installments cover all 5 - 8 years of plan benefits and administrative expenses.
 Rates are estimated up until thirty days before benefits begin and can vary significantly until that time.

Reduction Per Exiting Position

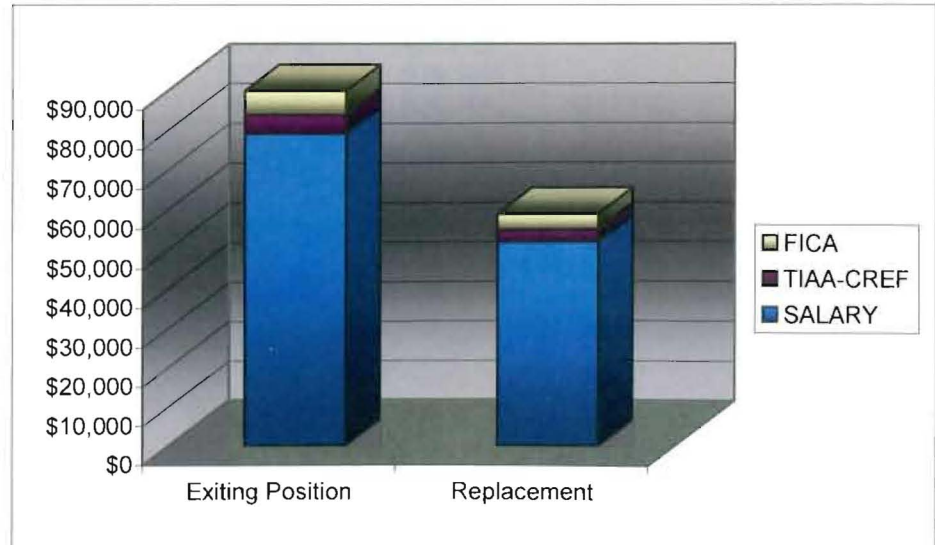
Projected Average Top of Scale Cost Per Position

| | |
|------------------------------------|-----------------|
| Average Salary of Eligible Staff : | \$78,950 |
| TIAA-CREF Cost: | \$4,737 |
| FICA Cost: | \$6,040 |
| TOTAL: | \$89,726 |

Projected Average Replacement Cost Per Position

| | |
|-----------------------------|-----------------|
| Average Replacement Salary: | \$51,500 |
| TIAA-CREF Cost: | \$3,090 |
| FICA Cost: | \$3,940 |
| TOTAL: | \$58,530 |

Gross Reduction Per Position: \$31,196



Administrative & Non-Classified Staff

West Virginia State University ESP - Employee Severance Plan™ 5 Opting - 5 Replaced - Full Replacement

Estimated Number Opting for the ESP™: **5**
 Estimated Number Replaced: **5**

Exit Salary + TIAA-CREF + FICA = \$89,726
 Replacement Salary + TIAA-CREFF + FICA = (\$58,530)
Gross Budget Reduction = \$31,196

Average Monthly Benefit: \$750
 Average Annual Benefit: \$9,000
 Average Total Benefit: \$45,000

| ESTIMATED BUDGET SAVINGS from ESP™ EXITS/REPLACEMENTS | | | | | |
|--|-----------------|------------------|------------------|------------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Net Number of Staff | 5 | 4 | 3 | 2 | 1 |
| <i>Estimated Exit Salaries</i> | \$448,631 | \$369,672 | \$285,571 | \$196,092 | \$100,988 |
| <i>Estimated Replacement Salaries</i> | (\$292,649) | (\$241,143) | (\$186,283) | (\$127,914) | (\$65,876) |
| <i>EPC Consulting Fee 5 Employees</i> | (\$1,375) | (\$1,375) | (\$1,375) | | |
| <i>Group 1 Plan Cost for 5 Employees with 60 Month Benefit</i> | (\$79,125) | (\$79,125) | (\$79,125) | | |
| <i>*Retiree Health Insurance Cost</i> | (\$8,400) | (\$9,240) | (\$10,164) | (\$11,180) | (\$12,298) |
| Annual Totals | \$67,082 | \$38,789 | \$8,625 | \$56,998 | \$22,813 |
| Cumulative Totals | \$67,082 | \$105,871 | \$114,495 | \$171,493 | \$194,307 |

*Annual Retiree health insurance cost is \$1,680 and is increasing annually by 10%.
 On average, adminstaff retirees receive approximately 8 years of retiree health insurance.

West Virginia State University No Severance Plan - 1 Normal Retirement Per Year Full Replacement

| | |
|--|-----------------|
| Exit Salary + TIAA-CREF + FICA = | \$89,726 |
| Replacement Salary + TIAA-CREFF + FICA = | (\$58,530) |
| Gross Budget Reduction = | \$31,196 |

| ESTIMATED BUDGET REDUCTION FROM NORMAL RETIREMENTS/REPLACEMENTS | | | | | |
|---|-----------------|-----------------|-----------------|------------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| | 1 | 1 | 1 | 1 | 1 |
| <i>Exit Salaries</i> | \$89,726 | \$92,418 | \$95,190 | \$98,046 | \$100,988 |
| <i>Replacement Salaries</i> | (\$58,530) | (\$60,286) | (\$62,094) | (\$63,957) | (\$65,876) |
| <i>*Retiree Health Insurance Cost</i> | (\$1,680) | (\$3,696) | (\$6,098) | (\$8,944) | (\$12,298) |
| <i>Annual Totals</i> | \$29,516 | \$28,436 | \$26,998 | \$25,145 | \$22,813 |
| <i>Cumulative Totals</i> | \$29,516 | \$57,953 | \$84,950 | \$110,095 | \$132,909 |

Assumptions

1 normal retirement per year.

*Annual Retiree health insurance cost is \$1,680 and is increasing annually by 10%.
 On average, admin staff retirees receive approximately 8 years of retiree health insurance.

Administrative & Non-Classified Staff

Cumulative Projected Net Budget Reduction from Implementing the ESP™ Full Replacement

Administrative Staff (Earning \$50,000+) - 5 Opting and 5 Replaced

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------|----------|----------|-----------|-----------|-----------|-----------|
| 5 | 5 | \$67,082 | \$38,789 | \$8,625 | \$56,998 | \$22,813 |
| Cumulative → | | \$67,082 | \$105,871 | \$114,495 | \$171,493 | \$194,307 |

Normal Retirements with NO ESP™

Administrative Staff (Earning \$50,000+) - No ESP™ - 1 Normal Retirement Per Year

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------|----------|----------|----------|----------|-----------|-----------|
| 1 | 1 | \$29,516 | \$28,436 | \$26,998 | \$25,145 | \$22,813 |
| Cumulative → | | \$29,516 | \$57,953 | \$84,950 | \$110,095 | \$132,909 |

Study Assumptions

| Per Participant: | |
|--|----------|
| Annual Pay Increase for Top of Scale Staff: | 3.00% |
| Annual Pay Increase for Entry Level Staff: | 3.00% |
| TIAA-CREF: | 6.00% |
| FICA: | 7.65% |
| *Group 1 Estimated Annual Plan Cost Years 1-3: | \$7,033 |
| *Group 1 Total Estimated Plan Cost: | \$21,100 |
| *Group 2 Estimated Annual Plan Cost Years 1-3: | \$6,604 |
| *Group 2 Total Estimated Plan Cost: | \$19,813 |
| EPC Consulting Fee Per Participant: | \$275 |

*Plan costs are based on an employee receiving 60 months of payments.

| | |
|--|-----|
| Total Number of Staff: | 57 |
| Eligible for ESP™: | 25 |
| Percentage of Staff at Top of Pay Scale: | 44% |
| Estimated Opting for ESP™: | 5 |

| | | |
|--|----------|-------------------------------------|
| Average ESP™ Benefit: | \$20,000 | Includes Contractual Sick Leave Pay |
| Average Retiree Health Insurance Cost: | \$1,680 | |

Three annual installments cover all 5 - 8 years of plan benefits and administrative expenses.
 Rates are estimated up until thirty days before benefits begin and can vary significantly until that time.

Reduction Per Exiting Position

Projected Average Top of Scale Cost Per Position

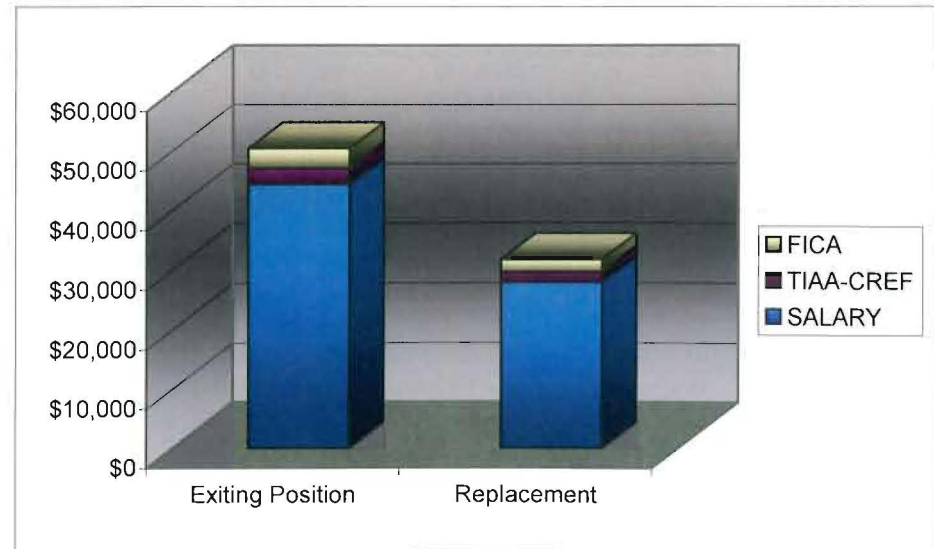
| | |
|------------------------------------|-----------------|
| Average Salary of Eligible Staff : | \$44,285 |
| TIAA-CREF Cost: | \$2,657 |
| FICA Cost: | \$3,388 |
| TOTAL: | \$50,330 |

Projected Average Replacement Cost Per Position

| | |
|-----------------------------|-----------------|
| Average Replacement Salary: | \$27,810 |
| TIAA-CREF Cost: | \$1,669 |
| FICA Cost: | \$2,127 |
| TOTAL: | \$31,606 |

Gross Reduction Per Position: \$18,724

***Gross Reduction Per Position Not Replaced: \$50,330**



West Virginia State University
ESP - Employee Severance Plan™
5 Opting - 5 Replaced - Full Replacement

Estimated Number Opting for the ESP™: 5
 Estimated Number Replaced: 5

Exit Salary + TIAA-CREF + FICA = \$50,330
 Replacement Salary + TIAA-CREFF + FICA = (\$31,606)
Gross Budget Reduction = \$18,724

Average Monthly Benefit: \$333
 Average Annual Benefit: \$4,000
 Average Total Benefit: \$20,000

| ESTIMATED BUDGET SAVINGS from ESP™ EXITS/REPLACEMENTS | | | | | |
|--|-----------------|-----------------|-----------------|------------------|------------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| Net Number of Staff | 5 | 4 | 3 | 2 | 1 |
| <i>Estimated Exit Salaries</i> | \$251,649 | \$207,358 | \$160,184 | \$109,993 | \$56,647 |
| <i>Estimated Replacement Salaries</i> | (\$158,030) | (\$130,217) | (\$100,593) | (\$69,074) | (\$35,573) |
| <i>EPC Consulting Fee 5 Employees</i> | (\$1,375) | (\$1,375) | (\$1,375) | | |
| <i>Group 1 Plan Cost for 5 Employees with 60 Month Benefit</i> | (\$35,167) | (\$35,167) | (\$35,167) | | |
| <i>*Retiree Health Insurance Cost</i> | (\$8,400) | (\$9,240) | (\$10,164) | (\$11,180) | (\$12,298) |
| Annual Totals | \$48,677 | \$31,360 | \$12,886 | \$29,739 | \$8,775 |
| Cumulative Totals | \$48,677 | \$80,037 | \$92,923 | \$122,662 | \$131,437 |

*Annual Retiree health insurance cost is \$1,680 and is increasing annually by 10%.
 On average, staff retirees receive approximately 10 years of retiree health insurance.

**West Virginia State University
 No Severance Plan - 1 Normal Retirement Per Year
 Full Replacement**

| | |
|--|-----------------|
| Exit Salary + TIAA-CREF + FICA = | \$50,330 |
| Replacement Salary + TIAA-CREFF + FICA = | (\$31,606) |
| Gross Budget Reduction = | \$18,724 |

| ESTIMATED BUDGET REDUCTION FROM NORMAL RETIREMENTS/REPLACEMENTS | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| | 1 | 1 | 1 | 1 | 1 |
| Exit Salaries | \$50,330 | \$51,840 | \$53,395 | \$54,997 | \$56,647 |
| Replacement Salaries | (\$31,606) | (\$32,554) | (\$33,531) | (\$34,537) | (\$35,573) |
| *Retiree Health Insurance Cost | (\$1,680) | (\$3,696) | (\$6,098) | (\$8,944) | (\$12,298) |
| Annual Totals | \$17,044 | \$15,589 | \$13,766 | \$11,516 | \$8,775 |
| Cumulative Totals | \$17,044 | \$32,633 | \$46,399 | \$57,914 | \$66,689 |

Assumptions

1 normal retirement per year.

*Annual Retiree health insurance cost is \$1,680 and is increasing annually by 10%.
 On average, staff retirees receive approximately 10 years of retiree health insurance.

Cumulative Projected Net Budget Reduction from Implementing the ESP™ *Full Replacement*

Staff (Earning \$40,000 - \$49,999) - 5 Opting and 5 Replaced

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------|----------|----------|----------|----------|-----------|-----------|
| 5 | 5 | \$48,677 | \$31,360 | \$12,886 | \$29,739 | \$8,775 |
| Cumulative → | | \$48,677 | \$80,037 | \$92,923 | \$122,662 | \$131,437 |

Normal Retirements with NO ESP™

Staff (Earning \$40,000 - \$49,999) - No ESP™ - 1 Normal Retirement Per Year

| Opting | Replaced | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|--------------|----------|----------|----------|----------|----------|----------|
| 1 | 1 | \$17,044 | \$15,589 | \$13,766 | \$11,516 | \$8,775 |
| Cumulative → | | \$17,044 | \$32,633 | \$46,399 | \$57,914 | \$66,689 |