



The University of North Carolina

*A Presentation to the Future of Retirement
Study Commission*



The University of North Carolina General Administration

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- **Introduce UNC and its workforce**
- **Describe the UNC Retirement Systems**
- **Discuss Key Issues**
 - **Choice**
 - **Portability**
 - **Competitiveness**
 - **Flexibility in managing retirement transition**
 - **Retiree health insurance**



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Who are we?

- **17 Constituent Institutions**
- **UNC Health Care System**
- **UNC General Administration
(including UNC-TV and NCSEAA)**



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Workforce

- **Faculty (EPA)**
- **Senior Administrators, Instructional and Research Staff (EPA)**
- **SPA Staff**
- **Health Care System Employees**



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UNC Workforce

	Number of Employees	Average Age	Average Years of Service	Average Salary
Faculty (EPA)	13,041	49.01	10.73	\$92,099
Senior Administrators, Instructional and Research Staff (EPA)	7,995	44.43	8.12	\$74,678
SPA Staff	23,244	44.84	9.51	\$41,123
Health Care System	5,070	45.05	10.38	\$51,593
Total	49,350	45.90	9.70	\$61,105



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UNC Workforce (continued)

- **UNC's current workforce also includes employees who are not eligible to participate in a retirement plan such as adjunct faculty, part-time employees and postdocs**
- **Future consideration should be given to the changing workforce demographics since UNC will be utilizing more of these types of employees due to budgetary constraints and wide-scale increases in the number of retirees**



UNC Retirement Plans

- **Teachers' and State Employees' Retirement System (TSERS)**
 - **Defined Benefit Plan**
 - **Available to all permanent employees**
- **Optional Retirement Program**
 - **Defined Contribution Plan**
 - **Available only to UNC permanent employees who are EPA (Exempt from the State Personnel Act)**



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Retirement Plan Participation

	TSERS #	TSERS %	ORP #	ORP %	TOTAL
Faculty (EPA)	3,497	26.8%	9,544	73.2%	13,041
Senior Administrators, Instructional and Research Staff (EPA)	4,273	53.4%	3,722	46.6%	7,995
SPA Staff	23,244	100.0%	0	0%	23,244
Health Care System	5,070	100.0%	0	0%	5,070



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UNC Tomorrow

- **How UNC can best respond to the challenges facing North Carolina**
- **Recruitment and retention of faculty and staff are critical to UNC's success**
- **“Retirement Wave” occurring at same time institutions must grow**



Growth of UNC

- **UNC enrollment has grown by over 50,000 students over the past 10 years**
- **Similar growth is anticipated over the next 10 years**
- **Additional faculty will be required to meet student demand**



The “Retirement Wave”

From UNC Tomorrow Final Report

- **“Retirement Wave” occurring at same time institutions must grow**
- **In 2006,**
 - **37% of UNC faculty were over age 55**
 - **75% of UNC faculty were age 42 or older**



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Key Considerations for Faculty Retirement Benefits

- **Faculty are generally older when they begin work and retire at a higher age than staff**
- **Tenure process normally requires seven years—with key decisions made at intervals along the way**
- **Faculty not progressing through the tenure process may have to leave prior to the five-year retirement “vesting” requirement**



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Key Considerations for Faculty Retirement Benefits (continued)

- Faculty may be recruited at any point in their careers
- Faculty are almost always recruited from other universities
- Faculty retirement benefits are not competitive with UNC peer institutions



Key Considerations for Faculty Retirement Benefits (continued)

Phased Retirement Program for Tenured Faculty

- Provides eligible faculty member an opportunity to transition to retirement through halftime service and promote renewal of the professoriate
- Allows faculty member to voluntarily relinquish tenure in return for the right to work half-time and receive half pay for up to five years
- Allows faculty member an option to receive retirement income during phased retirement
- Under current law, permits waiver of six-month “return to work” waiting period



Key Considerations for Staff Retirement Benefits

- Many of our staff roles exist only in a university environment
- Recruitment of staff for these university-specific roles are often
 - from other universities;
 - mid-career professionals; and
 - participating in defined contribution programs like our ORP



Key Considerations for Staff Retirement Benefits (continued)

- **Staff would like**
 - “choice” of retirement systems
 - “phased retirement” option
- **Staff retirement benefits are not competitive with UNC peer institutions**



Key Considerations for Health Care System Retirement Benefits

- Managers may be recruited at any point in their careers and are almost always recruited from other health care organizations
- Retirement benefits are not competitive with our peer health care organizations
- All employees would like
 - “choice” and “portability” of retirement benefits
 - “phased retirement” option



Key Issues for UNC

- **Competitiveness**
- **Portability**
- **Choice of retirement system**
- **Flexibility in managing transition**
- **Retiree health insurance**



Competitiveness of Retirement Benefit

- **UNC's ORP employeru contribution is below that of peer average**
- **UNC's employees are required to contribute more than employees at UNC peer institutions (TSERS and ORP)**



Portability of Retirement Benefit

- Most UNC peer institutions have immediate or one-year vesting for their defined contribution plans, unlike our ORP
- UNC often recruits “mid-career” faculty and administrators
- Non-tenured faculty may have to leave before “vesting”
- Research faculty may leave when grant funding ends, often before “vesting”



Choice of Retirement Systems

- **Choice between retirement systems is a critical recruitment factor**
- **Extending this choice to more of our work force would allow UNC to be more competitive**
- **Reciprocity between TSERS and ORP for vesting purposes is needed**



Flexibility in Managing Transition to Retirement

- **Extend Phased Retirement Program to other groups of employees with critical skills**
- **Reduce TSERS required six-month “return to work” waiting period to the minimum period the IRS allows**
- **Consider early retirement incentive programs such as a “DROP” program**



Retiree Health Insurance

- Retiree health insurance is a critical benefit for faculty and staff
- Retiree health insurance is considered to be one of the most positive features of the retirement benefit
- Recent changes to “vesting” for retiree health insurance are generally seen as positive and “protective” of retiree health insurance



Summary

- **Competitiveness**
- **Portability**
- **Choice**
- **Flexibility in Managing Transition**
- **Retiree Health Insurance**



