

2016 Voluntary Retirement Plan

Frequently Asked Questions for 6/30/17 Retirements

How does retiring under the VRP differ from any other retirement?

Other than the lump-sum incentive payment, there is NO difference between retiring through the VRP vs. any other retirement.

Who do I contact if I have any questions regarding the Plan?

The Plan is being administered by the Office of Human Resources.

Questions regarding the Plan should be directed to VRP2016@PSU.EDU

Additional information is available on the Human Resources website at <http://ohr.psu.edu/ohr/voluntary-retirement-program>

Am I eligible to continue University medical benefits at retirement?

Employees who were hired prior to January 1, 2010, and meet the criteria outlined in Policy HR-54, will retire with medical benefits.

As a benefits-eligible, **non-Medicare-eligible** retiree, what health plan options do I have?

You have the choice of either the PPO Savings plan or the PPO Blue plan. You may choose to keep the same plan in which you are currently enrolled into retirement, or you have the ability to switch plans at the time you retire.

As long as YOU, the retiree, are not eligible for Medicare, you could participate in the PPO Savings plan with the Health Savings Account (HSA). Your contributions to the HSA as a retiree will be made either through the Highmark website or directly to Bank of America. The triple-tax savings would be accounted for on your taxes and should be discussed with your accountant/tax advisor.

If you want to remain in the same plan in which you are currently enrolled as a non-Medicare eligible retiree, you need take no action when you retire. If you want to change plans at that time, please contact the Employee Benefits division at 814-865-1473 prior to your retirement.

As a benefits-eligible, and **Medicare-eligible** retiree, what health plan options do I have?

If you or your spouse are already or will be eligible for Medicare as of 6/30/17, you need to contact your local Social Security office immediately.

You or your spouse will need to be enrolled both parts A and B of Medicare effective the first of the month following your retirement, in order to transition into the Freedom Blue PPO plan through the University. After you or your spouse are successfully enrolled in parts A and B, you will need to complete a Freedom Blue PPO application, which is found on our website at:

<http://ohr.psu.edu/sites/ohr/files/benefits/retirement/forms/FreedomBlueApplication.pdf>.

Please contact the Employee Benefits division at 814-865-1473 if you have any questions about the process to enroll in Freedom Blue PPO.

If I accrue sick time, what is the payout when I retire, whether through the VRP or at any other time?

Policy HR 54 is in the process of being updated, to reflect the following language:

An employee who is eligible for retirement under HR54 - *Continuation of Group Insurance After Age 60, Age 65, and After Retirement or Death* shall receive 1/4 the cash value of the employee's unused sick leave; provided, however, such payment shall not exceed an amount equal to (a) 100 hours of pay, or (b) 136 hours of pay if the employee's accumulated sick leave balance is at least 3/4 of all sick leave earned. The cash equivalent of the unused sick leave is computed in the [Workday Percentage Factor Calculator](#).

Additional information regarding Vacation payout is available at: <http://guru.psu.edu/policies/OHR/hr34.html#E>

How will any unused vacation and sick time balances be paid to me?

As with any retirement, your Human Resources area is responsible for calculating your vacation and sick payout and will submit such to Payroll for processing.

Updated answer 1-18-17: For 6/30/17 retirements: Due to the implementation of the new human resources and payroll system on 7/1/17, it will be necessary to combine your final paycheck **AND** your vacation/sick payout in **ONE** final check. The one year base salary incentive payment (determined as of 6/30/16) will occur in July 2017.

Regardless of your retirement date, you are able to direct as much as you choose from your final regular pay amount and/or from your vacation/sick payout, (up to the IRS maximum limits), into your TIAA supplemental retirement plan.

In order to begin or change contributions to a TIAA supplemental retirement plan, please complete a Voluntary Salary Reduction Agreement form and return to the Employee Benefits office, as outlined on the form. You must specify an **exact dollar amount** on the Reduction Agreement that you intend to defer from your pay.

<http://ohr.psu.edu/sites/ohr/files/benefits/retirement/forms/VoluntarySalaryReductionAgreement.pdf>

Can I negotiate more than 100% of annual base salary as payment under the Plan?

No. The terms and conditions of the Plan are not negotiable.

As of what date will my annual base salary be determined for purposes of calculating the payment under the Plan?

Your annual base salary as of June 30, 2016 will be used to determine the lump sum payable under the Plan.

If I “buy back” time through the State Employees Retirement System (SERS), how does that impact my eligibility for the VRP?

It does not impact your eligibility for the VRP in any way. SERS criteria is distinct and separate from the VRP criteria. Buying back time through SERS does not increase your years of service at Penn State.

When will I receive my official Separation Agreement and General Release?

You will receive your Separation Agreement and General Release at least 45 days before your designated retirement date.

Do I need to sign the Separation Agreement and General Release?

Yes, if you want to receive the benefits provided under the Plan. If you elect to participate in the Plan, you must hand deliver or mail via US Postal Service first class mail your signed Separation Agreement and General Release to the Office of Human Resources, Employee Benefits Division at James M. Elliott Building, University Park, PA 16802 no earlier than your termination date and no later than ten (10) days after your retirement date. Failure to return a fully executed agreement during the applicable time period will result in no payment of benefits under this Plan. However, your retirement date still will be irrevocable and your employment will end regardless of whether or not you sign the Separation Agreement and General Release.

Why am I being given 45 days to review the Agreement?

In accordance with EEOC regulations, the offer is considered an “exit incentive” in connection with a Release Agreement, to a group of employees; therefore, individuals are given a period of at least 45 days within which to consider the Agreement.

Who needs to witness my signature on the Agreement? Do I have to notarize the Agreement?

Any adult over the age of 18 may witness your signature. The Office of Human Resources is responsible for notarizing the signed Agreement. You will receive an email confirmation after you submit your signed Agreement and you will receive a hard copy of the notarized Agreement for your records, mailed to your home address.

Can I revoke the Separation Agreement and General Release after I’ve already signed it?

You may revoke a submitted Separation Agreement and General Release within seven (7) calendar days of the date the executed Agreement is returned. If revoked, you will not be entitled to the benefits payable under the Plan; however, your retirement date is irrevocable and your employment will end on your retirement date.

Do I need to get an attorney?

It is *suggested* (not required) that eligible faculty and staff employees contact an attorney to discuss the Plan and to review the Agreement. Use of an attorney is at your expense. We also encourage you to contact your accountant, tax, or financial advisor.

If I choose to participate in the Plan, and then I find another job outside of Penn State, and leave earlier than my agreed upon retirement date am I still eligible to receive the lump-sum payments?

No, you must remain actively employed by Penn State through your designated retirement date in order to receive benefits payable under the Plan.

Can I spread out the payments under the Plan?

No. A single lump sum payment will be made during the month following your termination date.

How will the lump sum payment be issued to me?

Your payments will be **direct deposited** into the same account to which your current payroll is deposited. The lump-sum incentive payment cannot be directed to any tax-deferred account and must be distributed to you directly, paid as ordinary income.

What deductions will be taken from the lump sum payment?

The specific deductions that will be taken from the lump sum payment will be: federal, state and local income taxes; FICA (Social security and Medicare) tax, and Pennsylvania unemployment tax. The total tax withholding for this type of payment is roughly 40% of the gross amount. You should consult with an accountant or tax advisor if you have any questions on how this lump sum payment will impact your tax liability.

Will any benefit deductions, including retirement, be made from my lump sum payment?

No, Plan payments do not count as earnings for Penn State benefits purposes.

What happens to the payout in the event of my death?

In the event of your death prior to distribution of the lump-sum payout, payroll would issue the payment as soon as administratively possible, upon notification from Human Resources of the employee's death. Payments would be made as follows: \$5,000 of the total amount may be made payable to the surviving spouse, any child, the father or mother, or any sister or brother in the order named, and the amount in excess of \$5,000 shall be made payable to the estate of the deceased employee.

If I am faculty, do I forfeit tenure?

Consistent with any retirement, tenured faculty who participate in the Plan will relinquish their indefinite tenure statuses on their retirement date.

If I am faculty, am I eligible for emeritus status?

Faculty eligible for emeritus status will be afforded such status upon retirement according to Policy HR 25.

Can I return to work at the University?

All post-retirement work activities must be approved through the process outlined in HR Policy 45, <http://guru.psu.edu/policies/OHR/hr45.html>. However, the University is under no obligation to consider you for future employment. If you are rehired to work on a full-time basis within two (2) years of your separation, you will be required to repay the Plan payment upon rehire.

Why am I being given age demographic information of other employees eligible for the Plan?

With these types of plans/programs, federal law requires that we provide you with the information concerning the ages and job titles or position of the individuals who are eligible for the Plan and the ages of those who are ineligible in the same job titles or positions. The data is aggregated and cannot be used to identify any single individual.

Am I able to collect unemployment compensation upon my retirement?

Anyone can apply for unemployment compensation through the Pennsylvania Department of Labor and Industry. Retiring is considered a voluntary retirement for unemployment purposes and the state makes determinations on a case-by-case basis through appropriate proceedings.

What information is disclosed when an employee/retiree has an employment verification call made on their behalf to the University? (e.g. for loans, credit card applications, etc.)

Employment verification is provided by The Work Number. The employee/retiree will have provided consent for their employment record/salary information to be released to the entity making the inquiry. If we do not receive a release, the request is sent back asking for a signed release from the employee/retiree. Information The Work Number may release includes: Title, date of hire, last current appointment for fixed-term employees, and current annual salary. Even though retirees are still considered "active" for benefits purposes, they are "former" employees due to their status of no longer being an active employee.

How many W-2 forms will I receive to account for the last paycheck, sick/vacation payout (if applicable) and the lump-sum incentive payment?

Only one W-2 is issued for payments made in a tax year.

What if I have a dispute regarding the Plan? If for any reason you dispute or disagree with the application of the Plan to your situation, please contact the Vice President for Human Resources, Susan McGarry Basso in writing at 505 James M. Elliott Building, University Park, PA 16802, who will attempt to resolve any disputes.