

**Annual Report on the UNC Phased Retirement Program  
Personnel and Tenure Committee  
UNC Board of Governors  
November 2012**

**Phased Retirement Program Overview:** The Phased Retirement Program for Tenured Faculty was implemented in 1998 for a five-year trial period at the 15 constituent institutions of the University of North Carolina that award tenure. In 2001, the UNC Board of Governors voted to continue the program as a benefit for UNC faculty. In 2011, legislation was approved that made phased retirement a permanent program (S.L. 2011-145). The program was designed “to promote renewal of the professoriate in order to ensure institutional vitality and to provide additional flexibility and support for individual faculty members who are nearing retirement.” The program has three major goals: better personnel planning, enhanced recruitment and retention, and increased quality of faculty (*UNC Policy Manual*, 300.7.2.1 [G]).

The Phased Retirement Program enables full-time tenured faculty who meet eligibility requirements to relinquish tenure during their last year of full-time employment and enter into a contract to work half time for 50% of their salary. To be considered eligible for participation in the program, faculty must meet the following three criteria:

- tenured full-time faculty member;
- at least five years of service at the current institution; and
- eligible to receive retirement benefits either through the North Carolina Teachers’ and State Employees’ Retirement System (TSERS) or under the UNC Optional Retirement Program (ORP).

The Board’s policy allows each institution to set caps on participation in order to ensure the quality of academic programs and to define the length of the phased retirement contract period for all faculty (contracts can range from one to five years, although all campuses now have either a two- or three-year contract). Responsibilities and schedules for participating faculty are individually negotiated at the campus level. Faculty responses to a 2003 Phased

Retirement Program survey indicated the program was fulfilling its dual purposes of providing UNC faculty members an opportunity to transition into retirement gradually and improving UNC institutions' personnel planning related to retirements.

**Phased Retirement Program Revision in 2007:** Federal rules applicable to TSERS and ORP generally prevent employees from receiving distributions from a retirement plan prior to full retirement from the employer that sponsors that plan. Phased retirement programs operate under recognized statutory and regulatory exceptions to those rules. State law and rules for TSERS incorporate all Federal restrictions; permit retirees to return to work for State entities only after a mandatory six-month break in service; and limit earnings to no more than fifty percent of their adjusted final compensation. The University administers ORP in a manner that complies with all Federal requirements, including IRS regulations concerning qualified plans.

Prompted by the passage of the Pension Protection Act of 2006 and changes in IRS regulations concerning in-service distributions from retirement plans, the Board of Governors amended the Phased Retirement Program policy, UNC Policy Manual 300.7.2., in September 2007. The amended policy increased the minimum age for participation in the Phased Retirement Program from age 50 for all participants to age 62 for TSERS members and 59 ½ for ORP participants. Because of the amendments to the phased retirement program, participants in the program continue to be eligible to receive distributions from their retirement plans (either TSERS or ORP) prior to full retirement in a manner consistent with State and Federal law and the requirements of the retirement plans. In addition the General Assembly in the 2011 legislative session enacted changes to State law (N.C. Gen. Stat. § 135-1(20); S.L. 2011-145, § 29.24(a)) which permanently recognize the phased retirement program as an appropriate retirement option to which the State's mandatory six-month break in service requirement does not apply.

**Participation in the UNC Phased Retirement Program for 2012:** Key PRP highlights from the three tables in this report are:

- First-time participation in the UNC Phased Retirement Program was the highest during 2011 (92) since 1998 (124). After 2002, first-time participants increased steadily for the next four years to 89 in 2006 before dropping to 48 in 2008, 41 in 2009, and 55 in 2010. The increase from 55 in 2010 to 92 in 2011 represents a 67% increase of first-time participants in the Phased Retirement Program (**Table 1**).
- A total of 1,072 faculty have participated in the program since its inception in 1998. The highest number of participants in a given year was 232 in 2001 and 2006, with 230 participating in 2002 and 2007 (**Table 2**). Participation in Phased Retirement Program has varied substantially by campus.
- As noted earlier, revised federal policies now prohibit faculty who are younger than 62 (TSERS plan) or 59½ (ORP plans) from receiving distributions from certain qualified retirement plans prior to full retirement or the occurrence of other events specified in plan documents. The number of faculty younger than 60 participating in Phased Retirement has declined over the decade that Phased Retirement has been in effect (1 in 2011) and the average age of PRP participants has trended upward, from 63 in 2002 to 67 over the past three years (**Table 3**).

**Conclusion:** The UNC Phased Retirement Program is an important tool for retaining the talents and contributions of faculty members after their retirement. Although many retiring faculty members will be replaced by new hires, UNC institutions will still benefit from the accumulated experience and expertise of their retiring faculty members, an outcome that the Phased Retirement Program is specifically designed to accomplish.

**Table 1**

**First-Time Phased Retirement Program Participants  
2002 through 2011**

Institution	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ASU	3	7	4	8	8	6	5	4	10	8
ECU	2	2	6	14	10	12	1	8	5	12
ECSU	.	2	.	3	.	.	1	.	.	5
FSU	.	.	.	3	1	1	1	1	4	.
NCA&T	1	.	.	.	.	.	4	2	1	5
NCCU	1	6	2	3	3	.	4	1	1	2
NCSU	6	14	10	16	18	14	5	4	9	6
UNCA	.	1	1	.	1	.	1	.	.	.
UNC-CH	11	17	26	20	26	17	12	9	11	25
UNCC	7	8	5	5	6	8	3	4	9	8
UNCG	3	5	3	3	3	4	4	3	1	8
UNCP	6	.	4	2	3	1	1	2	.	2
UNCW	3	.	6	5	6	7	4	1	3	8
WCU	11	5	2	4	4	5	2	2	.	3
WSSU	.	.	.	.	.	.	.	.	1	.
<b>UNC Total</b>	<b>54</b>	<b>67</b>	<b>69</b>	<b>86</b>	<b>89</b>	<b>75</b>	<b>48</b>	<b>41</b>	<b>55</b>	<b>92</b>

Source:UNC-GA IRA/PDF.CH239.B/11OCT12

**Table 2**

**Total Phased Retirement Program Participants  
2002 through 2011**

Institution	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
ASU	21	24	13	16	18	25	18	14	18	21
ECU	14	5	11	18	23	33	22	17	14	18
ECSU	1	3	3	4	3	3	2	1	.	5
FSU	.	.	.	3	2	1	1	2	6	5
NCA&T	1	.	.	.	.	.	4	6	3	5
NCCU	5	10	8	11	6	3	7	5	4	3
NCSU	32	33	30	39	43	48	32	21	16	17
UNCA	3	2	1	1	2	1	2	1	.	.
UNC-CH	46	45	49	60	70	56	49	34	29	43
UNCC	19	20	19	15	14	17	17	14	15	16
UNCG	14	11	11	11	8	9	6	10	4	11
UNCP	10	8	9	7	9	6	6	5	2	2
UNCW	22	11	10	11	16	17	16	12	6	11
WCU	41	36	32	23	18	11	9	8	4	5
WSSU	1	.	.	.	.	.	.	.	1	1
<b>UNC Total</b>	<b>230</b>	<b>208</b>	<b>196</b>	<b>219</b>	<b>232</b>	<b>230</b>	<b>191</b>	<b>150</b>	<b>122</b>	<b>163</b>

Note: Total Phased Retirement Program participants include first-time and continuing participants during the indicated year.

Source: UNC-GA IRA/PDF.CH239.B/11OCT12

**Table 3**

**Age Distribution of First-Time Phased Retirement Program Participants  
2002 through 2011**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Average Age	63	64	65	64	64	64	65	67	67	67
<u>Age Category:</u>										
50 - 59	14	11	8	14	9	9	1	1	1	1
60 - 64	21	26	20	34	40	35	22	9	12	27
65 - 69	16	21	30	27	31	25	16	24	29	47
70 - 74	3	8	8	10	7	4	7	5	8	10
75 or older	0	1	3	1	2	2	2	2	5	7
Total # of First-Time Participants	54	67	69	86	89	75	48	41	55	92

Source:UNC-GA IRA/PDF.CH239.B/11OCT12