

FACULTY PERSONNEL COMMITTEE
RECOMMENDATION

SR-95-96-63 (FPC)

Recommends the adoption of the Marshall University Phased Retirement Agreement.

RATIONALE:

FACULTY SENATE PRESIDENT:

APPROVED
BY SENATE: Elaine Baker DATE: 5/21/96

DISAPPROVED
BY SENATE: _____ DATE: _____

UNIVERSITY PRESIDENT:

APPROVED: [Signature] DATE: 7/11/96

DISAPPROVED: _____ DATE: _____

COMMENTS:

Amended on Senate floor, 5/16/96.

Resubmitted on 7/10/96 due to clerical error, page 4, which indicated "age 60 with 15
to 25 of service", which should have indicated "**age 60 with 15 years
of service.**"

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UNIVERSITY PRESIDENT:

APPROVED:  DATE: 7/5/96

DISAPPROVED: _____ DATE: _____

COMMENTS:

Amended on the Senate floor, 5/16/96.

MODEL AGREEMENT FORM CONTRACT FOR IMPLEMENTING PHASED RETIREMENT PROGRAM

MARSHALL UNIVERSITY PHASED RETIREMENT AGREEMENT

WHEREAS: By document dated June 28, 1993, the Chancellor of the University System of West Virginia adopted general Guidelines for Phased Retirement and directed affected institutions to establish contemplated phased retirement programs consistent with such guidelines.

WHEREAS: Marshall University (hereinafter "University"), benefiting from the dedicated effort and vision of the University officers has now established a Phased Retirement Program.

WHEREAS: _____ (hereinafter "Employee") has made a formal request to participate in University's Phased Retirement Program. Employee understands that there is no entitlement or right automatically available to participate in such program and that University has made a decision concerning Employee's request to participate based on relevant factors.

WHEREAS: University and Employee have reached an Agreement to allow Employee to utilize University's Phased Retirement Program. This Phased Retirement Agreement between University and Employee embodies the terms and conditions upon which Employee shall be placed on partial retirement status, effective _____, 19___, pursuant to the Phased Retirement Program of University.

WHEREFORE, in consideration of the above, University and Employee agree as follows:

- 1. BASIC PROVISIONS:** Beginning on the effective date specified above, the Employee shall be employed by the University on the following basis:

Position:

Percentage of full time effort (FTE) (cannot be less than .53 FTE):

Annual appointment period:

Annual base salary:

Services to be performed for University by the Employee:

Other conditions that may apply:

Basis for future salary adjustments: (To be adjusted subject to salary increase and/or

incentive amounts if provided)

2. **DURATION OF AGREEMENT:** Unless earlier terminated by death, disability, mutual rescission, or for good cause (including financial exigency), this Agreement shall remain in effect until _____, 19___, at which time the Employee agrees to commence full retirement status.
3. **BENEFITS:** The employment-related insurance benefits for which Employee will be eligible during the term of this Agreement shall include the following:
 - (a) **Insurance Coverage:** To the same extent and on the same terms that such coverage is available under applicable University policies to full-time nonretired personnel holding like positions who are of the same age as the Employee.
 - (b) **Retirement:** Inclusion in one of the University-sponsored retirement programs, with contributions allocated between Employee and University on the same basis, proportionate to the individual's agreed salary level for reduced service, as required for nonretired personnel.
4. **SUPPORT SERVICES:** During the period of the Employee's reduced service pursuant to this Agreement, University's obligation to provide working space and support services shall be limited to the following provisions:
 - (a) Office facilities (if applicable):
 - (b) Support services (if applicable):
 - (c) Laboratory facilities (if applicable):

Nothing in this paragraph shall be construed to prevent University, on a discretionary basis, from providing additional space or support services to the Employee on a temporary basis, subject to availability.

NOTE: Paragraph 4 does not apply to all types of employees and shall not be interpreted to apply unless specifically enumerated herein.

5. **MODIFICATION OF TERMS:** It is specifically understood and agreed that this Agreement constitutes a permanently binding commitment and that University cannot, except by approval of the President or the President's designee, agree in the future to any modification or amendment, or to any substituted agreement, which increases the "percentage of full-time effort (FTE)" above the level stipulated in paragraph 1. By mutual agreement executed in writing, however, the term of this Agreement, as stipulated in paragraph 2, may be extended or shortened, and the agreed percentage of full-time effort (FTE) may be reduced below the level stipulated in paragraph 1, but not below .53 FTE.

6. **RELATIONSHIP TO GENERAL UNIVERSITY POLICIES:** This Agreement is subject to, and shall not be interpreted in a manner which conflicts with, applicable legal provisions, University and Faculty Regulations, and University Policies and Procedures. Accordingly, it does not preclude or prevent University from invoking its authority to terminate or take other appropriate action with respect to the Employee for causes or under circumstances that would justify like action if the individual was not in a partially retired status pursuant to this Agreement.
7. **STATUS OF EMPLOYEE:** Except as specifically agreed upon herein, the Employee under this Agreement will be entitled to the same status and employment related benefits including vacation, holiday, and leave benefits, and to all rights or privileges associated with tenure or continuous employment, if applicable, to the same extent as other Employees holding like positions at the same percentage of full-time effort.
8. Employee has read and fully understands this Agreement.
9. Employee acknowledges that in consideration for being allowed to utilize University's Phased Retirement Program, Employee knowingly and voluntarily waives any rights, claims or causes of action which Employee may have had up to and including the date of this Agreement, under the Age Discrimination in Employment Act of 1967 (ADEA) and its 1990 amendments effected by the Older Workers Benefit Protection Act (OWBPA). Employee also acknowledges that he or she was given a period of at least twenty-one (21) days to consider this Agreement and that he or she was advised in writing to consult with an attorney before signing this Agreement.
10. For a period of seven (7) days following the execution of this Agreement, Employee may revoke this Agreement. This Agreement shall take effect on the eighth (8th) day following its execution unless revoked in writing by Employee prior to the eighth (8th) day.

Executed by the undersigned this _____ day of _____, 19____.

 (Employee)

MARSHALL UNIVERSITY

 Social Security Number

 (Dean or Director)

Approved as to form:

 (Vice President)

 (President or Designee)

PURPOSE Marshall University's Phased Retirement Program is designed: (1) to provide faculty and staff with an opportunity for transition into retirement within defined levels, (2) to provide faculty and staff an opportunity to devote increased time to personal interests by reducing their hours while continuing to provide service to the University in their area of greatest expertise, and (3) to encourage efficient staffing, consistent with overall University and individual departmental needs.

WRITTEN CONTRACT Participation in the Phased Retirement Program is **not** an entitlement or a right automatically available to all persons who meet the eligibility criteria. It is subject to administrative review and approval of the terms and conditions reflected in a written contract. The contract specifies the arrangements under which the individual will be placed in phased retirement status.

REQUESTS FOR CONSIDERATION University administrators will give consideration to all requests for participation in the Phased Retirement Program. However, participation will depend upon the needs of the work unit and the University and the conditions prevailing in the work unit and the University at the time.

CRITERIA CONSIDERED The work unit and the University may consider any relevant factors when reviewing the request, including: the availability of coverage for assigned duties, disruption that such participation may create in the unit, the availability of funding, and operational needs of the unit. Work units may identify additional criteria for review of requests.

BASIC PRINCIPLES OF PHASED RETIREMENT

AGE REQUIREMENTS The Phased Retirement Program is available to all University personnel who meet the minimum age and West Virginia service requirements of age 55 with 30 years of service or age 60 with 15 years of service.

Participation is subject to administrative approval of the terms and conditions reflected in a written contract specifying the arrangements under which the individual will be placed on phased retirement status. While it is anticipated that University administrators will give fair consideration to requests by individuals to participate in the Phased Retirement Program, the nature of the working assignment of the individual may not lend itself to a reduced schedule or a reduction in responsibilities, and

**FTE WORK
ASSIGNMENTS**

other practical considerations (e.g., lack of office space or laboratory facilities) may preclude approval in specific cases. The individual who enters the Phased Retirement program on a permanent basis must agree to a reduced FTE (full-time equivalent) employment status with the University, with the clear understanding that the total FTE percentage for all services performed for the University as an employee cannot thereafter be increased, although it may thereafter be decreased. If the FTE is further decreased, an addendum to the contract would be negotiated between the individual and the department head.

For a University faculty or staff member to enter a Phased Retirement Program on either a one-year trial basis or a permanent basis, the FTE percentage assignment for that employee must be reduced by at least one-fourth (i.e. to a level of .75 or less, but no less than .53, depending on current FTE) over the same or a reduced appointment period (i.e., a nine-month appointment may not be extended to twelve months, but a twelve month appointment may be reduced to nine months). Exceptions to the limitations specified in this paragraph must have the approval of the appropriate vice president.

BENEFITS

For faculty and staff members who enter a Phased Retirement Program, all benefits plans will be continued at the same level available for personnel holding like positions, consistent with age and the applicable program.

CONTRACT

The specific arrangements for a Phased Retirement Program must be detailed in a written contract. Copies of the agreement will be maintained in the appropriate vice president's office and the Department of Human Resources.

ONE-YEAR TRIAL OPTION

TRIAL BASIS

Phased Retirement may be initiated on a one-year trial basis at reduced pay. **In such cases, however, the faculty or staff member will not be permitted to initiate payment of retirement benefits from a retirement program.** The payment of the retirement benefits may be initiated only when the faculty or staff member enters upon either full or phased retirement on a permanent basis.

PROCEDURAL STEPS

APPLICATION

An individual who wishes to be considered for participation in

the Phased Retirement Program should submit an application for such consideration to the department head or director at least six months in advance of the date upon which phased retirement is to be initiated. After consultation with the dean and appropriate vice president the department head will advise the employee whether the request has tentative approval. If it appears that the request has no reasonable likelihood of achieving ultimate administrative approval, the employee should be so advised at the earliest possible date.

REQUEST DENIAL

Denial of a request does not preclude the filing of a subsequent request. If it appears reasonably likely that arrangements can be agreed upon for phased retirement, the employee should be encouraged to proceed with the application.

TENTATIVE APPROVAL

Upon receiving tentative approval, the employee should be advised to make an appointment to visit with the Benefits Counselor in the Human Resources Department, 696-2595, to obtain information regarding the details of retirement income and, in particular, the nature of the various retirement income options that may be elected at the time the phased retirement option is initiated.

RETIREMENT DATA

With the assistance of the Benefits Counselor, a formal request should be made to the appropriate retirement program for specific financial estimates as to the amounts of retirement income that would be received by the individual, commencing on the specified date. It will take approximately four to six weeks to obtain this information.

Upon receipt of the necessary retirement data, the individual should again initiate discussions with the University's Benefits Counselor.

FINAL APPROVAL

After meeting with the Benefits Counselor, the employee should finalize the details of his/her contract with the appropriate dean or vice president and University Counsel if needed.

After final approval, the contractual agreement will be signed by the individual, the dean or director, and the appropriate vice president.

TERMS OF CONTRACTUAL AGREEMENT

While it is anticipated that each agreement for a Phased Retirement Program will include its own individual terms, tailored to the needs of the department and the individual, the

following topics should be specifically included and agreed upon between the parties:

DATE	Date upon which phased retirement will commence and end (presumably by having the individual enter full retirement).
FTE	The percentage of FTE, and specific working assignments, which will represent the individual's working effort for the University during the period covered by the phased retirement agreement.
COMPENSATION	The amount and source of the compensation to be paid to the faculty or staff member during the period of phased retirement, including, where appropriate, the basis upon which future salary adjustments will be made during that period of time (e.g., "salary fixed for term of agreement" or "salary subject to increases based on annual performance review" or "salary subject to available funding").
ADDITIONAL SUPPORT	Provisions, if applicable, for office space, laboratory facilities, and support services during the term of the agreement.
RETIREMENT BENEFITS	A specific understanding as to whether a new retirement program will be initiated for the individual during the period of the phased retirement contract, and the specific nature of the University's participation therein.
REDUCED FTE	Specific provisions, if appropriate, as to the terms and conditions under which a further reduction in FTE status may be agreed upon.
TIAA-CREF	A faculty or staff member electing Phased Retirement and enrolled in the TIAA/CREF Retirement Plan may elect to draw annuity benefits from TIAA/CREF based on accumulations attained by contributions over the years an individual worked in Higher Education. Whether it would be advantageous to draw the annuity benefit would depend upon the faculty or staff member's age and the amounts accumulated in the individual's TIAA and/or CREF accounts.
SECOND CONTRACT	If the faculty or staff member elects to draw the annuity benefits, a second contract with TIAA/CREF would then be initiated with contributions based on the Phased Retirement salary level. This second contract would be terminated at the same time the faculty member elected to retire 100% from the University.
ANNUITY INCOME	The amount of the TIAA/CREF annuity income has no effect on the benefit which may be available from social security.

**TIAA/CREF
ILLUSTRATION**

Any faculty or staff member considering Phased Retirement and enrolled in the TIAA/CREF Retirement Plan should request that TIAA/CREF provide an illustration of projected retirement annuities payable at the time of inception of Phased Retirement and at the planned date of full retirement, before deciding how to integrate benefits under his/her TIAA/CREF contracts into the Phased Retirement Plan. Requests for information regarding TIAA/CREF retirement benefits can be made through the Benefits Counselor in the Human Resources Department, 696-2595.

**STATE TEACHERS
RETIREMENT**

The phased Retirement program has certain legislative limitations that restrict the options available to participants in the State Teachers Retirement System (STRS).

ANNUITY BENEFITS

BENEFITS ELIGIBLE employees (those with an FTE of .53 or above), may not draw annuity benefits from STRS. "Years of Service" will continue to accumulate (thus increasing future retirement income) and the "final average salary" will be based on the average of the five highest years of earnings during the last fifteen years of employment. The formula for determining benefits is 2% of the "final average salary" times the total years of service.

RETIRED STATUS

The other alternative would be a working arrangement allowing the employee to work only one semester per fiscal year. This constitutes a "retired" status with STRS so long as the following are true:

- (1) The employee (non teaching) works no more than 100 days in a fiscal year.
- (2) The employee (faculty) does not teach more than 6 hour per semester (less than 7 hours, STRS).
- (3) The employee does not work during the same fiscal year in which he/she retires (begins income benefits).
- (4) The employee is not considered "benefits eligible" by the University, and will therefore pay retiree rates and/or use accumulated credit towards premiums to continue his or her Public Employees Insurance (PEIA).

Under this agreement, retirement benefits may be initiated while the employee continues to work at a reduced load.

SOCIAL SECURITY

A faculty or staff member electing the Phased Retirement and also

expecting to draw social security benefits must be at least age 62 and have the required number of work credits to qualify for social security benefits. However, the social security benefit will be reduced permanently if drawn yearly, with the amount of the reduction dependent upon the number of months benefits are collected prior to age 65.

AGE 65

A faculty or staff member electing Phased Retirement at age 65 or older and electing to draw social security benefits may not earn more than the annual social security earnings exemption amount (\$8,040.00 as of 1/1/94) for anyone under 65 without being penalized \$1.00 in benefits for each \$2.00 of earnings above the limit and (\$11,160.00 as of 1/1/94) for anyone age 65-70 without being penalized \$1.00 in benefits for each \$3.00 of earnings above the limit. After age 70 the faculty or staff member may draw full social security retirement benefits regardless of the amount of earnings during a calendar year. Earnings in and after the month of attainment of age 70 are not counted in determining excess earnings for social security retirement test purposes.

If the faculty or staff member elects to draw social security benefits while on Phased Retirement, social security contributions will continue to be paid equally by both the individual and the University with contributions based on the phased retirement salary level. Social security will automatically refigure annually the faculty or staff member's social security retirement benefit to include the additional earnings credited to the faculty or staff member's record while on Phased Retirement.

A faculty or staff member who delays past age 65 in applying for social security benefits will receive a special credit which will mean a larger benefit. For those 65-70 in 1994, a 4% credit is added to the benefit each year.

Social security regulations and computation of benefits change periodically. For the most up-to-date social security information the individual would contact the Social Security Office at 1-800-772-1213.

RECOMMENDATIONS

Any faculty or staff member electing the Phased Retirement should consider postponing drawing social security benefits until age 65 or older, and should evaluate carefully the penalty associated with earnings above the social security earnings exemption level.

MEDICARE PART A

Upon reaching age 65, active employees should contact the nearest Social Security Administration office and enroll for Part A

(Hospital) Medicare coverage. Dependent spouses should also enroll at age 65 for Part A. Enrollment in Part A Hospital Insurance will allow you to submit claims to Medicare as secondary payer when the PEIA payment is less than the Medicare Diagnostic Related Group rate. There is no monthly premium for Hospital Insurance Part A, unless you do not have enough quarters of coverage to be entitled to monthly social security benefits.

MEDICARE PART B

When you retire, if you are within three months of age 65 or older, you should also enroll for Medicare Part B Medical Insurance. If you and/or your spouse are over 65 at the time of your retirement, you will be entitled to a special enrollment period for Medicare Part B Medical Insurance.

This special enrollment period begins with your month of retirement and ends six months later. If you and/or your spouse fail to enroll during this special enrollment period you can enroll for Part B Medical Insurance only during a general enrollment period. The general enrollment period for Medical Insurance is January 1 through March 31 of each year. If you enroll during a general enrollment period, your coverage under Part B Medical Insurance will begin on July 1 of the year you enroll.

MONTHLY PREMIUM

There is a monthly premium for Part B Medical Insurance. If you fail to enroll for Part B of Medicare during your initial enrollment period or your special enrollment period, when you do enroll there is a 10% surcharge for each twelve-month period that has elapsed beyond your initial enrollment period.

Your enrollment for Medicare Part A Hospital Insurance and Part B Medical Insurance at the appropriate time will insure that you receive all the health insurance benefits to which you are entitled both as an active employee and when you retire. Any medical insurance benefits that you and/or your spouse are entitled to under PEIA will be reduced by the amount of benefits payable under Medicare upon your change to retiree status. This reduction will occur whether you do or do not enroll for Medicare.

PEIA

When you retire, your claims under PEIA will be paid based on the fact that you are enrolled for Medicare A and B. PEIA will automatically consider you enrolled for Medicare if you are 65 or older; or, if you are under age 65 and have received monthly social security disability benefits for at least 24 months. If you elect not to enroll for Medicare, any expenses normally covered under

Medicare will be your financial responsibility.

PRIMARY PAYER

If you are 65 or older when you retire, your monthly insurance premium will be determined based on the fact that Medicare is the primary payer. Should you retire prior to age 65 and are entitled to medicare benefits, your PEIA monthly insurance premium will be reduced upon receipt of a copy of your Medicare card by PEIA. However, if you have not yet reached age 65 at the time of your retirement and are not entitled to Medicare benefits, your monthly insurance premium will be determined based on the fact the PEIA remains as the primary payer.

Application forms, Model Agreement contracts, and booklets for Phased Retirement can be requested from a faculty or staff member's Dean or Director.

Estimated Annual Amounts for Ages 62-69

<u>Ages 62-69</u>	<u>Complete Retirement @ Age 62</u>	<u>53% of Full-Time Employment</u>	<u>75% of Full-Time Employment</u>	<u>100% of Full-Time Employment</u>
Base Salary	- 0 -	21,200	30,000	40,000
TIAA SLA/10 Income	19,111	19,111	19,111	- 0 -
TIAA Contribution	- 0 -	{ 2,544 }	{ 3,600 }	{ 4,800 }
<u>Social Security</u>	<u>10,944</u>	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Professor Receives	30,055	40,311	49,111	40,000

<u>Age 70 and Later</u>	<u>Continued as Above</u>	<u>Phase 2: Full Retirement</u>	<u>Phase 2: Full Retirement</u>	<u>Full Retirement</u>
Basic TIAA Income	19,111	19,111	19,111	37,342
Add'l TIAA Income	- 0 -	2,349	3,324	- 0 -
<u>Social Security</u>	<u>14,976</u>	<u>23,880</u>	<u>23,952</u>	<u>24,552</u>
Professor Receives	34,087	45,340	46,387	61,894

Assumptions

- 1) Professor, born 7/1/32, started 7/1/69, with starting salary of \$12,403 and 5% annual increases, yielding final salary of \$40,000 on 7/1/94. No salary increases after 7/1/94.
- 2) Contributions to TIAA at 12% of salary. Actual TIAA experience through 7/1/94; 6% pre-retirement interest rate thereafter.
- 3) Life Annuity with 10 Years Guaranteed at current TIAA settlement rates.
- 4) Future annual increases of 4% in Social Security Wage Base and CPI.

If you have any questions, please let us know.

33

INDEX

- | | |
|-------------------------------|-------------------------------|
| 1. PURPOSE | 21. TIAA/CREF |
| 2. WRITTEN CONTRACT | 22. SECOND CONTRACT |
| 3. REQUESTS FOR CONSIDERATION | 23. ANNUITY INCOME |
| 4. CRITERIA CONSIDERED | 24. TIAA/CREF ILLUSTRATION |
| 5. AGE REQUIREMENTS | 25. STATE TEACHERS RETIREMENT |
| 6. FTE WORK ASSIGNMENTS | 26. ANNUITY BENEFITS |
| 7. BENEFITS | 27. RETIRED STATUS |
| 8. CONTRACT | 28. SOCIAL SECURITY |
| 9. TRIAL BASIS | 29. AGE 65 |
| 10. APPLICATION | 30. MEDICARE PART A |
| 11. REQUEST DENIAL | 31. MEDICARE PART B |
| 12. TENTATIVE APPROVAL | 32. MONTHLY PREMIUM |
| 13. RETIREMENT DATA | 33. PEIA |
| 14. FINAL APPROVAL | 34. PRIMARY PAYER |
| 15. DATE | |
| 16. FTE | |
| 17. COMPENSATION | |
| 18. ADDITIONAL SUPPORT | |
| 19. RETIREMENT BENEFITS | |
| 20. REDUCED FTE | |