## Phased Retirement Plan Highlights

- Background
- Phased Retirement Plan



## Background

- Salary and Benefits Committee request
- Very prevalent policy at many universities
  - Often just for faculty members
- University Benefits
  - Planning
  - Retain talented faculty that could otherwise leave
- Faculty Member Benefits
  - Ease into retirement
  - Generally maintain benefits (full pension contribution)



#### Phased Retirement Plan

- Eligibility
- Contract Terms
- Salary and Benefits
- University Status
- Process



## Eligibility

- Designed primarily for regular, full-time tenured faculty who are eligible for emeritus status
- Participation by contract, full-time faculty will be limited and considered on a case by case basis
  - Requires "end of service status" (15 years of employment in a health care eligible position)
- Must hold a position that can reasonably be performed on a part-time basis without a detrimental impact to the University
  - Will limit participation by faculty members in administrative positions
  - Each department's participation can vary staffing, cost, etc.



#### **Contract Terms**

- Limited to maximum (3) three years
  - Can select a 1/2/3 year option to participate
- 50% to 75% service (identified in advance, can differ for each semester and/or each year)
  - Can be spread over one or both semesters
- Once a participant enters they can accelerate (e.g., retire earlier) at their sole discretion
- A contract can only be rescinded in extraordinary situations and with the President's approval
- Can participate in supplementary teaching (summer, overload, etc.)



### Salary and Benefits

- Will receive regular University contribution towards health insurance
- Maintain life insurance and salary continuance plans but benefits and premiums will be based on reduced salary (premiums will be shared in the same percentage as full-time employees)
- Tuition remission benefits will be the same
- Vacation and/or sick leave will accrue under the same pro-rata conditions as permanent part-time employees
- Salary will be grossed up before applying appropriate multiplier to adjust for different retirement plans and participation percentages



## APP Salary Example

- Assume a \$80,000 salary during full-time employment and APP would be \$9,816 (12.27%)
- □ Now assume 50% phased-in retirement
  - Salary would be \$40,000
  - APP would be \$4,908.00
- As an incentive, and to equalize APP and TRF, salary will be increased by an appropriate multiplier (in this case it would be 10.929%):
  - Salary would be \$44,371.60
  - APP would be \$5,444.40
  - Salary gross-up (\$4,371.60) and APP (\$5,444.40) added together equals full-time APP contribution of \$9,816
  - There are some tax consequences the University has multiple options (403(b) & 457(b)) for deferring taxes on income

## TRF Salary Example

- Assume a \$80,000 salary during full-time employment and TRF defined contribution portion would be \$2,400 (3%)
- Now assume 75% phased-in retirement
  - Salary would be \$60,000
  - TRF would be **\$1,800.00**
- As an incentive, and to equalize APP and TRF, salary will be increased by an appropriate multiplier (in this case it would be 0.971%):
  - Salary would be \$60,582.60
  - TRF would be \$1,871.48
  - Salary gross-up (\$582.60) and TRF (\$1,817.48) added together equals full-time
    TRF contribution of \$2,400.08
  - There are some tax consequences the University has multiple options
    (403(b) & 457(b)) for deferring taxes on income



### University Status

- Course loading based on loading in the academic year prior to entry
  - Active research will most likely be approved scholarly activities must be justified, productive, and approved by Dean and Provost
  - Administrative assignments may not be approved case-by-case
- Each year counts as one year of tenured service
- Eligible for annual salary increases under normal policies
- No longer eligible for promotion
- Voting privileges subject to rules and regulations of the University Senate



#### **Process**

- Start in spring or fall semester
- □ Apply by Feb 1<sup>st</sup> for the following fall; by Sep 1<sup>st</sup> for the following spring
  - Will extend application period to March 5th for fall of 2012
- By June 30<sup>th</sup> of each year departments, in consultation with the deans, will estimate the number they can accept (Provost approves)
  - Final number may vary and is subject to Provost's approval and may be reviewed by President
- First priority given to those that apply by deadline and then by seniority:
  - First by academic rank, then by months of service within that rank, then by total months of service at Ball State
- Contract approved by Dean and Provost
  - Signed by member and Vice President for Business Affairs



# Questions?

