

Retiring from Franklin & Marshall

Notice of Retirement

Faculty-- Members of the faculty who plan to retire are asked to give one year advance notice to the Office of the Provost whenever possible. Faculty members are also asked to provide written notice to Human Resources as far in advance as practical.

Professional Staff-- Members of the professional staff who plan to retire are asked to notify their manager and Human Resources, in writing, at least three months prior to their expected retirement date whenever possible.

Faculty and professional staff planning to retire are encouraged to schedule a meeting with a Human Resources Administrator to review benefits and other related information.

Retirement Savings Plan

Funds (contributions plus any associated investment earnings) in the retirement account of a retiring member of the faculty or professional staff are owned by the individual and may be withdrawn, "rolled over" to an Individual Retirement Account (IRA), or left invested in the Franklin & Marshall Retirement Plan. Based on current IRS regulations, generally an individual who separates from service after age 59-1/2 may withdraw funds from the Retirement Plan without a tax penalty. Normal federal income tax will be withheld when funds are withdrawn. It may be possible to withdraw funds prior to age 59-1/2 without a penalty, if the distributions are part of a series of substantially equal periodic payments paid over the life of the plan participant or the joint lives of the plan participant and his/her beneficiary. To be eligible for the exemption, the payments must be paid no less frequently than annually, and must provide a series of substantially equal periodic payments.

Through the Retirement Plan, you have several options for receiving retirement income, including lifetime variable annuities* which provide regular income for the participant's lifetime; joint and survivor variable annuities* which provide regular income for the participant's lifetime, and, following the participant's death, provide regular income during his/her beneficiary's lifetime; fixed-period annuities; rollover of funds to an IRA; systematic cash withdrawals; lump sum withdrawals; or a combination of these options. Please note, any money invested in the TIAA Traditional Annuity (RA) must be withdrawn in essentially equal amounts over a 10 year period.

For participants who are married at the time benefit payments commence, distribution will be in the form of a "Qualified Joint and Survivor Annuity", unless an optional form of payment is selected, with the spouse's written (and notarized) consent. A Qualified Joint and Survivor Annuity is a monthly annuity paid for the retiree's lifetime, with a lifetime annuity payable to his/her spouse, upon the retiree's death, equal to 50% of the annuity income amount paid during the retiree's lifetime. If a participant is not married on the date benefits are to begin, the participant will automatically receive a life annuity (regular payments for as long as the retiree lives), unless a different option is selected.

Participants may waive the Qualified Joint and Survivor Annuity or the life annuity and select a different retirement income option during the 90 day period before the annuity is to begin.

As noted above, upon retirement individuals may leave their retirement contributions invested through the Plan. However, minimum distributions from a retiree's account generally must begin no later than the April 1st following the year in which the retiree reaches age 70-1/2. If the minimum distribution is not withdrawn, a tax penalty, in addition to normal federal tax, may be assessed. The required minimum distribution amount will vary by individual, and is based on factors such as age, life expectancy, and retirement account balance. TIAA-CREF will calculate the minimum distribution amount for any participant who is required to receive minimum distributions.

The forms, informational material, and income projections needed to make choices and to initiate distributions from your retirement account are available directly from TIAA-CREF. **Those planning to retire are encouraged to contact TIAA-CREF, (800) 842-2776, well in advance of their retirement date to discuss all options.** Upon request, TIAA-CREF will provide retirement income projections, and send all forms necessary to withdraw or transfer funds if applicable.

In addition, those planning to retire are advised to read the Retirement Plan Summary Plan Description, available on the Human Resources web pages and by contacting the Human Resources office (291-3995), and to consult a tax advisor.

** Lifetime and joint and survivor annuities are irrevocable. Monthly annuity income will vary from year to year based on the previous year's investment performance.*

Health and Prescription Drug Coverage, Life Insurance, and Education Benefits

Eligibility-- A full-time College employee who, on the date active employment is terminated, is at least age 60 and has completed 10 consecutive full years of full-time College employment after the age of 50 is eligible for continued health and prescription drug coverage, life insurance, education benefits, and other benefits as described below.

Health and Prescription Drug Coverage

Employees who retire after at least 10 consecutive full years of full-time employment at Franklin & Marshall after age 50, and who are at least age 60 on the retirement date, are eligible for continued coverage through the College's Group Health & Prescription Drug Plan.

Retired members of the College community may enroll in the *PPO Health Plan \$250* (formerly called the 107 Plan) or the *PPO Health Plan \$100* (formerly called the CCPPO Plan). Coverage is provided nationwide at the highest "coordinated care" level when seeing a participating Highmark Blue Shield PPO provider or "BlueCard" provider. Medical care is also available worldwide through the Blue Cross Blue Shield network.

Whether or not a retiree elects health and prescription drug coverage upon retirement, he/she may elect coverage during any Open Enrollment period, or when first eligible for Medicare coverage.

Health, prescription drug, and vision benefits, premiums, co-payments, and other plan provisions are not "locked in" at retirement and are subject to change at the sole discretion of the College.

Premiums-- Premiums paid by a College retiree and his/her spouse are based on the Medicare-eligibility status of the retired Franklin & Marshall employee.

Faculty members who retire through the Phased Retirement Program or the Pre-retirement Leave of Absence Program, and professional staff who retire between January 1, 2010, and July 31, 2012, through the Voluntary Early Retirement Program, pay the same health and prescription drug premiums as Medicare-eligible retirees, regardless of their Medicare-eligibility status.

Retirees who are not yet eligible for health coverage through Medicare (generally those under age 65) and their spouses are eligible for coverage through the College's Health & Prescription Drug Plan, and are required to pay the full actuarially-derived premium for their group health and prescription drug coverage.

Year 2010 Premiums for Medicare-enrolled Retirees and Those Who Retired Via an Approved Early Retirement Program:

Health Plan \$250: \$54.50 per month for the retiree only, or \$108.80 per month for the retiree and spouse or same-sex domestic partner

Health Plan \$100: \$121.79 per month for the retiree only, or \$243.18 per month for the retiree and spouse or same-sex domestic partner

The premiums listed above are in addition to Medicare Part B premiums paid by a Medicare-enrolled retiree and his/her spouse.

Year 2010 Premiums for Non-Medicare-eligible Retirees Who Did Not Retire Via an Approved Early Retirement Program:

PPO Health Plan \$250: \$484.36 per month for the retiree only, or \$787.01 per month for the retiree and spouse or same-sex domestic partner

PPO Health Plan \$100: \$504.22 per month for the retiree only, or \$819.28 per month for the retiree and spouse or same-sex domestic partner

During retirement, premiums must be paid by check to the College's Business Office on an after-tax basis, and may be paid on an annual, semi-annual, quarterly, or monthly basis.

In addition to premiums, retirees pay co-payments and deductibles when seeking health care services.

Please note: A retired College employee who is eligible for coverage through the federal Medicare program, and his/her covered spouse, if applicable, who is eligible for coverage through Medicare, must enroll in Medicare Part A and Part B on the earliest possible date when first eligible, in order to retain coverage through the College's Group Health & Prescription Drug Plan. Currently, there is no requirement that retired employees enroll in a Medicare Part D prescription plan. Those enrolled

through Medicare will pay the applicable Medicare Part B premium in addition to the required Franklin & Marshall premium.

Coordination of Benefits-- For retirees and spouses eligible for Medicare coverage, the College's Group Health & Prescription Drug Plan is generally considered a secondary plan and will not duplicate Medicare Part A or Part B coverage. The College's plan will coordinate with other plans, including Medicare, using a non-duplication method of payment. When coordination of benefits applies, the primary plan pays benefits first, without regard to any other plan. When the Franklin & Marshall Health & Prescription Drug Plan is the secondary plan, it adjusts its benefits so that the total benefits payable under all plans do not exceed 100% of the eligible charges payable under the College plan. The College's plan "wraps-around" Medicare and pays what it would normally pay for an employee, minus what Medicare has paid.

Termination of Coverage-- If a College retiree elects health and prescription drug coverage for a dependent, upon the retiree's death, the dependent may generally retain coverage, for up to 36 months, through "COBRA". During the first 3 months of the COBRA period, the deceased retiree's dependent will pay the normal premium applicable to retired employees at the single coverage level, plus an administrative fee. After this 3 month period, the deceased retiree's dependent will pay normal COBRA premiums, which are equal to the full premium equivalent as calculated by the College plus a 2% administrative fee.

Life Insurance Coverage

A member of the faculty or professional staff who has completed at least 10 consecutive full years of full-time employment with the College after the age of 50 is eligible for life insurance coverage during retirement. Upon retirement, the value of College-paid life insurance will be 25% of the value immediately preceding retirement, or the value immediately prior to reaching age 70, whichever is greater. Coverage is not subject to further reductions during retirement.

Conversion Privilege-- Retirees have the option of converting the difference between their life insurance coverage level as an active employee and their coverage level upon retirement to an individual policy. If interested in conversion, the retiree must contact the College's life insurance carrier within 31 calendar days of his/her last working day. If the life insurance conversion form is completed and the first premium paid by the retiree within 31 calendar days of retirement, evidence of good health will not be required to convert group coverage to an individual policy. (If a retiree chooses not to take advantage of this conversion privilege, he/she will retain College-paid life insurance coverage equal to 25% of the pre-retirement coverage level as outlined above.)

Education Benefits for Retirees and their Dependents

A member of the faculty or professional staff who has completed at least 10 consecutive full years of full-time employment with the College after the age of 50 is eligible for education assistance benefits during retirement. A College retiree may enroll in Franklin & Marshall courses or Elizabethtown College courses which are held on the Franklin & Marshall campus with no tuition fees, if space is available. A retiree's spouse or same-sex domestic partner may enroll in Franklin & Marshall courses or Elizabethtown College

courses which are held on the Franklin & Marshall campus with no tuition fees, if space is available.

College retirees may apply for Grant-in-Aid, a Children's Scholarship, or a Tuition Exchange scholarship on behalf of their dependent children (up to two children of a College retiree may participate in the Tuition Exchange Program). To be eligible to receive education assistance benefits for a child:

- a) the child must meet the definition of a "dependent", as described in the Education Assistance Benefits policy (www.fandm.edu/x14553.xml), and
- b) the parent-child relationship must have been legally established *prior to* the parent's retirement from Franklin & Marshall and at least five years prior to the commencement of benefits.

Additional Information

Pre-retirement Counseling / Employee Assistance Program-- Through the Employee Assistance Program (E.A.P.), full-time employees may access pre-retirement counseling. Trained counselors can help future retirees formulate a step-by-step, individualized retirement plan. E.A.P. services focus on assessing emotional readiness for the transition to retirement, providing support and planning for a successful transition, identifying any problems and stressors, discussing how roles and relationships may change, discussing use of time and money, providing support for those with challenging health concerns, and helping to identify community resources. Those planning to retire are encouraged to contact the E.A.P. prior to retirement. Full-time employees and their family (household) members are each eligible for up to 3 free sessions with a trained counselor per fiscal year. The E.A.P. may be accessed by calling (800) 327-7770. (Note: the E.A.P. benefit is only available while actively employed by the College.)

Use of Facilities-- Retired College employees may continue to use the College libraries and the Alumni Sports & Fitness Center and receive free admission to various College events.

Vacation Payment-- At retirement, professional staff receive payment for earned but unused vacation days from the current fiscal year.

Dental Coverage-- Coverage through the College's group Dental Plan terminates upon retirement. However, retired employees may continue their coverage temporarily, generally for up to 18 months, through "COBRA", by paying the full premium equivalent plus a 2% administrative fee. Coverage may also be continued for eligible dependents. Please see the Dental Plan Summary Plan Description, available on the Human Resources web pages or from Human Resources, for more information and current COBRA premiums.

Long-term Disability Insurance-- Coverage under the College's Long-term Disability Insurance Plan ceases upon retirement.

Part-time Personnel

Faculty and professional staff classified as part-time employees, who are at least age 60 upon employment termination and have 10 or more consecutive years of College service after age 50, are eligible for continued email access, access to the Alumni Sports and Fitness Center and other campus fitness facilities, and access to Franklin & Marshall libraries.

Social Security Benefits and Medicare

Retired individuals may be eligible to receive a reduced Social Security income benefit as early as age 62. Currently, the earliest age at which retirees may receive *full* benefits is 65. The age at which individuals are eligible for full Social Security income benefits rises beyond age 65 for those born after 1937. The following table shows the age at which a retired individual can receive full Social Security benefits:

	<u>Normal or "Full Retirement Age"</u>
If year of birth is 1937 or earlier:	age 65
1938:	65 and 2 months
1939:	65 and 4 months
1940:	65 and 6 months
1941:	65 and 8 months
1942:	65 and 10 months
1943 - 1954:	66
1955:	66 and 2 months
1956:	66 and 4 months
1957:	66 and 6 months
1958:	66 and 8 months
1959:	66 and 10 months
1960 and later:	67

Social security income benefits may be considered taxable income depending on an individual's total earnings while receiving Social Security benefits.

Individuals who continue to work while receiving Social Security income benefits and (a) have not yet reached the age at which they can receive full benefits ("full retirement age"), and (b) earn more than the Social Security threshold for the year, may have their benefits reduced. Currently, if an individual is under his/her full retirement age when Social Security payments begin, \$1 in benefits will be deducted for each \$2 the individual earns in wages *above* the "annual limit". For 2010 the annual limit is \$14,160. During the year in which an individual reaches his/her full retirement age, \$1 in benefits will be deducted for each \$3 earned in wages above a different limit, but only counting earnings before the month the individual reaches his/her full retirement age. For 2010, this limit is \$37,680. Special rules may apply during the year in which an individual retires.

Starting with the month an individual reaches "full retirement age", he/she is eligible for normal Social Security benefits with **no** limit on earnings.

The above is only a summary. **College retirees are strongly encouraged to contact the Social Security Administration (800-772-1213) for detailed, up-to-date information regarding Social Security benefits.** Individuals must file an application through the Social Security Administration in order to begin receiving benefits. Applications may be filed over the phone at (800) 772-1213, or online at www.socialsecurity.gov/applyonline/. As a general rule, retired individuals should contact the Social Security Administration to apply for benefits during the January prior to retirement, but no earlier than 3 months prior to turning age 62.

Health coverage through Medicare is generally available to retirees at the beginning of the month in which they turn age 65. Medicare Part A pays some costs of hospitalization, some home health services, and limited nursing home care. Medicare Part B primarily covers physician office visits, outpatient medical care, some home health services, and related services. Prescription drug benefits are available through Part D programs. A monthly premium is charged for Medicare Part B and Part D prescription coverage. Retired employees who do not enroll in Medicare Part B on the earliest possible date may be required, by Medicare, to pay a penalty when they do enroll. In addition, **as noted above, retirees and their spouses who are eligible for Medicare must enroll in Part A and Part B on the earliest possible date to retain coverage through the College's health plan** (there is currently no requirement to enroll in a Part D prescription plan). Retirees are encouraged to call Medicare (800-633-4227) or visit www.medicare.gov for detailed information about benefits.

For retired College employees eligible for Medicare, the College's Health & Prescription Drug Plan will coordinate coverage with Medicare, with Medicare being the primary plan and the College's Plan considered the secondary plan.

Resources for Retirees

- AARP: (202) 434-2277, www.aarp.org
- AARP PA Legal Advice Line: (800) 262-5297
- Medicare: (800) 633-4227, www.medicare.gov
- National Council on the Aging: www.ncoa.org
- Office of Aging: 299-7979 or (800) 801-3070
- Social Security Administration: 291-2168 or (800) 772-1213, www.socialsecurity.gov/applyonline/