Date: June 6, 2011

To: NYU EMPLOYEES

From: Provost David McLaughlin and Executive Vice President Michael Alfano

Re: Announcement for Current Employees about Changes to Retiree Medical Benefits

We recognize and appreciate that NYU’s employees dedicate their professional lives to the University to help it achieve excellence in both research and teaching. Accordingly, among the many benefits provided by the University, we provide meaningful health benefits to our employees in their retirement.

However, like all institutions in our society -- and particularly those like higher education that are personnel intensive -- NYU is confronting a challenge: how to address the continuing increases in retiree health care costs, in particular, how to balance our commitment to retiree health care with these escalating costs.

Our review of retiree medical benefits and associated costs began in 2008 with the Human Resources Policy Assessment Task Force (HRPAT) created by Re-engineering I, and continued through Re-engineering II in 2009-2010. This review demonstrated clearly that the trajectory of the costs and future liabilities for our current retiree medical plan would leave fewer resources than we need to attract talented people, to pay competitive salaries, to invest in technology, to support cutting edge research, to provide financial aid to needy students, to renovate or create necessary academic facilities -- all the elements necessary to sustain our current momentum and achieve our academic aspirations for NYU. The Board of Trustees, foreseeing that the steady growth in these liabilities could threaten the University, mandated that the NYU Administration find a mechanism to achieve dual goals: contain these costs and ensure good health care for our retirees now and in the future.

Consistent with that directive, we will be making changes to retiree medical benefits, effective September 1, 2011, that we believe meet the two goals of containing costs and ensuring good health care.

Additionally, we are pleased to announce that effective January 1, 2012 we will be offering access to a new group dental plan option for both current and future retirees. The details of this retiree paid dental plan will be communicated later this year.

As illustrated in the table below, the retiree medical changes will affect only those employees under the age of 50 as of September 1, 2011 and all employees with dates of hire of September 1, 2011 or later (regardless of age).

The retiree medical changes do not affect any employee age 50 and above as of September 1, 2011.

In all cases, in order to qualify for retirement benefits an employee must meet the existing (unchanged) retiree medical eligibility requirements: for most employees this includes attainment of age 55 with 10 years of full time service with NYU, and age plus service must equal at least 70.

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<thead>
<tr>
<th>Employee Status as of 9/1/2011</th>
<th>Changes Apply?</th>
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<tbody>
<tr>
<td>Current retiree</td>
<td>No</td>
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<tr>
<td>Current employee age 50 or older</td>
<td>No</td>
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<tr>
<td>Current employee under age 50</td>
<td>Yes</td>
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<tr>
<td>New hire on or after 9/1/11 - any age</td>
<td>Yes</td>
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Changes in NYU Retiree Medical Benefits (affecting current employees under age 50 and employees hired on or after September 1, 2011):

The NYU Retiree Medical Benefit varies with Medicare eligibility status and is summarized below (more information can be found in the FAQs).

Non-Medicare Eligible Retirees
For retirees who are not yet eligible for Medicare (generally those under age 65), medical coverage will continue to be provided by New York University. Compared to what current retirees are paying, retirees affected by these changes will be required to pay a higher premium.

Medicare Eligible Retirees
Once a retiree becomes eligible for Medicare, Medicare will provide primary medical coverage. The funds that NYU currently spends to provide secondary or supplemental medical coverage and prescription drug coverage will be converted to direct financial assistance to individuals to help them purchase the insurance coverage that best fits their needs. This financial assistance will be provided through the creation of a Premium Reimbursement Account (PRA) for each Medicare eligible individual. The PRA will be an account to which New York University will contribute each year once Medicare eligibility commences. The amount that New York University contributes to the PRA will be equivalent to the current premium costs of providing Medicare Eligible coverage and will increase each year by up to 3%. Amounts that are not used in one year will be rolled over to the next year.

Retirees affected by these changes will have choices to buy varying levels of medical coverage to supplement Medicare, as well as pharmacy, dental and vision coverage. These insurance policies will be provided by third parties (e.g., United-Healthcare policies sponsored by AARP). New York University will make available support and resources to help retirees understand medical needs and insurance plan choices.

Summary of the new retiree medical benefits:

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<tr>
<th>Retiree Status</th>
<th>Retiree Medical Benefits</th>
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<tr>
<td>Not Medicare eligible (generally &lt;65)</td>
<td>NYU plan, with increased cost sharing</td>
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<tr>
<td>Medicare eligible (generally 65+)</td>
<td>Premium Reimbursement Account, funded by NYU</td>
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It is important to note that based on its review of NYU employee demographics, NYU does not expect individuals to be eligible for a PRA for at least 10 years. In no event will PRAs be established prior to January 1, 2022. If someone (retiree or spouse) becomes eligible before then, he or she will be provided coverage under the current retiree medical plan until at least January 1, 2022.

For all groups, NYU reserves the right to discontinue, alter or modify the plan at any time and at its sole discretion.

More details are available in the FAQs, which you can read by clicking here.

If you have any questions, please feel free to contact NYU PeopleLink at 212-992-5465.