

Hitchhiker's Guide
To
Faculty Retirement

Prepared by the Penn Association of
Senior and Emeritus Faculty (PASEF)

Updated Annually.
The latest version is available from PASEF at:

<https://provost.upenn.edu/pasef>

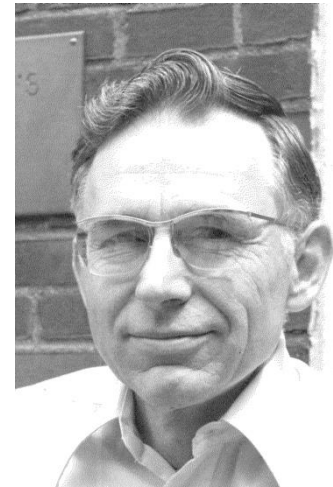
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Fourteenth Edition

January 18, 2021

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 **standing faculty (tenure and clinician educator)** 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.

Janet A. Deatrick - School of Nursing

Martin Pring - School of Medicine

Rob Roy MacGregor - School of Medicine

James C. Saunders - School of Medicine

Charles J. McMahon - School of Engineering and Applied Science

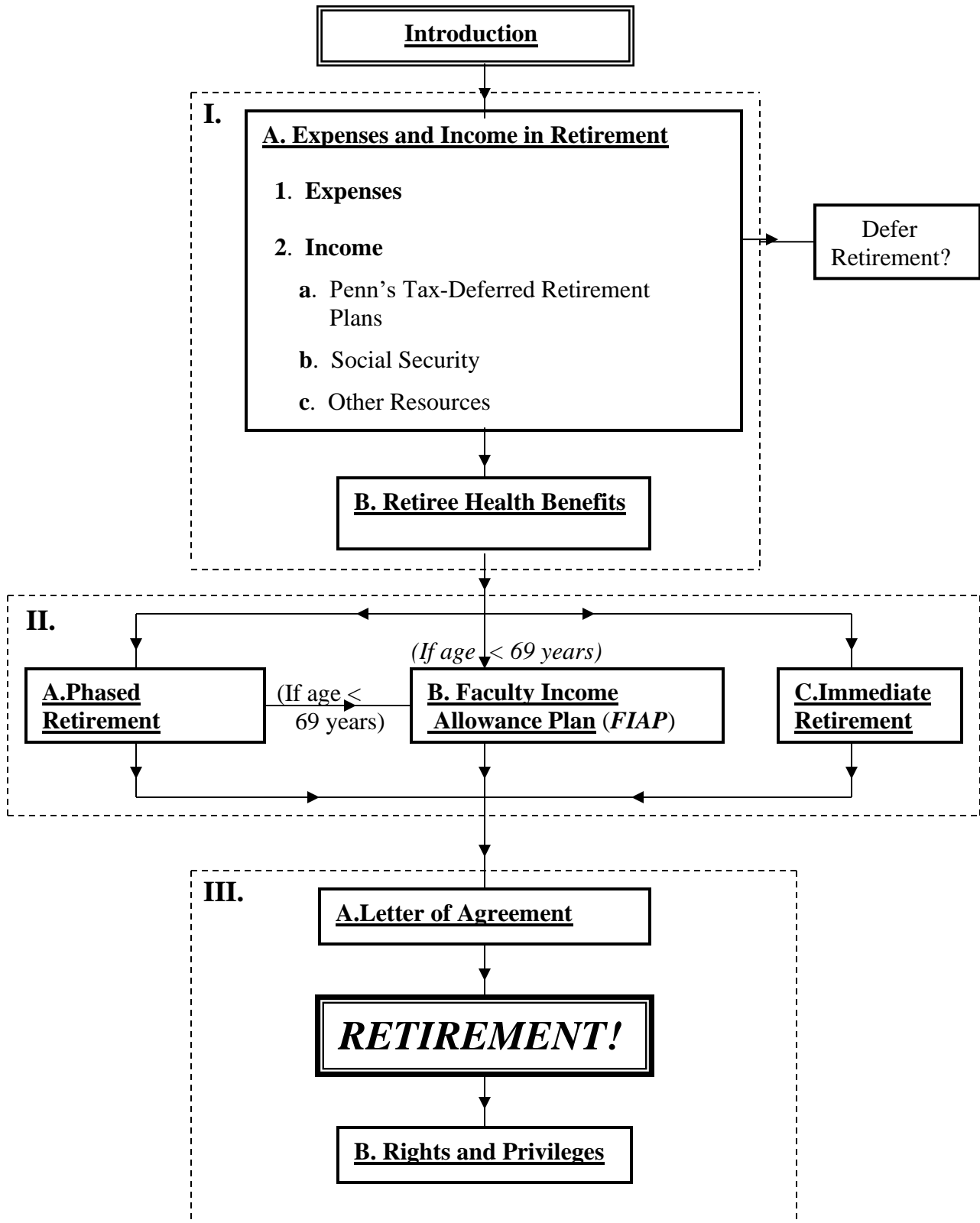
Marvin E. Steinberg - School of Medicine

†Walter D. Wales - School of Arts and Sciences

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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 (tenure and clinician-educator). Faculty should also review the information published by the Division of Human Resources that applies to all University employees. Many of the relevant issues are briefly discussed on the following pages, with reference 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 standing 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 (<https://provost.upenn.edu/pasef>) 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 Benefits office of the Division of Human Resources recommend that faculty contact them for a customized pre-retirement counseling guide as they begin to contemplate retirement. They can also be of assistance when you are going through the process of preparing for your retirement or when you are retired and have questions about your benefits. The e-mail account benefits@hr.upenn.edu is staffed for these purposes and will quickly identify and refer the question, request or concern to the appropriate person.

WorkDay@Penn is the new human resources system designed to integrate personnel, payroll, and financial processes, replacing U@Penn. You can use it to make benefits selections, update your personal information such as address and telephone number, and conduct other transactions related to Penn. Log in using your PennKey and password to www.myworkday.com/upenn/login.html

We recommend that, when you are approaching retirement, you share Hitchhiker with your spouse, since there are several sections in it that would become useful should you predecease them.

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 former options. All of these courses 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.

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 income 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 (formerly 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 fee-based in-depth wealth management services. One projection instrument that is easily available is the "Vanguard Retirement Nest Egg Calculator", 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 cannot 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 then will be substantially less than before. Unless retirement is accompanied by significant changes in life style, this assumption is very often simply wrong. The only certainties brought by retirement are more time to spend money and increased costs for medical benefits. This increase can be substantial for some retirees, see I B 3 d "Cost of Coverage" on p. 16.

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 identify possible reductions. 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 and/or Vanguard. Many faculty members have also made tax-deferred contributions to Penn's 403(b) Supplemental Retirement Annuity Plan with them. 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 72 is reached, except for those who continue to work for compensation from the University*. (Most take their first withdrawal in the previous year, to avoid having to make two, and pay tax on them, in the same calendar year.) Withdrawals from Penn's plans are subject to federal income tax, but generally *not* Pennsylvania tax.

If you made contributions to similar accounts at another institution, you should consider rolling those funds over into your Penn accounts (*but see caveats in Other Financial Institutions below*). Funds rolled over at least one year acquire the same withdrawal requirements and exemptions as those deposited at Penn. If you contributed funds outside Pennsylvania or live in another state that levies a personal income tax, you should consult a tax advisor to determine what, if any, local tax liability you face.

TIAA 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.

*To qualify for this exemption, you must be employed throughout the year and at least a few days into the next one.

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 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.

Both TIAA 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 one or more of these 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.

TIAA

Website: www.tiaa.org

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

To set up an appointment with a retirement counselor call 1-800-732-8353 or visit TIAA on-line at www.tiaa.org/letstalk1.

There are no restrictions (except the need to pay taxes) on any of the TIAA funds except TIAA Traditional. Withdrawals from TIAA Traditional cannot be made over less than a ten-year period, unless required to meet the RMD.

Vanguard

Website: 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.

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 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 a fairly easily navigable and informative website: 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 are reduced a fraction of a percent for each month before full retirement age. Deferring them (up to age 70) after you reach full retirement age results in larger payments over your remaining lifetime. For example, a retiree with a full retirement age of 66 would receive 75% of full retirement age benefits at 62, but 132% of them if begun at 70.

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, if at least 62 at the end of 2015, can choose to claim spouse’s benefits at full retirement age and defer opening their account to take earned benefits until later, letting them grow, as outlined above, and thus receive greater future inflation adjustments, up to age 70.

When you die your spouse, at his or her full retirement age (calculated somewhat differently), 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 below represents the authors' understanding of the health benefits offered to retired employees in 2021. 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 and costs of that program will almost certainly be different in 2022 and future years.

Providing health care coverage is a complicated process and the University continues to make improvements in the program. It contracts out the management of its benefits programs. 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.

Unless you obtain coverage from another employer or as a dependent on a spouse's plan, or when such coverage ceases, you should enroll in the University's retiree health program. When you enroll 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 are currently 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: "2021 Annual Selection Guide" and "Faculty Income Allowance Plan (FIAP)".

The rules regarding the timing and conditions for enrollment for retirees' and their dependents' health benefits are quite specific and should be examined well in advance. When your department enters your retirement date into the WorkDay@Penn system you will receive an alert and should begin the process of selecting these benefits. If you defer your benefits it is important to have any dependents listed in WorkDay@Penn at the time of your retirement. The Benefits Solution Center (1-866-799-2329) can assist you with these processes. You should complete them and verify your eligibility 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 benefits to retired members of the faculty who meet certain requirements. You are eligible to receive retiree health and other benefits if your age plus your years of service total at least 75, with a minimum age of 55 and a minimum of 10 years of service. Service must be full time and continuous.

Eligible dependents include your spouse, and children up to the end of the month in which they turn age 26. Note that if a child is disabled, the benefits may be extended past the age of 26, subject to prior certification of disabled status through your medical carrier. In the event of your death, medical coverage is available to your surviving spouse until remarriage or death, and to your children up to age 26 or if disabled.

2. Penn Care Connects and Health Advocate

Penn Care Connects provides a concierge line that can be used to find a conveniently located Penn primary care provider and schedule an appointment. Call 1-267-414-2208.

Health Advocate staffs the Benefits Solution Center and provides services for retirees including: help with benefits enrolment, 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. It is a free and confidential service. A flyer listing their services is sent with the annual selection materials and is also at <https://provost.upenn.edu/pasef>. Reports indicate that they are particularly effective at resolving medical 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 medical plans in 2021:

- Keystone/AmeriHealth HMO
- Aetna Choice POS II
- PENN Care/Personal Choice PPO

The details and comparison of these plans are published by the Division of Human Resources and may change from year to year. If you plan to live outside the Philadelphia area, it is important that you check to see which of them 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 CVS/Caremark. Prescriptions can be filled at a retail pharmacy, at one of the Penn Medicine Specialty Pharmacies, or through CVS/Caremark Mail Service. More options for maintenance medications are available at CVS pharmacies.

For more information. - For detailed information about medical and prescription drug benefits, go to the Division of Human resources website at <https://www.hr.upenn.edu/PennHR/benefits-pay/retirees>.

b. Retirees Age 65 and Older

Medicare. - All retirees and eligible dependents age 65 and over who get coverage from the University must be enrolled in Medicare Parts A and B and receive their primary insurance from them. Part A covers inpatient stays in the hospital and certain nursing facilities. Part B covers doctor/professional services and certain other outpatient services and supplies. You can enroll in Part A, which has no cost to you, beginning 3 months before age 65. You should apply to enroll in Part B at least 90 days prior to your planned retirement date to avoid a possible gap in your coverage. Penn's medical plans then supplement Medicare Parts A and B, which often do not cover the full cost of services.

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

- Aetna Medicare Advantage 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. The Medigap Security 65 Premium Plan provides similar benefits.

The details and comparison of these plans are published by the Division of Human Resources and may change from year to year. If you plan to live outside the Philadelphia area, it is important that you check to see which of them 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 from SilverScript, a division of CVS/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 or PPO plan; you must take the SilverScript plan. The University has determined that the prescription drug coverage it offers is on average expected to pay at least as much as standard Medicare Part D.

For More Information. - For detailed information about medical and prescription drug benefits call the Benefits Solution Center at 1-866-799-2329 or go to the Division of Human Resources website at <https://www.hr.upenn.edu/PennHR/benefits-pay/retirees>. For details of the SilverScript prescription plan go to upenn.silverscript.com. For more information regarding Medicare prescription plans, contact Medicare at 1-800-633-4227 or visit www.medicare.gov and request the publication “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 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 much higher. For retirees and the dependents of those hired before January 1, 2006, the University contributions to the premiums for Medicare-supplementary medical plans and prescription drug coverage are equal to 60% of the cost of the Medigap Security 65 Premium plan with prescription coverage, for those hired subsequently the support for dependents is halved to 30%. The balance of the premiums is billed to you.

The base premium for Medicare B is \$148.50 per person per month in 2021. Those with modified adjusted gross income (MAGI, IRS adjusted gross income *plus* tax-exempt interest) above \$88,000 (\$176,000 for couples) pay income-related adjustments for Medicare B and Medicare D, rising stepwise to an additional income-related total adjustment of \$397.40 per person per month for those with MAGI at least \$165,000 (\$330,000 for couples), and topping out at \$433.50 per person per month for those with MAGI at least \$500,000 (\$750,000 for couples). Details are available at www.medicare.gov. The sum of the premiums for retirees for drug and Medicare-supplementary medical coverage from the University ranges from \$129 to \$214 per person per month in 2021. For dependents of retirees who were hired after January 1, 2006, the range is \$258 to \$343. The costs for retirees under the age of 65, before support from Medicare is available, are considerably higher. A complete chart of premiums can be found at <https://www.hr.upenn.edu/PennHR/benefits-pay/retirees>. (Choose "Cost of Coverage." from the menu)

Note that medical insurance contributions that were deducted from your pay by the University were excluded from 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 cost of Medicare Parts B and D as well as the premium that you will be required to pay for your Medicare-supplemental insurance, none of which can be sheltered.

4. Dental Coverage

The Penn Dental (formerly Faculty Practice) dental plan is only available to retirees under COBRA (see below).

Vital Savings by Aetna

This is a dental discount plan. If you enroll in it 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)

Though still inferior to the MetLife program available to active faculty, this plan was enhanced in 2019: the plan maximum and the percentage payment for basic restorative services were increased. It provides limited 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 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 <https://www.hr.upenn.edu/PennHR/benefits-pay/health-life-and-fsa/health/cobra> or contact the Benefits Solution Center at 1-866-799-2329. The end of COBRA benefits is a qualifying event at which point you are eligible to choose a different plan, for example the MetLife Preferred Dental plan for retirees when you are no longer eligible for coverage by an active dental plan.

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 <https://www.hr.upenn.edu/PennHR/benefits-pay/health-life-and-fsa/health/cobra> or contact the Benefits Solution Center at 1-866-799-2329.

C. Other Benefits

1. Life Insurance

When you retire the University provides you with a life insurance benefit of \$10,000 provided by MetLife at no cost to you. You should make sure that your beneficiary will be aware of this. 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 Benefits Solution Center at 1-866-799-2329.

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 Benefits Solution Center at 1-866-799-2329.

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 program ends when you retire.

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) or the Special Faculty Incentive Plan of 2020 receive the same benefits as other retired faculty members. In addition, during the two-year period of payments from either plan:

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 their website at https://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 year.

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 calculated using 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 is a severance program that 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) the *smaller* of 1) 82.5% of the *average* academic base salary for full professors in your school during that year or 2) your total compensation (academic base salary plus bonus/administrative stipend/CPUP salary/etc.) during that year. Payment is by monthly instalments.

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 generally 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/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 72 while on the FIAP or the Special Faculty Incentive Plan of 2020, and must also take the required minimum distributions from your 403(b) accounts (unless you continue to work for compensation by the University) and any IRA’s.

In the event of your death while receiving FIAP benefits the balance of any payments due to you is 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.

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 and become familiar with its contents (www.hr.upenn.edu/docs/default-source/benefits/fiap_benefits_summary.pdf).

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

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 not use the FIAP, but will 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 standing faculty members 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. Define continued availability of school-based services, such as computer support, as desired.
14. Affirm permission to continue departmental committee work, if desired.

15. Affirm permission to continue mentoring junior faculty.
16. Specify permission to retain your departmental mailing address.
17. Specify permission to retain your e-mail address and its listing through the department.
18. Define phone and mail privileges as needed.
19. Specify that specialized school or professional ID remains in an active state.
20. Specify that security entry keys be maintained operational.
21. 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.
22. 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.”
23. 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.

Your personnel/business administrator should have marked you “Transferred to Emeritus Status” rather than “Terminated” (as for retired staff). If you are mistakenly marked “Terminated” you should address this immediately since it may affect your access to these and other benefits and privileges.

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 provide 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, PASEF has a small room at 112 Duhring Wing that can serve as a drop-in office. You can get access information from the PASEF office (pasef@pobox.upenn.edu or (1-215-74)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 ((1-215-89)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.

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 <https://www.hr.upenn.edu/PennHR/benefits-pay/tuition/tuition-benefits-for-faculty-and-staff> and the links from it 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 a new PennCard automatically when they go to renew their regular PennCard. Your spouse also continues to be eligible for a PennCard for a fee of \$30; see cms.business-services.upenn.edu/penncard/ for details.

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 to 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 once 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 e-mail you can sign up at <https://almanac.upenn.edu/express-almanac>. 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, the squash courts 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 advocates for the concerns of senior and retired faculty, organizes social, cultural and educational events for its members, and maintains information on volunteer activities looking for participants. Contact our coordinator, Sarah Barr, for information about specific issues you would like to bring to the attention of PASEF's governing Council, becoming more involved with PASEF, and specific PASEF activities. She can be reached at: pasef@pobox.upenn.edu or (1-215-74)6-5972. PASEF also organized the creation of this booklet.