

## **Report to the Personnel and Tenure Committee**

### **UNC Phased Retirement Program**

November 2007

#### **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. 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 and enter into a contract to work half time for 50% of their salary during their last year of full-time employment. To be considered eligible for participation in the program, faculty must meet the following 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 and 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 that 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**

Before a revision authorized by the Board of Governors on September 7, 2007, a faculty member had to be at least 50 years old to participate in the Phased Retirement Program. Effective May 22, 2007, new Internal Revenue Service regulations went into effect to define “normal retirement age” for defined benefit plans (such as the State Retirement system). Those regulations set a presumptive normal retirement age of 62 or higher, unless the employer can prove that the employer’s industry has a lower normal retirement age. A different federal regulation permits 59 ½ to be the effective normal retirement age for defined contribution plans (ORP). If an individual is at least the normal retirement age, he or she can receive an in-service retirement distribution while working for the same employer, without jeopardizing the tax status of the retirement plan and without the need to take a break in service.

In response to these regulations, the Board of Governors changed Policy 300.7 to clarify and reorganize the policy requirements while seeking to make the program more defensible legally. The revised policy complies with the new normal retirement age requirements. This means that the age for entering phased retirement, which was age 50, has been increased by the BOG to age 62 for TSERS (State retirement system) members and age 59 ½ for ORP participants. President Bowles has approved new guidelines to accompany the revised policy and these have been sent to UNC constituent institutions. He authorized campus Phased Retirement policies to be changed and implemented only for 2007-08 without prior approval from him. UNC constituent institutions must submit campus Phased Retirement policies to President Bowles for review and approval when they are revised in final form no later than May 1, 2008.

### **Participation in the UNC Phased Retirement Program**

(Note: All phased retirements during the time period covered in this report occurred while the previous policy was in effect that allowed participation for faculty who were at least 50 years of age.)

Participation in the Phased Retirement Program has varied each year since its establishment. As Table 1 shows, first-time participation has ranged from highs of 98 and 91 in 2000 and 2001 respectively (probably reflecting uncertainty about whether the program would be continued past its trial period) to 54 in 2002. In 2006 first-time participation reached 89, the third highest number over the nine-year period.

**Table 1. First-Time Phased Retirement Participants: 1998-2006**

	1998	1999	2000	2001	2002	2003	2004	2005	2006	Total
ASU	4	6	3	15	3	7	4	8	8	58
ECU	16	17	8	8	2	2	6	14	10	83
ECSU	0	0	2	4	0	2	0	3	0	11
FSU	1	1	0	0	0	0	0	3	1	6
NCA&T	1	1	0	0	1	0	0	0	0	3
NCCU	6	0	2	4	1	6	2	3	3	27
NCSU	13	9	15	15	6	14	10	16	18	116
UNCA	0	4	2	1	0	1	1	0	1	10
UNC-CH	9	7	20	20	11	17	26	20	26	156
UNCC	7	2	7	7	7	8	5	5	6	54
UNCG	6	4	8	3	3	5	3	3	3	38
UNCP	3	3	2	2	6	0	4	2	3	25
UNCW	5	3	12	8	3	0	6	5	6	48
WCU	6	8	16	4	11	5	2	4	4	60
WSSU	2	0	1	0	0	0	0	0	0	3
<b>TOTAL</b>	79	65	98	91	54	67	69	86	89	698

Participation in the Phased Retirement varies substantially by campus. Table 2 reviews the years 2000 to 2005 showing the total of phased retirements at each campus during those years as a percentage of the average number of tenured faculty at the campus during those years. Total faculty participation in phased retirement during this six-year period ranged from 0.5 percent at NCA&T to 24 percent at WCU with a system-wide average of 9.2 percent. Table 3 on the following page shows total participants in phased retirement by campus from 2002 to 2005.

**Table 2. Total Phased Retirements as a Percentage of  
Average Number of Tenured Faculty: 2000-2006**

	<i>Tenured Faculty</i>	<i>Phased Retirements</i>	<b>Percent</b>
ASU	380	48	12.6%
ECU	544	50	9.2%
ECSU	55	11	20.0%
FSU	96	4	4.2%
NCA&T	206	1	0.5%
NCCU	138	21	15.2%
NCSU	1030	94	9.1%
UNCA	101	6	5.9%
UNC-CH	1253	140	11.2%
UNCC	365	45	12.3%
UNCG	324	28	8.6%
UNCP	80	19	23.8%
UNCW	269	40	14.9%
WCU	175	46	26.3%
WSSU	82	1	1.2%
<b>TOTAL</b>	<b>5098</b>	<b>554</b>	<b>10.9%</b>

**Table 3. Total Phased Retirement Participants: 2002-2006**

	2002	2003	2004	2005	2006
ASU	21	24	13	16	18
ECU	14	5	11	18	23
ECSU	1	3	3	4	3
FSU	0	0	0	3	2
NCA&T	1	0	0	0	0
NCCU	5	10	8	11	6
NCSU	32	33	30	39	43
UNCA	3	2	1	1	2
UNC-CH	46	45	49	60	70
UNCC	19	20	19	15	14
UNCG	14	11	11	11	8
UNCP	10	8	9	7	9
UNCW	22	11	10	11	16
WCU	41	36	32	23	18
WSSU	1	0	0	0	0
<b>TOTAL</b>	<b>230</b>	<b>208</b>	<b>196</b>	<b>219</b>	<b>232</b>

### **Conclusion**

It is not clear at this point how the revised Phased Retirement policy will have an impact on faculty retirement patterns. In the first nine years of the program (1998-2006), 39 faculty in the TSER system entered phased retirement before the new eligible age of 62 and 9 ORP participants entered phased retirement before age 60, a total of 71 phased retirements out of 698 during that period. Perhaps in the future some faculty will retire before the new ages of eligibility without entering phased retirement, but perhaps it is even more likely that such individuals will continue as full-time tenured faculty and participate in phased retirement at the later eligibility ages.

The UNC Phased Retirement Program is an important tool for retaining the talents and contributions of faculty members after their retirement. The ability to re-employ retired faculty members will become increasingly important as UNC faces the challenge of hiring faculty to replace departing faculty and meet enrollment increases during the coming decade, particularly in light of the aging of UNC's faculty. Although many retiring faculty members will be replaced by new hires, UNC institutions will still need the accumulated experience and wisdom of this retiring faculty cohort, a result that the Phased Retirement Program is specifically designed to accomplish.