

# PHASED RETIREMENT PROGRAM FOR TENURED FACULTY OVERVIEW

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September 26, 2020

# 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 2021, applications must be received in the Provost's Office by Friday, January 29, 2021.
- 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 2020 Distribute materials
- September 2020 Discussions between faculty & chairs
- October 2020 Information sessions for interested faculty
- January 29, 2021 Deadline for applications (to Provost)
- February 5, 2021 Decision by Provost
- February 12, 2021 Eligibility verification completed; Agreement and Releases mailed to faculty
- March 29, 2021 Deadline for signed Agreements and Releases
- April 5, 2021 Final deadline to revoke Release

## Other Important Dates

- March 2021 Faculty members schedule appointment with Benefits to complete retirement paperwork
- April 30, 2021 Last day to submit retirement application to begin TSERS income July 2021
- July 1, 2021 Last day for departments to submit new employment action to ensure July paycheck

# PHASED RETIREMENT PROGRAM FOR TENURED FACULTY

## BENEFITS OVERVIEW

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## 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 \$34,320 for 2020
- 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, 2021 will have the earnings test applied to the period July 1, 2020 through June 30, 2021.
- 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, 2020 and June 30, 2021
- 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, 2020 and June 30, 2021
- 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 2020

- For those born between 1945 and 1956, your full retirement age for Social Security is 66 years.
- Beginning with 1957, two months are added for every birth year until the full retirement age reaches 67 for people born in 1962 or later.

## Social Security Limits for 2020

- 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 2020, the limit is \$18,240. Phased retirement is considered earnings, TSERS and ORP income is not considered earnings.

## Social Security Limits for 2020 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 2020, the limit is \$48,600.
- 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](http://www.ssa.gov)
- Contact Medicare Special Information
  - Phone: 1-800-MEDICARE (1-800-633-4227)
- Contact The State Health Plan of North Carolina
  - Phone: 855-859-0966
  - Website: [www.shpnc.org](http://www.shpnc.org)

## Voluntary Benefits

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

## 403(b) and 457(a) 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:

- Kristin Leak                      (336) 285-3821                      [kmleak@ncat.edu](mailto:kmleak@ncat.edu)
- Jeanette Foulks                      (336) 285-3793                      [jffoulks@ncat.edu](mailto:jffoulks@ncat.edu)
- Lissa Cheek                      (336) 285-3788                      [ldcheek@ncat.edu](mailto:ldcheek@ncat.edu)

## Contacts for Questions about the Phased Retirement Program

- Beryl McEwen, Provost and Executive Vice Chancellor for Academic Affairs
- Christina Brogdon, Vice Chancellor for Human Resources
- Melissa Jackson Holloway, University General Counsel
- Sharon Neal, Associate Vice Provost, Academic Budget and Personnel
- Kristin Leak, HR Benefits Manager

Questions?



**THANK YOU**

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