

Phased Retirement Program for Tenured Faculty

Overview



North Carolina Agricultural and Technical State University



Definition and Purpose

- A formal program in which eligible faculty resign tenured position and exercise an option for two years of half-time work (non-tenured and tenure-track are not eligible)
- Participants usually begin retirement income to supplement salary during phased retirement
- Purpose is to provide retirement options for faculty



Eligibility Criteria

NC Teachers' and State Employees' Retirement System (TSERS)

- Full time tenured faculty member
- Have at least 5 years of full-time service at NCA&T
- Be at least age 62 upon entering the program
- Eligible to receive a retirement benefit under TSERS

Optional Retirement Plan (ORP)

- Full time tenured faculty member
- Have at least 5 years of full-time service at NC A&T
- Be at least 59½ upon entering into the program
- Eligible to receive retirement benefits under ORP



Limits on Eligibility

- Full-time administrators are not eligible; however, administrators may resign administrative role and become eligible
- Total participating in phased retirement benefit cannot exceed 20% of faculty members in any one department
- Enrollment may be limited based on possible financial exigency



Limits on Applications

- Applications entirely VOLUNTARY
- For Fall 2017, applications must be received in the Provost's Office by January 31, 2017.
- Subject to final approval of the Provost



Status of Phased Retirement Program

- Extended by NC General Assembly through 2012 or until 12 months after the IRS issues final regulations about phased retirement
- Individuals receiving retirement benefits from TSERS may not engage in paid State employment within six months of retirement; HOWEVER, there is a statutory exemption for participants in the Phased Retirement Program
- Faculty in ORP not subject to this limit



Work Plan

- Faculty members and Chair/Dean agree on half-time work plan
- Work plan can include any combination of duties that make up a faculty member's duties; may be performed half time for academic year or full time for one semester
- Summer school teaching cannot be part of work plan



Additional Procedures

- Faculty member submits Agreement and Certification of Eligible Retirement Service to Provost (through regular channels)
- Provost reviews to ensure participation does not exceed limits; if limits are exceeded, eligibility will be determined based on institutional seniority
- Benefits Administration Department verifies eligibility for retirement



Timeline

- September 2016 Distribute materials
- September 2016 Discussions between faculty & chairs
- September 2016 Information sessions for interested faculty
- January 31, 2017 Deadline for applications (to Provost)
- February 10, 2017 Decision by Provost
- February 17, 2017 Eligibility verification completed; Agreement and Releases mailed to faculty
- April 3, 2017 Deadline for signed Agreements and Releases
- April 10, 2017 Final deadline to revoke Release



Other Important Dates

- March 2017 Faculty members schedule appointment with Benefits to complete retirement paperwork
- June 1, 2017 Last day to submit retirement application to begin TSERS income July 2017
- July 1, 2017 Last day for departments to submit new employment action to ensure July paycheck



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Benefits Issues



Salary Limitations on Retirement Income

- If you are in the Optional Retirement Program (ORP), there is no limit on the salary you may earn during retirement.
- If you are in the Teachers and State Employees Retirement System (TSERS), there is a limit on the amount you can earn from the State while receiving retirement income.



TSERS Salary Limitation

- Limit is the greater of 1/2 of the final year's earnings or \$31,600 for 2016
- If limit is exceeded, retirement benefit and retiree health benefit are suspended the first of the next month and until the end of the calendar year
- Salary increases may only be given within the individual earnings limit established by TSERS. The limit is increased Jan.1 of each year by the % increase in the Consumer Price Index



Application of TSERS Salary Limitation

- Initial Year - Earnings in the first 12 months after the effective date of retirement will be applied to the earnings test for TSERS. After the initial year, the test will change to a calendar year test; earnings from January through December.
- For example, a person retiring July 1, 2016 will have the earnings test applied to the period July 1, 2015 through June 30, 2016.
- Thereafter, earnings will be applied to the calendar year. This rule is to prevent someone from retiring and earning their full salary in the first year of retirement.



Example #1

- Consider:
 - » A faculty member whose base salary is \$75,000
 - » No additional earnings from the State between July 1, 2015 and June 30, 2016

- Phased Retirement Salary is \$37,500

- TSERS Earnings Limit is \$37,500



Example #2

- Consider:
 - » A nine-month faculty member whose base salary is \$75,000
 - » This faculty member earned an additional \$10,000 from the State between July 1, 2015 and June 30, 2016

- Phased Retirement Salary is \$37,500

- TSERS Earnings Limit is \$42,500



Retirement Benefits

- May elect to receive or defer retirement benefits
 - » Minimum distributions are required to begin by April 1 following the year you reach age 70½
- TSERS: Note that at 50% time no additional service credit is earned and highest 4 years of salary is already attained
- ORP: May begin benefit, may begin partial benefit, may defer.
- **IMPORTANT CAUTION: You will not be eligible for retiree health insurance if you are not receiving a monthly retirement benefit**



Retirement Benefits continued

- TSERS & ORP: Bailey Act waives NC State income taxes on TSERS/ORP income for employees vested in TSERS or participating in ORP on or before August 12, 1989.



Health Insurance

- Must be in receipt of a monthly TSERS or ORP retirement benefit to receive retiree health insurance
- Transferred from Active Group Plan to Retiree Group Plan. No payroll deduction from NC A&T.
- Dependent coverage premiums must be deducted from TSERS benefit payment or, if ORP, by bank draft or personal check



Social Security Medicare (Age 65)

- At age 65, must sign up for Part A and Part B
- Part A - covers Hospitalization costs
- Part B - covers Doctor's fees and Outpatient hospital services



Social Security Medicare (Age 65) continued

- In Phased Retirement, State Health Plan's retiree health insurance coverage becomes secondary to Medicare Part B, and does not pay for expenses reimbursable under Medicare Part B
- Remember, you are not still "working," you are "retired, working part-time."



Social Security Limits for 2016

- For those born in 1949 (turning 65 in 2016), full retirement for Social Security is 66 years.
- If you're under full retirement age when you begin Social Security benefits, \$1 in benefits will be deducted for each \$2 you earn above the annual limit. For 2016, the limit is \$15,720. Phased retirement is considered earnings, TSERS and ORP income is not considered earnings.



Social Security Limits for 2014 continued

- In the year you reach full retirement age, \$1 in benefits will be deducted for each \$3 you earn above a different limit, but only for the months before the month you reach the full retirement age. For 2014, the limit is \$41,400.
- Starting with the month you reach full retirement age, you can receive your full social security benefits with no limit on your earnings.



Social Security/Medicare Updates Information

- Contact Social Security Administration
 - » Phone: 1-800-772-1213
 - » Website: www.ssa.gov

- Contact Medicare Special Information
 - » Phone: 1-800-MEDICARE (1-800-633-4227)



Voluntary Benefits

- As a 50% permanent part-time, eligible to continue voluntary benefits that include:
 - » NC Flex Programs
 - » Other Voluntary Benefits
 - » 403(b) Retirement Plan



403(b) Retirement Plans

- Subject to Minimum Distribution Rule (Age 70½)
- Distributions not subject to the “Early Withdrawal” penalty:
 - » Attained Age 59½
 - » Age 55 with 30 day break-in-service



Additional Information

- For more information about retirement benefits, contact:

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Contacts for Questions about the Phased Retirement Program

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- » Dr. Ericka Smith, Vice Chancellor for Human Resources
- » Dr. Charles Waldrup, University General Counsel
- » Dr. Sharon Neal, Director, EHRA Salary and Budget Administration
- » Ms. LaRita Burks, HR Benefits Manager



Questions

