Road to Retirement: Nuts and Bolts

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Agenda

• Overview of Retirement

• University Policies and Practices Related to Retirement

• Resources for Retirement Planning
Retirement Planning: Finance and Benefits

Gather the facts and develop a strategic plan:
• Eligibility criteria for retiring from Penn with benefits
• Penn’s retirement benefits
• Your retirement plan(s) at Penn; spouse/partner plans
• Other retirement investments and how they will coordinate with Penn plan(s)
• Social Security benefits and when to apply for them
• Estate planning
  • Medical directive and power of attorney
  • General durable power of attorney
  • Last will and testament
  • Trusts for special beneficiaries
  • Primary and secondary beneficiaries
Special Considerations

• Sabbatical before retirement

• Faculty Income Allowance Plan (FIAP)
Sabbatical Before Retirement

“A faculty member who has committed to retire and who has sabbatical leave credits should be able to take a “retirement leave” without having to return to his or her duties at the University.”

(ALMANAC February 10, 2004)
Sabbatical

• Consult with your Dean/Chair’s office for eligibility criteria, procedural requirements, and sabbatical credits

• Eligibility: Tenure, Clinician-Educator, Research tracks (not Academic Clinicians)

• “Approval of an application for scholarly leave is contingent upon adequate fiscal and personnel resources being available to meet instructional assignments and other departmental responsibilities.” *Handbook for Faculty and Academic Administrators*, II.E.2

• Issues to consider during the planning process in addition to the department’s financial status:
  • school/departmental policies and scheduling concerns
  • the impact of the sabbatical on the department/colleagues
  • sufficient notice
Sabbatical (continued)

• Leave credits: accrued at the rate of one semester of leave at up to half academic base salary (or equivalent) for each six semesters of full-time service
  • maximum 24 credits = 1 year sabbatical
  • does not include administrative supplements
  • PSOM: CPUP compensation

• Application process:
  • written request to your Chief/Chair, Dean including a plan for scholarly activity
  • subject to review and approval by Chair, Dean and Provost
Types of Sabbaticals

• Traditional

• Compressed (PSOM)
  • Recommended by the Medical Faculty Senate and approved by the University in 1997
  • Designed to allow eligible faculty with CPUP/CHOPPA supplements some flexibility regarding leave time and some financial protection
Example

• *Dr. Smith has accrued 24 sabbatical credits*
• *Dr. Smith earns $150,000 per year (academic salary: no administrative stipend, no CPUP supplement):*
  • The **value** of the sabbatical is $150,000
  • *Dr. Smith is eligible to request a traditional scholarly leave of $150,000*
Compressed sabbatical in PSOM

- Dr. Jones is a tenured physician-scientist or Clinician-Educator who has accrued 24 sabbatical credits

- Dr. Jones earns $150,000 per year divided as follows:
  - $128,400* as academic salary
  - $24,600 through CPUP
    - CPUP supplement is not included in sabbatical benefit
    - Administrative supplements are not included in sabbatical benefit

- Dr. Jones may compress the payments, i.e., divide the total of $128,400 over a shorter (compressed) time period
  - goal is to replace $12,500/month (regular combined salary is $150,000/12 months = $12,500/month)
  - $128,400 divided by 10.3 months = $12,500/month

- Total monthly sabbatical benefit cannot exceed normal combined monthly salary of University + CPUP

*FICA maximum effective 7/1/18
Faculty Phased Retirement

Source: *Handbook for Faculty and Academic Administrators, II.E.9*

- Phased retirement (reduction in duties)
- Percentage of time: responsibilities and salary reduced by a maximum of 50%
- Maximum of 6 years; subject to individual school policies
- Accompanied by a reduction in salary and salary related benefits
- Issues to consider during the planning process in addition to the department’s financial status:
  - School/departmental policies, scheduling concerns, sufficient notice
  - No impact on FIAP: calculation of FIAP benefit will be based on FT equivalent of salary
- Application process:
  - Written request to Chief/Chair, Dean; include date of retirement
  - Subject to review and approval by Chief/Chair, Dean and Provost
Retirement

• University Sponsored Plans
  • University of Pennsylvania Retirement Savings Plan
    • Basic and Matching plans
    • Supplemental Retirement Plan (SRA)
    • Roth 403(b)
      -http://www.hr.upenn.edu/benefits/retirement/Roth.aspx

• How the Plans Work
• Payment of Your Account/Distribution Options
Eligibility Effective 1/1/09

• The Rule of 75: age plus years of service must total at least 75:

<table>
<thead>
<tr>
<th>Age at retirement</th>
<th>Years of continuous full-time service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 55*</td>
<td>20*</td>
</tr>
<tr>
<td>Age 56</td>
<td>19</td>
</tr>
<tr>
<td>Age 57</td>
<td>18</td>
</tr>
<tr>
<td>And so on…..</td>
<td></td>
</tr>
</tbody>
</table>

*Minimum

• The Rule of 75 applies to all retiree benefits, including tuition, life insurance, dental and vision plans
Benefits

Benefits at retirement
• Medical Benefits
• Group Life Insurance
• Tuition Benefits

Benefits that may be continued
• Dental Benefits
• Vision Benefits
• Group Life Insurance Conversion
• Dependent Life Insurance Conversion
• Long-Term Care—may continue on a direct bill basis
• Health Advocate—assistance with medical claims problems, complex healthcare issues, insurance-related and elder care problems

Benefits that are discontinued
• Health Care Pre-Tax Expense Account
• Dependent Care Pre-Tax Expense Account
Medical Benefits

- Option to defer coverage—one time!
- Current plans
  - Medicare eligible or non-Medicare eligible
- Monthly contributions for coverage are shared between the retiree and the University
- Premiums are adjusted each calendar year
- Rates are based on date of hire
  - Hired before 1/1/06
  - Hired after 1/1/06
Example Medical Benefit

Active faculty member and spouse currently enrolled in PennCare Personal Choice + CVS/Caremark Prescription Plan

At retirement of faculty member during calendar year 2019:

- Faculty retiree over 65 enrolls in Medigap Security 65 Premium Plan + CVS/SILVERSCRIPT Prescription Plan = $172/month*

- Spouse under 65 stays on PennCare Personal Choice + CVS/Caremark Prescription Plan $255/month

*Retiree must enroll in Medicare Part B.
Other Services

• Health Advocate
• Library
• University Club
• Pottruck Fitness Center, Fox Fitness Center & Hutchinson Gymnasium
• Funeral planning services
• Penn ID Card
  • Faculty member
  • Spouse
Faculty Income Allowance Plan (FIAP)

- A “severance pay arrangement” under ERISA

- Provides an opportunity for eligible senior faculty members to retire from active service:
  - Tenured members of the Standing Faculty
  - Senior members (Associate Professor or Professor) of the Standing Faculty Clinician-Educator

- Provides income for two years
FIAP Benefit

• Ages 60-69: Senior faculty members who have 10 or more years of full-time continuous service (as standing faculty members) and who terminate on or after age 60 but before June 30th of the academic year in which they reach age 69 are eligible to receive FIAP benefits if they satisfy a “rule of 75” requirement (that is, the combined age and years of full-time service of the faculty member equals or exceeds 75).

OR---
FIAP Benefit

Applies only to faculty who do not qualify under regular eligibility:

- Age 69 or later: Senior faculty members who satisfy the 10 years of full-time continuous service and “rule of 75” requirements on or after age 69 may also receive FIAP benefits. Such senior faculty members generally must terminate as of the academic year-end (June 30) immediately following the satisfaction of the eligibility requirements.

Example: a senior faculty member whose FT faculty appointment began at age 65 will be eligible for FIAP as of June 30 after 10 years of service at age 75. A one time opportunity for FIAP!
**FIAP Benefit**

- Equal to the greater of
  - 165% of the faculty member’s academic base salary as of date of termination **or**
  - 165% of the average academic base salary for professors in the school

- Academic base **does not include:**
  - Salary earned through CPUP/CHOPPA
  - Salary earned as an administrative stipend

- Paid in 24 equal installments

- Subject to federal, state, local, social security, Medicare taxes
FIAP – Other Benefits

- Medical Benefits
- Dental Benefits
- Vision Benefits
- Group Life Insurance
- Tuition Benefits
- Long-Term Care—may continue on a direct bill basis
- Health Advocate—assistance with medical claims problems, complex healthcare issues, insurance-related and elder care problems

- No contributions to basic or supplemental retirement plans
FIAP – How To Apply

• Meet with Senior Benefits Specialist in Human Resources to make sure you understand FIAP and the benefit programs

• Provide written notice one year prior to date of retirement

• Work with your Chief/Chair/Dean to prepare your written agreement, including any post-retirement employment agreements
  • Hitchhiker’s Guide
    http://www.med.upenn.edu/asef/Hitchhiker2017.pdf

• Sign formal retirement agreement
Implementing your plan

- When you have developed your ideal retirement plan, meet with your Chief/Chair/Dean
- Provide details of sabbatical, phased retirement, FIAP, regular retirement
- Discuss any Penn activities beyond retirement, whether paid employment* or unpaid volunteer services, resources such as office space, administrative support, computer, parking, etc. to be incorporated into written agreement

*Agreements for employment beyond retirement are part-time, for one year at a time, must be put in writing and are subject to the approval of the Chair, Dean and Provost

*During the FIAP period, part-time employment at Penn must be limited to no more than 20-25% of total duties before retirement; after FIAP, continuing through regular retirement, no more than 50%
Your To-Do List

• Access and review your Penn records: www.upenn.edu. Go to U@Penn (Click on “Faculty and Staff”)

• Access and review your Penn retirement plans online and meet with retirement plan representative:
  
  TIAA/CREF: www.tiaa-cref.org
  Vanguard: www.vanguard.com

• Update all beneficiary designations

• Collect personal records/documents and put in a secure place
References

• **Human Resources**
  • [www.hr.upenn.edu](http://www.hr.upenn.edu)

• **Faculty Affairs & Professional Development (FAPD)**
  • [www.med.upenn.edu/fapd](http://www.med.upenn.edu/fapd)

• **Penn Association of Senior and Emeritus Faculty (PASEF)**
  • [www.upenn.edu/emeritus](http://www.upenn.edu/emeritus)

• **Association of Senior & Emeritus Faculty (ASEF)---PSOM**
  • [www.med.upenn.edu/asef](http://www.med.upenn.edu/asef)
Other Resources

- Human Resources Sponsored Education Programs
- Human Resources Benefits Staff
- PSOM Estate Planning Seminar
- Faculty Affairs office
- ASEF--PSOM website www.med.upenn.edu/asef
- PASEF website/Hitchhiker’s Guide www.upenn.edu/emeritus
- Retirement Call Center (1-877 PENNRET or 1-877-736-6738)
- Financial Planning through the University’s Investment Carriers
  TIAA-CREF, Vanguard
- Human Resources website: https://www.hr.upenn.edu
- Social Security Administration website at www.ssa.gov
- American Association of Retired Persons (AARP) www.aarp.org
- Personal Accountants and Financial Planners
  Certified Financial Planner Financial Planning: hints on choosing a financial planner
  - http://www.letsmakeaplan.org/cfp-pros-their-expertise/selecting-an-advisor
- Medicare www.medicare.gov
Coming soon!!

- Open enrollment for active faculty and staff: 4/22-5/3/19. All changes effective 7/1/19

- Workday effective 7/1/19
  - Health Advocate will replace ADP/Penn Benefits Center
  - Wage Works will replace Payflex, the current premium billing vendor for retiree medical benefits
  - Wage Works will continue to bill for COBRA dental and vision benefits

Watch for Workday Updates!
Questions?

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