

WEST VIRGINIA UNIVERSITY BOARD OF GOVERNORS
PHASED RETIREMENT PROGRAM
Prepared for Faculty and Staff

Revised February 2003; Approved by the West Virginia University Board of Governors, April 4, 2003

INTRODUCTION

The Phased Retirement Program described here addresses possible arrangements under which individuals and University units can plan together for transitions between full-time work and full-time retirement.

The appropriate party to initiate discussion and possible action concerning a Phased Retirement Program is the individual faculty or staff member. It is anticipated that contracts for Phased Retirement will be consummated in cases in which the arrangement makes sense for the organization and the individual.

The Phased Retirement Program has been affirmed by the Board of Governors as a suitable way to achieve increased organizational effectiveness and efficiency while at the same time emphasizing consideration for the individual faculty or staff member.

I. Statement of Purpose

The purpose of the Phased Retirement Program at West Virginia University is (1) to provide an opportunity for transition into retirement, (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 department needs.

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 by the appropriate Vice President 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.

University administrators will consider all requests for participation in the Phased Retirement Program. However, participation will depend upon the needs of the unit and the University and the conditions prevailing in the unit and the University at the time, 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. Units may identify additional criteria for review of requests.

II. Operating Guidelines for Phased Retirement Program

A. Basic Principles

1. The Phased Retirement Program is available to all University personnel who, when actual retirement commences at the conclusion of the phased retirement period, meet the minimum age and West Virginia service requirements of age 60 with 5 years of service or 30 years of service and any age. 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 sympathetic 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 other practical considerations (e.g., lack of office space or laboratory facilities) may preclude approval in specific cases. All individual plans must be approved by the appropriate Vice President.

2. 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 then be negotiated between the individual and the immediate supervisor, endorsed by the Dean or Director, and approved by the appropriate Vice President.

3. For a University faculty or staff member to enter a Phased Retirement Program on a permanent basis, the FTE percentage assignment for that employee must be reduced by at least one-fourth (i.e., to a level of 0.75 or less, but no less than 0.53, 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.

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

5. 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.

6. When the Phased Retirement period concludes, employees become "fully retired," but are eligible to continue PEIA insurance only if they have completed 30 years of contributory service (and are at any age), or have completed at least 5 years of contributory service and are at least age 60. These age and service requirements must also be met in order to apply sick leave and/or teaching credit toward PEIA retiree premiums. (Contact Human Resources, Compensation and Benefits for more information on credit that may apply by calling (304) 293-5700, ext. 4.)

B. One-Year Trial Option

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

2. Faculty: The equivalent of the one year trial period may be achieved for faculty by requesting their FTE to be reduced to between 0.53 and 0.75. The payment

of retirement benefits may be initiated only when the faculty member formally enters either full or phased retirement.

C. Procedural Steps

1. 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 supervisor, the employee will be advised whether the request has tentative approval. If it appears that the request has no reasonable likelihood of achieving approval by the appropriate Vice President, the employee should be so advised at the earliest possible date. 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. The final contractual agreement will be signed by the individual, the Dean or Director, and the appropriate Vice President.

2. Upon receiving tentative approval, the employee should be advised to call Human Resources, Compensation and Benefits, at (304) 293-5700, ext. 4, 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. A formal request should be made to the appropriate retirement agency for specific financial estimates as to the amounts of retirement income that could be expected under the various options. If applicable, the employee could arrange to meet with a TIAA-CREF Representative by calling 1-877-209-3136 for an appointment on campus.

3. Forms for initiating income are available from the appropriate retirement agency; help completing the forms is available from TIAA-CREF and/or the Benefits Office in Human Resources.

4. After meeting with Benefits Office personnel, the employee should finalize the details of his/her contract with the appropriate dean or director and University Counsel if necessary.

D. 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:

1. Date upon which phased retirement will commence and end (upon entering full retirement).

2. 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.

3. 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," "salary subject to increases based on annual performance review," or "salary subject to available funding").

4. Provisions, if applicable, for office space, laboratory facilities, and support services during the term of the agreement.

5. Specific terms and conditions under which a further reduction in FTE status may be agreed upon, if appropriate.

III. Phased Retirement for Employees Enrolled in the TIAA/CREF Retirement Plan

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 amount in the individual's TIAA and/or CREF accounts.

If the faculty or staff member elects to draw from his TIAA-CREF accounts, options are available to allow the employee's contracts to remain open for future contributions, based on the reduced Phased Retirement salary.

The amount of the TIAA/CREF annuity income has no effect on the benefit that may be available from social security.

Recommendation: Any faculty or staff member considering Phased Retirement and enrolled in the TIAA/CREF Retirement Plan should request that TIAA/CREF provide a comparison of projected retirement annuity income payable when he or she begins Phased Retirement and at the planned date of full retirement before deciding if or how much income to request. More flexible options allowing for an inflation hedge include Interest Only (IPRO), Systematic Withdrawal, and/or the Graded Method of receiving annuity income. TIAA-CREF income should be viewed as a supplement to the Phased Retirement income, and plans should be made to allow for a greater income after the conclusion of the Phased Retirement period. Consultations may be scheduled with a TIAA-CREF Representative by calling 1-877-209-3136.

IV. Provisions Governing Phased Retirement for Employees Participating in 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).

Phased Retirement participants may not draw STRS income benefits, which are only available to employees working less than .53 FTE, who are non-benefits eligible, and

who meet the age and service requirements for retirement (30 years of service or age 60 with 5 years of service). "Years of Service" will continue to increase during the Phased Retirement period, (thus increasing future retirement income). 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 "final average salary" times total years of service.

Another alternative is a working arrangement to allow 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 works no more than 120 days in a fiscal year.
2. The employee does not teach more than 6 hours per semester (less than 7 hours, STRS).
3. The employee is not considered "benefits eligible" by the University, and will therefore pay retiree rates and/or use any allowed sick leave and/or teaching credit toward premiums to continue his or her Public Employees Insurance (PEIA).

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

V. 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 early, with the amount of the reduction dependent upon the number of months benefits are collected prior to age 65 or the applicable "full retirement age."

A faculty or staff member electing Phased Retirement before reaching the age of 65 (or full retirement age) and electing to draw social security benefits may not earn more than the annual social security earnings exemption amount (\$11,520 in 2003) without being penalized \$1.00 in benefits for each \$2.00 of earnings above the limit. After age 65 (or full retirement age), the faculty or staff member may draw full social security retirement benefits with no penalty, regardless of the amount of earnings during a calendar year.

Even though the faculty or staff member may elect to draw social security benefits while on Phased Retirement, social security contributions will continue to be paid in equal payments from both the individual and the University into the Social Security System. Contributions will be 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 in applying for social security benefits past age 65 (or full retirement age) will receive a special credit, which will mean a larger benefit. For those ages 65-70 in 2003 a 6% credit is added to the benefit each year. A comparison

should be made, however, as to the time it would take to break even, if social security benefits were delayed.

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

Recommendation: Any faculty or staff member electing the Phased Retirement program should consider postponing drawing social security benefits until age 65 (or full retirement age), due to the penalty associated with earnings above the social security earnings exemption level. Also, since up to 85% of social security benefits may count as taxable income for both federal and state income taxes, the effect on total taxable income should be carefully evaluated for adequate withholding.

VI. Medicare Benefits

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 allows one 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 one does not have enough quarters of coverage to be entitled to monthly social security benefits.

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

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

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

Enrollment for Medicare Part A Hospital Insurance and Part B Medical Insurance at the appropriate time will insure that the employee receives all the health insurance benefits to which he or she is entitled, both as an active employee and upon retirement. Any medical insurance benefits to which the employee and/or spouse are entitled under PEIA will be reduced by the amount of benefits payable under Medicare upon change to retiree status. This reduction will occur whether the employee enrolls for Medicare or not.

Upon retirement, claims under PEIA will be paid based on the fact that one is enrolled for Medicare. PEIA will automatically consider one enrolled for Medicare if one is 65 or older or under age 65 and has received monthly Social Security disability benefits for at least 24 months. If one elects not to enroll for Medicare, any expenses normally covered under Medicare will be the employee's financial responsibility.

If one retires at age 65 or older monthly insurance premiums will be determined based on the fact that Medicare is the primary payer. Should one retire prior to age 65 with entitlement to Medicare benefits, PEIA monthly insurance premiums will be reduced upon receipt of a copy of one's Medicare card by PEIA. However, if the employee has not yet reached age 65 at the time of retirement and is not entitled to Medicare benefits, monthly insurance premiums will be determined based on the fact that PEIA remains the primary payer.

VII. Forms and Information

Application forms, Model Agreement contracts, and guidelines for Phased Retirement can be requested from a faculty or staff member's Dean or Director, from the Office of the Provost (293-2021), or from Human Resources, Compensation and Benefits (293-5700, ext. 4).

[Model Agreement Form Contract for Implementing
Phased Retirement Program]

WEST VIRGINIA UNIVERSITY BOARD OF GOVERNORS
PHASED RETIREMENT AGREEMENT

WHEREAS: By action on April 4, 2003, the West Virginia University Board of Governors adopted General Guidelines for Phased Retirement and directed the University to establish phased retirement programs consistent with such Guidelines;

WHEREAS: West Virginia University (hereinafter "University") 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: West Virginia 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 _____, 20____, 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 University on the following basis:

Position:

Percentage of full time effort (FTE cannot be less than 0.53):

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 _____, 20____, at which time the Employee agrees to commence full retirement status.

3. Benefits: The employment-related insurance benefits for which the Employee will be eligible for 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 0.53 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. This Agreement creates no indebtedness nor obligation against the general revenue funds of West Virginia University, shall not be enforceable against University to any greater extent than any other employment agreements of University personnel, and

is subject to the availability to University of adequate funds budgeted for payment of personal services.

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 affected 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 Agreements.

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.

11. Employee has read and fully understands this Agreement.

Executed by the undersigned this _____ day of _____, 20_____.

(Employee)

WEST VIRGINIA UNIVERSITY
BOARD OF GOVERNORS
ON BEHALF OF
WEST VIRGINIA UNIVERSITY

by _____
(Dean or Director)

and _____
(Provost/Vice President/Regional
Campus President)