

Hitchhiker's Guide
To
Faculty Retirement

Prepared by the Penn Association of
Senior and Emeritus Faculty

Also Available at:

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

Second Edition

March 16, 2009

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.

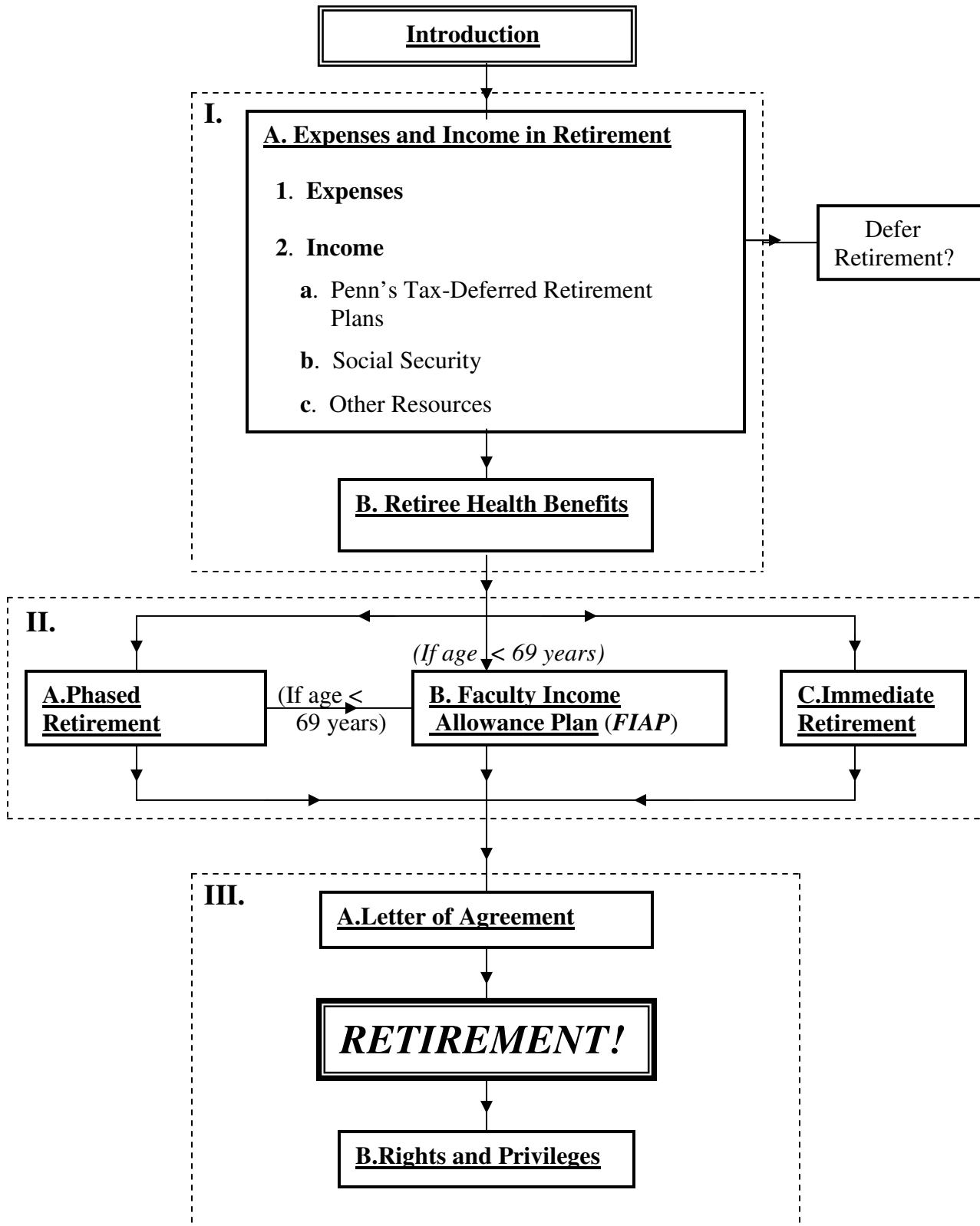
The guide was not prepared by and is not published by the University of Pennsylvania, its Division of Human Resources, or any University benefits administrators. The University therefore is making no representations or assurances regarding the accuracy or completeness of this guide.

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 faculty 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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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 another.

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 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 faculty at the University from the very outset on 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 this has been resolved, it 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, email, 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) – 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 expenses.

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 403(b) Tax-Deferred Retirement Plan (TDR) with TIAA-CREF and/or Vanguard. Many faculty members have also made tax-deferred contributions to Penn's 403(b) Supplemental Retirement Annuity (SRA) 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 403(b) 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.

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 to maximize the potential for passing on assets to your estate. This latter option may also increase the potential for outliving your resources. You may also use any combination of options.

The table below shows the current level of the Required Minimum Distribution (RMD). The law requiring minimum distributions has been suspended for Calendar Year 2009. During that year you can take any amount (including nothing) from your retirement accounts. You should assume that the suspension will not be continued in 2010.

The "Uniform Lifetime Table"

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

The "Uniform Lifetime Table"					
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 final Minimum Distribution Regulations, the above "Uniform Lifetime Table" may be used by all taxpayers to compute their lifetime annual required minimum distributions for 2002, and must be used for 2003 and later years (for exceptions see below). 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 minimum required distribution for the Distribution Year. In the age-71½ Distribution Year, do NOT reduce the "A" number by the amount of any required distribution for the age-70½ year that had not been taken out by the end of that year; this adjustment has been eliminated.

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.

- TIAA-CREF

Website – 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.

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

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-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. The information below (and much more) may be found on that site.

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. Retirement with 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.

As a general rule, early retirement will give you about the same total Social Security benefits over your lifetime, but in smaller amounts to take into account the longer period over which they are received. The advantage of taking early benefits is that benefits are received for a longer period of time. The disadvantage is that the benefit level is permanently reduced. You should consider your own situation, including your tax rate and your cost of living, before making your decision. The reductions are fully explained on the SSA website.

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

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.

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 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 2009. We hope this information will give you an overall sense of the scope and the costs of the University's retiree health program. However, the details of that program will almost certainly be different in 2010 and in future years.

When you enroll in the University's retiree health program you will need to select from a number of different options. Before you do you should become very familiar with the information available on the website of the Division of Human Resources. 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 2008), "University of Pennsylvania Benefits", and "Faculty Income Allowance Plan" (September 2008).

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 will 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

Health benefits are offered by the University 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 minimums by

December 31, 2008, the total of your age and years of service is not required to be 75 years to be eligible for retiree benefits when you retire from Penn.

Eligible dependents include your spouse / same sex domestic partner and dependent children. Note that if a child is disabled, the benefits may be extended past the age of 23. In the event of your death, your surviving spouse may continue to receive medical coverage until remarriage or death. Eligible unmarried dependent children may continue to receive coverage up to age 19 (up to age 23 for full time college students).

2. 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 2009:

- Keystone / AmeriHealth HMO
- Aetna HMO
- 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 Caremark. Prescriptions can be filled at a retail pharmacy or through the Caremark 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/benefits/retireehealth.

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 retired date to avoid a possible gap in your coverage

Medical

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

- Keystone/AmeriHealth 65 Medicare Advantage (HMO)
- Aetna Golden Choice Preferred Provider (PPO)
- Independence Blue Cross 65 Special (Traditional)
- Aetna Indemnity Plan (Traditional)

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 waive prescription drug coverage through Penn (currently provided by Caremark). If you waive Penn's prescription drug coverage when you retire you will not be allowed to enroll in this plan in the future, and therefore you may want to enroll for coverage in Medicare Part D. You cannot enroll in both Penn's prescription drug plan and Part D. Most retirees will wish to have prescription drug coverage under one of these two plans. Note that you cannot elect Medicare Part D if you enroll in a Medicare-Advantage HMO 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 prescription drug coverage will pay.

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/benefits/retiring. For more information regarding the current Penn sponsored prescription drug plan, call Retiree Assist at 1-866-789-7366. For more information regarding Medicare prescription plans contact Medicare at 1-800-633-4227 or visit 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 a relatively old and unhealthy group. Unfortunately, the costs of providing medical services to this latter group are very high. The University, in 2009, pays 60% of the premium for the least costly medical plan and 60% of the premium for prescription drug coverage.

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 ranges from \$120 to \$201 per month per person in 2009. In addition, the minimum costs for Medicare B, which are now indexed to total income, are \$96.40 per person per month. 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/benefits/retiring. (Choose "Retiree Medical and Prescription Drug Benefits" from the menu, then "Cost of Medical and Prescription Drug Coverage.")

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 not exempt from taxation and 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 which you will be required to pay to the insurance carrier as well as the cost of Medicare Part B, both of which must be paid with after-tax dollars.

3. Dental Coverage

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.

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 1-800-438-6388 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/benefits/spd/pdf or contact the Penn Benefits Center at 1-800-736-6236.

4. 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. Contact Aetna at 1-800-793-8616 for more information.

COBRA

When you retire you may be eligible to continue your existing Davis 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/benefits/spd/aspx or contact the Penn Benefits Center at 1-800-736-6236.

5. Other Benefits

a. Life Insurance

When you retire the University provides you with a life insurance benefit of \$5000 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 retirement date. For more information about converting your life insurance coverage contact the Penn Benefits Center at 1-800-736-6236

b. 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 1-800-736-6236

c. 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 John Hancock at 1-800-711-2899.

d. 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.

Health Benefits Under the Faculty Income Allowance Plan (FIAP)

Faculty who begin retirement with the Faculty Income Allowance Plan (see II.B on page 20) receive the same benefits as other retired faculty members. In addition, during the two-year period of payments from FIAP:

1. The cost 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 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/benefits/retirement/fiap.asp.

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 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 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 the year prior to your retirement.

Many faculty members who retire with benefits from FIAP continue to render service to the University. Some of those who render service receive compensation for their work. The FIAP is structured as a “severance plan.” The Internal Revenue Service generally considers payments after a “separation from service” under a severance plan to be exempt from taxes and penalties which may be levied on “deferred compensation.” Recent IRS guidance specifies what level of service may be performed after a separation from service without risking a judgment that the separation agreement is a ruse to conceal deferred compensation, and subject, as such, to extra taxes, penalties, and similar unpleasant actions.

The IRS considers service up to the level of 20% of previous service as clearly below the level which should trigger its action. It considers service at the level of 50% or more of previous service as a clear signal for action, and service at levels between 20% and 50% of previous service as a gray area to be resolved on a case-by-case basis. Those participants in FIAP who are anxious to avoid crossing swords with the Internal Revenue Service will probably limit their compensated service to the University to 20% of their previous service during the period they receive payments from FIAP.

The minimum age at which retirement with the benefits of FIAP is possible is 60 years. The minimum full-time service at the University required ranges from 15 years (at age 60) to 10 years (at age 65 or more). Faculty members who elect 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 a shorter period has been approved by the dean.

The Division of Human Resources has recently 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/benefits/retirement/FIAP_Benefits_Summary.pdf) and become familiar with its contents.

- * *Under some circumstances, described in detail in the brochure, 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

Many 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 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.

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.
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 colleagues 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 be retained 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, Gazette and phone book. Indicate that you want continued listing in the phone book and other 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.

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.

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 at the regular rates, or at a reduced frequency for half the regular rates. Parking fees will in general be paid with post-tax dollars, unless you continue to have taxable income from the University.

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 some buildings, requires a PennCard. You are entitled to such identification. In practice active emeritus faculty have found that they can continue to renew their regular PennCard without question.

However the PennCard Web site states that emeritus faculty should obtain an emeritus PennCard. In order to do so you should take a Certification of Emeritus Status from Human Resources to the PennCard Center, which will issue the new 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. 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 telephone 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 and cultural events for its members and maintains information on volunteer activities looking for participants. It also organized the creation of this booklet.