



September 23, 2015

**TO:** THE DISTRICT BOARD OF TRUSTEES  
of Valencia College

**FROM:** SANFORD C. SHUGART  
President

**RE:** RETIREMENT INCENTIVE PROGRAMS - (6Hx28: 3C-12)

The proposed amendments to the Retirement Incentive Programs policy are required to conform to all applicable laws, and to provide updates to reflect current and desired practices.

RECOMMENDED ACTION:

The President recommends that the District Board of Trustees of Valencia College approve the "Retirement Incentive Programs" policy as presented.

  
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President



Responsible Official: Vice President, Human Resources & Organizational Development

Specific Authority: 1001.64, F.S.  
Law Implemented: 1001.64, F.S.

Effective Date: XX-XX-2015

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Volume 3C - Human Resources, Hours of Work, Compensation, Retirement, and Benefits

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**Retirement Incentive Programs**

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**Policy:**

I. General

There is no mandatory retirement age at Valencia College. An employee may elect to retire at any time. However, this program has been established to provide additional benefits for those employees who are Florida Retirement System (FRS) members who elect to retire under the normal, early or Deferred Retirement Option Program (DROP) or who are Optional Retirement Program (ORP) participants who elect to separate from the college in accordance with the provisions of this policy.

A. Retirement Incentive Program

This program is being closed in stages and the program repealed effective June 30, 2017 according to the schedule outlined in Section IV of this policy. The program remains open according to the schedule outlined in Section IV of this policy to Eligible Employees for a defined Transition Period.

For the purposes of the Retirement Incentive Program, Eligible Employees are those individuals who are or become eligible, in accordance with the criteria in section III. A and B., to participate in this program on or before of December 31, 2016. Eligible Employees must make an irrevocable commitment in writing to the College's Human Resources department by April 1, 2016, to retire from the college. Eligible Employees who commit to retire under this program must separate from the college no later than May 1, 2017. All requirements of the program under this policy must still be met during this period in order to receive the Retirement Incentive Program benefit as an Eligible Employee.

B. Extended Transition Retirement Incentive Program

This program is being closed in stages and the program repealed effective the last day of the Spring, 2018 academic term according to the schedule outlined in Section V of this policy. The program remains open according to the schedule outlined in Section V of this policy to Extended Transition Employees for defined Extended Transition Periods.

For the purposes of the Extended Transition Retirement Incentive Program, Extended Transition Employees are those individuals become eligible, in accordance with the criteria set forth in sections III. A. and III. B., to participate in the Extended Transition Retirement Incentive Program between January 1, 2017 and December 31, 2018 (broken into two Transition Periods – Extended Transition Period A and Extended Transition Period B).

1. Extended Transition Period A Employees are those who become eligible for the Extended Transition Retirement Incentive Program on January 1, 2017 but not later than December 31, 2017. Extended Transition Period A Employees must make an irrevocable commitment in writing to retire from the college and submit it to the College's Human Resources department by April 1, 2017. Extended Transition Period A Employees who commit to retire under this program must separate from the college no later than the last day of the Spring, 2018 academic term. All requirements of the program under this policy must still be met during this period in order to receive the Extended Transition Retirement Incentive Program benefit as an Extended Transition Period A Employee.
2. Extended Transition Period B Employees are those who become eligible for the Extended Transition Retirement Incentive Program on January 1, 2018 but not later than December 31, 2018. Extended Transition Period B Employees must make an irrevocable commitment in writing to retire from the college and submit it to the College's Human Resources department by April 1, 2018. Extended Transition Period B Employees who commit to retire under this program must separate from the college no later than the last day of the Spring, 2019 academic term. All requirements of the program under this policy must still be met during this period in order to receive the Extended Transition Retirement Incentive Program benefit as an Extended Transition Period B Employee.

The transition periods for all programs are the time periods during which the programs remain open (as outlined in Sections IV and V to Eligible Employees and to Extended Transition Employees). During the transition periods, the program is closed to new participants who do not meet the criteria required, during the requisite time frames, to be considered as Eligible Employees or Extended Transition Employees for the purposes of the Retirement Incentive Program and the Extended Transition Retirement Incentive Program.

## II. The Retirement Incentive Program and Extended Transition Retirement Incentive Program Benefits

### A. Retirement Incentive Program Benefits

- In addition to the normal terminal pay benefits, as defined in 6Hx28: 3F-02, full retirement incentive benefits for Eligible Employees shall consist of the following payments, multiplied by a factor of 1.5:
- Retirement Incentive Days--Seventy-five (75) days of salary at the daily rate of pay of the employee on the date of separation; and

- Retirement Incentive Sick Leave Payment for unused sick leave (in addition to the normal terminal pay amount) calculated at the rate of 2 1/2 percent for each year of service at Valencia College beyond ten (10) years up to a maximum additional benefit of fifty (50) percent times the employee's daily rate of pay on the date of separation times the number of days of unused sick leave credited to the employee on the date of separation. Payment of sick leave days to the 401(a) plan will be treated as unused sick leave for the purpose of this policy; and
- Retirement Incentive Health Insurance -- The cost of the employee's individual health insurance and spouse's health insurance each calculated at fifty (50) percent times the monthly cost of individual employee's health insurance in effect at the time the employee separates from the college multiplied by the number of months the employee is under sixty-five (65) years of age up to a maximum of ten (10) years. Single employees will receive the dollar equivalent benefit. All eligible employees will receive a minimum benefit of three (3) years.
- In order to receive the full benefits listed above, the Eligible Employee must separate from the college and retire no later than six (6) months following the first date of eligibility for normal retirement. Thereafter, benefits will be reduced as indicated below. Non-DROP participants are eligible for reduced benefits from the 7th to the 12th month only. Non-DROP and ORP participants only are eligible for early retirement incentive benefits which are paid at the 100% level. DROP participants are eligible for reduced retirement incentive benefits from the 7th to 48th month.

<u>Months from Normal Retirement</u>	<u>Retirement Incentive Benefit</u>
Early Retirement (non-DROP and ORP).....	Full benefit
1 - 6.....	Full benefit
7 - 12.....	15% reduction
13 - 24.....	30% reduction
25 - 36.....	50% reduction
37 - 42.....	65% reduction
43 - 48.....	80% reduction
49 - or more.....	No incentive benefits

**B. Extended Transition Retirement Incentive Program Benefits**

- In addition to the normal terminal pay benefits, as defined in 6Hx28: 3F-02, a defined benefit is available to Extended Transition Employees who meet the eligibility criteria as defined in Section I.
- Employees who become eligible for the Extended Transition Retirement Incentive Program on January 1, 2017 but not later than December 31, 2017 are in the

Extended Transition Period A and are eligible for a lump sum, one-time defined benefit payment of \$50,000, payable on the Extended Transition Employee's date of separation due to retirement.

- Employees who become eligible for the Extended Transition Retirement Incentive Program on January 1, 2018 but not later than December 31, 2018 are in the Extended Transition Period B and are eligible for a lump sum, one-time defined benefit payment of \$25,000, payable on the Extended Transition Employee's date of separation due to retirement.

### III. Eligibility for Employees Reaching Normal Retirement on or after July 1, 1998

- A. Normal Retirement -- An eligible full-time employee reaching normal retirement on or after July 1, 1998 has twelve (12) months following the date on which he/she first reaches normal retirement date or age to begin retirement or to elect participation in the DROP in order to receive the retirement incentive benefits under this policy. Also, at the time of separation the employee must have a minimum of seven (7) years of service at Valencia College in a regularly-established college-funded position as defined in Policies 6Hx28:3A-02.2 or 6Hx28:3A-02.4. These benefits are in addition to the normal terminal pay benefits provided in accordance with Policy 6Hx28:3F-02. FRS members may elect to include or exclude any optional service retirement credit purchased from the total service used to establish the normal retirement date.
- B. Early Retirement -- Although there will be substantial actuarial reductions in benefits payable to the employee who retires before normal retirement under the state of Florida retirement system of which the employee is a member, a full-time employee who retires from Valencia College no earlier than seven years prior to normal retirement and who has accrued a minimum of seven (7) years of service at Valencia College in a regularly-established college-funded position as defined in Policies 6Hx28:3A-02.2 or 6Hx28:3A-02.3 shall be eligible to receive the full retirement incentive benefits under this policy applicable to normal retirement in addition to the normal terminal pay benefits provided in accordance with Policy 6Hx28:3F-02. Note: Non-Drop and ORP participants only are eligible to receive Retirement Incentive Program and Extended Transition Retirement Incentive Program benefits

### IV. Retirement Incentive Program Repeal/Closure Schedule

- A. The program is closed effective September 23, 2015 to all new participants not designated in as Eligible Employees in the Transition Period.
- B. For Eligible Employees in the Transition Period who do not elect the Retirement Incentive Program in writing by April 1, 2016, the program is closed on April 2, 2016.
- C. For Eligible Employees in the Transition Period who do elect the Retirement Incentive Program in writing by April 1, 2016, the program remains open until the Eligible Employee's date of separation but not later than May 1, 2017.

V. Extended Transition Retirement Incentive Program Repeal/Closure Schedule

- A. For Extended Transition Period A Employees who do not elect to participate in the defined benefit Retirement Incentive Program in writing by April 1, 2017, the Extended Transition Retirement Incentive Program is closed on April 2, 2017.
- B. For Extended Transition Period A Employees who do elect to participate in the Retirement Incentive Program in writing by April 1, 2017, the Extended Transition Retirement Incentive Program remains open until the Extended Transition Employee's date of separation but not later than the last day of the Spring, 2018 academic term.
- C. For Extended Transition Period B Employees who do not elect to participate in the defined benefit Retirement Incentive Program in writing by April 1, 2018, the Extended Transition Retirement Incentive Program is closed on April 2, 2018.
- D. For Extended Transition Period B Employees who do elect to participate in the Retirement Incentive Program in writing by April 1, 2018, the Extended Transition Retirement Incentive Program remains open until the Extended Transition Employee's date of separation but not later than the last day of the Spring, 2019 academic term.

VI. The Policy is repealed in its entirety, and all Retirement Incentive Programs are closed to all college employees, without further action, on June 30, 2019.

**Related Items**

- See Policy 6Hx28:3A-02.2 "Definition of Full-Time Employment--Instructional and Administrative Employees"
- See Policy 6Hx28:3A-02.4 "Definition of Full-Time Employment for Career Service Employees"
- See Policy 6Hx28:3F-02 "Terminal Pay"
- See Policy 6Hx28:3C-10 "Time of Service for Work Credit"

**Policy History**

Adopted: 6-15-88; Amended 11-18-92; Amended 5-20-98; Amended 3-17-99; Amended XX-XX-15; Formerly 6Hx28:07-35

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**Procedure Statement:**

I. Definitions

- A. "Normal retirement for Florida Retirement System members" means the date which the state of Florida retirement system of which the employee is a member allows such member to receive a retirement benefit without actuarial reduction for early retirement. Currently, the Florida Retirement System (FRS) defines eligibility for normal retirement for the Regular

Class member as thirty (30) years of creditable service regardless of age, or a minimum of six (6) years of creditable service and sixty-two (62) years of age. Persons who are members of other classes or other approved state of Florida retirement systems will determine their normal retirement date in accordance with the definition under that particular system. The Teachers Retirement System has several definitional categories.

- B. "Normal retirement for ORP participants" is defined as 62 years of age and any combination of a minimum of six (6) years of service in a state of Florida retirement system plan or ORP plan defined by the state of Florida retirement system, or thirty (30) years of service regardless of age.
  - C. "Full-time employee" means a person filling a regularly-established college-funded position as defined in Policies 6Hx28:3A-02.2 or 6Hx28:3A-02.4.
  - D. "Terminal pay benefits" means those benefits provided under 6Hx28:3F-02 to employees who resign, retire, or otherwise terminate their employment with the College.
  - E. "Retirement incentive benefits" means those benefits provided to Eligible Employees who are FRS members who retire under the normal, early, or Deferred Retirement Option Program (DROP) or who are ORP participants who retire under the eligibility provisions of this policy.
  - F. "Deferred Retirement Option Program (DROP)" means an alternative method for payment of retirement benefits by the Florida Retirement System for a specified and limited period, without terminating employment until the end of the DROP participation.
  - G. "Optional Service" means retirement service credit that the employee elects to purchase.
  - H. "Daily rate of pay" means an individual's annual contractual salary for the year of separation from the College divided by 228 for 12-month employees or 194 for 10-month employees. The contractual salary does not include shift differential, parking allowance, or other salary supplements in any form; it is not reduced by cafeteria benefit plan salary reductions.
  - I. "Years of service" means the total number of years of full-time employment at Valencia College of the employee. A full-time employee is credited with one year of service when the employee has served one day more than one-half (1/2) the number of days in a contract/fiscal year or equivalent as defined in Policy 6Hx28:3C-10.
  - J. "Date of separation" means the last date of employment at the College.
  - K. "Effective date of retirement" means the date of retirement of the employee as defined under the state of Florida retirement system of which the employee is a member. For FRS Investment Plan and ORP participants, effective date of retirement is defined as the day following the date of separation from the college.
- II. Application Procedure for the Retirement Incentive Benefits for Eligible Employees in the Transition Period

- A. In order to receive the retirement incentive benefits, the Eligible Employee who is a FRS member must:

Complete and submit to human resources a notarized letter of resignation and an application for retirement. Non-DROP participants must complete the application at least three (3) months prior to (but not later than April 1, 2016) the effective date of separation of the employee. DROP participants must submit the application prior to the date and give the college at least three (3) months' notice prior to (but not later than April 1, 2016) the effective date of separation. Teaching faculty must submit applications with an effective date of separation at the end of an academic session.

The Extended Transition Employee who is a FRS member must:

Complete and submit to human resources a notarized letter of resignation and an application for retirement. Participants must complete the application at least three (3) months prior to (but not later than April 1, 2017 for Extended Transition Period A and not later than April 1, 2018 for Extended Transition Period B) the effective date of separation of the employee and the Extended Transition Program is not available to employees in DROP. Teaching faculty must submit applications with an effective date of separation at the end of an academic session.

- B. In order to receive the retirement incentive benefits, the Eligible Employee who is an ORP participant must:

Complete and submit to human resources a notarized letter of resignation at least three (3) months prior to (but not later than April 1, 2016) the effective date of separation of the employee. Teaching faculty must submit applications with an effective date of separation at the end of an academic session.

The Extended Transition Employee who is an ORP participant must:

Complete and submit to human resources a notarized letter of resignation at least three (3) months prior to (but not later than April 1, 2017 for Extended Transition Period A and not later than April 1, 2018 for Extended Transition Period B) the effective date of separation of the employee. Teaching faculty must submit applications with an effective date of separation at the end of an academic session.

### III. Payments to 401(a) and 403(b) Qualified Retirement Plans

Retirement incentive payments made to eligible participants as defined in 6Hx28:3C-14, 401(a) Qualified Retirement Plan, and 6Hx28:3C-15, 403(b) Qualified Retirement Plan, are required to be contributed to the 401(a) and 403(b) plan to the maximum extent permitted by Federal tax laws and college policy. Retirement incentive calculations are based on the health insurance premiums and/or the employees leave balances and salary in effect on the date of the mandatory payments. These mandatory payments include:



A. Retirement Incentive Days and Retirement Incentive Health Insurance

1. Payments made to eligible participants as of the date the retirement application and/or notarized letter of resignation is accepted by the human resources office.
2. Remaining payments made to eligible participants on the date of separation or as soon as is administratively practical

B. Retirement Incentive Sick Leave

1. Payments made to eligible participants on the date of separation or as soon as is administratively practical.

After the maximum contributions have been paid into the 401(a) plan and, where applicable, to the 403(b) Special Pay Plan for the plan year, remaining retirement incentive balances will be carried over for payment into such plans in a subsequent plan year, unless the employee separates from the college during the year in which contribution maximums are reached. If the employee does separate from the college during the year in which contribution maximums are reached, payments for remaining sick and vacation leave balances will be made directly to the employee subject to applicable deductions including FICA and federal income taxes.

**Procedure Related Items**

- See Policy 6Hx28:3C-14 "401(a) Qualified Retirement Plan"
- See Policy 6Hx28:3C-15 "403(b) Qualified Retirement Plan"

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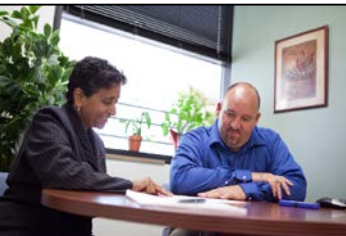
**Procedure History:**

Adopted: 6-15-88; Amended 11-18-92; Amended 5-20-98; Amended 3-17-99; Amended XX-XX-15; Formerly 6Hx28:07-35

# RETIREMENT INCENTIVE PROGRAM

*Presentation to District Board of Trustees*

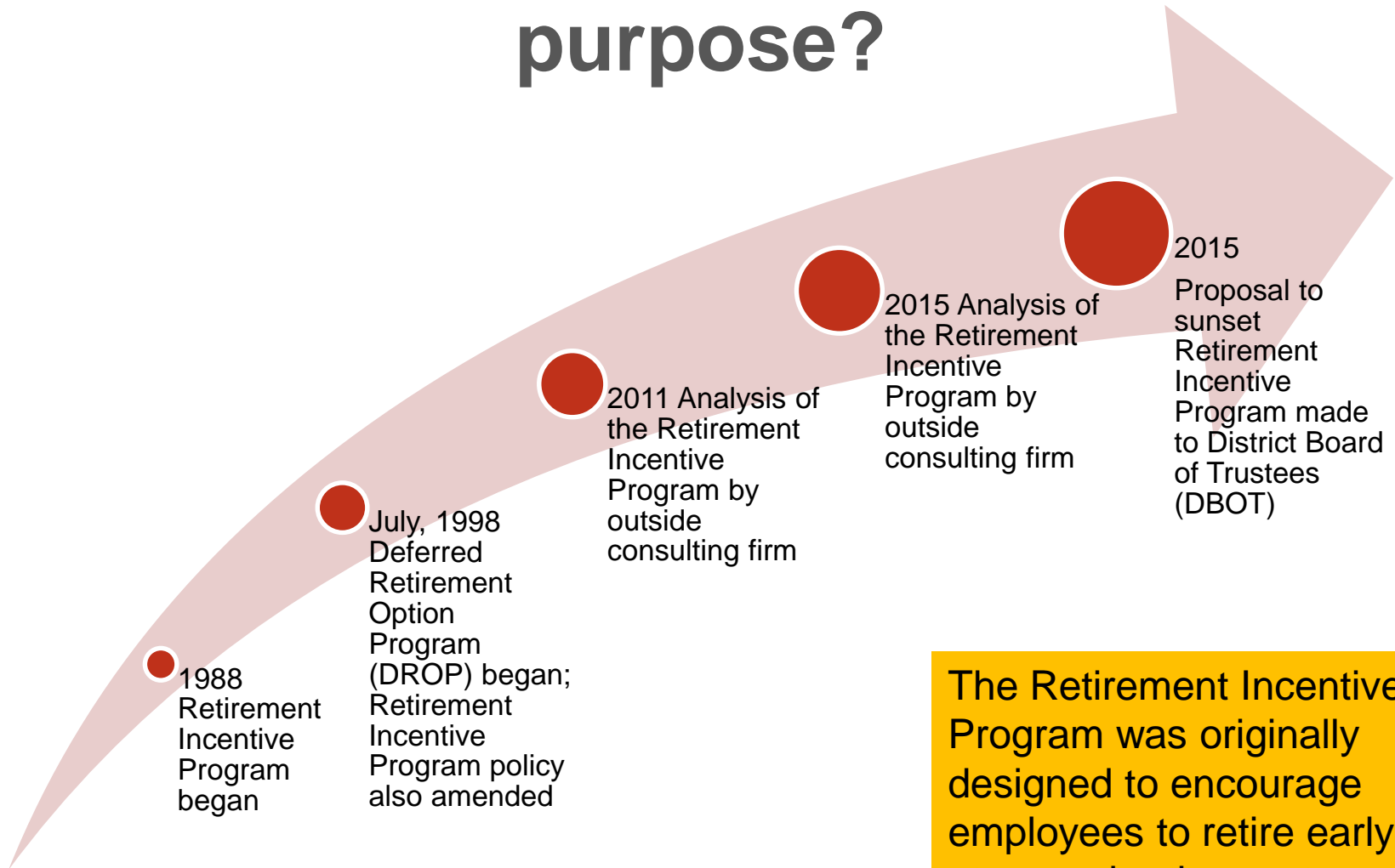
September 23, 2015



# What is the Retirement Incentive Program?

The Valencia Retirement Incentive Program is a local program designed to encourage eligible employees to retire early (up to seven years) or at normal retirement age.

# When was the Retirement Incentive Program created and for what purpose?



The Retirement Incentive Program was originally designed to encourage employees to retire early or at normal retirement age.

# What's not changing?

## Terminal Pay

- Separate policy based on Florida Statute
- Applicable for any separations or retirements
- Criteria for payouts different than Retirement Incentive Program

## Deferred Retirement Option Program (DROP)

- Program implemented by Division of Retirement at the state on July 1, 1998
- Changes made via legislative action
- Designed to keep employees engaged and working up to five years after normal retirement

# How much does the College spend on the Retirement Incentive?

## Retirement Incentive Program payouts:

2012-13 \$2.91 million  
2013-14 \$2.0 million  
2014-15 \$2.87 million

## Expenses v. Savings

Total Payouts: \$7.78 million  
Savings: \$1.6 - \$2.5 million



# Why is the program ending?

- Competes with other budget priorities including salaries
- Key component of the calculation is health care costs (which have increased over 600% since the program inception)
- Total program costs are somewhat unpredictable from year to year

# How will the program be closed?

**Recommendation to close the Retirement Incentive Plan presented to the District Board of Trustees on September 23, 2015.**

- The recommendation establishes a Transition Period and an Extended Transition Period during which the program will close in stages for an established group of eligible employees based on set criteria
- The recommendation closes the program to all other employees (those not in the established Transition Period) on September 23, 2015

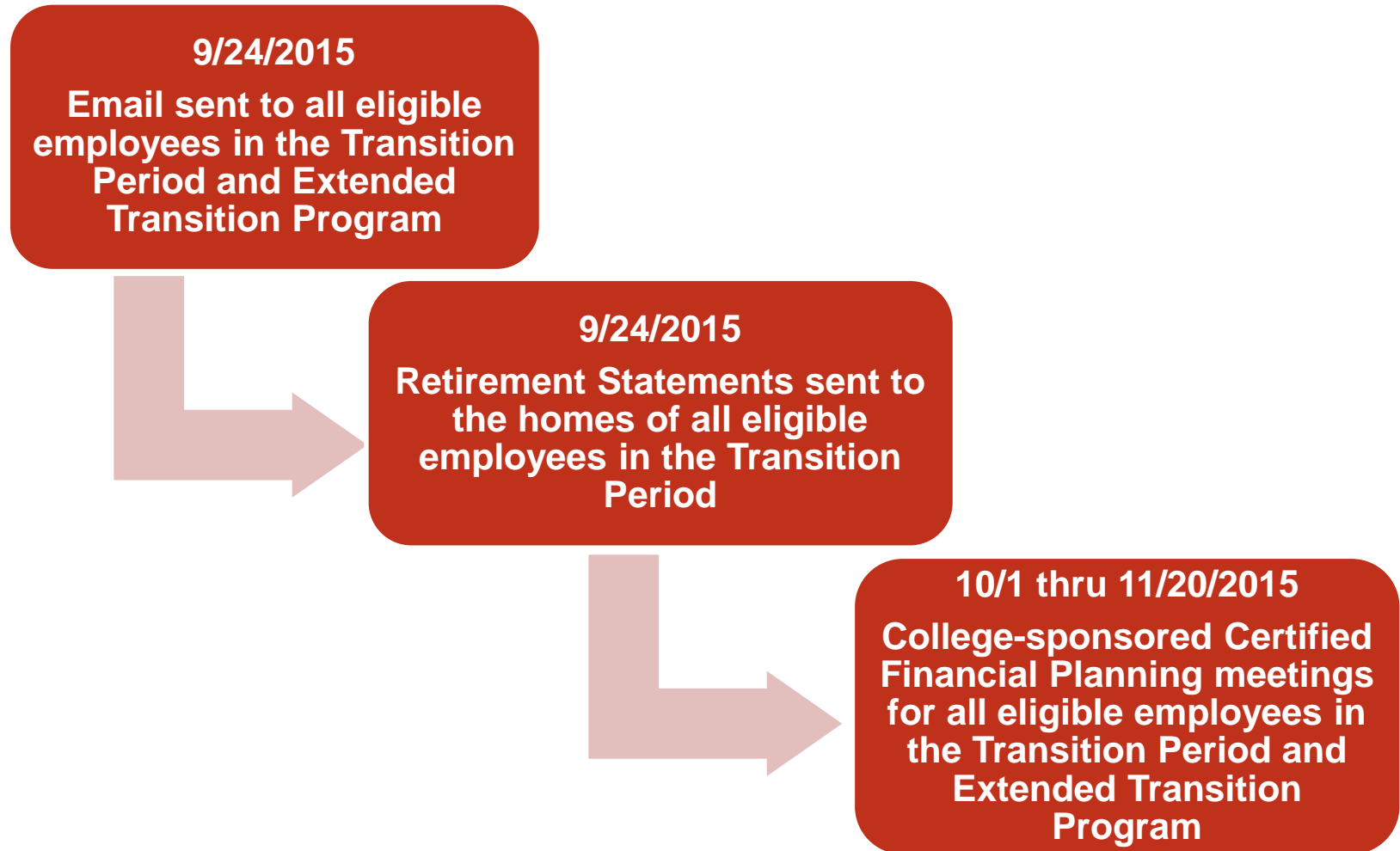


	<b>Eligibility Dates: (based on criteria established in policy)</b>	<b>Notify Human Resources by:</b>	<b>Separate employment by:</b>	<b>Amount of payout:</b>
<b>Retirement Incentive Program Transition Period (as presented in forums)</b>	On or before December 31, 2016	April 1, 2016	May 1, 2017	As prescribed in existing policy (based on daily rate of pay, sick leave balance, and health care)
<b>Extended Transition Period A</b>	January 1, 2017 and not later than December 31, 2017	April 1, 2017	Last date of Spring 2018 Academic Term	\$50,000
<b>Extended Transition Period B</b>	January 1, 2018 and not later than December 31, 2018	April 1, 2018	Last date of Spring 2019 academic term	\$25,000

1. *Dates coincide with end of semesters*

2. *Per policy—employee can only sign within 1 year and 30 days from date of separation (i.e., last day of employment with the college)*

# How will eligible employees be notified?



# How will the College pay for the closure of the program?

If 35% of eligible employees elect the program (at total est. cost of \$7.66M)



If 50% of eligible employees elect the program (at total est. cost of \$11M)



\* Plan closure crosses two fiscal years, currently budget \$2M per fiscal year