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
- 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- A contract can only be rescinded in extraordinary situations and with the President’s approval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\textsuperscript{st} for the following fall; by Sep 1\textsuperscript{st} for the following spring
- By June 30\textsuperscript{th} 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