WILLIAM & MARY
FACULTY RETIREMENT INCENTIVE PLAN

WHEREAS, Code of Virginia §23.1-1302 *(Enclosure A)* permits the William & Mary Board of Visitors (the “Board”) to establish a compensation plan designed to provide incentives for voluntary early retirement of teaching and research staff employed in non-classified, faculty positions;

WHEREAS, the proposed Faculty Retirement Incentive Plan complies with the eligibility requirements of Code of Virginia §23.1-1302;

WHEREAS, Code of Virginia §23.1-1302 provides that any such voluntary early retirement compensation plan must be approved by the Governor, and reviewed for legal sufficiency by the Office of the Attorney General; and

WHEREAS, the 2023 Appropriation Act §4-6.01, paragraph m.1 *(Enclosure B)*, provides that the total cost in any fiscal year for a voluntary early retirement incentive plan shall be set forth by the governing body in the compensation plan, for approval by the Governor and review for legal sufficiency by the Office of the Attorney General;

THEREFORE, BE IT RESOLVED, that the William & Mary Board of Visitors, subject to and following the approval of the Governor and review for legal sufficiency by the Office of Attorney General, authorizes the university to establish a Faculty Retirement Incentive Plan consistent with the terms *(Enclosure C)* provided to the Board, and specifically authorizes the President or the Provost to execute retirement agreements with tenured faculty.

Code of Virginia
Title 23.1. Institutions of Higher Education; Other Educational and Cultural Institutions
Subtitle IV. Public Institutions of Higher Education
Chapter 13. Governing Boards of Public Institutions of Higher Education

§ 23.1-1302. Governing boards; additional powers; voluntary early retirement

A. The governing board of each public institution of higher education may establish a compensation plan designed to provide incentives for voluntary early retirement of teaching and research staff employed in nonclassified, faculty positions. Participation in such compensation plan is voluntary for eligible employees and no employee shall be penalized in any way for not participating.

B. In order to qualify for participation in such compensation plan, an eligible faculty employee shall (i) be at least 60 years old; (ii) have completed at least 10 years of full-time service at the institution offering the plan; (iii) have been awarded tenure or have a contractual right to continued employment; (iv) agree to withdraw from active membership in the Virginia Retirement System; and (v) comply with any additional criteria established by the governing board of the institution.

C. Any compensation plan established pursuant to this section shall include the institutional needs and objectives to be served, the kind of incentives to be offered, the sources of available funding for implementation, and any additional qualifications required of eligible faculty employees established by the governing board. Any such compensation plan shall explicitly reserve to the governing board the authority to modify, amend, or repeal the plan. However, no such amendment, modification, or repeal is effective as to any individual who retires under the plan prior to the effective date of the amendment, modification, or repeal.

D. The cash payments offered under any such compensation plan shall not exceed 150 percent of the employee's base annual salary reflected in the Personnel Management Information System at the time of election to participate. Any such payment shall be allocated over at least two years. Such compensation may include payment of insurance benefits by the institution until the participant reaches the age of 65. The total cost in any fiscal year for any compensation plan established under this section shall not exceed one percent of the institution's corresponding fiscal year state general fund appropriation for faculty salaries and associated benefits.

E. The Governor may establish, with the assistance of the Council, uniform criteria for such compensation plans. Prior to the adoption, modification, amendment, or repeal of any such compensation plan, the governing board shall obtain the Governor's approval. The Governor shall provide a copy of each approved plan to the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance and Appropriations. All compensation plans shall be reviewed for legal sufficiency by the Office of the Attorney General prior to adoption, modification, amendment, or repeal.

F. The Administrative Process Act (§ 2.2-4000 et seq.) does not apply to the establishment of such compensation plans or any implementing regulations or criteria.

1988, c. 246, § 23-9.2:3.1; 2005, c. 633;2016, c. 588.

The chapters of the acts of assembly referenced in the historical citation at the end of this section(s) may not constitute a comprehensive list of such chapters and may exclude chapters whose provisions have expired.

the pay period from June 25 through July 9, of the fiscal year if: (1) the agency certifies to the Secretary of Finance that funds are available within the agency's appropriation to cover the cost of the increase for the remainder of the current biennium and presents a plan for covering the costs next biennium and the Secretary concurs, or (2) such funds are appropriated by the General Assembly. If at any time the Secretary of Administration shall certify that such change in the salary band assignment for a job role is of an emergency nature and the Secretary of Finance shall certify that funds are available to cover the cost of the increase for the remainder of the biennium within the agency's appropriation, such change in compensation may be effective on a date agreed upon by these two Secretaries. The Secretary of Administration shall provide a monthly report of all such emergency changes in accordance with § 4-8.00, Reporting Requirements.

b. Notwithstanding any other provision of law, state employees will be paid on the first workday of July for the work period June 10 to June 24 in any calendar year in which July 1 falls on a weekend.

2. Salary adjustments for any employee through a promotion, role change, exceptional recruitment and retention incentive options, or in-range adjustment shall occur only if: a) the agency has sufficient funds within its appropriation to cover the cost of the salary adjustment for the remainder of the current biennium or b) such funds are appropriated by the General Assembly.

3. No changes in salary band assignments affecting classified employees of more than one agency shall become effective unless the Secretary of Finance certifies that sufficient funds are available to provide such increase or plan to all affected employees supported from the general fund.

l. Full-time employees of the Commonwealth, including faculty members of state institutions of higher education, who are appointed to a state-level board, council, commission or similar collegial body shall not receive any such compensation for their services as members or chairmen except for reimbursement of reasonable and necessary expenses. The foregoing provision shall likewise apply to the Compensation Board, pursuant to § 15.2-1636.5, Code of Virginia.

m.1. Notwithstanding any other provision of law, the board of visitors or other governing body of any public institution of higher education is authorized to establish age and service eligibility criteria for faculty participating in voluntary early retirement incentive plans for their respective institutions pursuant to § 23.1-1302 B and the cash payment offered under such compensation plans pursuant to § 23.1-1302 D, Code of Virginia. Notwithstanding the limitations in § 23.1-1302 D, the total cost in any fiscal year for any such compensation plan , shall be set forth by the governing body in the compensation plan for approval by the Governor and review for legal sufficiency by the Office of the Attorney General.

2. Notwithstanding any other provision of law, employees holding full-time, academic-year classified positions at public institutions of higher education shall be considered "state employees" as defined in § 51.1-124.3, Code of Virginia, and shall be considered for medical/hospitalization, retirement service credit, and other benefits on the same basis as those individuals appointed to full-time, 12-month classified positions.

n. Notwithstanding the Department of Human Resource Management Policies and Procedures, payment to employees with five or more years of continuous service who either terminate or retire from service shall be paid in one sum for twenty-five percent of their sick leave balance, provided, however, that the total amount paid for sick leave shall not exceed $5,000 and the remaining seventy-five percent of their sick leave shall lapse. This provision shall not apply to employees who are covered by the Virginia Sickness and Disability Program as defined in § 51.1-1100, Code of Virginia. Such employees shall not be paid for their sick leave balances. However, they will be paid, if eligible as described above, for any disability leave credits they have at separation or retirement or may convert disability credits to service credit under the Virginia Retirement System pursuant to § 51.1-1103 (F), Code of Virginia.

o. It is the intent of the General Assembly that calculation of the faculty salary benchmark goal for the Virginia Community College System shall be done in a manner consistent with that used for four-year institutions, taking into consideration the number of faculty at each of the community colleges. In addition, calculation of the salary target shall reflect an eight percent salary differential in a manner consistent with other public four-year institutions and for faculty at Northern Virginia Community College.

p. Any public institution of higher education that has met the eligibility criteria set out in Chapters 933 and 945 of the 2005 Acts of Assembly may supplement annual salaries for classified employees from private gifts, endowment funds, or income from endowments and gifts, subject to policies approved by the board of visitors. The Commonwealth shall have no general fund obligations for the continuation of such salary supplements.

q. The Governor, or any other appropriate Board or Public Body, is authorized to adjust the salaries of employees specified in this item, and other items in the Act, to reflect the compensation adjustments authorized in this Act.

r. Any public institution of higher education shall not provide general fund monies above $100,000 for any individual athletic coaching salaries after July 1, 2013. Athletic coaching salaries with general fund monies above this amount shall be phased-down over a five-year period at 20 percent per year until reaching the cap of $100,000.

§ 4-6.02 EMPLOYEE TRAINING AND STUDY

W&M Proposed Retirement Incentive Plan

The timely and effective transition of faculty into retirement is critical to the health of the institution. A retirement plan that provides an incentive for those of retirement age:

- Recognizes the contributions of faculty members to the university over their years of service and allows for a planned "changing of the guard," as senior faculty can wind down their labs, work with students, and complete scholarly projects.
- Facilitates strategic resource management as the "replacement" cost of new faculty is almost always considerably less than the cost of current faculty and allows for reallocation of resources across departments.
- Ensures intellectual renewal, as more junior scholar/teachers join the university with newer ideas, methodologies, and perspectives.
- Accelerates the diversity of the faculty. The demographics are clear: senior faculty are more likely to be white and male (81% of full professors are White, 64% are men), while those at the cusp of joining the professorial ranks reflect more broadly our society's changing diversity.
- Provides the ability to place program level guardrails that ensure a measured retirement process and no loss of field expertise.

Considering the importance of faculty transitions, many universities already have plans that facilitate it. Both VCU and GMU have established financial incentives to encourage faculty retirement, and these plans offer more of a financial incentive than the one proposed for W&M. The university has a voluntary transition plan (approved February 2021) in effect that provides course-releases over a set timeframe (i.e., one or two years).

Proposed Incentive Plan

A **cash incentive** for immediate retirement. The proposed plan would add an amount to the faculty member's retirement accounts driven by a formula based on age and years of service, subject to a fixed dollar cap. The model proposed is based on George Mason University's 2020 plan (Total =.03 salary x years of service, with a $100,000 cap). Replacement instruction inevitably costs less money and the savings in the cost of instruction could be realized immediately. The cash payout would be over a two-year period beginning the year after retirement (i.e., a retirement in June 2025 would begin payout in January 2026). In the first year of the program, all faculty 60 and older are eligible for participation. In year two of the plan, an age cap of 69 will be added to the eligibility requirements. This additional requirement may incentivize some faculty 70 and older in year one of the program to participate. The plan will also request an increase of the current amount of state general fund appropriation for faculty salaries and associated benefits to increase from 1% to 5%.

Projections

- 2023 demographic data shows ~126 tenured and tenure-eligible faculty who are 60 or older with the minimum 10 years of service, with half (63) being 65 or older.
- Based on a 13% uptake estimate (from the GMU implementation) the total cost estimate for W&M would be ~$660K a year for a total of $1.32M for two years.
- If payouts happen at the beginning of a fiscal year, savings can be realized during the year payout occurs, which will offset both the cost of the payout and the cost of replacement faculty. Therefore, cash balances will not be impacted negatively by the end of a year.

Net Savings and Consequences

Estimating net savings for any retirement incentive plan can never be precise, even when making well-grounded assumptions; retirement is a voluntary action. The many calculations made in preparing this recommendation all show a positive financial benefit, while keeping teaching capacity constant with a mix of instructors. The spread of those eligible for this plan is broad across the faculty, so that there would unlikely be any curricular disruption or excessive burden such as laboratory costs for new scientists.

Conclusion

The demographics of W&M suggest that it is reasonable to assume that this overall plan would generate significant funds that could be reinvested in reallocation of resources to different faculty distributions (e.g., growing programs, mix of tenure-eligible and non-tenure eligible) and/or other needs, while at the same time producing important non-fiscal advantages for faculty and university alike.