

VANDERBILT UNIVERSITY

NASHVILLE, TENNESSEE 37240




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May 16, 2001

MEMORANDUM

TO: Deans of University Central Schools

FROM: Thomas G. Burish 

I enclose a memorandum that describes the programs of assisted retirement that we have discussed in the Dean's Council and highlights the changes that have been made in the earlier plan.

Please make certain that a copy of the memorandum describing the programs is distributed to every member of the faculty who has a tenured appointment in your school. This distribution needs to be complete prior to June 30, 2001.

Please let me know if you have any questions.


cc: Associate Provost Tuleen



May 16, 2001

MEMORANDUM

TO: Tenured Faculty Members in University Central Schools

FROM: Thomas G. Burish 

SUBJECT: Two Programs of Assisted Retirement for Tenured Faculty

In December, 1998 I announced a three-year plan that was designed to assist tenured faculty in schools within University Central who wished to retire. That plan will expire on June 30, 2001. I am pleased to announce a continuation of the two programs in this plan. We have made three changes in those programs. In the Retirement Assistance Program, the Retirement Assistance Payment will be paid to the retiree at the time of retirement (replacing the payment over a period of three years), and the minimum payment will be 0.75 times the average salary of Professors in the school of the retiree (replacing 0.50 times that salary). In addition, coverage under the Vanderbilt Health Care Plan (or a combination of Medicare coverage coverage under the Vanderbilt Health Care Plan, for eligible individuals 65 years of age and older) will be based on years of full time service (and will no longer cease at the end of the month in which the retiree attains the age of 70).

Because of these revisions, the continuation of the programs is considered to be a new plan. The Retirement Assistance Program must and will be made available in a window of opportunity for all tenured faculty over the age of 62 who would otherwise be eligible for the program. That window of opportunity will begin on December 31, 2001 and end on August 31, 2002.

This new plan will be in place at the end of the fall semester, 2001 and will be in effect at least through August 31, 2002. After that date either or both of

these programs may be terminated upon 180 days notice. Because we cannot guarantee the financial impact of these new features, we are not certain that the plan will be continued beyond that date. If it is continued, the Retirement Assistance Program will be available only to eligible tenured faculty of ages 62-65 after August, 2002.

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 characterized by the fact that it is available only to full-time tenured faculty who are at least 62 years of age. Interested faculty members should discuss their plans for retirement with the Dean of their school.

#### I. Retirement Assistance Program

This program is available only to tenured faculty of age 62-65 who have at least 15 years of full-time service to Vanderbilt at the time of retirement. Under the terms of this program faculty members agree to surrender their tenure and retire either at the end of the fall semester (December 31) or at the end of the fiscal year (June 30) that immediately follows their 62nd, 63rd, 64th, or 65th birthday. Retirement under this program is accompanied by a Retirement Assistance Payment (RAP), paid to the retiree at the time of retirement (see note below). The amount of the total payment is not dependent on the rank of the retiree and is determined by the following formula:

$$\text{Retirement Assistance Payment} = (F \times A) - (1.5 \times R),$$

where A is the average stated academic year salary of tenured full-time Professors in the school of the retiree (exclusive of those with appointment at the ranks of Distinguished Professor and Named Professor), R is the stated academic year salary of the Retiree, and the factor F depends upon the age of the retiree, as shown in following table. The Retirement Assistance Payment may not be greater than  $1.5 \times A$  or less than  $0.75 \times A$ .

Age of Retiree	Value of F
62	2.50
63	2.40
64	2.30
65	2.20

*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 28%. Vanderbilt does not represent or guarantee that the amount to be withheld for federal income taxes will be sufficient to pay those taxes, because the total income tax on the Retirement Assistance Payment is affected by other sources of income. In addition, the Retirement Assistance Payment is subject to withholding for the retiree's portion of social security taxes.*

Upon retirement, the faculty member may continue on the Vanderbilt Health Care Plan and the University will provide reimbursement for the cost of health care coverage, as described in the Appendix to this document, for individuals (and their spouses and families, where applicable) who have retired under this program. 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, a faculty member must survive to the date of retirement. Therefore, a faculty member who dies subsequent to the date of enrollment, but prior to the date of retirement, will not be entitled to the benefits of this plan. The terms of the contract will be honored if the program is discontinued by the University after a faculty member has enrolled in the program.

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 delay is in the best interest 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.

A one-time window of opportunity will be provided to full-time tenured faculty who have at least 15 years of continuous full-time service to Vanderbilt and whose age will be 62 or greater as of December 31, 2001. During the period December 31, 2001 through August 31, 2002 these faculty may enter into agreements under the Retirement Assistance Program under the conditions described above for faculty between the ages of 62 and 65. During this window of opportunity the retirement assistance payment for these individuals will be calculated based on an age at retirement of 62. This window of opportunity will extend through August 31, 2002.

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.

## II. Phased Retirement Program

Under the terms of this program tenured faculty who are at least 62 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; salary will be paid, however, in twelve equal installments. Faculty 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.

Upon retirement, the faculty member may continue on the Vanderbilt Health Care Plan and the University will provide reimbursement for the cost of health care coverage, as described in the Appendix to this document, for individuals (and their spouses and families, where applicable) who have retired under this program. 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 be limited to a maximum of five years of coverage, beginning with 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 these programs should be directed to the Dean of your school or to Associate Provost Tuleen.

## APPENDIX

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

### Type of Coverage:

Tenured faculty who retire pursuant to the Plan ("Faculty Retirees") 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. **Provided, however,** that 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 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 available health care plans 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 a 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 Plan will be limited to a maximum of five years of coverage beginning with 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 Options:

If Faculty Retirees do not wish to continue coverage under any of the available health care plans, the University will pay to them an amount equal to \$192 per month for the 2004 calendar year, increased each year thereafter at the rate of 3% per year (*i.e.*, \$198 per month for the 2004 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.