

Faculty Retirement and Benefits

by Jay L. Chronister

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Colleges and universities are experiencing major changes in the age composition of their faculty members. For over a decade, observers have asked whether large numbers of faculty would defer retirement beyond age 70 in the absence of a mandatory retirement age. Recent surveys show an increase in the mean age of the college faculty population. Some faculty cohorts, these surveys also show, plan to retire at ages later than were possible prior to the abolition of the mandatory retirement age. These findings have important implications for understanding trends in benefits.

This chapter addresses five topics:

- the aging trend of the American professoriate.
- the retirement plans of instructional faculty and staff.
- faculty interest in incentive retirement plans.
- fringe benefits provided to faculty.
- costs of benefits.

FACULTY AGE

Between 1977-78 and 1987-88, the mean age of all faculty in higher education increased from 44 to 47.¹ Table 1 shows a decline of about 5 percent in faculty under age 44 and a corresponding increase in those 45 and older between 1987-88 and 1992-93. Two percent of the increase occurred among faculty members age 55 or older, the "retirement eligible age cohort."

Full-time and part-time instructional faculty and staff showed somewhat different distributions—26 percent of the full-time and 21 percent of part-time faculty were age 55 or older in fall 1992; 3 percent of part-time and 1 percent of the full-time faculty were age 70 or older.

Full-time male faculty members appeared in the age 55 or older category more frequently than women—30 percent vs. 17 percent. A smaller percentage of minority (23 percent) than nonminority (26 percent) faculty were age 55 or older. These differences reflect the recency of the progress made by women and minorities—primarily in the younger age categories—in their representation on college faculties.

In 1992-93, just over 4 percent of full-time faculty members were age 65 or older and

TABLE 1

AGE DISTRIBUTION OF FULL-TIME INSTRUCTIONAL FACULTY AND STAFF: FALL, 1978 AND FALL, 1992.

| Age | Fall 1987 | Fall 1992 |
|----------|-----------|-----------|
| Under 35 | 10.2 | 7.9 |
| 35-44 | 31.6 | 28.9 |
| 45-54 | 34.1 | 37.1 |
| 55-59 | 11.7 | 13.1 |
| 60-64 | 8.6 | 8.7 |
| 65-69 | 3.3 | 3.4 |
| 70 | 0.2 | 0.3 |
| Over 70 | 0.2 | 0.6 |

SOURCE: 1993 National Study of Postsecondary Faculty.

1 percent were 70 or older—slight increases over the proportion of faculty in these categories in 1987-88 (Table 1). About 19 percent of surveyed institutions experienced a net increase in faculty age 65 or older between 1993-94 and 1994-95; 16 percent cited a net

decrease.² All classifications of institutions, except public two-year colleges, had larger net gains than net losses in faculty age 65 or older; 41 percent of independent research/doctoral universities reported such gains. But public and independent institutions showed significant variation: 15 percent gain/14 percent loss among public institutions; 26 percent gain/20 percent loss among the independents (Table 2).

About 18 percent of the independent institutions reported a net increase in faculty age 70 or older; 7 percent reported a net loss; net gains and losses at public institutions were 7 percent and 10 percent, respectively. Independent research/doctoral institutions cited respective gains and losses of 41 percent and 11 percent. In contrast, public research/doctoral institutions reported net gains of 18 percent and net losses of 7 percent.

What are the implications for individuals and institutions of this increase in the proportion of faculty nearing the “traditional” age for retirement? The individual faculty perspective is related to personal goals and objectives, including the adequacy of their retirement income, personal health and the health of dependents, and the ability and opportunity to remain intellectually active.

TABLE 2

PERCENTAGES OF INSTITUTIONS REPORTING NET CHANGES IN FACULTY AGE 65 AND OVER, AND AGE 70 AND OVER BY TYPE AND CONTROL OF INSTITUTION FROM 1993-94 TO 1994-95

| | All institutions | Public | | | | Independent | | |
|------------------------|------------------|--------|----------|---------------|-------------------|-------------|----------|-------------------|
| | | All | Two-Year | Comprehensive | Research/Doctoral | All | Colleges | Research/Doctoral |
| Age 65 and over | | | | | | | | |
| Net Gain | 19 | 15 | 9 | 25 | 28 | 26 | 25 | 41 |
| No Change | 65 | 72 | 81 | 56 | 49 | 54 | 56 | 41 |
| Net Loss | 16 | 14 | 11 | 18 | 24 | 20 | 20 | 19 |
| Age 70 and over | | | | | | | | |
| Net Gain | 11 | 7 | 3 | 14 | 16 | 18 | 16 | 41 |
| No Change | 80 | 83 | 91 | 70 | 58 | 75 | 78 | 48 |
| Net Loss | 9 | 10 | 5 | 16 | 26 | 7 | 6 | 11 |

SOURCE: Elaine El-Khawas, Campus Trends 1995: New Directions for Academic Programs (Washington, D.C.: American Council on Education, July 1995), 47.

Not lost on faculty members is the significant increase in the expected life span of individuals. Advances in medical science and improved health care, notes one observer, have provided individuals with a second middle age that begins at age 50 and may last for 30 or more years.³ Based on current mortality tables, TIAA-CREF projects a two-thirds chance that one of every two 65 year-olds will still rely on retirement income at age 90.⁴

Academic institutions must ask about the increased cost and retention of a growing cadre of senior faculty, and about a concomitant decreased opportunity to hire junior faculty to support changes in program areas. Recent research challenges the traditional presumption that older faculty members are less productive and therefore provide diminished quality.⁵ "Virtually everything we think we know about aging and longevity, drawn from collective wisdom is wrong," asserts a TIAA research report.⁶ If conventional wisdom is overturned, should institutions be concerned about the retention of faculty members who choose to work past the traditional retirement ages of 65 or 70? Institutions will undoubtedly face this issue as faculty decide their retirement age in the absence of a mandate.

FACULTY PLANS FOR RETIREMENT

How will increased longevity and the absence of mandatory retirement affect faculty decisions about when to retire? Will faculty extend their institutional careers or will they engage in retirement-related activities? This analysis of faculty retirement plans approaches the question from two perspectives: the *percent* of full-time faculty who anticipated retirement within three years, beginning with 1992-93, and the *age* at which full-time faculty anticipated retiring.⁷

The likelihood of faculty retirement within three years varied by type and control of institution, and by program area. Approximately 7.4 percent of full-time faculty indicated they were "very likely" to retire in 1992-93, 1993-94, or 1994-95. Faculty members at all public institutions, except research universities, were more likely to retire than colleagues at corresponding independent institutions (Table 3). The data shows no direct relationship between the percent of faculty indicating the likelihood of retiring within three years and the propor-

tion of faculty at the institutions who were age 55 or older.

TABLE 3

FULL-TIME INSTRUCTIONAL FACULTY AND STAFF REPORTING THEY WERE VERY LIKELY TO RETIRE IN THE NEXT THREE YEARS, BY TYPE AND CONTROL OF INSTITUTION, PROGRAM AREA, AND PERCENT OF FACULTY AGE 55 OR OLDER: FALL 1992

| | Percent Very Likely to Retire In Three Years | Percent of All Faculty Age 55 Or Older |
|-------------------------------|--|--|
| Institutions | | |
| Public Research | 5.9 | 27.0 |
| Private Research | 5.9 | 28.0 |
| Public Doctoral ^a | 7.4 | 24.0 |
| Private Doctoral ^a | 4.3 | 24.0 |
| Public Comprehensive | 8.4 | 27.0 |
| Private Comprehensive | 6.0 | 29.0 |
| Private Liberal Arts | 6.8 | 25.0 |
| Public Two-Year | 9.4 | 24.0 |
| Other ^b | 7.4 | 28.0 |
| Program Areas | | |
| Agriculture/Home Economics | 9.0 | 28.0 |
| Business | 8.5 | 26.0 |
| Education | 10.5 | 29.0 |
| Engineering | 8.7 | 31.0 |
| Fine Arts | 9.0 | 26.0 |
| Health Sciences | 5.4 | 21.0 |
| Humanities | 8.0 | 30.0 |
| Natural Sciences | 6.5 | 26.0 |
| Social Sciences | 6.0 | 26.0 |
| Other | 7.4 | 28.0 |

^a Includes institutions classified by the Carnegie Foundation as specialized medical schools.

^b Public liberal arts, private two-year, religious and other specialized institutions, except medical.

SOURCE: 1993 National Study of Postsecondary Faculty.

The likelihood of retiring within three years also varied by program area specialization of faculty. Program areas with the largest percentages "very likely" to retire within three years included: education (10.5 percent), agri-

culture/home economics (9 percent), business (8.5 percent), engineering (8.7 percent), fine arts (9 percent), and humanities (8 percent). There is some relationship between the program areas with the largest percentages of faculty age 55 or over, and the likelihood of faculty retiring within three years as evidenced by data for agriculture/home economics, education, engineering, and humanities.

There also is a direct relationship between current age and the likelihood of faculty retiring within three years—49 percent and 75 percent of the faculty members in the 65-69 age range and at age 70, respectively—but only one-third of the faculty over age 70—were likely to plan to retire within three years (Table 4).

TABLE 4

PERCENT OF FULL-TIME INSTRUCTIONAL FACULTY VERY LIKELY TO RETIRE IN THE NEXT THREE YEARS, BY CURRENT AGE: FALL 1992

| Current Age | Percent Very Likely To Retire |
|-------------|-------------------------------|
| Under 55 | 4.0 |
| 55-59 | 10.0 |
| 60-64 | 32.0 |
| 65-69 | 49.0 |
| 70 | 75.0 |
| Over 70 | 33.0 |

SOURCE: 1993 National Study of Postsecondary Faculty.

Faculty members reported differences in the age they anticipated ending their work at postsecondary institutions and the age at which they would retire from paid employment (Table 5). Approximately 28 percent of the full-time faculty in fall 1992 expected to cease employment at a postsecondary institution prior to age 65, but only about 18 percent expected to retire from paid employment by that age. Conversely, 17 percent expected to retire from a postsecondary institution at age 70 or older, while 26 percent expected to retire from paid employment during that period.

How do the anticipated retirement ages of full-time faculty in fall 1992 correspond with the actual retirement ages of faculty in recent

TABLE 5

A COMPARISON OF THE AGES AT WHICH FULL-TIME INSTRUCTIONAL FACULTY ARE MOST LIKELY TO STOP WORKING AT A POST-SECONDARY INSTITUTION AND TO RETIRE FROM PAID EMPLOYMENT

| Age Categories | Age Likely to Stop Work at Post-Secondary Institution | Retire from Paid Employment |
|----------------|---|-----------------------------|
| Under 50 | 1.9 | 0.2 |
| 50-54 | 2.0 | 0.6 |
| 55-59 | 7.0 | 3.8 |
| 60-64 | 17.4 | 12.9 |
| 65-69 | 30.1 | 27.2 |
| 70 | 13.0 | 17.2 |
| Over 70 | 4.2 | 8.6 |
| Don't Know | 24.3 | 29.3 |

SOURCE: 1993 National Study of Postsecondary Faculty.

years? Aggregating data from the “Retire from Paid Employment” column in Table 5 into three categories of potential retirement ages—under 65, 65-69, and 70 and over—produces anticipated retirement age distributions of 17.5 percent, 27.2 percent, and 25.8 percent, respectively. A 1991 TIAA-CREF study of faculty retirees showed a percentage distribution of actual retirements by the same age categories of: under 65, 43 percent; 65-69, 44 percent; and 70 or older, 8 percent.⁸ The contrast between the 8 percent of actual retirees at age 70 or older and the 25.8 percent in the data base of the 1993 National Study of Postsecondary Faculty (NSOPF) reflects the existence of a mandatory retirement age of 65 or 70 when the TIAA-CREF survey was administered.

We can see the abolition of mandatory retirement has affected the retirement planning of currently employed faculty members, despite the limitations of a direct comparison between the two data bases. But the abolition of mandatory retirement should not be considered the only, or the most important reason for continued employment.

The combination of increased years of healthy life expectancy and the lack of a mandatory retirement age has opened the door for continued years of employment. An increasing

number of faculty plan to take advantage of the opportunity for a later retirement age than was possible when mandatory retirement thwarted the choice.

Incentive Retirement Plans

Increases in the proportion of faculty at senior age levels and in the proportion who defer retirement affect the curricular and financial plans of institutions. Many institutions, in response, have implemented incentive retirement programs for faculty—36 percent of institutions responding to a 1995 survey offered buyouts to their faculty members during the previous year.⁹ Early retirement options were offered by 38 percent of public institutions with 39, 30, and 55 percent of the two-year, comprehensive, and research/doctoral institutions, respectively, making the plans available. Only 32 percent of independent institutions offered an incentive program—68 percent of the research/doctoral institutions; 28 percent from all other types of independent colleges.

Approximately 28 percent of full-time instructional faculty in 1992 would give serious consideration to an early retirement option, if offered.¹⁰ By age category, faculty in the age ranges of 60-64 (36 percent), and 55-59 (33 percent) were the most receptive. There was little difference by gender on taking part in such a plan, but there were important differences by race and ethnicity. Minorities, in general, expressed greater interest than white/non-Hispanic faculty. Faculty members at public institutions expressed greater interest than their colleagues at comparable types of independent institutions—23 percent and 16 percent of full-time faculty at public and independent research institutions, respectively, for example. Full-time faculty at public two-year institutions expressed the highest level of interest (35 percent), followed by faculty members at public comprehensive institutions (32 percent).

Full-time faculty members also expressed broad interest (46 percent) in having the opportunity to draw retirement income and to continue working part-time at their institution. The idea appealed especially to faculty age 70 (67 percent), males (48 percent vs. 43 percent for women), and minority faculty (48-52 percent depending on race or ethnicity vs. 46 percent for nonminority faculty).

BENEFITS

The availability and types of benefits that institutions provide to full-time and part-time faculty and staff are important parts of total compensation.¹¹

Retirement Plans for Full-time Faculty and Staff

Nearly all colleges and universities provide retirement plans for full-time employees, including permanent instructional and non-instructional personnel (Table 6).

About 72 percent of all institutions provide TIAA-CREF, 42 to 44 percent offer another 403B plan, and nearly 45 percent have a state plan. Ninety percent or more of public and independent research, public doctoral, and independent comprehensive institutions offer TIAA-CREF, while 75 percent or more of the public research, doctoral, comprehensive, and two-year institutions provide a state retirement plan. More than 60 percent of each type of institution offered at least one other 403B plan.¹²

Retirement plans vary by degree of institutional subsidy. Table 7 shows the percent of institutions that fully subsidize, partially subsidize, or do not subsidize their retirement plans for full-time faculty. Of the institutions offering TIAA-CREF, for example, 23.9 percent fully subsidize the retirement plan for full-time faculty, 60.1 percent require both institution and employee contributions, and 16 percent require the employee to fund the pension account fully.

Other Benefit Options for Faculty

Colleges and universities commonly offer medical insurance or medical care, dental insurance or dental care, disability insurance, and life insurance to permanent full-time instructional and non-instructional faculty and staff (Table 8). The proportion of institutions offering a dental insurance or dental care benefit increased significantly, from 59 percent in 1987-88 to 80 percent in 1992-93. Child care showed substantial gains—the proportion of campuses providing child care benefits increased from 4 percent to nearly 30 percent between 1987-88 and 1992-93. About 60 percent of public and independent research universities offer child care benefits for at least certain full-time personnel. Enactment of the

TABLE 6

| Faculty Status | Number of Institutions | Any Retirement Plan | Retirement Plans | | | | |
|--------------------------------------|------------------------|---------------------|------------------|-----------------|------------|-------------------|-----------------------|
| | | | TIAA-CREF | Other 403B Plan | State Plan | 401K or 401B Plan | Other Retirement Plan |
| Permanent Full-time Instructional | 3,142 | 96.8 | 72.4 | 44.1 | 44.9 | 15.3 | 28.0 |
| Permanent Full-time Noninstructional | 1,881 | 94.6 | 71.8 | 48.3 | 42.0 | 15.3 | 25.9 |
| Part-time Instructional | 3,091 | 42.5 | 24.6 | 16.7 | 22.9 | 4.4 | 10.3 |

SOURCE: 1993 National Study of Postsecondary Faculty.

TABLE 7

| Types of Plan | Percent of Plans | | |
|-----------------------|------------------|----------------------|----------------|
| | Fully Subsidized | Partially Subsidized | Not Subsidized |
| TIAA-CREF Plan | 23.9 | 60.1 | 16.0 |
| Other 403B Plan | 10.5 | 26.5 | 63.0 |
| State Plan | 20.4 | 69.2 | 10.4 |
| 401K or 401B Plan | 6.5 | 19.1 | 74.4 |
| Other Retirement Plan | 28.3 | 39.6 | 32.1 |

SOURCE: 1993 National Study of Postsecondary Faculty.

federal Family Medical Leave Act of 1993 led to gains in the proportion of institutions providing maternity leave (83 percent) and paternity leave (61 percent). Independent institutions are more likely than are public institutions to provide tuition remission or grants for faculty dependents, and to provide housing assistance.

Nearly 28 percent of institutions provide "cafeteria-style" benefits plans in which full-time instructional faculty and staff can trade off some benefits for others, within institutional guidelines. These plans are more common at

independent liberal arts colleges (40.5 percent), independent doctoral universities (36.8 percent), and public doctoral universities (34.0 percent), than at other types of institutions.

Fewer institutions provide benefits for temporary full-time faculty. Only 45 percent of institutions, for example, provide medical insurance or medical care to temporary full-time personnel; 99 percent provide this coverage to permanent full-time faculty (Table 8). Research, public doctoral, and public comprehensive universities are most likely to offer benefits to temporary full-time instructional

TABLE 8

PERCENTAGE OF HIGHER EDUCATION INSTITUTIONS OFFERING VARIOUS BENEFITS TO FACULTY: FALL 1992

| Faculty Status | Number of Institutions | Wellness Program or Health Promotion | Medical Insurance/ Med. Care | Dental Insurance/ Dent. Care | Disability Insurance | Life Insurance | Tuition Remission/ Grants—Spouse | Tuition Remission/ Grants—Children |
|---------------------------------------|------------------------|--------------------------------------|------------------------------|------------------------------|----------------------|----------------|----------------------------------|------------------------------------|
| Permanent Full-time Instructional | 3,142 | 43.3 | 99.3 | 80.9 | 90.5 | 93.8 | 67.5 | 69.4 |
| Temporary Full-time Instructional | 3,133 | 25.7 | 45.2 | 38.1 | 38.8 | 38.1 | 24.9 | 24.0 |
| Permanent Full-time Non-instructional | 1,881 | 43.9 | 98.7 | 80.0 | 88.4 | 93.5 | 68.7 | 69.3 |
| Part-time Instructional | 3,091 | 21.2 | 35.0 | 25.0 | 23.6 | 26.1 | 17.0 | 14.9 |

| Faculty Status | Child Care | Housing/ Mortgage | Meals | Transportation/Parking | Maternity Leave | Paternity Leave | Medical Insurance For Retirees | “Cafeteria-style” |
|---------------------------------------|------------|-------------------|-------|------------------------|-----------------|-----------------|--------------------------------|-------------------|
| Permanent Full-time Instructional | 29.4 | 16.9 | 16.7 | 56.8 | 83.2 | 61.0 | 66.7 | 27.8 |
| Temporary Full-time Instructional | 19.5 | 2.7 | 7.0 | 34.1 | 32.2 | 26.7 | 20.2 | 11.2 |
| Permanent Full-time Non-instructional | 27.1 | 19.3 | 19.8 | 56.4 | 80.1 | 59.3 | 64.2 | 28.6 |
| Part-time Instructional | 14.1 | 3.3 | 10.1 | 32.0 | 20.7 | 16.9 | 15.7 | 9.1 |

SOURCE: 1993 National Study of Postsecondary Faculty.

faculty—60 percent or more offer medical insurance, dental insurance, disability insurance, and life insurance to these employees.

Benefits for Part-Time Faculty

Benefits for part-time faculty members are less commonly available. Approximately 42 percent of institutions provide a retirement plan for part-time faculty (Table 5); 35 percent provide health care coverage, 25 percent offer dental insurance or dental care, 25 percent provide life insurance, and 14 percent offer child care (Table 8). Public and independent research universities and public doctoral institutions are most likely to offer retirement plans (73 percent or more) and health care benefits for

part-time faculty. Over 40 percent of all research universities and 35 percent of the public doctoral universities offer child care benefits.

Should universities and colleges provide benefits for part-time faculty? If so, what should be the eligibility requirements? Thirty-five percent of all institutions have specific criteria for benefit eligibility for part-time faculty. This proportion ranges from 80 percent of public research universities, 78 percent of public doctoral institutions, and 70 percent of independent research universities to 28 percent at public two-year colleges. Twenty-seven percent of colleges and universities utilize criteria based on a minimum number of hours per

week (average: 16 hours). Approximately 39 percent of part-time faculty meet this minimum criterion. Public research universities (69 percent) and public doctoral universities are most likely (58 percent) to have a required minimum number of hours per week for benefit eligibility; public two-year colleges are least likely (21 percent).

Nearly 17 percent of institutions establish a minimum length of employment service. This minimum exceeds one year at 6 percent of institutions; 41 percent of part-time faculty members meet that length-of-service requirement. Independent doctoral universities (21 percent), public doctoral universities (13 percent), and independent comprehensive institutions (12 percent) are most likely to require at least one year minimum length of employment to qualify for benefits.

Benefits for Retirees

Sixty-seven percent of colleges and universities provide medical insurance for retirees who were permanent full-time instructional faculty. Public institutions are more likely to offer medical insurance for retirees—95 percent and 78 percent of public and independent research universities, respectively; 86 percent and 49 percent of public and independent doctoral universities, respectively. Almost as many (64 percent) institutions provide health benefits for former permanent full-time non-instructional faculty; again public colleges and universities are more likely to offer the benefit. Twenty percent of colleges and universities extend health insurance to retired temporary full-time instructional faculty; 16 percent to former part-time personnel.

A 1993 health-care reform survey found that among the 70 percent of surveyed institutions providing medical coverage for their retirees, 33 percent subsidized both pre- and post-age 65 persons, 26 percent provided no subsidy, and 12 percent provided some variation thereof.¹³

COSTS OF BENEFITS

Benefits continue to consume a large portion of institutional compensation budgets. Between 1989-90 and 1994-95, average benefit costs rose by 27.7 percent, while average salary grew by 20 percent (Figure 1).¹⁴ Average costs for this period increased by 24.9 percent at AA,

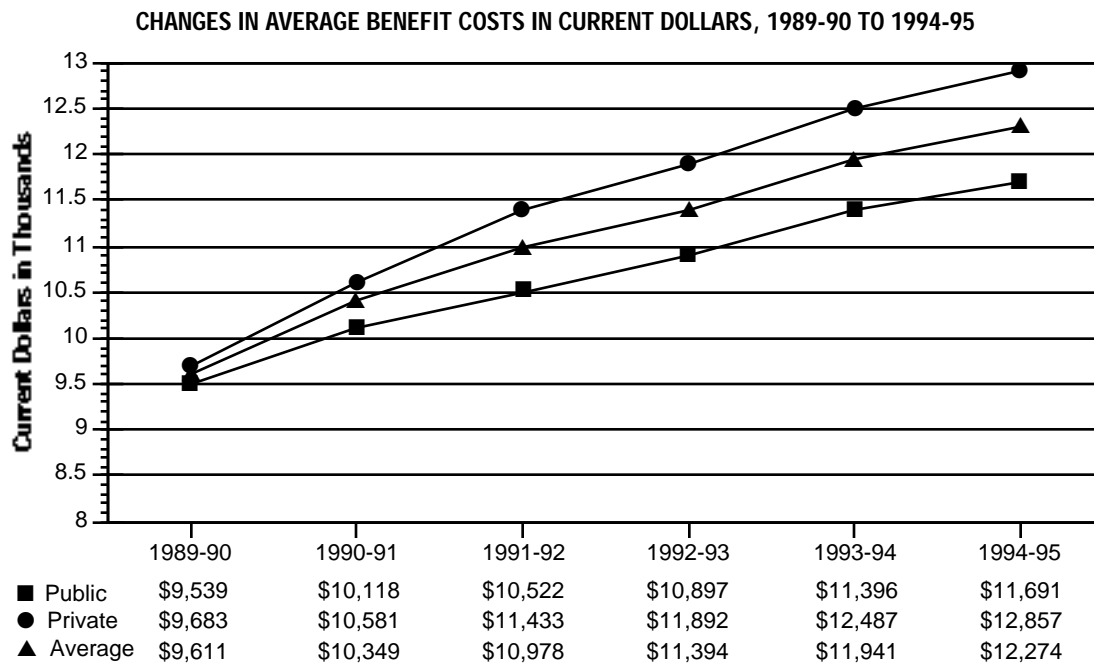
30.2 percent at BA, 23.1 percent at BA+, and 25.6 percent at doctoral institutions. Independent institutions experienced the larger average increase—32.6 percent vs. 22.6 percent at public institutions.¹⁵ The increase in average benefit costs moderated to 2.8 percent between 1993-94 and 1994-95, while average salaries increased by 3.3 percent.

Tables 9 and 10 show average salaries, average benefit costs, and benefit expenditures as percent of average salary by level and control of institution for 9/10 and 11/12 month faculty for 1994-95. The overall average of 25.2 percent in 1994-95 was the same as the average for 1993-94. Average salaries and average benefit costs for faculty on 9/10 month contracts were higher at public institutions at each level than at independent institutions, except at doctoral level institutions (Table 9). Benefits as percent of salary ranged from 24 percent at public doctorals to 29.8 percent at independent AA institutions.

Public institutions, on average, provided higher salaries and incurred higher average benefit expenditures for 11/12 month faculty, except for higher average benefit expenditures at the independent doctoral level (Table 10). The public and independent BA colleges provided the highest average benefit as a percent of salary, 27.7 percent. The overall average of 24.4 percent for benefits as a percent of salary was an increase over the previous year.

Disaggregating average benefit cost data for full-time faculty on 9/10 and 11/12 month appointments by type and control of institution allows for a more detailed cost analysis of benefits (Tables 11 and 12). Retirement contributions, Social Security, and medical/dental insurance, continue to be the “big three” expense items in the average benefit package. Differences in average salaries at public and independent institutions result in different average costs for some benefits, including retirement contributions and Social Security. Other differences result from the benefits themselves. For example, a tuition benefit is a greater average cost for independent doctoral institutions than for the publics. Basing average benefits calculations on actual costs for faculty receiving the benefits shows higher expense patterns than data that include institutions that do not provide a benefit, or that include ineligible faculty members. A 1994-95 report distinguishes between institutions that

FIGURE 1



NOTE: Based on 1,458 institutions (45.3 percent of the NEA National Faculty Salary Universe) reporting data in all years.

SOURCE: NCES, IPEDS Salary Survey, 1989-90 through 1994-95.

offer a benefit and the average cost per faculty member who actually receive that benefit (Table 13). Average costs per faculty across all institutions were \$12,593 in 1994-95, or about 25.4 percent of the average salary. Costs by type of control were: public, \$12,469 (25.4 percent); private/independent, \$14,251 (25.7 percent); and church-related, \$10,988 (25.2 percent).¹⁶ But average benefits expenditures increased when based on costs for the faculty members actually receiving the benefits—total, \$17,855 (36.2 percent); public, \$15,439 (31.5 percent); private/independent, \$21,708 (39.2 percent); and church-related, \$18,670 (42.8 percent). The tuition remission benefit made the most significant contribution to the increase in average costs—an elevenfold higher average cost when the figure includes only faculty who received the benefit.

BENEFIT AND RETIREMENT ISSUES

State Pension Plans

The financial condition of state pension funds is an area of growing concern to state

and campus officials and to faculty members. Two-thirds of state pension plans are underfunded, according to a General Accounting Office study, and 40 percent are undercontributed.¹⁷ State plans may therefore be unable to meet actual and anticipated annuity payout obligations.

Some states, in response, are considering a shift from defined benefit to defined contribution pension plans. The state thereby guarantees a specific annual pay-in amount instead of a specified pension annuity payout. The employee, by choosing the types of investments, assumes the risk of meeting income replacement needs for retirement.

Social Security

Concerns about the long-term viability of Social Security as a retirement income source compound concerns about state retirement plans. Younger members of the Baby Boom generation may find the Social Security Trust Fund insolvent unless Congress changes the program funding and eligibility requirements. The accumulation in the fund, a recent study

TABLE 9

AVERAGE SALARY, AVERAGE BENEFITS AND BENEFITS AS A PERCENT OF AVERAGE SALARY, FACULTY ON 9/10 MONTH CONTRACTS BY INSTITUTIONAL TYPE AND CONTROL, 1994-1995

| Institution Type | Control | | |
|---------------------------|---------|-------------|------------------------|
| | Public | Independent | Average of All Faculty |
| AA | | | |
| Salary (\$) | 41,108 | 30,133 | 40,889 |
| Benefits (\$) | 10,471 | 8,968 | 10,441 |
| Benefits (Percent Salary) | 25.5 | 29.8 | 25.5 |
| BA | | | |
| Salary (\$) | 41,186 | 40,841 | 40,939 |
| Benefits (\$) | 10,779 | 10,665 | 10,698 |
| Benefits (Percent Salary) | 26.2 | 26.2 | 26.2 |
| BA+ | | | |
| Salary (\$) | 46,007 | 42,802 | 44,838 |
| Benefits (\$) | 12,076 | 11,054 | 11,703 |
| Benefits (Percent Salary) | 26.2 | 25.8 | 26.1 |
| Doctoral | | | |
| Salary (\$) | 51,638 | 59,129 | 53,726 |
| Benefits (\$) | 12,408 | 15,281 | 13,209 |
| Benefits (Percent Salary) | 24.0 | 25.8 | 24.6 |
| Average | | | |
| Salary (\$) | 47,141 | 50,010 | 47,934 |
| Benefits (\$) | 11,745 | 12,959 | 12,081 |
| Benefits (Percent Salary) | 24.9 | 25.9 | 25.2 |

NOTE: Based on 73.5 percent of NEA's faculty salary universe (2,369 institutions) reporting benefits data.

SOURCE: NCES, IPEDS Salary Survey, 1994-95.

indicates, will peak in 2020, and the fund will be exhausted by 2029, when the youngest members of the baby boom generation will be about age 65.¹⁸ The federal government has already increased the age at which the unreduced annuity will be available from the current age 65, to age 66, and eventually to age 67. But these measures will not meet the anticipated payout needs for the fund early in the twenty-first century.

Increased longevity affects the long-term financial viability of Social Security and other pension funds. Financing extended years of retirement is more expensive whether the source of support is the government, the

employer's pension plan, or the individual.¹⁹ "Early" retirement programs extend the number of years for which these sources must provide retirement income. These factors place increased responsibility on the individual to plan effectively for financing the retirement years.

Long-Term Health Care

Not to be overlooked in planning for the post-retirement years is the potential need for long-term health care. More than 12 million Americans (60 percent elderly, 40 percent working-age adults and children), notes a GAO report, have long-term health care needs.

TABLE 10

**AVERAGE SALARY, AVERAGE BENEFITS, AND BENEFITS AS A PERCENT OF AVERAGE SALARY,
FACULTY ON 11/12 MONTH CONTRACTS BY INSTITUTIONAL TYPE AND CONTROL, 1994-95**

| Institutional Type | Control | | |
|---------------------------|---------|-------------|------------------------|
| | Public | Independent | Average of All Faculty |
| AA | | | |
| Salary (\$) | 41,321 | 33,959 | 40,649 |
| Benefits (\$) | 10,929 | 7,654 | 10,719 |
| Benefits (Percent Salary) | 26.4 | 22.5 | 26.2 |
| BA | | | |
| Salary (\$) | 50,288 | 37,752 | 40,146 |
| Benefits (\$) | 13,994 | 10,443 | 11,121 |
| Benefits (Percent Salary) | 27.8 | 27.7 | 27.7 |
| BA+ | | | |
| Salary (\$) | 56,052 | 42,640 | 48,536 |
| Benefits (\$) | 14,059 | 10,836 | 12,253 |
| Benefits (Percent Salary) | 26.6 | 26.8 | 26.7 |
| Doctoral | | | |
| Salary (\$) | 65,831 | 64,257 | 65,480 |
| Benefits (\$) | 15,040 | 17,399 | 15,567 |
| Benefits (Percent Salary) | 22.9 | 27.2 | 23.8 |
| Average | | | |
| Salary (\$) | 58,309 | 54,583 | 57,417 |
| Benefits (\$) | 13,831 | 14,511 | 13,994 |
| Benefits (Percent Salary) | 23.7 | 26.6 | 24.4 |

NOTE: Based on 73.5 percent of NEAs faculty salary universe (2,360 institutions) reporting benefits data.

SOURCE: NCES, IPEDS Salary Survey, 1994-95.

Americans spent nearly \$108 billion on long-term health care in 1993; about 70 percent of this total went for institutional care. Medicaid and the states picked up about \$44.7 billion of this cost; families paid the remainder, though fewer than 3 percent of Americans have insurance to cover these costs.²⁰ Financial planning for retirement should therefore include the potential need for long-term care.

CONCLUSION

The era of an “aging” faculty with its

increase in faculty retirements, forecast by Bowen and Schuster a decade ago, is now upon us.²¹ Data presented in this chapter reflect the increased age of the professoriate. The rate of annual retirements may also be increasing, but the issue is problematic. Uncapping the mandatory retirement age placed the retirement decision in the hands of faculty members. Many institutions are experiencing an increase in the proportion of their faculty age 65 and older and, for doctoral institutions, the proportion who are age 70 and older.

TABLE 11

**AVERAGE BENEFITS FOR FACULTY MEMBERS ON 9/10 MONTH CONTRACTS
BY INSTITUTIONAL TYPE AND CONTROL, 1994-95**

| Offering Level | Benefit | Control | | Average |
|-----------------|----------------------|---------------|---------------|---------------|
| | | Public | Independent | |
| AA | Retirement | \$3,864 | \$2,167 | \$3,826 |
| | Medical/Dental | 3,399 | 1,514 | 3,356 |
| | Group Life Insurance | 145 | 75 | 143 |
| | Other Insurance | 199 | 1,136 | 220 |
| | Disability | 97 | 96 | 97 |
| | Tuition Plan | 46 | 201 | 50 |
| | Housing Plan | 0 | 97 | 2 |
| | Social Security | 2,168 | 2,208 | 2,169 |
| | Unemployment Comp. | 106 | 161 | 107 |
| | Worker's Comp. | 299 | 262 | 298 |
| | Other Benefits | 62 | 35 | 62 |
| TOTAL | | 10,385 | 7,953 | 10,330 |
| BA | Retirement | 3,795 | 3,068 | 3,273 |
| | Medical/Dental | 3,285 | 2,331 | 2,599 |
| | Group Life Insurance | 88 | 156 | 137 |
| | Other Insurance | 72 | 115 | 103 |
| | Disability | 52 | 147 | 120 |
| | Tuition Plan | 154 | 797 | 616 |
| | Housing Plan | 6 | 86 | 64 |
| | Social Security | 2,604 | 2,967 | 2,865 |
| | Unemployment Comp. | 59 | 130 | 110 |
| | Worker's Comp. | 300 | 287 | 291 |
| | Other Benefits | 20 | 52 | 43 |
| TOTAL | | 10,347 | 10,137 | 10,221 |
| BA+ | Retirement | 4,580 | 3,130 | 4,042 |
| | Medical/Dental | 3,493 | 2,587 | 3,157 |
| | Group Life Insurance | 113 | 173 | 135 |
| | Other Insurance | 66 | 185 | 110 |
| | Disability | 87 | 142 | 107 |
| | Tuition Plan | 90 | 820 | 361 |
| | Housing Plan | 0 | 56 | 21 |
| | Social Security | 3,134 | 3,103 | 3,123 |
| | Unemployment Comp. | 92 | 139 | 109 |
| | Worker's Comp. | 299 | 324 | 309 |
| | Other Benefits | 20 | 93 | 47 |
| TOTAL | | 11,974 | 10,753 | 11,521 |
| Doctoral | Retirement | 5,210 | 5,383 | 5,258 |
| | Medical/Dental | 3,193 | 3,356 | 3,238 |

TABLE 11 (CONTINUED)

**AVERAGE BENEFITS FOR FACULTY MEMBERS ON 9/10 MONTH CONTRACTS
BY INSTITUTIONAL TYPE AND CONTROL, 1994-95**

| Offering Level | Benefit | Control | | Average |
|-------------------------|----------------------|---------|-------------|----------|
| | | Public | Independent | |
| Doctoral (cont.) | Group Life Insurance | 130 | 200 | 150 |
| | Other Insurance | 183 | 175 | 181 |
| | Disability | 104 | 162 | 120 |
| | Tuition Plan | 108 | 1,093 | 384 |
| | Housing Plan | 3 | 137 | 41 |
| | Social Security | 2,995 | 3,946 | 3,261 |
| | Unemployment Comp. | 81 | 162 | 104 |
| | Worker's Comp. | 296 | 338 | 308 |
| | Other Benefits | 76 | 226 | 118 |
| | TOTAL | 12,379 | 15,178 | 13,162 |
| | Average | | \$11,668 | \$12,645 |

NOTE: Based on 84.92 percent of NEA's faculty salary universe (2,691 institutions) reporting benefits data.

SOURCE: NCES, IPEDS Salary Survey, 1994-95

TABLE 12

**AVERAGE BENEFITS FOR FACULTY MEMBERS ON 11/12 MONTH CONTRACTS
BY INSTITUTIONAL TYPE AND CONTROL, 1994-95**

| Offering Level | Benefit | Control | | Average |
|----------------|----------------------|---------|-------------|---------|
| | | Public | Independent | |
| AA | Retirement | \$4,170 | \$1,060 | \$3,970 |
| | Medical/Dental | 2,781 | 2,293 | 2,749 |
| | Group Life insurance | 83 | 107 | 84 |
| | Other Insurance | 281 | 26 | 265 |
| | Disability | 67 | 89 | 68 |
| | Tuition Plan | 22 | 68 | 25 |
| | Housing Plan | 1 | 0 | 1 |
| | Social Security | 2,555 | 2,373 | 2,543 |
| | Unemployment Comp. | 66 | 179 | 73 |
| | Worker's Comp. | 222 | 252 | 224 |
| | Other Benefits | 83 | 478 | 109 |
| | TOTAL | 10,330 | 6,934 | 10,111 |
| BA | Retirement | 4,379 | 1,937 | 2,476 |
| | Medical/Dental | 3,033 | 2,420 | 2,556 |
| | Group Life Insurance | 138 | 134 | 135 |

TABLE 12 (CONTINUED)

| Offering Level | Benefit | Control | | Average |
|-------------------|----------------------|----------|-------------|----------|
| | | Public | Independent | |
| BA (cont.) | Other Insurance | 6 | 179 | 141 |
| | Disability | 68 | 83 | 80 |
| | Tuition Plan | 53 | 234 | 194 |
| | Housing Plan | 0 | 117 | 91 |
| | Social Security | 2,570 | 2,428 | 2,460 |
| | Unemployment Comp. | 42 | 171 | 142 |
| | Worker's Comp. | 151 | 242 | 222 |
| | Other Benefits | 110 | 77 | 84 |
| | TOTAL | 10,551 | 8,022 | 8,580 |
| BA+ | Retirement | 5,426 | 2,663 | 3,870 |
| | Medical/Dental | 2,810 | 2,451 | 2,608 |
| | Group Life Insurance | 181 | 163 | 171 |
| | Other Insurance | 46 | 116 | 86 |
| | Disability | 136 | 129 | 132 |
| | Tuition Plan | 81 | 452 | 290 |
| | Housing Plan | 0 | 61 | 34 |
| | Social Security | 3,349 | 2,988 | 3,146 |
| | Unemployment Comp. | 82 | 157 | 124 |
| | Worker's Comp. | 287 | 314 | 302 |
| | Other Benefits | 57 | 54 | 55 |
| | TOTAL | 12,457 | 9,549 | 10,819 |
| Doctoral | Retirement | 6,705 | 5,809 | 6,497 |
| | Medical/Dental | 3,061 | 4,031 | 3,287 |
| | Group Life Insurance | 158 | 247 | 179 |
| | Other Insurance | 234 | 308 | 251 |
| | Disability | 1,087 | 204 | 130 |
| | Tuition Plan | 124 | 1,051 | 340 |
| | Housing Plan | 2 | 125 | 31 |
| | Social Security | 3,548 | 3,784 | 3,679 |
| | Unemployment Comp. | 86 | 139 | 98 |
| | Worker's Comp. | 302 | 445 | 336 |
| | Other Benefits | 123 | 242 | 151 |
| | TOTAL | 15,551 | 16,386 | 14,978 |
| | Average | \$13,144 | \$13,035 | \$13,116 |

NOTE: Based on 84.92 percent of NEA's faculty salary universe (2,691 institutions) reporting benefits data.

SOURCE: NCES, IPEDS Salary Survey, 1994-95

TABLE 13

**AVERAGE INSTITUTIONAL EXPENDITURES FOR
BENEFITS ACROSS ALL FACULTY AND PER FACULTY
RECEIVING THE SPECIFIC BENEFIT, ALL INSTITUTIONS:
1994-95**

| Benefits | Average per Faculty | Average per Faculty Receiving Benefit |
|----------------------|------------------------|---|
| Retirement | \$4,906 | \$5,031 |
| Medical Insurance | 3,193 | 3,324 |
| Disability | 126 | 198 |
| Tuition Plan | 346 | 3,942 |
| Dental Insurance | 133 | 381 |
| Social Security | 3,200 | 3,518 |
| Unemployment Comp. | 100 | 134 |
| Group Life Insurance | 145 | 181 |
| Worker's Comp. | 302 | 355 |
| Benefits in Kind | 141 | 791 |
| Total | \$12,593 | \$17,855 |

SOURCE: Data from *Academe* 81 (2) (March-April, 1995), 25.

NSOPF-93 data shows a growing proportion of faculty who anticipate retirement at age 70 or later. Colleges and universities must monitor the actual numbers of faculty who go through with their plans to assess the true impact of the “uncapped” retirement age. Will incentive retirement options—provided by over one-third of all institutions, 55 percent of public doctoral institutions, and 68 percent of independent doctoral institutions in 1993-94—make a difference?

The rate of growth in benefit costs slowed somewhat between 1993-94 and 1994-95. Average benefit costs as a percent of average salary for 9/10 month faculty remained constant at 25.2 percent across the two year period. Some slowing of this growth rate may reflect a slower growth rate of medical and dental benefit costs.

Financial constraints, an aging faculty, and uncertainty about faculty retirements have placed many institutions in a tenuous position. The pressure on public institutions to absorb massive budgetary cuts has eased, but higher education may never return to appropriate

funding levels. Financial constraints, combined with calls for greater institutional responsiveness to social needs, lead administrators to see an older, tenured faculty as an inflexible, expensive resource. The increased proportion of faculty in the “senior age” category has important implications for the portion of the compensation budget that is attributable to benefit costs.

NOTES

¹ Chronister, 1996, 108.

² El-Khawas, 1995, 48.

³ TIAA-CREF, October 1995, 4.

⁴ Biggs, 1995, 2.

⁵ National Research Council, 1991, 58; TIAA-CREF, 1995.

⁶ TIAA-CREF, October 1995, 1.

⁷ These data are from NSOPF-93.

⁸ TIAA-CREF, 1991. Four percent of the respondents had no identified retirement age.

⁹ El-Khawas, 1995, 48.

¹⁰ NSOPF-93.

¹¹ Data utilized in this section are from the Institutional Survey of NSOPF-93.

¹² Exceptions included independent comprehensive, independent liberal arts, public two-year, and the category “Other,” which includes public liberal arts, independent two-year, and religious and other specialized institutions, except medical schools.

¹³ McArdle, 1995, 3.

¹⁴ Salary data used are from the same 1,458 institutions for whom benefit costs are shown in Figure 1.

¹⁵ Ibid.

¹⁶ American Association of University Professors, March-April 1995, 25.

¹⁷ NEA 1995, 6.

¹⁸ TIAA-CREF, March 1995, 2.

¹⁹ TIAA-CREF, March 1995, 3.

²⁰ Spray, 1995, 1.

²¹ Bowen and Schuster, 1986.

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