Guide to Retirement

UCLA Senate Faculty Colleagues:

I hope you find this Guide to Retirement helpful in your transition to emerita/us status. I also urge you to participate in on our Faculty Retirement Workshops offered each Winter Quarter (http://www.errc.ucla.edu/Faculty/Planning-for-Retirement/Path-Forward-Workshops). I am available year-round to answer your questions and for confidential consultations (dlopez@ucla.edu or 310-210-1118).

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A Guide to Retiring and Retirement at UCLA

Introduction

I've prepared this Guide so you can better understand and navigate the *two parallel processes* leading to this next phase of your career at UCLA: crafting a retirement agreement with your chair, and navigating the UC retirement process. But Senate faculty automatically transition to being Professor Emerita/us. At a minimum, your name is still listed on the department website, you keep your UCLA email address, you can get a bargain parking permit and you maintain important academic rights like being a Principal Investigator on extramural grants, serving on student committees and eligibility for Senate research support. And -- if you have negotiated a good retirement agreement -- you can secure additional benefits like office and research space and paid recall employment for teaching or research, and the right to use the spiffy new title of "Research Professor."

Most of us have spent decades negotiating packages related to step increases, promotions and retentions; I suggest you think of crafting your retirement agreement as one more negotiation with your chair; not necessarily the last, but certainly a very important one. In contrast, while the UCRS retirement process all UC employees go through is actually simpler, it involves unfamiliar terms and some non-revocable decisions about the form of your pension and other retirement benefits. Just one example: in UCRS Speak, you "separate" *from* UC employment and then you "retire" *into* receiving your pension and other retirement benefits. Some colleagues take all this in their stride. Others – especially those not accustomed to being treated like rank-and-file employees of a massive enterprise – find it frustrating.

I. When should I retire?

Except in very unusual circumstances, you cannot be forced to retire; the decision is up to you. Yes, it is a big step, but it helps to remember that it is not the end of your professional life, and can well be an enhancement to your academic freedom. Service as an active emerita/us professor can mean more time to devote to what you love most about your career, and freedom from what you enjoy least. Also, you may be pleasantly surprised with the result when you add up all the financial resources you will have (pension, social security, earnings from retirement savings, recall salary), and add in the expenses you no longer have (pension and Social Security contributions, costly employee health and parking payments). More discretion over your time and more financial freedom both enhance your academic and personal freedom…no small thing these days.

Less cheery but no less important: don't wait until you *have to* retire for health reasons: your post-retirement options will be reduced, and the decisions you have to make will be all that more difficult and disconcerting.

What time of the year is best to retire?

For most of us, the end of the academic year makes most sense. In fact, your pension may actually be higher if you retire at the end of June instead of waiting until the end of the Fall or Winter pay periods and accruing additional service credit. Your retirement counselor can verify this for you.

Really want to know why? Two reasons. The first is clear-cut and documented in UC Benefits sources: you need to have been retired a full year in order to qualify for the cost-of-living increase for July of the *following* year

(http://ucnet.universityofcalifornia.edu/forms/pdf/retirement-handbook, p.10). Second, by "separating" from UC employment on the penultimate weekday of June (usually the 29th) you are technically an "inactive" but not yet retired UC employee for at least one weekday, which qualifies you for the *current* July COLA as well. I've not seen documentation for this, but it does work. Together these two COLAs could mean a four percent plus increase in your pension going forward, assuming inflation of two percent or more annually. Even in this era of low inflation the 2017 UCRP COLA was 2 percent. By comparison, an additional quarter of service credit provides .833 of a percent.

When to do the paperwork?

When you negotiate your departmental agreement with the chair depends to some degree on what you want: if substantial course release or some other consideration prior to retirement is important, it is best to agree on the details more than year in advance. Even agreements with only post-retirement benefits should be finalized, at the very latest, early in the Fall Quarter of your last year for July retirement. Generally, the longer you wait, the less valuable to chairs and deans is your promise to retire, and so the less valuable to you as a bargaining chip.

As for the formal UCRS process, you don't have to make contact with your retirement counselor until three to four months before retirement. But, you should get familiar with the process and the choices you will have to make well before that.

Here is a suggested calendar (assuming July 1 retirement) that integrates the two parallel processes.

•**A Year or More before retirement:**

•Take the Winter Quarter Faculty Retirement Workshops (http://www.errc.ucla.edu/Faculty/Planning-for-Retirement/Path-Forward-Workshops

•Meet with the Faculty Retirement Liaison (currently yours truly) to work out your individualized plan leading up to and following your move to emerita/us status.

•Make the agreement with your chair in writing, signed and dated by both of you. To make the agreement binding on all parties it is best to make it in the form of a "Pathways to Retirement" agreement, signed by your dean and the Academic Vice Chancellor as well. The Pathways agreements are discussed in more detail below.

•**Fall Quarter of your retirement year**: Finalize and sign the agreement with your chair if you have not already done so.

•**Winter Quarter of your retirement year**: Contact your designated campus retirement counselor to initiate the UC retirement process (your departmental academic personnel staff will know who that is). S/he will estimate your pension and generate the Personal Retirement Profile that lays out the details of your specific retirement benefits and the choices you have to make. Be sure to convey these choices to the retirement counselor so s/he can arrange for your Retirement Election Form to be sent to you in April.

•**April of your retirement year**: In April, you will receive the Election Form that presents the exact benefits you will receive, reflecting the choices you have made. I suggest you have a second meeting with the retirement counselor at this time, confirming your final choices and reviewing any other actions you may need to take regarding healthcare, insurance etc.

•**Before May 15 of your retirement year**: Send your signed and dated Election Form to the UC Retirement Services in Oakland and remind your department of your official separation date. *Remember: you will not receive your retirement benefits unless you have been separated by your department* ***and*** *your Election Form has been received.*

•**June 27, 28, or 29 (depending on calendar):** Your Separation Date (last day of regular employment). Stay home the next working day.

•**July 1**: the day you "retire" *into* your pension and your post-employment medical coverage begins. Start using the Emeritus title. Your first pension check will arrive on August 1.

II. Your Departmental Retirement Agreement

Departments and schools increasingly use the campus Pathways to Retirement format for ladder faculty retirements. The **Pathways** form (https://www.apo.ucla.edu/resources/pathways-to-retirement) provides firm introductory and concluding sections that bind you to retire on a specific date in return for specific considerations prior to and following retirement: two slices of bread, if you will, into which you and your chair insert the memo-of-understanding meat. If you are asking for any pre-retirement benefits (teaching releases, re-scheduling of sabbatical leaves, postponement of a Five-Year Review, etc.), a Pathways agreement may be required. You cannot expect a chair or dean to grant these incentives without the high level of certainty that a Pathways agreement provides. Pathways agreements can also be appropriate even if you are not asking for pre-retirement benefits, if only because chairs and deans like to plan ahead at least a year into the future.

The Pathways format strengthens the certainty that all parties will do what they promise. Some senior faculty find the "legalistic" wording objectionable, and in response we have, in some cases, been able to tailor the language into a form that all parties find acceptable. If you or your chair still don't want to use the Pathways format that's fine too.   But I do strongly suggest that you have some form of memo-of-understanding signed by your chair and dean.

What To Include

First, remember that there are important items that you do NOT have to specify in the written agreement. As a tenured member of the Academic Senate, you automatically assume the title of Emerita/us Professor, and University and campus regulations specify a range of rights and privileges that go along with the title. For example, as a continuing member of the Academic Senate you maintain your rights to serve on student committees, to serve as a Principal Investigator and to apply for Senate research funding. You also retain certain basic rights within your department, as well as expanded rights when you are on recall. Departments do vary in the degree to which emeriti exercise these rights, and some departments have enhanced emeriti rights written into their by-laws. The full range of emeriti rights is discussed at http://www.errc.ucla.edu/Faculty/Post-Retirement.

There is no standard retirement packet at UCLA: the central UC and campus administrations do not contribute directly to individual retirement packages, including those put into Pathways format. Departments vary enormously in what they are able and willing to provide. Each specific retirement agreement is a balance of elements unique to your individual needs and what your department is able and willing to provide.

Before Retirement

In general, pre-retirement elements are in the form of teaching and service reductions and policy exemptions. These special arrangements are typically made for one or two years, but in some cases may be for as long as three years. Some elements that might be included are:

Teaching and Service Releases: UC does not have phased retirement as found in many colleges and universities but department chairs do have the discretion to grant reduced teaching loads or exemption from departmental service requirements.

Sabbatical Leaves Rearrangements: UCLA is very firm in its adherence to UC policy requiring faculty to return from sabbatical leaves for at least as long as the leave itself. But, there is some flexibility around scheduling and the nature of your assignment during the quarter(s) after returning from your leave. For example, departments that might otherwise not allow one to take a simultaneous two-quarter leave in spring and fall quarters might make an exception; or your assigned duties during the return quarter(s) might take a form other than the usual departmental teaching assignment. If you agree to sign a Pathways to Retirement agreement, in many cases you will be able to craft a "special assignment" quarter that closely resembles a sabbatical quarter but does not subject you to return-from-sabbatical rules.

Postponement of 5-Year Reviews: The requirement for performance reviews at least once every five years is also firmly adhered to at UCLA, and, as you may know, the consequences of a negative review can be unappealing. But, chairs may be willing to work out a "postponement" (really a de-facto cancellation) beyond your retirement date, as long as you sign a Pathways retirement agreement that is signed by your dean and the Academic Vice Chancellor. This is usually true for any sabbatical rearrangements as well.

What else? I've heard of a few unique accommodations to suit special circumstances, but I know of no other common pre-retirement goodies. For example, direct financial support in the form of research funding or summer ninths are extremely rare prior to retirement.

After Retirement

Post-retirement elements involve spending departmental funds and other resources. They can run for up to three years following retirement, and must be renewed on a year-to-year basis after the initial three years. Some common

Research Professor Title: Emeriti now have the opportunity to apply to use the "Research Professor" title in lieu of Emerita/us Professor. Those who are above scale when they retire can call themselves "Distinguished Research Professors." The title brings with it no additional privileges beyond the supposed cachet of the term. Some retirees believe it gives them a better shot at having extramural grants funded. You need the support of your chair and dean; appointments are for three years, with no automatic renewals; full details are found at https://www.apo.ucla.edu/policies/the-call/appendices-1/appendix-38-research-professor. The rules are written as if you are applying after you have retired, but you should ask your chair to put her promise of support in your written agreement.

You need to be *Recalled* in order to be paid for teaching, research or administrative work after retiring. The amount you can earn is subject to limitations and there are other rules (https://www.apo.ucla.edu/policies/the-call/appendices-1/appendix-28-recall-appointments). One important point to remember: your total recall compensation is limited to 43 percent of your final salary. What constitutes your "final salary" varies according to the rules of the compensation plan you are under. What does not vary is that the 43 percent rule applies to any one month of the year, not just to the year as a whole.

Teaching Recall: If you want to continue departmental teaching after retirement you should be sure the terms are specified in your agreement, for example "four undergraduate courses over three years." Departments vary enormously in their need and desires regarding retiree teaching. Most are bound by a modest pay rate, currently about $11,200 per course, before taxes. Be sure both the total number and type of courses are specified.

Research Recall: You do not have to be formally recalled to apply for or receive a grant, extramural or otherwise, but you must be recalled to receive compensation through the university. While not absolutely essential, you may feel more comfortable including your research recall plans in your agreement, especially if large external grants and departmental research space are involved, or if your department does not have a tradition of continuing support for emeriti research.

You can receive other departmental resources (space, research expense funding, etc.) without any formal recall appointment.

Research Expense Funding: Some department chairs are willing and able to provide you with a modest contribution to your research expense account, in support of your continued research expenses, such as travel to professional meetings after retirement. If you already have a tidy sum in your research fund(s), it is a good idea to specify in your agreement that you will have continued access to these funds after retirement.

Office Space: The Academic Personnel Office recently surveyed departments and schools regarding their policies and practices for emeriti faculty. It found that departments generally provide some sort of space to faculty on teaching recall, and a majority of units had some sort of long-term shared emeriti space. Many departments also allow for the possibility of term-limited individual emeriti space as part of a retirement agreement. The focus of the survey was on regular faculty offices, not research space, and research units like ORUs separate from departments were not included. However, many of the schools and departments responding indicated that they extended their regular practices regarding space for extramurally funded research to emeriti. Whatever space accommodation you want and think the department can provide, it is a good idea to specify it in your agreement.

There may be other things you want that require support from your department or school. For example, if you want your important papers preserved by the University Archivist, you may need to pay for the privilege. Consider including departmental or decanal support for this or other special needs in your agreement as well.

III. Navigating The Formal UC Retirement Process

You need not make contact with a campus retirement counselor until the Winter Quarter of your retirement year. The counselors do a fine job but remember that they work with a wide variety of employees, not just faculty. They get very busy late in the academic year, so don't procrastinate. If you understand the retirement process before speaking with a counselor, the entire experience goes more smoothly. At UCLA our three Retirement Counselors serve ALL employees, faculty and staff, divided into three alphabetical groupings: https://www.chr.ucla.edu/benefits/benefits-services-directory.

The counselors will help you through the steps you have to take relating to things like your CAP account, DCP and other UC Savings Plan accounts, medical plans and Medicare, etc. But, remember that they are NOT involved in the agreement you make with your department chair; NOR are they financial advisors. They will explain the consequences of some of the decisions you need to make, but they will not, and should not, give advice about the financial choices you face. Which choices are most consequential? Really just two: monthly pension vs. lump sum and the contingent annuitant plan you opt for, if any (see below).

In the past, all UC campuses had retirement counselors, but most campuses now rely on a centralized system requiring all business to be transacted over the web, via email or the phone. UCLA is pretty much alone in continuing to provide on-site retirement counselors to all employees. Your initial contact with the campus counselor may be over the phone or via email. But, then you will meet with your counselor at least once. However often you meet, it is an essentially two-step process: first the counselor will generate and review with you your "Personal Retirement Profile" which outlines your basic benefits and the choices you need to make. Second, based on your choices, the counselor generates your Retirement Election Form which you review, sign and send in to the UC Retirement Service Center (RASC) at the UC Office of the President in Oakland. Here are links to key UC sources regarding retirement plans and the retirement process: http://ucnet.universityofcalifornia.edu/compensation-and-benefits/roadmaps/retiring.html; http://ucnet.universityofcalifornia.edu/forms/pdf/retirement-handbook.pdf; https://myucretirement.com.

Warning: if you initiate the UC retirement process yourself, using the application posted on the UCnet website, then you will be locked into the new centralized system, and will not have the personalized service that our UCLA campus retirement counselors still provide. I urge you to instead work with and through our excellent campus retirement counselors.

Things to keep in mind

The great beauty of **the (current) UC pension** is its combination of simplicity, security and potential largess. Just multiply your years of service (up to 40) times 2.5 (assuming you are at least 60) and then by your average salary (*HAPC*) over the three highest continuous earning years (usually the last three). For example, 35 years of service and an HAPC of $100,000 means an initial base pension of $87,500 per year. What goes into the salary base varies across campus: for example, 9-month academic employees can include administrative stipends, but not summer ninths; and for those in the Health Sciences Compensation Plan, just the X and X' components count. There are certain federal and UCRS limits on maximum HAPC and maximum pension which will affect a small portion of highly compensated faculty (http://ucnet.universityofcalifornia.edu/forms;). And, a few other more minor adjustments may apply to your particular pension. But the basics are quite simple.

In evaluating the amounts in terms of your projected pension income, remember that you will no longer be making substantial required contributions…8 percent to the UC Pension Plan and 7.5 percent for Social Security and Medicare, as well as whatever tax-deferred savings contributions you may be making (you cannot make tax-deferred savings from your pension). And your medical insurance costs may be substantially lower. So, if you have a substantial number of years of service credit, your pension "take-home pay" could actually be more than your current salary. And you will likely have one or more additional sources of post-employment income: Social Security, other pensions or annuities that may be coming to you, as well as distributions from your tax-deferred and other savings. Even without recall or other part-time work, many long-term UC faculty find their net income goes up after they retire. Just one example of what you might not be expecting: if you've made maximum contributions to Social Security for the past 35+ years, and you are beginning benefits at age 70 or above, your annual benefit can be over $40,000. And if you've been a diligent saver over the years in a UC or other tax-deferred account, you may find that your nest egg provides yet another substantial income stream.

Two Important Choices

1. Choosing a Monthly Pension or a Lump Sum Payment is the first important choice, and the choice is easy for most of us. If you opt for the Lump Sum, you are not eligible for Retiree Healthcare. That may not be as big a loss as it sounds, for reasons discussed below, but it is a substantial negative for most retirees. The financial implications of giving up the UC pension may be even more consequential. You give up a guaranteed, inflation-adjusted lifetime income stream, for yourself and your spouse and perhaps another other contingent annuitant (see below); and you assume all the responsibility and risk for investing a sum that may or may not equal the UC pension.

There are situations when the lump sum may make sense, for example when your spouse/partner has a substantial and secure pension, or you have secure and substantial income streams from other sources. But, in general, the lump sum option should not even be considered except by those who do not need the secure pension income **and** can also afford to lose the entire amount of the lump sum in a bad investment. Whatever you do, don't take the lump sum as a one-time distribution; half or more could be lost to federal and state income taxes in the year you take it. (http://ucnet.universityofcalifornia.edu/forms/pdf/special-tax-notice-for-uc-retirement-plan-distributions).

2. The second important choice you will have to make is whether you want to name a "contingent annuitant," someone who will continue to receive a percentage of your pension after your death. Your surviving spouse/legal partner will automatically receive either 25 percent (if your UC employment has been coordinated with Social Security) or 50 percent (if not coordinated) of the base pension after you die, as long as you have been married for at least one year prior to retirement. If you want him/her to receive more, or if you want to leave an income stream to someone else, then you will have to pay for this additional benefit by accepting a reduced initial pension. You can get good personalized estimates of the various scenarios at https://atyourserviceonline.ucop.edu/ayso/.

Note: The discussion above applies to the so-called 1976 UCRP Tier: those hired before July 2013. Those hired after that date do not have the automatic spouse/partner continuance, or the Lump Sum Option. And, those hired after June 2016 are in a totally different pension plan. A separate section of this Faculty Retirement Liaison website provides an overview of the 2016 Tier and the choices facing newly hired UC faculty in the future:
http://www.errc.ucla.edu/Faculty/New-2016-Pension-Tier

Other Important Considerations

Distributions from Tax-Deferred Savings. Separately from the pension, you probably have tax-deferred savings in the UC Savings Plan and/or elsewhere. Anyone employed at UC between 1990 and 2010 will, at a minimum, have deferred income in the so-called CAP and DCP accounts. Most Senate faculty have some additional savings in the form of 403(b), 457 and IRA accounts; some have all three. Generally, you will need to take annual **Required Minimum Distributions (RMD, MRD)** from your deferred UC savings beginning when you reach 70½ and are retired (whichever comes later). The initial RMD is about 4 percent of ALL your tax-deferred savings and deferred income, whether held in UC Savings/Fidelity, or elsewhere. It rises gradually, based on your life expectancy from year to year (e.g. 5.4% at age 80; 8.8% at 90).

If you have multiple accounts, these annual distributions can get unwieldy, because distributions generally have to be taken separately from each account. It may make sense to consolidate accounts, but in some cases this is not advisable. Your particular situation regarding MRDs can be complicated: IRS rules are subject to interpretation, and not everyone will find that UCRS explanations cover their specific situation. Here are three UC sources: http://ucnet.universityofcalifornia.edu/forms/pdf/minimum-required-distributions-fact-sheet.pdf; http://ucnet.universityofcalifornia.edu/retirees/new-dimensions/pdf/nd_34_3.pdf; https://myucretirement.com/Resource/180. UCRS advises you to consult your independent financial advisor on these matters, and on this point I agree.

Understanding Retiree Healthcare. You probably already know that UC does not guarantee retiree health coverage; UC consistently reminds us that it is not a "vested" benefit and the Regents have the option to drop it at any time, for current and future retirees. Most of us think this is not likely to happen, but public retiree healthcare is more and more of a political football, especially in California. Beginning in 2013, UC retirees with Medicare living in another state are no longer eligible for UC retiree healthcare plans. Instead, they receive annual subsidies (in 2017, up to $3,000 per capita) to purchase Medicare Supplementary policies. In-state Medicare-covered retirees pay substantially less than employees for similar coverage, but that is largely due to the fact that Medicare is their primary insurer, whether they know it or not. And, as recently as July 2017, a proposal to further reduce UC support of retiree health coverage appeared on a Regents committee agenda. Howls of protest got the item postponed to allow for consultation, but it will be considered again.

Should the University of California decide to pull the plug on retiree healthcare, you will still have Medicare. And even if you have to pay for your own Medicare Supplementary policy, your insurance costs will probably be less than what you are paying now. Nevertheless, it is perfectly understandable if you are outraged at the thought that UC might no longer provide retiree health coverage. The Faculty Senate, emeriti and retiree associations are keeping a keen eye on such developments, and deserve your support.

If you do NOT qualify for Medicare but do qualify for UC retiree healthcare, after retirement you continue to have the regular employee plans available to you, at a somewhat reduced cost after you are 65. Consult the Retiree Health website for more information about costs, dependents, etc. (http://ucnet.universityofcalifornia.edu/compensation-and-benefits/health-plans/medical/index.html). I have no idea what might happen to this coverage if UC were to abolish its health care support for retirees with Medicare.

The UC Medicare Factsheet explains Medicare basics and how they relate to your UC Retiree Health coverage: http://ucnet.universityofcalifornia.edu/forms/pdf/medicare-factsheet.pdf

Medicare's explanation of how it coordinates with programs like UC Retiree Health: https://www.medicare.gov/supplement-other-insurance/retiree-insurance/retiree-insurance.html.

Appendix: The UCLA Emeriti/Retirees Relations Center (ERRC)

UCLA is blessed with an excellent resource center (the ERRC), whose primary purpose is to provide the connecting link between UCLA and its retired faculty and staff. The ERRC provides information and support for individual retirees, facilitates emeriti and retiree involvement in UCLA, supports the UCLA Emeriti Association and the UCLA Retirees' Association and provides information to those who are planning for retirement. This is the place to get more information regarding the Emeriti Parking Pass, *BruinCard* and a host of other privileges and resources available to emeriti. In conjunction with UC Fidelity Services the ERRC also offers a chance to schedule individual appointments with Fidelity representatives...these latter can be particularly helpful to faculty members beginning their retirement planning. I urge you to contact them: http://www.errc.ucla.edu