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 2016, applications must be received in the Provost’s Office by January 31, 2016.

- 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 2015**  
  - Distribute materials
- **September 2015**  
  - Discussions between faculty & chairs
- **September 2015**  
  - Information sessions for interested faculty
- **January 31, 2016**  
  - Deadline for applications (to Provost)
- **February 12, 2016**  
  - Decision by Provost
- **February 19, 2016**  
  - Eligibility verification completed; Agreement and Releases mailed to faculty
- **April 4, 2016**  
  - Deadline for signed Agreements and Releases
- **April 11, 2016**  
  - Final deadline to revoke Release
Other Important Dates

- **March 2016**  Faculty members schedule appointment with Benefits to complete retirement paperwork
- **June 1, 2016**  Last day to submit retirement application to begin TSERS income July 2016
- **July 1, 2016**  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 $31,140 for 2015
- 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, 2016 through June 30, 2017.
- 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, 2016 and June 30, 2017

- 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, 2016 and June 30, 2017

- 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 lawsuit eliminates NC State income taxes on TSERS/ORP income for employees vested in TSERS or participating in ORP on 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 A&T.

- Child/family coverage premiums must be deducted from TSERS check 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 (paid for in advance through FICA tax)
  - Deductible is $1260/hospital stay

- Part B - covers Doctor’s fees and Outpatient hospital services
  - The standard premium is $147 per month
  - Deductible is $147 per month depending on your yearly income level
  - Co-pay is 20%
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 2013

- For those born in 1950 (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 2015, the limit is $41,880.

- The earnings limits amounts for 2016 are not yet available.

- 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
  - After-tax Accidental Death and Dismemberment Insurance
  - After-tax Dental Insurance
  - 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, Interim Vice Chancellor for Human Resources

» Dr. Charles Waldrup, University General Counsel

» Dr. Sharon Neal, Director, EPA Salary and Budget Administration

» Ms. Jeanette Foulks, Benefits Counselor
Questions