

HRCR 2

Office of the President
October 10, 2006

Members, Board of Trustees:

CHANGES TO THE UK RETIREMENT ADMINISTRATIVE REGULATION

Recommendation: that the Board of Trustees approve changes to the University of Kentucky Retirement Plan as defined in AR II-1.6-1. Changes to the Plan include the removal of the mandatory retirement age for executives at age 65 and a complete reformatting of the administrative regulation by placing historical sections of the document in two separate appendices.

Background: The university has received feedback from various campus groups and committees regarding the need to eliminate the requirement to vacate an executive position at age 65. The President's Commission on Women has indicated this age provision is restrictive to female executives who may have started their career later or had mid career interruptions due to family responsibilities. Most of the benchmark institutions do not have a mandatory retirement age for executives. (Attachment A).

The formatting change is needed to clarify and make the AR more user-friendly by placing outdated sections of the administrative regulation related to historical "Contribution Amounts and Vesting" along with the "Supplemental Unfunded Retirement Plan" in to two separate appendices where they will be maintained for reference. The actual body of the administrative regulation will contain information that is relevant to the current workforce.

A revised copy of AR II-1.6.1 is enclosed (Attachment B). The language being deleted related to the removal of the mandatory retirement age is redlined. A copy of AR II-1.6.1 prior to the reformatting is enclosed as well (Attachment C). Eliminating the mandatory retirement age for executives will bring the university in line with benchmark institutions and allow the university to recruit and retain mid-career employees for executive positions.

Action taken: Approved Disapproved Other _____

Attachment A
Mandatory Retirement Policy -- Benchmarks

| | | |
|--|----|--|
| Michigan State University | NO | Repealed. Mandatory retirement policy for police officers only at, age 70. |
| North Carolina State University | NO | |
| Pennsylvania State University | NO | Repealed in 1992. |
| University of Arizona | NO | The current University President is retiring this year at age 70. |
| University of Florida | NO | |
| University of Georgia | NO | |
| University of Illinois | NO | |
| University of Iowa | NO | |
| University of Maryland | NO | |
| University of Michigan | NO | |
| University of Minnesota | NO | |
| University of North Carolina – Chapel Hill | NO | Current Chancellor is currently over 65. |

Attachment A
Mandatory Retirement Policy -- Benchmarks

| | | |
|--|-----|---|
| University of Virginia | NO | |
| University of Washington | NO | Repealed in 1994. |
| University of Wisconsin | NO | |
| Texas A & M University | YES | 65 – Texas is increasing to age 70. Policy does not specifically define “bona fide executive or high policymaking position”. Texas interprets the policy to apply only to highest level executives, such as Chancellors, Presidents, and Senior VPs. It does not include Deans. It has not been enforced in the past 7 years. |
| University of California – Los Angeles | YES | 67 – Policy includes Deans. Selectively enforced. Most get a post-retirement continuing appointment. They also hire new executives who are over the age limit. |
| Ohio State University | YES | <p>70 – Regular officers and employees. 65 – “Principle Administrative Officers”, defined as “President’s Planning Cabinet members, Exec dean of the colleges of the arts and sciences, Deans of colleges, Dean and directors of regional campuses and their designated staffs, Director of the university libraries, Chairs of academic departments, Directors of schools and academic enters, Director of athletics, Members of president’s planning cabinet shall identify to the president such other persons in their areas of responsibility who shall be considered principle administrative officials of the university.” The policy contains an option whereby Principle Officers may opt to remain until age 70, but it may be in another capacity.</p> <p>The policy states, “nothing herein shall preclude such an officer from being retained in the employment of the University in some other capacity until the mandatory retirement date next following the attainment of age 70, and it is the express intention of the Board that such persons shall be retained in the employment of the University where practicable if they so desire until they reach the normal retirement date next following the attainment of age 70.”</p> <p>Ohio originally responded that they did not have a mandatory retirement policy, but legal</p> |

Attachment A
Mandatory Retirement Policy -- Benchmarks

| | | |
|------------------------|-----|--|
| | | counsel later advised me of a 1959 Board Resolution. Interestingly, the counsel's email stated, "I apologize for the delay, but it seems this was an obscure concept on my campus". |
| Purdue University | YES | 65 – "Executives" are defined as "President, Executive VPs, VPs, Chancellors, Deans of Academic Schools and the Dean of Libraries, and Director of Agricultural Experiment Station, Cooperative Extension Service, and Intercollegiate Athletics." |
| University of Kentucky | YES | 65 – "Executives" are defined as "President, Senior VPs, VPs, Deans of the Academic Colleges, the Director of Athletics, and the General Counsel." Considering a change or repeal. |

- 15 Universities do not have a mandatory retirement policy for executives.
- 4 Universities have mandatory retirement policies for executives.
 - Texas – currently age 65, but revising policy to age 70. Deans are not included.
 - UCLA – age 67. Deans are included.
 - Ohio – age 70 for regular employees and officers. Age 65 for Principal Administrative Officers. Includes Deans. Ohio's Policy gives the Principle Administrative Officers an option to remain at the university in some other capacity until age 70, if the Principle Administrative Officer so desires.
 - Purdue – age 65. Deans are included.

2/6/2006

Attachment B

| | | |
|---|-------------------------------|--|
| UNIVERSITY OF KENTUCKY ADMINISTRATIVE REGULATIONS | IDENTIFICATION AR II-1.6-1 | PAGE 1 |
| | DATE EFFECTIVE mo/dd/yy | SUPERSEDES REGULATION DATED 8/21/90, 6/16/92, 12/12/95, 6/11/96, 3/4/97, 7/1/98, 9/19/00, 8/13/02, 3/1/03 |

UNIVERSITY OF KENTUCKY RETIREMENT PLAN
(APPROVED BY THE BOARD OF TRUSTEES)

I. Introduction

The policies governing the University of Kentucky Retirement Plan are set forth in this administrative regulation. The University of Kentucky Board of Trustees has authorized three retirement plan carriers to be utilized by University of Kentucky employees: Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF); Fidelity Investment Tax-Exempt Services Company (Fidelity Investments); and American Century Investors, Inc. (American Century). It is the Board's intention that University employees be given a wide range of investment options during the years in which contributions are being made on the employees' behalf as well as a wide range of withdrawal options at the time of retirement. The term "retirement plan carrier," as used throughout this administrative regulation, includes all three retirement plan carriers that have been authorized by the Board of Trustees.

SUPPLEMENTAL ("Unfunded") RETIREMENT INCOME

Employees in retirement groups I, II and III, referred to in Section II, who were age 40 or older prior to the date of establishment of each group plan, and who were employed by the University prior to that date, qualify for the minimum annual retirement benefit provisions of the retirement plan. Benefits for these eligible employees are based upon a percentage, determined through years of service, of the participant's annual salary in the last year of employment prior to retirement. Retirement benefits as determined are funded by each individual retiree's accumulation in the group retirement plan, with the balance, if necessary, provided by the University as supplemental retirement income. For complete details on the Supplemental Unfunded Retirement Plan, refer to Appendix I.

The policies governing insurance benefits for University retirees are a part of the Human Resources Policy and Procedure Administrative Regulations and are found in Numbers 91.0, 93.0, and 94.0. Information on these insurance programs is not included in this Administrative Regulation.

II. Retirement Groups

A. Eligibility

1. Group I Personnel

Eligibility of personnel for classification in Group I is conditioned upon:

- (a) regular full-time employment;
- (b) employment in a faculty position or a position otherwise specifically approved for Group I by the President; and,
- (c) occupation of a position not covered by the United States Civil Service Retirement Plan or the Federal Employees Retirement System.

2. Group II Personnel

Eligibility of personnel for classification in Group II is conditioned upon:

- (a) regular full-time employment with the University or, upon approval of the Board of Trustees, with an agency for which the University serves as fiscal and payroll agent;
- (b) employment in a position classified as technical and scientific staff, office and clerical staff, or service and maintenance staff; and,
- (c) occupation of a position not covered by the United States Civil Service Retirement Plan.

3. Group III Personnel

Eligibility of personnel for classification in Group III is conditioned upon:

- (a) regular full-time employment with the University or, upon approval of the Board of Trustees, with an agency for which the University serves as fiscal and payroll agent;
- (b) employment in a position classified as administrative staff, managerial specialist staff, or professional staff;
- (c) occupation of a position not covered by the United States Civil Service Retirement Plan or the Federal Employees Retirement System; and,
- (d) approval by the President or his delegate.

4. Group IV Personnel

Eligibility of personnel for classification in Group IV is conditioned upon:

- (a) regular full-time employment;
- (b) occupation of a position covered by the United States Civil Service Retirement Plan; and,
- (c) eligibility rights under the United States Civil Service Retirement Plan.

5. Group V Personnel

Eligibility of personnel for classification in Group V is conditioned upon:

- (a) regular full-time employment;
- (b) occupation in a position covered by the Federal Employees Retirement System (FERS) Act; and,
- (c) participation rights under the FERS retirement plan.

B. Participation Requirements

1. Mandatory Participation

Participation of Groups I, II and III personnel is mandatory upon attainment of age 30. Participation is voluntary prior to age 30. An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

2. Voluntary Participation

Participation of Groups IV and V personnel is voluntary. An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

3. Historical Detail – refer to Appendix II.

III. Contributions and Vesting

A. Groups I, II, III and IV

Notwithstanding any provision to the contrary contained herein, all Groups I, II, III and IV personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided; however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Contributions toward retirement benefits for participating Group I, II, III and IV personnel, from FY 1997-98 forward, shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

| <u>By the Participant</u> | <u>By the Institution</u> | <u>Total</u> |
|-------------------------------|-------------------------------|--------------|
| 5% | 10% | 15% |

B. Group V

Contributions to the retirement plan shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

| <u>By the Participant</u> | <u>By the Institution</u> | <u>Total</u> |
|-------------------------------|-------------------------------|--------------|
| 1% | 2% | 3% |

C. President, Provost, Executive Vice Presidents, General Counsel, and Chief of Staff to the President

Annual contributions to the Retirement Plan shall be made on behalf of the President, Provost, each executive vice president, the General Counsel, and the Chief of Staff to the President in an amount equal to the aggregate of employee and University contributions otherwise provided herein for Group I employees

D. Historical Detail – refer to Appendix II.

E. Vesting

Retirement benefits purchased with the combined employee and University contributions shall become the property of individual participants immediately upon purchase. The employee is 100% vested. All benefits are primarily for the purpose of providing retirement and/or death benefits.

IV. Plan Limits (Groups I, II, III, IV and V)

A. Beginning July 1, 1996, the University shall withhold the contribution of the participant from regular salary payments, add its contribution, and remit the combined sum to the retirement plan carrier(s) selected by the participant for the purchase of retirement benefits.

In addition to other applicable limitations stated in the plan, and notwithstanding any other provisions of the University's retirement regulations to the contrary, for plan years beginning on or after January 1, 1996, the annual compensation of each employee taken into account under the plan shall not exceed the Omnibus Budget Reconciliation Act of 1993 (OBRA '93) annual maximum includable compensation limit. The OBRA '93 annual limit is adjusted by the Commissioner of the Internal Revenue Service for increases in the cost of living in accordance with section 401(a)(17)(B) of the Internal Revenue Code. The cost-of-living adjustment in effect for a calendar year applies to any period, beginning in such calendar year over which compensation is determined (determination period); this period may not exceed 12 months.

B. For plan years beginning on or after January 1, 1996, any reference in this plan to the limitation under section 401(a)(17) of the Code shall mean the OBRA '93 annual maximum includable compensation limit stated in this provision. The University of Kentucky Retirement Plan Year is deemed to begin January 1 of a calendar year and end December 31 of the same calendar year.

C. Notwithstanding the above, employees who became participants in the University's retirement plan before the first day of the plan year beginning on or after January 1, 1996, will not be subject to this annual limit.

1. The participant will direct the portion of the combined retirement contribution that is to be remitted to each carrier, if two or more carriers are selected. The participant also must advise each retirement plan carrier of which investment options have been chosen and, if two or more options are selected with a single carrier, of the part of the retirement contribution that is to be allocated to each option.

2. A participant may change the ratio of allocating funds among retirement plan carriers or change options by completing the appropriate paper work. Changes in allocating contributions among the plan options are accomplished by the participant directly with the retirement plan carrier.

D. In addition to contributions based on basic annual salary, contributions also shall be applied on compensation paid to faculty members for service during an interim between regular assignment periods, provided the faculty members are employed full-time by the University for at least one full month of continuous service in the interim, on a basis other than a fee schedule, without reduction in rate of earned salary per month as described in AR II-1.3-2. An interim between regular assignment periods for a faculty member on a regular nine-month, ten-month, or eleven-month assignment basis is defined in AR II-1.1-7.

E. If by applying the above-stated percentages there would be a violation of federal or state laws, as a result of the employer and/or employee contributions, then these percentages shall not be applied to the extent of violating applicable laws. In such cases, the amount of the employer contribution that cannot be forwarded to a retirement plan carrier shall be paid to the employee as a temporary salary increase for the balance of the calendar year.

V. Termination of Contributions

Beginning January 1, 1988, retirement plan contributions on behalf of personnel shall terminate upon retirement or cessation of regular full-time employment.

VI. Retirement Dates

A. Retirement Prior to Age 65

Retirement prior to age 65 generally is considered as early retirement. Early retirement is authorized when the combination of the employee's age and years of regular full-time service (with a minimum of 15 years of continuous service at the time of retirement) equals or exceeds the number 75. Regular part-time service will be counted on a pro rata basis. Employees taking advantage of this early retirement must provide written notification through normal administrative channels to their the Provost or appropriate vice president at least three months in advance of the desired retirement date.

B. Normal Retirement

The normal retirement date for all employees of the University of Kentucky fiscal year in which the employee attains age 65.

C. Mandatory Retirement

~~1. General~~

~~With the exceptions described in Sections III.C.2 and III.C.3, no mandatory retirement date is applicable to employees of the University of Kentucky.~~

~~2. Executives~~

~~The mandatory retirement date, as an executive, for all employees of the University of Kentucky employed in bona fide executive or high policy making positions for two or more years prior to the attainment of age 65 and who are entitled to an immediate nonforfeitable annual retirement benefit from the University which equals or exceeds the amount per year specified by federal statute is hereby established as the end of the University's fiscal year in which the employee attains age 65. For purposes of this regulation, "bona fide executive or high policy making position" means the President, Provost, Senior Vice Presidents, Vice Presidents, Deans of the academic colleges, the Director of Athletics, and the General Counsel.~~

With the exception of a mandatory retirement date for all law enforcement officers, no mandatory retirement date is applicable to employees of the University of Kentucky. The mandatory retirement date for all law enforcement officers of the University of Kentucky shall be at the end of the University's fiscal year in which the employee attains age 70.

D. Disability Retirement

1. Prior to Normal Retirement Date

An employee with an extended period of service to the University may, at the discretion of the President, be permitted to retire prior to age 65, upon the employee's request if same is supported by a statement of a licensed physician certifying that the employee cannot engage in normal employment because of physical or mental disability. The benefit level in such a special case shall be related to the period of service and rate of compensation at retirement, and shall be conditioned upon continuance of the employee's total disability.

2. Subsequent to Normal Retirement Date

An employee who has elected to continue in employment beyond his or her normal retirement date, as established herein, may be required to retire in the event that the said employee's condition of health becomes such that it prevents the discharge of assigned duties and responsibilities.

VII. Retirement Benefits

A. Benefits through Retirement Plan Carriers

Each participant is entitled, upon separation of service, at retirement or upon electing participation in the Phased Retirement Program under AR II-1.6-2, to activate any or all retirement benefits that have been acquired under the University of Kentucky Retirement Plan in accordance with procedures and rules established by the retirement plan carriers. In addition to lump sum or partial lump sum provisions, there will be both annuitized and non-annuitized methods of withdrawal. There may be variances in the retirement withdrawal options among the carriers. All retirement plan carriers do not offer the same withdrawal options.

B. Benefits in Case of Death before Retirement

In the event of a University employee's death prior to the commencement of retirement benefits, an income or lump-sum benefit will be paid by the retirement plan carrier to the participant's designated beneficiary or beneficiaries according to policy established by the carrier.

VIII. Contributions during Leave of Absence with Pay

A participant on leave with pay shall make the employee contribution and receive the University contribution based on the amount of the salary that is paid through the University payroll. Contributions to a participant's retirement plan shall be made on the actual salary paid through the University payroll, not to exceed the annual salary.

IX. Contributions under Uniformed Services Leave

A participant on Uniformed Services Leave shall have the ability to continue making retirement contributions to the plan. The amount of employee contributions will be made for the entire salary not received while on leave and is eligible for the University match.

X. Employment beyond Retirement

Employees who have elected to retire from University service under any of the provisions hereof shall not be eligible for reemployment except to perform duties for which fee schedules have been approved or upon the specific prior action of the Board of Trustees granting approval of the appointment. Employees who have elected to retire and who have been reemployed under this provision will be considered temporary employees.

Appendix I – Supplemental “Unfunded” Retirement Plan

I. Retirement Dates

A. Retirement Prior to Age 65

1. Retirement prior to age 65 generally is considered as early retirement. Early retirement is authorized when the combination of the employee's age and years of regular full-time service (with a minimum of 15 years of continuous service at the time of retirement) equals or exceeds the number 75. Regular part-time service will be counted on a pro rata basis. Employees taking advantage of this early retirement must provide written notification through normal administrative channels to their the Provost or appropriate vice president at least three months in advance of the desired retirement date.

2. An employee who is taking early retirement and who is eligible for benefits as provided in Appendix II, Section I A. shall be permitted to retire with entitlement to all University benefits except supplemental retirement income if applicable (as calculated in Appendix I, Section IV.A) at the time of retirement. Any supplemental retirement income is subject to the following conditions:

- (a) Payment of supplemental retirement income shall not begin until the month in which the early retiree attains age 65;
- (b) Service credit for supplemental retirement income shall not accrue after the person retires;
- (c) The salary used to determine supplemental retirement income shall be the basic annual salary for the last year of active employment;
- (d) An early retiree who elects to proceed under this option shall not receive supplemental retirement benefits, which exceed 20% of the basic annual salary received during the last year of active employment plus 1% of such salary for each year of active service to the University;
- (e) The computation of supplemental retirement income will be based on the assumptions in Appendix I, Section IV.A., except that the value of the single life annuity option is to be computed on the basis of the employee's age at the time early retirement commences; and AR II-1.6-1; and,
- (f) Supplemental retirement benefits are not payable to survivors in

the event the retiree dies prior to the attainment of age 65.

B. Normal Retirement

The normal retirement date for all employees of the University of Kentucky employed on or after July 1, 1964, and those employed prior to that date who attain age 56 after June 30, 1964, is hereby established as the end of the University's fiscal year in which the employee attains age 65 or, upon administrative approval at least three months in advance, during the month in which the employee attains age 65.

C. Mandatory Retirement

With the exceptions described below, no mandatory retirement date is applicable to employees of the University of Kentucky.

1. Executives

The mandatory retirement date, as an executive, for all employees of the University of Kentucky employed in bona fide executive or high policy making positions for two or more years prior to the attainment of age 65 and who are entitled to an immediate nonforfeitable annual retirement benefit from the University which equals or exceeds the amount per year specified by federal statute is hereby established as the end of the University's fiscal year in which the employee attains age 65. For purposes of this regulation, "bona fide executive or high policy making position" means the President, Provost, Executive Vice Presidents, Vice Presidents, Deans of the academic colleges, the Director of Athletics, the General Counsel and Chief of Staff to the President.

2. Law Enforcement Officers

The mandatory retirement date for all law enforcement officers of the University of Kentucky shall be at the end of the University's fiscal year in which the employee attains age 70.

D. Disability Retirement

1. Prior to Normal Retirement Date

An employee with an extended period of service to the University may, at the discretion of the President, be permitted to retire prior to age 65, upon the employee's request if same is supported by a statement of a licensed physician certifying that the employee cannot engage in normal employment because of physical or mental disability. The benefit level in such a special case shall be related to the period of service and rate of compensation at retirement, and shall be conditioned upon continuance of the employee's total disability.

2. Subsequent to Normal Retirement Date

An employee who has elected to continue in employment beyond his or her normal retirement date, as established herein, may be required to retire in the event that the said employee's condition of health becomes such that it prevents the discharge of assigned duties and responsibilities.

3. In Conjunction with Long Term Disability Plan

An employee entitled to disability benefits after age 65 under the Long Term Disability Program, who qualifies for retirement and supplemental retirement income pursuant to this plan, will be eligible to retire and activate supplemental retirement income under the following conditions:

- (a) The amount of annual supplemental retirement income to be provided shall be determined according to the formula provided in Section Appendix I, Section IV.A.;
- (b) University-sponsored disability plan benefits are to be deducted from supplemental retirement income; and,
- (c) Supplemental retirement income will be adjusted at the time disability benefits cease according to the formula provided in Section Appendix I, Section IV.A.

II. Participation Requirements

A. Participation of Group I personnel employed prior to July 1, 1964, is as follows:

- 1. Voluntary for employees who had attained age 56 prior to July 1, 1964, and for employees who had completed one year of continuous service but had not attained age 30.
- 2. Mandatory for employees who had completed one year of continuous service and attained age 30 but not age 56 as of July 1, 1964.
- 3. Mandatory upon the completion of one year of continuous service and the attainment of age 30 for all other such employees.
Participation of Group I personnel employed on or after July 1, 1964, is voluntary for those employees who have not attained age 30 and mandatory for those employees who attained age 30.
- 4. An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement

plan as long as that employee remains eligible for plan participation.

B. Participation of Group II personnel employed prior to July 1, 1971, is as follows:

1. Voluntary for employees who had attained age 56 before July 1, 1971, and for employees who have completed one year of continuous service but have not attained age 30.
2. Mandatory for employees who had completed one year of continuous service and attained age 30 but not age 56 as of July 1, 1971.
3. Mandatory upon the completion of one year of continuous service and the attainment of age 30 for all other such employees.
4. Participation of Group II personnel employed on or after July 1, 1971, is voluntary for those employees who have not attained age 30 and mandatory for those employees who attained age 30.
5. An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may be eligible for plan participation.

C. Participation of Group III personnel employed prior to July 1, 1972, is as follows:

1. Voluntary for employees who had attained age 56 before July 1, 1972, and for employees who have completed one year of continuous service but have not attained age 30.
2. Mandatory for employees who had completed one year of continuous service and attained age 30 but not age 56 as of July 1, 1972.
3. Mandatory upon the completion of one year of continuous service and attainment of age 30 for all other such employees.
4. Participation of Group III personnel employed on or after July 1, 1972, is voluntary for those employees who have not attained age 30 and mandatory for those employees who attained age 30.

D. Participation of Group IV personnel is as follows:

1. Participation of Group IV personnel employed on or after January 1, 1973, is voluntary.

2. An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

E. Participation of Group V personnel is as follows:

1. Participation of Group V personnel hired on or after January 1, 1973, but no later than March 31, 1987 is voluntary.

2. An employee who enrolls under the voluntary provisions of this policy shall make an irrevocable, one-time salary reduction agreement when entering the plan; that employee may not withdraw from the University's retirement plan as long as that employee remains eligible for plan participation.

III. Termination of Contributions

Contributions on behalf of personnel in the Retirement Plan through December 31, 1987, shall terminate at the end of the fiscal year in which the employee attains age 65 or upon the earliest occurrence of any one or more of the following:

A. Cessation of regular full-time employment

B. Retirement

IV. Retirement Benefits

A. Minimum Annual Retirement Benefit and University Supplemental Retirement Income

1. Group I Personnel

For each Group I employee see AR II-1.6-1 (Section II.A.1) who was age 40 or older prior to July 1, 1964, and who was employed by the University prior to July 1, 1964, and who retires pursuant to the provisions hereof, the University will provide an annual supplemental retirement income during the lifetime of the employee, where necessary, to assure a minimum annual retirement benefit. The minimum annual retirement benefit shall be the following percentage of the basic annual salary at the employee's retirement date (unless the employee is serving outside the country on a University project and, in which case, the salary to be used in the computation shall be the basic annual salary received at the University during the year immediately preceding such foreign service):

(a) 20% plus 1% for each year of eligible service to the University plus

(b) For the employee who had attained age 56 prior to July 1, 1964, 1% for each full year by which retirement precedes the end of the fiscal year in which the employee's 70th birthday is attained. or For the employee who had attained age 51, but not age 56 prior to July 1, 1964, the following percentage:

| <u>Age</u> | <u>Percentage</u> |
|------------|-------------------|
| 51 | 1 |
| 52 | 2 |
| 53 | 3 |
| 54 | 4 |
| 55 | 5 |

In no event shall the applicable percentage exceed 20% plus 1% for each year of eligible service. Any service credit allowed for years of part-time employment shall be computed on an appropriate fractional basis. Annual supplemental retirement income, if any, shall be determined according to the following equation or formula:

$$\begin{array}{rcl} \text{Fixed Annual} & \text{Computed1} & \text{Computed2 Annual} \\ \text{Supplemental} & \text{Minimum} & \text{Retirement} \\ \text{Retirement} = & \text{Annual} & \text{Benefit from} \\ \text{Benefit} & \text{Retirement} & \text{the Funded Plan} \\ & \text{Benefit} & \text{Accumulations} \end{array}$$

1 Computed as explained above in this section

2 Computed on the basis of assumptions in Section IV.A.6(a).

Under the conditions of this formula, an employee would receive supplemental retirement income only if the computed annual retirement benefit from the funded plan accumulations is less than the computed minimum annual retirement benefits to which the employee is entitled.

2. Group II Personnel

For each Group II employee see AR II-1.6-1 (Section II.A.2) who was employed prior to July 1, 1971, and who had attained age 40 as of that date and has at least 15 years of consecutive service as of the employee's retirement date the University will provide an annual supplemental retirement income during the lifetime of the employee where necessary to assure a

minimum annual retirement benefit under the plan equal to 20% of the basic annual salary received by the participant at the retirement date plus 1% of that salary for each year of eligible service at the University. The amount of annual supplemental retirement income to be provided shall be determined according to the formula provided in Section IV.A.1.

Information regarding computation of the minimum annual retirement benefit and annual supplemental retirement income for the participant employed prior to July 1, 1964, and who has been continuously employed since that date, is provided in Section IV.A.1.

3. Group III Personnel

For each Group III employee see AR II-1.6-1 (Section II.A.3) who was employed prior to July 1, 1972, and who had attained age 40 as of that date and has at least 15 years of consecutive service at the employee's retirement date the University will provide an annual supplemental retirement income during the lifetime of the employee, where necessary, to assure a minimum annual retirement benefit under the plan equal to 20% of the basic annual salary received by the participant at the retirement date plus 1% of that salary for each year of eligible service at the University. The amount of annual supplemental retirement income to be provided shall be determined according to the formula provided in Section IV.A.1.

Information regarding computation of the minimum annual retirement benefit and annual supplemental retirement income for the participant employed prior to July 1, 1964, and who had been continuously employed since that date, is provided in Section IV.A.1.

4. Group IV Personnel

For each Group IV employee see AR II-1.6-1 (Section II.A.4) who was employed by the University prior to January 1, 1973, and whose University employment includes periods of eligible service covered in part by the United States Civil Service Retirement Plan and in part by the Group IV Plan and/or by the older University unfunded plan, the University will provide an annual supplemental retirement income during the lifetime of the employee, where necessary, to assure a minimum annual retirement benefit equal to that which would have been received had all eligible service been exclusively under the University's unfunded retirement plan. The amount of supplemental retirement income, if any, to be provided shall be computed using the following equation or formula:

Fixed Annual Computed1 Computed2 Computed3

$$\begin{array}{rcll} \text{Supplemental} & & \text{Minimum} & \text{Annual} & \text{Annual Benefit} \\ \text{Retirement} & = & \text{Annual -} & \text{Benefit from -} & \text{from Civil Service} \\ \text{Income} & & \text{Retirement} & \text{the Funded} & \text{Plan Service} \\ & & \text{Benefit} & \text{Accumulations} & \text{Retirement} \end{array}$$

1 Computed as explained in Section IV.A.1.

2 Computed on the basis of assumptions in Section IV.A.6.a.

3 Computed on the basis of assumption in Section IV.A.6.b.

Under the conditions of this formula, an employee would receive supplemental retirement income only if the sum of the computed annual benefit from the Civil Service retirement plan plus the computed annual retirement benefit received from the funded plan accumulations is less than the computed minimum annual retirement benefit to which the employee is entitled.

If an employee eligible for Civil Service retirement benefits elects to retire at an age earlier than the normal University retirement age of 65, all retirement benefits will be calculated on the age attained at retirement rather than age 65. Any University supplemental retirement benefit due the employee will be deferred until the employee attains age 65.

The policy described herein applies to retirements, which become effective on or after January 1, 1974. Employees whose service is in part with the University of Kentucky and in part with the U.S. Veterans Administration are not covered under the Group IV Plan.

5. Group V Personnel

Employees covered under the Group V plan do not have minimum annual retirement benefit rights.

6. Assumptions in Computation of Supplemental Retirement Income

In determining whether participation in the Civil Service or the funded retirement plan(s) has produced the minimum annual retirement benefit described in Sections IV.A.1 through IV.A.4, the following assumptions shall be used:

(a) Assumptions Applicable to Calculation of Benefit from the Funded Plan:

- i. That all retirement contributions, both from the employee and the University, were invested in a TIAA annuity contract

(regardless of the percentages actually allocated to the authorized retirement plan carriers), and

ii. That the retiring employee elected the single life annuity option the value of which is computed on the basis of the employee's age at time of normal retirement (regardless of the option(s) actually elected).

(b) Assumption Applicable to Calculation of Benefit from Civil Service:

That the retiring employee elected the single life annuity option (regardless of the option(s) actually elected).

7. Periods of Service

(a) As used in this retirement plan, "period of service" means the number of years of full-time employment plus credit allowed for part-time employment plus periods in an approved leave of absence status. Periods of service and eligible service shall be computed to the nearest half-year.

(b) The term "eligible service" means the number of years of full-time employment plus credit allowed for part-time employment plus periods in an approved leave of absence status plus periods in an approved disability status occurring prior to the retirement date. Eligible service also includes service that is derived from Staff Personnel Policy and Procedure regulations that govern utilization of temporary disability leave in conjunction with retirement under this Administrative Regulation.

(c) Only years of continuous service immediately preceding retirement shall be counted in computing periods of eligible service, except where a leave of absence approved by the Board of Trustees or its Executive Committee is of record. When an approved leave is for employment other than by the University, and when the absence is in excess of one year, years of absence in excess of one shall not be counted in determining supplemental retirement income, except by specific agreement at the time the leave is taken or in exceptional instances upon recommendation of the President and approval of the Board of Trustees. The period during which an employee receives benefits under the University's Total Disability Program will be included in the total period of service factor used in the computation of benefits under the non-funded retirement program.

(d) An employee who has had a break in continuous service with the University and, except for the required minimum of fifteen years of continuous service at retirement, otherwise qualifies for retirement benefits may count total service at the University in order to establish a minimum annual retirement benefit, provided total service is equal to at least fifteen years. In any event, the last re-employment date must have preceded the establishment of the funded retirement plan for the group of employees, in which the retiring employee is or was eligible to participate.

8. Retirement Age

The retirement age required under each of the various subsections of Section III may be modified by the provisions of Staff Personnel Policy and Procedure regulations that govern utilization of temporary disability leave in conjunction with retirement age.

B. Retirement Benefits Offset(s)

Any University employee who, at the time of retirement, is eligible for payments by the University under provisions of the unfunded retirement plan or under provisions for supplemental retirement income associated with the funded retirement plan, shall have any continuing benefits that are payable after retirement under the Workers' Compensation Laws or Unemployment Compensation Laws deducted from the University benefit payment. It is intended that the employee receive the total amount of the greatest single benefit but in no event receive any combination of benefits that will exceed the greatest single benefit.

Reduction in University benefit rates as a result of Workers' Compensation payments and/or Unemployment Compensation payments will be adjusted in the event that all or any portion of such payments are discontinued.

V. Survivorship Option

A. Employees eligible for supplemental retirement income pursuant to Section II may elect a spouse survivor option as to such benefits.

B. The election may be filed at any time prior to the month in which the employee attains age 65, or thereafter at any time prior to retirement.

C. If the survivor option is elected supplemental retirement income will be reduced to an amount which is the actuarial equivalent (as determined by TIAA at the time of retirement) of a joint and two-thirds benefit to the surviving spouse payable

for life.

D. Election of this option is revocable prior to the beginning of the month in which the employee attains age 65 unless, at an earlier date, benefits have been paid or accrued pursuant to said election. In all other cases the election is irrevocable.

E. Election of this option may not be exercised posthumously.

F. Survivor benefits pursuant to the provisions of this section are not payable, even though an election has been filed prior to retirement, unless the employee has (1) attained normal retirement age or (2) has been granted disability retirement pursuant to Section I. D.1.

Appendix II. Contributions and Vesting (DETAIL)

I. Contributions and Vesting

A. Group I

Notwithstanding any provision to the contrary contained herein, all Group I personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided, however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Contributions to the retirement plan shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

| <u>By the Participant</u> | <u>By the Institution</u> | <u>Total</u> |
|-------------------------------|-------------------------------|--------------|
| 5% | 10% | 15% |

B. Group II

Notwithstanding any provision to the contrary contained herein, all Group II personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided, however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Contributions to the retirement plan shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

| <u>For the Fiscal Year</u> | <u>By the Participant</u> | <u>By the University</u> | <u>Total</u> |
|--------------------------------|-------------------------------|------------------------------|--------------|
| 1971-1972 | 0.5% | 1.0% | 1.5% |
| 1972-1973 | 1.2 | 2.0 | 3.2 |

| | | | |
|-----------|-------|------|--------|
| 1973-1974 | 1.9 | 3.0 | 4.9 |
| 1974-1975 | 2.6 | 4.0 | 6.6 |
| 1975-1976 | 3.3 | 5.0 | 8.3 |
| 1976-1977 | 4.0 | 6.0 | 10.0 |
| 1977-1978 | 4.0 | 6.5 | 10.5 |
| 1978-1979 | 4.0 | 7.0 | 11.0 |
| 1979-1980 | 4.0 | 7.5 | 11.5 |
| 1980-1991 | 4.0 | 8.0 | 12.0 |
| 1991-1993 | 4.25 | 8.5 | 12.75 |
| 1993-1994 | 4.5 | 9.0 | 13.5 |
| 1994-1995 | 4.625 | 9.25 | 13.875 |
| 1995-1996 | 4.75 | 9.5 | 14.25 |
| 1996-1997 | 4.875 | 9.75 | 14.625 |
| 1997-1998 | 5.0 | 10.0 | 15.0 |
| and later | | | |

Beginning July 1, 1996, the University shall withhold the contribution of the participant from regular wage payments, add its contribution, and remit the combined sum to the retirement plan carrier(s) selected by the participant for the purchase

C. Group III

Notwithstanding any provision to the contrary contained herein, all Group III personnel who have satisfied the age and service requirements for mandatory participation shall be required to contribute on a salary reduction (pre-tax) basis all contributions which are required to be made by the participant according to the applicable contributions schedule contained herein; provided, however, that this provision shall not apply to any participant who prior to December 22, 1986, was making contributions on a salary deduction (after-tax) basis.

Contributions to the retirement plan shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

| <u>For the</u> <u>Fiscal Year</u> | <u>By the</u> <u>Participant</u> | <u>By the</u> <u>University</u> | <u>Total</u> |
|--------------------------------------|-------------------------------------|------------------------------------|--------------|
| 1972-1973 | 1.0% | 2.0% | 3.0% |
| 1973-1974 | 2.0 | 4.0 | 6.0 |
| 1974-1975 | 3.0 | 6.0 | 9.0 |
| 1975-1991 | 4.0 | 8.0 | 12.0 |
| 1991-1993 | 4.25 | 8.5 | 12.75 |
| 1993-1994 | 4.5 | 9.0 | 13.5 |

| | | | |
|-----------|-------|------|--------|
| 1994-1995 | 4.625 | 9.25 | 13.875 |
| 1995-1996 | 4.75 | 9.5 | 14.25 |
| 1996-1997 | 4.875 | 9.75 | 14.625 |
| 1997-1998 | 5.0 | 10.0 | 15.0 |
| and later | | | |

D. Group IV

Contributions to the Group IV retirement plan shall be made in accordance with the following schedule for the period of January 1, 1973, through June 30, 1987:

Contributions as a Percent of Basic Annual Salary

| | | |
|-----------------------|-----------------------|-------|
| By the Participant | By the Institution | Total |
| 1% | 2% | 3% |

Beginning July 1, 1987, contributions to the retirement plan shall be increased as follows:

Contributions as a Percent of Basic Annual Salary

| | | | |
|------------------------|------------------------------|------------------------------|--------------|
| For the Fiscal Year | By the <u>Participant</u> | By the <u>Institution</u> | <u>Total</u> |
| 1987-1991 | 4.0% | 8.0% | 12.0% |
| 1991-1993 | 4.25% | 8.5% | 12.75% |
| 1993-1994 | 4.5% | 9.0% | 13.5% |
| 1994-1995 | 4.625% | 9.25% | 13.875% |
| 1995-1996 | 4.75% | 9.5% | 14.25% |
| 1996-1997 | 4.875% | 9.75% | 14.625% |
| 1997-1998 | 5.0% | 10.0% | 15.0% |
| and later | | | |

E. Group V

Contributions to the Group V retirement plan shall be made in accordance with the following schedule:

Contributions as a Percent of Basic Annual Salary

| | | |
|-----------------------|-----------------------|-------|
| By the Participant | By the Institution | Total |
| 1% | 2% | 3% |

F. President, Provost, Executive Vice Presidents, General Counsel, and Chief of Staff to the President

Annual contributions to the Retirement Plan shall be made on behalf of the President, Provost, each executive vice president, the General Counsel, and the Chief of Staff to the President in an amount equal to the aggregate of employee and University contributions otherwise provided herein for Group I employees. Provided, however, that nothing contained herein shall be construed to impair the retirement entitlement of any President or vice president employed in that capacity as of September 18, 1979. The Chairperson of the Executive Committee of the Board of Trustees, on behalf of the Board, shall execute contracts with the individual officers providing for the age of retirement of the officers and the other details of the arrangement authorized by this Retirement Plan.

An employee who has elected to continue in employment beyond his or her normal retirement date, as established herein, may be required to retire in the event that the said employee's condition of health becomes such that it prevents the discharge of assigned duties and responsibilities.

VII. Retirement Benefits

A. Benefits through Retirement Plan Carriers

Each participant is entitled, upon separation of service, at retirement or upon electing participation in the Phased Retirement Program under AR II-1.6-2, to activate any or all retirement benefits that have been acquired under the University of Kentucky Retirement Plan in accordance with procedures and rules established by the retirement plan carriers. In addition to lump sum or partial lump sum provisions, there will be both annuitized and non-annuitized methods of withdrawal. There may be variances in the retirement withdrawal options among the carriers. All retirement plan carriers do not offer the same withdrawal options.

B. Benefits in Case of Death before Retirement

In the event of a University employee's death prior to the commencement of retirement benefits, an income or lump-sum benefit will be paid by the retirement plan carrier to the participant's designated beneficiary or beneficiaries according to policy established by the carrier.

VIII. Contributions during Leave of Absence with Pay

A participant on leave with pay shall make the employee contribution and receive the

University contribution based on the amount of the salary that is paid through the University payroll. Contributions to a participant's retirement plan shall be made on the actual salary paid through the University payroll, not to exceed the annual salary.

IX. Contributions under Uniformed Services Leave

A participant on Uniformed Services Leave shall have the ability to continue making retirement contributions to the plan. The amount of employee contributions will be made for the entire salary not received while on leave and is eligible for the University match.

X. Employment beyond Retirement

Employees who have elected to retire from University service under any of the provisions hereof shall not be eligible for reemployment except to perform duties for which fee schedules have been approved or upon the specific prior action of the Board of Trustees granting approval of the appointment. Employees who have elected to retire and who have been reemployed under this provision will be considered temporary employees.

References: KRS 164.220(3); GR X.A.4