FACULTY COUNCIL MEETING

**3:00 p.m., Tuesday, January 11, 2011**

# Council Room, 250 Student Union

**AGENDA:**

 1. Roll Call

 2. Approval of the December 14, 2010, Minutes

 3. Approval of Agenda

 4. Special Report:

 A. Steve McKeever - Research

 Steve Price – Intellectual Property

 5. Report of Status of Faculty Council Recommendations:

 President Hargis, Provost Sternberg, and/or Vice Presidents

 6. The President – Remarks and Comments

 7. Reports of Standing Committees:

 a. Academic Standards and Policies: Mindy McCann – Update

 b. Athletics: Art Klatt – Update

 c. Budget: Kenneth Bartels – Update

 Recommendation – Support for the Report from the Phased Retirement Task Force\*

 d. Campus Facilities, Safety, and Security: Tom Jordan – Update

 e. Faculty: Udaya DeSilva – No Report

 f. Long-Range Planning and Information Technology: Nick Materer – No Report

 g. Research: Jim Smay – No Report

 h. Retirement & Fringe Benefits: Mark Lawlor – Update

1. Rules and Procedures: Robert Avakian – No Report

 j. Student Affairs and Learning Resources: Karen Hickman – No Report

 8. Reports of Liaison Representatives

 9. Old Business

 10. New Business

 11. Adjournment

*Refreshments will be served at 2:45 p.m.*

*\*Attached*

 **Amended by Passed Failed**

**Recommendation No** 11-01-01-BUDG/RFB 1.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

**Moved by:** Budget & Retirement Fringe 2.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

Benefit Committees

**Seconded by:**  3.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

        **Passed**         **Tabled**         **Failed**  4.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_

**Title:**       Support for the Report from the Phased Retirement Taskforce

**The Faculty Council Recommends to President Hargis that implementation of the Phased Retirement Program as presented in the “Phased Retirement Taskforce Report” (attached) be initiated as soon as possible (June 1, 2011).**

**Rationale:**

At the April 13, 2010 Faculty Council Meeting, it was recommended that a faculty task force be formed to study the feasibility of implementing a phased retirement program at Oklahoma State University (OSU) as soon as possible - no later than Fall 2012. The Phased Retirement Taskforce reviewed existing programs at other institutions, researched results of program implementation at those institutions, and became acquainted with options for and legal ramifications of integrating OSU benefit programs with a Phased Retirement program.

The proposed program is voluntary for employees who meet OSU retirement criteria of 25 years of OSU service; age 62 and 10 years of OSU service; or OTRS Rule of 80 or 90 as applicable. Initially the program will be offered as a “1-year pilot program” to tenured faculty age 65 or older who meet OSU retirement criteria. Limiting the first-year program to those of age 65 or older will provide time and resources to evaluate the outcomes of the pilot program, to identify the implications of the program on participating faculty members and the university, and to provide evidence-based information for future work-life programs at OSU. Based on the leadership of the Faculty Council and OSU Human Resources, and considering fiscal factors, the program could be expanded to other faculty and staff in succeeding years.



activities. This program provides the opportunity for retirement-eligible faculty members to balance work and leisure (Dobbs, Healey, Kane, Mak, & McNamara, 2007; Watson, Wyatt Worldwide, 2004).

* Phased retirement programs provide an opportunity for employees to transition from the full-time work force participation to full retirement on a gradual basis(Arano, Parker, & Parker, 2010; Brainard & Hacking, 2002). This transition into retirement reduces the physical and psychological effects of a major change in life structure (Leslie & Janson, 2004).

The PRT proposed a pilot program that addresses four of the five drawbacks of phased retirement programs: (a) negative influence on pension funds (Brainard & Hacking, 2002; Couch, n.d.,); (b) health care coverage (Couch, n.d.,); (c) Social Security concerns (Couch, n.d.,); and (d) loss of spousal benefits (Couch, n.d.). The Pilot Phased Retirement plan outlined in this report provides some additional benefits to address these drawbacks, including:

* Continued contributions by OSU into eligible, approved participants retirement plan,
* Continued health care and life insurance coverage for employees and dependents, and
* Maintained tenured status.

The remaining obstacle of the five was the loss of profit sharing which is not applicable to a public university.

**Benefits to Universities:** A phased retirement program would provide an opportunity for unit administrators and universities to plan for orderly replacement and transition of duties (Leslie & Janson, 2004). The University also benefits from the continued expertise of experienced faculty (Brainard & Hacking, 2002). The program is not intended to be a budget reduction incentive, although it is possible that there may be some long-range financial savings (Brainard & Hacking, 2002). Other benefits include, but are not limited to, the following:

* Plan for the projected loss of faculty members who are among the cohort of baby-boomers eligible for retirement (Arano, Parker, & Parker, 2010).
* Retain trained faculty members to effectively contribute to the work of higher education (Brainard & Hacking, 2002).
* Reduce the cost of training incoming employees who will replace retired employees (Brainard & Hacking, 2002).
* Reduce salary costs while retaining experienced faculty members (Arano, Parker, & Parker, 2010; Brainard & Hacking, 2002).

**DESCRIPTION OF PROPOSED PILOT PROGRAM**: There are many definitions of phased retirement (U. S. Department of Labor, [USDOL] 2000) and different types of programs (Arano, Parker, & Parker, 2010), but for purposes of OSU phased retirement is denoted as formal arrangements made to reduce the work schedule of employees as they move into full retirement. The proposed program is voluntary for employees who meet OSU retirement criteria of 25 years of OSU service; age 62 and 10 years of OSU service; or OTRS Rule of 80 or 90 as applicable.

Initially the program will be offered to tenured faculty age 65 or older who meet OSU retirement criteria. We have approximately 80 tenured faculty in this category. Limiting the first-year program to those of age 65 or older will provide time and resources to evaluate the outcomes of the pilot program, to identify the implications of the program on participating faculty members

and the university, and to provide evidence-based information for future work-life programs at OSU. Based on the leadership of the Faculty Council and OSU Human Resources, and considering fiscal factors, the program could be expanded to other faculty and staff in succeeding years.

While the program does not give individuals a contractual right or entitlement, it would be universally available to those who meet the qualifications and conditions. Entrance to the program requires application by an individual, an agreement on assignments with his/her unit administrator, recommendation by the dean, and approval by the Provost.

In order to make contractual changes to benefit plan documents, the plan will need to be approved at the January, 2011 Board of Regents meeting. Those eligible would be notified shortly thereafter. Tenured faculty who meet OSU retirement criteria and have attained age 65 by May 30, 2011, would make application by March 15, 2011 with a retirement date of May 30, 2011.

**Eligibility**: Additional requirements of OSU’s Pilot Phased Retirement Plan include:

* Sixty days off work is required for OTRS requirement. The phased retiree would return to work the fall semester at the reduced FTE. Eligible faculty members wishing to participate in the program must agree to a one- to three-year work commitment.
* Participant salary and FTE would be reduced by 50% on a nine- or eleven-month assignment. Faculty could meet the ½ FTE commitment by working part-time for two semesters or full-time for one semester or the eleven-month equivalent. Faculty can shorten the agreed period, but it will not be extended beyond the original agreement period in order to facilitate planning. However, faculty might work beyond the phased period with a temporary/periodic assignment, as is currently done. Assignments will be specified in the agreement and updated each year. Agreements will be approved by the unit administrator, dean, and Provost.

**Specific Features of OSU’s Pilot Phased Retirement Program**:

* Faculty participating in the program will have the option of medical coverage as offered to other retirees. OSU will increase participants’ pay in in the amount of the health care coverage currently provided for full-time employees (i.e., the BlueOptions base plan for 2011).
* Faculty will continue OSU-paid life insurance based on ½ pay.
* Faculty will continue to accrue sick leave as adjusted for FTE.
* Administrators with tenure are eligible for participation but must relinquish their administrative position and assume faculty assignments. Pay will be commensurate with other faculty members in the same discipline, adjusted for the ½ FTE.
* Faculty will retain tenure during phased retirement period.
* OSU will continue member and employer contributions to OTRS if the faculty member does not elect OTRS retirement. If the faculty elects OTRS retirement, OSU will pay employer contributions as required by OTRS regulations for retirees and contribute 7% of pay to a TIAA-CREF retirement account. The OTRS employer contribution does not accrue to the member’s account.
* Long-term disability will not be offered due to current reductions in benefits associated with age.

**QUESTIONS AND ANSWERS**:

**Q**: Will my retirement income be affected by the reduced pay of the phased retirement period?

**A**: As a general rule, defined contributions plans are affected only by the reduction in contributions. Defined benefit plans, however, can be adversely affected if retirement is calculated on last years of pay. In this scenario, a decrease in pay in the final years could result in an overall lower average retirement income.

Oklahoma Teachers’ retirement formula uses the high three years of compensation (Rule of 80) or the high consecutive five years (Rule of 90) regardless of when this compensation was paid. Those individuals who joined OTRS prior to July 1, 1992, are under the Rule of 80 and would have three years of uncapped compensation beginning in 2007. Individuals who joined OTRS after July 1, 1995, have all years of service with uncapped compensation. Individuals who joined OTRS after July 1, 1992, but before July 1, 1995, are under the Rule of 90 and the high consecutive five years rule applies. They were subject to the gradual uncapping of compensation during the 1995 to 2007 years. Depending on their salary, they may not have been uncapped for five years until after July 1, 2012, and may be most affected if some of the capped years limited their OTRS compensation.

The plan is designed so that eligible employees would meet retirement criteria for OTRS. Whether they choose to retire from OTR would be an individual decision. If the individual chooses not to retire from OTR, benefits would accrue at ½ year service for ½ FTE.

**Q**: Will my health care insurance possibilities be adversely affected by participating in the pilot Phased Retirement Program?

**A**: While the future of health care in the U.S. is still quite unsettled, a phased program should not result in any additional concerns. You will have the same access to coverage as you would as a retiree.

**Q**: What are other concerns with phased retirement?

**A**: Other areas of concern identified by the Phased Retirement Taskforce included social security and spousal benefits. Social security will recalculate benefits to adjust for additional working income. Health care insurance will be available for dependents, just as it is now for retirees, in the OSU plan design.

References

Arano, K., Parker, C., & Parker, O. (2010). *The phased retirement decision: Evidence from Kansas Regents Faculty*. *Southwestern Economic Review*, *37*, 133-147.

Brainard, K., & Hacking, L., (2002, October). *Phased retirement overview: Summary of research and practices*. Retrieved on October 21, 2010 from <http://www.nasra.org/resources/Phased%20Retirement%20Overview.pdf>.

Couch, C. (n. d.). *5 Factors about phased retirement packages*. Retrieved on October 21, 2010 from <http://www.bankrate.com/finance/retirement/5-factors-about-phased-retirement-packages-1.aspx>.

Dobbs, J., Healey, P., Kane, K.m Make, D., & McNamara, T. K. (2007, June). *Fact Sheet - Phased retirement*. Retrieved on October 21, 2010 from <http://agingandwork.bc.edu/documents/FS08_PhasedRetirement.pdf>.

Greenfield, C. A. (1997). Mobilizing resources for work force effectiveness: The role of work/life benefits and programs. *Employee Benefit Plan Review*, *52*(*3*), 29-30

Leslie, D. W., & Janson, N. (2004, September). *To phase or not to phase: The dynamics of choosing phased retirement in academe.* Policy Brief – TIAA-CREF . Retrieved on October 21, 2010 from <http://www.tiaa-crefinstitute.org/pdf/privacy_policy/pol090204.pdf>.

U. S. Department of Labor. (2000, November 14). *Report on the working group on phased retirement*. . Retrieved on October 21, 2010 from <http://www.dol.gov/ebsa/publications/phasedr1.htm>.