

Report to the Personnel and Tenure Committee

UNC Phased Retirement Program

November 2008

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 TSERS, 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 (optional retirement plans or 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 approved new guidelines to accompany the revised policy and authorized campus Phased Retirement policies to be changed and implemented only for 2007-08 without prior approval from him. During 2008 UNC constituent institutions submitted campus Phased Retirement policies to President Bowles for review and approval.

Participation in the UNC Phased Retirement Program

- First-time participation in the UNC Phased Retirement Program has ranged from a high of 104 in 1999-2000 to a low of 54 in 2001-02. After 2002, first-time participants increased steadily for the next four years to 89 in 2005-06 before dropping to 75 in 2006-07 (**Table 1**).
- A total of 765 faculty have participated in the program since its inception. The highest number in a given year was 232 in 2000-01 and 2005-06, with 230 participating in 2006-07 (**Table 2**).
- As **Table 2** shows, participation in Phased Retirement has varied substantially by campus, with several institutions having very little participation. One factor that is probably relevant in this low participation rate is that the average age of retirement on these campuses is higher, meaning that faculty continue to work full-time who otherwise might work part-time under Phased Retirement.
- As noted above, revised federal policies now prohibit faculty who are younger than 62 (TSERS plan) or 59 ½ (ORP plans) from participating in Phased Retirement. While this may have some slight impact on participation, the number of faculty younger than 60 participating in Phased Retirement has generally declined over the decade that Phased Retirement has been in effect. For the first five years (1997-98—2001-02), an average of 18.6 faculty retired and came back to participate in Phased Retirement. For the next five years (2002-03—2006-07), this average number of faculty participants younger than 60 declined to 10.2 per year.

Conclusion

The revised Phased Retirement policy may have some impact on faculty participation in Phased Retirement, and perhaps some faculty will retire before the new ages of eligibility without

entering Phased Retirement. However, perhaps it is more likely that these individuals will choose to 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 overall aging of the faculty workforce. 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 Participants: FY 1998-2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
ASU	4	6	3	15	3	7	4	8	8	6
ECU	16	17	10	5	2	2	6	14	10	12
ECSU	.	.	.	1	.	2	.	3	.	.
FSU	1	.	.	.	.	.	.	3	1	1
NCA&T	1	1	.	.	1	.	.	.	.	.
NCCU	6	.	2	2	1	6	2	3	3	.
NCSU	13	9	15	15	6	14	10	16	18	14
UNC-A	.	4	2	1	.	1	1	.	1	.
UNC-CH	9	8	19	21	11	17	26	20	26	17
UNC-C	7	2	7	7	7	8	5	5	6	8
UNC-G	6	4	8	3	3	5	3	3	3	4
UNC-P	3	3	2	2	6	.	4	2	3	1
UNC-W	5	3	12	8	3	.	6	5	6	7
WCU	6	1	23	4	11	5	2	4	4	5
WSSU	2	.	1	.	.	.	.	.	.	.
UNC Summary	79	58	104	84	54	67	69	86	89	75

Table 2. Total Phased Retirement Participants: FY 1998--2007

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
ASU	4	9	11	22	21	24	13	16	18	25
ECU	16	31	37	25	14	5	11	18	23	33
ECSU	.	.	.	1	1	3	3	4	3	3
FSU	1	.	.	.	.	.	.	3	2	1
NCA&T	1	2	1	.	1	.	.	.	.	.
NCCU	6	.	7	4	5	10	8	11	6	3
NCSU	13	20	34	38	32	33	30	39	43	48
UNC-A	.	4	6	6	3	2	1	1	2	1
UNC-CH	9	16	33	46	46	45	49	60	70	56
UNC-C	7	9	14	15	19	20	19	15	14	17
UNC-G	6	10	17	13	14	11	11	11	8	9
UNC-P	3	6	8	6	10	8	9	7	9	6
UNC-W	5	8	19	23	22	11	10	11	16	17
WCU	6	7	29	32	41	36	32	23	18	11
WSSU	2	2	1	1	1	.	.	.	.	.
UNC Summary	79	124	217	232	230	208	196	219	232	230