

**NORTHERN MICHIGAN UNIVERSITY
2005-2006 REDUCTION IN FORCE PLAN**

A. Eligibility Requirements

Full-time employees (except temporary; part-time; adjunct; and student employees) whose positions are eliminated due to budgetary reasons by July 1, 2006 and who do not exercise their bumping rights shall be eligible for benefits under the 2005-06 Reduction in Force (RIF 2005-06). Full-time is defined as an individual with an appointment of .75 FTE or greater. Employees who have previously received benefits under a Northern Michigan University (NMU) severance incentive program are not eligible for RIF 2005-06.

B. Terms of the 2005-06 Reduction in Force Plan

An employee whose position is eliminated due to budget cuts by July 1, 2006 shall be eligible for a period of post-separation benefits consisting of health insurance benefits, if the employee is not otherwise covered, and/or cash severance benefits as follows.

An employee's severance benefits will be paid in four (4) equal payments over a two (2) year period based on a formula which includes years of service, base salary, and a severance benefit rate factor. Employees will receive no less than the equivalent of six (6) months' base salary. The formula is as follows:

1. Years of Service Points (A) = One full-time year of service attained at NMU by severance date equals one (1) point and prorated service will be given for months less than one year (e.g. 12 years and 6 months of service would equal 12.5 points).
2. Severance Benefit Rate (B) = Total Years of Service Points multiplied by 0.0375.
3. Annual Base Salary (C) = For salaried employees, equals annual base salary for NMU's fiscal year that precedes his/her separation date; for biweekly employees, equals biweekly rate multiplied by 26.1 (prorated for those whose appointment is less than 12 months).
4. Total Severance Benefit (D) = Severance Benefit Rate (B) multiplied by Annual Base Salary (C). Minimum payment will be the equivalent of six (6) months' base salary.
5. Severance Benefit (E) = Total Severance Benefit (D) divided by four (4) equal payments.

Schedule A, below, provides examples of how an employee's Severance Benefit is calculated.

Schedule A
Examples of Calculation of
NMU's RIF Benefit

Example Number	(A) Years of Service	(B) Severance Benefit Rate (.0375 x Years of Service)	(C) Annual Base Salary	(D) Total Severance Benefit	(E) Severance Benefit (Benefit divided by 4 equal payments)
1	15.2	.5700	\$70,000	\$39,900	\$9,975
2	17.3	.6488	\$80,000	\$51,904	\$12,976
3	21.0	.7875	\$85,000	\$66,938	\$16,734.50
4	30.7	1.1513	\$35,000	\$40,296	\$10,074
5	35.1	1.3163	\$45,000	\$59,234	\$14,808.50
6	10.1	.3800	\$25,000	*\$12,500	\$3,125

*Reflects minimum payment of 6 months' base salary.

An employee who already has post-separation health/medical benefits, through MPSERS for example, shall be entitled to receive the RIF Benefit as cash severance benefit payments, subject to applicable tax withholding. An employee who does not have post-separation health/medical benefits will have the RIF applied first to post-separation health/medical benefits (non-taxable), with the balance (if any) paid in cash subject to applicable tax withholding. As a condition of receiving NMU health/medical benefits, individuals and spouses when eligible must participate in the Medicare Program, Parts A and B. Health/medical benefits do not include dental and/or optical coverage.

The former employee is free to engage in full- or part-time employment for other employers. If the individual finds a position that includes health coverage, then the remaining NMU cash severance benefit payments will be paid in cash, subject to applicable tax withholding.

The RIF Benefit will be available under NMU's Section 125 cafeteria plan each year for health/medical benefits and/or cash severance benefits. The individual (or surviving spouse) may receive benefits for two (2) years.

As mentioned above, the individual (and if applicable the individual's spouse) will automatically receive health/medical benefits unless the individual (or surviving spouse) presents proof of alternate health/medical coverage acceptable to NMU. Coverage will be provided at the same cost that regular NMU retirees pay to purchase coverage. This cost is actuarially determined each year, based on projected experience and is subject to change. The current annual rates are listed on Attachment One. In some instances, the RIF Benefit will more than cover the cost, with any balance paid to the individual in cash. If the RIF benefit does not cover the entire cost, the individual (or surviving spouse) will be responsible for payment of the amount owed above the RIF benefit.

Example 1: An employee who accepts the RIF2005-06 and who separates from

NMU service on June 30, 2005, will be eligible to receive a 2005-06 RIF benefit as calculated in Schedule A, Example 3 above, of \$16,734.50. Assume the former employee needs two-person Community Blue health coverage which costs \$3,404.50 for six months. This would leave a \$13,330 cash severance benefit in 2005 (\$16,734.50 minus \$3,404.50).

*Example 2: An employee who accepts the RIF2005-06 and who separates from NMU service on June 30, 2005, will be eligible to receive a 2005-06 RIF benefit as calculated in Schedule A, Example 6 above, of \$3,125. Assume the former employee needs two-person Community Blue health/medical coverage which costs \$3,404.50 for six months. **This would leave \$279.50 that the former employee would owe NMU.***

If the individual (or surviving spouse) presents the required proof of alternate health coverage, then the individual (or surviving spouse) shall receive cash severance benefit payments, subject to applicable tax withholding.

In December of each year of the two (2) year payout period, the individual shall have the opportunity to change his or her benefit for the following year during the annual open enrollment period.

Example: If an individual who has been receiving NMU health/medical coverage obtains alternate coverage, he or she may elect to receive cash severance benefits during the following year.

For those former employees not receiving NMU health/medical coverage, or if the RIF amount exceeds the cost of health/medical coverage, cash RIF amounts will be paid as follows:

- First payment: First payday practicable after termination date
- Second payment: First payday of January following termination date
- Third payment: First payday of July in the year following termination date
- Fourth payment: First payday of the following January

Each payment will be one-quarter of the total severance benefit, less the cost of health/medical coverage, less applicable taxes.

RIF eligible individuals who qualify as NMU retirees, regardless of whether they begin receiving retirement benefits, are eligible for applicable retiree benefits.

RIF eligible individuals who do not qualify as NMU retirees are, in addition to the health/medical benefits outlined above, eligible for NMU tuition benefits for the individual,

spouse, and dependent children as defined by the IRS as outlined in the applicable union agreement or personnel policy manual for up to six (6) years from the date of separation.

Survivor Benefits for Married Individuals

Upon the death of a married individual prior to the end of the two (2) year payout period, the individual's surviving spouse shall be entitled to continue to receive health/medical coverage and/or severance benefits as in effect at the individual's death for the duration of the two (2) year payout period. (For purposes of this Program, a person will only be treated as a surviving spouse if he/she was legally married to the individual on the date of separation from employment.) However, if both the individual and surviving spouse die prior to end of the coverage period, no further benefits shall be provided under this Program.

If a married employee accepts the RIF2005-06 but dies prior to separation, then the employee's surviving spouse will be permitted to participate in the Program following the employee's death, for the two (2) year period (or until his/her death, if earlier). In this case, the RIF Benefit will be based on the employee's length of service as of date of death.

If an employee accepts the RIF 2005-06 but becomes totally and permanently disabled prior to separation, then the employee (and surviving spouse, if applicable) will be permitted to participate in the Program following the disability date, for the duration of the two (2) year period (or until his/her/their death, if earlier). In this case, the RIF Benefit will be based on the employee's length of service through the date of disability.

Benefits provided under the RIF2005-06 shall be in lieu of health care continuation benefits under Title XXII of the Public Health Service Act as amended by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

C. Applicability and Procedure

Employees may be eligible to exercise their bumping and recall rights according to their applicable union agreement. An individual who wishes to avail him or herself of these rights should contact Human Resources as specified in their layoff notice, if applicable. In the event an individual would like to exercise these rights but are unable to do so in accordance with their applicable union agreement, they will have the option of accepting the RIF2005-06 or maintaining their recall rights per the applicable union agreement. An employee whose position is eliminated who does not wish to avail him or herself of their bumping and recall rights should contact Human Resources immediately regarding the RIF 2005-06.

Only individuals outlined in Section A whose positions are being eliminated and do not exercise their bumping rights (if applicable) are eligible for the Reduction in Force 2005-06 plan. Individuals accepting the RIF will be offered forty-five (45) days to sign and return required waivers, releases, and other documentation as described in Section E, below. The

forty-five (45) day period may be waived by the employee if he/she so chooses. Once the documentation is signed and returned to NMU, the employee shall have seven (7) further days to revoke the decision to separate. If that decision is not revoked in writing within seven (7) days, the decision to separate becomes irrevocable. If such documentation is not timely signed and returned to NMU, then the employee will be placed on the layoff/recall list (if applicable) and employment will be terminated.

D. Effective Date

Actual separation dates shall be determined by NMU but in no event will be beyond June 30, 2006. Effective dates may be subject to change due to operational and financial impact on NMU. NMU's acceptance of an employee's agreement to a separation date shall not create any contract entitling the employee to work through the separation date, and NMU continues to reserve the right to terminate or lay-off an employee, subject to collective bargaining and tenure considerations if applicable. However, if an employee whose RIF has been accepted by NMU is terminated or laid-off, he or she shall receive RIF benefits on the basis that his/her termination or lay-off date constituted an agreed separation date under the Program.

E. Additional Terms

In consideration of benefits received under the RIF, the employee shall waive, effective the date of the employee's separation from NMU, any and all employment rights, all entitlement to future wage and benefit increases, all rights to participate in any group benefit plans other than the retiree benefits (or benefits entitled to in Section B) as outlined in the appropriate collective bargaining agreement or personnel policy manual, and shall agree not to reapply for employment, unless such reapplication is consented to by NMU.

After the end of the RIF two (2) year payout period, those who qualify as retirees of Northern Michigan University and surviving spouses shall be eligible to continue health/medical benefits by paying the necessary premiums. Those who do not qualify as retirees may be eligible for a conversion policy through our carrier but shall have no further right under COBRA to purchase health/medical benefits coverage from NMU.

An employee who terminates employment under the terms of the RIF2005-06 shall be required to execute an individual agreement with NMU which shall describe the employee's payment and benefit entitlement under RIF2005-06 and the respective obligations of the parties.