

SUMMARY PLAN DESCRIPTION
FOR THE
FACULTY INCOME ALLOWANCE PLAN OF
THE UNIVERSITY OF PENNSYLVANIA

Note: This booklet is only a summary of certain portions of the Plan. Only the Plan itself can give any person a right to benefits and this is not the Plan. This booklet does not describe all the provisions of the Plan and is not a substitute for the Plan. If you want to determine your rights, if any, under the Plan, ask to see a copy of the Plan. If anything in this booklet conflicts with the Plan, the Plan will be followed. Nobody speaking on behalf of the Plan or the Plan sponsor can alter the terms of the Plan.

Table of Contents

Introduction	1
Eligibility for FIAP Benefits	1
Applying for FIAP Benefits	3
Benefits Provided Under FIAP	3
Miscellaneous Questions	5
General Information about FIAP	6
Making a Claim for Benefits	6
Your Rights Under ERISA.....	7

Introduction

The Faculty Early Retirement Income Allowance Program (FIAP) provides an opportunity for senior faculty members to retire from active service at the University. FIAP is a "severance plan" and is subject to the Employee Retirement Income Security Act (ERISA). General information about FIAP and your rights under ERISA are set forth in the "General Information" section below. FIAP is also intended to be a "top-hat" plan that provides benefits only to a select group of University employees.

This summary describes FIAP as it applies to senior faculty members who terminate employment on or after January 1, 2009. If you terminate employment before this date, you are subject to an earlier version of FIAP. If you have questions about FIAP or an earlier version of FIAP, you should contact the Administrator at the address/number set forth below.

The terms of FIAP are described in more detail below, but you should keep in mind that this summary is only intended to give you a general description of the benefits provided under the Plan. Your rights to FIAP benefits are determined solely by the provisions of the official FIAP plan document. **IN THE EVENT OF ANY CONFLICT BETWEEN THIS SUMMARY AND THE OFFICIAL TERMS OF THE FIAP PLAN DOCUMENT, THE TERMS OF THE OFFICIAL FIAP PLAN DOCUMENT ALWAYS CONTROL.** Thus, if you want to determine your rights to FIAP benefits, you should ask the Administrator for a copy of the official Faculty Income Allowance Plan document.

Eligibility for FIAP Benefits

Q: Who is eligible to participate in FIAP?

A: "Senior faculty members" are eligible to participate in FIAP. Senior faculty members include tenured members of the Standing Faculty and senior members (Associate Professor or Professor) of the Standing Faculty-Clinician Educator.

Q: What are the eligibility requirements for receiving FIAP benefits?

A: Senior faculty members who fit within one of the following age and service categories when they terminate employment will be eligible to receive FIAP benefits:

- Ages 60-69: Senior faculty members who have 10 or more years of full-time continuous service (as standing faculty members) and who terminate on or after age 60 but before June 30 of the academic year in which they reach age 69 are eligible to receive FIAP benefits if they satisfy a "rule of 75" requirement (that is, the combined age and years of full-time service of the faculty member equals or exceeds 75).
- Age 69 or later: Senior faculty members who satisfy the 10 years of full-time continuous service and "rule of 75" requirements on or after age 69 may also receive FIAP benefits. Such senior faculty members generally must terminate

employment as of the academic year-end (June 30) immediately following the satisfaction of the eligibility requirements.

Note: The "eligibility" table in the [summary for FIAP](#) shows the age and service combinations that satisfy these eligibility requirements.

Q: Is there any "grandfathering" of the prior FIAP terms?

A: Yes. Senior faculty members who were hired before January 1, 2004 and who were 54 or older at their hire date may elect to terminate employment and receive benefits in accordance with the prior FIAP terms. Under these prior FIAP terms, a faculty member could terminate employment and receive FIAP benefits as of the academic year-end (June 30) following the completion of 15 years of full-time service.

Q: What type of service qualifies as full-time service for purposes of determining FIAP eligibility?

A: Full-time service is full-time service as a faculty member and does not include other service with the University in a non-faculty position. Any service accrued by a faculty member participating in the University's phased retirement program is counted as full-time service for FIAP eligibility. Service must be continuous. If a faculty member works for the University, leaves, and is later rehired, only the faculty member's most recent period of service after the rehire date is counted for purposes of determining FIAP eligibility.

Q: What types of terminations qualify for FIAP benefits?

A: Senior faculty members who elect retirement or who terminate employment (including faculty members who are terminated as part of a "*reduction in faculty*") are eligible for FIAP benefits. Other types of terminations (for example, a termination for disability, death or "*just cause*") are not covered by the FIAP. The italicized terms are defined in the Handbook for Faculty and Academic Administrators (or, if applicable, a successor publication).

For purposes of FIAP, the terms "retirement" and "termination of employment" have a special meaning as follows:

- The faculty member must relinquish his/her full-time tenured appointment as an active member of the standing faculty.

AND

- At the time of the termination or retirement, the faculty member and the University must reasonably anticipate that the faculty member will stop performing all services for the University or that any services performed for the University will permanently decrease to a level of no more than 20% of the level of services performed before the termination or retirement. The determination of the level of services performed before and after a termination or retirement is based upon all of the available facts and circumstances. (Note: This aspect of the termination/retirement definition stems, in part, from the new deferred compensation rules that recently took effect. More information about these rules is set forth in the Miscellaneous Questions section.)"

Q: Does this mean that I can't continue to work for the University or later come back to work for the University in the future?

A: Not necessarily. As noted above, you can retire or terminate employment with the University, receive FIAP benefits, and still perform a small amount of services for the University (20% or less than what you were performing before your retirement or termination of employment). Also, there may be cases in which you come back to perform a larger amount of services for the University, but only if this was not reasonably anticipated at the time of your original retirement or termination of employment (e.g., there is a change in circumstances leading to a decision to bring you back to perform a larger amount of services). Finally, all retiring faculty members, including those retiring under FIAP, may continue to participate in University life as a member of the emeritus faculty.

Q: Are there any other eligibility requirements for FIAP benefits?

A: Yes. In order to receive FIAP benefits, a senior faculty member must acknowledge in writing that he or she is participating in FIAP and relinquishing his or her full-time faculty position. This agreement may be between the faculty member and his or her dean, or it may be evidenced by signing and returning a letter from the Office of the Provost. In general, the agreement must be completed at least six months before a faculty member's termination of employment, unless a participant and the University agree to a shorter period of time. Depending upon the circumstances, the agreement may include a "release" specifying that the faculty member is releasing and waiving any claims that the faculty member might have against the University.

Applying for FIAP Benefits

Q: How do I apply for FIAP benefits?

A: Faculty members who wish to retire under the terms of FIAP should provide written notice to the dean of their school at least one year prior to the date of their intended retirement, unless the faculty member and the University agree to a shorter notice period. Normally, such retirements will occur at the end of the academic semester, but faculty members may be permitted to retire at other times when approved by the chair and dean of their department. A faculty member may rescind his/her notice up until the point at which he or she signs an agreement with the dean or confirms retirement with the Office of the Provost.

Benefits Provided Under FIAP

Q: What types of benefits are provided under FIAP?

A: FIAP benefits include a cash benefit and certain non-cash benefits (namely, the continuance of certain health/fringe benefits).

Q: What are the cash benefits provided under FIAP?

A: FIAP provides a cash benefit that is equal to the greater of (1) 165% of a faculty member's "academic base salary", which is the faculty member's academic base salary as in effect at his termination of employment, or (2) 165% of the "average academic base salary" for full professors in a faculty member's school during the academic year preceding retirement. Cash benefits are paid in 24 equal installments following a faculty member's termination of employment.

Q: What is academic base salary?

A: For a faculty member who terminates employment as of the June 30 end of an academic year, his/her academic base salary as in effect as of the preceding July 1. For a faculty member who terminates employment as of some other date, his/her academic base salary is the "weighted average" of his/her academic base salaries during the 12 months preceding his/her termination. An example of this weighted average calculation is as follows:

Example:

- Assume that a faculty member elects to terminate employment as of January 1, 2005
- The faculty member's base salary as of July 1, 2003 is \$120,000
- The faculty member's base salary as of July 1, 2004 is \$150,000
- The faculty member's weighted average academic base salary for the last 12 months is \$135,000, determined as follows:

\$60,000 (six months of salary at an annual rate of \$120,000)
plus
\$75,000 (six months of salary at an annual rate of \$150,000)
equals
a weighted average academic base salary of \$135,000

A faculty member's academic base salary does not include salary earned through a non-academic position (for example, salary earned through the Clinical Practice of the University of Pennsylvania), administrative stipends or other "extra" salary components (e.g., bonuses, incentive pay, expense reimbursements, etc.), or any salary earned from any institution other than the University of Pennsylvania (e.g., the Philadelphia Veterans Affairs Medical Center).

Q: What is average academic base salary?

A: For a faculty member who terminates employment as of the end of the fiscal year, the average academic base salary is the average of all full professors' academic base salaries in the faculty member's school, determined as of the July 1 preceding a faculty member's termination of employment. For a faculty member who terminates employment as of some other date, the average academic base salary will be determined under the same "weighted average" approach described above to take into account the average academic base salaries in effect during the 12 months preceding his/her termination.

Q: Are there any limits on the cash benefits provided under FIAP?

A: Yes. To satisfy requirements imposed by federal law, the cash benefits provided under FIAP may not exceed 200% of your annual compensation for the year preceding the year of your termination of employment. Your annual compensation generally includes all of your pay for the preceding year. If you worked less than a full-time schedule during a particular year, your annual compensation will be increased to reflect what you would have earned had you been working a full-time schedule.

Q: What are the non-cash benefits provided under FIAP?

A: FIAP provides certain non-cash benefits in the form of continued health/fringe benefits. The non-cash benefits currently provided under FIAP are described in detail in the following

[summary of FIAP benefits](#). Please keep in mind that these non-cash benefits are subject to the specific terms of the particular University plan or program under which the benefits are provided (for example, medical insurance coverage is provided pursuant to the terms of the University's Retiree Health Plan).

Q: Can these non-cash benefits be changed?

A: Yes. While the University currently intends to keep these benefits in place indefinitely, the University reserves the right to change these non-cash benefits and/or the cost charged for such benefits at any time and for any reason.

Miscellaneous Questions

Q: What is a faculty member's tax liability under FIAP?

A: The FIAP's cash benefits are severance payments and are subject to federal, state and local income taxes and to Social Security and Medicare taxes. However, the Social Security Administration should not count the income allowance as earnings that would reduce Social Security retirement income payments. For an estimate of the Social Security Income benefit, faculty members are encouraged to contact their local Social Security Administration Office or call 1-800-772-1213. Documentation, including proofs of age, marriage and earnings may be required. More information about Social Security benefits can be found on their website at www.ssa.gov.

Also, the compensation provided to you through FIAP is "deferred compensation" for purposes of new tax rules that recently took effect. In relevant part, these new tax rules provide that deferred compensation must be paid in accordance with a fixed schedule and only upon certain events. To satisfy these rules, FIAP provides that benefits can only be paid upon an actual termination of employment or retirement as described above (and not upon a simple change in status or title) and in fixed installments over 24 months. The failure to comply with these new tax rules can result in potentially serious tax consequences for an employee (e.g., full and immediate taxation of the deferred compensation and an excise tax of 20% on the deferred compensation).

This summary does not constitute tax advice, and faculty members are encouraged to speak with their accountant or attorney to gain a full understanding of the tax consequences of retirement under FIAP.

Q: Can a faculty member still participate in the Tax Deferred Retirement Plan (TDR) and/or the Supplemental Retirement Annuity Plan (SRA)?

A: No. Faculty members who receive FIAP benefits generally are not eligible to participate in the TDR or SRA Plans with respect to their FIAP cash benefits, but may be eligible to participate in the TDR or SRA Plans if they are otherwise employed and receiving compensation from the University.

Q: Can FIAP be amended or terminated?

A: Yes. While the University currently intends to continue FIAP indefinitely, the University (acting through its Board of Trustees or an authorized delegate, such as the Vice President of

Human Resources) reserves the right to amend or terminate FIAP in whole or in part, at any time. While any such amendment or termination generally will not affect the FIAP benefits that a faculty member has already received, the University reserves the right to amend or terminate the benefits (for example, continued medical insurance benefits) that are provided to a faculty member on an on-going basis under FIAP.

General Information about FIAP

1. **Plan Name:** University of Pennsylvania Faculty Income Allowance Plan
2. **Plan Number:** 529
3. **Employer/Plan Sponsor:** The Trustees of the University of Pennsylvania
3401 Walnut Street, 527A
Philadelphia, Pennsylvania 19104
215-898-3539
4. **Employer Identification Number:** 23-1352685
5. **Type of Plan:** Welfare Benefit Plan – Severance Pay Plan
6. **Administrator:** Vice President of Human Resources
University of Pennsylvania
Same address as for Employer
7. **Agent for Service of Legal Process:** The Administrator
8. **Sources of Contributions:** The Plan is unfunded and all benefits are paid from the general assets of the University.
9. **Type of Administration:** The Plan is administered by the Administrator with benefits provided in accordance with the provisions of the applicable Plan document.
10. **Plan Year:** July 1 through June 30

Making a Claim for Benefits

If you feel that you are entitled to certain Plan benefits you are not receiving, you may make a written request to the Administrator (or its delegate) for such benefits. If your request is denied, you will be notified in writing within 90 days after the Administrator receives your request. This notice will contain the following information: (1) the specific reason or reasons for the denial; (2) specific reference to the Plan provisions on which the denial is based; (3) a description of any additional material or information necessary in order to present a thorough appeal and an explanation of why such material or information is needed; and (4) an explanation of the claim

appeal procedure and time limits applicable to the procedure, including a statement of your right to bring a civil action under ERISA Section 502 after a denial on appeal. If the Administrator needs more than 90 days to review your claim for benefits, you will be advised in writing within 90 days after the Administrator receives your claim. The notice will tell you why the Administrator needs more time (which cannot exceed an additional 90 days), and the date by which you can expect a decision.

If you disagree with the decision, you may appeal the denial to the Administrator.

IMPORTANT: You must submit this appeal to the Administrator within 60 days of the date that you receive the Administrator's response to your initial claim. For purposes of the review, you have the right to: (1) submit written comments, documents, records and other information relating to the claim for benefits; (2) request, free of charge, reasonable access to, and copies of all documents, records and other information relevant to your claim for benefits; and (3) a review that takes into account all comments, documents, records, and other information submitted by you relating to the claim, regardless of whether the information was submitted or considered in the initial benefit decision.

The denied claim will be reviewed by the Administrator and within 60 days after receipt of the request for review you will receive a written notice of the Administrator's decision. The notice will: (1) provide the specific reason(s) for the denial; (2) refer to the provisions of the Plan on which the denial is based; (3) contain a statement that you are entitled to receive, upon request and free of charge, reasonable access to, and copies of, all documents, records, and other information relevant to your claim; and (4) describe any voluntary appeal procedures offered by the Plan and your right to obtain information about the procedures, and a statement of your right to bring a civil action under ERISA Section 502 if you disagree with the Administrator's decision on appeal. If the Administrator needs more than 60 days to review the denied claim, you will be advised in writing within 60 days after the Administrator receives the request for review. The notice will tell you why the Administrator needs more time (which cannot exceed an additional 60 days), and the date by which you can expect a decision.

Your Rights Under ERISA

As a participant in the Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA), as amended.

Receiving Information About Your Plan and Benefits

ERISA provides that all Plan participants are entitled to examine, without charge, at the office of the Administrator and other specified locations, such as worksites, all documents governing the Plan, including insurance contracts and a copy of the latest annual report (Form 5500 Series) filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Pension and Welfare Benefits Administration.

Participants are also entitled to obtain, upon written request to the Administrator, copies of documents governing the operation of the Plan, including insurance contracts, copies of the latest annual report (Form 5500 Series), and an updated Summary Plan Description. The Administrator may make a reasonable charge for the copies. The Administrator is required by law to furnish each member with a copy of the Plan's annual financial report.

Prudent Actions by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer, or any other person may prevent you from obtaining a pension benefit or exercising any of your rights under ERISA by firing you or discriminating against you in any way.

Enforce Your Rights

If your claim for a pension benefit is denied or ignored in whole or in part, you have a right to know why this was done, to obtain copies of documents relating to the decision without charge and to appeal any denial, all within a certain time schedule. Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request a copy of Plan documents or the latest annual report from the Plan and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and pay you up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Administrator. If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or federal court. In addition, you may file suit in federal court if you disagree with the Plan's decision, or lack thereof, concerning the qualified status of a domestic relations order.

If it should happen that Plan fiduciaries misuse the Plan's money, or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Assistance With Your Questions

If you have any questions about the Plan, you should contact the Administrator. If you have any questions about this statement or about your rights under ERISA or if you need assistance in obtaining documents from the Plan Administrator, you should contact the nearest area office of the Pension and Welfare Benefits Administration, U.S. Department of Labor, listed in your telephone directory. Or, you can write to:

Division of Technical Assistance and Inquiries
Pension and Welfare Benefits Administration, U.S. Department of Labor
200 Constitution Avenue, NW
Washington, DC 20210