
FINANCIAL POLICY 1114: RETIREMENT BENEFIT PLANS

Effective: December 1986
Revised: April 2016
Last Reviewed: April 2016
Resp. Office: Human Resources
Approval: Comptroller

PURPOSES:

(A) The University of Pennsylvania Basic Plan and the University of Pennsylvania Matching Plan (collectively referred to as the Tax Deferred Retirement Plan) provide eligible employees with retirement benefits and an opportunity to contribute to their retirement savings.

(B) The Supplemental Retirement Annuity Plan of the University of Pennsylvania provides eligible employees with the opportunity to make pre-tax contributions to their retirement savings account.

(C) The Retirement Allowance Plan of the University of Pennsylvania provides eligible employees with a retirement benefit based on their average compensation and years of service with the University.

(D) The Retiree Health Plan provides retirees (and their dependents) with certain medical benefits.

(E) The University of Pennsylvania Fraternal Order of Police, Pennsylvania Lodge 113, Defined Benefit Pension Plan provides eligible police officers with a retirement benefit based on their average compensation and years of service with the University.

POLICIES:

The University has several plans that provide faculty and staff with a vehicle for retirement savings based on University contributions as well as contributions by the participants.

Accounting for the retirement plans and the retiree medical plan are in accordance with the pronouncements given by the Financial Accounting Standards Board ("FASB") in accordance with Accounting Standards Codification ("ASC") 715, *Compensation-Retirement Benefits*.

The Internal Revenue Service (IRS) specifies annual retirement limits that determine the maximum amounts both the individual and the University may contribute to the retirement plans in any calendar year. These limits are indexed by the IRS each year.

- For calendar year 2016 an individual's pre-tax contribution limit is \$18,000 with a "catch up" limit of \$24,000 for individuals at least 50 years of age. In addition, there is an additional catch-up contribution that may be available to participants who have at least 15 years of service with the University.

- For calendar year 2016 the annual compensation limit that is used for retirement calculations is \$265,000.

(A) The Tax-Deferred Retirement Plan (TDR) is administered by the Division of Human Resources with the Vice President of Human Resources as the named Plan Administrator. The investment providers are Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF) as well as the Vanguard Group. The plan is made up of the following components:

- The Matching Plan – individuals make pre-tax contributions from their pay, which the University matches dollar for dollar up to the first 5%.
 - Individuals can begin participating in the TDR plan immediately upon employment with the University, provided they are at least 21 years of age.
 - University contributions will begin after one year of service at the University unless the individual has one year of qualified prior service credit in which case contributions begin immediately. Effective January 1, 2010, university contributions vest after three years of employment.
 - This plan is a 403(b) Defined Contribution Plan.
- The Basic Plan – individuals receive a basic contribution from the University equal to a set percentage of their pay. University contributions will begin after one year of service at the University or immediately if an individual has one year of qualified prior service credit. Effective January 1, 2010, university contributions vest after three years of employment. The percentage is determined by the following age tables:

○ Under Age 30	1.5% of Compensation
○ Age 30 to 39	3.0% of Compensation
○ Age 40 and above	4.0% of Compensation

 - This plan is a 401(a) Defined Contribution Plan.

(B) The Supplemental Retirement Annuity Plan (SRA) is administered by the Division of Human Resources with the Vice President of Human Resources as the named Plan Administrator. The investment providers are Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF) as well as the Vanguard Group. The SRA is a voluntary tax-deferred retirement plan, which an individual may utilize to supplement their retirement savings.

- Individuals can begin participating in the SRA plan immediately upon employment with the University, provided they are at least 21 years of age.

- There are no matching contributions from the University under the SRA plan.
- This plan is a 403(b) Defined Contribution Plan.

(C) The Retirement Allowance Plan (RAP) provides eligible employees with a retirement benefit based on their average compensation and years of service with the University. The plan is administered by the Division of Human Resources with the Vice President of Human Resources as the named Plan Administrator. The plan trustee is State Street Global Advisors.

- This plan was initially set up for non-exempt individuals who were not eligible to participate in the TDR plan.
- As of 7/1/2000, the Plan was frozen to all new participants, except for newly hired part time employees.
- The individual's benefit is determined by: (1) their years of eligible service at the University and (2) their average compensation multiplied by 1.25%.
- Eligible employees are not required or permitted to make contributions to the Plan.
- The University makes periodic contributions to the Plan in accordance with actuarially and legally required contribution amounts.
- Prior to 7/1/2000, full-time employees were eligible on the first day of the month coincident with or following the date they complete a year of service and attain age 21.
- Part-time employees are eligible on the first day of the month coincident with or following the date they complete 1000 Hours of Service either during the 12 consecutive months following their hire date, or any subsequent Plan Year, and attain age 21.
- This plan is a Defined Benefit Pension Plan.

(D) The University has a Retiree Medical Plan that provides retirees (and their dependents) medical and prescription drug benefits. In addition, retirees have a University paid \$5,000 life insurance benefit. The plan is administered by the Division of Human Resources with the Vice President of Human Resources as named Plan Administrator. The plan trustee is State Street Bank and Trust Company.

- Eligible individuals must meet the Rule of 75 to participate in the plan i.e., - an individual's age plus service must total at least 75 with a minimum of age 55 and 15 years of full-time continuous service, or age 62 and 10 years of full-time continuous service. Employees active as of January 1,

2006 (the effective date of the Rule of 75) are “grandfathered” under the old eligibility rules as stated previously (without the Rule of 75) until December 31, 2008.

(E) The Fraternal Order of Police (FOP), Pennsylvania Lodge 113, Defined Benefit Pension Plan provides a retirement benefit to employees of the University who are police officers or other employees whose terms and conditions of employment are subject to the collective bargaining agreement with the Fraternal Order of Police, Pennsylvania Lodge 113. The named Plan Administrator for this plan is the Vice President of the Division of Public Safety. The plan trustee is VERISIGHT.

- The individual’s benefit is determined by; (1) their years of service and (2) their average compensation multiplied by 2.10%.
- The University makes periodic contributions to the trust fund in accordance with actuarially and legally required contribution amounts.
- Eligible employees are required to make contributions of 3% of their compensation to the trust fund.
- Each employee employed by the University as a police officer or other job classification whose terms and conditions of employment are subject to a collective bargaining agreement with the Fraternal Order of Police, Pennsylvania Lodge 113 are eligible to participate, and become an Active Participant on their employment commencement date.
- This plan is a Defined Benefit Pension Plan.

REFERENCES

University of Pennsylvania Retiree Health Plan and Retirement Plan Summary Plan Descriptions (SPDs)
- <http://www.hr.upenn.edu/myhr/benefits/forms/spd>

University of Pennsylvania Retiree Health Plan and Retirement Plan Summary Annual Reports (SARs)
- <http://www.hr.upenn.edu/myhr/benefits/notices/sar>