BENEFITS AND RETIREMENT: A CHANGING ENVIRONMENT

by Jay L. Chronister

***Jay Chronister is** professor of higher education and chair of the Department of Educational Leadership and Policy Studies at the University of Virginia.*

Chronister's research interests and recent publictions address issues involving faculty careers, incentive retirement programs, retirement planning, and faculty benefit issues.

Chronister earned his doctorate in higher education from the University of Pittsburgh and has held faculty and administrative positions with the Pennsylvania State University and the University of Pittsburgh.

College and university faculty members and administrators are justifiably paying increasing attention to benefit plans and their components. Medical and dental insurance cost containment measures, the 1990 introduction of cashability and transferability into TIAA-CREF's pension plans, and the proliferation of competing retirement plans imply increased faculty and staff responsibility for decisions affecting their benefits.

This chapter addresses:

the average cost of key benefits and how these costs differ by faculty contracts and by type and control of institution;

the need for institutions to provide financial and retirement planning for faculty and staff; and,

the increasing requests for access to benefits for domestic partners.

Historical Perspective on Costs

Between 1989-90 and 1993-94, increases in average benefit costs outstripped average salary increases—26.0 percent to 16.0 percent. Average benefit expenditures in current dollars increased 23.3 percent (from $9,328 to $11,503) at public institutions, and from 32.1 percent ($9,249 to $12,215) at independent institutions (Figure 1).[1]

Benefit Expenditures 1993-94

Average benefit costs as a share of salary expenses for faculty members continued to increase between 1992-93 and 1993-94—from 24.9 percent to 25.2 percent of salary for 9/10 month faculty members. (Tables 1 and 2) Public institutions averaged a higher percentage of benefit costs for 9/10 month faculty members—25.6 percent public vs. 24.2 percent independent. Average expenditures for public colleges and universities ranged from $10,244 at BA colleges to $11,971 at doctoral institutions. Expenditures at independent institutions ranged from $7,843 at AA colleges to $14,602 at doctoral institutions—a significantly greater amount than the average expenditures at any other type of institution.

The average benefit cost for faculty members on 11/12 month appointments increased from 22.8 percent to 23.1 percent during the same period (Table 2). Again, the average benefit expenditures were higher at the public

TABLE 1

AVERAGE SALARY, AVERAGE BENEFITS AND BENEFITS AS A PERCENT OF AVERAGE SALARY, FACULTY ON 9/10 MONTH CONTRACTS BY OFFERING LEVEL AND CONTROL, 1993-94

Institution Type and Benefit Control Compensation Category	Public	Indep.	Average
AA			
Salary($)	40,620	29,720	40,410
Benefits ($)	10,340	7,843	10,281
Benefits (% of Salary)	25.5%	26.4%	25.4%
BA			
Salary($)	39,502	39,716	39,658
Benefits ($)	10,244	9,832	9,941
Benefits (% of Salary)	25.9%	24.8%	25.1%
BA+			
Salary($)	43,821	41,814	43,150
Benefits ($)	11,790	10,286	11,239
Benefits (% of Salary)	26.9%	24.6%	26.0%
Doctoral			
Salary($)	48,551	58,891	51,581
Benefits ($)	11,971	14,602	12,690
Benefits (% of Salary)	24.7%	24.8%	24.6%
Average			
Salary($)	44,545	49,910	45,901
Benefits ($)	11,404	12,063	11,587
Benefits (% of Salary)	25.6%	24.2%	25.2%

NOTE: Based on 86.4 percent of NEA's faculty salary universe (2,735 institutions) reporting benefits data.

SOURCE: NCES, IPEDS Salary Survey, 1993-94.

TABLE 2

AVERAGE SALARY, AVERAGE BENEFITS AND BENEFITS AS A PERCENT OF AVERAGE SALARY FACULTY ON 11/12 MONTH CONTRACTS BY OFFERING LEVEL AND CONTROL, 1993-94

Institution Type and Benefit	Public	Indep.	Average
AA			
Salary($)	38,581	33,660	38,362
Benefits ($)	9,482	6,943	9,344
Benefits (% of Salary)	24.6%	20.6%	24.4%
BA			
Salary($)	48,382	37,605	38,991
Benefits ($)	10,838	7,893	8,390
Benefits (% of Salary)	22.4%	21.0%	21.5%
BA+			
Salary($)	53,525	40,164	46,677
Benefits ($)	12,286	8,127	10,570
Benefits (% of Salary)	23.0%	20.2%	22.6%
Doctoral			
Salary($)	65,156	60,105	64,144
Benefits ($)	14,210	14,572	14,277
Benefits (% of Salary)	21.8%	24.2%	22.3%
Average			
Salary($)	54,465	50,536	53,673
Benefits ($)	12,672	11,437	12,391
Benefits (% of Salary)	23.3%	22.6%	23.1%

NOTE: Based on 86.4 percent of NEA's faculty salary universe (2,735 institutions) reporting benefits data.

SOURCE: NCES, IPEDS Salary Survey, 1993-94.

institutions in dollars and as a percent of salary, with the same exception—dollars at independent doctoral institutions. Average dollar expenditures for benefits for 9/10 month and 11/12 month appointees at independent doctoral institutions were nearly equal.

Tables 3 and 4 disaggregate benefit costs for 1993-94. Retirement contributions, medical and dental costs, and Social Security payments accounted for the vast majority of expenditures—from slightly over 80 percent at independent institutions to more than 90 percent at public institutions for 9/10 month faculty.[2]

Retirement was the largest expenditure category for faculty members at public institutions on 9/10 and 11/12-month contracts. Average costs for 9/10 month faculty ranged from $3,801 at public BA colleges to $5,006 at public doctoral institutions, and from $1,913 at independent AA colleges to $5,096 at independent doctoral institutions; the costs for retirement contributions varied by type of institution for 11/12 month faculty members.

Medical/dental benefit costs averaged $1,681 at independent AA colleges and $3,532 at BA+ institutions (Table 3). The majority of institutional types, on average, expended over $3,100 per 9/10 month faculty member and in the mid-$2,000 range per 11/12 month faculty member for this benefit.

Retirement Contributions

Retirement contributions were a much larger share of average benefit costs for public institutions—38.2 percent and 24.4 percent of benefit costs at public and independent AAs,

TABLE 3

AVERAGE BENEFITS FOR FACULTY MEMBERS ON 9/10 MONTH CONTRACTS BY INSTITUTIONAL TYPE AND CONTROL, 1993-94

Offering Level Benefit	Control Public	Indep.	Average
AA			
Retirement	$3,946	$1,913	$3,889
Medical/Dental	3,455	1,681	3,414
Group Life Insurance	145	79	144
Other Insurance Benefits	186	970	204
Disability	105	72	105
Tuition Plan	42	255	47
Housing Plan	0	81	2
Social Security	1,962	2,236	1,969
Unemployment Comp.	119	282	123
Worker's Comp.	301	240	300
Other Benefits	77	36	76
Total	10,340	7,843	10,281
BA			
Retirement	3,801	2,878	3,122
Medical/Dental	3,167	2,317	2,542
Group Life Insurance	97	165	147
Other Insurance Benefits	90	94	93
Disability	55	132	112
Tuition Plan	139	789	617
Housing Plan	7	84	64
Social Security	2,509	2,851	2,761
Unemployment Comp.	59	138	117
Worker's Comp.	296	292	286
Other Benefits	24	100	80
Total	10,244	9,832	9,941
BA+			
Retirement	4,515	2,934	3,936
Medical/Dental	3,532	2,587	3,186
Group Life Insurance	121	168	138
Other Insurance Benefits	67	149	97
Disability	85	133	103
Tuition Plan	78	732	318
Housing Plan	0	61	22
Social Security	2,995	2,999	2,996
Unemployment Comp.	88	138	107
Worker's Comp.	292	326	305
Other Benefits	16	58	32
Total	11,790	10,286	11,239
DOCTORAL			
Retirement	5,006	5,096	5,031
Medical/Dental	3,115	3,335	3,175
Group Life Insurance	128	215	152
Other Insurance Benefits	193	68	159
Disability	107	141	116
Tuition Plan	111	1,119	386
Housing Plan	4	31	11
Social Security	2,863	3,789	3,117
Unemployment Comp.	79	161	101
Worker's Comp.	299	336	309
Other Benefits	65	311	133
Total	11,971	14,602	12,690
Average	11,404	12,063	11,587

NOTE: Based on 86.44 percent of NEA's faculty salary universe (2,735 institutions) reporting benefits data.
SOURCE: NCES, IPEDS Salary Survey, 1993-94.

respectively, for 9/10 month faculty members. These contributions were also, on average, a much larger percentage of *salary* at the public AA colleges. Comparable relationships exist between pension contributions and benefit costs, and average salary for other types of institutions (Table 5).

Medical/Dental Expenditures

Table 6 provides a ratio of average dollar expenditures for health care to average benefit expenditures and average salary. Insurance costs—a major benefit expenditure in all institutional categories—ranged from 26.0 to 33.4 percent of benefit costs for 9/10 month faculty at public colleges and universities, and from 21.4 to 25.2 percent for colleagues at independent institutions. Medical/dental expenditures for 11/12 month faculty were a larger share of benefit costs and percentage of salary at independent institutions. The ratio of average health care expenditures to percent of average salary is a measure of the relative importance of this benefit. It identifies what a participant would have had to pay to obtain the coverage through the institution's group plan.

Social Security

The ratio of the costs of Social Security—the third major expense item in the typical benefits plan—to overall benefit costs for 9/10 month faculty range from 19.0 to 25.4 percent at public colleges and universities, and from 23.9 to 29.2 percent at independent institutions. Faculty members on 11/12 month contracts show slightly higher average expenditure ranges. The expense for the institution and for the participant includes the FICA tax, which has a salary cap, and the Medicare tax, which has no cap. (Table 7)

Figure 2 shows the dollar value of major categories of benefit expenditures by type and control of institution. The tuition plan is the largest average single cost within the "other" category at independent BA, BA+, and doctoral institutions—8.0, 7.1, and 7.7 percent of benefit expenditures respectively. "Other Insurance Benefits (Cafeteria Plan, etc.)" is the largest "other" expenditure for independent AA colleges—12.4 percent of benefit expenditures (Table 3).

Resources for discretionary additions to benefit plans are limited—many institutions require zero cost-based or revenue neutral adjustments—at a time of fiscal constraint, limited dollars for salary increases, and increased costs for the three major benefit categories. The 1994 health care debate in Congress and the subsequent congressional elections reduced the likelihood that federal health care reform would provide immediate relief. Colleges and universities, instead, look to managed care programs and plans with larger deductibles to control, though probably not reduce, these costs.

Aging of the Professoriate

New data sources permit us to trace some implications of a "graying" professoriate. The 1988 National Survey of Postsecondary Faculty (NSOPF-88) and the 1993 National Study of Postsecondary Faculty (NSOPF-93), for example, provide data on the aging trend of the professoriate. The proportion of full-time faculty members age 55 or older increased from 17 percent in 1977-78 to 25 percent in 1987-88, and to 26 percent in 1992-93.[3] The proportion of part-time faculty in this age group increased from 17 percent in 1987-88 to 21 percent in 1992-93.[4] The estimated number of full-time faculty members age 70 and older increased from 2,456 to 5,654 during this period; the number over 70 increased from 1,146 to 3,930.[5] The proportion of faculty members who worked beyond 70, the previous mandatory retirement age, also increased.

NSOPF-93 provides data on the effect of the abolition of mandatory retirement (January 1, 1994) on the plans of faculty members. Table 8 shows the distribution of full-time faculty members in 1992-93 by age category and the proportion of surveyed respondents in each category who considered retirement "very likely" within the next three years.

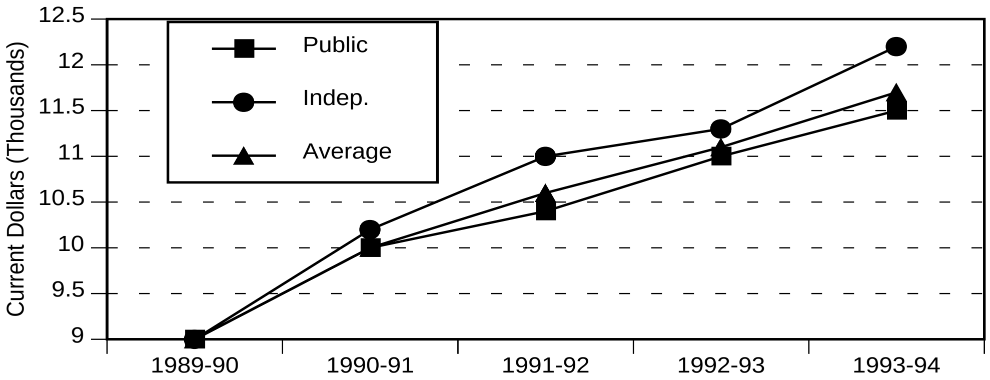
The vast majority of faculty felt they were "very likely" to retire prior to age 70. Over two-thirds of 70-year old faculty members, and one-third of their colleagues over 70 were "very likely" to retire within three years.

Retirement Planning—Never Too Early To Start

How do faculty members plan for retirement? Do the planning processes affect the

FIGURE 1

CHANGE IN AVERAGE BENEFIT COSTS IN CURRENT DOLLARS, 1989-90 TO 1993-94



Based on 1508 institutions (47.7% of the NEA National Faculty Salary Universe) reporting data in all years.

Source: NCES, IPEDS Salary Survey, 1989-90 through 1993-94.

TABLE 4

AVERAGE BENEFITS FOR FACULTY MEMBERS ON 11/12 MONTH CONTRACTS BY INSTITUTIONAL TYPE AND CONTROL, 1993-94

Offering Level Benefit	Control: Public	Indep.	Average
AA			
Retirement	$3,826	$1,150	$3,681
Medical/Dental	2,693	2,455	2,680
Group Life Insurance	82	121	84
Other Insurance	151	1	143
Disability	65	53	64
Tuition Plan	83	144	86
Housing Plan	1	0	1
Social Security	2,285	2,342	2,288
Unemploy. Comp.	66	201	73
Worker's Comp.	159	249	164
Other Benefits	73	227	81
Total	9,482	6,943	9,344
BA			
Retirement	4,151	1,783	2,182
Medical/Dental	2,922	2,675	2,717
Group Life Insurance	75	116	109
Other Insurance	83	53	58
Disability	43	108	97
Tuition Plan	63	278	242
Housing Plan	0	114	95
Social Security	3,119	2,351	2,481
Unemploy. Comp.	43	110	99
Worker's Comp.	204	239	233
Other Benefits	134	64	76
Total	10,838	7,893	8,390
BA+			
Retirement	5,312	2,585	3,831
Medical/Dental	2,792	2,320	2,536
Group Life Insurance	235	158	193
Other Insurance	53	111	85
Disability	132	142	137
Tuition Plan	31	371	215
Housing Plan	0	108	59
Social Security	3,291	2,838	3,045
Unemploy. Comp.	85	131	110
Worker's Comp.	303	304	304
Other Benefits	52	59	56
Total	12,286	9,127	10,570
DOCTORAL			
Retirement	6,477	5,160	6,234
Medical/Dental	3,049	3,599	3,151
Group Life Insurance	144	191	153
Other Insurance	268	46	227
Disability	115	144	120
Tuition Plan	125	788	247
Housing Plan	3	357	68
Social Security	3,490	3,461	3,485
Unemploy. Comp.	99	178	114
Worker's Comp.	322	418	340
Other Benefits	119	229	139
Total	14,210	14,572	14,277
Average	12,672	11,437	12,391

NOTE: Based on 86.44 percent of NEA's faculty salary universe (2,735 institutions) reporting benefits data.
SOURCE: NCES, IPEDS Salary Survey, 1993-94.

expected age of retirement? Will retirees be satisfied with their plans? And what factors influence the decisions of the faculty members who continue to work?

Colleges and universities face a major challenge as an increasing proportion of the faculty members approach the time for decisions about retirement. A study of faculty retirees indicated that only 23 percent of the respondents received institutional counseling for retirement. But the same survey reported a strong correlation between institutional assistance and the degree of faculty satisfaction with retirement. Individuals who reported thorough planning were almost twice as likely to be very satisfied with retirement than colleagues who reported limited planning.[6] "[A] most important failure among higher education personnel programs," notes one study, is, "the failure to spend as much time developing retirement planning programs as on orientation programs for new faculty."[7] The absence of a mandatory retirement age also heightens the importance of identifying and clarifying the factors that affect the retirement planning and satisfaction of faculty and staff members.

Institutional responsibility for assisting faculty with retirement planning arises from two sources:

> A concern for the well-being of retirees from the institution and the need to assist faculty with seriously considering retirement in the absence of a mandatory retirement age.

Many faculty members did not seriously plan for retirement when separation from the institution was mandated. Nonplanners, studies found, were less prepared for retirement and less satisfied than planners.[8]

Associations and companies, noting the

TABLE 5

AVERAGE PENSION CONTRIBUTIONS AS A PERCENTAGE OF AVERAGE BENEFIT COSTS AND AVERAGE SALARY, 1993-94

	Percent of Benefit Costs		Percent of Salary	
	Public	Indep.	Public	Indep.
9/10 Month Faculty				
AA	38.2	24.4	9.7	6.5
BA	37.1	29.3	9.6	7.2
BA+	38.3	28.5	10.3	7.0
Doctoral	41.8	34.9	10.3	8.7
11/12 Month Faculty				
AA	40.4	16.6	9.9	3.4
BA	38.3	22.6	8.6	4.7
BA+	43.2	28.3	9.9	6.4
Doctoral	45.6	35.4	9.9	8.6

NOTE: Based on 86.4 percent of NEA's faculty salary universe (2,735 institutions reporting benefits data.

SOURCE: NCES, IPEDS Salary Survey, 1993-94.

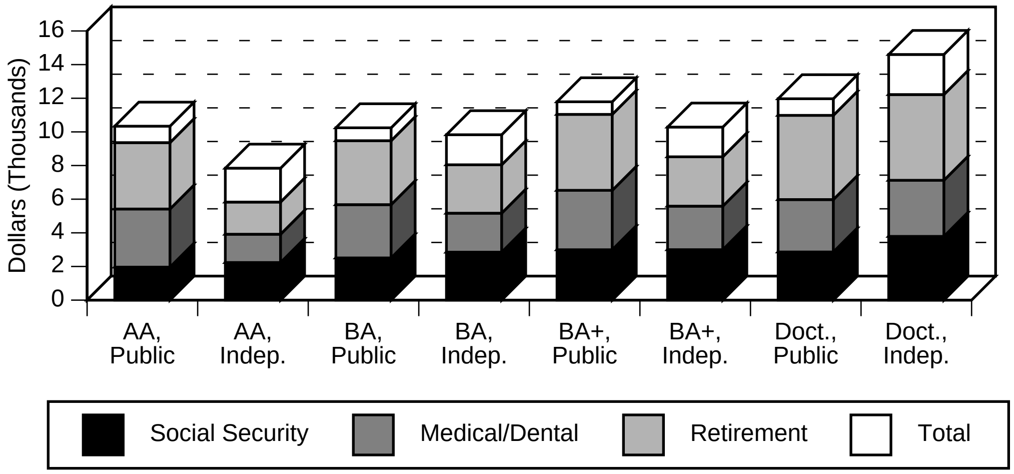
findings of these studies, are now working to show human resource, personnel, and benefits administrators that faculty and staff are more likely to plan for retirement and to view retirement as a normal career prospect if they receive counseling on their financial and health care concerns, post-retirement activities, housing, and other life-style issues.[9] Long-range planning programs that view retirement as a career transition, not an end point, may help to alleviate financial concerns and to define post-retirement activities. These programs may reduce the number of faculty members who continue to work solely because they have not considered alternative post-retirement activities.

This assistance also helps institutions to anticipate emerging issues, thereby improving the planning program and the retirement benefit plans, and to generate critical information on faculty supply and demand.[10]

A need to educate and assist faculty and staff members to make sound investment decisions at a time of a broadened range of investment opportunities through tax-de-

FIGURE 2

DISTRIBUTION OF AVERAGE BENEFIT COSTS FOR 9/10 MONTH FACULTY BY INSTITUTIONAL TYPE AND CONTROL, 1993-94*



**Based on 86.44% of NEA's faculty salary universe reporting benefits data.*

SOURCE: NCES, IPEDS Salary Survey, 1993-94.

ferred annuity and 403(b) retirement plans.[11] "Benefit staffs," a recent article notes, "should devote as much time and effort to investor education as they now do to health programs."[12]

The size of the retirement fund achieved through effective investing may relate directly to the age of retirement. Concerns about anticipated inadequate retirement income may be a significant factor in delaying retirement; faculty members may make considered decisions if they receive assistance in planning for retirement, especially in understanding the many investment opportunities provided through basic institutional retirement plans and supplemental retirement accounts.[13]

Faculty members and institutional representatives must distinguish between educational programs that demonstrate differences among investment options and programs that provide investment advice.[14] If a college ventures into advisement, should its staff provide the program or should it contract for services? If the college contracts for services, the chosen firm must not "sell" investment vehicles to avoid a conflict of interest.

When should the retirement planning program begin? A short-term perspective indicates that planning should begin at least five years before retirement.[15] But most analysts argue for a long term approach. One approach identifies three phases of retirement planning:

The selection of a retirement plan that factors in a target retirement age, a desired retirement income, and an acceptable investment risk level.

The pay-in (accumulation) stage, when the faculty member allocates funds between equity and fixed income investments. The allocation may change as the member ages.

The pay-out or annuity stage, when the retirement income is received.[16]

The initiation of a career, other analysts argue, should mark the beginning of *continuous*, long-term preparation for retirement. The information and counsel offered may vary as faculty and staff members progress from the early retirement planning characteristic of the early career stages to middle preretirement planning, characteristic of the mid-career, and the intensive preretirement planning needed

TABLE 6

AVERAGE INSTITUTIONAL EXPENDITURES FOR MEDICAL/DENTAL BENEFITS AS A PERCENTAGE OF AVERAGE BENEFIT COSTS AND AVERAGE SALARY, 1993-94

	Percent of Benefit Costs		Percent of Salary	
	Public	Indep.	Public	Indep.
9/10 Month Faculty				
AA	33.4	21.4	8.5	5.7
BA	30.9	23.6	8.0	5.8
BA+	30.0	25.2	8.1	6.2
Doctoral	26.0	22.8	6.4	5.7
11/12 Month Faculty				
AA	28.4	35.4	7.0	7.3
BA	27.0	33.9	6.0	7.1
BA+	22.7	25.4	5.2	5.8
Doctoral	21.5	24.7	4.7	6.0

NOTE: :Based on 86.4 percent of NEA's faculty salary universe (2,735 institutions) reporting benefits data.

SOURCE: NCES, IPEDS Salary Survey, 1993-94.

TABLE 7

AVERAGE INSTITUTIONAL SOCIAL SECURITY CONTRIBUTIONS AS A PERCENTAGE OF AVERAGE BENEFIT COSTS AND AVERAGE SALARY, 1993-94

	Percent of Benefit Costs		Percent of Salary	
	Public	Indep.	Public	Indep.
9/10 Month Faculty				
AA	19.0	28.5	4.8	7.5
BA	24.5	29.0	6.4	7.2
BA+	25.4	29.2	6.8	7.2
Doctoral	24.3	23.9	5.9	6.4
11/12 Month Faculty				
AA	24.1	33.7	5.9	7.0
BA	28.8	29.8	6.4	6.3
BA+	26.8	31.1	6.1	7.1
Doctoral	24.6	23.8	5.4	5.8

NOTE: :Based on 86.4 percent of NEA's faculty salary universe (2,735 institutions) reporting benefits data.

SOURCE: NCES, IPEDS Salary Survey, 1993-94.

TABLE 8

PERCENT OF TOTAL FULL-TIME INSTRUCTIONAL FACULTY AGE 55 OR OLDER AND THEIR RETIREMENT PLANS, 1992-93.

Age Group	% of Faculty In Age Group	%Likely To Retire In 3 Years
55-59	12.7	10.4
60-64	8.5	31.6
65-69	3.4	46.8
70	0.3	68.2
Over 70	0.7	32.4

SOURCE: Derived from data from the National Center for Education Statistics, 1993 National Study of Postsecondary Faculty (NSOPF-93). Washington, D.C.: U.S. Department of Education.

in the late career stages. The need for postretirement planning continues well into retirement.[17] Ideally, the faculty member makes the key decisions, but the institution provides information and counseling since its benefit plans—pension plans, tax-sheltered annuity opportunities, and health care coverage—are critical to planning for the future.

Provision for retirement *should* be a long term process of addressing the monetary aspects of life cycle planning.[18] New full-time hires must be oriented to four key aspects—disability, health care, life insurance, and retirement income—as soon as they sign up for benefits.[19] Orientation is especially important to new faculty members who may choose among several types of plans in each area.

Most faculty members in the early stages of their careers focus on immediate financial security, not on retirement, and rely primarily on earned income for financial security. Counseling and educational activities should therefore note *both* short and long term benefits. Tax-sheltered savings and annuity plans, for example, may have salutary effects on current finances, and some annuity plans permit loans for major expenses during the pay-in phase.

Faculty members must also consider the amount of retirement income necessary to maintain the standard of living experienced during employment—at least 70 percent of employment income, according to many analysts. A realistic estimate requires projecting "real" income 15 to 20 years into retirement, after discounting for inflation.[20] One study notes, for example, "$40,000 of annual projected income today would in terms of 'real' dollars of purchasing power be worth only approximately $18,000 in 2014, assuming no appreciation and an inflation rate of 4 percent." [21]

These projections may prompt faculty members to develop multiple sources of retirement income. Many participants view Social Security as their basic source of retirement income, with other sources bringing the income up to the minimum needed retirement income.[22] But knowing the projected Social Security benefit may alert participants to the often substantial amount of income necessary from the pension plan, savings, and other personal sources to meet a determined retirement income level.

Once an income level is determined, faculty members must determine an acceptable level of investment risk—participants, not institutions, in defined contribution pension plans assume these risks. Last, participants, must decide upon an active or passive management strategy for their pension plan and any tax-deferred supplementary retirement accounts—a key decision in today's market of numerous investment vehicles.[23] Institutional education programs must note the implications of these decisions and alert faculty and staff to the need to supplement the income from a pension plan and Social Security with earnings from savings and other assets.

Faculty members must also ascertain the nature and costs of post-retirement health insurance that provides adequate coverage while assuring financial security. What coverage is available to colleagues who retire prior to the age of eligibility for Medicare? Can faculty members continue under the institution's group insurance? If so, at whose expense? What type of insurance is needed to provide secondary payer coverage after Medicare eligibility is attained? Last, does the faculty member recognize the potential effects of long-term care on finances?

Domestic Partner Benefits

Domestic partner benefit coverage is a topic of growing interest at colleges and universities with employment policies of nondiscrimination regarding sexual orientation and marital status. Will benefits be available to unmarried domestic partners, significant others, or same-sex spousal equivalents, living in domestic relationships that are perceived to be functionally equivalent to marriage? Much discussion emphasizes benefits for gay and lesbian domestic partners and their children, but some proposals include benefits requests for unmarried opposite-sex partners.[24]

Analysts have studied eligibility requirements, administrative and benefit costs, and legal issues involved in extending benefits to nonmarried domestic partners.[25] The definition of domestic partner or spousal equivalent is key to determining eligibility at institutions that provide these benefits. Partners are generally expected to have an exclusive mutual commitment similar to marriage, to have lived together in the same residence for a specified minimum amount of time, and to be financially interdependent and responsible for each other's welfare.[26]

Institutions contemplating extending domestic partner benefits usually ask about the extent of participation and the impact of a new enrollment group on costs, especially health care costs. To date, enrollment levels appear lower than expected, and health care premium increases appear marginal.[27]

Domestic partners and spousal equivalent arrangements fall outside the legal conditions applied to the standard contractual marriages. Institutional employees therefore face some tax implications when a partner acquires health benefits. Under IRS regulations, the employee pays the partner's portion of the cost of coverage on an after-tax rather than pre-tax basis. The institution's contribution toward the partner's coverage is subject to federal income tax and FICA.[28]

Thus far, independent institutions are more likely to offer domestic partner benefits. Independent colleges and universities comprised the majority of the 206 institutions that gave health benefits to domestic partners, according to one study.[29] Benefits at many public institutions, especially health insurance, are part of statewide plans that prescribe eligibility requirements. Restrictive statutes regarding sodomy and same sex marriages, for example, may prevent gay and lesbian couples from obtaining domestic partner benefits in some states.

CONCLUSION

A half decade of financial constraints, an aging faculty that faces decisions about retirement, and a continued increase in the costs of benefits challenge the economic viability of higher education.

A recent survey quantifies the extent of concern—all surveyed public institutions and 92 percent of surveyed independents identified financial issues as a major challenge, and 65 percent of the public and 33 percent of the independent respondents noted the inadequacy of current funding levels.[30] Only 26 percent of the public and 15 percent of the independent respondents rated their faculty compensation packages "excellent" or "very good." Conversely, 30 percent of the public colleges and universities and 37 percent of the independents rated faculty compensation as "fair" or "poor." [31]

Administrators and faculty members at many colleges thus express concern for both the salary and the benefits components of total compensation.

The same survey analyzed institutional expectations for faculty retirements and the effects of the abolition of mandatory retirement. Approximately two-thirds of surveyed colleges and universities—including 82 percent of public two-year, 59 percent of public four-year, and 54 percent of independent institutions—expected an increase in the rate of faculty retirements over the next five years.[32] Expected increases in the rate of retirements led to reduced concerns about the abolition of mandatory retirement—approximately 48 percent of independent universities and only 15 percent of their public counterparts expected any problem.[33]

Anticipation of increased retirements, uncertainty associated with abolition of mandatory retirement, and proliferation of investment vehicles impelled many institutions to focus on faculty retirement decision-making and to provide faculty with retirement planning.

An actual increase in the pace of retirements and even greater complexity in the investment environment will undoubtedly lead more institutions to offer retirement and financial planning programs for faculty and staff.

Employees may also seek information in these areas from their local and state Associations, and from their disciplinary organizations.

NOTES

[1] Based on 1508 institutions (47.7 percent of the NEA National Faculty Salary Universe) reporting data in all years. Source: NCES, IPEDS Salary Survey, 1989-90 through 1993-94.

[2] Chronister, 1995, 98.

[3] 1977-78=NEA, 1979, 9; 1987-88=NCES, 1990, 9; 1992-93=derived from data from the 1993 National Study of Postsecondary Faculty. Four percent of full-times faculty members were 65 or older in 1992-93.

[4] 1987-88=derived from data from the 1998 National Survey of Postsecondary Faculty; 1992-93=1993 National Study of Postsecondary Faculty.

[5] 1988 National Survey of Postsecondary Faculty; 1993 National Study of Postsecondary Faculty.

[6] TIAA / CREF, 1991, 4.

[7] Allen, 1993, 198.

[8] TIAA / CREF, 1991, 4.

[9] Hammond and Morgan, 1991, 89.

[10] Hammond and Morgan, 1991, 89.

[11] VALIC, 1994, 1.

[12] VALIC, 1994, 1.

[13] Morrell, 1994; Knopf, 1994; Bourne and Veeneman, 1994.

[14] Bourne and Veeneman, 1994, 3.

[15] Allen, 1993, 199.

[16] Knopf, 1994, 33.

[17] Enteman, 1992, 10.

[18] Addicott and Julius, 1994, 49.

[19] Addicott and Julius, 1994, 50.

[20] Men typically spend 15 years in retirement and women average 19 years, but the number of years of retirement years for a specific faculty member depends on the individual's health and retirement age. Spray, 1995, 1.

[21] Knopf, 1994, 34.

[22] Spray, 1995, 4. Contributors to Social Security should request a "Personal Earnings and Benefits Estimate Statement," that shows reported earnings, Social Security taxes paid, and estimated retirement benefit amounts at ages 62, 65, and 70. To receive the PEBE statement from the Social Security Administration, call 800-772-1213 and request Form SSA-7004.

[23] Morrell, 1994, 29.

[24] A Case Study . . . ,1994, 2.

[25] A Case Study . . . , 1994, 2; University of Iowa, undated; Association for Gay, Lesbian, and Bi, 1994, and The Report of the CUNY . . . , 1993.

[26] Health / Dental benefits . . . , 1993; A Case Study . . ., 1994.

[27] A Case Study . . . , 1994; University of Iowa, undated; Association of Gay, Lesbian, and Bi, 1994.

[28] University Adds Medical . . . , 1993; Health / Dental benefits . . . , 1993.

[29] Neuberger, 1994, B-3.

[30] El-Khawas, 1995, 29, 30.

[31] El-Khawas, 1995, 31.

[32] El-Khawas, 1995, 17.

[33] El-Khawas, 1995, 41.

REFERENCES

"A Case Study in Developing Domestic Partner Benefits," *CUPA News* 21 (9) 1994, 2.

Addicott, J.W. and Julius, D.J., "The Monetary Arena: Cornerstone for Life Cycle Planning," *CUPA Journal* 45 (3) 1994, 49-56.

Allen, D.R., "The Faculty Perspective," in Julius, N.B. and Krauss, H.H., *The Aging Workforce: A Guide for Higher Education Administrators* (Washington, D.C.: College and University Personnel Association, 1993), 191-202.

Association for Gay, Lesbian and Bi University Employees, *USC Domestic Partner Policy Proposal* (University of Southern California, June, 1994).

Bourne, S. and Veeneman, D., "Role of Investment Education in Retirement Planning," *CUPA News* 21 (13) 1994, 3-5.

Chronister, J.L., "Benefits and Retirement, 1992-1993," in *The NEA 1995 Almanac of Higher Education* (Washington, D.C.: National Education Association, 1995), 97-108.

El-Khawas, E., *Campus Trends, 1994, Higher Education Panel Report*, Number 84 (Washington, D.C.: American Council on Education, July, 1994).

Enteman, W.F., *Retirement 101: How TIAA-CREF Members Should Deal With the Dramatic Changes in Their Pensions* (Madison, Wisc.: The University of Wisconsin Press, 1992).

Hammond, P.B. and Morgan, H.R., *Ending Mandatory Retirement for Tenured Faculty: The Consequences for Higher Education* (Washington, D.C.: National Academy Press, 1991).

Health/Dental Benefits Eligibility for Same Sex Spousal

Equivalent (Northeastern University, September 29, 1993).

Knopf, W.G., "Retirement Planning Revisited: Retirement Plans Must Be Revisited Periodically," *Business Officer* 28 (4) (1994), 32-36.

Morrell, L.R., "Institutional Responsibility: Helping Employees Successfully Manage Their Retirement Funds," *Business Officer* 28 (4) (1994), 27-31.

National Education Association, *Higher Education Faculty: Characteristics and Opinions* (Washington, D.C.: National Education Association, 1979).

National Center for Education Statistics, *Faculty in Higher Education Institutions* (Washington, D.C.: U. S. Department of Education, March, 1990).

Neuberger, C., "Mary Washington Faculty Supports Covering Partners," *Richmond Times-Dispatch* (November 3, 1994), B-3.

Spray, M.S., "Educating an Aging Work Force on Retirement," *CUPA News* 22 (2) (1995), 1,4,12.

Teachers Insurance Annuity Association, "The NACUBO/TIAA-CREF Survey of College and University Retirees," *Research Dialogues* 31 (New York: TIAA-CREF, October 1991).

The Report of the CUNY Study Group on Domestic Partnership (New York: City University of New York, October, 1993).

"University Adds Medical Coverage for Domestic Partners," *Columbia Benefits Update for Officers* 1 (7) (1993), 1-2.

University of Iowa Report on Costs of Health Coverage for Domestic Partners (Iowa City, Iowa.: University of Iowa, undated).

VALIC, "The Employer's Education Responsibility Under 404(c)," *Educated Choices* 3 (1) (Spring 1994), 1.