

BGSU FACULTY ASSOCIATION - AAUP

FACULTY RETIREMENT GUIDE

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I. Introduction

As the collective bargaining representative of full-time faculty at Bowling Green State University, the BGSU Faculty Association (“BGSU-FA”) often receives questions from members regarding retirement. This guide is designed to answer some of those questions and to assist members in gathering additional information they will need to plan for retirement.

Smart retirement planning depends on your unique circumstances. Therefore, the BGSU-FA recommends utilizing the additional resources identified in this book as well as consulting with an individual retirement or financial advisor. Specific retirement questions should be directed to STRS Ohio or your Alternative Retirement Program vendor, the BGSU Office of Human Resources, or your personal advisor. **Nothing in this handbook constitutes or should be interpreted as legal, tax, or financial advice.** Consider this a starting point for fully considering and exploring your retirement planning options.

A. Additional Retirement Resources

STRS Ohio has a wealth of information about retirement plan options and retirement planning at <https://www.strsoh.org>.

BGSU’s website contains information about retirement programs at <https://www.bgsu.edu/human-resources/benefits/retirement-plans-for-bgsu-employees.html>

The BGSU Retirees Association (“BGSURA”) publishes a Handbook for Retirees along with the University Office of Alumni & Development and the Office of Human Resources. The Handbook and additional information about BGSURA is available at: <https://www.bgsu.edu/retirees-association.html>.

Article 20 of the Collective Bargaining Agreement (CBA) between BGSU and the BGSU-FA addresses matters related to retirement. A copy of the current CBA can be found online at: <http://bgsu-fa.org/wp/index.php/contract/>

Employees who have potential benefits under Social Security (through their own employment or their spouse’s employment) may have their social security benefits reduced due to the retirement benefits they receive through public employment. More information about the effects of state employment on social security benefits can be obtained from the Social Security Administration at <https://www.ssa.gov/planners/retire/gpo-wep.html>.

Medicare information can be obtained from the Centers for Medicare & Medicaid Services at www.Medicare.gov.

II. Choosing The Right Retirement Program For You

Faculty at BGSU must choose between four different retirement programs early in their initial employment. The four plans differ in many significant ways, including methods of retirement income accrual, benefit vesting, retiree health coverage, disability benefits, and survivor benefits. An chart summarizing some of the major differences between these options is included with this guide and some of the most significant differences are discussed below.

You should carefully review the different programs and consider your personal situation before electing a retirement program. We suggest meeting with a retirement planning professional or a STRS Ohio benefits counselor before selecting a retirement program.

The three STRS options include the Defined Benefit Plan, Defined Contribution Plan, and the Combined Plan. The fourth option is the Alternative Retirement Program (ARP), a defined-contribution plan established by BGSU and offered through several approved vendors.

The most significant choice faculty must make is whether to participate in a defined benefit plan or a defined contribution plan (or both, under the STRS Combined Plan). Defined benefit plans, such as the STRS Defined Benefit Plan and the defined benefit portion of the STRS Combined Plan, provide a specific retirement benefit based on salary and years of service. The amount of the retirement benefit is not directly affected by investment performance – the employee does not bear the investment risk. However, you must work a certain number of years to be eligible for a benefit and to receive an unreduced benefit.

Benefits under defined contribution plans are affected by investment performance – the employee bears the risk of investment losses. Defined contribution options include the STRS Defined Contribution Plan, the defined contribution portion of the STRS Combined Plan, and the ARP options.

While defined benefit plans can provide assurance regarding the amount of your retirement income, defined contributions plans are more portable in the event you do not work in Ohio public employment for most of your career. This is a trade-off you must consider in light of your personal situation.

A. Election Period

Upon becoming a full-time faculty member at BGSU, you have a one-time opportunity to choose between STRS and ARP.¹ In order to choose ARP, you must select it by the 120th day of your initial full-time employment.² The election form is available from the Office of Human Resources (“OHR”) and the OHR website. If you elect to participate in ARP, you must select a vendor and activate an account with that vendor.³ Selecting ARP is permanent – you cannot change to an STRS program for as long as you are continuously employed by the University (however, you can change your vendor).⁴

Faculty have an additional 60 days (180 days total) to select one of the three STRS Ohio retirement plans. If you do not select any retirement program, you will be automatically enrolled in the STRS Defined Benefit plan and must remain in it for the duration of your STRS Ohio membership.⁵

B. Limitations On Changing Your STRS Ohio Plan Selection

Your ability to change plans later in your employment depends on the plan initially selected. If you choose the STRS Defined Benefit Plan, your choice is final and you will not be able to change retirement plans during your employment. If you choose the STRS Defined Contribution or Combined plan, you will have a one-time opportunity before completing your fifth year of STRS Ohio membership to transfer into a different STRS plan.⁶

Faculty who were previously employed by another Ohio public institution should contact STRS Ohio or OHR for more information about their plan options and how their previous employment may affect their options.

¹ STRS Ohio, *Higher Education Faculty*, <https://www.strsoh.org/actives/new-members/higher-ed/>, select “Choosing a Plan” (last accessed April 1, 2016).

² BGSU Office of Human Resources, *Alternative Retirement Program*, <https://www.bgsu.edu/human-resources/benefits/retirement-plans-for-bgsu-employees/alternative-retirement-program.html> (last accessed April 1, 2016).

³ *Id.*

⁴ See BGSU Office of Human Resources, *Retirement Plan Election Form*, <http://www.bgsu.edu/content/dam/BGSU/human-resources/documents/benefits/Retirement/retirement-plan-election-form.pdf> (last accessed Sept. 25, 2016); *Alternative Retirement Program*, *supra* n.3.

⁵ *Higher Education Faculty*, *supra* n.1

⁶ *Id.*

III. Overview of Faculty Retirement Plan Options

The primary distinguishing features of the four retirement plans available to bargaining unit faculty are described in this section. These features are also summarized in the enclosed table.

All STRS plan options and ARP options require employees to contribute 14% of their annual gross earnings. BGSU pays 14% of the employee's salary, but only 9.5% of BGSU's contribution is allocated to the member's STRS Ohio Defined Contribution plan account or ARP account if those options are selected (the remainder is allocated toward STRS's unfunded liability).⁷

A. STRS Defined Benefit Plan

Benefits under the STRS Defined Benefit Plan are determined by the participant's age at retirement, years of service, the average of the participant's five highest salary years ("final average salary")⁸, and the type of annuity selected. Service credit earned through OPERS or SERS may be counted in certain circumstances (contact STRS for additional information).

Selecting the Defined Benefit Plan is permanent – there is no later opportunity to change STRS plans.

1. Retirement Income

If you meet the minimum age and service requirement to receive an unreduced benefit, your annual retirement income will equal:

- 2.2% of your final average salary, multiplied by each year of service credit.⁹

For example, a member with a final average salary of \$68,000 and 35 years of service credit would receive a monthly benefit of \$4,363 [(2.2% x 35 = 77%), (77% x \$68,000 ÷ 12 = \$4,363)].

In order to receive an unreduced benefit, a member must meet the following minimum age and service credit requirements. These requirements were changed by state legislation in 2012, with increases in requirements gradually phased in through August 1, 2026.¹⁰

⁷ STRS Ohio, *Understanding Your STRS Ohio Benefits, 2016-17*, p. 26, 33, available at: <https://www.strsoh.org/pdfs/brochureseries/retirementplanning/20-101.pdf> (last accessed Sept. 25, 2016); STRS Ohio, *Mitigating Rate Will Remain 4.5%*, https://www.strsoh.org/employer/publications/eUPDATES/2015/mitigating_nochange.html (June 23, 2015).

⁸ Members who were eligible to retire on July 1, 2015 but continued working will receive the higher of the benefit calculated under this formula or the benefit the member would have received if the member had retired on July 1, 2015. *Understanding Your STRS Ohio Benefits, supra* n.7 at 16-17.

⁹ *Understanding Your STRS Ohio Benefits, supra* n.7 at 16-17.

Retirement Time Period	Minimum Age and Service Requirements for Unreduced Benefit
Aug. 1, 2015 – Jul. 1, 2017	Any age and 31 years or Age 65 and 5 years
Aug. 1, 2017 – Jul. 1, 2019	Any age and 32 years or Age 65 and 5 years
Aug. 1, 2019 – Jul. 1, 2021	Any age and 33 years or Age 65 and 5 years.
Aug. 1, 2021 – Jul. 1, 2023	Any age and 34 years or Age 65 and 5 years
Aug. 1, 2023 – Jul. 1, 2026	Any age and 35 years or Age 65 and 5 years.
Aug. 1, 2026	Age 60 and 35 years or Age 65 and 5 years

One may retire earlier and receive an actuarially reduced benefit. The age and service requirements to receive a reduced benefit were also changed by the 2012 legislation, with additional changes to be phased in gradually through 2023. The requirements to receive a reduced benefit are shown in the table below.¹¹

Retirement Time Period	Minimum Age and Service Years
Aug. 1, 2015 – Jul 1, 2017	Any age and 30 years or Age 55 and 26 years or Age 60 and 5 years.
Aug. 1, 2017 – Jul. 1, 2019	Any age and 30 years or Age 55 and 27 years or Age 60 and 5 years

¹⁰ STRS Ohio, *Changes to Pension Plan Components Based on 2012 Legislation*, <https://www.strsoh.org/pdfs/legislation/20-663.pdf> (last accessed Sept. 25, 2016).

¹¹ *Understanding Your STRS Ohio Benefits*, *supra* n.7 at 16-17; *Changes to Pension Plan Components*, *supra* n.10.

Aug. 1, 2019 – Jul. 1, 2021	Any age and 30 years or Age 55 and 28 years or Age 60 and 5 years
Aug. 1, 2021 – Jul. 1, 2023	Any age and 30 years or Age 55 and 29 years or Age 60 and 5 years
Aug. 1, 2023	Any age and 30 years or Age 60 and 5 years.

The STRS Retirement Board has the authority to make future adjustments based on the retirement system’s financial condition.¹²

Members retiring after July 1, 2013 will receive a 2% cost-of-living adjustment (“COLA”) on their fifth anniversary of retirement. Currently, retirees receive COLAs every year after their fifth year, but STRS has the ability to adjust the COLA based on the system’s funding progress.¹³ COLA increases are calculated on the original benefit and are not compounded.¹⁴

Members may receive their payments under one of three annuity options: (1) a Single Life Annuity (provides maximum monthly benefits for member’s lifetime); (2) a Joint and Survivor Annuity (provides member with a reduced lifetime monthly benefit and one or multiple beneficiaries with lifetime monthly benefits); (3) an Annuity Certain (provides monthly benefits for member’s lifetime and provides monthly benefit to beneficiary for a certain number of years after retirement date in event of member’s death during that period). Alternatively, a Partial Lump-Sum Option Plan (“PLOP”) allows members to take an amount between six to 36 times the monthly Single Life Annuity benefit in a lump sum at retirement. Under PLOP, monthly benefits still begin at retirement and are payable for life, but are reduced due to the up-front payment. The remaining benefits must be paid under one of the three annuity types.¹⁵

Additional details about benefit calculations and payments under the Defined Benefit plan are available from STRS.¹⁶ STRS also provides an online calculator to estimate benefits.¹⁷

¹² *Changes to Pension Plan Components*, *supra* n.10.

¹³ *Id.*

¹⁴ *Understanding Your STRS Ohio Benefits*, *supra* n.7 at 18.

¹⁵ STRS Ohio, *Service Retirement and Plans of Payment for Members in the Defined Benefit Plan*, at 12-19, <https://www.strsoh.org/pdfs/brochureseries/benefitpayoptns/15-126.pdf> (last accessed Sept. 25, 2016).

¹⁶ See *Service Retirement and Plans of Payment for Members in the Defined Benefit Plan*, *supra* n. 15.

¹⁷ STRS Ohio, *Service Retirement Calculator*, <https://www.strsoh.org/v3prdcalc/app?service=external/Client:NonSecureCalcPSCOptions> (last accessed Sept. 25, 2016).

2. Disability Benefits

Faculty who elect the Defined Benefit Plan may qualify for disability benefits if their disability from their most recent job duties is presumed to last at least 12 months from the member's application for disability benefits.

Faculty who were members of STRS Ohio on or before July 29, 1992, participate in either the disability allowance or the disability retirement programs. If you became a member of STRS on or before July 29, 1992, you may be covered under the disability retirement program (this will be noted on your Annual Statement of Account from STRS). Members after July 29, 1992 participate in the disability allowance program summarized below.¹⁸

Recipients of disability benefits are eligible to enroll in STRS Ohio health care plans. Survivors and eligible dependents of benefit recipients have access to health care coverage if the member had at least 15 years of service credit (or 20 years beginning Aug. 1, 2023).¹⁹

To receive disability benefits as a participant in the disability allowance program, existing members as of June 30, 2013 must have at least 5 years of service credit with STRS and must apply for disability benefits within two years from their last date of earned service. New members on or after July 1, 2013 must have at least 10 years of service credit and must apply within one year of their last date of earned service.²⁰ Under this benefit, members receive 2.2% of their final average salary per year of service, with annual benefits ranging from 45% to 60% of final average salary. Disability benefits terminate when the member reaches age 65 if the benefit began before age 60, at which time the member may apply for service retirement if eligible.²¹

3. Survivor Benefits

A Defined Benefit participant's spouse, children, or other beneficiaries designated by the member may receive benefits in the event of the member's death before service retirement. Existing members as of June 30, 2013, generally must have at least 1.5 years of qualifying service credit to be eligible for survivor benefits (with .25 earned within 30 months before death), while new members on or after July 1, 2013 must have at least 5 years of qualifying service credit (and the last date of service was within 12 months of death). Regardless of membership date, members are also eligible for survivor benefits if they have been receiving a disability benefit at the time of death or within the last 12 months and had resumed contributions at the time of death.²² Survivor benefits are payable regardless of income from other sources.²³

¹⁸ For information about the disability retirement program, see *Understanding Your STRS Ohio Benefits*, *supra* n.7 at 10-11 or contact STRS.

¹⁹ *Understanding Your STRS Ohio Benefits*, *supra* n.7 at 23.

²⁰ *Id.* at 12-13.

²¹ *Id.* at 13-14.

²² *Understanding Your STRS Ohio Benefits*, *supra* n.7 at 7-9.

4. Optional Health Coverage

Defined Benefit and Combined Plan retirees currently have access to optional health insurance, although this coverage is not guaranteed and may be changed or discontinued by STRS.²⁴

Generally, STRS offers hospital, prescription drug, medical, and other coverage for eligible members. Members who retire between January 1, 2004, and August 1, 2023 must have at least 15 years of service credit to have access to the STRS Ohio Health Care Program.²⁵ Members who retire on or after August 1, 2023 must have at least 20 years of service credit.²⁶

STRS Ohio offers a number of health plans to choose from and premiums are based on the health plan selected, Medicare status, and years of service credit. STRS Ohio provides a monthly subsidy for health care premiums of eligible retirees. Spouses and eligible dependents do not receive a premium subsidy, but may participate in STRS plans. STRS Ohio also offers dental and vision coverage at an additional cost.²⁷

5. Account Withdrawal

STRS Defined Benefit participants who terminate employment prior to service retirement may be eligible to withdraw from their account an amount that consists of their contributions plus interest. Interest rates vary depending on years of service. If members have 5 or more years of qualifying service credit, 50% of matching funds is also included in the withdrawal amount.²⁸

Such a withdrawal will cancel STRS Ohio membership and accumulated service credit.²⁹

6. Summary

Retirees under the STRS Ohio Defined Benefit Plan receive an amount of income that is determined by age, years of service, and final average salary. Participants are also eligible for survivor and disability benefits before retirement. Participants may also be eligible for health insurance with an STRS subsidy.

While Defined Benefit plan participants do not bear investment risk, the retirement benefits may be effectively reduced by changes in age and service requirement, COLA changes, and the reduction or elimination of the health care program.

²³ *Id.* at 9.

²⁴ <https://www.strsoh.org/retirees/health-care/program.html>

²⁵ *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 23.

²⁶ *Id.*

²⁷ *Id.* at 23-25.

²⁸ *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 22.

²⁹ *Id.*

B. STRS Ohio Defined Contribution Plan

Under the STRS Defined Contribution plan, both the member and the University make pre-tax contributions to the member's retirement account. Retirement income is based on the employee and employer contributions made to the account, the performance of the investment choices selected by the member, and the annuity rates at the time of retirement.³⁰

If you select this plan, on your fifth year of membership you will have the option to change to another STRS Ohio plan or remain in the Defined Contribution plan.³¹

1. Contributions

As in all other plans, employees contribute 14% of their annual gross earnings to the Defined Contribution account. BGSU contributes an amount equal to 14% of the member's salary; however, only 9.5% of the University contribution goes to the member's account, with the remaining 4.5% allocated to STRS's unfunded liability for the defined benefit plan. Thus, a total amount equal to 23.5% of the member's salary will go in to the member's retirement account. Both the employee and employer contribution rates are subject to change.³²

2. Investment Choices and Fees

Currently, there are a total of 16 investment choices available to members. Each choice is managed by the same STRS Ohio professionals who manage the system's Defined Benefit investments.³³ Generally, members are able to transfer investments among the choices available under the plan. However there is one investment option (the "Total Guarantee Return Choice") which offers a guaranteed interest rate in return for members "locking in" in their contributions until the end of a five-year term.³⁴ Other options (named "STRS Target Choice") adjust the risk of investments to be more conservative as the member approaches their retirement year.³⁵ Information regarding the performance of Defined Contribution plan investment options is available at https://www.strsoh.org/pdfs/investments/navs/performance_report.pdf.

Asset management fees are deducted from investment returns of members' investment choices in addition to a \$10 quarterly account fee. Members who have an account balance of less than \$5,000 and who have made no contributions for at least 120 days are charged a "low balance" monthly fee of \$10. If a low balance fee is charged during a quarter, then the \$10

³⁰ STRS Ohio, *Higher Education Newsletter* (Winter 2015) <https://www.strsoh.org/employer/pdfs/newsletters/20-751.pdf> ("annuity rates are based on market conditions and mortality expectations that change regularly")

³¹ *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 26.

³² *Id.*

³³ *Id.* at 28

³⁴ *Id.* at 29.

³⁵ *Id.* at 29.

quarterly fee is not charged. Under the “Total Guarantee Return Choice” option, no asset management fee is charged.³⁶

3. Retirement Income

Under the STRS Defined Contribution Plan, members have several payment options when they end their BGSU employment.

At age 50 or later, members may receive their payments under one of three annuity options: (1) a Single Life Annuity (provides maximum monthly benefits for member’s lifetime); (2) a Joint and Survivor Annuity (provides member with a reduced lifetime monthly benefit and one or multiple beneficiaries with lifetime monthly benefits); (3) an Annuity Certain (provides monthly benefits for member’s lifetime and provides monthly benefit to beneficiary for a certain number of years after retirement date in event of member’s death during that period).³⁷ More detailed descriptions about STRS Defined Contribution Plan annuity options are available from STRS.³⁸

For example, a member who has a Defined Contribution account balance of \$500,000 when retiring at age 65 would receive a single life annuity benefit of \$3,131 per month based on the annuity rates in place on January 1, 2015.³⁹

Another option is a lump sum withdrawal upon termination of employment, where the total balance is paid at once. This is the only payment option available for members under 50. If a member is under 50 at the time of terminating employment, the member may leave the account with STRS Ohio and select an annuity or withdraw the balance at a later date.⁴⁰

4. Portability and Vesting

Members who leave public employment before retirement may roll over the assets in their Defined Contribution account into a traditional IRA, an eligible employer plan, or a qualified plan.⁴¹ The amount of withdrawal includes the member contributions, any gains or losses on those contributions, and any BGSU contributions that are vested.

Members’ contributions are vested immediately. BGSU contributions are vested at a rate of 20% per year.⁴² After five years, the contributions by BGSU are fully vested.

³⁶ *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 28-29.

³⁷ STRS Ohio, *Service Retirement and Plans of Payment For Members enrolled in the Defined Contribution Plan 2015-16*, at 2, 8-12, <https://www.strsoh.org/pdfs/brochureseries/benefitpayoptns/dc/20-642.pdf> (last accessed April 4, 2016).

³⁸ *See Id.*

³⁹ *Id.* at 15.

⁴⁰ *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 30.

⁴¹ *Id.* at 29.

⁴² *Id.*

5. Survivor and Disability Benefits

In the event of a member's death, the member's survivors may withdraw the account balance.⁴³ Unlike the STRS Ohio Defined Benefit Plan, there are no disability benefits available under the Defined Contribution plan; however, members may withdraw their account balance after ending their employment or begin an annuity if they are over age 50 and end their employment.⁴⁴

6. No Optional Health Coverage

Optional health coverage through STRS Ohio is not available to Defined Contribution participants.⁴⁵

7. Summary

In the STRS Ohio Defined Contribution plan, your retirement income is based on your salary over your career and the resulting contributions, the performance of the investment choices that you select, and the annuity rates at the time of your retirement.

Unlike the Defined Benefit plan, your decision to participate in the Defined Contribution plan is not permanent – members may change to another STRS plan in their fifth year of membership.

C. STRS Ohio Combined Plan

The STRS Ohio Combined Plan incorporates features of both the Defined Benefit and the Defined Contribution Plan.

Combined Plan participants may change STRS plans in their fifth year of membership.⁴⁶

1. Contributions

Members participating in the Combined Plan contribute 14% of their salary. From this amount, 12% goes into the member's defined contribution account. The remaining 2% and the 14% employer contribution fund the defined benefit portion of the plan (as in other plans, a portion of the employer's contribution is allocated to STRS's unfunded liability). The contribution rates are subject to change.⁴⁷

⁴³ *Id.* at 30.

⁴⁴ *Id.*

⁴⁵ See STRS Ohio, *Defined Contribution Plan*, <https://www.strsoh.org/actives/new-members/higher-ed/dc-plan.html> (last accessed Sept. 26, 2016).

⁴⁶ *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 33.

⁴⁷ *Id.*

2. Retirement Income

Retirement income is based on both the Defined Benefit and Defined Contribution portions of the plan. Under the Defined Benefit portion, members receive an annuity equal to 1% of their final average salary for each year of service. For example, a member who retires after age 60 with thirty years of service will receive 30% of their final average salary as an annual defined benefit.⁴⁸ Final average salary means the average of the member's five highest years of Ohio public earnings. Members are eligible for this benefit at age 60 with at least five years of service credit.⁴⁹

The Defined Contribution portion, totaling all contributions and any investment gains or losses, can be taken as a lifetime or joint and survivor annuity or as a lump-sum withdrawal.⁵⁰

3. Investment Choices and Fees

Combined Plan participants have the same investment options as Defined Contribution Plan participants for the defined contribution portion of the account.⁵¹ Asset management fees are deducted from investment returns in addition to a \$10 quarterly account fee.⁵² Members who have an account balance of less than \$5,000 in their Defined Contribution account and who have made no contributions for at least 120 days are charged a Low Balance monthly fee of \$10. If a Low Balance fee is charged during a quarter, the \$10 quarterly fee will not be charged.⁵³ If the "Total Guarantee Return Choice" investment option is selected, no asset management fee is charged.⁵⁴

4. Portability and Vesting

Members may withdraw their Combined Plan assets or roll over the balance to an individual retirement account (IRA), eligible employer plan or qualified plan if they leave public employment before retirement. If employment is terminated before age 50, any withdrawal must include both the defined benefit and the defined contribution portions of the account. At age 50 or later, a member may withdraw the Defined Contribution portion upon termination of employment and leave the Defined Benefit portion for a benefit at age 60 or termination of employment.⁵⁵

⁴⁸ *Id.* at 42.

⁴⁹ *Understanding Your STRS Ohio Benefits, supra n. 7, at 42.*

⁵⁰ *Id.* at 42-43.

⁵¹ *Understanding Your STRS Ohio Benefits, supra n. 7, at 35-36.*

⁵² *Id.* at 35-36.

⁵³ *Id.* at 36

⁵⁴ *Id.* at 36

⁵⁵ *Understanding Your STRS Ohio Benefits, supra n. 7, at 42-43.*

The defined contribution withdrawal amount is based on the amount of contributions and any investment gains or losses.⁵⁶

The defined benefit withdrawal amount is calculated as follows:

- If you have 5 or more years of service credit, you are eligible to receive the greater of 1) the present value of the future benefits, or 2) the member's total contributions to the defined benefit portion of the account.
- If you have less than 5 years of service credit at the time of withdrawal, you will be eligible to receive the amount of your total contributions to the Defined Benefit portion of the account.⁵⁷

More information about retirement income and withdrawal options under the Combined Plan can be obtained from STRS.⁵⁸

5. Survivor Benefits

Under the Combined Plan, a member's spouse, children under the age of 22, dependent parents, and physically or mentally incapacitated dependents may qualify for survivor benefits. Eligibility for survivor benefits and the amount of the benefit depend on a number of factors. STRS can provide additional information.⁵⁹ Generally, the survivors' options are:

(1) Withdraw the defined benefit and defined contribution portions of the account.

(2) If the member had at least 5 years of service, maintain the defined benefit account to receive a monthly benefit beginning when the member would have reached age 60. The defined contribution portion can be managed by a surviving spouse for payment at a later date.

(3) If the member has less than 5 years of service, a sole survivor can withdraw both portions of the account or annuitize the defined contribution portion and withdraw the defined benefit portion of the account.

(4) Combine the defined benefit and contribution portions for a monthly survivor benefit, the amount of which depends upon when the member became a member of STRS, the years of

⁵⁶ *Id.*

⁵⁷ *Id.* at 43-44.

⁵⁸ See STRS Ohio, *Service Retirement and Plans of Payment for Members Enrolled in the Combined Plan*, 2016-2017, available at <https://www.strsoh.org/pdfs/brochureseries/benefitpayoptns/co/20-643.pdf> (last accessed Sept. 26, 2016).

⁵⁹ See generally STRS Ohio, *Survivor Benefits: For members enrolled in the Combined Plan* <https://www.strsoh.org/pdfs/brochureseries/circumstancebenefits/co/20-645.pdf>.

service credit earned, the age of the member, whether the member was disabled, the number of survivors, and whether the member had left Ohio public employment.⁶⁰

Survivor benefits are payable regardless of survivors' other income sources.⁶¹

6. Disability Benefits

Participants may combine the defined benefit and defined contribution portions of their account to receive a monthly disability benefit in the event they are disabled and unable to perform their most recent job duties where a disability is presumed to last at least 12 months.⁶² The eligibility criteria are the same as the criteria in the Defined Benefit plan, with the additional requirement that members have not withdrawn any portion of their account.⁶³ Disability benefits similarly terminate at age 65 or if the member is no longer disabled.⁶⁴ More information about disability benefits is available from STRS.

Disability benefit recipients may enroll in an STRS Ohio health care plan. Additionally, survivor benefit recipients and their eligible dependents have access to health care coverage if the member had at least 15 years of service credit, or 20 years beginning on Aug. 1, 2023.⁶⁵

7. Optional Health Coverage Access

Combined Plan participants have access to STRS health care coverage if they retire before Aug. 1, 2023 with at least 15 years of service credit or, if retiring after Aug. 1, 2023, with at least 20 years of service credit.⁶⁶ The cost to members is based on the plan selected, years of service credit, and Medicare status. Coverage is also available to spouses and other eligible dependents without a premium subsidy from STRS. Dental and vision coverage is also available at additional cost.⁶⁷

Coverage under the STRS health program is not guaranteed and STRS may change or discontinue all or part of the health insurance offerings.⁶⁸

⁶⁰ *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 36-39.

⁶¹ *Id.* at 39.

⁶² *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 40-41.

⁶³ *Id.* at 40.

⁶⁴ *Id.* at 40-41.

⁶⁵ *Id.* at 46.

⁶⁶ *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 45-46.

⁶⁷ *Id.*

⁶⁸ *Id.*

8. Summary

The STRS Ohio Combined Plan provides some of the security of the Defined Benefit Plan, including access to health care options and disability benefits. The plan also provides the possibility of increased benefits if the investments in the defined contribution portion perform well.

D. Other STRS Ohio Benefits

Employees who select any of the STRS Ohio plans have the option to apply for supplemental group long-term care insurance.⁶⁹ In addition, STRS retirees may purchase a death benefit of \$1,000 or \$2,000 (a \$1,000 benefit is automatic for Defined Benefit plan members).⁷⁰

STRS members also have access to guidance and information from STRS about their retirement planning. Different educational programs are available for new members, members in early states of their careers, and members nearing retirement.⁷¹

E. BGSU Alternative Retirement Plan

As an alternative to plans offered by STRS Ohio, faculty members have the option to participate in the Alternative Retirement Program (“ARP”). ARP is a defined contribution plan where both the member and the University make pre-tax contributions to an account. At retirement, the account balance consists of the contributions made by both the employee and employer and any investment gains or losses on the account.⁷² Because employer contributions are immediately vested,⁷³ this option may make the most sense if you plan to work at BGSU for less than five years. However, selecting ARP is permanent and you cannot choose a different plan if you work BGSU longer than expected.

BGSU has approved a number of vendors to offer ARP to University faculty and staff. Because administrative details may vary depending on the vendor, you should contact individual vendors with specific questions. A list of the approved vendors can be obtained from Human Resources or found online under the ARP section of HR’s website.⁷⁴

⁶⁹ See STRS Ohio, *Optional Long-Term Care Coverage*, <https://www.strsoh.org/actives/teaching/disability.html> (last accessed Sept. 26, 2016).

⁷⁰ *Understanding Your STRS Ohio Benefits*, *supra* n. 7, at 18, 30, 43.

⁷¹ See <https://www.strsoh.org/education/>.

⁷² BGSU, *Alternative Retirement Program*, <https://www.bgsu.edu/human-resources/benefits/retirement-plans-for-bgsu-employees/alternative-retirement-program.html> (last accessed Sept. 26, 2016).

⁷³ BGSU Alternative Retirement Plan Document (effective April 1, 2001), §1.9.

⁷⁴ See BGSU, *Alternative Retirement Program*, <https://www.bgsu.edu/human-resources/benefits/retirement-plans-for-bgsu-employees/alternative-retirement-program.html> (last accessed Sept. 26, 2016).

1. Enrollment

Faculty have 120 days from initial employment or transfer from part-time to full-time status to enroll in the ARP.⁷⁵ If you choose the ARP, you will not have the option to change into one of the STRS plans at a later date. In order for an ARP selection to be effective, you must complete a retirement election form, select an ARP vendor and activate an account.⁷⁶ Faculty may change their ARP vendor at any time throughout the calendar year.⁷⁷

2. Contributions

Employees contribute 14% of their salary to their ARP account. Currently, BGSU contributes 14% of a participant's salary, but only 9.5% of this amount is allocated to the employee's ARP account; the remaining 4.5% is applied to unfunded STRS liability.⁷⁸ Thus, a total of 23.5% of salary is deposited into an employee's ARP account. By law, BGSU's contribution for faculty participating in ARP is the same as BGSU's contribution for STRS participants, so BGSU's contribution amount is subject to change.⁷⁹ However, the amount BGSU contributes to ARP plans will not be less than the amount BGSU must contribute to an employee's STRS Defined Contribution plan account.⁸⁰

3. Retirement Income

The amount of retirement income will depend on the amount of the contributions made by the employee and BGSU and any gains or losses from the selected investments.

4. Vesting and Portability

Both employee contributions and the contributions made by BGSU are immediately vested.⁸¹ Upon ending employment, participants may withdraw the value of their account. This amount will equal contributions made by you and BGSU and investment gains or losses on the accounts.

5. Withdrawal

A member's account balance may be received as an annuity, a lump-sum distribution, or an installment distribution, depending on the arrangement a participant makes with its selected vendor.⁸² For more information about withdrawal options, details should be obtained from

⁷⁵ *Id.*

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Mitigating Rate Will Remain 4.5%, supra n.7.*

⁷⁹ Ohio Rev. Code § 3305.06(A).

⁸⁰ Ohio Rev. Code § 3305.06(B), (D); Ohio Rev. Code § 3305.061.

⁸¹ BGSU Alternative Retirement Plan Document (effective April 1, 2001), §1.9.

⁸² BGSU ARP Plan Document at § 1.15.

BGSU's approved ARP vendors.⁸³ Unlike many private sector defined contribution 401(k) plans, participants are *not* permitted to take loans from their ARP accounts.⁸⁴

6. Fees

Administrative fees vary by vendor.

7. No Optional Health Coverage

There is no optional health coverage offered through the ARP.⁸⁵

8. Disability and Survivor Benefits

Generally, the ARP account balance is available to participants who terminate employment and withdraw their account or to survivors of employees who have not withdrawn their account.⁸⁶

9. Summary

The BGSU Alternative Retirement Plan is a defined contribution plan through approved vendors and not STRS Ohio. While employees have 180 days to select an STRS plan, ARP must be selected within the first 120 days of employment.

IV. Supplemental Retirement Plans

In addition to the STRS Ohio plans and ARP, members have the option to participate in supplemental retirement plans through vendors approved by the University.⁸⁷ Members can participate in a Section 403(b) tax-sheltered annuity and/or a Section 457(b) deferred compensation account.⁸⁸ These plans are only available to certain public employees and employees of certain tax-exempt entities, but in most ways they function similar to a 401(k) plan in the private sector. However, there are significant differences between these two plans, including when distributions may be taken without penalty. More information about these plans is available in IRS Publications 571 and 963 at www.irs.gov and other IRS web pages.⁸⁹ We

⁸³ See <https://www.bgsu.edu/human-resources/benefits/retirement-plans-for-bgsu-employees/alternative-retirement-program.html>

⁸⁴ ARP Plan Document at § 1.11.

⁸⁵ Retirement Plan Comparison Chart, available at https://www.strsoh.org/_pdfs/plancomparison/arplan.pdf (last accessed Sept. 26, 2016).

⁸⁶ *Id.*

⁸⁷ See BGSU 403(b) Plan, Participating Companies, <https://www.bgsu.edu/human-resources/benefits/tax-deferred-annuity-403b-program/participating-companies.html>

⁸⁸ BGSU and BGSU-FA Collective Bargaining Agreement, pg. 95 (2016-2019) <http://bgsu-fa.org/wp/index.php/contract/>

⁸⁹ <https://www.irs.gov/Retirement-Plans/IRC-457b-Deferred-Compensation-Plans>; [https://www.irs.gov/Retirement-Plans/IRC-403\(b\)-Tax-Sheltered-Annuity-Plans](https://www.irs.gov/Retirement-Plans/IRC-403(b)-Tax-Sheltered-Annuity-Plans)

recommend consulting with a tax professional if you are interested in how these plans could play a part in your retirement planning.

In general, both of these programs allow you to save for retirement by making income tax-deferred contributions. Earnings on the contributions are also tax-deferred. Members can contribute through payroll deductions.⁹⁰ Thus, these supplemental accounts can increase your retirement income while also decreasing your tax liability during employment at BGSU.

403(b) and 457(b) plans may also offer the option to make post-tax Roth contributions – Roth contributions and earnings on those contributions can generally be distributed without being subject to income tax once you are older than 59 ½, die, or become disabled and the account has been open for more than five years.⁹¹ Pre-tax and Roth contribution limits are subject to IRS rules and the Plan Documents for each supplemental plan.

To sign up for a supplemental account and obtain specific details about the supplemental account options available at BGSU, contact the Office of Human Resources. Members can find a list of the supplemental retirement plan carriers on BGSU’s website.⁹²

V. Health Savings Accounts

Another option to help you build retirement savings is to choose a High Deductible Health Plan (the Plan B option in place in 2016 qualifies) with a Health Savings Account (“HSA”). An HSA can offer significant tax benefits. First, your contributions are tax-deductible and employer contributions may be excluded from your gross income. Second, the earnings on the contributions while they are in your account are tax-free. Third, distributions are tax-free provided they are used to pay qualified medical expenses.⁹³ Qualified medical expenses can include medical, prescription drug, dental, and vision expenses. A list of qualified expenses is available in IRS Publication 502.⁹⁴

Unlike Flexible Spending Accounts, the money contributed to an HSA (whether by your employer or by you) does not need to be used each year. Instead, the contributions remain in your account until you use them. Thus, while you may use any contributions to pay for current-year health care expenses until you meet your plan’s deductible or out-of-pocket maximum, you are not required to do so. Instead, you have the option to pay your current health care expenses out of pocket and allow your HSA account balance to grow tax-free. Under BGSU’s current plan, you can invest your HSA money in a variety of funds once you have a balance of at least

⁹⁰ *Id.*

⁹¹ See <https://www.irs.gov/Retirement-Plans/Designated-Roth-Accounts>.

⁹² BGSU Tax-deferred Annuity Program, <https://www.bgsu.edu/human-resources/benefits/tax-deferred-annuity-403b-program.html>

⁹³ IRS Publication 969 (2015) at 2-3, available at <https://www.irs.gov/pub/irs-pdf/p969.pdf>.

⁹⁴ <https://www.irs.gov/pub/irs-pdf/p502.pdf>

\$2,000. The balance when you retire can be used to pay qualified medical expenses during your retirement.

For 2016, individuals with single coverage can have total contributions (employee and employer contributions) up to \$3,350 and individuals with family coverage can have total contributions up to \$6,650.⁹⁵ The 2016 deductibles for Plan B are \$1,500 for single coverage and \$3,000 for family coverage. Currently, BGSU contributions \$750 to HSAs for employees with single coverage and \$1,500 for employees with family coverage.⁹⁶ Thus, if you maximized your contributions to your HSA, you could pay your expenses up to your deductible on a pre-tax basis while also saving money that can be used tax-free for health care expenses in your retirement.

For example, an employee with single coverage under Plan B who incurs only \$500 in health care costs in 2016 would automatically have \$250 saved in their HSA at the end of the plan year, left over from BGSU's contribution. If the employee contributed an additional \$2,000 to the HSA, that employee would have \$2,250 in their HSA that could be used for health care expenses in the next year, or, could be saved for years until retirement while earning tax-free interest or investment gains.

HSA contributions are tax deductible, the earnings are tax-free, and the distributions are tax-free so long as one complies with IRS limits and rules. Because an HSA can provide triple tax benefits, it is a valuable option to consider when planning for retirement healthcare expenses.

VI. Planning for Retirement

Successful retirement planning includes both long-term and short-term strategies. Faculty are encouraged to consult with professional financial and retirement advisors to develop a plan that meets their individual needs. Below are some topics to consider during that process.

A. Long term Planning Throughout Your Career

1. Selecting a Retirement Plan

As discussed above, faculty have four retirement plan options. Because you have only 120 days to select the ARP and 180 days to choose between the three STRS Ohio plans, you should begin evaluating your options at the start of your employment.

2. Length of Service

⁹⁵ *Id.* at 4-5.

⁹⁶ See <http://www.bgsu.edu/content/dam/BGSU/human-resources/documents/benefits/2016/Plan-B-2016-HANDOUT.pdf>.

As part of your retirement plan selection, consider how long you plan to work before retiring and how long you plan to work at BGSU (or in other public employment in Ohio). Since some of the options determine your eligibility and amount of benefits by calculating years of service in the system, your age and length of employment can have a great impact on your retirement income.

3. Supplemental Retirement Accounts

Consider whether, and when, to participate in one or more supplementary retirement programs offered through the University or a Health Savings Account. These plans allow you to set more funds aside for retirement under favorable tax treatment, at a contribution rate you choose.

4. Health Insurance

Health insurance coverage is a vital component of successful retirement planning. Consider what health insurance coverage you and your dependents will need and what the cost will be. While some STRS Ohio options offer health care benefits, they may not do so in the future, or may offer less valuable benefits.

B. Short Term Planning As You Approach Retirement

1. Medicare Coverage

A common misconception is that faculty members of Ohio public institutions do not qualify for Medicare because they did not contribute to Social Security.⁹⁷ Since Medicare options can vary depending on length of employment, members should meet with a representative from the Social Security Administration **at least five years** before retirement to discuss their Medicare options.

Generally, there are two main components of Medicare, Part A and Part B.

Medicare Part A – Hospital Insurance

Part A covers hospital care, skilled nursing facility care, nursing home and hospice care, and home health services.⁹⁸

Most people are eligible for Part A (hospital insurance) at no cost (often called “premium-free Part A”).⁹⁹ In order to be eligible Part A, one must be at least age 65 and

⁹⁷ STRS Ohio, Medicare webpage, <https://www.strsoh.org/retirees/health-care/medicare.html#section-2>

⁹⁸ Medicare.gov, *What Part A covers*, <https://www.medicare.gov/what-medicare-covers/part-a/what-part-a-covers.html> (last accessed Sept. 26, 2016).

⁹⁹ STRS Ohio, *Official Notice: Medicare Enrollment is Required*, <https://www.strsoh.org/pdfs/healthcare/12-578.pdf> (last accessed Sept. 26, 2016).

be a U.S. citizen or permanent resident.¹⁰⁰ Generally, individuals will receive premium-free Part A if they currently receive social security benefits or are eligible for them but have not started benefits, or, if they are entitled to social security benefits based on a spouse's employment, and that spouse is at least 62.¹⁰¹ A spouse does not have to apply for Social Security benefits for the other spouse to be eligible for premium-free Part A through their work record.¹⁰²

Generally, if you worked in employment where you paid Medicare taxes for at least 40 quarters of coverage (10 years), you will be eligible for premium-free Part A.¹⁰³ All state government employees hired after March 31, 1986 are required to pay Medicare taxes, so BGSU employees should qualify for premium-free Part A unless they worked less than 10 years or were hired before March 31, 1986 and continuously employed.¹⁰⁴

Special eligibility rules apply for individuals under 65 who are disabled or have end-stage renal disease or ALS.¹⁰⁵

The STRS Ohio Health Care Program requires participants to enroll in Medicare Part A if they are eligible for premium-free Part A. STRS Ohio Health Care participants do not enroll in Medicare Part A if they must pay a premium.

Medicare Part B – Medical Insurance

Part B covers physician, outpatient, and preventive services.

Anyone who is eligible for premium-free Part A can enroll in Part B by paying a monthly premium. Part B premiums are required and based on income.¹⁰⁶

STRS Ohio Health Care Program participants must enroll in Part B even if they are not required to enroll in Part A. STRS Ohio Health Care participants may receive a partial reimbursement for their Part B premium cost.¹⁰⁷

¹⁰⁰ Social Security Administration, *Medicare*, <https://www.ssa.gov/pubs/EN-05-10043.pdf> at 5 (last accessed Sept. 26, 2016).

¹⁰¹ *Official Notice*, *supra* n.99.

¹⁰² *Id.*

¹⁰³ See Centers for Medicare & Medicaid Services, *Original Medicare Eligibility and Enforcement*, <https://www.cms.gov/medicare/eligibility-and-enrollment/origmedicarepartabeligenrol/index.html> (last accessed Sept. 26, 2016).

¹⁰⁴ Social Security Administration, *Mandatory Medicare Coverage*, https://www.ssa.gov/slge/mand_med_cov.htm (last accessed Sept. 26, 2016).

¹⁰⁵ *Official Notice*, *supra* n. 99.

¹⁰⁶ *Medicare*, *supra* n.100 at 7.

¹⁰⁷ *Official Notice*, *supra* n. 99 at 23.

Medicare Part C – Medicare Advantage

Medicare Parts A and B constitute “original Medicare.” Medicare Advantage plans (Part C) are offered by private companies approved by Medicare – these plans cover many of the same benefits a Medigap policy covers, so you cannot have both a Medigap policy and a Medicare Advantage/Part C plan.¹⁰⁸ ARP participants or STRS members who do not qualify for STRS health coverage may want to receive their Medicare benefits from a Medicare Advantage organization. These plans may provide extra coverage and lower out-of-pocket costs. Medicare Advantage plan options include preferred provider organization plans (“PPOs”), manage-care plans, private fee-for-service plans, and specialty plans.¹⁰⁹ These plans will involve additional premiums due to the additional benefits they provide.

STRS Ohio Health Care Program participants do not enroll in Part C – a group Medicare Advantage plan is provided by STRS Ohio.¹¹⁰

Medicare Part D – Prescription Drug Plans

Anyone who participates in Part A or Part B are eligible to join a Part D prescription plan. These plans are voluntary and involve an additional premium, which may be higher for individuals with higher incomes.¹¹¹ If you do not enroll in a Part D plan when you are first eligible, you may pay a late enrollment penalty if you join later – which will apply for as long as you have Part D coverage.¹¹²

STRS Ohio Health Care Program participants do not enroll in Part D because it is included in the STRS Ohio health care plans.¹¹³

Specific guidance about when and how to enroll in Medicare coverage can be obtained from STRS Ohio, Medicare (www.medicare.gov), and the Social Security Administration (www.socialsecurity.gov).

¹⁰⁸ *Medicare, supra* n.100 at 7-8.

¹⁰⁹ *Id.* at 8.

¹¹⁰ *Official Notice, supra* n. 99 at 23.

¹¹¹ *Medicare, supra* n.100 at 8-9.

¹¹² *Id.*

¹¹³ *Official Notice, supra* n. 99 at 23.

2. Purchase of STRS Service Credits

If you are participating in the STRS Ohio Defined Benefit Plan or Combined Plan, you may be eligible to purchase service credit in the STRS Ohio system.¹¹⁴ Under this benefit, STRS Defined Benefit members may purchase credit for the time they spent in certain types of past employment such as out-of-state teaching, public service, or military service.¹¹⁵ Combined Plan members may purchase service credit for military service that interrupts teaching service and leaves of absence.¹¹⁶ Depending on your individual situation, purchasing credit may be beneficial because it could create retirement eligibility, increase your retirement benefit, or eliminate or lower your early retirement reduction.¹¹⁷ If you intend to purchase credit, you must have the service certified before you retire and you must purchase the credit no later than three months after retirement.¹¹⁸ If you are interested in this option, you should speak with an STRS representative. You can find more information about this opportunity on the STRS Ohio website.¹¹⁹

3. Selecting Your Retirement Date

As you approach retirement, you should carefully consider your individual situation to optimize the combination of your regular pay from BGSU with your retirement pay and coordinate your health care coverage with your date of retirement. Faculty participating in STRS Defined Benefit or Combined plans may want to select the first day of the month as their retirement date, with the last day of the previous month being the last day of employment, so that their retirement benefits begin on their retirement date.

The ideal retirement date for nine-month faculty may also be affected by whether you have elected to receive your salary payments over a 12-month or 9-month period, because your retirement date may cause you to receive additional payments in a calendar year in order for you to be paid up at the time of your retirement date if, for instance, you retire at the end of the fall semester. This could affect your taxable income for that calendar year.

4. Monitoring Legislative Changes

If you are an STRS participant, make sure that you review any possible changes to your benefits as you approach retirement. The pension reform legislation enacted in 2012 changed service requirements, age requirements, the cost of purchasing service credit, when cost of living

¹¹⁴ STRS Ohio, *Purchasing Service Credit*, p.1, <https://www.strsoh.org/actives/retire-prep/service-credit.html> (last accessed Sept. 26, 2016).

¹¹⁵ *Id.*

¹¹⁶ STRS Ohio, *Service Retirement and Plans of Payment for Members Enrolled in the Combined Plan*, p.5, <https://www.strsoh.org/pdfs/brochureseries/benefitpayoptns/co/20-643.pdf> (last accessed Sept. 26, 2016).

¹¹⁷ *Purchasing Service Credit*, *supra* n.114 at 9-10.

¹¹⁸ *Id.*

¹¹⁹ *Id.*

adjustments (COLA) are granted, and other significant changes to STRS.¹²⁰ Some of these changes have already been implemented while others are being implemented in phases. Because of these changes and the possibility of future changes by the Ohio legislature, you should consult STRS to make sure that your proposed retirement date makes the most financial sense for you.

5. Utilizing Counseling Resources

STRS Ohio offers a variety of counseling and seminars for members during their careers and as they near retirement, including individual counseling, webinars, and seminars. If you are participating in one of the STRS Ohio plans, you should take advantage of these educational opportunities to help you prepare for retirement. STRS Ohio recommends that you schedule an individual counseling session at least three years before you plan to retire and another session six to 12 months before retirement.¹²¹

ARP participants should also check with their ARP vendor about any counseling or educational programs they may offer. Information may also be available from Human Resources.

You may also want to set up an appointment with a representative from the Social Security Administration to discuss Medicare benefits and Social Security benefits, if applicable. To set up an appointment, you can call **1-800-772-1213** or go to www.ssa.gov to find the office closest to you.

6. Life Insurance Coverage

Eligible retirees will have the option of continuing their life insurance program on the same formula as current full-time faculty.¹²²

¹²⁰ See *Changes to Pension Plan Components*, *supra* n.10.

¹²¹ See STRS Ohio, *Individual Counseling*, <https://www.strsoh.org/education/counseling/field-counseling.html>.

¹²² See BGSU Academic Charter, B-I.B 5, available at <http://www.bgsu.edu/content/dam/BGSU/faculty-senate/documents/academic-charter/B-I-B-Faculty-Retirement-march2014.pdf>. Contact HR for more information.

VII. Compensation at Retirement

Regular Pay You will receive a final paycheck reflecting earnings through your last date of employment.

Vacation Payout Twelve-month faculty members will receive a vacation payout of up to forty-four (44) days of accrued but unused vacation leave pursuant to the terms of the collective bargaining agreement.¹²³

Sick Leave Payout Members who retire with ten or more years of service in state employment may receive payment for one-fourth of their unused sick leave up to a maximum of thirty (30) days at their rate of pay at the time of retirement.¹²⁴ The sick leave payout may be received in a lump-sum payment or as deferred compensation to a Section 403(b) or Section 457 plan.¹²⁵

Payment per day for nine-month faculty will equal 1/198 of retirement-year base salary and as 1/260 of base salary for twelve-month faculty.¹²⁶ Faculty can only receive one sick leave payout; BGSU will not provide a payout to retirees who previously retired from another state agency.¹²⁷

Article 21 of the CBA provides that sick leave payout depends on the definition of retirement by the faculty member's retirement plan. Under the ARP plan, "retirement" is defined as the termination of employment of a participant who is at least 65.¹²⁸ Thus, sick leave payout is only available for ARP participants who retire at or after age 65.

Issues Regarding Overload Compensation, Summer Compensation and Interim Positions Overload compensation, summer teaching compensation, and increases in pay due to an interim or short-term position may not be counted toward a member's Final Average Salary for STRS benefit calculations.¹²⁹ There are limits on the earnings used to calculate the final average salary in order to keep STRS Ohio financially stable. The final average salary will be limited if the additional earnings results in a percentage increase in the member's two highest years to be greater than the increases in the three years before the earlier of the two highest years.¹³⁰

If you participate in the STRS Defined Benefit or Combined Plan, contact STRS with any questions about how this limitation may affect your final average salary calculation. Defined

¹²³ BGSU – BGSU-FA Collective Bargaining Agreement (2016-2019), Article 21, Section 12.2.7.

¹²⁴ BGSU – BGSU-FA Collective Bargaining Agreement (2016-2019), Article 21, Section 8.9.

¹²⁵ See, e.g., *Sick-Leave Reimbursement for Faculty Retiring in 2015*,

<https://www.bgsu.edu/content/dam/BGSU/provost/documents/academic-operations/sick-leave-reimbursement.pdf> (last accessed Sept. 26, 2016).

¹²⁶ BGSU – BGSU-FA Collective Bargaining Agreement (2013-2016), Article 21, Section 8.9.

¹²⁷ *Id.*

¹²⁸ BGSU Alternative Retirement Plan Document, §§2.17, 2.24

¹²⁹ STRS Ohio, *Higher Education Newsletter*, (July 2015), <https://www.strsoh.org/pdfs/newsletters/44-941G.pdf>

¹³⁰ *Id.*

Benefit participants may receive an additional annuity based on some of the excluded compensation.¹³¹

If you receive a full-year of STRS service credit for your nine-month contract, you may not receive additional service credit for summer/overload teaching, even though 14% of these earnings will be withheld for STRS.

In contrast, Defined Contribution and ARP participants may have their withheld summer/overload earnings deposited into their account, as well as the employee's share of BGSU's contributions (23.5% of total earnings deposited into account). Thus, if one plans to do a lot of overload or summer teaching outside of their five highest-paid years, a plan with a defined contributions aspect may be more valuable because it may capture those additional earnings. Combined Plan participants may receive a percentage of the employee contributions for summer/overload earnings into their defined contribution account, but STRS should be contacted for information specific to your situation.

VIII. Other Benefits and Resources for BGSU Retirees

Retiree Fee Waiver If you completed at least 10 years of full time or continuous part time service at BGSU before retiring, you can take a course for credit with no instructional or general fees on a space-available basis.¹³²

Dependent Fee Waiver The cohabitant spouse, child and/or children of a permanent full-time faculty member who has at least 10 years of continuous full time service with BGSU are eligible for a dependent fee waiver.¹³³ This benefit depends on the definition of retirement under your selected retirement program. Under the ARP plan, "retirement" is defined as the termination of employment of a participant who is at least 65.¹³⁴ Thus, for ARP participants to receive this benefit, they must retire at or after age 65.

The fee waiver waives the in-state instructional fees and dependents may complete a course on either an audit or grade basis.¹³⁵

For dependent children, the fee waiver is limited to one degree for each dependent child, or to the end of the calendar year in which the child turns twenty-four, whichever comes first.¹³⁶ For dependent cohabitant spouses, the fee waiver is limited to 50% of the in-state instructional fee

¹³¹ *Service Retirement and Plans of Payment for Members in the Defined Benefit Plan*, *supra* n.15 at 5.

¹³² BGSU University Rule 3341-5-13, *Employee Fee Waiver*, §(B)(4) (October 2015), available at <https://www.bgsu.edu/content/dam/BGSU/general-counsel/documents/Employee-Fee-Waiver.pdf>.

¹³³ BGSU University Rule 3341-5-9, *Dependent Fee Waiver*, <http://www.bgsu.edu/content/dam/BGSU/general-counsel/documents/Dependent-Fee-Waiver.pdf>.

¹³⁴ BGSU Alternative Retirement Plan Document, §§2.17, 2.24

¹³⁵ BGSU University Rule 3341-5-9, *supra* n. 133.

¹³⁶ *Id.*

for one degree. The number of years that the waiver may be used is also limited to the following:

- Undergraduate Degree – Six years
- Master’s Degree – Three years
- Doctorate Degree – Eight Years

Identification Card You will receive a permanent ID card identifying you as a retired faculty member.¹³⁷

Discounts You will receive the same discounts and charging privileges that were available to you during your time of employment with the University.¹³⁸

University E-mail/Internet Services You will have access to computer services similar to employed faculty such as a BGSU email address and mailbox, and accessible internet services.¹³⁹

Library/Computer Privileges As a retiree, you will receive the same library and computer privileges as current faculty and staff.¹⁴⁰

Parking Permit Upon request, you will receive a faculty/administrative staff parking permit, free of charge.¹⁴¹

Tickets to University Events Upon request, you will receive the same ticket prices and options for sporting events, music and drama performances that current faculty and staff receive.¹⁴²

Recreation Facility Membership Upon request, you will receive access to the BGSU recreation facilities at the same cost and manner as current faculty and staff.¹⁴³

¹³⁷ BGSU Office of Human Resources and BGSURA, *Handbook for Retirees*, pg. 3

¹³⁸ *Id.*

¹³⁹ *Id.*

¹⁴⁰ *Id.*

¹⁴¹ *Id.*

¹⁴² *Id.*

¹⁴³ *Id.*

Financial and Legal Issues

Members should make sure that they have all of their legal and financial documents organized and accessible. Such documents include wills, powers of attorney, bank account information, real estate records, motor vehicle titles, and financial records such as stocks, bonds, and other forms. It is important that someone you trust is aware of the location of these records.

Estate planning is also a legal area that retirees should consider at the time of retirement, if they haven't done so already. A proper plan will help ensure that upon your death, your assets will be dispersed in the manner that you intended. Members may want to speak with a financial planner and/or attorney about possible wills, trusts, living wills, power of attorneys, retirement investing, and strategies to minimize the tax burden on the retiree and their survivors. Developing a proper plan for your estate will help lessen the overall cost, time, and burden that your family spends at the time of your death.

Conclusion

The BGSU-FA hopes this information will help you get started on your retirement planning. We recommend that you review all of the STRS and Human Resources information available to you as you make decisions affecting your retirement and consider meeting with a financial advisor or retirement planning professional. **Nothing in this handbook constitutes or should be construed as legal or personal financial advice.**