

2. Approval of a Faculty Retirement Incentive Program for the
UNC-CH School of Medicine.....Matt Brody

Situation: The University of North Carolina at Chapel Hill is seeking the ability to establish a Faculty Retirement Incentive Program (“FRIP”) that would be limited to tenured faculty in the UNC School of Medicine.

The FRIP has the following goals:

1. The School of Medicine (SOM) wants to be able to meet the needs of a wide range of faculty and also assure expertise and quality care for its patients, while preserving the viability of the SOM clinical and basic science departments and their respective programs and their overall financial integrity.
2. The purpose of the Faculty Retirement Incentive Program (FRIP), as described in the attached document, is to provide a financial incentive for certain tenured faculty to retire that will facilitate the release of tenured faculty resources for budget reallocation or reduction in accordance with SOM’s goals. This program is not designed to be a faculty fringe benefit program; it is a tool to provide improved management within a department.

Eligible employees who are approved to participate in the program would receive a one-time lump sum incentive payment at the time they separate from employment. Importantly, the funding source for the incentive payments authorized by the FRIP shall not be State funds.

Background: This type of program is not currently offered or explicitly authorized by existing UNC Policies. It bears some similarity to the University’s phased retirement program in that it covers tenured faculty members and encourages retirement, but the one-time payment also encompasses elements covered by our non-salary and deferred compensation policies (see UNC Policy 300.2.14(A)). For this reason, we have worked closely with UNC-Chapel Hill in developing the program description prior to bringing it to the Board of Governors. Additionally, the UNC Chapel Hill Board of Trustees has endorsed the establishment of the UNC School of Medicine Faculty Retirement Incentive Program at its May 2015 meeting.

Assessment: This program is a forward-thinking approach that is designed to allow the UNC-CH School of Medicine the opportunity to allocate its resources to best support its academic, research, and clinical priorities. For this reason, it is recommended that the Board of Governors: (a) approve UNC-Chapel Hill’s request and authorize the establishment of a Faculty Retirement Incentive Program to address the needs of the UNC School of Medicine, for an initial authorization period of four (4) years, with the ability to extend the program upon the request of UNC-Chapel Hill and evidence of the FRIP’s success; and (b) require UNC-CH to submit a report following the conclusion of the third full year of the program detailing the financial and organizational results of the program. If UNC-CH reports positive results, this program may serve as a model for a university-wide program. A copy of the Faculty Retirement Incentive Program is attached for review and approval by the Board.

Action: This item is for a vote and recommendation to the full Board.

**The University of North Carolina at Chapel Hill
School of Medicine
FACULTY RETIREMENT INCENTIVE PROGRAM (FRIP)**

I. PREAMBLE

A. Purposes and Goals

1. The School of Medicine (SOM) wants to be able to meet the needs of a wide range of faculty and also assure expertise and quality care for its patients, while preserving the viability of the SOM clinical and basic science departments and their respective programs and their overall financial integrity.
2. The purpose of the Faculty Retirement Incentive Program (FRIP), as described in this document, is to provide a financial incentive for certain tenured faculty to retire that will facilitate the release of tenured faculty resources for budget reallocation or reduction in accordance with SOM's goals. This program is not designed to be a faculty fringe benefit program; it is a tool to provide improved management within a department.
3. Consistent with the above purposes, the SOM recognizes that flexibility in offering a variety of faculty retirement incentive plans and agreements is both desirable and necessary to assure that the SOM can continue to provide excellent care and advance research while also planning for immediate and long-term needs. The goal of this SOM FRIP, therefore, is to establish a framework for management guidance rather than a prescription for specific action.

B. General Provisions and Framework

1. Retirement incentive plans, policies and practices must comply with state law and regulations and University policy, as specified by the State of North Carolina and the University of North Carolina Board of Governors.
2. Retirement agreements, as used in the context of this FRIP, apply only to tenured faculty in the SOM. Eligible employees are defined as (1) tenured instructional faculty, and (2) administrative or professional faculty who have tenure due to previous academic appointments.
3. The FRIP provides an incentive for immediate separation of eligible faculty from full-time employment with the SOM. The FRIP will use the same criteria as the current phased retirement program (eligible to receive a retirement benefit and, (1) for members of Teachers and State Employees Retirement System (TSERS), age 62 with at least five years of full-time service to UNC-Chapel Hill; (2) for members of the Optional Retirement Program (ORP), age 59 ½ and at least five years of full-time service to UNC-Chapel Hill).

4. Retirement agreements must be offered without bias to any eligible employee, be voluntary and mutually agreeable. A faculty member is not automatically entitled to benefits for which provision is made in this FRIP and the SOM cannot require a tenured faculty member to retire under this program.
5. Participation in the FRIP is not an entitlement or a right automatically available to all faculty members who meet the eligibility criteria. The SOM reserves the right to limit the total number of participants in the FRIP in order to preserve the viability of a department's basic programs and the integrity of its financial resources. After the submission deadline, the Dean of the SOM and/or his/her designee will assess applications to determine approval for participation in the FRIP as described in Section C. Letters of determination will be sent to applicants.
6. In the event a faculty member becomes permanently and totally disabled after a FRIP agreement is signed, but before its effective date, the SOM, nevertheless, will be responsible for providing payments for which provision is made in the agreement. In the event a faculty member dies after a FRIP agreement is signed, but before its effective date, the SOM will not be responsible for any payments under the agreement and such agreement shall be considered null and void.
7. The SOM has the authority to modify, amend or repeal this FRIP with appropriate approvals, in accord with Board of Governors' policy. Faculty who retire under an executed FRIP agreement, however, will continue to be subject to the terms of the program in effect at the time of retirement.
8. No State funds will be used to fund FRIP agreements. Funds to support the program must be identified solely from existing SOM resources. The total annual costs for this program shall not exceed two percent (2%) of the SOM total budget for faculty salaries and associated benefits for the fiscal year in which it is enacted.

C. Implementation and Approval Process

1. The Dean of the SOM will determine during the spring semester of each academic year whether the program will be offered for the upcoming academic year. Provision will be made for the prompt notification to the faculty if the program will be made available.
2. The Dean (or his/her designee) of the SOM must approve each FRIP application and agreement, based on recommendations received by clinical and basic science department chairs. Criteria considered for approval are described more fully in II.C., but include:
 - a. Total number of applicants;
 - b. Projected impact on the viability of a department's basic programs;
 - c. Projected impact on the integrity of the department's financial resources;

- d. Annual costs of the FRIP not to exceed 2% of the SOM total budget for faculty salaries and associated benefits for the fiscal year in which it is enacted.

COMPONENTS OF THE PLAN

A. Financial Incentive

1. If approved for participation in the FRIP, and in exchange for a faculty member's written agreement to separate voluntarily from full-time employment the faculty member will be entitled to participate in the FRIP. The program will provide the faculty member with a payment equal to a proportion of his or her current salary that is in place immediately prior to entry into the FRIP.
2. The incentive payment to which the faculty member is entitled is calculated entirely on the "total annual salary," (which is the combination of [1] the academic base salary and [2] a variable component as outlined in the UNC-Chapel Hill SOM's Clinical Faculty Compensation Plan,) not inclusive of any incentives or administrative supplements, measured as of the last day of the fiscal year (June 30) immediately preceding the fiscal year in which the FRIP is implemented for that faculty member.
3. The payment will be 100% of the total annual salary for faculty who apply on or after July 1 and through September 30, decreasing to 80% for faculty who apply on or after October 1 and through November 30. The FRIP lump-sum payment will be made concurrent with date of separation/retirement, which must be on or before April 30.
4. Faculty members shall submit signed letters of application to the SOM-HR Office, which will date stamp the applications upon receipt. The date stamp will determine payment scale noted above in II.A.3.

B. Eligibility Criteria

1. To be eligible to apply for participation in the FRIP, a faculty member must meet all of the following criteria:
 - a. Meet the normal retirement eligibility requirements for either the Teachers' and State Employees' Retirement System (TSERS) or Optional Retirement Program (ORP);
 - b. Be tenured with an appointment of 75% FTE or greater;
 - c. Be eligible to receive a retirement benefit; and
 - d. Be either
 - i. age 62 with at least five years of full-time service to UNC-Chapel Hill for a participant in TSERS, or
 - ii. age 59 ½ with at least five years of full-time service to UNC-Chapel Hill for a participant in ORP.

2. Faculty members who otherwise meet the eligibility criteria are nonetheless not eligible for participation in the FRIP in the following circumstances:
 - a. Any faculty member who has received notice of termination, notice of nonrenewal of contract, or notice of suspension during the previous twelve months.
 - b. Any faculty member who is retiring under the disability provisions of the State's long-term disability program, as may be supplemented by the SOM's long-term disability program.
3. Faculty members must meet the eligibility requirements in order to apply to participate the program during the open period (generally July 1 - November 30) and agree to retire by the following April 30. November 30 is the deadline for receipt of letters of application for the FRIP when the program is offered.
4. Unlike the Phased Retirement Program, faculty participating in TSERS who retire under the FRIP have a mandatory six month break in employment (post retirement) before they are eligible to return to work for a North Carolina state government agency or university, including work as an independent contractor or consultant.

C. Selection Criteria

1. The purpose of this early retirement incentive plan is to supply the SOM with a management tool to provide incentives for the release of tenured faculty position-based resources for reallocation or reductions, in accordance with SOM needs.
2. Applications will be considered in the context of the criteria that are in the best interests of the SOM. They include, but are not limited to: cost and need for replacement faculty, years of service with the SOM, and the savings to be realized by the retirement.

D. Administrative Structure

The FRIP will be administered by the School of Medicine Office of Human Resources in conjunction with the University's Academic Personnel Office.

E. Program Cost and Limitations

No State funds will be set aside for FRIP agreement costs; funds to support agreement requirements must be identified within the existing SOM resources. The dollar cap per fiscal year is equal to 2 percent of the SOM's total budget for faculty salaries and associated benefits.

F. Application Period

If authorized by the Dean, an annual application period as provided herein will be established by the SOM administration each year in which the program will be offered.

G. Related Programs

- Phased Retirement Program
- SOM Long-Term Disability Program
- NC Long-Term Disability Program