PROVIDING BENEFITS FOR POSTDOCS
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Overall, most postdocs have access to both single and family health insurance, as well as dental and vision insurance, either as employees, or through an institutional allowance or other funding mechanism. However, postdoc access to most other types of benefits is much more limited. The table below contains an excerpt of the results from the 2016 NPA Institutional Policy Survey, which asked NPA institutional members to indicate which benefits are available to postdocs at their institutions. While almost all have access to individual health insurance and at least 90 percent of institutionally funded postdoc employees have access to family health insurance, retirement benefits are much less common with only 47 percent indicating institutionally funded postdoc employees may enroll in a matched retirement plan. For more information on benefits and other postdoc policies refer to the 2017 NPA Institutional Policy Report: Supporting the Needs of Postdocs.

Key to Postdoc Type Definitions:
IFPE – Institutionally Funded Postdoc Employee
Classification(s) an institution typically uses for a postdoc employed by the institution and usually funded on a principal investigator’s research grant – for example, an NIH RO1 grant
IFPT – Institutionally Funded Postdoc Trainee
Classification(s) an institution typically uses for a postdoc funded on a principal investigator’s training grant – for example, a T32 grant – but who is not considered an employee of the institution
IFP – Individually Funded Postdoc
Classification(s) an institution typically uses for a postdoc funded by a fellowship that is paid to the institution, such as an NIH National Research Service Award or private foundation fellowship
EFP – Externally Funded Postdoc
Classification(s) an institution typically uses for a postdoc funded by a fellowship that is paid directly to the postdoc, such as a fellowship from a foreign country
Health Insurance

Although health plans are widely available to most postdocs, there is too much variation in which postdoc classifications receive full benefits. Institutionally Funded Postdoc Employees typically receive the benefits offered to all regular employees at their institution, while Externally Funded Postdocs receive far fewer benefits. There are a range of situations as to who pays differing percentages of the premium costs. Most fellowships allow insurance to be paid out of the institutional allowance, whereas some direct-paid fellowships require the postdoc to pay the insurance directly either out of pocket or from an insurance stipend. This can create difficulties for accessing institutional group plans, and removes any tax benefit for the postdoc. If there is no provision for paying insurance out of fellowship funds or if fellowship funds are insufficient, institutions employ a variety of approaches. In some cases, the postdoc’s supervisor pays for the uncovered portion of his or her insurance, and at some institutions, like UC San Francisco, this is a requirement. In a few cases, the institution provides a subsidy directly to the postdoc to help cover insurance premiums, such as the University of Chicago.

It is a different situation altogether for family coverage, which is less commonly available than individual insurance and more often paid by the postdoc. Similarly, in the case where PIs pay for the non-employee postdoc’s health insurance, dependent coverage is generally not included.

While some of these issues can be mitigated through “separate but equal” benefits plans for all classifications of postdocs or through shoehorning of postdocs into existing student or staff policies, many institutions are now advocating the establishment of a unified benefit plan for all postdocs that treats them as a separate classification of individuals with unique needs. Yet, in all cases, the primary concern centers on providing benefits to the “non-employee” postdoc who may have difficulties obtaining full benefits at a reasonable out-of-pocket cost. Furthermore, many institutions are also troubled by the disincentives postdocs experience when applying for and receiving prestigious fellowships that result in a loss of benefits.

1. Strategies for offering health benefits to the non-employee postdocs

Classify all postdocs as students. This is perhaps the easiest strategy, although it is far from optimal since student health insurance is often not comprehensive especially with respect to dependent coverage. In addition, many postdocs resent being classified as students for this purpose, as they have reached a level of maturity and professional experience that merits a different status.

Create a new category for the postdoc that is not staff, employee or student. This way all postdocs receive the same postdoc benefit package that is tailored to their needs. For example, this is what they did at University of Pennsylvania. The advantages here are:

- All postdocs have the same benefits package
- The cost to insure only postdocs is usually lower because they are on average younger and healthier than the entire employee pool
• When postdocs switch their funding source they do not change classification, so there is no need to change benefits

• Create multiple new postdoc categories based on funding source. This approach also separates postdocs into a unique classification, but further categorizes them by funding source. For example, Case Western Reserve University has two classifications: postdoctoral scholar (grant supported) and postdoctoral fellow (fellowship supported). Similarly, the University of California created three categories of postdoctoral scholar: employee (grant supported), fellow (fellowship supported, with stipend paid out through the institution), and paid direct (fellowship supported with funds paid directly to the postdoc). The advantages of this model:

  • Same benefit packages for all categories
  • Again, cost is often lower to insure only postdocs
  • When postdocs switch between these categories they do not change benefits
  • Can help codify some policy distinctions between funding sources, such as salary scales and methods for paying benefit premiums

    • For an example of how these new classifications were used in providing unified benefits to postdocs in the University of California system, see section below Establishing Unified Benefits for Postdocs: A Case Study.

Classify fellows and paid directs as employees by paying them a small salary. Paying all postdocs even a small, nominal salary can make all of them eligible for regular employee benefits. At Weill Cornell Medical College, for example, postdocs that are paid at least $5000 by the institution are eligible for employee benefits. This approach, however, has raised some legal questions in the past.

Offer a small stipend to non-employee postdocs to cover insurance costs. Some institutions offset the cost of purchasing insurance for postdocs by giving them a small stipend to cover it. University of Chicago, for example, does this - see “Supplemental Stipend”.

Ignore funding source and put all postdocs on the employee payroll. Some institutions have just ignored the rules imposed by some fellowship providers that postdocs not be treated as employees and have provided employee benefits by putting them on the payroll anyway. This is legally risky and not recommended by the NPA.
Retirement

There is great interest among both postdocs and institutions in establishing retirement options, but there are a number of difficulties in offering them to postdocs of all classifications. Among these are long vesting periods, lack of portability, and, in the case of non-employee postdocs, no salary from which to make deductions and no earned income that qualifies for certain types of plans. In particular, portability issues for international postdocs leaving the U.S. are a challenge. Despite these constraints, there are some options:

1. Offer employer-sponsored retirement plans with limited vesting periods

Employer-sponsored retirement plans can include options that allow employee postdocs to begin saving through pre-tax contributions via salary reduction and typically have an employer contribution as well. Since many postdocs will not have begun retirement savings during their student years, and their salaries are not large, employer contributions can be critical for building retirement investments. Plans that have limited or no vesting periods allow postdocs to become vested more quickly and thus take ownership of their employer contributions when they leave that institution (postdocs are always vested in their own contributions). Postdocs may then maintain their investment either through rolling over into another plan, continuing the plan at a new (participating) institution, or in some cases, taking a lump-sum distribution. An advantage over individual retirement options like IRAs is that the annual contribution limits are higher (for most people, under the age of 50, the 2008 limit for employee contributions was $15,500 and employer contribution limits are even higher) and contributions are made with pre-tax salary reductions which lowers overall taxable income.

Some investment options are:

- 401(k) and 403(b): Both plans allow pre-tax contributions through salary reductions, with the 403(b) generally being available at nonprofit educational institutions. They are both qualified plans, available only to postdocs with “earned income,” and carry significant penalties for withdrawal prior to age 59 ½. A postdoc must typically be considered an employee to have “earned income” which means, for example, postdocs on fellowships like the NIH National Research Service Award (NRSA) are not eligible. Keeping the vesting periods to one year or less typically will allow postdocs to become vested before their appointment ends and thus keep their employer contributions. For example, Emory University makes an exception in its 403(b) savings plan vesting requirements, allowing postdocs to always be fully vested. These plans, however, have portability issues for visa holders who leave the U.S. International postdocs may leave their 401(k) and 403(b) investments in the U.S. to accumulate without further contributions based on the rules set forth by the vendor. Or, they may choose to roll over the funds into an IRA (see description below). However, they may not take any distributions prior to age 59 ½ without penalty. Once they do take a distribution, all taxes owed would be automatically deducted from the distribution by the vendor. There is also a chance that these funds could be subject to additional taxes levied by the postdoc’s resident country. International postdocs may want to consult with a financial advisor about the portability and taxability of their investment.
- **457(b):** The 457(b) is a deferred compensation retirement account. It is similar to the 401(k) and 403(b) in allowing investments on a pre-tax basis; however, the 457(b) is distinct in that the investor is always 100% vested both in contributions and in earnings. Thus, postdocs can become immediately vested, have access to their earnings with no early withdrawal penalties, and can keep their savings when moving to a new position. In fact, the 457(b) plan ends upon employment termination and so the postdoc may roll their savings into an IRA or take a penalty-free lump-sum distribution. This is a real advantage for international postdocs who can easily take their investment earnings with them when they leave the country. The 457(b) is only an option for institutions supported by the state or local government or for tax-exempt organizations. The 457(b) plan is most commonly used for postdocs who are classified as employees; however, the plan may also be applied to individuals classified as ‘independent contractors’ which means that it may also apply to postdocs on fellowships. For example, the Whitehead Institute in 2008 set up a 457(b) as the vehicle for an employer-contribution to retirement for its postdoc fellows.

2. **Offer retirement plans that are available to all classifications of postdoc**

One retirement vehicle that would be applicable to all classifications of postdoc is a type of tax deferred annuity. The annuity is a personal pension builder with low minimum investment requirements and the contributions are made with post-tax dollars. The annuity contribution comes out of the postdoc’s pocket, although institutions are also allowed to contribute. An annuity allows the contributions to earn interest on a tax deferred basis. The real advantage is that the annuity is not a qualified plan, and so it has no “earned income” requirements. Thus it is available to all postdocs regardless of classification or source of funding. Similar to the other investment vehicles mentioned above, there are still stipulations regarding when you can access the funds and distributions are generally available after age 50. If you are interested in setting one up at your institution, you can contact the NPA’s benefits partner, Garnett Powers and Associates for more information.

3. **Encourage postdocs to start IRAs**

Individual Retirement Accounts or IRAs are available to postdocs under the age of 50 who have “earned income.” The Traditional IRA allows contributions that are fully tax deductible for those who do not participate in an employer-sponsored retirement plan. The Traditional IRA has significant penalties for withdrawal prior to age 59 ½. The Roth IRA allows after tax contributions that are not tax deductible; however, the earnings grow tax free. Withdrawals can occur after an initial investment period of five years, with no penalties or tax liability after age 59 ½. Both types of IRAs have the same annual limits on contributions (in 2018, $5500 for individuals and $11,000 total for married couples). IRAs can be an easy way for postdocs who meet the definition of having “earned income” to start saving for retirement, since they are flexible and portable (within the U.S.). Visa holders who leave the U.S. again cannot withdraw their money early without penalty; however, if they wish to receive their account distributions after age 59 ½ they may set up special arrangements at the time of distribution to allow for any U.S. taxes owed to be automatically deducted from the distribution amount. These earnings may also have additional tax implications within their country of residence at that time. International postdocs may instead want to consider mutual funds (see below).

Encourage international postdocs to consider mutual funds for retirement investing
International postdocs who do not plan on remaining in the U.S. (or who are not yet sure) may want to consider investing in mutual funds instead of primarily U.S.-based investment mechanisms. As mentioned, most retirement plans have significant penalties for withdrawing money prior to retirement age and they may not have international equivalents to which they can be rolled over. Mutual funds, however, are much more common in other countries and provide the easiest mechanism for taking your investment with you upon leaving the U.S. Ideally, visa holders should seek out mutual funds owned by companies that have international offices in the country to which they may move, allowing them continuous access to their investment. However, even U.S.-based mutual funds can be easily transferred into other mutual funds abroad with no tax penalty. Mutual funds do not have the tax deferred benefits of the other plans discussed here, since earnings are taxable within the U.S.; however, they may be the best solution for those concerned about the portability of their investment.

4. Offer financial planning help to postdocs

Some institutions also offer financial planning workshops for postdocs to help them understand their options and begin to plan for their futures. For example, the University of Pennsylvania’s Biomedical Postdoctoral Programs offers ‘Financial Planning 101’ where they partner with Ameriprise Financial consultants to offer retirement planning as well as estate and investment planning services to postdocs.

Some institutions that currently offer retirement to their postdocs:

- **Weill Cornell**: Postdocs who are paid through the University are eligible for a retirement plan which pays 10% of the postdoc’s salary with some matching and no vesting period. Direct-paid Postdoc Fellows, however, are not eligible.

- **Emory University**: Postdocs may enroll in the employee 403(b) retirement plan and it includes matching funds (see their benefits website)

- **Princeton University**: Postdoctoral Fellows may contribute to a retirement annuity

- **University of Chicago**: The University provides a supplementary stipend to postdocs to help cover the cost of benefits. It may also be used for retirement.

- **Whitehead Institute at MIT**: Both postdoc associates (employees) and postdoc fellows (non-employees) now receive 8% of their salary from the institution as a retirement benefit. Postdoc associates are part of the employee plan (401(a)) and have a one-year vesting period. Postdoc fellows invest in a 457(b), with no vesting period (see their news item on this change).
Frequently Asked Questions About Postdoc Benefits

*Why is it a problem to treat all postdocs as employees?*

The practical reason is that this is against the rules for many postdoctoral fellowships, which mandate that their fellows are not to be treated as employees. The more general reason that has emerged is that the postdoc position has unique needs that often are not fulfilled by the standard employee classification. A number of factors, such as the temporary nature of the position, the range of funding sources and the frequency at which these sources can change during a postdoc’s tenure, make it complicated to treat the postdoc like a regular employee. For example, how are pre-tax (or even post-tax) salary deductions taken when the postdoc has no institutional salary? Similarly, most employee benefits are designed to reward long service so those on short term appointments are often disadvantaged. For example, most postdocs will not become vested and accrued retirement is often not portable.

*Won’t employee postdocs lose benefits by switching to a “unified” plan with non-employee postdocs?*

Organizations that help institutions provide unified plans, like Garnett Powers and Associates, typically try to come as close as possible to reproducing the “employee-staff” benefits. This is aided by the fact that the postdoc demographic is often younger and healthier than the total employee pool, and thus less expensive to insure. In addition, equity between postdoc and staff benefits is in fact required for postdocs on H visas, since they must be treated like faculty and staff. The University of California model (*see below*), for example, fulfills this requirement nicely.

*Who usually covers the cost of benefits for non-employee postdocs?*

Most fellowships allow insurance to be paid out of the institutional allowance, whereas some direct-paid fellowships require the postdoc to pay the insurance directly either out of pocket or from an insurance stipend. If there is no provision for paying insurance as part of the fellowship itself, institutions employ a variety of approaches. Some allow or require that the postdoc’s supervisor pays for his or her insurance, although often this only covers individual and not family insurance. For example, at UC San Francisco, PIs are required to pay if the funding source does not provide enough for benefits, whereas at UC Berkeley, it depends upon what funds are available. In some cases, the cost of the premiums falls to the postdoc.
Establishing Unified Benefits for Postdocs: A Case Study

1. The University of California Postdoctoral Scholar Benefits Plan

Health benefits offered to postdoctoral scholars vary widely; in fact, many postdocs find their benefits differ within their own institution. The inequity among this valuable workforce needs to be rectified to bring the stability and quality of life this group deserves. Nine campuses of the University of California teamed up with the insurance industry to implement a unified benefit program for its postdoctoral scholars. All postdocs now have the same benefits available to them regardless of their funding source.

2. The Challenge

Prior to January 1, 2005, postdoctoral scholars within the University of California employed under a faculty member’s research grant received full medical, dental and vision insurance, just like all faculty and staff on campus. Postdocs who applied for and received a fellowship from the National Institutes of Health, The National Science Foundation or other granting agencies generally had funds available to pay for benefits, but had either no benefits available, or a separate benefits program available for postdoctoral fellows. To make matters worse, if an employed postdoc was switched to an institutional training grant or fellowship, she would lose her faculty/staff benefits.

The challenge that faced the University was discerning how to provide the same benefit plan to all postdocs, when the granting agencies for the postdoctoral fellows would not allow the postdocs to be treated as employees, and the employed postdocs already had a very rich benefit program available.

3. The Solution: One Benefit Program for All Postdocs

The University of California decided to create a benefit plan for all ten campuses that would make the same benefits available to all postdoctoral scholars regardless of their type of funding. This allowed all postdocs to be enrolled in the same comprehensive benefits program regardless of category or fund source. Rather than trying to find a way to integrate the fellows into the employee plan, the University decided to create a plan similar to the employee plan, designed specifically for postdocs.

The UC model took a “phased in” approach, meaning most employed postdocs were “grandfathered” into their current faculty/staff plan and kept their existing benefits package. As the employed postdocs terminated their employment, their replacements were enrolled in the new postdoctoral scholar program. Since postdocs are not allowed to work for more than five years as a postdoc, all postdocs should be enrolled in the new plan by January 2010. The postdoctoral fellows (non-employees) were immediately enrolled in the new Postdoctoral Scholar Benefits Plan.

The postdoctoral fellows and newly employed postdocs have been enrolling in the new plan since January 1, 2005. The benefits include, medical, dental, vision, life and AD&D, short-term disability and long-term disability coverage. The Postdoctoral Scholar Benefits Plan was
modeled after the University's faculty/staff plan to offer a similar comprehensive benefits program to all postdocs.

4. Can the UC Plan be Duplicated at Other Institutions?

Before 2004, a comprehensive postdoctoral scholar benefits plan available to all postdocs was very difficult to implement and administer. Most insurance carriers were not comfortable insuring postdocs who did not have an employee-employer relationship with their research institution and most campuses did not have the staff available to administer the program. However, Garnett-Powers & Associates (GPA), an insurance broker specializing in the design and implementation of postdoc benefit programs, have partnered with recognized insurance companies committed to offering comprehensive benefits to this unique population. The University of California chose GPA as its broker to implement the new Postdoctoral Scholar Benefits Plan and the response to the new plan has been overwhelmingly positive, from both the postdoc and administrative perspective.

Many research institutions, though offering selected benefits to their employee postdocs, are not taking advantage of offering the new, comprehensive benefit plans that are now available. These institutions may now unify all postdocs into one comprehensive benefit program, which many times provides other advantages such as: 1) Lower plan costs due to increased population size and postdoc group demographics, since postdocs tend to be younger and healthier than most employee populations; and 2) Reduced administration through the unification of the benefits program.

Campuses can choose from a variety of health plans to offer their postdocs. Options include medical, dental, vision, long term disability, short term disability, and life insurance. In addition, campuses can determine their level of participation in the administration of these plans. Some campuses may have a strong central administration with the resources available to handle most of the enrollment, premium collection and miscellaneous tasks associated with a benefits program. Other campuses may not have the resources available, thus choosing to have the Broker handle all of the administrative duties.

Garnett-Powers & Associates are available provide expert consultation to administrators considering benefit options. The benefits professionals at GPA are available to consult by phone or e-mail, whichever the campus prefers.

Postdoctoral fellows often bring their own funding to the research institution and deserve to be offered the same benefit plan afforded employed postdocs. With access to comprehensive benefit plans now available to all postdocs, and the option of almost no additional work for the campuses, there is no reason why postdoctoral scholars receiving fellowships should continue to receive no benefits or greatly reduced benefits compared to the employed postdocs on campus.

To learn more about the steps taken by the University of California in providing uniformity in benefits to all of their postdocs, visit the following links: "The California Plan" and "California Comes Through" For more information regarding Garnett-Powers & Associates, visit their website at www.garnett-powers.com.