

# Utah Tech University Policy

## 359: Early and Phased Retirement



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### I. Purpose

- 1.1 To define Utah Tech University's ("the University") early retirement program and phased retirement for full-time employees at the University with associated eligibility criteria and procedure.

### II. Scope

- 2.1 In accordance with Utah State Code Annotated 53B-2-106, the University offers eligible employees the opportunity to request early retirement if they wish to terminate active employment with the University prior to full retirement age and/or phased retirement if they wish a reduction in workload prior to full retirement and/or early retirement.
  - 2.1.1 The early retirement program and phased retirement will be reviewed on an annual basis to monitor effectiveness and fiscal implications. The University Board of Trustees reserves the right to amend or terminate the early retirement program and/or phased retirement at any time, but no amendment or termination of either will affect any participant who has already been approved for or has entered that program.
- 2.2 The early retirement program and/or phased retirement are neither an entitlement nor a right available to all employees who meet the eligibility criteria. Each request is subject to administrative and Board of Trustees approval of the terms and conditions in the written contract specifying the arrangement under which the employee will be placed in the early retirement program or phased retirement. Each request will be reviewed individually and as a separate case. Criteria will have a rational relationship to the legitimate needs, well-being, and overall mission of the University.
- 2.3 Phased retirement is a reduction in an employee's work responsibilities

during a period of time not to exceed two (2) years. While all requests to participate in phased retirement will be considered, the nature of an individual's work assignment may not lend itself to a reduced schedule or reduction in responsibilities.

### III. Definitions

- 3.1 Base Salary:** amount of money paid to an employee in return for work required in a specific position performed within a fiscal year. Base salary does not include overtime, overload, contracted services, or any other remuneration for extra services.
- 3.2 Early Retirement Program:** an arrangement for retirement before full retirement age with incentives as provided in a written contract between the University and the retiree, consistent with the provisions of this policy.
- 3.3 Full-Time Equivalent (FTE):** the percentage of workload of a position relative to the normal and expected working time and effort for a full-time equivalent position.
- 3.4 Full Retirement Age:** the age at which an employee is eligible for 100% of their full (non-reduced) Social Security benefit.
- 3.5 Full-Time Employee:** those individuals whose employment status is expected to last nine (9) consecutive months or longer, working 75 percent or more of the normal possible annual working hours for that position. See Policy 301.
- 3.6 Phased Retirement:** partial retirement in that the employee continues working for a defined period of time prior to full retirement; such work is in the form of a reduction in FTE as provided in a written contract between the University and the employee.
- 3.7 Qualifying Years of Service:** all years of full-time employment at the University, combined with any years of full-time employment at another Utah Board of Higher Education institution by employees who have transferred directly to the University from that employment.

### IV. Policy

- 4.1 An employee who wishes to request early retirement must meet all of the following criteria:
  - 4.1.1 Must be employed in a full-time position at the University, serving in a position that is reasonably assured of funding for the duration of the anticipated early retirement period;

- 4.1.2 Must have at least five (5) years of continuous service at the University immediately prior to the date on which early retirement would begin;
- 4.1.3 The employee's age must be at least 57, and their age added to the qualifying years of service must be equal to or greater than 75.
- 4.2 If approved and the employee elects early retirement, the employee will receive an annual financial incentive based on the lesser of two amounts: 20% of the employee's base salary at the time they enter the early retirement program OR the predicated Social Security benefit the employee will receive at full retirement age.
  - 4.2.1 The incentive may be increased based on legislatively appropriated Cost of Living Adjustments (COLA), but the incentive must not exceed the maximum allowable Social Security benefit for a single individual beginning retirement at full retirement age in that year.
  - 4.2.2 Incentive payments will be made according to the contracted employee payroll schedule. See Policy 342.
  - 4.2.3 Incentive payments will cease on the earlier of two dates: the last day of the month in which the employee reaches full retirement age OR the last day of the 60<sup>th</sup> month (5 years) after the employee enters the early retirement program.
  - 4.2.4 Should the employee's death occur prior to the scheduled end of the employee's early retirement incentive period, the incentive payments will cease two (2) pay periods after the employee's date of death.
- 4.3 If approved and the employee elects early retirement, the employee is eligible to receive the same coverage type (single, double, family) of medical, dental, and vision insurance on the University's group plans that the employee was receiving prior to entering early retirement.
  - 4.3.1 Such health insurance coverage continues until the earlier of two dates: the last day of the month in which the employee reaches 65 years of age OR the last day of the 60<sup>th</sup> month (5 years) after the employee enters the early retirement program.
  - 4.3.2 If the employee's death occurs prior to the scheduled end of the employee's early retirement benefit continuation, health insurance coverage will cease at the end of the month in which the employee died.

- 4.3.3 The coverage type (single, double, family) may be reduced by a qualifying event during early retirement, but will not be increased after the employee enters the early retirement program.
- 4.3.4 An employee in the early retirement program will have applicable health insurance premiums deducted from the early retirement incentive on the same basis as non-retired (active) employees.
- 4.3.5 Under the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), an employee or an employee's spouse who is under age 65, and/or a dependent who is under the age of 26, can choose to continue insurance coverage when the employee's benefits cease or when a qualifying event occurs.
- 4.3.6 An employee in the early retirement program is not eligible for continuation of disability or life insurance benefits, and no contributions to the employee's retirement plan will be made after early retirement begins.
- 4.4 Phased retirement allows one of the following reductions in work responsibilities, with commensurate reduction in pay:
  - 4.4.1 An eligible staff employee may propose to be reduced from their current FTE to not less than 0.75 FTE.
  - 4.4.2 An eligible faculty member may propose to be released from up to three (3) workload credits, insofar as the total FTE is not less than 0.75 of faculty workload.
- 4.5 An employee requesting phased retirement must meet all of the following criteria:
  - 4.5.1 Must be employed in a full-time position at the University, serving in a position that is reasonably assured of funding for the duration of the anticipated phased retirement period;
  - 4.5.2 Must have at least five (5) years of continuous service immediately prior to the date on which phased retirement would begin;
  - 4.5.3 The employee's age must be at least 55, and their age added to the qualifying years of service must be equal to or greater than 73.
- 4.6 Unless specific provision to the contrary is included in the request for phased retirement and/or included in the agreement approving phased retirement, the employee in phased retirement receives a financial incentive payment to compensate for the reduced retirement contribution

resulting from a reduction in the employee's FTE.

- 4.6.1 The financial incentive is the difference between what the University contributed to the participant's University retirement program before and after the phased retirement takes effect. Such incentives are paid quarterly to the employee and facilitated by Human Resources.
- 4.6.2 The financial incentive will be part of the phased retirement agreement and will not be adjusted because of any future salary increase.
- 4.7 Because a phased retirement employee is still full-time and working, employee benefits continue at the level and under the conditions of full-time employment. See Policy 343.
- 4.8 Once an employee's FTE is decreased through phased retirement, it can only be increased at the discretion of the University.
- 4.9 If an employee chooses to participate in phased retirement prior to early retirement, the employee's early retirement base salary will be determined using the employee's FTE prior to phased retirement.

## V. References

- 5.1 Utah Board of Higher Education Policy R962: Retirement Programs (<https://higheredutah.org/policies/>)
- 5.2 Utah State Code Annotated 53B-2-106 (<https://le.utah.gov>)
- 5.3 University Policy 301: Personnel Definitions
- 5.4 University Policy 342: Payroll
- 5.5 University Policy 343: Benefits, Payroll Deductions, and Workers Compensation

## VI. Procedures

- 6.1 An employee who wishes to request early retirement must submit a written request to the Human Resources Office that specifies their eligibility criteria and the proposed date of early retirement. Template letters are available upon request from Human Resources.
- 6.2 An employee who wishes to request phased retirement must submit a written request to the Human Resources Office that specifies their

eligibility criteria, the specific terms of reduction in work responsibilities, and the proposed date of phased retirement. Template letters are available upon request from Human Resources.

- 6.3 The employee must submit the request early enough to allow for a reasonable review cycle, including approval by the Board of Trustees. Typically, an employee should allow at least four to six (4-6) months for processing, review, and required approvals.
  - 6.3.1 A staff employee may begin early or phased retirement on the first day of any pay period.
  - 6.3.2 A faculty member may begin early or phased retirement on July 1 or January 1.
- 6.4 Accrued vacation and/or compensatory time leave will be paid in a lump sum at the time early retirement begins. Such payout will be at the same salary as the employee is receiving on the last date of employment prior to early retirement. Employees on phased retirement will have any accrued vacation and/or compensatory time paid in a lump sum at the conclusion of phased retirement (e.g., full retirement from the University).
- 6.5 The Human Resources office is responsible for administering the early and phased retirement programs, including counseling with those interested in the program; responding to requests for information and advice from supervisors, deans, and directors; COLA incentive adjustments on early retirement; financial incentive payments on phased retirement; Social Security benefit adjustments on early retirement; and general recordkeeping.

## VII. Addenda – N/A

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Policy Owner: Executive Director of Human Resources

Policy Steward: Human Resources

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