



THE FACULTY RETIREMENT INCENTIVE PROGRAM

Office of the Provost
Stanford University

Stanford faculty are not constrained to retire at any age, but nevertheless typically consider retirement arrangements as part of their personal and professional planning. From time to time, Stanford has taken steps to help make faculty retirements financially feasible. Effective February 23, 2009 through August 31, 2009, Stanford will be offering eligible faculty an election to participate in a one-time Special Retirement Opportunity. Following the Special Retirement Opportunity, the benefits available under the Faculty Retirement Incentive Program will change.

What is the Faculty Retirement Incentive Program?

The Faculty Retirement Incentive Program is a voluntary plan that provides a participating faculty member or Hoover Institution Senior Fellow with financial support to facilitate retirement. The amount of the support is generally based on the participant's age and base salary. In the past, benefits under the Program have been payable in a single lump sum at the time of retirement. Starting September 1, 2009, eligible faculty who participate in the Program will retire and be recalled to active duty on a 50% FTE basis for one or two years, depending on age at the time of retirement. Half of the benefit will be payable along with 50% FTE salary over the recall period, and the other half of the benefit will be payable in a lump sum payment upon completion of the recall appointment. However, eligible faculty who apply by August 31, 2009 and retire not later than March 15, 2010 may participate in a Special Retirement Opportunity and receive benefits (in some cases, enhanced benefits) payable in full at retirement in a single lump sum, with no recall appointment.

Who is Eligible?

Under the Program in effect until February 23, 2009, Academic Council and Medical Center Line faculty and Hoover Institution Senior Fellows with at least 15 years of service at Stanford University at 50% FTE or more, and who at retirement were at least 60 and not older than 69, were eligible to apply for participation in the Program. In addition, a special rule extended eligibility, for a limited period following completion of the 15-year service requirement, to those who were older than the covered age group when they first satisfied the service requirement. Starting September 1, 2009, the eligible age group will change from 60-69 to 63-71, and the service requirement will be modified to require that the final five years of service be as a member of the Academic Council or the Medical Center Line faculty or as a Hoover Institution Senior Fellow. There will continue to be a special rule extending eligibility for a limited period to those who are older than the covered age group when they first satisfy the service requirement.

Important Note: During the Special Retirement Opportunity that is available from February 23, 2009 until August 31, 2009, all faculty and Hoover Institution Senior Fellows who will be 60 or older with at least 15 years of service at retirement are eligible to participate. In other words, there is no upper age limit on eligibility for the Special Retirement Opportunity.

In determining years of service, sabbatical leaves are included, but leaves without salary are excluded. Service at the University in a staff position counts toward the service requirement; however, the last five years must be as a member of the Academic Council or the Medical Center Line or as a Hoover Institution Senior Fellow. Part or full time assignments at affiliated institutions (such as the Palo Alto Veterans Administration Medical Center or the Howard Hughes Medical Institute) while on the faculty are included. Faculty members must resign from any employment held at such affiliated institutions as part of their faculty duties effective no later than the date of retirement under the Program.

Program Benefits

The amount of the benefit payable under the Program is generally determined by the participant's approved base salary for the academic year of retirement. The amounts in effect before February 23, 2009 are as shown below:

<u>Age at Retirement</u>	<u>Payment at Retirement</u>
60 - 66	2.0 x salary
67 - 69	1.0 x salary

Participants who applied before February 23, 2009 to retire under FRIP were eligible to receive their benefits in a single lump sum payment. If the participant completed the 15-year service requirement after the end of the fiscal year in which he or she attained age 65 and retired before the end of the first full fiscal year after completing the service requirement, the benefit was equal to 2.0 x salary, regardless of age.

Starting September 1, 2009, benefits will be provided over a one- or two-year recall period followed by a lump sum payment upon completion of recall service. During the recall period, a participant will have a 50% FTE recall appointment and will receive payments according to a normal payroll schedule equal to the participant's full final salary at retirement. The payments will reflect salary for the 50% FTE recall appointment and a portion of the participant's benefit under the Program. Upon completion of the recall service, the participant will receive the remaining FRIP benefits in a lump sum payment, and there will be no further recall. The table below shows the length of the recall appointment, amount of the benefit paid during the recall period, and the amount paid in a lump sum upon completion of the recall appointment:

<u>Age at Retirement</u>	<u>Length of 50% Recall Appointment</u>	<u>FRIP Benefit Paid During Recall</u>	<u>FRIP Benefit Paid after Recall</u>
63 to 67	2 years	0.5 x salary paid each year	1.0 x salary
68 to 71	1 year	0.5 x salary	0.5 x salary

If the participant completes the 15-year service requirement after reaching age 68 and retires within one year after completing the service requirement, benefits will be payable as if the individual had retired at age 67.

Medical School faculty generally receive a benefit based on the sum of their "base" component at retirement under the Medical School's compensation plan and the average of the preceding three years' "variable" component. Faculty who retire immediately after concluding a senior administrative appointment, such as President, Provost or Dean, will receive a benefit based on their faculty salary, not their administrative appointment salary.

FRIP Transition Plan effective February 23, 2009 – August 31, 2009

Eligible faculty who choose to participate in the Special Retirement Opportunity will not have a recall appointment, but will instead receive a single lump sum payment upon retirement by March 15, 2010. The amount of the payment will be equal to 2.0 x salary – the maximum benefit otherwise payable under the Program – regardless of age. This payment will be increased, if the individual is at least age 65 at the time of retirement, by an additional Special Retirement Incentive, payable at the same time. The amount of the additional Special Retirement Incentive will be determined based on the participant's years of service, determined in the same manner as for purposes of eligibility, as shown below:

<u>Years of Service</u>	<u>Special Retirement Incentive Payment</u>
15 but less than 16 years	6/12 base pay
16 but less than 18 years	7/12 base pay
18 but less than 20 years	8/12 base pay
20 but less than 22 years	9/12 base pay
22 but less than 24 years	10/12 base pay
24 but less than 26 years	11/12 base pay
26 years or more	12/12 base pay

Only a participant's base pay, and not any variable component of the participant's pay, will be used to determine the amount of the participant's Special Retirement Incentive.

Emeritus Status

A faculty member taking advantage of the Faculty Retirement Incentive Program becomes an official University retiree and receives the emeritus or emerita title authorized by the Board of Trustees (thereby relinquishing any tenure or other continuing appointment rights). Academic Council faculty become Senior Members of the Academic Council with privileges of the floor and service on committees, but without the right to vote or hold office. Emeriti may retain a campus home and receive free campus parking privileges. Official University retirees may also use the Tuition Grant Plan for any eligible children. Other benefits include participation in a University health plan, use of the libraries, and access to other facilities and services of the University. Allocation of office or laboratory space and/or secretarial services varies by department and school. Questions about space and other services should be addressed to the department chair or Dean.

Apart from the 50% FTE recall period under the Program, emeriti faculty will generally not be eligible to be recalled to active duty. In unusual cases, the Dean may request a special recall appointment to meet a specific programmatic need, fulfill grant requirements or provide other institutional benefits. Emeriti faculty may be recalled (without tenure and without any continuing appointment) on a quarterly or yearly basis.

How to Apply

Eligible individuals who wish to participate in the Faculty Retirement Incentive Program must submit an application form to their Department Chair, Director, or Dean, as applicable. The Chair, Director, or Dean will forward the application form to the Provost's Office. Upon approval of the application, the Provost's Office will forward a form of Agreement and Release to be signed both by the eligible individual and by the Provost. An individual's participation in the Program will begin only if and when both the individual and the Provost have signed the Agreement and Release. For participants who apply after September 1, 2009, a second Release will be required at the end of the 50% FTE recall period as a condition of the final lump sum payment. No rights accrue under the Program unless and until both the individual and the Provost have signed the Agreement and Release. Individuals who wish to apply to participate in the Program should contact the Provost's Office for details regarding notice, agreement and timing requirements. The Provost's staff will provide confirmation of eligibility to apply for participation in the Program.

Important Note: Faculty who wish to participate in the Special Retirement Opportunity must complete and submit a special application form to their Department Chair, Director, or Dean, as applicable, no later than August 31, 2009. Please contact the Provost's Office for details.

Resources for Retirement Planning

All payments under the Program are taxable income. For purposes of personal financial planning, the University will provide Academic Council and Medical Center Line faculty and Hoover Institution Senior Fellows up to \$500 in reimbursement for the services of financial

planners or consultants. This reimbursement, which is treated as taxable income to the faculty member, is available only once in an individual's career and requires the submission of a receipt to the Faculty Affairs Group of the Provost's Office. Please contact the Faculty Affairs Group (facultyaffairs@stanford.edu) of the Provost's Office at 723-4830 for more information about this reimbursement.

Faculty with a campus home should contact the Housing Office to discuss how retirement will affect housing-related benefits. BenefitSU provides information about the Stanford Contributory Retirement Plan, the tax-deferred annuity programs, and the University's benefits programs for retirees. Inquiries about these programs and benefits should be addressed via the BenefitSU web site (<http://benefitsu.stanford.edu/>).

The Faculty Retirement Incentive Program, like any University benefits program, is subject to change or termination by the University. Only those benefits that are payable to an individual who is a party to a fully executed Agreement and Release (see "How to Apply" above) will be protected from change or termination by the University.

If you have questions concerning the Program or reimbursements for financial planning, please contact the Provost's Office of Faculty Affairs at facultyaffairs@stanford.edu or at 723-4830.