UC 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 budget reduction and succession planning strategies. For employees represented by unions, eligibility for the program is subject to collective bargaining.

Eligibility

- Active University of California Retirement Plan members aged 55 and over with five years of retirement service credit as of their approved enrollment date in the program, except Senior Management Group Members.
- Career employees working 60% time or greater as of their approved enrollment date in the program.

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, 2012 and ending at the end of December, 2014. 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.
- 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, 2012 – December 31, 2014). 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%

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.

  The retirement service credit feature is specific to UCRP and does not apply to UC members of other retirement systems to which UC contributes, such as CalPERS.

- If an employee dies or becomes disabled while participating in the program, the final salary used to calculate UCRP survivor and UCRP disability benefits will be adjusted to reflect the average percent of time on pay status during the preceding 36 months.

- Short-term and Supplemental Disability Benefit Plan benefits will be based on the reduced phased retirement salary, per current plan provisions. Per current plan provisions, premiums for the Supplemental Disability Plan will continue to be calculated on the full time rate.

- 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 equivalent to what would have been received if the payment was based on the pre-phased retirement salary. These department payments are taxable.

- Basic, 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; however, coverage will not be reduced automatically if the employee's full-time salary rate is reduced. However, a participant who self-identifies can request a reduction in Supplemental Life insurance coverage and cost on a prospective basis. 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 September 30, 2014 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.

- 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.