University System of Maryland

**Board of Regents**

Summary of Item for Action, Information or Discussion

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**<u>TOPIC</u>**: Coppin State University: Proposed Voluntary Separation Program

**<u>COMMITTEE</u>**: Finance

**<u>DATE OF COMMITTEE MEETING</u>**: September 7, 2017

**<u>SUMMARY</u>**: Coppin State University (Coppin or University) seeks approval to implement the attached Voluntary Separation Program (VSP). This proposal consists of a "window" program, as described in the attached "University System of Maryland Retirement Planning and Incentives Plan" document approved by the Board of Regents on June 17, 2014. Implementation of the VSP is necessary for Coppin to achieve the following strategic initiatives: 1) Realignment of programmatic offerings to educate students to meet local, regional and national labor market demands, 2) Realignment of student services and administrative support functions to better support the student experience, and 3) Position the University for business transformation required to thrive in the face technological disruption and other changes in the external operating environment, and 4) Potential cost savings.

The VSP will be offered to both Coppin faculty and staff employees, with a maximum financial exposure of $1,991,686 if all eligible employees participate in the VSP. The University estimates that 40% of eligible employees will participate in the VSP at a projected cost of $796,675.

A summary of the VSP appears below; Coppin has consulted with the Maryland Office of the Attorney General regarding the structure and requirements of the Program.

**Purpose:**
The Coppin State University Voluntary Separation Program is a "window" program providing an offer to provide a financial incentive for certain eligible University employees to separate from employment with the University. Participation in the Program is voluntary and requires participating employees to separate from employment with the University on or before June 30, 2018.

**Eligibility Criteria:**

1. Have a minimum of 30 years of State Service (as defined in the VSP documents) as of June 30, 2018;

   OR

2. Who are at least 62 years old on or before June 30, 2018 and who have age plus years of State Service (as defined in the VSP documents) of at least 70.

**Financial Incentive:**
Participating employees will receive an incentive payment equal to the <u>greater</u> of:

1) $20,000; or
2) 30% of the employee's base salary as of October 2, 2017.

**ALTERNATIVE(S)**: The Committee could choose to recommend that the Board not approve the proposed plan or could recommend alternatives.

**FISCAL IMPACT**: The costs associated with this proposal range from $20,000 to $1,991,686, depending on participation levels and associated salaries. These costs will be shared by the institution and the USM.

**CHANCELLOR'S RECOMMENDATION**: That the Finance Committee recommend that the Board of Regents approve the proposed Coppin State University Voluntary Separation Program as presented.

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COMMITTEE RECOMMENDATION: RECOMMEND APPROVAL DATE: 9/7/17

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BOARD ACTION: DATE:

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SUBMITTED BY: Joseph F. Vivona (301) 445-1923

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**DRAFT**

# COPPIN STATE UNIVERSITY
## Voluntary Separation Program Summary

**Purpose:**

The Coppin State University (University) Voluntary Separation Program (VSP) is an offer to provide a financial incentive for certain eligible University employees to separate from employment with the University. Participation in the VSP will require eligible employees to separate from employment with the University on or before June 30, 2018.

**Eligibility:**

The VSP is available to tenured/tenure-track/non-tenure track instructional faculty members (excluding adjunct, temporary and visiting faculty) and exempt and non-exempt staff (including sworn police officers) who meet the VSP eligibility requirements. Members of the University President's Cabinet are excluded from participation due to conflict of interest. If you have questions regarding your eligibility please contact Dr. Lisa Horne Early, (410) 951-3666 or learly@coppin.edu.

Faculty: Tenured and tenure-track and non-tenure track instructional faculty members (excluding adjunct, temporary and visiting faculty) who either:

1) have a minimum of 30 years of State Service (as defined in this document) as of June 30, 2018;

   OR

2) who are at least 62 years old on or before June 30, 2018 and who have age plus years of State Service (as defined in this document) of at least 70 as of that date;

provided that a faculty member who is on transitional terminal leave or who has executed a transitional terminal leave agreement or other separation agreement on or before June 30, 2018 shall not be eligible to participate in the VSP. Faculty applying to participate in the VSP must be in an active working status (not on sabbatical leave or unpaid leave, except for leave under the Family Medical Leave Act or for military administrative leave) for the entire 2017-2018 academic year. A faculty member who, on or before October 3, 2017: (i) has provided a written resignation to the University or (ii) has submitted an application for retirement shall not be eligible to participate in the VSP.

Exempt and Non-Exempt Staff: Exempt and Non-Exempt staff who either:

1) have a minimum of 30 years of State Service (as defined in this document) as of June 30, 2018;

   OR

2) who are at least 62 years old on or before June 30, 2018 and who have age plus years of State Service (as defined in this document) of at least 70 as of that date;

provided that a staff member who has received a notice of termination, layoff or charges for removal prior to October 3, 2017 shall not be eligible, nor shall an employee who on or before

October 3, 2017 has entered into a written agreement to separate from employment with the University. A staff member who, on or before October 3, 2017: (i) has provided a written resignation to the University or (ii) has submitted an application for retirement shall not be eligible to participate in the VSP.

State Service: For purposes of determining eligibility to participate in the VSP, "State Service" is defined differently than for purposes such as retirement or retiree health benefits. The following rules will be used to compute State Service to determine eligibility for the VSP:

1) A year of full-time employment as a faculty member (other than an adjunct, temporary or visiting faculty member), or as a tenure-track or tenured faculty member at the University, or at the University System of Maryland (USM) or any USM institution, center or institute, Baltimore City Community College, Morgan State University and St. Mary's College of Maryland will count as one year of State Service.

2) A year of full-time employment as a non-contractual, regular employee as a staff member of:

   (a) the University;

   (b) any other State of Maryland public higher education institution or entity; or

   (c) any other agency or entity of the State of Maryland, provided that the employee was a participant in the State Employees/Teachers Retirement Systems, the State Employees/Teachers Pension Systems (including reformed, alternate and contributory systems), the Optional Retirement Program, or a police retirement or pension program offered by the State of Maryland during such period of employment will count as one year of State Service.

Note that employment by any public community college or regional community college, or any kindergarten-Grade 12 school system will not count as State Service for either faculty or staff.

3) An employee will be credited with one year of State Service for each full year of full-time eligible employment. For employees who are on a 12-month schedule, this means 12-months of full time employment. For a faculty member whose regular faculty appointment is 9-, 9.5- or 10-months, service for the normal "year" for such position will count as a year of service. For faculty who also hold an appointment as an administrator for a 12-month term in addition to a 9-, 9.5- or 10-months appointment as a faculty member, 12 months of full-time employment will count as one year of State Service for those years when the individual held both positions.

4) For all employees, including faculty members, employment on a less than full time basis will be counted proportionate to the percentage of full-time employment (e.g., employment at 75% time for one year will equal 0.75 (3/4) of a year of State Service).

5) Employment for less than a full year (12 months for those in 12 month appointments, 9-, 9.5- or 10 months for those employed on that basis as a regular condition of

employment), credit will be given for full calendar months served on a proportionate basis to the number of months in the employee's regular employment schedule (e.g., 5 months of full-time employment for a 10-month faculty member will equal ½ year of State Service. For faculty who, during the interval under consideration also held an appointment as an administrator for a 12-month term in addition to a 9-, 9.5- or 10-months appointment as a faculty member, 12 months of full-time employment will count as one year of State Service.

6) State Service includes paid leave time. State Service does not include a period of unpaid leave, except for leave was designated as Family Medical Leave or Military Administrative Leave (or comparable category of military leave).

**VSP Process, Terms and Conditions:**

The VSP will be entered into voluntarily by the employee signing and submitting to the University Office of Human Resources the Coppin State University Voluntary Separation Program Application, Agreement & Release and Waiver of Employment Rights to participate, as well as the approval of the application by the University.

**Timeline for the Program:**

*VSP Period:* The VSP period (window) is October 3, 2017 through June 30, 2018.

*Application Period:* A defined application period will be open to the eligible employees beginning October 3, 2017 and ending November 30, 2017. To apply for the VSP, the employee must:

1) complete the Coppin State University Voluntary Separation Program Application, Agreement & Release and Waiver of Employment Rights (the Application, Agreement & Release); and
2) submit the completed, signed and witnessed Application, Agreement & Release to Dr. Lisa Horne Early, Assistant Vice President for Human Resources, Physical Education Complex Suite 348, Coppin State University Office of Human Resources no later than 5:00 p.m. on November 30, 2017 AND receive a written receipt acknowledging that the completed Application, Agreement and Release has been submitted.

**No other method or form of application will be accepted**. No applications for the VSP will be accepted after 5:00 p.m. EST November 30, 2017. Individual employees who are eligible and wish to participate in the VSP must follow the VSP application process. Additionally, if a participating employee chooses to retire, that employee must also follow the normal retirement application process, which is not a part of the VSP. **All applications MUST be submitted to Dr. Lisa Horne Early, Physical Education Complex Suite 348, Coppin State University Office of Human Resources no later than 5:00 p.m. EST on November 30, 2017 AND the employee must receive a written receipt from the Coppin State University Office of Human Resources acknowledging the timely receipt of his or her Application, Agreement & Release.**

*Approval:* On or before December 12, 2017, the University will advise the employee by written or electronic communication whether the President has approved the employee's Application, Agreement & Release for voluntary separation. Only the President of the University has the authority to approve an application on behalf of the University. The University retains the right to limit 1) the total number of applications approved; and/or 2) the number of applications approved in a particular department, work unit or job category. In that event, the University will make the determination based upon the order in which applications were received by the University, as well as the needs of the University.

*Revocation Period:* An employee who has applied to participate in the VSP may revoke his/her Application and Agreement during the seven (7) calendar days following the date the employee receives notice that the President has approved the employee's application for participation (Revocation Period). **If the employee does not revoke, the Application, Agreement & Release by notifying Dr. Lisa Horne Early, Physical Education Complex Suite 348, Coppin State University Office of Human Resources, learly@coppin.edu, in writing or by electronic communication during this seven (7) day period, the employee's Application, Agreement & Release will be final and enforceable**.

*Separation Date:* **An employee who has been approved for participation in the VSP and who does not revoke his or her Application and Agreement prior to the end of the Revocation Period will be separated from employment with the University as of 11:59 p.m. on June 30, 2018.** If the employee choses, the employee may submit a separate letter or resignation or intention to retire to the University but the letter will not change the terms and conditions of the employee's participation in the Voluntary Separation Program. With the written agreement of the President, and employee may separate from employment with the University earlier than June 30, 2018, provided that the employee meets the eligibility criteria prior to the date of separation from employment.

VSP Incentive Severance Payment:

The University agrees to make an incentive payment on behalf of each equal to the greater of:

1) $20,000; or
2) 30% of the employee's base salary (calculated on a full-time basis) as of October 3, 2017.

For any employee who is less than full-time on October 3, 2017, however, the payment amount from the preceding sentence will be multiplied by the employee's percent of full-time employment as of October 3, 2017.

The incentive payment will be made through one or more contributions to the employee's account under the University System of Maryland Supplemental 403(b) Retirement Plan (the Plan). The incentive payment will be made as a 403(b) employer contribution during the month of July, 2018; however, if Internal Revenue Code limits on contributions to tax deferred retirement plans prohibit contribution of the full incentive payment in 2018, any remaining portion of the incentive payment will be made as a 403(b) employer contribution during the month of January, 2019.

**A participating employee will not be eligible for reemployment with the University or any other agency or unit of the State of Maryland (including, but not limited to: an employee, temporary employee, independent contractor, consultant, or employee of a State contractor) through December 31, 2019. Note that, pursuant to Internal Revenue Code rules, upon the death of the participating employee (former employee), all post-severance payments to such participating employee's supplemental 403(b) account shall cease, and the University shall have no further liability under this VSP.**

At the time that the VSP is offered, the proposed VSP incentive payments to participating University System of Maryland Supplemental 403(b) Retirement Plan accounts are not subject to federal and state taxes until the underlying contribution is distributed from the 403(b) Plan account.
An employee is encouraged to contact his or her tax advisor with any questions regarding tax issues.

The agreement to participate in the Coppin State University Voluntary Separation Program is binding upon signature by both the participating employee and Coppin's President, and the expiration of all legally-mandated revocation periods. Each employee is encouraged to consult his or her attorney, financial advisor and/or tax advisor regarding possible participation in the VSP.

Should you have any questions about the VSP, including the calculation of your State Service as defined for purposes of the Program, please contact Dr. Lisa Horne Early, (410) 951-3666 or learly@coppin.edu, as soon as possible to schedule an appointment.

Payout Schedule for Voluntary Separation Plan

| Assumption | Description | Incentive Payout as a % of Salary 30% Min of $20K | Est. Annual Leave Payout | Total |
|---|---|---|---|---|
| **100% Participation- 76 emp.** | All Eligible Employees | $ 1,991,686 | 802,314 | $ 2,794,000 |
| **75% Participation - 57 emp.** | All Eligible Employees | $ 1,493,765 | $ 601,736 | $ 2,095,500 |
| **50% Participation - 38 emp.** | All Eligible Employees | $ 995,843 | $ 401,157 | $ 1,397,000 |
| **25% Participation - 19 emp.** | All Eligible Employees | $ 497,922 | $ 200,579 | $ 698,500 |
| **Est. Participation 40% - 30 emp.** | All Eligible Employees | $ 796,675 | $ 320,926 | $ 1,117,600 |

**Eligibility by Employee Classification**

| Description | Total Eligible |
|---|---|
| Faculty | 38 |
| Regular Exempt | 25 |
| Regular Non-Exempt | 13 |
| **Total** | **76** |

# Coppin State University FY 2017 Voluntary Separation Program Eligibility
## Age Band Chart by Employee Classification

| | NON-EXEMPT | | EXEMPT | | FACULTY | |
|---|---|---|---|---|---|---|
| Age | Qualified | Non-Qualified | Qualified | Non-Qualified | Qualified | Non-Qualified |
| 50 | | 1 | | 3 | | 3 |
| 51 | | 2 | | 1 | | 2 |
| 52 | | 2 | | 5 | | 2 |
| 53 | | 6 | | 2 | | 3 |
| 54 | | 5 | | 3 | | 4 |
| 55 | 1 | 2 | 1 | 6 | | 1 |
| 56 | | 1 | 2 | 5 | | 2 |
| 57 | 1 | 6 | | | | 2 |
| 58 | | 1 | | 4 | | 2 |
| 59 | 1 | 2 | | 3 | | 7 |
| 60 | 1 | 3 | | 6 | | 2 |
| 61 | | 2 | 2 | 2 | 1 | 5 |
| 62 | 2 | 1 | 3 | 1 | 3 | |
| 63 | 1 | | 4 | 2 | 4 | |
| 64 | 2 | | 1 | | 3 | 1 |
| 65 | 2 | 1 | 1 | | 1 | 1 |
| 66 | 1 | | 2 | | 3 | 1 |
| 67 | | | 2 | | | |
| 68 | | 1 | | | 2 | 2 |
| 69 | | | 3 | | 3 | |
| 70 | | | 2 | | 6 | |
| 71 | | | 2 | | 1 | |
| 72 | | | | | 2 | |
| 73 | | | | | 2 | |
| 74 | | | | | 2 | |
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| 85 | | | | | | |
| 86 | | | | | | |
| 87 | | | | | | |
| 88 | | | | | | |
| 89 | | | | | | |
| 90 | 1 | | | | | |
| **Total** | **13** | **36** | **25** | **43** | **38** | **40** |

There are no employees with eligibility (Qualified or Non-Qualified) for the program below the age band of 50 years.
There are no employees with eligibility within the age bands 75, 78, 82 and 89 years.

**BOARD OF REGENTS**

SUMMARY OF ITEM FOR ACTION, INFORMATION OR DISCUSSION

**TOPIC**: USM Policies Regarding Terminal Leave For Faculty and Separation for Exempt Staff and Retirement Planning and Incentives Plan

**COMMITTEE**: Organization & Compensation

**DATE OF COMMITTEE MEETING:** June 4, 2014

**SUMMARY:** Amendments to the USM Policy on Terminal Leave for Faculty (No. II-2.10) and Policy on Separation for Regular Exempt Employees (No VII-1.22) are required to address legal advice provided by the Office of the Attorney General and the USM's outside tax and benefits counsel, the firm of Ice Miller. Counsel have advised that the application of certain provisions in the two policies are at odds with Internal Revenue Service requirements regarding deferred compensation. The potentially problematic provisions in the policies involve: 1) the provision of employee benefits to an individual who is no longer providing services to the employer; and 2) the timing of tax liability for payment for an extended period of leave.

The attached proposed amendments were developed by a USM Retirement Planning and Incentives Workgroup that included institution academic and administration and finance administrators, institution and OAG counsel, and representatives of the Council of University System Faculty and University System Staff. The proposals seek to remedy the above tax law concerns as follows:

- Policy on Terminal Leave for Faculty: The current policy authorizes paid terminal leave with full benefits for up to two years, during which time the faculty member is on leave from the institution. The amendments would establish that terminal leave is available as follows: 1) If the faculty member fulfills duties at 25% or more full-time employment, he/she may be considered an active employee with appropriate salary and benefits for the terminal leave period; and 2) If the faculty member is not fulfilling duties at the 25% threshold, he/she may not be deemed an active employee with benefits, but still may receive compensation commensurate with that expected during terminal leave under the current policy. The amendments also limit terminal leave without the provision of services to the institution to 2.5 months after the calendar year in which the parties agree to the leave arrangement.

  The proposed policy makes no change in the circumstances in which terminal leave is appropriate: as a discretionary arrangement that is in the best interest of the institutions and voluntarily sought by the faculty member.

- Policy on Separation for Exempt Staff: The current policy provides that exempt employees, who serve at will, may be separated from employment after a period of notice of one to twelve months, depending upon the employee's length of service. It also provides that the employee may be placed on administrative leave during the notice period. The amendments would clarify that, if an employee is placed on administrative leave during that period, he/she may not be considered an active employee with benefits, but still may receive compensation commensurate with that expected during the notice period.

  The proposed amendments do not change the circumstances in which notice termination is appropriate or other aspects of the policy unrelated to notice termination.

In recognition that the USM's compliance with tax law requirements will necessitate new approaches to terminal leave and notice termination practices, the USM Workgroup also has developed a USM Retirement Planning and Incentives Plan. The Plan is intended to provide additional options which may assist institutions in meeting institutional goals while providing certain advantages to affected employees. Options described in detail in the attached Plan include:

- Post-Severance Contributions: This option allows tax-deferred contributions to an employee's retirement account for a period of years, generally up to $52,000/year. These contributions provide significant tax advantages to the employee and the institution.

  Currently, an institution may make a post-severance contribution only with the Board's approval.

Under the proposed Plan, authority to approve a post-severance contribution agreement would be delegated to the institution's President, with all such agreements reported annually to the Chancellor and the Board. A formal delegation document is attached to the Plan.

- "Window" Programs: "Window" Programs allow for voluntary severance payments to a defined group of employees for a specified period of time. Any employee within the group is eligible to participate, and may be paid up to two times the lesser of the employee's annual salary or $260,000 up to two years on a tax-deferred basis. Under the proposed plan, an institution's Window Program will require approval of the Chancellor and the Board.

- Phased Retirement: The Phased Retirement option allows an employee to reduce duties over time, under a binding agreement that specifies: 1) the duties, length, and other terms of the transition period, and 2) the commitment of the employee to retire at the end of the period. The proposed Plan provisions would provide structure and guidance for informal variations on the phased retirement arrangements that currently take place at some USM institutions.

- Hybrid Retirement Agreements: An institution and an employee may agree to an arrangement that combines more than one of these Plan options, or combines one of these options with a transitional terminal leave agreement or notice termination, under appropriate circumstances.

The options outlined in the proposed Plan are primarily intended to assist institutions and employees in terminal leave and notice termination situations. However, they would available to institutions in other circumstances, provided that: 1) the retirement or other separation of an employee is beneficial to the institution's business and academic goals, and 2) the employee voluntarily chooses to participate in the option.

**ALTERNATIVES:** The committee could decline to approve, or require modifications to, the proposed Pan and policy revisions.

**FISCAL IMPACT**: Potential additional annual costs are dependent upon the individualized circumstances of each terminal leave, notice termination or other retirement or separation arrangement.

**CHANCELLOR'S RECOMMENDATION**: The Chancellor recommends approval of the proposed policy revisions and the Plan.

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COMMITTEE ACTION: DATE:

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BOARD ACTION: DATE:

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SUBMITTED BY: Joseph Vivona

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## Proposed USM Retirement Planning and Incentives Plan (June 4, 2014)

With restrictions to the USM's Terminal Leave policy and policy on Separation for Exempt Employees now necessary, this document provides a series of alternatives to traditional terminal leave for faculty and notice termination for staff that will provide retirement planning options and incentives under narrow circumstances. Specifically, these options may be used when: 1) the retirement or other separation of an employee is beneficial to the business and/or academic objectives of the institution, and 2) the employee voluntarily chooses to participate in the alternative. The options set out in the Plan are intended to be consistent with IRS Code, regulations and guidance regarding retirement and deferred compensation plans.

### I. Post-Severance Contributions

This option will allow the institution to make tax-deferred contributions to an employee's USM Supplemental 403(b) plan account with considerable flexibility. It is available only at the institution's discretion and generally used on a case-by-case basis, but can be extended to groups of employees should that option be in the institution's business and/or academic interest.

Elements:

- Contributions are available in the year of retirement, and up to five years thereafter. The institution may structure the contributions to be made in any or all of the six years.

- The employee may receive, each year, up to the lesser of $52,000/year or the employee's annual salary.
    - The amount may be less in the year of separation, depending upon employer and employee contributions into retirement accounts that year.
    - As a matter of institution policy or on a case-by-case basis, an institution may provide lower amounts for shorter durations than the IRS limits.

- Post-severance contributions provide significant tax advantages to the employee and the institution.
    - The employee is not taxed on the contribution until the money is withdrawn from the employee's 403(b) account.
    - FICA is not paid on post-severance contributions, with potential savings of up to 7.65% to the employee and a 7.65% savings to the institution.

- Contributions are "retirement" benefits, not employment compensation.

- The contributions are made directly into a supplemental 403(b) account; if the employee does not have such an account, it can be created for any faculty or staff member.
- In any year when an employee receives a post-severance contribution, the individual is no longer an employee and cannot:
  - Receive employee health and retirement benefits.
  - Be a paid employee, even part-time, at a State institution or agency.

- Post-severance contribution recommendations must be approved by the institution's President and reviewed by legal counsel. Each post severance contribution must be documented in an agreement signed by President or designee and the employee.

- Institutions will report annually to the Chancellor and the Board regarding all post-severance contributions agreed during the year, including contribution amounts, duration, funding sources, and any other necessary information requested by the USM.

- A post-severance contribution may be agreed to as a substitute for transitional terminal leave or notice termination. (For example, a contribution may be paid in lieu of a period of administration leave to an employee who receives a notice termination and may be especially useful when continued employment benefits and/or salary payments across multiple calendar years are at odds with IRS requirements.)

## II. "Window" Programs

A "Window" Program allows for tax-favored voluntary severance payments that are made available to a defined group of employees for a specified period of time. Window Programs may be valuable tools in situations where it is necessary to downsize a department, school, unit or program.

Elements:

- The Program must be offered to a defined class of employees, and any employee within the class is eligible to participate.
- Any employee who fits the group's eligibility criteria and agrees to participate within the limited "window" of time can be paid on a tax-deferred basis two times the lesser of the employee's annual salary or $260,000, over a period of two years.
  - Classes can be defined in a targeted manner to discrete groups of faculty and staff, e.g.,
    - By types of employment (e.g., tenured faculty, regular exempt staff).

        - By age/years of service, or a combination of both.
        - By school, programs or departments or units, based on standards of business or academic necessity.
        - By a maximum number of employees who may be accepted into the Program in total, and also within particular departments, job classifications, etc.;
        - By a combination of the above criteria.
    - A Window Program is offered for a defined, limited period of time, after which the window "closes."
        - The financial incentive can vary during the window period (i.e., more paid to those who retire immediately; less to those who retire later).
        - It may be important not only to specify the duration of the "window," but also to clarify that such a program will not be offered again for a specified number of years.

- Window Programs provide some tax advantages to the employee.
    - Unlike current terminal leave and notice termination, which must be taxed in full when agreed to (unless paid out in full within 2.5 months of the same calendar year), tax on Window Programs is taken out when the payments are made and may be spread out over two years.

- Window Program payments are direct, severance compensation.
    - Once receiving this benefit, the individual is not longer an employee and cannot receive active employee health benefits and retirement contributions.

- An institution that intends to establish a Window Program shall submit a proposal to the Chancellor and obtain approval of the Board of Regents prior to the program's implementation.
    - The institution should also consult with counsel when establishing a Window Program to ensure that all requirements regarding notices and waivers are met.

## III. Phased Retirement

Phased Retirement is an option that allows an employee to reduce duties over time, under a binding agreement that specifies: 1) the duties, length, level of commitment and compensation during the transition period; and 2) the commitment of the employee to retire at the end of the period. Phased Retirement is intended specifically as a means for long-time faculty members to ease the transition toward retirement.

- The employee reduces workload over period of 1-3 years from full-time to part-time in return for a binding agreement to retire at a fixed date.
    - Salary will be pro-rated, unless extraordinary circumstances exist such that the institution president authorizes the negotiation of a different salary.
    - Part-time commitment must be at least 25%.~~ to avoid tax vulnerabilities.~~

- Phased retirement allows the employee ease out of work life, without losing benefits.
    - By staying above 50%, health benefits eligibility continues.
    - Retirement benefit accrual continues:
        - ORP contributions continue based upon the salary paid, and service toward retiree and spouse health benefits continue to be credited, pro-rated by percentage of employment.
        - For State Retirement Plan participants, service toward retirement and health benefits eligibility is pro-rated based on percentage of part-time employment.
    - Eligibility for USM benefits, including leave and tuition remission will continue on an appropriate pro-rata basis.

- Phased retirement plans allow for re-employment at the retiree's former institution or other USM institution, subject to timing and salary level restrictions required by State retirement law.

## IV. Hybrid Retirement Agreements

An institution and an employee may agree to a retirement agreement that combines more than one of these Plan options under appropriate circumstances, or combines one of these options with a transitional terminal leave agreement or notice termination.

- For example, an institution and employee may agree to combine:
    - Two years of reduced duties in a phased retirement plan, followed by a post severance contribution at the end of the phased retirement period.
    - One year of terminal leave at 25% of the employee's prior duties, followed by a post severance contribution at the end of the phased retirement period.

- A hybrid or alternative retirement agreement must specify the terms of each of the option agreed to, and each element is subject to the individual option's approval and reporting requirements.

## V. General

- As a condition of participation in any of the options set forth in this Plan, the institution will require a written agreement with the employee that includes:
    - The specific terms of the option(s) that will be provided to the employee, including compensation amounts, any continuing service commitment and benefits, and the duration of the agreement; and
    - A release of the employee's employment rights, other than those specified in the written agreement.

UNIVERSITY SYSTEM OF MARYLAND BOARD OF REGENTS
403(b) SUPPLEMENTAL PLAN DELEGATION RESOLUTION
DISCRETIONARY EMPLOYER CONTRIBUTIONS

WHEREAS, the University System of Maryland (or its predecessor institutions) has maintained a voluntary supplemental retirement plan described in Section 403(b) of the Internal Revenue Code since the 1960's and continues to maintain such a plan; and

WHEREAS, the University System of Maryland has adopted a single written plan document for its supplemental 403(b) plan, most recently amended as the University System of Maryland Supplemental 403(b) Retirement Plan (Amended and Restated Effective June 17, 2011) (the "Plan"), and

WHEREAS, the Board is the fiduciary for the Plan, to the extent mandated by law; and

WHEREAS, the Board desires to provide for more efficient Plan administration by authorizing a delegation of certain powers relating to Discretionary Employer Contributions from the Board to the Chancellor and to the Presidents of each of the USM institutions and centers.

IT IS THEREFORE RESOLVED:

Pursuant to Section 2.31 of the Plan, the Board delegates (a) to the Chancellor, for University of Maryland System administration employees, and (b) to the President of each constituent institution or center, for employees of such institution or center, the authority to establish discretionary employer contributions to the Plan in connection with such employee's Severance from Employment, as such term is defined in Section 2.26 of the Plan. This delegation includes the authority to establish the amount and timing of discretionary employer contributions, subject to restrictions and limits imposed by the Internal Revenue Code, and regulations and interpretations thereunder.

June 27, 2014