DOCUMENT RESUME

ED 028 721 HE 000 739

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Extraordinary Benefit Environment in Higher Education.
American Association for Higher Education, Washington, D.C.
Pub Date 3 Mar 69
Note-7p.; Paper presented at the 24th Conference on Higher Education, Chicago, Illinois, March 3, 1969
EDRS Price MF-$0.25 HC-$0.45
Descriptors-Faculty Mobility, *Fringe Benefits, *Guaranteed Income, *Health Insurance, Higher Education, *Insurance Programs, *Teacher Retirement, Teacher Welfare

In terms of benefit plan coverage and protection, or "Benefit Environment", higher education is the most advanced of professional or employment groups. Between 1959 and 1969, the percentage of 4-year institutions of higher education in the U.S. having faculty retirement plans grew from 85% to 95%. About 50% of these institutions have some form of long-term disability protection ir ˈdition to that provided by Social Security. Within the last 10 years, the proportic. r colleges and universities reporting group life insurance plans for faculty increased from 50% to 70% and those with basic hospital-surgical-medical plans grew from 80% to 90%. The TIAA-CREF system provides a retirement plan that permits mobility with assured benefits, and is more responsive to economic changes. In the nationwide TIAA-CREF program, monies are both put away and put to work for an individual each year. When a staff member in higher education who is participating in the TIAA-CREF system retires, he receives the TIAA annuity, which provides a guaranteed, fixed-dollar retirement income and the CREF annuity, which provides an income that varies yearly according to the performance of securities in the CREF portfolio. This contrasts with most pension plans in industry where benefits are determined as a percentage of salary, and investment gains or losses are used to decrease or increase the employer's pension costs. (WM)

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EXTRAORDINARY BENEFIT ENVIRONMENT
IN HIGHER EDUCATION

Information Session B
Monday Evening, March 3

EXTRAORDINARY BENEFIT ENVIRONMENT IN HIGHER EDUCATION*

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Only one out of 200 faculty members and administrators serves at an educational institution that does not now have some kind of retirement plan! This extraordinary record is discolsed in a new study, Benefit Plans in American Colleges, to be published in May. In addition, 95% of clerical service employees are at institutions with retirement plans. In almost all cases, Social Security coverage is also available to college employees.

Our last previous study, conducted in 1959, showed approximately 85% of the four-year institutions having faculty retirement plans. In the intervening ten years, this percentage has grown to 95%. The development of new retirement programs has occurred primarily among new public colleges and the smaller private institutions, including many religious colleges covering their lay staff members for the first time. Interestingly, the study showed that many of the new colleges established in recent years installed a retirement plan before they began recruiting their faculty. This is certain indication of the value of a retirement program in attracting and maintaining first rate personnel.

The last decade has been a period of rapid growth in protection against the expenses of major illness and loss of income during long-term disability. Ten years ago, group benefit plans to insure against these risks were relatively new. Only one in five colleges then had a group major medical plan; now only one in five doesn't. The number of colleges and universities with plans providing long-term disability benefits has grown from only a handful to more than one-third of those institutions participating in our study. If you include the disability provisions found in most public retirement systems, about half the colleges and universities now have some form of long-term disability protection in addition to that provided by Social Security.

Within the last ten years, the proportion of colleges and universities reporting group life insurance plans for faculty increased from 50% to 70% and those with basic hospital-surgical-medical plans grew from 80% to 90%. About 70% of colleges and universities now report a short-term disability income or "sick pay" plan.

The progress reported in Benefit Plans in American Colleges is unprecedented. In terms of benefit plan coverage and protection - what we call the "Benefit Environment" - higher education must be by far the most advanced of professional or employment groups. This extends beyond the sheer quantity of coverage to the quality of the programs thenselves. Much of the excellence stems from the pioneering role that higher education has played in several areas of benefit planning. In

*Summary of statement presented to Information Session B on "The inner and outer fringes: Benefits and compensation for faculty and administrators" at the 24th National Conference on Higher Education, sponsored by the American Association for Higher Education, Chicago, Monday evening, March 3. Permission to quote restricted.

order to make the point it is helpful to trace the historical development of college retirement planning.

The Carnegie Foundation for the Advancement of Teaching, funded by a $15,000,000 grant from Andrew Carnegie, was incorporated in 1906 by an act of Congress "to provide (free) retiring pensions for the teachers of universities, colleges and technical schools." At that time, five institutions in higher education had set up some pension arrangement on their own. But they soon recognized the value of the supra-institutional program and joined the developing national system. Unquestionably the greatest single contribution to pension philosophy by the Carnegie Free Pensions was the concept of transferability - it was not necessary for the teacher to spend any Specified length of time in any particular associated institution to qualify for a pension. This gave free mobility of academic talent among the associated institutions.

Education was growing by leaps and bounds. Within a decade, it became apparent that Mr. Carnegie's generous gift would not be sufficient to provide free pensions for the increasing number of college teachers. Therefore, a broader concept was sought for future college retirement plans. Extensive pension studies, begun in 1916, led to the organization in 1918 of Teachers Insurance and Annuity Association (TIAA), a system whereby the college and its staff members would join in contributing to fully transferable individual annuity policies wholly owned by the staff members.

Benefits that are fully and immediately vested in the individual have been working effectively for 50 years now in the field of higher education. Currently, our study revealed, 80% of the private four-year institutions and over 30% of the public institutions are cooperating in the TIAA-CREF nationwide pooling of benefit plans that gives them full ownership of each year's accumulating benefits whether they change jobs several times during their careers or stay at one institution the entire time. Because the Carnegie Foundation, and subsequently TIAA-CREF, were always concerned with the totality of higher education, the pension system was always nationally oriented. Vesting is one factor that has helped create an academic community that is not limited to a campus, laboratory, state or region. Private is not isolated from public, research center from college, or large from small. Although there are more than 2,000 institutions in the system - public and private, denominational and nonsectarian, large and small - it is as if higher education were a "single employer." The teacher is free to move as opportunities and interests beckon.

This has not been the case elsewhere. One of the known rigidities in our society is the lack of immediate full vesting, or at least early vesting, in all too many pension plans. If a person cannot leave a given job and seek one where his particular abilities would be better used, there is an economic, a social and a personal loss. If an individual is going to have to forfeit a substantial amount of retirmenet benefits upon leaving, he is a good deal less free to leave. His employer has an inappropriate economic hold upon him.

Social Security, of course, provides full mobility without loss of benefits among employments covering 90% of working Americans. There are also retirement systems such as union-wide plans, plans covering ministers of given denominations, state retirement systems, and federal Civil Service where opportunities exist for carving out a career within a fairly broad range covered by the given plan. Our study shows that vesting requirements in state plans covering faculty members in higher education have been reduced considerably in the past ten years. In 1959 half of the state retirement systems in higher education provided no vesting at all. Now in 1969, about a third of the plans provide for 10-year vesting and about a fifth provide for vesting in five years. Still, mobility tends to stop at the state line, or at the borders of a particular industry or governmental unit. In industry and business, of course, professional people frequently complain that the separate employer plans work against the mobility of chemists, accountants, engineers, actuaries, and many of our most important brainpower resources.

Of course, mobility with assured benefits calls for full funding of the vested retirement benefits. It is not crucially important whether funds are left in a previous employer's plan until the individual's retirement, or are shifted over to a new one, or are in a nationwide pooling such as TIAA-CREF. But it is important that monies are put away and put to work for the individual each year as he does that year's work.

Various proposals, including legislative, have been made to achieve these results more widely in industrial and governmental employments. Again, it does not matter so much whether the action is taken by the federal or state governments, or is done entirely on private initiatives, just so long as nationwide mobility and development of our human resources is helped. All of our regulatory, legislative, and tax policy should be directed toward strengthening the national mobility and the real security provided by private pensions as a companion effort to Social Security.

There is another area of retirement planning where higher education has been in the vanguard. By 1952, traditional retirement plans were well on their way to producing a satisfactory level of income at the point of retirement, but no pension planning had yet produced a means of giving the retired person some life-time protection against price inflation, not to mention a share in the rising standard of living that Americans take almost for granted during their working years. Then, on July 1, 1952 college professors began linking part of their future retirement income directly to the investment experience of common stocks by participating in CREF - the first variable annuity.

Now when a staff member in higher education who is participating in the TIAA-CREF system retires he receives two life-time annuities - the TIAA annuity which provides a guaranteed, fixed-dollar retirement income and a CREF annuity which provides an income that varies year by year reflecting the performance of the securities in CREF's portfolio. The participant shares fully in CREF's investment experience, since all of the net income and the increases or decreases in asset values are credited to his account. This contrasts with most traditional pension plans in industry, where benefits are determined as a percentage of salary, and investment gains or losses are normally used to decrease or increase the employer's pension costs.

Has CREF enhanced the security of educators? Well, CREF's investments have produced an average net rate of return (capital appreciation and dividends) from the beginning in 1952 through the third quarter of 1968 of 12.6% per year. Some years, naturally, the rate was considerably less than this; in 1962 for example it was minus 14.4%. Some years it was considerably more; the 1954 rate was plus 48.8%.

Just how well CREF does for any individual depends on CREF's experience during the years he participates in the plan. But an individual's experience is not the ultimate test. That test is whether the combined TIAA program provides a retirement income that is more responsive to economic changes than a fixed-dollar annuity alone and less volatile than the variable annuity alone. Sixteen years experience seems to indicate that CREF deserves a passing grade.

Although interest and attention was considerable outside the college world, there was not very much movement into the variable annuity field until quite recently. However, now things seem to be underway. Plans have been adopted for employees in private industry as well as government. Some State Teachers Retirement systems have begun incorporating the variable annuity principle. And several agency life insurance companies, either directly or through subsidiaries, are now offering variable annuities. Additionally some plans, including a few for public employees, are now incorporating a cost-of-living or formula escalator in the benefits.

The study, as already noted, shows that higher education occupies a remarkably strong position in the benefit plan world. In particular, I discussed its great lead in the retirement plan area. This is timely.

A good deal of attention these days is being given to the field of pensions. So far, much of the emphasis has been upon what the private pension world has not accomplished, and on ways to force it into a particular mold, or as an alternative having Social Security do the entire job. Too little attention is given to the enormous strides the private pension sector has made toward the improvement of security for the individual, toward encouraging the savings function in society, and toward the gains for everyone that can ensue from varied and sound developments in the private pension sector.

Certainly, higher education can take pride in showing that the job can be done - and done well.

Faculty Retirement Ages, Four-Year Institutions of Higher Education

Normal Retirement Age	Number of Institutions	Per Cent of Institutions	Per Cent of Faculty	Extensions of Service: Extensions Permitted	Extensions of Service: No Extentions	Extensions of Service: No Response
		N=1170	N=283,936			
Under 60	4	.3	2.7	4	-	-
60	65	5.6	11.3	65	-	-
61-64	6	.5	1.2	6	-	-
65	827	70.6	48.0	786	33	8
66-67	36	3.1	5.0	29	7	-
68	68	5.8	11.4	55	13	-
69	-	-	-	-	-	-
70	129	11.0	17.9	85	43	1
Over 70	2	.2	-	-	2	-
				1030	98	9
No stated age	24	2.1	2.4			
No response	9	.8	.1			
Total	117C	100.0	100.0			

SUMMARY OF BENEFIT PLANS REPORTED

1968

PER CENT OF INSTITUTIONS REPORTING PLANS AND

PER CENT OF TOTAL EMPLOYEES IN INSTITUTIONS REPORTING PLANS

	Faculty		Administrative		Clerical-Service	
Type of Plan	Per Cent Insts	Per Cent EEs	Per Cent Insts	Per Cent EEs	Per Cent Insts	Per Cent EEs
	N=1,232	N=285,414	N=1,232	N=108,315	N=1,232	N=444,618
Retirement	95.0	99.5	92.6	99.4	74.8	94.7
Life Insurance	70.1	87.4	69.6	90.4	62.7	85.1
Basic Health Insurance	90.0	91.6	89.8	92.8	89.8	90.3
Major Medical	81.6	93.6	81.4	94.9	73.2	84.6
Short-Term Disability Income	71.8	81.0	71.9	83.3	72.2	82.6
Long-Term Disability Income	50.9	71.2	51.1	71.8	38.1	58.4