

Hitchhiker's Guide  
To  
*Faculty Retirement*

Prepared by the Penn Association of  
Senior and Emeritus Faculty

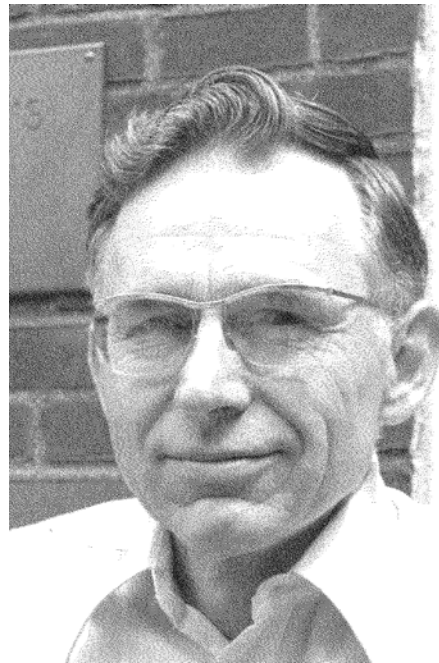
*Also Available at:*

**<http://www.upenn.edu/emeritus/>**

Seventh Edition

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Walter D. Wales, Professor of Physics and Astronomy, 1933-2011. Walter was a beloved and consummate University citizen who contributed to the well being of the institution and his fellow faculty in innumerable ways. He spearheaded the creation of Hitchhiker, led its compilation and subsequent annual updates, and edited the first three editions. He will be missed.



This guide was prepared by members of the Penn Association of Senior and Emeritus Faculty as a summary of issues that faculty members should review as they begin to consider retirement. It is not intended to be a detailed description of available benefits, nor is it intended to replace any of the official documents published by the University of Pennsylvania.

The guide was not prepared by and is not published by the University of Pennsylvania, its Division of Human Resources, or any University benefits administrators. The University therefore makes no representations or assurances regarding its accuracy or completeness.

Faculty are strongly encouraged to review in detail any summary plan description of benefits they consider to be important, as well as to speak to representatives from the Division of Human Resources before making any decision regarding retirement or benefits. The University offers many benefits to active and retired faculty, the terms of which are set forth in various plans and summary plan descriptions, which may be subject to change.

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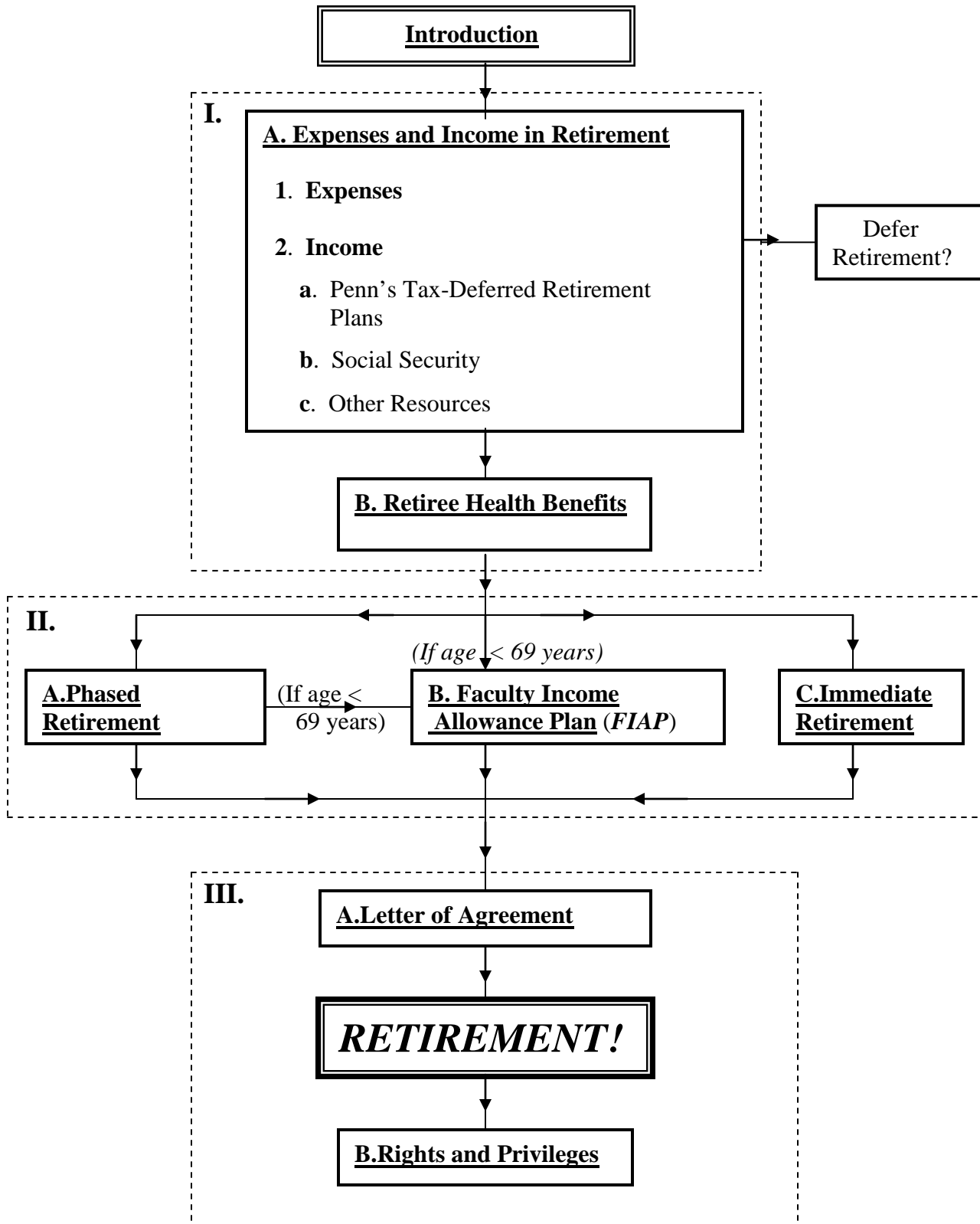
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## Table of Contents

Disclaimer and Authors.....	2
Table of Contents.....	3
Road Map to Retirement Planning.....	4
Introduction.....	5
<b>I. Financial Planning for Retirement</b>	
A. Expenses and Income in Retirement.....	8
1. Expenses.....	8
2. Income.....	9
a. Penn's Retirement Plans.....	9
b. Social Security Benefits.....	11
c. Other Resources.....	12
B. Retiree Health Benefits.....	13
C. Other Benefits.....	18
D. Benefits Under the FIAP.....	19
<b>II. Options for Transition to Emeritus Status</b>	
A. Phased Retirement.....	20
B. Faculty Income Allowance Plan.....	20
C. Immediate Retirement.....	22
D. Terminal Sabbatical.....	22
<b>III. Retiree Relations with the University</b>	
A. Letter of Agreement.....	23
B. Continued Rights and Privileges.....	26

## *Road Map to Retirement Planning*



## **Introduction**

The emeritus phase of your faculty career is a new time when the pressures of deadlines, the quest for funding to support scholarly efforts, and worrying about the assessment of performance are all comfortably behind you. The emeritus status within the faculty creates a newfound freedom to choose those academic activities that you enjoy most, and to explore other aspects of life within or outside the university that you promised yourself to do “when I’m not so busy”. It need not signal a disengagement or withdrawal from academic life, unless you so choose, but rather can be viewed as a “passage” from one stage to the next.

Many aspects of the emeritus state, as well as the process involved in becoming emeritus, can be quite confusing and obscure, with the necessary information scattered over a series of University documents. This booklet is an attempt to present essential information dealing with the emeritus transition in a concise “how-to” format to assist senior faculty in negotiating the necessary steps to achieve emeritus status. The material presented in this booklet emphasizes information specific to University standing faculty. Faculty should also review the “Retiring from Penn” brochure published by the Division of Human Resources that applies to all University employees. Many of the issues common to both faculty and staff are briefly discussed on the following pages, with reference to the “Retiring from Penn” document and to various Web sites for greater detail.

A key point in preparing for retirement is the importance of developing financial planning well in advance. Waiting until you are near retirement can reduce your financial options; you should seek advice and understanding about which retirement plans are available to you as a faculty member at the University from the very outset of your life at Penn, particularly concerning maximizing contributions to retirement accounts.

As you approach your desired age for the shift from full-time to emeritus status, you may wish to consider the options available to you for continued involvement with your department, with your school, and with the University as a whole. Many emeritus faculty continue to teach, pursue scholarly projects, serve on committees, and attend departmental meetings, either with or without remuneration. The amount of involvement (if any) that you wish as an emeritus faculty member should be discussed with your departmental chair in detail; issues should include what activities you wish to pursue, resources you would require ideally (such as office and laboratory space, administrative and secretarial assistance), and what your department will be able to provide. Once these have been resolved, they should be outlined clearly in writing as a “Letter of Agreement”, prior to the date of retirement and acknowledged by both the faculty member and the department chair. Standard Penn faculty benefits that should continue in the emeritus phase, such as attendance at departmental activities and conferences, inclusion

in correspondence and notices, listing in the University phone directory, e-mail, and use of University facilities should also be discussed, and provision made to assure that these will not be discontinued at the time that the Payroll Office considers you “gone” from a financial point of view.-

Subject to certain qualifying conditions, you can become emeritus using one of three options:

- 1) Reduction in duties or “phased retirement” – This can occur over a maximum of 6 years and can be followed by use of option 2.
- 2) Utilization of the Faculty Income Allowance Plan (FIAP) – the FIAP provides a severance payment spread out over 24 monthly installments. You can choose this option without first exercising the phased retirement option.
- 3) Immediate retirement – This is available to all tenured faculty. In addition, it is now possible to take a sabbatical leave as a “terminal leave”, without the obligation to return to active status before retiring. All of these options are described in greater detail below, and on various University Web sites.

The Penn Association of Senior and Emeritus Faculty (PASEF) maintains a Website (<http://www.upenn.edu/emeritus/>) where much useful information can be found. If you are retired or at least 55 years of age, you are automatically a member of PASEF, and we invite your involvement to help the organization serve the needs of its members and the University.

The following sections of this document are designed so that you can use them as a sequence of steps or pick out any of the headings of particular interest to you and limit your focus to those sections.

**Section I - Financial Planning for Retirement** - This section gives an overview of expenses, income, and health benefits in retirement. It includes a discussion of Penn's retirement plans, Social Security income, and the health plan options. There are issues and costs that must be recognized in retirement fiscal planning. For more detailed information on these topics you should refer to the several Penn publications referenced in this section.

**Section II – Options for Transition to Emeritus Status** – This section outlines the three potentially inter-related pathways to retirement: phased reduction of duties, the Faculty Income Allowance Plan (FIAP), and direct retirement without either of the above options. All of these options lead to your retiring from the Standing Faculty and becoming emeritus.

**Section III – Retiree Relations with the University** – This section discusses the various options, needs, duties, and privileges that you should agree to with your chair before becoming emeritus. It also outlines the rights and privileges that are automatically granted to emeriti as a result of their new status as well as others which are not automatic but require specific agreement between chair and faculty member.

We sincerely hope that this document will help you to navigate through your transition to emeritus status. You are cordially invited to visit the PASEF website for other information, and to consider joining actively with other colleagues in the various activities of the Penn Association of Senior and Emeritus Faculty.

## **I. Financial Planning for Retirement**

### **A. Expenses and Income in Retirement**

The most important question facing most faculty members contemplating retirement is whether their income over the period of their retirement will be sufficient to meet their expenses. Since retirement from the University, once begun, is not easily reversible, it is essential that you explore this question thoroughly before you make a firm commitment to retire. As much as two years before a tentative retirement date is not excessively early to begin this exploration.

A precise answer to the question of the adequacy of your retirement resources requires knowledge of your life span and of the inflation rate and the return on investment during that life span. Inasmuch as none of these can be predicted with confidence, any projection of expenses and incomes will inevitably be uncertain - but an estimate is still better than nothing. If you find the projection for your case unsatisfactory, either because of the projection itself or because of the uncertainties in the projection, you might consider postponing a decision to retire.

Both TIAA-CREF and Vanguard have retirement projection instruments available on their websites. They also both offer more personalized services, whereby you can take advantage of one-on-one counseling as well as in-depth wealth management services. One projection instrument that is easily available and utilizes past rates of inflation and investment return is the "Vanguard Lifetime Spending Analyzer", which can be most easily accessed with *Google*. More sophisticated instruments are also available, but most will require either a minimum level of investment or payment for the service. Unfortunately, even the most sophisticated projection instrument can not provide guarantees of either your future income or your future expenses.

You may also benefit from a review of your plans with an independent financial advisor who understands the details of the University's programs. Fee-based advisors, rather than those whose income depends on the sale of investment products, are generally thought to be more objective.

#### **1. Expenses**

Many people contemplating retirement assume that their expenses in retirement will be significantly less than when they were fully employed. Unless retirement is accompanied by significant changes in life style, this assumption is very often simply wrong. The only certain changes brought by retirement are more time to spend money and increased costs for medical benefits.



One approach to estimating expenses in retirement is to tabulate (not estimate) all expenses for a typical recent year. This tabulation should omit nothing. Once it is complete, it can be examined to determine whether particular expenses might be reduced. At the same time increases (e.g., medical expenses, travel, etc.) can be added to produce an expense projection for the first year of retirement. Since projections for future years require a prediction of inflation rates, expense estimates inevitably become increasingly uncertain over time.

## 2. Income

### a. Penn's Retirement Plans

The largest contribution to retirement income for most faculty members will be generated by payments based on past contributions, by both the faculty member and the University, to Penn's 401(a) basic and 403(b) matching Tax-Deferred Retirement Plans with TIAA-CREF and/or Vanguard. Many faculty members have also made tax-deferred contributions to Penn's 403(b) Supplemental Retirement Annuity Plan with TIAA-CREF and/or Vanguard. While the two companies have somewhat different restrictions on withdrawals from retirement accounts, federal law requires that distributions from such accounts begin by April 1 of the year following the year that the age of 70½ is reached, except for individuals who continue as compensated employees of the University of Pennsylvania. Withdrawals from Penn's plans are subject to federal income tax, but *not* Pennsylvania tax. If you made contributions to similar funds outside Pennsylvania, or live in another state that levies a personal income tax, you should consult a tax advisor.

TIAA-CREF and Vanguard each offer many options for the use of the funds in your retirement accounts. For instance, you may choose a simple one- or two-life annuity which provides a guarantee of lifetime income that is independent of the vicissitudes of financial markets. Another option is to take only the Required Minimum Distribution (RMD) to maximize the potential for passing on assets to your estate. Since this latter option is dependent on the fluctuations of financial markets it also increases the risk that you may outlive your resources. You may also use any combination of options.

Both TIAA-CREF and Vanguard maintain websites that are informative and relatively easy to navigate. Both companies provide frequent retirement seminars at the University as well as individual counseling to employees nearing retirement. If you are contemplating retirement you have probably already attended several of these retirement seminars. The next step is to become thoroughly familiar with the information on the relevant websites. Finally, you should make an appointment with one of your company's retirement specialists to begin the process of determining how the funds in your retirement accounts are to be used and which distribution option will work best for you.

The table below shows the current level of the RMD for most individuals. Those with spouse-beneficiaries more than ten years their junior use a different calculation. Contributions made and earnings accumulated prior to 1987 are grandfathered into a different schedule starting at age 75. We recommend that you get TIAA-CREF and/or Vanguard to make the calculations for you.

### The "Uniform Lifetime Table"

...for determining lifetime required distributions for (almost) everyone

Age	Applicable divisor	Age	Applicable divisor	Age	Applicable divisor
70	27.4	86	14.1	102	5.5
71	26.5	87	13.4	103	5.2
72	25.6	88	12.7	104	4.9
73	24.7	89	12.0	105	4.5
74	23.8	90	11.4	106	4.2
75	22.9	91	10.8	107	3.9
76	22.0	92	10.2	108	3.7
77	21.2	93	9.6	109	3.4
78	20.3	94	9.1	110	3.1
79	19.5	95	8.6	111	2.9
80	18.7	96	8.1	112	2.6
81	17.9	97	7.6	113	2.4
82	17.1	98	7.1	114	2.1
83	16.3	99	6.7	115+	1.9
84	15.5	100	6.3		
85	14.8	101	5.9		

Under the Minimum Distribution Regulations, the above "Uniform Lifetime Table" must be used. For each "Distribution Year" (i.e., a year for which a distribution is required), determine:

- (A) the account balance as of the preceding calendar year end;
- (B) the participant's age on his or her birthday in the Distribution Year; and
- (C) the "applicable divisor" for that age from the above table. "A" divided by "C" equals the RMD for the Distribution Year. The RMD for the first year must be taken by April 1 of the subsequent year; all subsequent distributions must be taken by the end of the calendar year.

### TIAA-CREF

Website – [www.tiaa-cref.org](http://www.tiaa-cref.org)

Retirement Call Center – 1-877-PENNRET (1-877-736-6738)

To set up an appointment with a retirement counselor call 1-800-842-2010 or visit TIAA-CREF on-line at [www.tiaa-cref.org/moc](http://www.tiaa-cref.org/moc).

There are no restrictions (except the need to pay taxes) on any of the TIAA-CREF funds except TIAA Traditional. Withdrawals from TIAA Traditional can not be made over less than a ten-year period.

### Vanguard

Website: [www.vanguard.com](http://www.vanguard.com)

Participant Services: 1-800-523-1188

To set up an appointment with a retirement counselor call 1-800-662-0106 x 14500 or visit Vanguard on-line at [www.meetvanguard.com](http://www.meetvanguard.com).

None of Vanguard's investment options has limits on withdrawals

### Other Financial Institutions

When you retire you may also choose to move some of your tax-deferred assets with TIAA-CREF and/or Vanguard into IRA accounts managed by another financial institution or to use those assets to purchase an annuity from another insurance company. In such transactions it is important that funds pass directly from institution to institution (and not through you) to avoid immediate federal tax on the entire amount. Consultation with a professional financial planner is recommended if you are considering this option.

#### b. Social Security Benefits

The Social Security Administration maintains an easily navigable and informative website: [www.ssa.gov/retire2](http://www.ssa.gov/retire2). The information below (and much more) may be found on that site. Note however that this site often assumes that retirement and collecting benefits begin at the same time, whereas in reality their dates can be chosen independently.

The Social Security Administration has defined a "full retirement age" that currently varies between 65 and 67 years, depending on a retiree's date of birth. Social Security benefits can begin as early as age 62, but benefits are reduced a fraction of a percent for each month before full retirement age. Deferring benefits (up to age 70) after you reach full retirement age results in larger payments over your remaining lifetime.

Whether they begin earlier or later, a retiree receives about the same total Social Security benefits over their average expected lifetime, in amounts adjusted to take into account the period over which they are received. You should consider your own situation, including other sources of income, your tax rate, cost of living and likely longevity, before making your decision. The reductions/increments are fully explained on the SSA website.

Even if he or she has never worked under Social Security, your spouse at full retirement age can receive a benefit equal to one-half of your full retirement amount and can qualify for Medicare at age 65. If your spouse has also worked under Social Security and is eligible for retirement benefits on his or her own record, the spouse will receive either those earned benefits or one half of your benefits, whichever is higher. Alternatively, your spouse can choose to claim spouse's benefits and defer taking earned benefits until later, letting them grow, as outlined above, up to age 70.

When you die your spouse is entitled to survivor's benefits equal to your full benefits, if they are greater than those earned on his or her own record.

Employment while receiving Social Security retirement (or spouse's or survivor's) benefits is permitted. However, earnings from such employment will reduce benefits for individuals who have not reached their full retirement age.

c. Other Resources

Most faculty members and their spouses will have, in addition to income from Penn's Retirement Plans and Social Security, income from sources such as other savings, pensions from other employment, investment income, and continued employment. These resources should be evaluated and included in your overall assessment of retirement assets.

## B. Retiree Health Benefits

*The health benefits offered to retired employees by the University are influenced by the cost of providing medical care, by the programs offered by the health insurance industry, and by the regulations the federal government mandates for Medicare. Each of these is subject to change, as is the University's approach to meeting those changes. The material which follows represents the authors' understanding of the health benefits offered to retired employees in 2014. We hope this information will give you an overall sense of the scope and costs of the University's retiree health program. However, the details of that program will almost certainly be different in 2015 and in future years.*

Providing health care coverage is a complicated process and the University continues to make improvements in the program. It contracts for the management of its benefits programs with ADP. Not surprisingly mistakes have sometimes been made. Retirees should be wary and vigilant for unexpected changes and unexplained problems, and should not hesitate to question Human Resources about them.

When you enroll in the University's retiree health program you will need to select from a number of different options. Before you do so you should become very familiar with the information available on the website of the Division of Human Resources (for security this now requires authentication by PennWebLogin with PennKey and password). In addition, you may find it useful to discuss the options with some of your retired colleagues already in the program to get their perspectives on the options available.

Health benefits for retired employees of the University of Pennsylvania currently are similar to those for full time employees. The summary below includes information taken from the following sources, which can be accessed on the Penn Division of Human Resources website: "Retiring from Penn" (September 2013), "University of Pennsylvania Benefits", and "Faculty Income Allowance Plan" (September 2013).

The rules regarding the timing and conditions for enrollment for retiree health benefits are quite specific and should be examined well in advance of retirement. You must complete an enrollment form electing or deferring University retiree medical coverage within the 90-day period prior to your last day of service or participation in the program may be permanently waived. For more detailed and current information, please refer to plan descriptions and information available from the Division of Human Resources.

## 1. Eligibility

The University offers health benefits to retired members of the faculty who meet certain requirements. As of January 1, 2006 you are eligible to receive retiree health benefits if your age plus your years of service total at least 75, with a minimum age of 55 and a minimum of 15 years of service, or a minimum age of 62 and a minimum of 10 years of service. Service must be full time and continuous. If you met either of the age and service minima by December 31, 2008, you are not required to meet the “rule of 75” to be eligible.

Eligible dependents include your spouse/same sex domestic partner and children up to age 26. The eligibility of children is now unconditional. Note that if a child is disabled, the benefits may be extended past the age of 26, subject to certification of disabled status through your medical carrier. In the event of your death, your surviving spouse/partner may continue to receive medical coverage until remarriage or death.

## 2. Health Advocate

Health Advocate is a free and confidential service provided to all those who retired under the “rule of 75”. Their services include: help finding providers and scheduling appointments with them, help getting approval for covered services, advice on the selection of insurance choices, and help with billing concerns. A flyer listing their services is sent with the annual selection materials and is also at <http://www.upenn.edu/emeritus/>. Reports indicate that they are particularly effective at resolving billing errors. In light of privacy concerns and regulations a moderate amount of paperwork is necessary. Contact them at 1-866-799-2329.

## 3. Medical and Prescription Drug Benefits

### a. Retirees Under Age 65.

Medical. - Retirees and their eligible dependents under age 65 can choose from the following for medical plans in 2014:

- Keystone / AmeriHealth HMO
- Aetna Choice POS II
- PENN Care / Personal Choice Preferred Provider Organization (PPO)

The details and comparison of these plans, which are published by the Division of Human Resources, may change from year to year. If you plan to reside outside of the Philadelphia area, it is important that you check to see which of these plans will be available to you.

Prescription Drug Coverage. - Retirees under age 65 who elect medical coverage through Penn will automatically be covered under Penn's prescription plan through Express Scripts Inc.. Prescriptions can be filled at a retail pharmacy or through the Express Scripts mail service program.

For more information. - For detailed information about medical and prescription drug benefits, go to the Division of Human resources website at [www.hr.upenn.edu/myhr/benefits/retiree](http://www.hr.upenn.edu/myhr/benefits/retiree).

b. Retirees Age 65 and Older.

Medicare. - All retirees and eligible dependents age 65 and over must be enrolled in Medicare Parts A and B in order to enroll in Penn's Medicare-eligible retiree medical plans. Medicare Part A covers inpatient stays in the hospital and certain nursing facilities. Medicare Part B covers doctor services and certain other outpatient services and supplies. You can enroll in Medicare Part A, which has no cost to you, any time after reaching age 65. You should plan to enroll in Medicare Part B at least 90 days prior to your planned retirement date to avoid a possible gap in your coverage.

Medical. - You and your eligible dependents age 65 and over may currently enroll in the following plans:

- Keystone/AmeriHealth 65 Medicare Advantage (HMO)
- Aetna Medicare Plan (PPO)
- Medigap Security 65 Standard Plan (Medicare Supplement)
- Medigap Security 65 Premium Plan (Medicare Supplement)
- Independence Blue Cross 65 Special (Traditional)\*

\*This plan is not accepting new enrollees and seems likely to be phased out. The Medigap Security 65 Premium Plan provides similar benefits.

The details and comparison of these plans, which are published by the Division of Human Resources, may change from year to year. If you plan to reside outside of the Philadelphia area, it is important that you check to see which of these plans will be available to you

Prescription Drug Coverage. Retirees age 65 and older who elect medical coverage through Penn can either elect or opt out of prescription drug coverage through Penn. The current plan is provided by SilverScript, a division of Caremark, and is a Medicare Part D employer group plan. It has been tailored to differ in several desirable ways from a standard Medicare Part D plan, including an

expanded formulary and elimination of the “doughnut hole”. If you opt out of Penn’s prescription drug coverage when you retire, you will not be allowed to enroll in this plan in the future; therefore you may want to enroll for coverage in individual Medicare Part D. Note that Medicare does not allow you to elect a non-Penn Medicare Part D plan if you enroll in a Medicare-Advantage HMO or PPO plan; you must take the SilverScript plan. The University has determined that the prescription drug coverage offered by the University is on average expected to pay as much as standard Medicare Part D.

#### For More Information

For detailed information about medical and prescription drug benefits go to the Division of Human Resources website at [www.hr.upenn.edu/myhr/benefits/retiree](http://www.hr.upenn.edu/myhr/benefits/retiree) or call the Penn Benefits Center at 1-888-736-6236. For details of the SilverScript prescription plan go to [upenn.silverscript.com](http://upenn.silverscript.com) . For more information regarding Medicare prescription plans contact Medicare at 1-800-633-4227 or visit [www.medicare.gov](http://www.medicare.gov) and request the handbook entitled “Medicare and You.”

#### c. Split Family Coverage.

Split family coverage occurs when one person is under age 65 and not eligible for Medicare and enrolled in a pre-65 medical plan, and one person is age 65 or older and is enrolled in a Medicare-eligible plan. Specific rules apply: see the Division of Human Resources website for more information.

#### d. Cost of Coverage.

The move from active status to retiree status will change you from an older member of a relatively young and healthy group to a younger member of an older and less healthy group. Unfortunately, the costs of providing medical services to this latter group are very high. In 2014 the University pays 60% of the premium for the least costly medical plan and 60% of the minimum premium for prescription drug coverage for those hired before January 1, 2006 and their dependents; for those hired subsequently the support for dependents drops to 30%.

Medical and prescription drug costs are subject to change from year to year. The costs of premiums to retirees over age 65 for both medical and drug coverage from the University range from \$149 to \$246 per person per month in 2014. In addition, the minimum cost for Medicare B in 2014, which is indexed to total income, is \$104.90 per person per month. Those with income above the threshold for the minimum Medicare B premium also pay an income-related adjustment for Medicare D. Details are available at [www.medicare.gov](http://www.medicare.gov). The costs for retirees under the age



of 65, before support from Medicare is available, are considerably higher. A complete chart of payments to the University can be found at [www.hr.upenn.edu/myhr/benefits/retiree](http://www.hr.upenn.edu/myhr/benefits/retiree). (Choose "Cost of Coverage." from the menu)

Note that medical insurance premiums paid directly to the insurance carrier on your behalf by the University are not considered taxable income, whereas premiums paid by individuals are paid with after-tax dollars. Thus the actual additional cost of healthcare coverage after retirement could be substantial, since it will include the premium that you will be required to pay to the insurance carrier as well as the cost of Medicare Part B, neither of which can be sheltered.

#### 4. Dental Coverage

The Penn Faculty Practice dental plan is not available to retirees.

##### Vital Savings by Aetna

A dental discount plan with Aetna has been available since January of 2006. If you enroll for this coverage and visit a participating provider you will receive an average discount of 28%. Contact Aetna at 1-866-368-4825 for more information. Mention that you are a Penn retiree and give the Promotional Code Number 882016015.

##### MetLife Preferred Dentist Program (PDP)

This program provides coverage when you receive treatment from any dentist you wish, but you may save money by using a MetLife preferred dentist. Contact MetLife at 1-800-942-0854 for more information.

##### COBRA

When you retire, you may be eligible to continue your existing Penn Faculty Practice or MetLife dental benefit through COBRA for up to 18 months. For more information on COBRA, review Penn's online health and welfare summary plan description at [www.hr.upenn.edu/myhr/benefits](http://www.hr.upenn.edu/myhr/benefits) or contact the Penn Benefits Center at 1-888-736-6236.

## 5. Vision Coverage

### Aetna Vision One

If you enroll in the Vital Savings by Aetna Dental Program you will automatically have access to the Aetna Vision One discount program. You can use vision providers in nearly 13,000 participating Vision Centers through this program.

### COBRA

When you retire you may be eligible to continue your existing Davis or VSP Vision benefit through COBRA for up to 18 months. For more information on COBRA, review Penn's online health and welfare summary plan description at [www.hr.upenn.edu/myhr/benefits](http://www.hr.upenn.edu/myhr/benefits) or contact the Penn Benefits Center at 1-888-736-6236.

## **C. Other Benefits**

### 1. Life Insurance

When you retire the University provides you with a life insurance benefit of \$5,000 at no cost to you. You may also convert your existing group life insurance benefit at Penn to an individual policy provided you apply within 31 days of your last day of active work. For more information about converting your life insurance coverage contact the Penn Benefits Center at 1-888-736-6236.

### 2. Pre-Tax Expense Accounts

Participation in the University's Pre-Tax Expense Accounts ends when you retire. If you incurred eligible expenses while you were actively employed you can continue to submit them through the grace period at the end of that year. For more information contact the Penn Benefits Center at 1-888-736-6236.

### 3. Long-Term Care Insurance

You and your eligible family members can apply for Long-Term Care insurance at any time before or after you retire. For more information contact Genworth at 1-800-416-3624.

#### 4. Disability

Coverage under Penn's disability programs ends when you retire. However, if you are disabled on or before your retirement date Long-Term Disability benefits will continue for a specified period of time, depending on your age at the time your disability began. For more information see the Division of Human Resources website at [www.hr.upenn.edu/benefits/retiring](http://www.hr.upenn.edu/benefits/retiring).

#### **D. Benefits Under the Faculty Income Allowance Plan (FIAP)**

Faculty who begin retirement with the Faculty Income Allowance Plan (see II.B on the next page) receive the same benefits as other retired faculty members. In addition, during the two-year period of payments from the FIAP:

1. The costs of dental and vision insurance are fully paid by the University.
2. Life insurance equivalent to your benefits base is provided by the University.

More detailed information about the benefits provided under the FIAP can be found in a brochure entitled "Faculty Income Allowance Plan" published by Penn's Division of Human Resources. This brochure is available on the Division of Human Resources website at [www.hr.upenn.edu/docs/default\\_source/benefits/fiap\\_benefits\\_summary.pdf](http://www.hr.upenn.edu/docs/default_source/benefits/fiap_benefits_summary.pdf).

## **II. Options for Transition to Emeritus Status**

### **A. Phased Retirement**

Phased Retirement is a period prior to full retirement during which a faculty member's duties are reduced to permit a gradual transition from full activity. It must be followed by full retirement from the University. The maximum length of the period is six years. The maximum reduction is to one-half full-time duties. Smaller reductions, as well as reductions which vary from one year to the next, are also permitted. During the period of phased retirement your salary and those benefits that are proportional to salary are reduced proportionately to the reduction in duties. You continue to accrue eligibility for scholarly leave at a rate proportional to the reduced level of your duties. Other benefits continue as for full-time faculty. Scholarly leave during the final year of phased retirement is allowed as it is for full-time faculty during their terminal years.

The phased retirement option is only available when there is a good match between your department's needs and your concept of appropriate duties during the period of phased retirement. If you wish to contemplate phased retirement you should initiate discussions with your department chair well before the period of phased retirement is to begin. You and your chair must develop a mutually-acceptable plan for your responsibilities during the period of phased retirement that is sufficiently detailed to minimize the potential for disagreements. This agreement requires the (usually routine) approval by the Dean and Provost.

If you meet the age and service requirements of the Faculty Income Allowance Program (FIAP – see Section II.B. below) at the end of the period of phased retirement you may enroll in that program. Benefits from the FIAP for faculty members moving to full retirement at the end of phased retirement are the same as for faculty members moving from full-time service to full retirement. Your annual income from the FIAP will be based on your equivalent full-time academic base salary in the final year of your phased retirement.

### **B. Faculty Income Allowance Plan (FIAP)**

The Faculty Income Allowance Plan provides income from the University, during the first two years of retirement, to members of the standing faculty who meet the conditions of the FIAP program and wish to retire before reaching the age of seventy. The annual income provided is the *larger* of either a) 82.5% of your academic base salary during the year prior to your retirement or b) 82.5% of the *average* academic base salary for full professors in your school during that year.

Some faculty members who retire with benefits from the FIAP continue to work part time for the University, and thus receive additional compensation for this. The FIAP is structured as a “severance plan” that provides compensation following a “separation from service.” It is therefore necessary to limit the level of continued service to below that at which the Internal Revenue Service considers such payments to be “deferred compensation”, which is subject to penalties and additional taxes. Following IRS guidelines, the maximum level of continued service is set at 20% of previous service.

There is no limit on compensation from the University after FIAP benefits have ended, and no limit on compensation from another institution at any time after retirement.

The FIAP is an excellent plan and is strongly recommended for those into whose intended career trajectory it fits. However, when planning to take advantage of it you should keep in mind the consequences for taxable income. Since FIAP income is classified as a severance payment, none of it can be tax-sheltered by paying such things as health insurance premiums, contributions to TIAA-CREF/Vanguard or parking fees on a pre-tax basis. Thus your taxable income may actually increase. Furthermore your income is likely to be in a range that incurs income-related additional premiums for Medicare B and D. That likelihood becomes a certainty if you pass the age of 70½ while on the FIAP, and must also take the required minimum distributions from your 403(b) accounts and any IRA's.

In the event of your death while receiving FIAP benefits the balance of any payments due to you are passed to your beneficiary as a lump sum.

The minimum age at which retirement with the benefits of the FIAP is possible is 60 years. The required minimum full-time service at the University ranges from 15 years (at age 60) to 10 years (at age 65 or more). Faculty members who elect the FIAP must retire by the end of the academic year in which they reach the age of 69 years\*. The dean of the relevant school must be notified at least one year in advance of the contemplated retirement, unless the dean has approved a shorter period. This approval is usually routine, but cannot be guaranteed.

\* *Under some circumstances, described in detail in the brochure cited below, faculty members who have begun service at the University relatively late in life may be eligible for FIAP at age 70 or more.*

The Division of Human Resources has produced a very complete and informative brochure on FIAP. If you are contemplating FIAP you should either procure a copy from Human Resources or download the web version ([www.hr.upenn.edu/docs/default\\_source/benefits/fiap\\_benefits\\_summary.pdf](http://www.hr.upenn.edu/docs/default_source/benefits/fiap_benefits_summary.pdf)) and become familiar with its contents.

### **C. Immediate Retirement**

Some faculty members will decide to continue in full-time service until they retire at some age older than 69 years. In this case you will use neither Phased Retirement nor the FIAP, but you may of course be eligible for all other retirement benefits. You should also be sensitive to the suggestions contained in this brochure.

### **D. Terminal Sabbatical**

Most faculty accumulate more sabbatical leave credits during their careers than they can utilize. Regardless of the path you take towards retirement, if you have unused credits, you are entitled to take up to a year of terminal sabbatical leave immediately prior to full retirement. You apply for this in the same way as for regular sabbaticals: by letter *via* your department chair to your school's personnel committee. Your letter should include confirmation of your intent, conditional, if relevant, on expected benefits, to retire at the end of the sabbatical.

### **III. Retiree Relations with the University**

#### **A. Letter of Agreement**

Faculty considering entering emeritus status who plan to remain engaged in University life at any level will require certain facilities to do so. It is strongly recommended that these be defined in a letter of agreement with the chair of the department or dean of your school. This should represent a binding commitment outlining the conditions by which you will remain active in the affairs of the department. If you will be participating in the FIAP the letter should be appended to the FIAP agreement with the University at the time that it is signed. It is preferable that the agreement be for multiple years, rather than one year with option for renewal. Remember that faculty considering the timing and conditions of retirement enjoy considerable leverage with the University that vanishes when they commit to a date.

The letter of agreement defines the relationship that replaces the one that you formerly enjoyed as an active faculty member. The Handbook for Faculty and Academic Administrators extends many benefits to emeritus faculty that encourage them to retain a connection with the University. Nevertheless your letter should include those things that are normally afforded emeritus faculty, as well as facilities that are extended on an “as available” basis, and also items that are specific to you and to your relationship to your department. Letters of agreement will vary across University Departments, and their complexity will depend on issues such as any financial relation, teaching commitments, grant support, space requirements, or income from scholarly grant activity or practice activities in the professional schools. For most faculty, legal advice on the letter of agreement is not necessary, but if complex financial arrangements arise, it may be advised. If the letter commits non-trivial resources or makes a commitment on behalf of your school it should be endorsed in writing by the dean of the school as well as your department chair. The form of the letter ought to be written as a statement of an agreement so that the signatures of the chair and the dean unambiguously indicate concurrence with that agreement. Below are some suggestions that may prove helpful in framing such a letter:

1. Define concisely the conditions under which you remain involved in the life of the department. Affirm that the agreement is binding on the department and school and on you.
2. Indicate the duration of the agreement, usually beginning at the retirement date, in single or multiple yearly intervals, and any conditions relating to its renewal.
3. Choose whether your title is to be changed to Emeritus Professor or retained as Professor.

4. Specify office space in the department.
5. Affirm permission to attend faculty meetings as either a voting or non-voting member, and continued receipt of notices of such meetings.
6. Define the nature and extent of continued teaching responsibilities. Detail precisely the nature of any compensation. Specify that necessary supplies and other support, such as computer upgrades, will be provided.
7. Indicate permission to supervise students and trainees in whatever capacity is appropriate. If there are students under supervision at the time of retirement, define arrangements to continue supervising them and their duration.
8. If the submission of grant proposals is anticipated, confirm that those submissions will be supported by the department. If foundation support will be requested include an understanding of the source of indirect costs.
9. Specify access to specialized space, e.g. laboratory space (perhaps shared with other faculty). If grant support continues beyond retirement, confirm retention of current laboratory space.
10. If grant support in the form of a no-cost-extension continues beyond retirement, specify continued payment of salary from that source, including dollar amount and rate of remuneration, as per department/school policy.
11. Detail the nature of compensation if income is anticipated from any other extramural sources (e.g. co-investigator on a colleague's grant award). For the special case of continued professional service, detail the nature and extent of the service to be delivered, expected compensation, and source and support for malpractice coverage. Legal counsel is advised in dealing with this matter.
12. Define continued access to secretarial services and department administrative support (e.g., departmental research service personnel, program coordinators, etc.) as needed.
13. Affirm permission to continue departmental committee work, if desired.
14. Affirm permission to continue mentoring junior faculty.
15. Specify permission to retain your departmental mailing address.



16. Specify permission to retain your e-mail address and its listing through the department.
17. Define phone and mail privileges as needed.
18. Specify that specialized school or professional ID remains in an active state.
19. Specify that security entry keys be maintained operational.
20. Specify that you keep receiving announcements of Departmental/Divisional meetings and activities as well as the Almanac and Gazette. Indicate that you want continued listing in relevant school and University directories.
21. Specify that when the terminal date arrives that the Departmental Business Office indicate that you are shifting to Emeritus rather than being listed as “terminated.”
22. For clinicians in the biomedical schools it may be important to specify the terms under which you will continue to be a member of the medical staffs of University-owned hospitals.

## **B. Continued Rights and Privileges**

No faculty member gains new rights or privileges in the University upon retirement, but many of those rights and privileges that you enjoyed prior to retirement continue to be extended. This is a summary of some of the more commonly used among them.

It is recommended that you specify the continuation of any benefits that are important to you in your letter of agreement (see previous section) to protect against changes in University policy regarding them.

### **Office and Work Facilities**

When you are actively engaged in productive scholarship, the University will try to furnish you office space with a telephone and PennNet outlet, as well as clerical assistance from the departmental pool. Such aid can be granted only if it is available; priority must necessarily be given to continuing full-time faculty. Similar considerations apply to laboratory space if you are in the experimental sciences. If this is an important element of your retirement plans it is very strongly recommended, as discussed above in the Letter of Agreement section of this brochure, that these provisions be clearly enumerated in a binding written agreement with your department chair and/or dean.

For those without a personal office, ASEF (the School of Medicine analog of PASEF) has space with easy chairs, desks and computers at the SW corner of 21 Penn Tower. Non-members of ASEF can obtain the access code for its doors from the PASEF office ([emeritus@pobox.upenn.edu](mailto:emeritus@pobox.upenn.edu) or 6-5972).

### **Grant Applications**

You may file research or travel grant applications. The consent of the relevant department chair or dean must be obtained prior to submission to the Vice Provost for Research. Such applications will be transmitted further only if necessary office and laboratory space are available. If there is a shortage of such space, first priority must go to continuing full-time faculty.

In this context it should be noted that use of an Emeritus title is optional, since some faculty believe that it disadvantages them with grant review panels.

### **Teaching and Mentoring**

Continued teaching in areas of special expertise and mentoring junior colleagues are mutually beneficial avenues of continued engagement and are strongly encouraged

by the University. Extensive teaching or educational organization that contributes to the fulfillment of departmental obligations should be compensated at an agreed level and accompanied by provision of necessary office space and clerical support.

As an emeritus faculty member you cease to be eligible for the teaching awards reserved for standing faculty, such as the Lindback Award, but become eligible for those restricted to other than standing faculty, such as the Provost's Award.

## Parking

You may continue to park in University facilities for half the regular rates. Parking fees will in general be paid by credit card with post-tax dollars, unless you continue to have taxable earned income from the University (this excludes FIAP). You should inform the Parking Office (8-8667) when you become emeritus.

## Educational Benefits

Faculty tuition scholarship benefits are continued if you are eligible for such benefits at the time of your retirement. They are available for any school in the University to which the individual has been admitted. They cover essentially all tuition costs for a maximum of six course units for credit per academic year for you and one half of the costs for your spouse/domestic partner.

Tuition benefits for your dependent children are continued unchanged on retirement, and indeed even after your demise.

It should be noted that some of the above benefits are regarded as taxable income and are reported to the taxation authorities as such. Generally most undergraduate tuition benefits are not taxable, but some or all of graduate tuition benefits are, see the links from <http://www.hr.upenn.edu/benefits/Tuition/TuitionPolicies.aspx> for more details.

The Senior Auditing Program in the College of Liberal and Professional Studies (née General Studies) allows senior citizens, whether or not affiliated with the University, to enroll in most undergraduate lecture courses in the School of Arts and Sciences for \$500 per semester per course, for auditing only. Several other local Universities offer similar programs.

Of course if you wish to sit in on the course of an acquaintance you may do so, with the suggested courtesy of requesting prior permission.

## PennCard Identification

Access to most cultural and recreational facilities in the University, as well as to many buildings, requires a PennCard. You are entitled to such identification. Emeritus faculty will receive an emeritus PennCard automatically when they go to renew their regular PennCard.

The PennCard Web site states that emeritus faculty should take a Certification of Emeritus Status from Human Resources to the PennCard Center, which will issue the emeritus card without charge. Circumstances that may cause this to be necessary include: 1) the regular PennCard has been allowed to expire before renewal, or 2) the personnel/business administrator has marked you "Terminated" (as for retired staff) rather than "Transferred to Emeritus Status." If you have mistakenly been marked "Terminated" you should address this matter immediately, since it may affect your access to other benefits and privileges.

## Libraries and Museum

The library use privileges enjoyed by standing faculty are continued for emeritus faculty members. Access to the subscription databases *via* PennKey authentication continues. One-on-one consultation with a reference librarian on research materials and tools remains available. You may apply for faculty studies in Van Pelt Library if such facilities are required. Access to the University Museum continues to be free for emeritus faculty.

## Participation in Governance

Retired faculty members are said to have the right to attend meetings of their school faculties and may participate in the work of committees of those faculties if invited. In practice the notification of emeritus faculty of the times and places of such meetings varies between schools. In schools where this is not routine you may need to inform the appropriate staff person that you should be included in distribution lists for mailings.

Departments are free to decide which classes of faculty are invited to their meetings. The treatment of emeritus faculty in this respect varies widely across the University.

The right to attend Faculty Senate meetings, without voting rights, is extended to emeritus faculty by the by-laws of the Senate.

## Correspondence

You may receive mail at the University and may use the University as a mailing address. You will be listed in the University's on-line directory if you so desire.

You may continue to use your University e-mail account. It is suggested that you inform your school's IT support group whether you wish to retain this account at the time of your retirement. If you set a forwarding address to an extramural supplier you should remember to log in to your University account regularly – at least every six months in most cases – to avoid it being marked dormant.

## Publications

All standing and emeritus faculty are regarded as alumni and so are entitled to the *Gazette*. Remember to inform the *Gazette* of your preferred mailing address.

*Almanac* and *The Daily Pennsylvanian* are available to those who come to campus. If you would like to receive *Almanac* by mail approximately one week after publication you should inform the *Almanac* office. This service is currently free. Both publications are now available on the Web at the time of printing.

## Cultural and Recreational

Access to recreational and cultural activities is the same for emeritus as for standing faculty. Discounted tickets are available for performances at the Annenberg Center. Access to most athletic facilities is free; the fees for indoor tennis and the fitness centers are the same for emeritus as for standing faculty. Admission to most athletic events, including general admission to football games, but excluding basketball games and weekend days of the Penn Relays, is free.

## Social

The University Club at Penn, formerly the Faculty Club, now extends the right of continued membership at modestly reduced rates to emeritus faculty.

All emeritus faculty and standing faculty over the age of 55 are members of PASEF, the Penn Association of Senior and Emeritus Faculty, unless they opt out. PASEF organizes social, cultural and educational events for its members and maintains information on volunteer activities looking for participants. It also organized the creation of this booklet.