When an employee benefit turns sour: A case study

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Abstract

When a faculty member with over three decades of service at a private college ponders whether to apply for a special employee benefit designed to ease the shock-of-separation brought about by retirement, he encounters two significant dilemmas: the first is to determine which approach is in his best long-term financial interests and second, how to deal with unexpected administrative actions that are puzzling to all involved. The case allows students to address several issues related to employee benefits, their impact on morale and performance, ethical conduct, and the financial/accounting issues related to analyzing employee benefit alternatives.

Keywords: Employee benefits, Human Resource decisions, internal communications, ethical dilemmas, financial analysis.

Note: This case is factual and based on actual behaviors, decisions, and communications by the titled administrators in the case. All events described in the case are real. However, all names, locations, and dates have been altered. The case is intended to be used for instructional purposes only.

THE CASE

Approaching his 30th anniversary of full-time employment at Adatha College, Professor Tom Sladerly was looking forward to a special retirement program offered exclusively to long-time employees. The "Phase-Out-to-Retirement Program," allowed a full time, benefits-eligible employee at least 59 years old with over twenty years of service to participate in a gradual, transition into full-retirement if his or her application was approved. The program allowed faculty to reduce their teaching loads by up to 50% per year for up to a three year period. Each year they would earn 60% of their annual salary plus a 10% bonus as an incentive. Thus, if a faculty chose to "max-out" the benefit, they would teach half-time and earn 70% of their salary and receive all of the College's annual benefit contributions (health insurance, 403(b) contributions, life insurance).

The program was initially launched by the College 15 years earlier as both an incentive for long-standing and higher-paid employees to voluntarily separate from the college as well as to offer special recognition for long-standing and dedicated service. One of the most attractive aspects of the program was the historical precedent allowing faculty to arrange their 50% reduced load through a one semester-on, one semester-off schedule.

Dr. Sladerly was familiar with a few colleagues on campus who had chosen this option and worked only the fall semester, allowing them to winter-over in warmer and snow-free southern states (e.g. Florida). In casual conversations, Dr. Sladerly jokingly characterized this benefit as the equivalent of working "15 weeks on, and 37 weeks off each year!" All kidding aside, however, he knew that stepping away from full-time employment brought with it several major life changes and enormous trade-offs. He wanted to be absolutely certain he had identified and weighed every one carefully.

To begin his journey, Sladerly went to the College's web-site and downloaded the official "Phase-Out-to-Retirement Program" policies (hereafter PORP policies). He was surprised to find the policies were publically accessible without any password protection. Since most other Human Resource issues on campus were protected from public view, he was a bit curious why PORP policies were not similarly restricted. Nevertheless, he downloaded and printed the policies to share with his spouse of 45 years. Together they would construct a checklist and examine each policy, one at a time, and develop their plan.

First on the checklist were several concerns associated with what the college termed "the final date of separation." As they understood it, it represented the official termination date of Dr. Sladerly's employment with the College – a milestone with great emotional attachment and the date from which no additional salary would be earned. Despite a substantial nest egg in his 403(b) retirement plan, the Sladerly's were very anxious about the loss of monthly paychecks and the impact on their budgeting.

His annual salary at Adatha was $140,000. If he entered the phased retirement program, he would receive 70% of that salary. Between state and federal income taxes Sladerly had a 30% marginal income tax rate excluding social security and Medicare taxes. He paid 6.2% for social security taxes up to $117,000 in year one and up to $118,500 in all other years, and 1.45% for Medicare taxes on his entire earnings. There was no cap or income limitation on the Medicare taxes. Sladerly's investment adviser told Sladerly that if he had money to invest that he could help him find a relatively risk free investment earning 4% each year even though inflation was expected to be 2% or less. Sladerly wasn't quite sure what this all meant but figured that the phased retirement program would cost him $126,000. That's a lot of money to give up he thought. It reinforced his need to carefully weigh his decision and think through all of his options.

When he joined Adatha College thirty years ago, he opted to have his 9-month salary pro-rated over the full 12 months. Although this meant his initial years' month-to-month pay checks were slightly smaller to accommodate the year-long payout, he greatly favored the continuity of pay checks, especially during his non-teaching months. As he foresaw his retirement calendar, he anticipated this same scenario. By pro-rating his salary across 12 months, he could continue to receive pay checks to within a few months of his 70th birthday. This was also the age at which his eligibility for Social Security benefits reached the maximum payout. Thus, his concerns regarding the final date of separation began to fade except for the potential of the phase-out starting too late that it would run past his 70th birthday and he would have to begin withdrawing Social Security. If that happened, his annual earnings during the third year would increase dramatically and thereby ratchet-up his income tax burden.

In addition to the general calendar, he also had to propose specific courses for his workload. An average teaching load at Adatha College was 18 semester-hours-per academic year, so he needed to propose teaching 9-semester hours. He had actually long-ago discussed long-term teaching preferences with his department chair and dean, and volunteered to teach multiple sections of the same "introductory course" each semester, well before his planning for the PORP ever got started.

The typical approach to assigning teaching loads at the College was to limit the number of different courses to no more than three preparations per year, especially for senior, tenured faculty, and certainly no more than two per semester for everyone. So the other possible option was to teach two sections of one course, and one section of another each fall. Sladerly had taught several larger-than-average sections of various courses at many different schools over his career (some with enrollments exceeding 300), so he felt confident a proposal that increased the enrollments in his courses would be well received. After all, there were economic and scheduling benefits to the college in scheduling fewer and larger sections.

Sladerly wanted to take advantage of every means of enhancing the likelihood his proposal would be objection-free and unanimously supported before it got to Provost Melissa Sperry's desk. One day while waiting for the elevator, he casually reiterated his preferences to the Dean and received a warm smile in return. Then, in January, almost a full year before his proposed launch date, Dr. Sladerly met separately with his Department Chair, Dr. Michelle Calley, his Dean, Dr. Mary Kay Zerone, and the Manager of Benefits in the Office of Human Resources, Charles Tomlin to share the basic details of his plan. None of the signatories saw any reasons why the precedent of loading-up the fall semester and not teaching the spring semester wouldn't work and none expressed the slightest hesitation with the proposal. In fact, all were highly laudatory over Dr. Sladerly's long-standing service to the College and wished him well. They unanimously concurred with the idea of starting his phase-out when the weather turned especially cold in January.

The proposal specified January 1st next year as the start-up date and December 31st three years later as the termination date. Using the calendar year for his planning template made sense to Sladerly since he had originally begun his employment in the month of January. It also meant he would not have to relinquish tenure until the end of the calendar year preceding the start of his three year phased retirement program. Faculty who entered the PORP program were required to give up tenure in exchange for a single, 3-year contract.

Sladerly was confident his plan would be accepted. PORP policies did not stipulate any restrictions on start-up or termination dates. In fact, all references to start-up and termination dates were unqualified. For example, the only quote from the PORP policies related to these dates stated "The faculty member who elects to participate in this program will enter into an agreement to retire at a specific future date. The transition period may range from a minimum of one semester to a maximum of three years." Sladerly's plan was simple and clear: three calendar years from start-to-finish made for the simplest possible plan. It fit perfectly with the PORP policies and almost all systems were "go".

Still on the checklist, however, were concerns about job security. Giving back tenure was a substantial hurdle not only because he had worked so hard to achieve it in the first place, but also because it ratcheted-up anxieties related to institutional downsizing and potential faculty layoffs. Having survived major institutional downsizing twenty years earlier, he was very familiar with the possibility of layoffs among untenured faculty. The fact that PORP policies stipulated "a multi-year contract will be issued covering the entire transition period" was greatly reassuring insofar as it offered the security of guaranteed employment throughout the phase-out despite the absence of tenure protection. It also removed the unlikely, but potential threat of facing contract renewal negotiations each year. Once a proposal was agreed upon, Dr. Sladerly could rest assured he would continue receiving pay checks, albeit pro-rated, for three years taking him within one month of qualifying for the maximum Social Security benefit. Thus, the thought of jettisoning tenure was taken off the checklist.

Among Sladerly's best known traits were his attention to detail and rarely missing deadlines. Thus, just days before classes were to resume for the spring semester and well ahead of any submission deadline, Dr. Sladerly submitted his fully endorsed and signed proposal to Provost Sperry (see Appendix 1). He was certain he would hear of her decision to support his proposal within a matter of days, and was actually expecting to receive the congratulatory phone call in the next day or two, with the formal letter to follow.

Surprisingly, one week became two, then three and Dr. Sladerly heard nothing. Puzzled, but understanding the Provost had many challenges on her schedule, he patiently awaited what he knew had to be an affirmative decision, and that was probably what was taking so long. Maybe the Provost recognized there was plenty of time and she had simply set this simple task aside in favor of far more demanding work, he thought. Maybe it even got lost in the shuffle of papers crossing her desk. Finally, after waiting more than a month, a letter from the Provost arrived via Intercampus Mail in an unsecure envelope. Maybe it had been accidentally mishandled by the campus mail for any number of reasons. Sladerly opened his envelope confident that his three year calendar year proposal for phased retirement would be approved. He could already envision himself on a sunny beach in Florida by next February (see Appendix 2).

Upon reading the memo from Provost Sperry, Dr. Sladerly was stunned. Not only had he patiently waited far longer than he had expected, but the message and tone were surprisingly impersonal and matter-of-fact. Foremost, of course, he was shocked by the outright denial of his proposal. The rationale, he thought, was totally inconsistent with the written PORP policies and wholly contrary to the recommendations he had worked so hard to establish prior to submitting his proposal. Furthermore, no other administrator was aware of this policy. In addition, as more than a month had passed and the spring semester was well underway, any resubmission of the proposal might no longer be possible if it would not meet the submission deadline. Proposals had to be submitted <u>before</u> the beginning of the semester prior to the start date of the phase-out.

Finally, he felt the impersonal and detached tone conveyed through the memo was somewhat offensive. There was no salutation, no congratulatory message, no expression of regret, no gratitude for over 30 years' of service, no offer of assistance to help him succeed with his next attempt, and no sign-off. He packed his bags and went home to ponder his next steps.

Over the next few weeks, Sladerly sought-out advisement from many campus sources, including his contact in Human Resources. Without exception, no one could explain the interpretation that all PORP proposals had to conform to the academic-year format. Further, no one could explain how the three consecutive calendar years he proposed could be interpreted as "a four-year phased retirement" as expressed in Sperry's memo. Having actually begun his employment with the college mid-academic year, 30 years earlier, this simply made no sense to him. As he projected the details of any phase-out following the academic year cycle as demanded by the provost (fall to spring), and tracked it over three academic years, it was obvious that such plans would necessarily have to involve four different calendar years. His plan was cut-and-dried, dates certain, and limited to precisely three years.

Convinced that Provost Sperry had somehow misinterpreted the PORP policy and finding no other support for her position, Sladerly composed another note, this time explaining in greater detail the specific policy and its implications as well as sharing the reactions he had received from Charles Tomlin in HR and Dean Zerone. While he tried to maintain a respectful and positive tone, he also wanted to express his sense of disappointment as gently as possible and highlight the longer-term implications to the college if his efforts to resubmit were again rejected. If one of the reasons the provost had denied his proposal in the first place was in some way related to protecting the financial interests of the college, as was suggested to him in more than one conversation, he wanted to make it clear that another denial would result in at least another year's full salary and benefits, maybe more, before he would entertain further retirement plans. So, a month and a half after receiving Provost Sperry's first denial, he sent what he felt to be a carefully crafted response back to her (see Appendix 3).

This time, as the weeks passed waiting for a response, he pondered his future and his overwhelming sense of mistreatment. Should he consider outright retirement and do so on a moment's notice as an act of retribution? Should he formally pursue a grievance against the provost using the on-campus procedures? Should he author a letter to the school paper to publically express his predicament so other faculty could learn of the mishandling? Should he make an appointment with the president, seeking a decision to override the provost? Should he just capitulate and prepare to teach for several more semesters? Should he return to the classroom but do so in a half-hearted way, letting classes out early and taking several sick days? His thoughts ranged far and wide about what to do, all the time hoping the provost would simply concede after seeing the error of her ways and come to the same understanding of the PORP policy as he had from the outset.

This time, six weeks passed before Sladerly got his response. One week before the spring semester was to end, the provost's memo arrived again via Intercampus Mail in another unsecure envelope. He immediately noted that it was very short. Again missing any salutation or expressions of regret or offerings of assistance, it matter-of-factly asserted that his plan was "not in accordance with our policy". Consistent with the previous response, no specific policy was referenced (see Appendix 4).

With summer break only a matter of weeks away, Sladerly retreated to his vacation home to distance himself from what he felt had been a grueling ordeal. What he thought should have been a gradual, rewarding, and highly satisfying final chapter with the college had now been reduced to an aggravating, seemingly unnecessary, and very sour ending no matter how he proceeded through his eventual retirement.

QUESTIONS FOR DISCUSSION

1. What are the critical Human Resource problems in this case?
2. Provost Sperry had only been at Adatha College for three years when she denied Sladerly's first two proposals. No administrator who had crafted and implemented the original PORP fifteen years earlier remained at the college. Without any added insight that such connections might have provided, why do you think she remained committed that only academic year proposals would be acceptable when there was no such formal stipulation in the PORP?
3. Assume that Provost Sperry's denials of Sladerly's proposals were consistent with the phase-out-to-retirement policies (i.e. acceptable proposals must be for academic year terms only). How could Sperry's decisions have been handled so as to promote Sladerly's long-standing service and thereby better achieve the intended purposes of the employee benefit?
4. How did Sladerly calculate $126,000 as his 'cost' of phased retirement? Is $126,000 the right number for Sladerly to use to weigh whether he should enter the phased retirement program? If not, what amount should Sladerly use for deliberating whether he should enter phased retirement compared to full-time employment during the next three years?
5. From a financial perspective, what else should Sladerly consider before entering the phased retirement program?

TEACHING NOTES FOR DISCUSSION

1. Human Resource policies and procedures should be clear, unambiguous, and communicated to all relevant constituencies. Both employees and administrators need to be able to understand those policies in order for them to be implemented correctly. Sladerly's department chair and dean approved his PORP plan, as did the HR Benefits Manager. There was no information in HR's written policy that addressed PORP participation on an academic year or calendar basis. Because the provost's decision went against publicly stated policy, Professor Sladerly had legitimate grounds for appeal. On the other hand, if the provost's interpretation was that administration believed that the POPR program was confined to implementation within academic years, the policy should have been changed and communicated to all employees and administrators at the college so that it was clear to all. Not only is this a policy issue, it is also a communication issue. There should be no "gray areas" that can be subject to (mis)interpretation. The resulting ill-will was to be expected.
2. This is a difficult question to answer. Sperry never divulged why she remained so heavily committed to the unwritten policy. This question opens the door to a variety of potential discussion topics and thereby offers considerable flexibility to any user. One possible reason, and probably very likely, is simply that her authority gave her the right to interpret PORP policies in any way she felt best accommodated the mission of the college. Insofar as the college had recently hired a new CFO and had undergone critical reviews of all of its employee benefit programs and their costs, it might explain her seeming heavy-handed interpretation. Correspondingly, as the provost serves at the pleasure of the president (who also was new since the adoption of the PORP program), it is entirely possible that the

president simply encouraged her to be more cost-effective and provided motivation for her to stiffen any future awards. Even if justifiable in terms of cost-cutting and greater financial efficiency, as a faculty member for over 3 decades, far greater effort could have been taken to keep Sladerly allied with the institutional needs.

In addition to Provost Sperry's legitimate authority to administer faculty benefits, it is also entirely possible that less-than-ethical motives might have been at play. While this is purely speculative, reasons could range from several sources that Sladerly might have concluded were possible (personal animus, political fallout, gender discrimination, programmatic bias, etc.). If desirable for the user, each of these sources could be used as a springboard to far deeper discussions. For instance, if one wanted to role play these concerns, one might ask students to confront the possibility that Sperry's sexual, racial, or religious orientations conflicted with Sladerly's and have students consider how such matters might play themselves out in the context of higher authority and vague personnel policies. That Sperry was clearly not willing to reference the specific PORP policy governing academic year versus calendar year proposals, certainly suggests there was no such policy and gives one considerable latitude to role play various options.

3. The original objectives of the phase-out-to-retirement benefit were twofold: to encourage higher-paid employees of the college to voluntarily separate from the college and to provide them special recognition for their long-standing and dedicated service. The benefit had been in place for over 15 years when Sladerly began to consider his options. If we assume the benefit was designed to accommodate proposals based exclusively on academic-year cycles, there are many Human Resource decisions and behaviors that could have resulted in Sladerly being incentivized to retire while also leaving him feeling endorsed, rewarded, and recognized for his enduring service.

   Foremost was the fact that the PORP policies did not specify the benefit would apply only to academic-year proposals. Instead, the PORP policies strongly implied that proposals could range from one-semester to any three-year cycle as long as the final date of separation was specified to allow for a 3-year transition period. Technically, and contrary to the policy, as pointed out in the case, any proposal based on an academic year cycle would necessarily involve a four year transition period.

   In addition, given the extensiveness of Sladerly's preparation in terms of seeking advice and permissions from his local administrators (chair and dean) and the manager of benefits, none were aware of or even apprised of the academic year prerequisite. While intra-organizational communications are often muddled when associated with infrequently occurring events, such as an occasional phase-out-to-retirement proposal, Sladerly's second attempt to clarify his reading of the PORP policy should have sent the message loud and clear to Sperry that his local administrators were not on the same page with her. In addition, Sperry's memos were at least a month apart leaving her ample time to correspond and clarify matters with Sladerly's dean and department chair.

   Had there been a formal policy specifying only academic year proposals would be acceptable (as assumed above), it would have been a simple and tactful matter for Sperry to respond promptly to Sladerly's first proposal by highlighting it in her return memo. Even better, especially given that Sperry was relatively new to the college and necessarily not as familiar with the technicalities and their historical nuances, she could have telephoned Sladerly within days of his proposal's arrival and both congratulated him and offered to facilitate all further consideration of his proposal. That Sperry never shared the policy nor the rational for the policy, only exacerbated the negativity perceived in her memos.

Clearly, Sperry's memos left a lot to be desired as far as failing to inspire Sladerly in any positive way. The absence of any personal or congratulatory tone supported Sladerly's view that he was neither being supported, recognized, nor encouraged at the highest levels of administration. The closing comment from her first memo (Appendix 2) clearly intended to reiterate that the burden of any future proposal being successful rested clearly on Sladerly's shoulders, despite his wide ranging and successful efforts to date.

The lack of any personalization, salutation, expression of support, and/or regret were simply professionally unacceptable. Finally, as Sladerly mulled the second memo from Sperry (Appendix 4), dated five weeks following his resubmission, he was particularly annoyed at Sperry's assertion that his proposal was "not accepted." He felt this characterization only served to highlight the absence of any positive tone. Had it instead stated that his proposal was "not acceptable," it would have implied something altogether different and perhaps only needing slight editing. When combined with a stand-alone "Thank you" for her closing comment in the same memo, the absence of a positive tone evolved into one perceived to be caustic, sarcastic, and even vindictive.

4. Sladerly compared receiving $140,000 for three years working full time ($420,000) to entering phased retirement and making 70 % of his salary or $98,000 per year for three years $294,000. The difference is $126,000. Sladerly should do an after tax present value analysis comparing all of his options using a discount rate of what he could earn on his after-tax dollars (4% annually or 2% semi-annually). As seen on the attached spreadsheet, if Sladerly works until the end of fall 2018, the present value of his after tax earnings is $291,610 or only $79,733 greater than if he starts phased retirement in Spring 2016 as he proposed. If he started the phased retirement in fall 2015 as the provost proposed, the difference in present values would be even less, only $77,075. The option with the greatest present value ($291,610) is to work full-time till the end of fall 2018 but that option would not include winters on the beach in Florida (see Table 1).
5. Sladerly has to consider all alternative possibilities. He might have the best of all worlds if he can enter phased retirement at Adatha and work part or full-time in Florida. Sladerly also has to do a risk calculation as to his overall wealth position. If he enters phased retirement and gives up 30% of his income, he has to take into consideration not only other costs he might incur for additional travel and housing but also unexpected health costs and potential declines in his stock portfolio and other investments.

ADATHA COLLEGE

School of Business

MEMO TO: Melissa Sperry, Provost and VPAA

FROM: Tom Sladerly, Professor

DATE: January 2

RE: Phase-Out to Retirement Program

Dear Provost Sperry:

I am considering the Adatha College Phase-Out to Retirement program. Based on the PROGRAM SUMMARY available on-line, I meet all the eligibility requirements: I am currently a full-time, active, benefits eligible faculty member, having already completed 29 years of benefit eligible service, and will be 69 years old at the time of final separation.

My tentative plan would be to relinquish tenure at the conclusion of the fall semester (December 31), and accept a 3-year term contract beginning in January 1, and concluding at the end of the fall semester, December 31, three years later. I would accept a reduced teaching load to one-half my current load (i.e. down from 18 to 9 hours/academic year) and be responsible for teaching during the fall semesters only. Final separation would occur at the end of Fall semester exactly three years later.

I have discussed my proposal with both Dean Mary Kay Zerone and my Department Chair Michelle Calley and both have indicated they could and would support such a phase-out plan. I'll look forward to further discussing my plans with you should it be necessary, and reviewing the final agreement presented by the College prior to final approval.

Thank you.

Tom Sladerly,
Professor

Appendix 1

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ADATHA COLLEGE

Office of the Provost & VPAA

TO: Tom Sladerly, Professor

FROM: Melissa Sperry, Provost and VPAA

DATE: February 10

RE: Phase-Out to Retirement

I have received your inquiry regarding participation in the Phase-Out to Retirement Program. The plan you have proposed amounts to a four year phased retirement, but our policy only allows for a 3 year phase out. As such, assuming you meet all other criteria (as you have said in your proposal) you would need to begin your retirement at the beginning of the fall semester, not in the middle of the academic year as you have proposed. Of course, this is also dependent upon the agreement of final terms in a written phased retirement contract signed by your department chair, dean, and me.

cc. Mary Kay Zerone, Dean

Appendix 2

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ADATHA COLLEGE

School of Business

TO: Melissa Sperry, Provost and VPAA

FROM: Tom Sladerly, Professor

DATE: March 21

RE: Phase-Out to Retirement Program

Dear Provost Sperry:

After receiving your response to my previous note, I reviewed the "PHASE-OUT TO RETIREMENT PROGRAM SUMMARY," troubled that I had failed to note important qualifications related to the time line and structure of my plan. I also scheduled a meeting with Charles Tomlin in Human Resources to explore any concerns HR might have related to the same. I also spoke again with Dean Zerone and Chairman Calley. Since the final determination obviously resides with you, I would like to give it one more try and hopefully clarify both my previous request and the positions of others involved.

First, I believe my proposed phase-out is only for three years. From my reading of the POTR Policies, there is nothing in the documentation that distinguishes calendar from academic years. Indeed, Key Point #2 of the PLAN SUMMARY specifies faculty members will "*relinquish tenure as of the initial date of the transition period and will be issued a multi-year contract covering the entire transition period.*" This suggests to me that the plan was originally designed to allow for proposals extending beyond academic year boundaries and involve only one 3-year contract. Ironically, if it were intended to allow only academic year contracts, it would require parts of four calendar years to complete any three year plan!

It was also suggested that one concern might have to do with broader financial implications impacting the College. Frankly, I believe the denial of my proposed phase-out would, in the long term, be the more expensive option for the College. If my proposed phase-out plan were determined to be unacceptable, I would likely retain my position for at least another academic year, possibly more, before entertaining further retirement plans.

So, to hopefully clarify things, my tentative plan would be to relinquish tenure at the beginning of the Spring semester and conclude the phase-out and separate from the College at the end of Fall semester exactly three years later. No one else has expressed any reservations with my proposal nor found any reference to academic year plans only. I'll look forward to discussing my plan with you should it be necessary, and reviewing any agreement presented by the College prior to final approval. Thank you.

xc. Mary Kay Zerone, Dean
Michelle Calley, Chairman
Charles Tomlin, Director of Benefits & Work/Life

Appendix 3

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ADATHA COLLEGE

Office of the Provost & VPAA

TO: Tom Sladerly, Professor

FROM: Melissa Sperry, Provost and VPAA

DATE: April 29

RE: Phase-Out to Retirement

I have received your second inquiry regarding participation in the phase-out to retirement program. It remains the case that the plan you have proposed is not in accordance with our policy. As such, your proposal, as written, is not accepted.

Thank you.

cc. Mary Kay Zerone, Dean
Michelle Calley, Department Chair
Charles Tomlin, HR

Appendix 4

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Table 1

Present Value of Future Cash Flows

Salary Information

gross salary full-time	140,000
gross salary phased retirement	98,000
inc tax rate	0.3
s.s tax rate up to 117,000	0.062
medicare tax rate	0.0145

After Tax Salary per semester for calendar year tax payer (assumes social security benefits start in spring '19 at age 70)

	PV of Future Cash Flows @ 2% per semester (semi-annual)	F '15	S '16	F '16	S '17	F '17	S '18	F '18
Proposed (calendar year phased retirement starting Sp '16)		70,000	49,000	49,000	49,000	49,000	49,000	49,000
Social Security Tax		3,007	3,038	3,038	3,038	3,038	3,038	3,038
Medicare tax		1,015	711	711	711	711	711	711
Income tax		21,000	14,700	14,700	14,700	14,700	14,700	14,700
After tax income	211,877	44,978	30,552	30,552	30,552	30,552	30,552	30,552
Academic Year (year phased retirement starting fall 15)		49,000	49,000	49,000	49,000	49,000	49,000	0
Social Security Tax		3,007	3,038	3,038	3,038	3,038	3,038	0
Medicare tax		711	711	711	711	711	711	0
Income tax		14,700	14,700	14,700	14,700	14,700	14,700	0
After tax income*1	171,169	30,583	30,552	30,552	30,552	30,552	30,552	0
Academic Year (year phased retirement starting fall 16)		70,000	70,000	49,000	49,000	49,000	49,000	49,000
Social Security Tax		3,007	4,340	3,038	3,038	3,038	3,038	3,038
Medicare tax		1,015	1,015	711	711	711	711	711
Income tax		21,000	21,000	14,700	14,700	14,700	14,700	14,700
After tax income*1	224,466	44,978	43,645	30,552	30,552	30,552	30,552	30,552
Work Full-Time retire end of Sp '18		70,000	70,000	70,000	70,000	70,000	70,000	0
Social Security Tax		3,007	4,340	3,007	4,340	3,007	4,340	0
Medicare tax		1015	1015	1015	1015	1015	1015	0
Income tax		21000	21000	21000	21000	21000	21000	0
After tax income*1	248,243	44,978	43,645	44,978	43,645	44,978	43,645	0
Work Full-Time retire end of Sp '19		70,000	70,000	70,000	70,000	70,000	70,000	70,000
Social Security Tax		3,007	4,340	3,007	4,340	3,007	4,340	3,007
Medicare tax		1015	1015	1015	1015	1015	1015	1015
Income tax		21000	21000	21000	21000	21000	21000	21000
After tax income*1	291,610	44,978	45,071	45,071	45,071	45,071	45,071	45,071

*1. The present value of the after tax income is calculated using a per period discount rate of 2% (4%) annually and assumes that payments are received at the end of the period even though payments are actually received throughout the period. Social security taxes are incurred up to $117,000 for 2015 and at $118,500 after.