

**Annual Report on the UNC Phased Retirement Program
Personnel and Tenure Committee
UNC Board of Governors
November 2011**

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.

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 their revised campus Phased Retirement policies to President Bowles for review and approval.

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

- First-time participation in the UNC Phased Retirement Program has ranged from a high of 124 in 1998-99 to a low of 41 in 2008-09. After 2002, first-time participants increased steadily for the next four years to 89 in 2005-06 before dropping to 48 in 2007-08, 41 in 2008-09, and 55 in 2009-10 (**Table 1**).
- A total of 980 faculty have participated in the program since its inception in 1998. The highest number of participants in a given year was 232 in 2000-01 and 2005-06, with 230 participating in 2001-02 and 2006-07 (**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 and the average age of PRP participants has tended upward (**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
2000-2001 through 2009-2010**

Institution	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
ASU	15	3	7	4	8	8	6	5	4	10
ECU	5	2	2	6	14	10	12	1	8	5
ECSU	1	.	2	.	3	.	.	1	.	.
FSU	.	.	.	.	3	1	1	1	1	4
NCA&T	.	1	.	.	.	.	.	4	2	1
NCCU	2	1	6	2	3	3	.	4	1	1
NCSU	15	6	14	10	16	18	14	5	4	9
UNCA	1	.	1	1	.	1	.	1	.	.
UNC-CH	21	11	17	26	20	26	17	12	9	11
UNCC	7	7	8	5	5	6	8	3	4	9
UNCG	3	3	5	3	3	3	4	4	3	1
UNCP	2	6	.	4	2	3	1	1	2	.
UNCW	8	3	.	6	5	6	7	4	1	3
WCU	4	11	5	2	4	4	5	2	2	.
WSSU	.	.	.	.	.	.	.	.	.	1
UNC Total	84	54	67	69	86	89	75	48	41	55

Table 2

**Total Phased Retirement Program Participants
2000-2001 through 2009-2010**

Institution	2000-2001	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
ASU	22	21	24	13	16	18	25	18	14	18
ECU	25	14	5	11	18	23	33	22	17	14
ECSU	1	1	3	3	4	3	3	2	1	.
FSU	.	.	.	.	3	2	1	1	2	6
NCA&T	.	1	.	.	.	.	.	4	6	3
NCCU	4	5	10	8	11	6	3	7	5	4
NCSU	38	32	33	30	39	43	48	32	21	16
UNCA	6	3	2	1	1	2	1	2	1	.
UNC-CH	46	46	45	49	60	70	56	49	34	29
UNCC	15	19	20	19	15	14	17	17	14	15
UNCG	13	14	11	11	11	8	9	6	10	4
UNCP	6	10	8	9	7	9	6	6	5	2
UNCW	23	22	11	10	11	16	17	16	12	6
WCU	32	41	36	32	23	18	11	9	8	4
WSSU	1	1	.	.	.	.	.	.	.	1
UNC Total	232	230	208	196	219	232	230	191	150	122

Note: Total Phased Retirement Program participants include first-time and continuing participants in each fiscal year.

Table 3

**Age Distribution of First-Time Phased Retirement Program Participants
2000-2001 through 2009-2010**

	2000- 2001	2001- 2002	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007	2007- 2008	2008- 2009	2009- 2010
Average Age	63	63	64	65	64	64	64	65	67	67
Age Category										
50 - 59	18	14	11	8	14	9	9	1	1	1
60 - 64	33	21	26	20	34	40	35	22	9	12
65 - 69	25	16	21	30	27	31	25	16	24	29
70 - 74	8	3	8	8	10	7	4	7	5	8
75 +	0	0	1	3	1	2	2	2	2	5
Total # of First-Time Participants	84	54	67	69	86	89	75	48	41	55