

# Phased Retirement Program

The University Phased Retirement Program is an optional tool that locations may choose to provide eligible policy covered staff the opportunity to transition into retirement by reducing their appointment percentages over a period from 120 days to up to three years. The program is part of the University's cost savings and succession planning strategies. For employees represented by unions, eligibility for the program is subject to collective bargaining.

## Eligibility

As of the approved enrollment date in the program a participant must be:

- age 55 or older,
- an active member of the University of California Retirement Plan with at least five years of service credit,
- working in a career appointment at 60 percent time or greater, and
- not a member of the Senior Management Group.

## Program Details

- The program provides a lump sum cash incentive at retirement that represents a percentage of the savings realized from participants' phased reduction in appointment percentage of at least 10 percent increments, starting January 1, 2015 and ending December 31, 2019. The incentive is paid within 30 days of retirement and reported on Form W-2. If the incentive is paid on the separation date, participants may choose to make a 403 (b) or 457 (b) plan contribution in accordance with plan eligibility requirements and annual maximum contribution amounts as a means of deferring taxation until the deferred amounts and any earnings are paid from the plan.
- Participants who do not reduce their appointments by at least 10 percent annually and retire at the end of their participation in the program forfeit their cash incentive.
- Prior to entering into the Phased Retirement Program, participants sign a contract that delineates the terms of the program.
- Requests may be denied by department management based on review of operational circumstances (e.g. a determination that business needs require full-time availability of the position, a determination that budget resources are not sufficient to support participation in the program).
- Participation in the program is subject to approval by the respective Supervisor, Department Head, and Vice Chancellor prior to the start of the program.

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- The decision of a location or department whether or not to offer the program is not subject to any complaint resolution or grievance procedure, however, management decisions to deny participation may be subject to review under the applicable complaint resolution policy or collective bargaining agreement provisions.
- Participants may retire at the end of 120 days of being in the program up to a maximum of three years in the program, but if they continue beyond a year, they must reduce their appointment percentage by at least an additional 10 percent for year two and at least an additional 10 percent for year three or forfeit their incentive.
- Once participants reduce their appointment percentage to 50 percent, they must retire at the end of one year or forfeit their incentive.
- Participants will not be allowed to take other paid work at UC during the program contract period.

### Program Cash Incentive Formula

- Eligible employees' base salaries and appointment percentages as of their approved enrollment date in the program are the base for participation in the program for the duration of the program (January 1, 2015 – December 31, 2019). The base salary as of the date of enrollment will be used to calculate the lump sum cash incentive at the conclusion of participation in the program. Any subsequent changes to the base salary will not result in recalculation of the lump sum cash incentive at the conclusion of the employee's participation.
- Participants receive "credits" that are converted to a lump sum cash incentive upon retirement. Credits accrue based upon appointment reductions in 10 percent increments as follows:

Percentage Appointment Reduction in Program Base	Credit to Employee per Program Base Salary
10%	5%
20%	10%
30%	15%
40%	20%
50%	25%

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### **Example: Employee with an annual salary of \$50,000 and appointment of 100 percent as of the approved enrollment date in the program.**

- **Year One:** Employee elects to reduce the appointment by 10 percent. Based on a 10 percent reduction of a salary of \$50,000, the employee's salary would be reduced to \$45,000 and the appointment percentage would be reduced to 90 percent. The employee has a 5 percent credit (\$2,500) based on the program salary of \$50,000.
- **Year Two:** Employee elects to reduce the appointment percentage by an additional 20 percent. The appointment percentage is now 70 percent. The employee receives a 15 percent credit as the 100% appointment has been reduced by 30 percent. Per the program base salary of \$50,000, the employee has a credit of \$7,500 (15% of \$50,000).
- **Year Three:** Employee reduces the appointment percentage by another 20 percent to a 50 percent appointment. The appointment percentage is now 50 percent. Thus, the percentage reduction from the program base appointment is 50 percent and a \$12,500 credit is received (25% of \$50,000). The employee is eligible for a lump sum incentive of \$22,500 (Year 1 credit of \$2,500 + Year 2 credit of \$7,500 + Year 3 credit of \$12,500) and must retire at the completion of the third year of the program or forfeit all credits.

### **Impact of Phased Retirement On Benefits And Other Aspects Of Employment**

- Eligibility for UC health and welfare benefits such as medical, dental, and vision will continue during the phased retirement period as long as the employee in the program maintains an average regular paid time per week of 17.5 hours or greater.
- An employee's full-time equivalent salary rate as of January 1 of the previous year is used to determine the Medical Contribution Base (MCB) for the current year. The MCB will not be impacted by participation in the phased retirement program.
- UCRP monthly retirement income or lump-sum cashout will be calculated using Highest Average Plan Compensation (HAPC) based on the monthly full-time equivalent compensation. The HAPC will not be impacted by participation in the phased retirement program.
- During participation in the program, UCRP retirement service credit accrues at the reduced appointment percentage.
- UCRP retirement service credit during phased retirement will also be reduced, under UCRP rules, for periods of leave without pay or other periods of time off pay status not reflected in the phased retirement contract.
- If an employee dies or becomes disabled while participating in the program, the final salary used to calculate UCRP preretirement survivor benefits and UCRP disability benefits will be adjusted to reflect the average percent of time on pay status during the preceding 36 months.

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- Short-term and Supplemental Disability Benefit Plan monthly premiums and benefits will be based on the reduced phased retirement salary, per current plan provisions.
- Workers Compensation disability benefits payments received pursuant to Workers' Compensation coverage will be based on the participant's reduced phased retirement salary. Departments will supplement these payments so that the aggregate benefit is based on the reduced phased retirement salary. These department payments are taxable.
- Supplemental and Dependent Life insurance premiums and coverage are based on the full-time salary rate on January 1 of each year, per current plan provisions. Changes in an employee's salary rate after any January 1 are reflected in the employee's life insurance amount the following January 1. For Basic life insurance, coverage will be reduced in proportion to the percentage appointment, per plan provisions.
- Dependent Care Flexible Spending Account (DepCare FSA) and/or Health Flexible Spending Account (Health FSA) will continue at the same level unless the phased retirement participant changes his or her election during a Period of Initial Eligibility (PIE), where eligible, or during an open enrollment period.
- Defined Contribution Plan, 403(b) Plan and 457 (b) Plan contributions will be lower if a participant's contributions are based on a percentage of earnings. Participants may change their contribution amount or the percentage contributed to these plans at any time.
- Future Social Security and Unemployment Benefits may be lower since these benefits are calculated based on actual earnings.
- Vacation and sick leave will accrue at the percentage of appointment held prior to approval of enrollment into the program.
- Holiday pay will be in proportion to the Phased Retirement Program percent of time in accordance with the applicable personnel policy or collective bargaining agreement.
- If a participant's position is being considered for layoff during Phased Retirement, the participant's seniority will be calculated based on the percentage of the Phased Retirement appointment and appointment percentage prior to Phased Retirement.
- In the event of a layoff, should one become necessary while the employee is participating in the Phased Retirement Program, all credits accrued will be paid at retirement as a lump sum if the participant retires within 120 days of the layoff. The employee must retire by December 31, 2019 to receive the accrued credits. While employees participating in the Phased Retirement Program are not exempt from involuntary reduction in time, any involuntary reduction in appointment percentages must be in ten percent increments for the employee to receive additional incentive credits.
- Transfer or promotion to another position in the same or different department will cause the participant to forfeit credits unless continued participation in the Phased Retirement Program is approved, in advance, by the respective Supervisor, Department Head, Vice Chancellor and Human Resources.

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- Time reduction changes are for the term of the Phased Retirement contract and participants will not be allowed to further decrease their percent of appointment until the expiration date of the contract subject to approval by the Supervisor, Department Head, and Vice Chancellor.
- Participants' voluntary early termination of the Phased Retirement contract(s) will result in forfeiture of all credits.
- Reappointments of participants retiring through the Phased Retirement Program are subject to approval by their respective Vice Chancellor and must be based on extraordinary circumstances of an exigent nature. Reappointments must be pursuant to the Policy on Reemployment of UC Retired Employees into Senior Management Group and Staff Positions, and reappointments of Phased Retirement Program participants are to be included in the semi-annual reports to Office of the President required under that policy. Locations must identify any reemployed Phased Retirement Program participants in the semi-annual reports, and provide documentation that required approvals were obtained.

## Phased Retirement FAQ

### The phased retirement program

1. **Why is the University offering a Phased Retirement Program?** The Phased Retirement Program is being offered to provide an alternative to full, immediate retirement, if the location's department has needs that will fit the model.
2. **Who is eligible for the Phased Retirement Program?** All policy covered staff whose appointment is 60% or greater and who are at least 55 years of age with five years of University of California Retirement Plan service credit as of their enrollment date in the program, except Senior Management Group members.
3. **Are staff members that are represented by unions eligible for the Phased Retirement Program?** Eligibility for the Phased Retirement Program for staff members represented by unions is subject to collective bargaining.
4. **Why should I participate in the Phased Retirement Program?** The Phased Retirement Program offers eligible UCRP members an opportunity to transition into retirement, while still providing valuable knowledge and service to the University.
5. **Who should I talk to about my considering Phased Retirement?** An employee should talk with their supervisor about the potential in their department for the program. Phased Retirement will not work in every situation. Supervisors must consider a business plan to accommodate participation in the program. Supervisors, Department Heads and Vice Chancellors will need to approve employee participation in the program.
6. **How long can the Phased Retirement Program last for me?** If you begin participation you can participate for a period of time from 120 days to up to three years or until the end of

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the year in which your appointment is reduced to 50%, whichever occurs first. The program is scheduled to end December 31, 2019. Duration cannot exceed three years.

7. **What do you mean I have to sign a contract?** To participate in the Phased Retirement Program, employees sign a contract agreeing to the terms and conditions of the Program.
8. **What base salary will the cash incentive be derived from?** The base salary for calculating the cash incentive will be participants' base salaries as of their approved enrollment date in the program. Any increases in base salary during participation in the program will not affect the calculation of the cash incentive.
9. **What base appointment percentage will be used to determine my level of participation?** The appointment percentage as of the approved enrollment date in the program will be the base for the duration of the program (January 1, 2015 through December 31, 2019).
10. **Since one can participate in this program for as little as 120 days, can I sign up for four months and then increase my appointment back to my original appointment percentage at the end of the 120 days?** No, options at the end of the contract term are for participants to request an extension of participation in the program or retire immediately. Participants must reduce their appointment percentages by at least an additional 10 percent after one year in the program or retire immediately, otherwise the incentive is forfeited. Continuation in the program beyond the original term of the contract is subject to approval by the respective Supervisor, Department Head, and Vice Chancellor.
11. **When do I complete the General Release of Claims form?** The General Release of Claims form should be completed only when you are close to your anticipated retirement date. The signed form should be submitted to your local Human Resources office.

### Effect of the phased retirement program on benefits and other aspects of employment

1. **Will my participation in the Phased Retirement Program affect vacation and sick leave accruals?** No. Your vacation and sick leave accruals will accrue based on the percentage of appointment held prior to approval of enrollment into the program.
2. **Will my holiday pay be affected?** Your holiday pay will be reduced in proportion to the reduced appointment percentage paid and, in accordance with the applicable personnel policy or collective bargaining agreement.
3. **Will participation in the Phased Retirement Program have any impact on my health and welfare benefits?** UC health and welfare benefits (medical, dental, vision) will not be affected by participating in the Phased Retirement Program as long as an employee maintains an average regular paid time per week of 17.5 hours or greater.
4. **What salary will be used to determine my Medical Contribution Base (MCB)?** The full-time equivalent salary rate as of January 1 of the previous year will be used to determine the MCB.

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- 5. Does a lower salary have any impact on my disability and life insurance benefits?** Disability benefit payments for both the Short-term Plan and the Supplemental Plan will be reduced to reflect an employee's part time appointment. Basic life insurance coverage will be reduced in proportion to the percentage appointment per plan provisions.
- 6. What happens with Workers' Compensation if I am injured on the job?** Disability payments received pursuant to Workers' Compensation coverage will be based on the participant's Phased Retirement Program salary. Departments will supplement these payments so that the aggregate benefit based on the Phased Retirement Salary.
- 7. What happens with my UCRP retirement service credit?** Prospective University retirement service credit will be earned at the reduced rate of appointment.
- 8. May a participant in the program buy back the UCRP retirement service credit that I would have accrued if I didn't participate in the program?** Buyback of UCRP service credit applies to leaves of absence. There is no provision in UCRP for buying back service credit for reductions in time.
- 9. Will my Phased Retirement Program reduction in time affect my Highest Average Plan Compensation (HAPC) used for calculating my retirement benefit?** Monthly retirement income and lump-sum cashout is calculated using the Highest Average Plan Compensation (HAPC) based on the monthly full-time equivalent compensation.
- 10. What effect will my participation in the Phased Retirement Program have on UCRP survivor income or disability benefits?** If an employee dies or becomes disabled while participating in the program, the final salary used to calculate UCRP preretirement survivor benefits and UCRP disability benefits will be adjusted to reflect the average percent of time on pay status during the preceding 36 months.
- 11. What is the impact of Phased Retirement on my 403(b) Plan and 457(b) Plan?** Employees' maximum annual contribution (MAC) to the plans may be affected by participation because one of the applicable limits is based on the adjusted gross salary. Upon separation, Phased Retirement participants may be eligible to have their incentive paid as a 403(b) Plan and/or 457(b) Plan contribution in accordance with plan eligibility and maximum contribution limits.
- 12. What is the impact of Phased Retirement on my Health Flexible Spending Account (Health FSA) and Dependent Care Flexible Spending Account (DepCare FSA)?** Your health FSA and DepCare FSA account contributions will continue at the same level until the next open enrollment period or a Period of Initial Eligibility, where applicable.
- 13. How does the Phased Retirement Program impact eligibility for the Family Medical Leave Act (FMLA)?** FMLA requires that an employee work 1250 hours in the preceding 12-month period. If a Phased Retirement participant's hours worked are reduced to less than 1250 hours during a 12-month period, in the following 12-month period the participant would not be eligible for FMLA.
- 14. Can an employee on contract/grant funding participate in the Phased Retirement Program?** Yes. Employees on contract/grant funding can participate in the Phased Retirement Program, as long as the reduction of effort will not conflict with an agency's

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requirement for a minimum amount of effort on the project, trigger a prior approval requirement of the award, or affect the ability to complete the work -- and as long as the department has the funds from another unrestricted source to pay the incentive.

Contract/grant funding cannot be used for the lump sum cash incentive, but instead must come from an unrestricted source. Furthermore, subject to the terms and conditions of the award, you may need to obtain prior approval from the sponsor if the participant (e.g. PI) is a key person specified in the award and the amount of the reduction meets a prior approval threshold. For further details, please contact your local Contract and Grants office.

### Changes in my contract once I am participating

- 1. What effect will participation in the Phased Retirement Program have on Social Security and Unemployment Insurance benefits?** Social Security and Unemployment Insurance benefits may be lower since these benefits are calculated based on earnings.
- 2. What if I change my mind about participating in the Phased Retirement Program?** By signing the Phased Retirement Program contract, you agree to the terms and conditions of the program. An employee who ends his or her participation in the program before completing the terms of their contract will forfeit the cash incentive.
- 3. Do I have protection from being laid off if I participate in the Phased Retirement Program?** The Phased Retirement Program does not provide protection from layoffs or involuntary reduction in time. If an employee is laid off while participating in the program, cash incentive credit accruals will be paid as a lump sum upon the participant's retirement.
- 4. What happens to my seniority for purposes of layoff?** Seniority will be calculated in accordance with the applicable personnel policy or collective bargaining agreement.
- 5. May a participant in the program buy back the UCRP retirement service credit that I would have accrued if I didn't participate in the program?** Buyback of UCRP service credit applies to leaves of absence. There is no provision in UCRP for buying back service credit for reductions in time.
- 6. Can I continue my participation in the Phased Retirement Program if I transfer or if I am promoted to another position in the same or different department?** An employee who transfers or is promoted to another position must obtain the approval of his or her Supervisor, Department Head, and Vice Chancellor to continue to participate in the program.
- 7. Can I increase my percentage of time during the Phased Retirement contract period?** By entering into the Phased Retirement Program, participants are agreeing to retire at the end of the term of their contract. Approval of a second and third year of participation in the program requires a participant to reduce his or her appointment percentage by an additional 10 percent for the second year and an additional 10 percent for the third year. The percentage of time reductions agreed to for the term of the contract cannot be changed once approved.



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8. **If I retire through the Phased Retirement Program, am I eligible for reappointment under the University's policy for reappointment of retirees?** Reappointments of employees who retire through the Phased Retirement Program are subject to approval of their respective Vice Chancellor and must be based on extraordinary circumstances of an exigent nature. Reappointments must be pursuant to the Policy on Reemployment of UC Retired Employees into Senior Management Group and Staff Positions, and reappointments of Phased Retirement Program participants are to be included in the semi-annual reports to Office of the President required under that policy. Locations must identify any reemployed Phased Retirement Program participants in the semi-annual reports, and provide documentation that required approvals were obtained.