

UNIVERSITY OF PUGET SOUND

AMENDED AND RESTATED EARLY RETIREMENT AND CAREER CHANGE POLICY

1. Preamble.

The University of Puget Sound (the "University") Early Retirement and Career Change Policy (the "Plan") provides tenured faculty members with the opportunity to retire before normal retirement as defined by the Faculty Code, Chapter V, Part D, Section 1, "Normal Retirement," or to leave the teaching profession if they choose to do so. This document describes the terms and conditions for implementation of the Early Retirement ("Early Retirement," Faculty Code, Chapter V, Part D, Section 2) and Career Change ("Career Change") policy.

For faculty members hired after July 14, 1988, an application for Early Retirement or Career Change benefits is subject to the approval of the Plan Administrator. Such an application may be denied by the Plan Administrator if the Administrator determines, in its sole discretion, that such application is not in the best interests of the University. For faculty members hired on or before July 14, 1988, an application for Early Retirement or Career Change benefits is not subject to the approval of the Plan Administrator, with the exception that approval is required if the effective date of the Early Retirement or Career Change is less than 365 days from the date of the application.

The Plan is intended to qualify as a deferred compensation plan that is exempt from many of the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), because it is a plan maintained for a select group of highly compensated or managerial employees, often referred to as a "Top Hat" plan under ERISA. It shall be interpreted to comply with the requirements for ERISA "Top Hat" plans and with the requirements of the Internal Revenue Code of 1986, as amended ("Code"), including but not limited to Section 409A of the Code.

2. Effective Date.

The Plan was adopted by the University Board of Trustees on January 30, 1981. The Plan has been amended from time to time since its initial adoption. The Plan was restated effective January 1, 1994, to incorporate all prior amendments, and to comply with any applicable provisions of ERISA. The Plan was further amended, effective January 1, 1999, to comply with the Higher Education Amendments Act of 1998. The Plan is now amended and restated, effective retroactively to January 1, 2005 (subject to certain administrative procedures governing existing applications), to comply with Code Section 409A and to make minor changes to reflect the change in the University's fiscal year and to reference the University's Post Retirement Medical Benefits Plan.

3. Eligibility.

A. Early Retirement. Tenured faculty members may take Early Retirement under this Plan at the end of the academic year or semester in which they reach at least age 55. Faculty members in their tenth year or more as a full professor may retire under this Plan at any age. Retirement means the faculty member leaves the permanent, full-time work force.

B. Career Change. Tenured faculty members may change careers to move away from higher education at any age under this Plan if they are in their seventh year or more as an assistant professor, or in their seventh year or more as an associate professor, or in their tenth year or more as a full professor. That is, faculty members who make a change from the University of Puget Sound to another college or university will not be eligible for benefits under this Plan, or if they leave the University of Puget Sound and return to higher education at a later date, they may be required to repay all or a portion of the Career Change benefit previously received.

4. Amount of Early Retirement or Career Change Benefit. The Early Retirement or Career Change benefit is based on a percentage of Total Compensation. The percentage is 30% for tenured faculty members with fewer than 20 years of service at the University, and the percentage is 35% for tenured faculty members with 20 or more years of service at the University. Total Compensation is the salary specified on the faculty salary schedule for persons of the same rank and level as the faculty member who is retiring early or changing careers, adjusted to include the value of certain associated benefits, as determined by the Plan Administrator. Faculty members taking Early Retirement under this Plan are eligible for the Post Retirement Medical Benefits Plan, which is hereby incorporated by reference, and faculty members who elect to participate in the Post Retirement Medical Benefits Plan will have their Total Compensation adjusted in accordance with rules and procedures adopted by the Plan Administrator. The Plan Administrator has the sole discretion to determine Total Compensation, and the adjustments thereto, provided such determination is made on a uniform and nondiscriminatory basis.

The dollar amount of the Early Retirement or Career Change benefit is the percentage (either 30% or 35% based on length of service) applied to the dollar amount of Total Compensation and multiplied by the number of academic years and half academic years that the Early Retirement or Career Change precedes Normal Retirement, to a maximum of five years. Thus, a tenured faculty member with 20 years of service at the University who chooses to retire or change careers five or more years before Normal Retirement would receive a lump sum payment equal to 35% of Total Compensation multiplied by five. If such faculty member chooses to retire or change careers three years before Normal Retirement, the faculty member would receive a lump sum payment equal to 35% of Total Compensation multiplied by three. If the faculty member had fewer than 20 years

of service at the University and chose to retire or change careers three years before Normal Retirement, the faculty member would receive a lump sum payment equal to 30% of Total Compensation multiplied by three.

- 5. Time of Payment.** Following an eligible faculty member's Early Retirement or Career Change, Early Retirement or Career Change benefits determined in accordance with Paragraph 4 above will be paid in a single lump sum payment after the faculty member has performed the substantial services required by the University. All Early Retirement or Career Change benefits are subject to required state and federal taxes, including but not limited to Federal Income Tax withholding, Social Security taxes, and Medicare taxes. All payments will be sent to the faculty member's last known address on file with the University. In the event a faculty member whose Early Retirement or Career Change application has been submitted and approved (when approval is required) dies before receiving the benefit payment, the Early Retirement or Career Change benefit payment will be paid to the faculty member's estate.
- 6. Application for Benefits.** An eligible faculty member must submit an application, in the form and manner approved by the Plan Administrator, which is hereby incorporated by reference, for Early Retirement benefits or Career Change benefits at least 365 days prior to Early Retirement or Career Change. The effective date of any Career Change or Early Retirement will either be the month of June or the month of January and eligibility for benefit payment is conditioned upon the applicant performing the substantial services required by the University through such date. Such application is also subject to approval of the University if the applicant was hired after July 14, 1988. At the direction of the faculty member and with the approval of the University for all applicants, regardless of date of hire, the application time period may be shortened to no less than 180 days prior to the effective date of such application. The application form shall specify that the application is irrevocable and that the faculty member shall be obligated to repay some or all of the benefit if such faculty member re-enters the permanent full-time work force (in the case of Early Retirement) or re-enters the higher education work force (in the case of Career Change) within the time period specified in the application. The faculty member must further agree to provide the Plan Administrator with at least thirty (30) days prior written notice of such intention to re-enter the permanent full-time work force or to re-enter the higher education work force.
- 7. Plan Administrator.** The Plan is administered by the University of Puget Sound (the "Plan Administrator"). The Plan Administrator will have discretionary authority:

 - (a) to determine whether and to what extent Participants and beneficiaries are entitled to Plan benefits; and
 - (b) to construe the Plan terms.

The Plan Administrator will be deemed to have properly exercised such discretionary authority unless the Plan Administrator has abused discretion hereunder by acting arbitrarily and capriciously.

Inquiries to the Plan Administrator should be addressed to the Human Resources Department, University of Puget Sound, 1500 North Warner Street #1064, Tacoma, Washington 98416-1064.

8. **Plan Sponsor.** The sponsor of this Plan is the University of Puget Sound, 1500 North Warner Street, Tacoma, Washington 98416.
9. **Plan Year.** The Plan year is the fiscal year July 1 through June 30. All records of the Plan are maintained on the Plan Year.

10. Claims Procedures.

A. Claim. Any person claiming a benefit, or requesting an interpretation or ruling under the Plan, or requesting information under the Plan, shall present his or her request in writing to the Plan Administrator.

B. Denial of Claim. Whenever a request for benefits under the Plan is wholly or partially denied, the Plan Administrator shall notify the person claiming such benefits of its decision in writing. Such notification shall contain

- (1) specific reasons for the denial of the claim,
- (2) specific reference to pertinent Plan provisions,
- (3) a description of any additional material or information necessary for such person to perfect such claim and an explanation of why such material or information is necessary, and
- (4) information as to the steps to be taken if the person wishes to submit a request for review. Such notification shall be given within 90 days after the claim is received by the Plan Administrator (or within 180 days, if special circumstances require an extension of time for processing the claim, and if written notice of such extension and circumstances is given to such person within the initial 90-day period). If such notification is not given within such period, the claim shall be considered denied as of the last day of such period and such person may request a review of his or her claim.

C. Review Procedure. Within 60 days after the date on which a person receives a written notice of a denied claim (or, if applicable, within 60 days after the date on which such denial is considered to have occurred), such person (or his or her duly authorized representative) may

- (1) file a written request with the Plan Administrator for a review of his or her denied claim and of pertinent documents and
- (2) submit written issues and comments to the Plan Administrator. When requesting a review, a person or his or her representative, may examine any relevant document in the Plan Administrator's possession that relates specifically to such person's claim. The Plan Administrator shall notify such person of its decision in writing. Such notification shall be written in a manner calculated to be understood by such person and shall contain specific reasons for the decision as well as specific references to pertinent Plan provisions. The decision on review shall be made within 60 days after the request for review is received by the Plan Administrator (or within 120 days, if special circumstances require an extension of time for processing the request, such as an election by the Plan Administrator to hold a hearing, and if written notice of such extension and circumstances is given to such person within the initial 60-day period). The Plan Administrator has the sole discretion to decide all issues of fact or law. The decision of the Plan Administrator will be final and will be subject to no further appeal or review.

11. Right to Amend or Terminate Plan. The University intends this Plan to be a continuing program but reserves the right to amend or terminate this Plan at any time and to terminate benefits thereunder. This Plan may be amended or terminated by action of the Board of Trustees of the University. This right for action by the Board of Trustees does not extend, however, to provisions of this Plan included in the Faculty Code. Changes in the Faculty Code portion can only be made through the established process for Code revisions.

IN WITNESS WHEREOF, the University of Puget Sound has caused this Early Retirement and Career Change Policy to be executed this 27 day of October, 2006.

UNIVERSITY OF PUGET SOUND

By Sherry Mondou 
Its Vice President for Finance and Administration

ADMINISTRATIVE RULES GOVERNING EXISTING
EARLY RETIRMENT OR CAREER CHANGE APPLICATIONS
FOR COMPLIANCE WITH SECTION 409A OF THE INTERNAL REVENUE CODE

Applications received and approved prior to January 1, 2005, are grandfathered in the payment option selected.

Applications received and approved on or after January 1, 2005, but prior to January 1, 2006, shall have a maximum installment period of two years. Installment payments of greater than two years shall be accelerated to comply with this rule, i.e. installments due after the second year will be accelerated into the second year; provided, however, that there shall be no acceleration of payments into calendar year 2006.

Applications received and approved on or after January 1, 2006, shall comply with the terms of the Amended and Restated Early Retirement and Career Change Policy, i.e. all payments shall be in the form of a lump sum payment and shall be paid at the time specified by the policy.

Adopted by the Plan Administrator this 27th day of October, 2006.

UNIVERSITY OF PUGET SOUND

By Sherry Mondou 
Its Vice President for Finance and Administration