


Date: July 1, 2016

To: Tenured Faculty Members in the School of Nursing and the School of Medicine Basic Sciences

From: Susan R. Wentz, Provost and Vice Chancellor for Academic Affairs 

Re: Retirement Incentive Plan

Retirement Incentive Plan

The *Retirement Incentive Plan* is available to eligible tenured faculty members employed by Vanderbilt University. It first went into effect on January 1, 2013, and was available only to eligible tenured faculty in University Central (all colleges and schools other than the School of Medicine and the School of Nursing). We are now extending it to eligible tenured faculty in the School of Nursing and Basic Sciences Departments in the School of Medicine who are employed by Vanderbilt University. All other aspects of the plan remain the same. The plan has two programs: the Retirement Assistance Program and the Phased Retirement Program. Either or both of these programs may be terminated upon 180 days notice. The terms of any signed written agreement will be honored if the program is discontinued by the University after a faculty member has enrolled in the program.

The two programs within the overall plan are voluntary, separate, distinct, and mutually exclusive (*i.e.*, a faculty member may choose either or neither program, but not both). Each program is available only to full-time tenured faculty members who are at least 63 years of age. Interested faculty members should discuss their plans for retirement with the Dean of their school.

Pursuant to federal regulations, the most generous aspect of the plan will be made available during a window of opportunity to those eligible faculty in the School of Nursing and Basic Science Departments of the School of Medicine who were not eligible to participate in the plan when it was initially offered between July 1, 2012-December 31, 2012 and who would otherwise not be eligible for the most generous aspect of the plan because their age exceeds the limits specified in the plan. This window of opportunity is described below as the Transition Plan for

Eligible Tenured Faculty in the School of Nursing and Basic Science Departments of the School of Medicine.

A. Transition Plan for Eligible Tenured Faculty in the School of Nursing and Basic Science Departments of the School of Medicine

A one-time window of opportunity will be provided to those tenured faculty employed by Vanderbilt University in the School of Nursing and Basic Science Departments of the School of Medicine who have at least 15 years of continuous full-time service to Vanderbilt University and will be at least 63 years of age as of July 1, 2016.¹ During the period July 1, 2016 through December 31, 2016, eligible faculty members may enter into written agreements under the conditions described below for faculty between the ages of 63 and 67 in the Retirement Assistance Program. During this window of opportunity, the Retirement Assistance Payment for any eligible faculty member will be calculated as follows:

Age at Retirement	Retirement Assistance Payment
63 or older	2.0 times the professor's stated salary

The written agreement must be entered into on or before December 31, 2016 and retirement under the Transition Plan must occur no later than August 15, 2017. The Transition Plan will close on the close of business December 31, 2016.

B. Retirement Assistance Program

This program is available only to tenured faculty members of age 63-72 who have at least 15 years of continuous full-time service to Vanderbilt University at the time of retirement. Under the terms of this program, faculty members agree to surrender their tenure and retire normally within one year of the date of signing the written agreement. Faculty may retire either at the end of the fall semester (effective December 31st) or at the end of the academic year (effective August 15th) that immediately follows their 63rd, 64th, 65th, 66th, 67th, 68th, 69th, 70th, 71st, or 72nd birthday. Retirement under this program is accompanied by a Retirement Assistance Payment, paid to the retiree at the time of retirement (but see note below concerning withholdings). The amount of the total payment is not dependent on the rank of the retiree and is determined by the following table:

¹ At one point in time, the academic year was considered to commence on September 1 of each year and faculty initial appointments were as of September 1. Subsequently, the academic year was changed to commence on August 15 of each year and faculty initial appointments were as of August 15. In the event that a faculty member choosing to retire pursuant to the Retirement Incentive Plan is short the required 15 years of service at Vanderbilt University solely by reason of the change in the designation of the academic year, the faculty member will be deemed to have satisfied that service requirement.

Age at Retirement	Retirement Assistance Payment ²
63-67	2.0 times the professor's stated salary
68-72	1.0 times the professor's stated salary

Note: Under current federal tax law, the Retirement Assistance Payment is a taxable payment for which Federal income tax withholding is required, at a flat rate of 25%. In addition, the Retirement Assistance Payment is subject to withholding for the retiree's portion of social security taxes. Federal tax law requires payments be reported annually on IRS Form W-2, Wage and Tax Statement, because this arrangement arose from an employment relationship.

As described in the Appendix to this document, faculty members who have elected to retire under this program may upon retirement continue on the Vanderbilt Health Care Plan, and the University will provide reimbursement for the cost of health care coverage for these individuals (and their spouses or same sex domestic partners, and families, where applicable). The duration of this reimbursement will depend on the number of years of full-time service provided to the University by the retiree.

Regardless of when a faculty member enrolls in the program, the faculty member must survive to the date of retirement to receive the Retirement Assistance Payment and to be eligible for health care coverage and reimbursements. Unfortunately, if a faculty member dies subsequent to the date of enrollment, but prior to the date of retirement, her or his estate will not be entitled to the benefits of this plan.

Notwithstanding a faculty member's decision to enter into this program, the University reserves the right to delay the faculty member's retirement under this program for a period not to exceed one calendar year if the Dean of the school of the faculty member or the Provost determines that such a delay is in the best interests of the University. The Retirement Assistance Payment provided in such a case will be that which would have been in effect at the date for retirement elected by the faculty member.

Faculty members who decide to enroll in the Retirement Assistance Program will be required to enter into a written agreement with the University setting forth the terms and conditions applicable to their retirement arrangements and releasing the University from any liability on account of their retirement and the terms of the program.

² For faculty members on academic year (nine-month) appointments, the stated salary is the academic year salary; for faculty members on twelve-month appointments (but whose twelve-month appointment is not the result of full-time service in an administrative position), the stated salary is the annual salary. The Retirement Assistance Payment is based on the stated salary, exclusive of administrative supplements, bonuses, and performance incentive payments. For faculty members who have full-status, partial-load appointments, the stated salary is the salary stipulated in the appointment letter for partial-load service.

C. Phased Retirement Program

Under the terms of this program, tenured faculty members who are at least 63 years of age may propose to enter into a written agreement to begin a period of up to three years of service with appointment on a full-status partial-load basis. Eligibility for fringe benefits that accompanies appointment at full-status partial-load is described in the *Faculty Manual*. The period of appointment at a reduced load will be followed irrevocably by the surrender of tenure and retirement. The “partial-load” in these appointments must equal at least 50% of a full load. Faculty members in this program may, at the discretion of the Dean and the Provost, complete all of their annual assignments in one semester; however, salary will be paid in twelve equal installments. Faculty members who have enrolled in a phased retirement program may, with appropriate notice and the approval of the Dean and Provost, retire earlier than initially planned.

As described in the Appendix to this document, faculty members who have elected to retire under this program may upon retirement continue on the Vanderbilt Health Care Plan, and the University will provide reimbursement for the cost of health care coverage for these individuals (and their spouses or same sex domestic partners, and families, where applicable). The duration of this reimbursement will depend on the number of years of full-time service provided to the University by the retiree but will not extend more than five years beyond the date that the faculty member begins phased service on a full-status partial-load basis.

Faculty members who decide to enroll in the Phased Retirement Program will be required to enter into a written agreement with the University setting forth the terms and conditions applicable to their retirement arrangements and releasing the University from any liability on account of their retirement and the terms of the program.

Questions concerning the retirement incentive plan should be directed to Vice Provost John Geer.

APPENDIX A

Health care coverage, and partial reimbursement for the cost of such coverage, will be provided for the retiree (and the retiree's spouse or same sex domestic partner, and family, where applicable) under the following terms:

Type of Coverage:

Tenured faculty members who retire pursuant to the Plan ("Faculty Retirees") and who wish to have coverage under the Vanderbilt Health Care Plan will be permitted to enroll in such plans that are made available to Faculty Retirees by the University from time to time, with the same coverages as are available from time to time to full-time, full-status tenured Vanderbilt faculty members. Coverage for individuals 65 years of age or older and who are eligible for Medicare will be limited to the amounts not covered by Medicare. In other words, for Faculty Retirees eligible for Medicare, coverage under the Vanderbilt Health Care Plan will be secondary to coverage provided by or available through Medicare. Therefore, tenured faculty members who retire pursuant to the retirement incentive plan should enroll in Medicare Part B at their earliest opportunity in order to receive full Medicare benefits.

Payment of the premiums for coverage under the Vanderbilt Health Care Plan will be at the retiree's expense. The University will, however, provide reimbursement for that portion of the premium that the University would have paid had the Faculty Retiree remained a full-time, full-status member of the faculty. This reimbursement will be made periodically, but not less frequently than annually. Under current tax laws, this reimbursement will be treated as taxable income.

Term of Coverage:

One full year of coverage under the Vanderbilt Health Care Plan will be made available for each five years of full-status service provided to the University by the Faculty Retiree, plus additional periods of coverage based on the following schedule; **provided, however, that health care coverage for the Phased Retirement Program will be limited to the period that ends five years after the date that the faculty member begins phased service on a full-status, partial-load basis.**

Schedule for Partial Years of Health Care Coverage

Years of Service	Months of Coverage
1	3 months
2	5 months
3	7 months
4	10 months

Alternative Coverage Option:

If Faculty Retirees do not wish to continue coverage under the Vanderbilt Health Care Plan, the University will pay to them an amount equal to \$500 per month for the 2013 calendar year, increased each year thereafter at the rate of 3% per year (*i.e.*, \$546 per month for the 2016 calendar year) during the period of eligibility for coverage described above. Payment for partial years of eligibility will be prorated and paid for the number of months of eligibility. Faculty Retirees may use these sums to purchase other health care coverage, if they wish, such as a Medicare Supplement or a “Medigap” policy. These payments will be made periodically, but not less frequently than annually. Under current tax laws, such payments are treated as taxable income. The Faculty Retiree may not participate in this option if he or she is also covered by the Vanderbilt Health Care Plan. A Faculty Retiree who has elected not to continue coverage under the Vanderbilt Health Care Plan may not later re-enroll in the Vanderbilt Health Care Plan.