February 22, 2010

Dear Colleague,

I write to announce a new retirement plan that will supplement the current retirement arrangements that we provide for eligible tenured faculty members. Implementation of the plan begins with an initial phase which is in effect until August 31, 2010 and is available to faculty born before September 1, 1945. On July 1, 2010, the steady-state version of the plan will begin for those faculty between the ages of 65 and 70. This plan will become our new plan in the future, available to faculty between the ages of 65 and 70 in each future year. With the introduction of the new plan coupled with our existing plans, special retirement arrangements will not be available in the future. Further information will be provided at meetings to be held during the spring semester or is available from me and members of my office or at http://www.princeton.edu/dof/faculty/firp/. I will hold an open meeting after the 4:30 p.m. faculty meeting on March 1\(^\text{st}\) to answer questions and more fully describe the new plan.

Rationale

In 1994, a federal law prohibited college and universities from having a fixed retirement age for tenured faculty. Prior to that, a mandatory retirement age was permitted which made it possible for departments to plan for the constant renewal of their faculties. While many faculty members continued to retire at or before 70, we have noticed that since 1994 our opportunities for faculty renewal have become more limited. In particular, our faculty has grown by 90 in that time but the number of assistant professors has decreased by 10. While this change has many causes in addition to the absence of a fixed retirement age, a consequence is that the number of positions for new PhDs has been declining, thereby limiting opportunities for the profession to renew itself. If this situation continues, we face the danger that the academy will lose a generation of scholars.

With these concerns in mind, I convened a series of faculty focus groups in 2008 to seek advice about possible changes in our retirement policies. With the benefit of their perspectives, I began to identify factors that would make retirement a welcome option for our faculty, including ways in which we could best engage our emeritus faculty as part of our intellectual community post-retirement. My goal was to devise a program that was focused – to offer a new retirement plan to incentivize our tenured faculty to embrace 65-70 as an appropriate retirement age if they so choose; transparent – to be clear about the options that are available; flexible– to allow individual faculty members to determine the path towards emeritus status that works best for them; respectful – to allow faculty members to continue to be productive members of the University community at the level that seems right for them; and fair – to ensure that everyone has access to the same options.

With the economic turbulence of the fall and winter of 2008-09, it became clear that we should wait to develop a new retirement plan until the markets had stabilized. At the same time, I was hearing from faculty members who were ready to retire but had found their retirement nest eggs reduced. In recent months the time seemed right to convene an ad hoc faculty committee\(^1\) to craft a new retirement plan that

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\(^1\) Members of the committee are Sandra Bermann(Comparative Literature), Dan Garber(Philosophy), Christina Paxson(Economics and WWS), Vince Poor(Electrical Engineering and SEAS), Peter Sarnak (Mathematics), Eldar Shafir(Psychology and WWS), Lex Smits (Mechanical and Aerospace Engineering), David Spergel(Astrophysical Sciences) and Marta Tienda (Sociology and WWS).
best meets our needs. Despite the budget challenges the University has faced in the last two years, this plan is not part of our budget savings initiative. Its goals are to provide a fair benefit to those who choose to retire and to enable us to open up positions for scholars at the beginning of their academic careers who will form the future of Princeton and of our peer institutions. We are also committed to working with academic departments to continue to engage emeritus faculty who wish to remain active in their teaching and scholarship.

We have crafted the new plan in two phases. There is an initial phase which will be in effect from today through August 31st of this year. Beginning July 1, 2010 we will begin a new plan which will provide incentives for the foreseeable future. Eligibility for these plans is as follows:

- If you were born before July 1, 1940, you will be eligible only for the initial plan.
- If you were born between July 1, 1940 and June 30, 1945, you will be eligible for the initial plan until August 31st and eligible for the new plan after July 1, 2010 but not both.
- If you were born after June 30, 1945, you will become eligible for the new plan when you turn 65.

The initial plan

Under the terms of the initial plan, a retirement-eligible faculty member who was born before September 1, 1945 may choose to retire during the next academic year (effective July 1 or September 1, 2010, or February 1 or July 1, 2011) or may begin a phased retirement that starts on July 1, 2010 and lasts for up to three years. The bonus for electing one of these options before August 31, 2010 will be one and one-half year’s salary. (Throughout this memo, “salary” for periods of phased retirement or for bonus payments is computed as the faculty member’s salary at the time of signing the agreement to retire or the average salary of faculty members at the same rank, whichever is higher.) The bonus will be paid as a lump sum at the time of signing. Faculty members who choose to do so will then be eligible to retire at one of the dates listed above or to work for up to three years at half time during which time they will receive half salary. The bonus provided under the initial plan is equivalent to the maximum benefit that will be available under the new plan, which will take effect starting July 1, 2010. The initial plan is the only plan available to faculty members born before September 1, 1940.

The new plan

The new plan will be an age-based retirement incentive plan which offers a bonus at the time of signing and also offers an opportunity to enter phased retirement for some number of years after signing. It works as follows:

At the end of the semester in which a faculty member aged 65-69 signs the agreement, a bonus will be paid amounting to the following multiplier of salary based on the faculty member’s age at the time the agreement was signed. This premium will apply if the faculty member retires at the end of the year in which the agreement is signed, or if the faculty member elects to continue teaching half-time according to the table below.

<table>
<thead>
<tr>
<th>Faculty members age</th>
<th>65</th>
<th>66</th>
<th>67</th>
<th>68</th>
<th>69</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonus as a multiple of salary</td>
<td>1.5</td>
<td>1.25</td>
<td>1</td>
<td>0.75</td>
<td>0.5</td>
</tr>
</tbody>
</table>

As indicated, faculty members will be eligible to continue teaching half time, for which they will receive half salary, up to the number of years in the following table based on their current age.

<table>
<thead>
<tr>
<th>Faculty members age</th>
<th>65</th>
<th>66</th>
<th>67</th>
<th>68</th>
<th>69</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of phased teaching possible</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

Faculty who wish to work full time up to retirement can instead qualify for a bonus equal to one year of their final salary at retirement by signing a retirement agreement before turning 67, committing to transfer
to emeritus status at a mutually agreed retirement date not later than the end of the academic year in which he or she turns 70. The faculty member must work continuously at Princeton through the agreed retirement date and retire on that date to receive the bonus payment.

Faculty members who have reached the age of 70 are eligible only for the initial phase of the plan. Their eligibility ends on August 31, 2010.²

Emeritus Status

We expect faculty members who retire under either phase of the new plan to assume emeritus status with all the rights and privileges of that status. These include the benefits that are available to all retired Princeton employees (http://www.princeton.edu/hr/benefits/retiree/) as well as continued access to the University libraries, the gym, and parking privileges. In addition, there will be support for research and teaching activities for emeritus faculty. Emeritus faculty are eligible to apply for Learned Society Travel; those in the humanities and social sciences can apply for grants from UCRH&SS; and all emeritus faculty can apply for government grants through Princeton to support up to 49% of their time. Faculty who retire under either plan will continue to have access to remaining funds in their 2000- accounts in support of ongoing academic activities. In addition, these accounts will be supplemented by a $5,000 grant at the time of transfer to emeritus status to ease this transition. Departments may choose to offer faculty the opportunity to teach for up to one course per year in the first three years of emeritus status. While on emeritus status, faculty who teach will hold the rank of Lecturer with the rank of Professor and those who are supported by federal grants will hold the title of Senior Scholar while also holding their emeritus title.

Further Questions

I recognize that this memo leaves lots of questions unanswered. We have assembled a list of questions that we anticipate at http://www.princeton.edu/dof/faculty/firp/ and we will update it as new questions arise. I look forward to seeing you at the open meeting after the 4:30 p.m. March 1st faculty meeting. We have arranged with representatives of the Office of Human Resources (Michelle Kalayjian, 268-8960), TIAA-CREF (Ron Homer (609) 243-6047), and Vanguard (Sam Evans (610) 503-4871) to be available for discussions about retirement planning, and Associate Dean Sandra Johnson (sandyj@princeton.edu, 258-5230) is also available to help.

I sincerely hope that you will take advantage of the resources listed above to explore these plans and consider whether one of them is right for you. As I mentioned earlier, these plans are important for the University because they recognize the enormous contributions that our more experienced faculty members have made to Princeton’s intellectual health and vitality, while also helping to ensure the faculty renewal that is essential to sustaining the University’s excellence and vitality into the future.

David

²There is a narrow legal exception for those few faculty who would not otherwise have had the opportunity to take advantage of the Plan.