

# Faculty Retirement Incentive Program

## Effective through August 31, 2020

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Effective June 15, 2020, the University of Pittsburgh (University) has taken action to approve and adopt the Faculty Retirement Incentive Program (FRIP). This document constitutes the formal legal document for the terms and provisions of the FRIP. Some key features of the FRIP are also provided under the formal legal documents for one or more employee benefit plans of the University. Materials other than the formal legal documents that you may receive about the FRIP are summaries only. In the event of a conflict between those other materials and the formal legal documents, the terms of the legal documents, like this one, will control.

### **I. Eligibility**

#### **Q1 What are the eligibility requirements for the Faculty Retirement Incentive Program (FRIP)?**

**A1** There is both an age and service requirement:

- You must be a minimum of 65 years of age as of August 1, 2020. This means you have a birthday of August 1, 1955 or earlier.
- As of August 1, 2020 (or, if applicable, an earlier retirement date occurring on or after May 21, 2020), be employed by the University as a full-time and other specified faculty member and have a minimum of 10 years of continuous service with the University as such a faculty member.

Subject to the exclusions that are explained below, the Faculty included are limited to those in participating Schools who are:

- Full-time tenured, tenured-stream faculty, and appointment stream faculty
- Faculty who are currently in a phased retirement (with a signed “transition to retirement” agreement in place)
- Full-time faculty librarians

In addition to the age and service requirements, you must have an actual retirement date that falls between May, 21, 2020, and August 31, 2020, inclusive, in order to be eligible for the FRIP. May 21 is the date that the University determined that the FRIP was under serious consideration for implementation.

**Q2 Is the program available to employees other than full-time regular and other specified faculty?**

A2 Yes. Regular staff will also be eligible for a similar program. Details for the staff retirement program are forthcoming. Examples of other employee groups who are not eligible for this program include: All Temps employees, temporary employees, postdoctoral associates, and postdoctoral scholars.

**Q3 Are there any other faculty who are not eligible for this program?**

A3 Yes. Faculty in administrative positions, such as (e.g., Administrators, Deans, Campus Presidents, Associate Deans, Vice Presidents, Department Chairs) are not eligible for this program.

**Q4 Will all Schools be allowed to participate?**

A4 A decision was made by the Dean of each School or Regional Campus President. Certain Schools have elected not to participate.

**Q5 I have worked at the University over ten years. However, I worked four years and left the University for a few years. Later I came back to the University and have been working continuously for the last eight years. Do I have enough years of service to be eligible for the program?**

A5. You would not be eligible for the program since you must have at least 10 CONTINUOUS years of full-time service. Continuous is the key word. The University's official records will be used to determine continuous service and will control. Work for other employers, even those that operate closely with the University (such as the UPMC entities), will not count as continuous service for the University

**Q6 I may want to wait until later than August 31, 2020 to retire. Would I still be eligible for the FRIP if I give the University an Election Form before July 1, 2020?**

A6. No. If you are interested in receiving the enhanced benefits of the FRIP, you must voluntarily indicate by July 1, 2020 and officially retire on or before August 31, 2020. Nonetheless, it is entirely up to you to decide to wait to retire at a later date after September 1, 2020. If you retire on this later date, you will not be eligible for the enhanced benefits of the FRIP.

You may be eligible for this program if you intended to retire at a later date but decide to move up your date to August 31, meet the qualifications and timely return the required documents.

**Q7. I understand that I can cover a spouse or domestic partner. What if I marry after I retire?**

A7. Your eligible spouse is the person to whom you are married at the date of retirement. This means that if you marry or remarry after retirement, that spouse is not covered by the program.

Your eligible domestic partner is the person for whom an approved affidavit is on record at the University as the partner of record at the time of retirement. As above, the same concept applies, if you register a domestic partner after you retire, that person is not covered by the program.

**Q8 Will this program be offered to faculty again at a later date?**

A8 There are no future plans to offer this or a similar program after August 31, 2020.

**Q9 I meet the eligibility requirements, but I am also on an approved leave of absence. Am I able to elect to participate in the FRIP?**

A9 Yes. The FRIP enhancements are available for eligible individuals who are not actively at work due to an authorized leave of absence or other similar circumstances. For those who are away from the job during the FRIP election period, the University's usual policies for electing retirement status will apply. This generally means that upon a choice to retire, any status as an employee (and the opportunity to future University benefits from that status) will end.

**Q10 Besides the Election Form, is there any other documentation that will need to be signed?**

A10 Yes. You will be required to sign a retirement incentive agreement containing a release of claims form if you elect to retire under this program. The release of claims must be signed and delivered to the University by no later than August 31, 2020.

**Q11 Who should I contact, if I have any questions related to academic issues?**

A11 You should contact Dr. Stephen Wisniewski, Vice Provost for Budget and Analytics at: [stevewis@pitt.edu](mailto:stevewis@pitt.edu)

**Q12 I retired on or after May 21, 2020, but before I received any information about the FRIP. Am I eligible to participate in the FRIP?**

A12 If you were an eligible Faculty member who retired on or after May 21, 2020, and you satisfied the age and service requirements described in Q&A 1 at the time of your retirement, you are potentially eligible to participate in the FRIP. This is true even if you didn't know about the FRIP at the time you retired. Please note, however, that if you retired on or after May 21, 2020, and would like to participate in the FRIP, you will need to submit an Election Form and execute and not revoke a retirement incentive agreement containing a release of claims in accordance with the timeline described in Q&A 28.

May 21, 2020 is the date in which the University determined that the FRIP was under serious consideration for implementation. Therefore, any retirement that occurs on or after May 21 or is declared through this program through June 30, 2020 will be considered.

## **II. Benefits of the FRIP**

**Q13 What are the key enhancements under the FRIP that make the FRIP attractive to potential retirees?**

A13 There are several features to this program:

- An incentive payment equal of 50% of your annual University base pay (excluding any practice plan payments), less required tax withholdings is provided to you. The payment will be calculated on your base pay as of August 1, 2020 and paid in the manner as explained more below. Please note that this payment does not include supplemental pay or any third term/summer earnings. It does not include any practice plan salaries.
- Your spouse or eligible domestic partner are eligible without regard to their age for retiree medical at no cost up to age 65. Dependent children will be covered at no cost until the earlier of age 26 or to the date in which your spouse turns age 65. At age 65, your spouse/domestic partner will transition to the DDB program and will receive those credits until your demise.

**Q14 If I take retiree medical coverage from the University, what will this mean for any right to COBRA continuation coverage that I may have?**

A14 Retiree medical coverage from the University is provided in lieu of COBRA continuation coverage. For those who begin retiree medical coverage, COBRA continuation coverage is available but might not be necessary at any time in the future. It will be up to you to decide whether it will be needed.

**Q15 My eligible dependents and/or I are currently utilizing the University's tuition programs. Will our eligibility continue as of my retirement date?**

A15 Yes. Eligible retirees of the University (including those who select the FRIP) and their eligible spouses and dependent children continue their current tuition coverage. Consistent with University policies, eligible domestic partners also are eligible for tuition coverage. Dependents of eligible domestic partners are not eligible for the benefit.

Dependent children at the time of the faculty member's retirement continue with eligibility.

Details of the tuition policy upon separation may be found under Policy AC 20.

**Q16 Will there be any deductions taken from my incentive payment?**

A16 Yes. All applicable federal, FICA, state, and local taxes will be deducted from this payment. This payment will not have any deferrals for retirement savings or matching University funds. There are no deductions taken for future benefits coverage.

**Q17 Will my incentive payment be included in my final paycheck?**

A17 No. The payment will be a separate payment issued by September 30, 2020. It will be provided to you in the pay method at the time of your retirement which includes direct deposit. If your payment is sent to direct deposit, you will receive a paper pay-advice since you will no longer have access to on-line pay statements.

**Q18 What is the amount of my incentive payment if I am currently in a phased retirement period?**

A18 Your payment will be equal to 50% of the annualized base pay you receive during the phased retirement period.

**Q19 If I elect to participate in the FRIP, but die before my incentive payment is made, will my survivors get this payment?**

A19 Your estate will be eligible for the incentive payment if you die after your retirement date and before the payment is made. However, if you die before you retire; the payment would not be made. You would have died as an active employee and your estate would not be eligible for the payment. However, your beneficiary/estate would receive the proceeds from your active life insurance and any optional active life insurance you elected as an active employee.

### **III. Retiree Medical Coverage and the Defined Dollar Benefit Program (DDB)**

**Q20 What is the Defined Dollar Benefit (DDB) Program and how do these credits work?**

A20 Once you turn 65 as a retiree, active medical coverage through the University discontinues. However, you become eligible for several University-sponsored post-65 programs. The change occurs because of the integration with Medicare programs. You are provided the DDB credits to help pay for the cost of this coverage. This is only a summary. The legal documents for the DDB will control all of the terms, conditions and provisions for the DDB. Please refer to the section of the web site on retiree benefits coverage under the medical plans. This site is located at: <https://www.hr.pitt.edu/retirees>

The \$401 per month in DDB credits may be used to cover the cost of the post-65 coverage. Depending on the cost of the coverage, the DDB credits may cover the full cost of the coverage and even leave you with a surplus of credits or you may have to pay the difference between the cost of coverage and the amount of credits you receive. In 2020, the majority of retirees do not pay anything out of pocket for health care premiums.

**Q21 Will medical coverage be provided to my spouse/domestic partner? What about my children?**

A21 A feature of the FRIP includes active medical coverage at no cost for the eligible spouse/domestic partner. Once the eligible spouse/domestic partner becomes age 65, they are subject to the provisions of the DDB program.

Dependent children enrolled in medical coverage at the time of your retirement from the University will be covered at no cost until the earlier of age 26 or to the date in which your spouse turns age 65.

Disabled dependents are covered until the end of the month in which you or your spouse turns 65 – whichever comes later.

**Q22 What happens to the DDB credits if I, as the retiree, die?**

A22 If the retiree dies, the credits in the account of the retiree are dissolved. The credits remaining in the account of the eligible spouse/domestic partner are vested. This means they remain in the account of the eligible spouse/domestic partner until they are used. Once the eligible spouse/domestic partner dies, the remaining credits in his or her account dissolve.

As the surviving spouse/domestic partner, DDB credits will continue to be paid for three months following the month of the death of the retiree. At that time, as stated above, credits in the eligible spouse's / domestic partner's account are vested until used.

**Q23 What happens to the DDB credits if my spouse/domestic partner precedes me in death?**

A23 If your spouse/domestic partner precedes you in death, the credits in the account of the spouse/domestic partner are dissolved. Your credits continue until your death. When you pass, the credits remaining in your account are dissolved.

#### **IV. Retirement Savings under the Defined Contribution Plan**

**Q24 How do I manage my savings under the Defined Contribution Plan upon retirement?**

A24 Many faculty members have been saving for retirement under the Defined Contribution Plan, also commonly known as the 403 (b) plan.

Financial planners with TIAA are available at no cost to you. They can help you determine retirement income strategies.

Listed below is the contact information to schedule a virtual appointment with a Financial Advisor:

TIAA-CREF: 800-682-9139 [www.tiaa.org/schedulenow-PITT](http://www.tiaa.org/schedulenow-PITT)

**Q25 When does the required minimum distribution start?**

A25 Under the CARES Act, the required minimum distribution, an amount you must take from your defined contribution plan as determined by the Internal Revenue Service (IRS), has been suspended in calendar year 2020. If you retire in 2020 and are age 72 or older your first required distribution will be in the 2021 calendar year.

**Q26 Do I need to do anything if I have an outstanding loan from the defined contribution plan?**

A26 You should contact TIAA in regard to any outstanding loans.

## V. The Defined Benefit Pension Plan

**Q27. I participated in the “pension plan” and was not involved with the matching retirement savings program. What do I need to do to determine my monthly benefit?**

A27. Some faculty elected to participate in the Non-Contributory Defined Benefit Pension Plan. The retirement benefit to be received under this Pension Plan is determined by a set formula which takes into account your salary, your years of participation in the Pension Plan and your age at retirement.

The Noncontributory Defined Benefit Pension Plan is totally funded by University contributions to a trust fund held by a third-party trustee (presently at Mellon Bank). For each year of participation, a participant accrues a benefit, payable as a single life annuity, equal to 2.1% of his or her compensation not in excess of the Social Security Wage Base. The benefit is calculated (for all participants) as a single life annuity, although it may be converted to a joint and 100% survivor annuity for married participants.

This benefit is payable in full at age 65. To determine your monthly benefit, contact the Benefits Department through the contact form at: <https://www.hr.pitt.edu/contact-ohr>

The benefit is paid in one of two ways:

- Single Annuity – This pays a monthly benefit (annuity) as long as you are alive.
- Joint and Survivor Annuity – This method provides a reduced monthly benefit to you based on an actuarial equivalent using the difference in the participant and spouse/domestic partner's age. The benefit of choosing this option is that your spouse / domestic partner would continue to receive the benefit in the event that you as the participant should die.



## VI. Next Steps – FRIP

### Q28. What is the general time for completion of this program?

A28. The key dates are as follows:

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|---|-------------------|--|
| ○ | July 1, 2020      | Last possible day to submit Election Form (Must be postmarked by July 1)                         |
| ○ | July 15, 2020     | Receive a review copy of your retirement incentive agreement (with a release of claims)          |
| ○ | August 31, 2020   | Last possible retirement date  |
| ○ | August 31, 2020*  | Last possible day to deliver your signed retirement incentive agreement (with release of claims) |
| ○ | September 7, 2020 | Last possible day to reverse your decision to accept or reject the terms of the FRIP             |

(\*assumes retirement incentive agreement with release of claims that is signed/dated August 31, 2020 -- if an Election Form is signed/dated before August 31, 2020, then this date will be 7 days after)

### Q29. What are my next steps if I want to volunteer for the FRIP?

A29. Read all the materials included with this package, including the Election Form. At your discretion you may want to contact an attorney, financial planner, tax advisor, or any other professional to seek advice. On or before July 1, 2020, you will need to sign, date, and post mark the "University of Pittsburgh Faculty Retirement Incentive Program Election Form" and submit it by US Mail to:

John R. Kozar  
Assistant Vice Chancellor, HR  
Benefits Department  
University of Pittsburgh Office of Human Resources  
200 South Craig Street  
320 Craig Hall  
Pittsburgh, PA 15260.

While you have until July 1, 2020 to sign and mail this Election Form, you should consider providing your department with as much advance notice as possible. Faxed forms will not be accepted. Other electronic forms might not be accepted, unless receipt by the University is acknowledged by a valid electronic reply from the University.

Here are some items you are strongly encouraged to consider before and after you submit the Election Form:

- a. Review the recorded webinar simply titled as “Retiree Benefits” The link may be found on the web page <https://www.hr.pitt.edu/retirees>
- b. Sign up and attend one of the live webinars conducted by Benefits Department and the Provost’s Office that will explain the FRIP.
- c. Sign up and attend a virtual session with a financial planner with TIAA.
- d. You are strongly encouraged to involve your spouse/domestic partner in your decision-making. They are welcome to attend any of the sessions conducted by the University or any of the financial planners with TIAA.
- e. After signing and delivering the retirement incentive agreement with release of claims (“Release of Claims”), you will have seven days from the date you signed to change your mind. You can change your mind by submitting a written notice to the University that overrides your earlier signed Release of Claims. Only one change is permitted and will only be valid if received by the University within the stated seven-day period. If you do not change your mind in this limited time period after signing the Release of Claims, your decision about whether to retire will be binding and, as appropriate, the University will begin to take action to arrange for your retirement, which will be considered official as of August 1, 2020, and effective with your last day of work being August 31, 2020.

**Q30 When will the University conduct live webinars to explain the retirement benefits and transition issues?**

A30 Webinars will be conducted in both June and July 2020. You will be notified once the dates are determined.

## **VII. Retirement**

### **Q31 After I elect to retire, what happens next?**

A31 Upon retirement, you will receive:

- a. An enrollment package for retiree benefits from Benefit Management Services (BMS) by August 15, 2020. Active coverage ends on August 31, 2020. This will include enrollment information for medical, dental, and vision coverage. You will not have a break between the transition between your active insurance coverage and post-65 coverage. You and your spouse/domestic partner will receive separate packets.
- b. You will receive, within 30 days, information from Aetna/Hartford regarding the portability of your optional life insurance coverage as well as conversion of your basic life coverage. You may convert the difference between your \$15,000 in retiree life coverage and your active basic life insurance coverage.
- c. Unum will send you information regarding conversion and individual payment of your long-term care policy if you are a participant.

### **Q32 What happens to my employment after I retire?**

A32 Retirees are no longer employed by the University and give up any and all opportunities to apply for reemployment, to be considered for rehire or to be reemployed by the University, in a substantially similar position.

### **Q33 A few months after I retire, I may decide to move to another state. Will I be able to change my medical plan election?**

A33 Yes. Any time that you have a life event such as relocation, you are able to make a change in your elections. Additionally, all retirees will be provided with an annual enrollment that will allow you to make a change.

### **Q34 What if I am interested in Emeritus status after I retire?**

A34 You should contact your Department Chair for more information.

**Q35 Is there a claims and appeals process that must be followed, if I want to challenge or dispute any aspect of my eligibility for, or payments and benefits under, the FRIP?**

A35 Yes. The University has established claims and appeals procedures that you must follow in order to pursue, challenge or dispute any aspect of the FRIP. More information and details are available from the Benefits Department. Any claims associated with this FRIP must be initiated within no more than 18 months from the date on which such claim first arises.

The University has the authority to interpret and construe the terms, conditions and provisions of the FRIP and to implement rules and procedures as may be necessary and appropriate. The University has always had, and reserves, the right to amend, modify or terminate its employee benefit programs (including this FRIP) at any time and for any reason. Nothing in the descriptions and explanations contained in this document can or should be used in any way to diminish or alter the University's ability to make necessary and appropriate future changes to the FRIP. In the unlikely event that a provision of the FRIP is found to be legally ineffective, the other provisions hereof shall remain in force. The FRIP shall be administered in accordance with the laws of the Commonwealth of Pennsylvania which shall control for all purposes.

The enhanced benefits under the FRIP are given in exchange for certain promises and other actions of eligible retirees, including a release of claims. The University will rely upon these promises and other actions. If any of these promises or other actions becomes unfulfilled, the University has a right to demand repayment, and eligible retirees will be obligated to repay, or otherwise make the University whole for, the value of the enhanced benefits that were given.