



Human Resource Services **POLICY RESOURCES**
207 Old Main, One John Marshall Drive, Huntington, West Virginia 25755, Phone 304.696.8465
FAX 304.696.8844, E-mail human-resources@marshall.edu, Web <http://www.marshall.edu/human-resources/>

Applies to:	Marshall University
Title:	Phased Retirement Program
Number:	MU-HR-39
Effective Date:	
Last Revision Date:	

BASIC POLICY PROVISIONS

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 and 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 this 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 and 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 individual 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 other practical considerations (e.g., lack of office space or laboratory facilities) may preclude approval in specific cases.

FTE Work Assignments: 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, and 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 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 a 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 representative in Human Resource Services, 696-6240, 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 representative, 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 benefits representative in Human Resource Services.

Final Approval: After meeting with the benefits representative, the employee should finalize the details of his/her contract with the appropriate dean or vice president and University General 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 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 and 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 the 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, 696-6240.

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 hours 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.

Medicare Part B: When you retire, if you are within three months of age 65 or older, you should 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 for 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.

Resources: Application forms, model agreement contracts, and other information about Phased Retirement can be requested from a faculty or staff member's Dean or Director or from Human Resource Services.

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