W&M Proposed Retirement Incentive Plan for Faculty

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.
- Enables departments and deans to address enrollment shifts.
- Sets 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 planful retirements. Within the Commonwealth, universities have established financial incentives to encourage faculty retirement (see VCU and GMU). These plans typically offer the faculty member time and/or money in return for a date certain retirement. Phased retirement plans are also in place across the Commonwealth (GMU, ODU, VCU, VT).

W&M would benefit from implementing a system of retirement incentives, per the models below. The demographics of W&M suggest that this plan is timely and that it would generate significant resources that could be reallocated (e.g., growing programs, mix of tenure-eligible and non-tenure eligible, enrollment shifts), while at the same time yielding important non-fiscal advantages for individual faculty, departments, and the university.

Plan A

A **cash incentive** for immediate retirement. William & Mary would add a fixed amount to the faculty member's retirement account driven by a formula based on age and years of service, with a fixed dollar cap. The model proposed is in place at George Mason (Total =.02 salary x years of service, with a $100,000 cap). The cash payout would be over a two-year period. Savings in the cost of instruction would be realized immediately, given the lower salary-point of entering faculty.

Plan B

A **course-release incentive program for retirement within a one- to two-year period.** A common approach nationally, this provides faculty members a way to scale back on their teaching responsibilities over a one- or two-year period (for a total of up to two courses), increase others forms of faculty contribution, at their current salary, in return for a date-certain retirement. For 100% salary, the faculty member and Dean reconfigure responsibilities for a different distribution of work. This approach may require funding for short-term class coverage, based on enrollments, but has a positive impact on the budget after retirement.

Projections

- 2023 demographic data shows ~131 tenured and tenure-eligible faculty who are 60 or older, with over half (73) being 65 or older.
- Given a 13% uptake (based on the GMU implementation) the cost for W&M would be ~$660K a year for a total of $1.32M for two years.
- Payouts must happen at the beginning of a fiscal year, so savings can be realized during the year of payout. That timing offsets both the cost of the payout and the cost of replacement faculty. Cash balances will not be impacted negatively.

Fiscal and Curricular Consequences

Retirement is a voluntary action. Estimates for net savings in any retirement incentive plan are imprecise, despite well-grounded assumptions. Many analyses confirm a positive financial benefit, while holding teaching capacity steady with a mix of instructors. The spread of those eligible for this plan is broad across the faculty. The opportunity for advance planning makes it unlikely there would be curricular disruption or fiscal burden such as laboratory costs for newly hired scientists.

Next Steps

Upon indication from the Board of positive interest in the retirement incentive plan as outlined, a full proposal and plan will be presented at the April meeting for approval. Note, the current VA Code limits the total cost in any fiscal year for the compensation plan to not exceed 1% of the university's appropriation for faculty salaries and associated benefits, which limits the extent of participation. Our plan submission will include a request to increase to 5% the amount available for plan limits. The following steps are required for Plan A, which involves a cash incentive. The approval of Plan B requires internal changes to the current board approved retirement transition plan.

- Board approval of W&M's retirement incentive plan.
- Notification to the Department of Human Resource Management (DHRM), and the Virginia Retirement System (VRS) if applicable, occurs.
- Submission of plan to the Secretary of Education and SCHEV. Address any items brought up in the review with additional clarification and/or documentation.
- Upon affirmative review by these entities, the Secretary of Education submits to the Office of the Governor a Decision Brief recommending approval of William & Mary's request.
- When approved, the Governor notifies William & Mary, and the Chairs of the House Appropriations Committee and the Senate Finance and Appropriations Committee.
- Implementation of the plan follows final approval, which is projected to occur in early fall 2024. Faculty members would indicate a desire to participate in the plan and submit their retirement intentions by the end of 2024 for a June 30, 2025 or 2026 retirement depending on the retirement option they select.