

The University of North Carolina Phased Retirement Report 2011-2012

SITUATION: The Personnel and Tenure Committee annually reviews and approves the Phased Retirement Report.

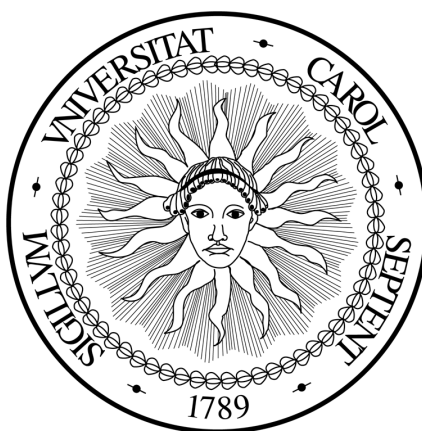
BACKGROUND: The Phased Retirement Program for Tenure Faculty was implemented in 1998 for a five-year trial period at the 15 constituent institutions of the University of North Carolina that award tenure. In 2001, the UNC Board of Governors voted to continue the program as a benefit for UNC faculty. In 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.” More information about the Phased Retirement Program can be found on page 1 of the report.

ASSESSMENT: The 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 still benefit from the accumulated experience and expertise of their retiring faculty members, an outcome of that the Phased Retirement Program is specifically designed to accomplish.

RECOMMENDATION: Because this is an informational report, no formal action is required for this item.

The University of North Carolina Phased Retirement Program

2011-2012



The University of North Carolina
General Administration

September 2013

Overview of Phased Retirement Program

The Phased Retirement Program for Tenured Faculty (PRP) was implemented in 1998 for a five-year trial period at the 15 constituent institutions of the University of North Carolina that award tenure.¹ In 2001, the UNC Board of Governors (BOG) 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:²

1. Better personnel planning
2. Enhanced recruitment and retention
3. Increased quality of faculty

The PRP 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:

1. Tenured full-time faculty member
2. At least five years of service at the current institution
3. 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)

BOG 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). Responsibilities and schedules for participating faculty are individually negotiated at the campus level. PRP data shows that since 2006-07, only three participants have remained in the program for longer than three years (all participants are in compliance with UNC Policy).

1 UNC School of the Arts does not award tenure to faculty.

2 UNC Policy Manual, 300.7.2.1 [G]

Phased Retirement Program Revisions

Federal rules applicable to TSERS and ORP generally prevent employees from receiving retirement plan distributions 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 UNC Board of Governors amended the PRP policy in September 2007.³ The amended policy increased the minimum age for participation in the PRP from age 50 for all participants to age 62 for TSERS members and 59 ½ for ORP participants. Because of the amendments to the PRP, 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 PRP as an appropriate retirement option to which the State's mandatory six-month break in service requirement does not apply.

3 UNC Policy Manual 300.7.2

Phased Retirement Program Data: Fiscal Year 2012

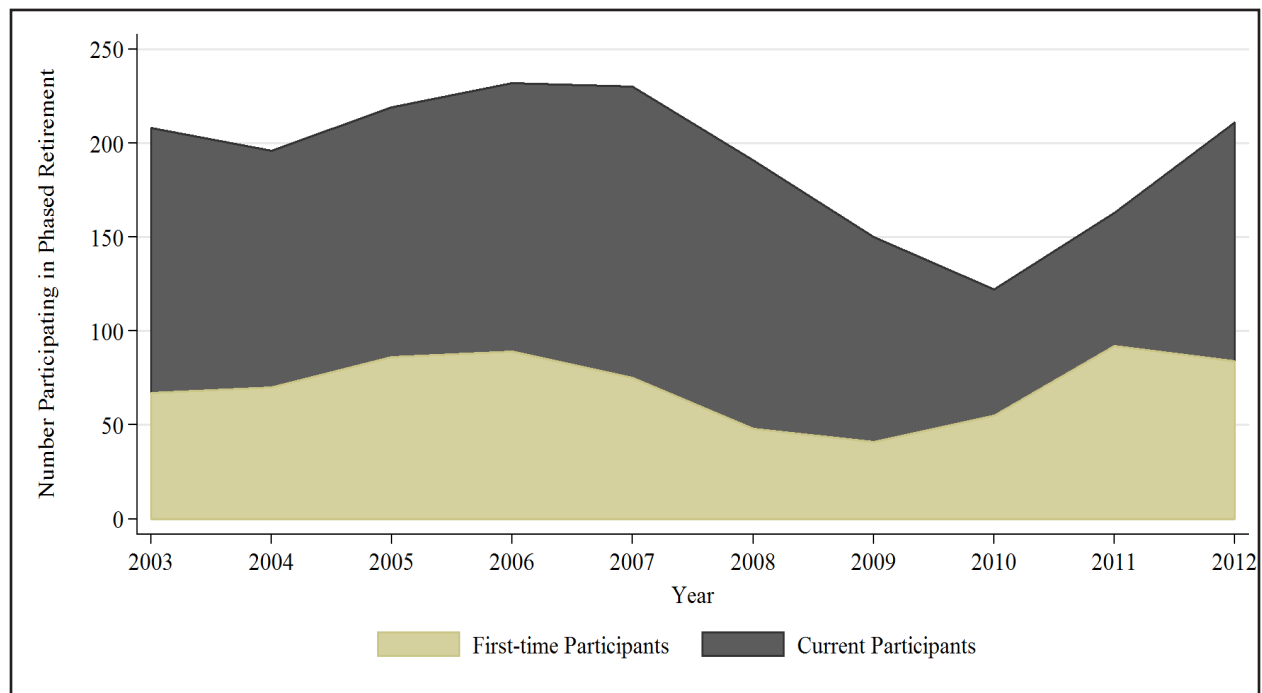
Data for the PRP presented in this report for fiscal year 2012 (July 1, 2011 through June 30, 2012) are divided into three areas:

1. Total number of participants
2. Faculty participation rates
3. Age distribution of first-time participants

Data for the past ten years are included in tables in the Appendix and figures are presented here to provide an overview of the data.

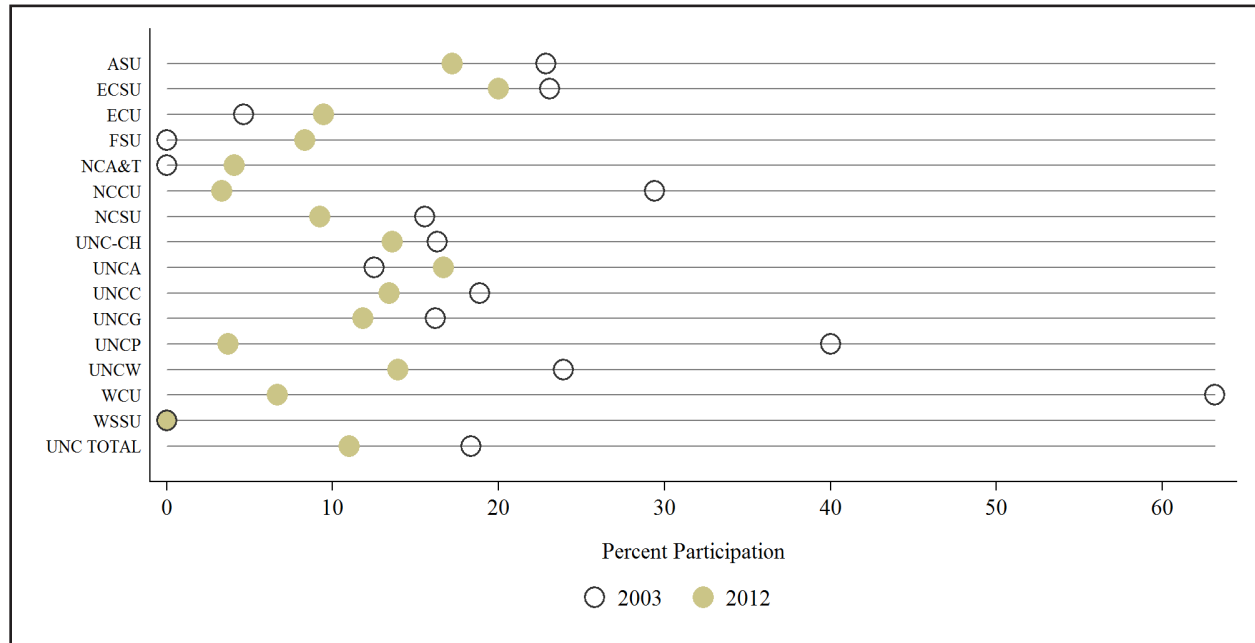
A total of 1,283 faculty have participated in the program since its inception in 1998 and the total number of tenured faculty participating in 2011-12 increased 29% over the previous year (data for the last ten years are presented in Appendix A). The total number of faculty in the program continues to trend upwards, as enrolled faculty remain in the enrollment count while phasing into full retirement. Despite the overall enrollment growth in the PRP, faculty participating in the program for the first time decreased slightly in 2011-12 (down 9%). The numbers for total and first-time participants are presented together in Figure 1.

Figure 1 - Total and First-Time Participants in Phased Retirement Program (2003 - 2012)



APPENDIX L

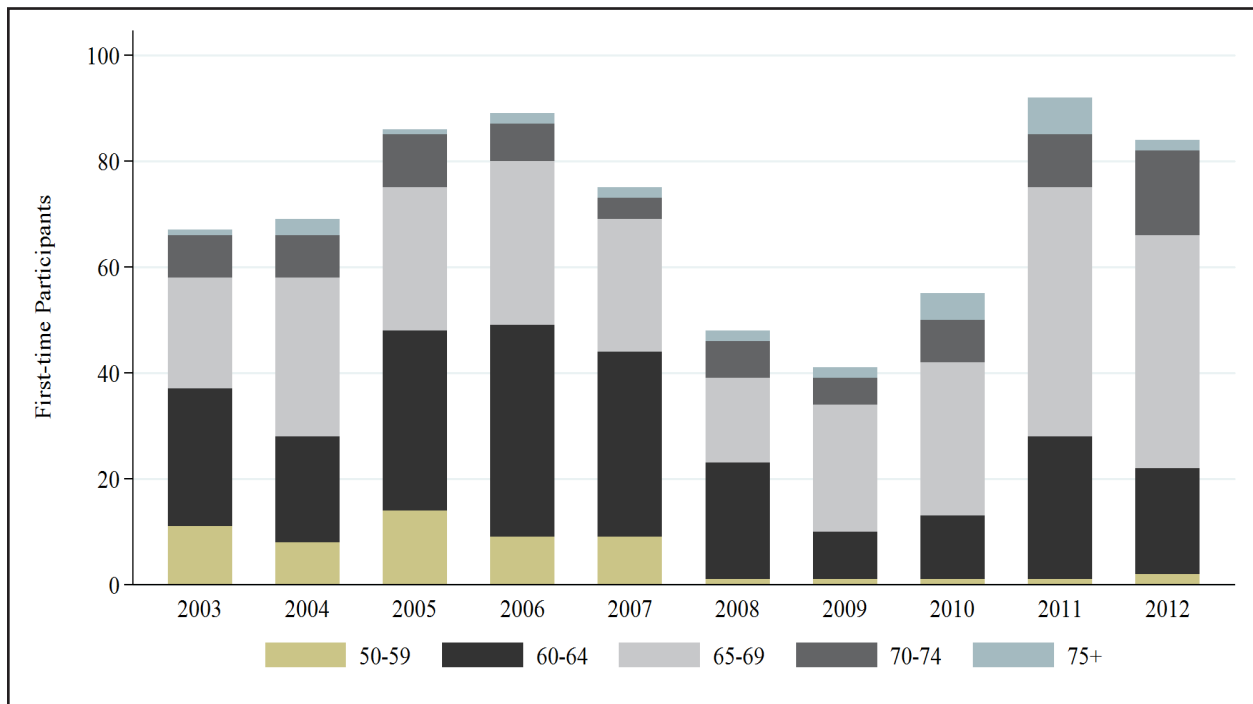
In fiscal year 2012, 11% of eligible faculty were participating in PRP.⁴ See Figure 2 below for campus data and Appendix A for a detailed table.



⁴ Eligible faculty are those with tenure, at least five years of service at their current institutions, and are at least 59 1/2 (ORP) or 62 (TSERS) years old. These are the minimum UNC Policy eligibility requirements, UNC campuses may have additional eligibility requirements. Participation rates are only presented to offer a general idea regarding faculty participation in the PRP.

Due in part to the policy changes governing the age at which faculty can participate in the PRP, the number of faculty younger than 60 in the program has declined over this past decade. As expected, the average age of participants has trended upward, from 64 in 2002-03 to 67 over the past four years (see Appendix B). Figure 3 presents this information for the past ten years.

Figure 3 - Age of First-Time Participants in Phased Retirement Program (2003 - 2012)



Conclusion

The PRP 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 still benefit from the accumulated experience and expertise of their retiring faculty members, an outcome that the PRP is specifically designed to accomplish.

APPENDIX L

Appendix A. Phased Retirement Program Participants¹ and Participation Rate of Eligible Faculty²

| | 2003 | | 2004 | | 2005 | | 2006 | | 2007 | | 2008 | | 2009 | | 2010 | | 2011 | | 2012 | |
|-----------|------|-------|------|-------|------|-------|------|-------|------|-------|------|-------|------|-------|------|-------|------|-------|------|-------|
| | n | % | n | % | n | % | n | % | n | % | n | % | n | % | n | % | n | % | n | % |
| ASU | 24 | 22.9% | 13 | 12.7% | 16 | 14.5% | 18 | 15.9% | 25 | 20.2% | 18 | 14.6% | 14 | 11.2% | 18 | 13.5% | 21 | 15.2% | 27 | 17.2% |
| ECU | 5 | 4.6% | 11 | 8.3% | 18 | 13.0% | 23 | 14.8% | 33 | 18.0% | 22 | 11.3% | 17 | 8.5% | 14 | 6.3% | 18 | 7.4% | 22 | 9.4% |
| ECSU | 3 | 23.1% | 3 | 23.1% | 4 | 28.6% | 3 | 23.1% | 3 | 17.6% | 2 | 11.8% | 1 | 5.6% | . | . | 5 | 22.7% | 5 | 20.0% |
| FSU | . | . | . | . | 3 | 11.5% | 2 | 8.0% | 1 | 3.6% | 1 | 3.4% | 2 | 5.9% | 6 | 15.8% | 5 | 11.4% | 4 | 8.3% |
| NCA&T | . | . | . | . | . | . | . | . | . | . | 4 | 5.3% | 6 | 7.5% | 3 | 3.5% | 5 | 5.4% | 4 | 4.1% |
| NCCU | 10 | 29.4% | 8 | 21.1% | 11 | 26.8% | 6 | 13.6% | 3 | 6.3% | 7 | 14.0% | 5 | 8.9% | 4 | 7.4% | 3 | 5.7% | 2 | 3.3% |
| NCSU | 33 | 15.6% | 30 | 12.8% | 39 | 14.4% | 43 | 16.1% | 48 | 16.6% | 32 | 10.4% | 21 | 6.5% | 16 | 4.8% | 17 | 4.9% | 28 | 9.2% |
| UNCA | 2 | 12.5% | 1 | 5.3% | 1 | 5.6% | 2 | 9.1% | 1 | 6.7% | 2 | 10.5% | 1 | 4.8% | 0 | 0.0% | 0 | 0.0% | 5 | 16.7% |
| UNC-CH | 45 | 16.3% | 49 | 16.2% | 60 | 17.9% | 70 | 18.3% | 56 | 13.7% | 49 | 11.4% | 34 | 7.6% | 29 | 6.2% | 43 | 8.8% | 56 | 13.6% |
| UNCC | 20 | 18.9% | 19 | 17.9% | 15 | 14.0% | 14 | 11.9% | 17 | 13.4% | 17 | 12.1% | 14 | 9.4% | 15 | 9.8% | 16 | 10.5% | 20 | 13.4% |
| UNCG | 11 | 16.2% | 11 | 16.7% | 11 | 15.9% | 8 | 11.0% | 9 | 10.8% | 6 | 7.1% | 10 | 9.6% | 4 | 3.5% | 11 | 8.4% | 15 | 11.8% |
| UNCP | 8 | 40.0% | 9 | 34.6% | 7 | 28.0% | 9 | 32.1% | 6 | 21.4% | 6 | 15.0% | 5 | 12.2% | 2 | 4.7% | 2 | 4.2% | 2 | 3.7% |
| UNCW | 11 | 23.9% | 10 | 21.3% | 11 | 19.3% | 16 | 23.2% | 17 | 20.5% | 16 | 18.0% | 12 | 12.4% | 6 | 6.1% | 11 | 10.3% | 17 | 13.9% |
| WCU | 36 | 63.2% | 32 | 55.2% | 23 | 46.9% | 18 | 35.3% | 11 | 25.6% | 9 | 20.9% | 8 | 14.3% | 4 | 7.3% | 5 | 7.8% | 4 | 6.7% |
| WSSU | . | . | . | . | . | . | . | . | . | . | . | . | . | . | 1 | 3.7% | 1 | 2.8% | . | . |
| UNC Total | 208 | 18.3% | 196 | 16.1% | 219 | 16.8% | 232 | 16.2% | 230 | 14.8% | 191 | 11.5% | 150 | 8.4% | 122 | 6.5% | 163 | 8.2% | 211 | 11.0% |

¹Total Phased Retirement Program participants include first-time and continuing participants during the indicated fiscal year.

²Eligible faculty are those with tenure, at least five years of service at their current institutions, and are at least 59 1/2 (ORP) or 62 (TSERS) years old. These are the minimum UNC Policy eligibility requirements, UNC campuses may have additional eligibility requirements. Participation rates are only presented to offer a general idea regarding faculty participation in the PRP.

Source:UNC-GA IRA/PDF.CH239.B/19JUL13

APPENDIX L

Appendix B. Age Distribution of First-Time Phased Retirement Program Participants

| | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|------------------------------------|------|------|------|------|------|------|------|------|------|------|
| Average Age | 64 | 65 | 64 | 64 | 64 | 65 | 67 | 67 | 67 | 67 |
| Age Category | | | | | | | | | | |
| 50 - 59 | 11 | 8 | 14 | 9 | 9 | 1 | 1 | 1 | 1 | 2 |
| 60 - 64 | 26 | 20 | 34 | 40 | 35 | 22 | 9 | 12 | 27 | 20 |
| 65 - 69 | 21 | 30 | 27 | 31 | 25 | 16 | 24 | 29 | 47 | 44 |
| 70 - 74 | 8 | 8 | 10 | 7 | 4 | 7 | 5 | 8 | 10 | 16 |
| 75 or older | 1 | 3 | 1 | 2 | 2 | 2 | 2 | 5 | 7 | 2 |
| Total # of First-Time Participants | 67 | 69 | 86 | 89 | 75 | 48 | 41 | 55 | 92 | 84 |

Source:UNC-GA IRA/PDF.CH239.B/19JUL13