

**\*\*DRAFT\*\***

## **Model Employer Phased Retirement Policy**

**SUBJECT:** Phased Retirement

**PURPOSE:** In 2016, legislation was enacted that enables participating employers with the Utah Retirement Systems (URS) to offer an optional retirement program called “Phased Retirement.” This policy officially authorizes the employer election to offer Phased Retirement to willing, eligible retirees and establishes written policies governing the program.

**REFERENCES:**

- Utah Code, Title 49, Chapter 11, Part 12
- Utah Code, Title 49, Chapter 11, Part 13

**DEFINITIONS:**

***Phased Retiree:*** An active participant in Phased Retirement.

***Phased Retirement:*** This an optional program within URS that allows continuing employment on a half-time basis of a retiree with the same participating employer following the retiree’s retirement date while the retiree receives 50% of the retiree’s monthly retirement allowance.

**POLICY:**

**1. Phased Retirement Eligibility**

- a. Beginning on [*Month Day,*] 2017, [*Employer Name*] (Employer) elects to offer Phased Retirement to willing, eligible retirees under the terms and conditions outlined in this policy, each agreement between a Phased Retiree and Employer, and Utah Code, Title 49, Chapter 11, Part 13.
- b. To participate in Phased Retirement, the employee shall:
  - i. Be eligible to retire, based upon the specific age and service credit requirements for the employee’s retirement system, and actually retire with URS;
  - ii. Have been employed full time for at least four years with Employer immediately before the retiree's retirement date;
  - iii. Be approved for Phased Retirement and enter into a Phased Retirement agreement with Employer; and

- iv. Prior to the retiree's retirement date, complete and submit all required Phased Retirement forms with URS.

## **2. Phased Retirement Approval Standards and Process**

- a. An employee who is considering participating in Phased Retirement is strongly encouraged to discuss this possibility with the employee's supervisor, manager, and the Human Resources Department with as much advance notice as possible to help facilitate preparation that may be necessary for the future approval of the request, including appropriate revisions to business plans, approved FTE head counts, and budgets.
- b. An employee, in consultation with the employee's supervisor, shall prepare a written request to participate in Phased Retirement. The request shall cover the material elements of the written agreement listed below in Subsection 4a of this policy.
- c. Each request to participate in Phased Retirement shall be reviewed on a case by case basis to determine if the request fills a legitimate business need and is beneficial to both Employer and the retiree, such as:
  - i. Completing a specific project;
  - ii. Maintaining business continuity by mentoring and training the retiree's replacement or other employees; or
  - iii. Filling workforce needs relating to a market sensitive or other hard to fill position.
- d. The Phased Retirement position may be the Phased Retiree's pre-retirement position or another position for which the Phased Retiree has the education, knowledge, skills, and ability to perform.
- e. If multiple requests to participate in a limited Phased Retirement position cannot all be accommodated, the Phased Retiree with the best education, knowledge, skills, ability, performance, and attendance shall be selected.
- f. Approval of a Phased Retirement request is conditioned on the review and approval of the following individuals or their designees:
  - i. Employee;
  - ii. Employee's supervisor;
  - iii. Employee's Director;
  - iv. Human Resources Department Director;
  - v. Legal counsel; and
  - vi. Executive Director.
- g. The Human Resources Department shall complete and submit all required Phased Retirement employer forms or reports to URS, including:
  - i. Notifying URS within five business days if Employer enters a Phased Retirement Agreement with a retiree;

- ii. Completing any required employer notifications, applications, or certifications; and
- iii. Reporting any change in status of the Phased Retirement to URS.

### **3. Time limits and other restrictions**

- a. The specific business needs and benefits to Employer and the retiree upon which the Phased Retirement are justified shall be the basis for the Phased Retirement's authorized time period, provided that one year is the maximum Phased Retirement period.
- b. Phased Retirement may be extended for additional subsequent periods of a maximum of one year each, subject to review and approval of the agreement renewal and any modifications in accordance with Phased Retirement Approval Standards and Process provisions in Subsection 2 of this policy.
- c. Phased Retirement shall be terminated immediately for a Phased Retiree's violation of this policy, the Phased Retirement Agreement, or any other Employer policies or standards of employee conduct upon which termination may be based in accordance with progressive discipline.
- d. A Phased Retiree enters into Phased Retirement subject to the following potential adjustments or termination:
  - i. Employer may modify or terminate Phased Retirement at any time, and for any reason, with 30 day written notice.
  - ii. The Legislature specifically reserved the right to make adjustments to or terminate the Phased Retirement option created in statute, including:
    - A. Amending Phased Retirement eligibility, restrictions, scope, or duration provisions;
    - B. Closing phased retirement to additional retirees; or
    - C. Terminating Phased Retirement for all participating retirees.
  - iii. The Phased Retirement statutes have a sunset date of July 1, 2021, but will require a legislative's committee review prior to the sunset. The committee could recommend extending the program with another sunset date, removing the sunset date, or terminating the program.

### **4. Written agreement**

- a. Prior to working in Phased Retirement, Employer and an eligible retiree shall enter into a written agreement, including provisions governing the following for the Phased Retirement:
  - i. Essential job functions and specific duties to be performed;
  - ii. Expected deliverables and timelines;
  - iii. Authorized time period;
  - iv. Authorized time period renewal review date, if any;
  - v. Work schedule and hours of work;

- vi. Eligibility and description of benefits;
  - vii. Wages for the position; and
  - viii. Any other restrictions, conditions, or arrangements.
- b. The Human Resources Department, in consultation with Legal counsel, shall create and maintain a template written agreement for Employer's use.

## **5. During Phased Retirement**

- a. A retiree shall begin Phased Retirement employment after the retiree's retirement date but no later than 120 days after the retiree's retirement date.
- b. Phased Retirement shall be a continuous period; it cannot be paused or resumed again following termination.
- c. The Phased Retiree receives 50% of the Phased Retiree's monthly pension allowance from URS, beginning with the retirement date. The Phased Retiree will not receive any cost-of-living adjustment (COLA) to the monthly retirement allowance while in Phased Retirement.
- d. Employer can only employ the Phased Retiree on a half-time basis. For most positions, this is defined by statute as requiring an average of 20 hours per week.
- e. Employer shall contribute the amortization rate, as provided in statute, to the URS system that would have covered the Phased Retiree if the retiree's part-time position were considered to be an eligible, full-time position within that system.
- f. A Phased Retiree's eligibility to take distributions from defined contribution plans, including 401(k) or 457 plans, is determined by plan governing documents and federal law. Phased Retirement does not create any additional basis for taking distributions. Phased Retirees should contact their defined contribution plan administrator about eligibility for distributions, including in-service withdrawals after reaching a qualifying age or withdrawals during the termination of employment from the retirement date until the Phased Retirement begins.

## **6. Benefits for Phased Retirees**

- a. For employer-provided benefits that are paid out or take effect with retirement, Employer shall treat a Phased Retiree in accordance with current Employer policies in the same manner as any other retiree, including payout of unused accrued annual and compensatory leave hours and the commencement of benefits based upon accrued balances of Program 1 Sick Leave, Program 2 Sick Leave, and Converted Sick Leave.

- b. During Phased Retirement, a Phased Retiree shall be treated in the same manner as any other part-time employee working a similar position and number of hours with Employer, including regarding non-retirement related benefits, leave benefits, medical benefits, and other benefits.
- c. During Phased Retirement, a Phased Retiree may not receive any employer provided retirement benefits, service credit accruals, or any related retirement contributions from the employer.

## **7. Termination of Phased Retirement**

- a. The Phased Retiree and the Human Resources Department shall notify URS when Phased Retirement is irrevocably terminated.
- b. Employer-provided benefits accrued during Phased Retirement that are paid out or take effect with termination, including unused accrued leave hours, shall be paid out by Employer or treated in the same manner as for any other terminated employee in accordance with current Employer policies.
- c. URS shall begin paying 100% of the retiree's retirement allowance on the first day of the month following the month in which URS receives written notification and any required supporting documentation that the Phased Retirement has been irrevocably terminated.
- d. Any post-retirement reemployment with Employer or another URS participating employer following Phased Retirement is subject to Utah Code Title 49, Chapter 11, Part 12, Postretirement Reemployment Restrictions Act. The post-retirement separation period begins with the termination date of Phased Retirement, not the original retirement date.