

To: Tenured Faculty Members in University Central

From: Richard McCarty, ^{RM} Provost and Vice Chancellor for Academic Affairs

Date: June 26, 2012

Subject: Two New Programs of Assisted Retirement for Tenured Faculty

I am pleased to announce two new programs that are designed to assist tenured faculty in University Central who are contemplating retirement. These programs represent major revisions of programs that have been in place for several years. In the Retirement Assistance Program, the computation of the Retirement Assistance Payment has been simplified, the amount of the payment has been increased, and the eligibility age band has been revised. Only the age of eligibility for the Phased Retirement Program has been changed. In addition, the monthly supplement for the Alternative Coverage Option in the health care provision has been increased. Because of these major revisions, the continuation of the programs is considered to be a new retirement incentive plan.

The two retirement incentive programs announced in Provost Thomas G. Burish's memo of May 16, 2001 will cease to be in effect on December 31, 2012. The new programs will go into effect on January 1, 2013 and will be in effect at least through December 31, 2013. Because we cannot guarantee the financial impact of these new features, we are not certain that the plan will be continued beyond December 31, 2013. Either or both of these programs may be terminated upon 180 days notice. The terms of any signed 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 new retirement incentive plan will be made available in a window of opportunity to tenured faculty members who would not otherwise be eligible for the most generous aspect of the new plan because their age exceeds the limits specified in the plan. This Transition Plan will be opened on July 1, 2012 and will be closed on December 31, 2012.

I. Transition Plan

A one-time window of opportunity will be provided to full-time tenured faculty members 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, 2012. During the period July 1, 2012 through December 31, 2012, eligible faculty members may enter into agreements under the conditions described for faculty between the ages of 63 and 67 in the new Retirement Assistance Program (described below). 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 academic year salary

Retirement under the Transition Plan must occur no later than August 15, 2013. The Transition Plan will close on December 31, 2012.

II. New Retirement Incentive Plan

The new retirement incentive plan will go into effect on January 1, 2013 and will be in effect at least through December 31, 2013. The plan has two programs:

A. 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 agreement. Faculty may retire either at the end of the fall semester (December 31st) or at the end of the academic year (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:

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

Note: Under current 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.

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 an 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.

B. 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 an 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 an 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 new retirement incentive plan should be directed to Timothy McNamara, Vice Provost for Faculty.

Thank you for your careful review of these retirement options.

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.*, \$515 per month for the 2014 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.