

**Report to the Personnel and Tenure Committee  
UNC Board of Governors**

**UNC Phased Retirement Program**

**November 10, 2005**

**Executive Summary**

The UNC Phased Retirement Program for Tenured Faculty, initiated in 1998 and approved as a continuing benefit for faculty in 2001, 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 program enables eligible full-time tenured faculty to relinquish tenure and enter into a contract to work half time for 50% of their pre-retirement salary. A survey of Phased Retirement Program participants in 2003 indicated that the program has succeeded in providing UNC faculty members an opportunity to transition into full retirement gradually and in improving UNC institutions' personnel planning. The overwhelming majority of participants responding to the survey were satisfied with the program: 93% would make the same decision again, and 90% would recommend the program to colleagues.

Participation in the program since its inception has exceeded 500 faculty members, with enrollments of approximately 68 new participants in each of the past two years. Analysis of faculty retirements suggests that 20-30% of UNC faculty retirees enter the program each year. The longevity and success of the program has attracted the attention of researchers nationally who are interested in flexible work options in higher education and other employment sectors.

Despite its success, the UNC program may be affected by changes in policy by the Internal Revenue Service and the N. C. Teachers and State Employees' Retirement System related to post-retirement re-employment. The UNC Office of the President is monitoring the impact of policy changes on Phased Retirement, which is likely to become an even more important program for UNC campuses, where faculty over age 50 represent 53.6% of all UNC faculty.

# **Report to the Personnel and Tenure Committee UNC Board of Governors**

## **UNC Phased Retirement Program**

**November 10, 2005**

### **The UNC Phased Retirement Program**

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 which 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 50 years old;
- 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.

### **Survey of Phased Retirement Program Participants**

During fall semester 2003, the University of North Carolina surveyed faculty participating in the UNC Phased Retirement Program. The on-line survey was conducted in conjunction with a survey of all UNC faculty members aged 50 and over designed to gather information about senior faculty members' aspirations, plans, and concerns pertaining to late career and retirement. Ninety-six (96) usable

responses to the Phased Retirement survey represented approximately 21% of all faculty members enrolled in the program since its implementation in 1998 and 46% of those employed in the program in fall 2003.

Responses to the Phased Retirement Program survey suggest that the program is 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. The overwhelming majority of respondents to the survey are satisfied with the program: 93% would make the same decision again, and 90% would recommend the program to colleagues. Respondents reported few difficulties with the enrollment process. They had enough time and information to make an informed decision to enter the program, received helpful information and consultation from institutional staff, and understood the impact of the program on their salary, benefits, and institutional privileges. (A full report on the Survey of Phased Retirement Program Participants was presented to the Board of Governors Personnel and Tenure Committee in November 2004.)

### Participation in the UNC Phased Retirement Program

Participation in the Phased Retirement Program has varied each year since its establishment. As the chart below shows, 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 2003 and 2004, enrollment appears to have stabilized, with 67 new participants in 2003 and 69 in 2004.

First-Time Phased Retirement Participants 1998 through 2004

	1998	1999	2000	2001	2002	2003	2004*	1998 - 2004
ASU	4	6	3	15	3	7	4	42
ECU	16	17	8	8	2	2	6	59
ECSU	--	--	2	4	--	2	--	8
FSU	1	1	--	--	--	--	--	2
NCA&T	1	1	--	--	1	--	--	3
NCCU	6	--	2	4	1	6	2	21
NCSU	13	9	15	15	6	14	10	82
UNC-A	--	4	2	1		1	1	9
UNC-CH	9	7	20	20	11	17	26	110
UNC-C	7	2	7	7	7	8	5	43
UNC-G	6	4	8	3	3	5	3	32
UNC-P	3	3	2	2	6	--	4	20
UNC-W	5	3	12	8	3	--	6	37
WCU	6	8	16	4	11	5	2	52
WSSU	2	--	1	--	--	--	--	3
<b>UNC Summary</b>	<b>79</b>	<b>65</b>	<b>98</b>	<b>91</b>	<b>54</b>	<b>67</b>	<b>69</b>	<b>523</b>

UNC-GA Prog Assess/PDF.CH239/14AUG02  
and Campus Revisions 7 Feb 03  
10/25/05

\*2004 numbers not yet corrected by campuses

A total of 523 UNC retiring faculty have enrolled in the program since 1998. Analysis of program enrollment by Professor Robert Clark of NCSU and his colleagues indicates that the Phased Retirement Program has accounted for an additional 1.5-2% of UNC faculty retiring in each year since 1998 and that Phased Retirement Program participants represent 20-30% of UNC faculty retirees each year.

### **National Interest in the UNC Program**

Because of the longevity of the UNC program and its apparent success for both institutions and individual faculty members, the Phased Retirement Program has received attention in several studies sponsored by the Alfred P. Sloan Foundation's "Workplace, Workforce, and Working Families Initiative," which has supported a number of research and policy initiatives looking at flexible employment options. Professor David W. Leslie of the College of William and Mary studied the UNC program and conducted interviews with faculty and administrators at several UNC campuses as part of his Sloan-supported study of phased retirement as a possible model of flexible employment for faculty at other stages of their careers. The Sloan Foundation also supported research by Kenneth Giglio, a journalist, into flexible work options in a number of employment sectors; he is including the UNC program in his report. Two Sloan Foundation program officers, Kathleen Christensen and Marcie Pitt-Catsouphes, cite the UNC program in a white paper they have proposed for the White House Conference on Aging. Noting the longevity of the program and the satisfaction of participants cited above, Christensen and Pitt-Catsouphes use UNC's program to illustrate their argument: "The bottom line of any flexibility initiative is that innovative strategies will need to be pursued, both in terms of voluntary employer and employee practices and public sector policies" ("Older Workers and Flexible Work Options: Senior Boomers Look for a Flexible Future").

### **Current Issues of Concern for Phased Retirement**

Despite the success of the UNC Phased Retirement Program in achieving its goals and the satisfaction reported by participants, the program may be affected in the future by two public sector policies. One is the final regulations on phased retirement expected from the Internal Revenue Service by the end of 2005 or in 2006. The commentary that accompanied the draft regulations raised questions about the relevance of "normal retirement age" to required breaks in service and post-retirement re-employment agreements. The final regulations are expected to address this issue more specifically and clarify IRS assumptions about the status of re-employment agreements for retirees who have not reached normal retirement age for their retirement plans.

A second policy that may affect the Phased Retirement Program long-term is the change in the definition of "retirement" proposed by the N. C. Teachers and State Employees' Retirement System (TSERS) and approved by the General Assembly in its 2005 session:

29.28.(e) Effective November 1, 2005, retirement means the termination of employment and the complete separation from active service with no intent or agreement, express or implied, to return to service. A retirement allowance may only be granted upon retirement of a member. In order for a member's retirement to become effective in any month, the member must render no service, including part-time, temporary, substitute, or contractor service, at any time during the six months immediately following the effective date of retirement.

29.28 (f) . . . Subsection (e) of this section . . . does not apply to participants in The University of North Carolina Phased Retirement Program until June 30, 2007. (GS 135-1 [20])

Although the Phased Retirement Program is exempted from the new definition through June 30, 2007, the definition has already affected re-employment of retired employees not participating in Phased Retirement by UNC institutions, since it requires a six-month break in service and prohibits establishing re-employment agreements until after that break. These conditions will likely discourage many retirees from considering re-employment with the State.

Were this definition to be applied to the Phased Retirement Program after the exemption ends, the program could no longer operate as currently structured. UNC anticipates that the new definition, which was developed in response to the IRS draft regulations and is primarily intended to address the full-time rehiring of public school teachers with little break in service, will be revised when the final IRS regulations and comments are issued and their effects on TSERS retirees are clear. In the meantime, UNC's General Counsel has advised campuses that the new definition applies to employees in TSERS but not in the Optional Retirement Plan (ORP) and has initiated a review of both the ORP and the Phased Retirement Program to determine changes that may need to be made when the final IRS regulations are issued.

### **Conclusion**

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 as many as 10,000 faculty to replace departing faculty and meet enrollment increases during the decade 2001-2010, particularly in light of the aging of UNC's faculty. Analysis of tenured and tenure-track faculty from 1983-2003 by Robert Clark and Linda Ghent shows that over two decades, the percentage of younger and older faculty at UNC has almost completely reversed: in 1993, faculty under 40 represented 34.7% of UNC faculty, while faculty over 55 represented 17.7%. By 2003, faculty under 40 represented only 17.8% of UNC faculty, while faculty over 55 represented 35.7%. During the same period, faculty over 50 years of age increased from 31.8% to 53.6% of UNC faculty. (See attached chart.)

A flood of retiring senior faculty that has been predicted for at least the past decade but has not yet occurred either nationally or at UNC institutions, probably because economic conditions have restricted the growth of retirement investment accounts in the ORP and relatively small salary increases have influenced faculty in TSERS to defer their retirement in order to ensure larger retirement benefit. However, retirements among the large number of faculty over age 55 are sure to increase in the next decade or sooner. 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.

**Age Distribution of Tenure Track Faculty in the University of North Carolina system  
1982 – 2003**

(Robert Clark and Linda Ghent)

