Frequently Asked Questions – Updated March 18, 2020

Ohio University 2020 Faculty Voluntary Separation or Retirement Program

BACKGROUND AND ELIGIBILITY FOR THE PROGRAM

1. What is the program being offered?

The University is offering certain faculty and staff with faculty rank and status the ability to voluntarily separate or retire from the University on May 31, 2020 in exchange for a severance incentive payment, and for participants in the University's health insurance plan, an additional insurance supplement to assist with purchasing insurance on the external market.

There are two ways participants can separate employment with the university under the program. Individuals eligible to retire can separate employment via a retirement separation. Individuals not eligible to retire can separate employment through a voluntary separation.

To be considered a retiree, you must meet the eligibility requirements in University Policy 41.090 by May 31, 2020. Per University Policy 41.090 to separate service as a retiree you must be a benefits eligible employee per University Policy 41.101, have at least five years of service with the University, and must have achieved a total qualified service and age combination of at least five years of service and least age 60, or at least 25 years of service and at least age 55, or at least 30 years of service at any age. You do not need to retire from STRS or your Alternative Retirement Plan to separate service from the University as a retiree.

2. Why is the University offering early retirement incentives to faculty and staff?

The University is offering early retirement incentives for operational and budgetary purposes.

3. Who is eligible to participate in the program?

The program is being offered to tenured professors; tenured associate professors; and administrative staff with the academic rank of tenured professor or tenured associate professor.

Eligible Employee does not include: (i) all employees of the Heritage College of Osteopathic Medicine, including tenured professors; tenured associate professors; and administrative staff with the academic rank of tenured professor or tenured associate professor; (ii) visiting, temporary, or on-call employees; (iii) special contract employees; (iv) any employees who have previously agreed to a buy-out offer, including an early retirement incentive plan; (v) an employee who has participated in the faculty early retirement program; (vi) an employee who has received notice of separation from service on or before May 31, 2020, including notification of a nonrenewal of an employment agreement; and (vii) the positions of President, Executive Vice President and Provost, and Chief Medical Affairs Officer.

4. I am not eligible for retirement benefits under STRS, OPERS, or ARP rules. Am I still permitted to participate in this program?

Yes. This program is a voluntary separation **or** voluntary retirement program. If you are eligible to retire from the university, your separation can be considered a retirement. If you are not eligible to retire from the university, you can still participate as a voluntary separation.

Please note: Your eligibility for retirement benefits under STRS, OPERS, or ARP rules are separate from your eligibility for retirement under University Policy 41.090 and this program. You should contact STRS, OPERS, or your ARP provider if you have any questions about your eligibility for those retirement benefits.

5. I separated from the University under a voluntary separation or early retirement incentive program offered in the past or via the Faculty Handbook early retirement program. Am I still permitted to participate in this program?

No. Employees who have retired under previous voluntary or retirement incentive programs offered by the University or the via Faculty Handbook early retirement program are not eligible to participate in this program.

6. I provided notice of my intent to retire in 2020 before the University announced this program. Am I still permitted to participate in this program?

Employees who indicated their intent to retire in 2020 may participate in this program provided they have not already separated service from the university and meet the eligibility requirements on or before May 31, 2020.

INCENTIVE BENEFITS AND PAYMENTS

7. If I participate in this program, what benefits will I receive?

All participants will receive a payment equal to 100% of the Eligible Employee's Base Rate of Pay. Base rate of pay does not include additional pay such as overloads, summer teaching, additional pay, and etc.

For employees with an exit date of May 31, 2020 or June 27, 2020 the total amount of the base rate of pay payment will be made in four equally divided payments on the following schedule: (1) the final payroll processed in July 2020; (2) the final payroll processed in December 2020; (3) the final payroll processed in July 2021; and (4) the final payroll processed in December 2021.

For employees with an exit date of August 15, 2020, the total amount of payment will be made in three equally divided payments on the following schedule: (1) the final payroll processed in December 2020; (2) the final payroll processed in July 2021; (3) the final payroll process in December 2021.

For employees with an exit date of December 31, 2020 the total amount of payment will be made in two equally divided payments on the following schedule: (1) the final payroll processed in July 2021 and (2) the final payroll processed in December 2021.

For an Eligible Employee enrolled in the University's medical insurance plan as of February 1, 2020, an additional taxable payment of $20,000 to help defray the cost of medical expenses. This payment will be processed in the first payment according to the above applicable schedule based on his or her exit date.

The base rate of pay payment and health care payment will not include employee or employer contributions to retirement plans.

Participation in and receipt of any and all other retirement plans and benefits offered to an Eligible Employee will remain unchanged. For example, Faculty who participate and are eligible to retire will also

receive the retirement sick leave pay out normally provided to retirees by university policy. See the FAQ regarding unused sick leave pay.

Separating (non-retiring) eligible employees and their qualified dependents who are currently enrolled at the University are eligible to receive educational benefits as set forth in University Policy 40.015 and 40.016 continuing on the exit date of May 31, 2020 and terminating on or before December 31, 2022 for undergraduate and graduate benefits. Such educational benefits are considered taxable income. The University will furnish the separating employee with proper tax-related documentation to include when filing their taxes.

Retiring Eligible Employees and their dependents are eligible to receive the education benefits as set forth in University Policies 40.015 and 40.016 (as may be amended, restated or rescinded in the future.)

8. Are these payments retirement benefits?

No. The payments made to participants are considered severance payments. This early retirement incentive program is not a retirement program and is not intended to provide retirement income.

9. What is the severance pay limit under Sections 4(a)(iii) and 4(c) and how do you calculate it?

(a) *409A Statutory Limit.* To begin, the calculations under Sections 4(a)(iii) and 4(c) represent the statutory maximum amount imposed by the Internal Revenue Code on severance payments. In no event can the aggregate severance payments (including cash payments, education benefits, etc.) for a University employee exceed that amount. This calculation is based on actual payments made to the former employee under the VSRP, not on the possibility of a payment occurring. The University will track all payments made under the VSRP until December 31, 2022, when all benefits under the VSRP should cease.

(b) *Annualized Compensation.* In Sections 4(a)(iii) and 4(c) of the plan, mirror regulatory language, under Treasury Regulation section 1.409A-1(b)(9)(iii), closely. The relevant regulatory language is as follows:

The sum of the service provider's annualized compensation based upon the annual rate of pay for services provided to the service recipient for the taxable year of the service provider preceding the taxable year of the service provider in which the service provider has a separation from service with such service recipient (adjusted for any increase during that year that was expected to continue indefinitely if the service provider had not separated from service)….

The term "annualized compensation" has, generally, been interpreted as an employee's annual base salary or rate of pay. Any adjustments to this amount may only be increases, not decreases.

The University will use an employee's base rate of pay and make increases for any incentive compensation opportunity that would have been substantially likely to be paid if the employment relationship continued (e.g., bonus amounts under an annual bonus program that the employee customarily received.)

(c) *Examples.* The following examples illustrate how the 409A statutory limit is applied to employees separating from employment under the VSRP. For the following examples, we will use the Code section 401(a)(17) limit for 2020 – $285,000. Annualized compensation will be based on the employee's base rate of pay, with upwards adjustments for bonuses that are expected to continue

indefinitely. Instructional fees and non-resident fees are based on current Athens Undergraduate Tuition rates).

Example 1.
Facts: Employee A is a Separating Eligible Employee. In 2019, Employee A earned a base pay of $105,000. He also received a $3,000 incentive bonus in 2019, which he never received before and did not expect to receive again. His annual base rate of pay on February 1, 2020, was $105,000. Employee A was not enrolled in the University's medical insurance plan at any time. Employee A doesn't use Education Benefits at any time before December 31, 2022.

Conclusion: Employee A will have a total severance benefit of $105,000, because that was his annual base rate of pay on February 1, 2020, and he was not eligible for the medical benefit under Section 4(a)(ii). An adjustment for the $3,000 incentive bonus will not be made to increase his base salary because it was not a payment that was "expected to continue indefinitely." The maximum severance benefit Employee A can receive is $210,000 (two times his 2019 annualized compensation of $105,000). This amount is used because it is less than $570,000, which is two times the Code section 401(a)(17) limit of $285,000. As his severance benefits of $105,000 are less than $210,000, he has not exceeded the limit set under Sections 4(a)(iii) and 4(c).

Example 2.
Facts: The facts are the same as in Example 1, except that Employee A has a daughter who enters the University as a freshman in the Fall semester of 2020 and had been enrolled prior to Employee A's Exit Date. She is a qualified dependent under University Policy 40.016. Daughter is not a resident of Ohio. Daughter takes 12 credit hours in her first semester and then decides college isn't for her and drops out.

Conclusion: Employee A receives via daughter education benefits of $9,122 (waived instructional fees of $4,640 and non-resident fees of $4,482). Employee A's total severance benefit is now $114,122. He has not exceeded the $210,000 limit set under Sections 4(a)(iii) and 4(c).

Example 3.
Facts: The facts are the same as in Example 2, except that Employee A was enrolled in the University's medical insurance plan as of February 1, 2020. Employee A also has twin sons who were freshman at the University when Employee A separated from employment. They are qualified dependents under University Policy 40.016. The twins are not residents of Ohio. The twins each take 12 credit hours for five semesters until December 31, 2022.

Conclusion: Employee A receives $20,000 in medical benefits in 2020. Employee A also receives via the twins' education benefits of $75,878. (The twins received waived instructional fees of $9,280 and non-resident fees of $8,964 each semester for four semesters. In the fifth semester they only received fee waivers of $2,902 because Employee A has reached his statutory limit). Employee A's total severance benefit is $210,000. Because the University has cut off the fee waivers to his twin sons, he has not exceeded the limit set under Sections 4(a)(iii) and 4(c).

Example 4.
Facts: Employee B is a Retiring Eligible Employee. In 2019, Employee B earned a base pay of $105,000. He was enrolled in the University's health insurance plan as of February 1, 2020. His annual base rate of pay on February 1, 2020, was $105,000. He has a dependent daughter who was enrolled at the University prior to Employee B's Exit Date.

Conclusion: Employee B will have a total severance benefit of $125,000, because that was his annual base rate of pay on February 1, 2020, and he was eligible for the medical benefit under Section 4(a)(ii). Employee B receives education benefits for his daughter, but the benefit amount does not count toward the limit set under Sections 4(a)(ii) and 4(c) because Employee B is retiring and University Policies 40.015 and 40.016 govern the educational benefits for retirees.

10. Is sick leave or vacation payouts included in the severance pay limit?

No, sick leave and vacation payouts are not included in the severance pay limit. Sick leave and vacation payouts will not occur under the VSRP, but according to University Policies 40.029 and 41.001, which provide for the conversion and payment of unused sick leave and vacation. Because they are not provided under the VSRP, they are not included in the severance pay limit.

11. In what situation would an employee not get their entire base salary?

If their salary was $570,000.01 or more. The severance pay limit represents the maximum amount an employee can receive under the VSRP. The maximum is the lesser of two times annualized compensation or two times the Code section 401(a)(17) limit, which is two times $285,000, or a total of $570,000. Thus, if an employee's base salary is $570,000.01, they have exceeded the two times Code section 401(a)(17) limit, which, in this case, is less than two times the annualized compensation.

Assuming an employee's annualized compensation is equal to their base salary with no adjustments, if the employee's base salary is $285,000 or more, then the severance pay limit is $570,000. Thus, if an employee's base salary is $300,000, their severance pay limit is $570,000. This means they will have a severance payment of $300,000, and they can accrue an additional $270,000 of education and medical benefits. And if an employee's base salary is less than $285,000, then the severance pay limit is two times their annualized compensation. Thus, if an employee's base salary is $100,000, their severance pay limit is $200,000. This means they will have a severance payment of $100,000, and they can accrue an additional $100,000 of education and medical benefits.

12. How will I receive the payments?

All payments will be made via the university payroll process. Meaning they will be paid in the same manner that you currently receive your current semi-monthly pays (direct deposited to your current bank).

13. Will I be taxed on the payments I receive?

Yes. Both the incentive payment and the additional health insurance supplement are subject to income tax and withholdings required by federal and state law. However, the payments do not include employee or employer retirement plan contributions.

14. How will unused vacation be paid out to me?

If you were eligible for vacation time, unused vacation time will be paid out in accordance with University Policy 41.001. Consistent with this policy, eligible, earned, and unused vacation time will be paid out in a lump sum payment at the employee's current rate of pay upon separation or retirement from the University. The payout is limited to a maximum of 32 days. Vacation pay outs will be paid in the pay period following your exit date, or as soon as feasible thereafter.

15. How will unused sick pay be paid out to me?

In accordance with University Policy 40.029 unused sick leave is paid out only to participants who are retiring with 10 or more years of service. Retirees with 10 or more years of creditable state service may elect to be paid for one-fourth of their sick leave balance up to a maximum of 30 days, or carry forward the total sick leave balance for future anticipated state employment. Retirees with fewer than 10 years of creditable state service, or participants who are not eligible to retire will not be paid out any unused sick time. Sick pay outs will be paid in the pay period following your exit date, or as soon as feasible thereafter.

16. I have a 9 month appointment and spread my pay over 12 months. What happens to the deferred pay I was scheduled to receive in June, July, and/or August?

Any pay you deferred and were scheduled to receive after your exit date will be paid to you in one lump sum on the dates listed below:

- May 31, 2020 exit date: June 15, 2020
- June 27, 2020 exit date: July 15, 2020
- August 15, 2020 exit date: August 15, 2020
- December 31, 2020 exit date: December 31, 2020

This payment will be made through the payroll process and directed to where your current pays are directed. Appropriate taxes and retirement contributions will be deducted from this pay out.

17. I receive a "fiscal increment" as a Chair or Director. Is that included in the 100% of base salary incentive?

Yes, per university policy base salary includes a fiscal increment provided to a chair or director.

PROCESS TO PARTICIPATE IN THE PROGRAM

18. How do I indicate my interest in participating?

If you wish to indicate your interest in participating in the early retirement incentive program, complete the VSRP Election Form, and the Release and Waiver of Claims Agreement form and submit them to Human Resources by April 4, 2020. The program requires you separate employment or retire on May 31, 2020.

On or after May 31, 2020, or on or after the alternate exit if approved, you must complete a second Release and Waiver of Claims Agreement form. Failure to complete the second Release and Waiver of Claims Agreement form will result in incentives being withheld.

19. If I indicate my interest in participating, am I guaranteed to be part of the program?

Yes assuming you meet all eligibility and other requirements of the plan.

20. What is the standard separation or retirement date?

Under the terms of the program, the standard separation or retirement date is May 31, 2020.

21. **Are exit dates other than the May 31, 2020 exit dates allowed?**

Exit dates other than May 31, 2020 will be provided only in circumstances where the university determines and can document a business necessity for the university that requires an alternate date. They will not be provided solely due to an eligible faculty member's desire to work beyond the default May 31, 2020 exit date.

The alternate dates available are:

- June 27, 2020 (The end of Summer Session 1)
- August 15, 2020 (The end of Summer Session 2)
- December 31, 2020

No other alternate exit dates are available.

22. **What is the process to request an exit date other than May 31, 2020?**

Requests for an alternate exit date should be directed to your school director or department chair. The Dean will then review the request with the Provost Office and a determination will be made on whether the requests qualify for an alternate exit date.

- The alternate exit dates available are:
- June 27, 2020 (The end of Summer Session 1)
- August 15, 2020 (The end of Summer Session 2)
- December 31, 2020

No other alternate exit dates are available.

23. **If I already submitted my VSRP paperwork, can I request an alternate exit date?**

Yes. You can request an alternate exit date per the process described above.

24. May I change my mind after I submit the required forms?

After you submit the required forms you will have 7 days to revoke your agreement.

25. What happens after I submit my Application to Participate in the VSRP?

If you do not revoke your agreement, you are expected to perform your normal duties through the May 31, 2020 separation date, or the alternate exit date if approved.

POST RETIREMENT CONSIDERATIONS

26. When do benefits such as health insurance end?

Benefits such as health insurance end as follows:

- May 31, 2020 exit date: 11:59PM on May 31, 2020
- June 27, 2020 exit date: 11:59PM on June 30, 2020
- August 15, 2020 exit date: 11:59PM on August 15, 2020
- December 31, 2020 exit date: 11:59 PM on December 31, 2020

VSRP participants can elect to continue coverage under the university health plan by electing COBRA coverage. Under the COBRA option, the separating employee pays the full cost of the premium for the plan. Coverage can be continued for up to 18 months. For further information regarding COBRA please contact Human Resources at (740) 593-1636 or benefits@ohio.edu.

27. If I participate in the Faculty and Staff 2020 VSRP Plan am I eligible for rehire?

If you voluntarily elect to participate in this VSRP plan, you waive any right to rehire or reinstatement with the University. Any future employment with the University will be at the University's sole discretion. If you are rehired, there may be adverse tax consequences to you. The VSRP plan is governed by the Internal Revenue Code, and if a voluntarily separated or voluntarily retired employees is rehired, all benefits provided under the VSRP plan may become immediately taxable and may incur penalties. Penalties may also apply to any retirement distributions made under the ARP, OPERS/STRS, or the 403(b) plan if a voluntarily retired employee is rehired.

28. Can a retired faculty member with emeritus status continue to participate in University research and use University facilities after electing to participate in the VSRP?

A faculty member with emeritus status can be a volunteer researcher post retirement after electing to participate in the VSRP. There are several things to consider though and an analysis needs to occur on a case by case basis. An emeritus faculty member's ability to continue research and use University facilities including office and/or laboratory space is governed by Ohio University Policy 18.031, the Faculty Handbook, and the policies and procedures of his/her department/college. An emeritus faculty member is granted library privileges as if he/she were an active faculty member, and during any academic term when he/she is on duty will have appropriate office space, parking privileges, and similar perquisites. During periods when he/she is not on duty, parking privileges and the use of other facilities such as office space and laboratory space may be offered when and where they are available.

29. Can a retired faculty member with an uncompensated adjunct status continue to participate in University research and use University facilities after electing to participate in the VSRP?

A faculty member with adjunct status (defined as someone who is appointed to assist the University, not be hired) can be a volunteer researcher post retirement after electing to participate in the VSRP. There are several things to consider though and an analysis needs to occur on a case by case basis. An adjunct faculty member's ability to continue research and use University facilities including office and/or laboratory space is governed by the policies and procedures of his/her department/college and at the department's and the University's discretion.

30. If retired faculty members desire to be a volunteer researcher post retirement under the VSRP what other factors need to be considered and will they have access research incentive funds?

If the researcher has sponsored research at the time of retirement, a change in status will need to be filed with the granting agency and approved. Some agencies do not permit researchers to participate in their studies/projects. Some do not allow volunteers to be a PI or Co-PI. If the agency approves the volunteer researcher on the study/project, the University must also approve including departmental Chair, Dean and Office of Research and Sponsored Programs levels. It is advised that if you are considering election in the VSRP and are a faculty researcher that you contact the Office of Research and Sponsored Programs immediately to discuss your research and next steps.

Depending on the granting agency and agreement in place, the volunteer researcher may not be able to be the financial manager of the grant. If a volunteer researcher is the financial manager the University will designate an employee to oversee and audit this function.

Faculty will not be rehired, we cannot contract with them as independent contractors, but they can be volunteers. No salary or other compensation can be paid to any volunteer researcher.

Prior to starting, all volunteer researchers must sign a volunteer agreement and release which will include language subjecting them to the policies and procedures of the University including Title IX obligations and if violated will lose the privilege of using University resources and facilities. In accordance with Ohio Revised Code Section 3345.14, all rights and interests in discoveries, inventions and patents which result from research or investigation conducted in any experimentation, bureau, laboratory, research facility, or other facility of the University shall be the sole property of Ohio University and the volunteer researcher will have an obligation to assign any intellectual property to Ohio University. Volunteer researchers will be eligible for royalties in accordance with Ohio University Policy 17.001 for "other inventive parties" and will have copyright rights in accordance with Ohio University Policy 15.015, Section 7, Works for Non-Employees. Also included language will be acknowledging that workers' compensation and state statutory immunity does not apply to volunteers, no benefits of employment will be provided, conflicts and ethics laws must be abided by, and there will be additional requirements such as background checking if interacting in any way with minors, etc.

There may be logistical problems with accessing data, software, services, etc. when not a University employee to consider. An additional agreement(s) may be required for data security depending on the data and research.

Research Incentive (RI) funding may continue post-retirement but it will be a departmental decision and there may be tax implications to the volunteer researcher.

There are also STRS implications, see: https://www.strsoh.org/employer/reporting/rr/limits.html.

31. Can a faculty member who retires under the VSRP and will not be a volunteer researcher continue to have access to University facilities and resources?

Whether a retired faculty member who is not an active researcher will be allowed access to University facilities such as office space is dependent upon departmental policies and procedures (which are subject to change from time to time) and subject to departmental and University approval. Retired faculty members do not have an automatic right to use of University facilities.

32. Can a faculty member who retires under the VSRP supervise graduate and doctoral students post-retirement?

A volunteer faculty member may supervise graduate and/or doctoral students post-retirement subject to departmental and University approval on a case-by-case basis. If permitted, there needs to be a back-up qualified employed University faculty member identified if issues arise with the volunteer faculty member.

33. What benefits or perks will I receive as a retiree of the University?

Participants who are eligible to retire and their qualified dependents continue to be eligible for Educational Benefits under University Policies 40.015 and 40.016 (as may be amended, restated or rescinded in the future) and may have the option to purchase a retiree parking permit, continue library privileges, and continue use of Ohio university email.

34. Will I receive unemployment benefits?

No. Your participation in this program precludes you from receiving unemployment benefits.

OTHER QUESTIONS

35. If I have other questions not answered here, who should I contact?

Contact UHR-Benefits at benefits@ohio.edu or (740) 593-1636.