A STATISTICAL STUDY OF A RETIREMENT PROGRAM FOR THE FACULTIES OF THE OREGON STATE SYSTEM OF HIGHER EDUCATION

by

HERBERT ARNOLD BORK

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APPROVED:

Redacted for privacy

Professor of Education

In Charge of Major

Redacted for privacy

Head of Department of Education

Redacted for privacy

Chairman of School Graduate Committee

Redacted for privacy

Chairman of State College Graduate Council

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CHAPTER I

INTRODUCTION

Beginning with July 1, 1929, the Board of Higher Education of the State of Oregon was directed to assume the management of the University of Oregon, University of Oregon Medical School, Oregon State College, Oregon College of Education, Southern Oregon College of Education, and Eastern Oregon College of Education. A program for the unified system was put into operation on July 1, 1931.

One of the important problems confronting the Board is in connection with the retirement of the faculties of the several institutions. At the present time, the academic staff with the rank of assistant professor and above are retired at the end of the fiscal year during which the age of 70 years is reached, unless the period of service is extended by a two-thirds vote of the members of the Board. In the past, employment on a year to year basis has generally been extended beyond the scheduled retirement date on a reduced time and pay basis.

The faculty on indefinite tenure who, on June 30, 1940, will be younger than 70 years of age consists of sixty-seven who are participants in the University annuity and retirement program, inaugurated a decade ago, and four hundred and fifty-six who are not participants in an annuity plan.

During the fiscal year 1939-40, twelve staff members aged 70 or over are being employed on a part-time basis with an annual pay in excess of $22,000. Ten years later, according to life expectancy tables, it is expected that the number of retired staff members will then be forty-eight.

Fundamental principles which were followed in the formulation of a proposed retirement program include the following:

1. Income to be provided to faculty members after retirement from normal duties should be adequate and based upon a contractual arrangement with the Board of Higher Education.

2. A fund should be accumulated during the period of regular employment to assure the payment of the contractual retirement income.

3. Funds being accumulated to provide the retirement income should be safeguarded and not diverted for any other purpose.

4. The cost of the retirement program should be borne jointly by the faculties and the Board of Higher Education.

5. The plan must be legal.

The proposed program considers, moreover, the qualifications required for eligibility to participate therein, whether or not participation shall be voluntary or compulsory, and the age of retirement from the performance of regular duties.

Recent publications pertaining to annuity and retirement policies of universities and colleges listed in the bibliography, page 36, have been of material help in formulating the proposed retirement program outlined hereafter. Appendix B, beginning with page 45, outlines the features of retirement plans of a selected number of tax supported universities and colleges.

CHAPTER II

THE UNIVERSITY OF OREGON ANNUITY RETIREMENT PROGRAM

The University of Oregon established a program for the retirement of its faculty when it put into effect a voluntary, deferred annuity retirement plan on July 1, 1929, and a supplemental annuity retirement plan on July 1, 1930. The deferred annuity program was based upon a monthly premium of ten per cent of the monthly pay of each participant to be used to purchase an annuity with the Teachers Insurance and Annuity Association of America, the benefit payments of which were to be deferred until the annuitant reached the retirement age.

The supplemental annuity was to be provided from supplementary premium payments which were to be accumulated in a trust company (in addition to the premium of ten per cent of the salary for the deferred annuity.) Upon the retirement of an annuitant, the accumulated amount was to be used to purchase an annuity policy with monthly payments to begin immediately thereafter.

When the program started, 105 staff members voluntarily accepted the provisions of the plan. No arrangements were made for new or promoted staff members to join the program at a later date. On February 12, 1940, of the original 105 members, 67 are now participating and

38 are no longer contributing to the program. Of the 38 no longer participating, 21 resigned, 8 died, and 9 retired. The chief features of the deferred annuity and supplemental annuity plans are as follows:

I. DEFERRED ANNUITY PROGRAM

The staff members eligible for participation in the plan included the faculty with professorial rank, including associate and assistant professors, whose service to the University had been two years or more in any one capacity, and who were on permanent tenure. Also included were administrative officers on permanent tenure who likewise had been employed by the University for two years in such capacity. Participation by the eligible staff was voluntary. Although the official University records do not indicate what retirement arrangements were to be made for the three eligible staff members who preferred not to join the program, nevertheless the understanding appears to have been that employment and compensation was to cease when the normal retirement age was reached.

The prevailing monthly pay of the participants was increased five per cent, and they then directed that ten per cent of the prevailing pay be deducted from the salary for the purpose of purchasing a deferred annuity policy with the Teachers Insurance and Annuity Association. The

annuity benefit payments were to be deferred until the participant reached the retirement age. The policies were individual contracts between the participating faculty members and the Teachers Insurance and Annuity Association, with the University of Oregon having no beneficial interest in said policies.

Eligible staff members who already were carrying deferred annuity policies with the Teachers Insurance and Annuity Association could present them for credit for participation in the plan. There was no provision for providing substitute policies in other companies, nor could the monthly premium payments be made to a company other than the one indicated.

The retirement age ranged from 70 to 65 years, depending upon the age of the participants. Those of age 42 and upward were to be retired at the age of 70; those from 35 to 42 years inclusive to be retired at the age of 68; and those under 35 years to be retired at the age of 65. Based upon the guaranteed life annuity benefits of the policies written on July 1, 1929, a staff member whose salary remained unchanged over a period of years would expect to be retired at approximately 50 per cent of his salary by contributing 10 per cent of each month's pay for a 30-year period.

II. SUPPLEMENTAL ANNUITY PROGRAM

Because the deferred annuity purchased by monthly contributions of 10 per cent of the salary would provide an inadequate monthly income for older staff members upon reaching the retirement age, arrangements were made to provide an additional or supplemental annuity. The supplemental annuity was to be granted to participants, who at the inception of the deferred annuity plan had served the University for at least five years.

The Carnegie Foundation for the Advancement of Teaching agreed to supplement the deferred annuity benefits for eight of the older professors who, on July 1, 1929, were sixty years of age or over. There was an understanding with regard to the total annuity which was to be paid to each of the eight staff members upon retirement. The total annuity agreed to, decreased by the deferred annuity provided from the staff members' contribution previously referred to, gave the amount of pension to be provided by the Carnegie Foundation. The pensions to be thus paid for by the Carnegie Foundation had an estimated cash value on July 1, 1929, of approximately $50,000.

Of the 105 staff members participating in the deferred annuity program, eight of the older staff members were provided with the pension referred to above, and forty-four

were to receive supplemental annuity benefits from the University (in addition to the deferred annuity). The supplemental annuity plan contemplated that the eligible staff who had served 25 years or more by July 1, 1929, were to be able to retire at the age of 70 on a retirement annuity equal to approximately one-half of the salary paid in 1929. For those who had served from 20 to 25 years on July 1, 1929, the payment toward accrued liability was to be decreased one-fifth from the standard referred to; for those who had served from 15 to 20 years, the payment toward accrued liability was to be decreased two-fifths; for those who had served from 10 to 15 years, the accrued liability was to be decreased by three-fifths; for those who had served from 5 to 10 years, by four-fifths; and for staff-members who on July 1, 1929, had not served for five years, there was to be no provision toward accrued liability.

At the time the University's supplemental annuity program was put into effect, the Board of Regents of the University authorized annual salary increases to the 44 staff members in the amount of $10,030.56. This sum was then deducted from the pay to be given to the participating staff members, and deposited in a trust account in a bank. Upon reaching the age of retirement, the participant's equity in the fund was to be used to purchase an annuity,

the benefit payments of which were to commence at that time. If the participant left the University or predeceased the retirement age, then the value of his interest in the trust fund was to revert to the University.

III. COST OF UNIVERSITY ANNUITY PROGRAM

In addition to the $50,000 provided by the Carnegie Foundation for the Advancement of Teaching, at the inception of the plan, the University assumed responsibility for one-half of the cost of the deferred annuity and for all of the cost of the supplemental annuity, both of which were arranged for by means of adjustments to the salaries of the participants. A summary of the number and status of the participants, and the annual cost exclusive of the benefits assumed by the Carnegie Foundation is as follows:

	Deferred Annuity		Supplemental Annuity	
	No. of Staff	Annual Cost (5% of Pay)	No. of Staff	Annual Cost
Staff participating on February 12, 1940	67	$12,065.50	32	$ 5,904.72
Staff not participating on February 12, 1940 because of:				
(a) Resignation	21	4,139.00	6	808.68
(b) Decease	8	1,562.50	4	1,325.40
(c) Retirement	9	2,012.50	2	1,991.76
Totals	105	$19,779.50	44	$10,030.56

CHAPTER III

PAST AND PRESENT RETIREMENT PROGRAMS FOR FACULTIES OF THE STATE SYSTEM OF HIGHER EDUCATION

With the exception of the University of Oregon Annuity Retirement Program described in ChapterII, arrangements for the retirement of the faculties of the higher education system have usually been entered into in the light of each individual case. However, neither in the past nor in the present is there an official program which assures faculty members of an income beyond the date of retirement, except as agreed to on a year-to-year basis.

During the first several years of administration by the State Board of Higher Education, there was no official retirement age for faculty members. Similarly, there was no formal arrangement which would guarantee an income to staff members after retirement from normal duties. Although the practice in general had been to release faculty members from continuation of normal duties at the close of the year in which the age of 70 was reached, and then to provide emeritus employment at 50 per cent of the pay which had been granted prior to retirement, nevertheless there were deviations from this informal policy whereby emeritus employment was permitted for a higher or lower rate of compensation.

Administrative officers of the system and of the several institutions have worked closely with the faculties in an endeavor to work out a retirement and annuity program which would be legal, and which would be acceptable to both the faculties and the State Board of Higher Education. Based upon the findings and recommendations of an inter-institutional faculty committee, the Chancellor of the higher educational system presented an Old Age Security Plan to the State Board of Higher Education for its consideration in July, 1937. This plan contemplated, among other things, that the faculty would contribute 10 per cent of their pay toward the purchase of an annuity. The Board in turn was to increase the pay of the participants from time to time as funds were made available until the total increase would amount to 5 per cent, thereby matching the contribution of the faculty. In the case of the older staff members whose premium payments for a short period of time would not provide an adequate retirement pay, it was suggested that part-time employment be provided beyond the normal retirement age so that the total of the retirement pay and the annuity would provide a minimum income, the amount of which was to be determined by the Board. Although the plan was to be optional with staff members already employed, those who chose to reject the program would not be eligible for part-time employment

after the retirement age, nor would they be eligible for a salary increase or promotion in rank or position.

As a result of the recommendations of the inter-institutional faculty committee, as reflected in the Chancellor's Old Age Security Plan, it was deemed advisable to obtain an official ruling from the Attorney General of the State of Oregon with regard to the legality of the program.

On December 7, 1937, the Attorney General wrote to the Chairman of the Insurance Committee of the State Board of Higher Education stating that the Board had no authority to appropriate funds toward the purchase of retirement annuities for faculty members. It was also ruled that the Board could not create a fund for the purpose of providing annuities by increasing the salaries of the employees who agreed to make a like contribution from their salaries without applying such increases to persons in like positions who did not propose to contribute such a part of their salaries to a retirement fund. Because of the opinion of the Attorney General, no action was taken on the Old Age Security Plan referred to above.

On January 25, 1938, the State Board of Higher Education officially adopted for incorporation in its Administrative Code a regulation pertaining to the retirement of staff members, as follows:

> All staff members in instruction, administration, research, and extension with the rank of assistant professor and above shall retire at seventy years of age, except that upon the recommendation of the President of the institution, the Chancellor, and by two-thirds vote of the members of the State Board of Higher Education the period of service may be extended beyond the age of seventy. Retirement of any such faculty member shall be optional either with the institution or faculty member at age 65, 66, 67, 68, or 69. Retirement of staff members shall take place at the end of the fiscal year of the Board after the birthday of the staff member occurs.

The regulation referred to above does not indicate what arrangements might be expected in individual cases for continued employment on a part-time basis of faculty members who reach the retirement age ranging from 70 years of age down to 65 years.

In view of the opinion of the Attorney General, and the fixation of a retirement age, numerous staff members were desirous of accumulating savings in the form of annuity, endowment, or life insurance policies. They were hesitant about doing so because they believed that if the Board of Higher Education could legally adopt an annuity retirement program proper consideration might not be given to the policies which faculty members already had in effect. Cognizant of this situation, the Chairman of the Insurance Committee of the Board indicated in the Oregon State College Faculty Bulletin of March 22, 1938, that when the Board adopted an annuity plan, faculty mem-

bers who had retirement plans of their own would not be required to go into the general plan if they had a sufficient amount of retirement annuity provided for, or if they would go into the general plan that there would be no conflicting interests.

At the time of the session of the 1939 legislature of the State of Oregon, the State Board of Higher Education endeavored unsuccessfully to obtain legal authority to start an annuity retirement program. It was considered advisable by the legislature to have a thorough canvass made of the pension problem of state, county, city, and school employees of the entire State, rather than to make provisions for only the faculties of the higher educational system. Pursuant to the wishes of the legislature, the Governor appointed a committee to analyze the situation, and to have its recommendations available for consideration by the 1941 session of the legislature.

For the fiscal year 1939-40, the State Board of Higher Education has limited the pay for part-time emeritus employment of some staff members reaching the normal retirement age to 43 per cent of the base pay for full-time services. Although there were some variations from the 43 per cent figure, it is evident that the Board is finding it necessary to decrease the amount of compensation which it can pay for emeritus, part-time employment.

CHAPTER IV

PROPOSED RETIREMENT PROGRAM FOR FACULTIES OF THE STATE SYSTEM OF HIGHER EDUCATION

In the summer of 1939, the Chancellor of the Oregon State System of Higher Education appointed a committee consisting of the Business Manager of the University, the Registrar of the College, the Budget Officer, and the Comptroller to formulate a retirement program for consideration by the State Board of Higher Education. The committee's report sketched the framework of a plan, but it did not suggest detailed features nor did it include a study of the financial and statistical implications thereof.

Influenced by the recommendations of the committee, of which the writer was a member, the following program is advanced.

I. FEATURES OF SUGGESTED PROGRAM

A. ELIGIBILITY

Staff members now employed on an indefinite tenure with the rank of assistant professor or higher and serving the State System of Higher Education on at least a 50 per cent time basis are eligible for voluntary participation in the program, except as noted hereafter. Of

the group referred to, who will not be eligible for participation in the plan is the staff already provided for by the University of Oregon annuity retirement program, and the faculty who will be 70 years of age or over on or before December 31, 1940.

Employees who are now ineligible will become eligible for voluntary participation in the plan when given indefinite tenure with the rank of assistant professor or higher, on at least a 50 per cent time basis.

New staff members employed on and after July 1, 1940 should be engaged with the understanding that when they are given the rank of assistant professor or higher, on indefinite tenure, and render at least 50 per cent of full-time service to the Higher Educational System, they will be required to participate in the program.

B. RETIREMENT

Except as noted hereafter in Section "C" and "H", staff members with the rank of assistant professor or higher, on an indefinite tenure, shall retire at the end of the fiscal year in which the age of 70 is reached. Retirement of any such faculty member shall be optional, either with the institution or faculty member, at the end of the fiscal year in which the age of 65, 66, 67, 68, or 69 is reached.

C. EXTENSION OF SERVICE

The retirement age of staff members now employed, and who are participants in the plan, shall be extended beyond the age of 70 for emeritus employment on a reduced time and pay basis as noted in Section "H" hereafter. The period of service of all other staff members, who at the age of 70 have the rank of assistant professor or higher, on indefinite tenure, may be extended only upon the recommendation of the executive head of an institution and the Chancellor and by a two-thirds vote of the members of the State Board of Higher Education.

D. CONTRIBUTIONS BY PARTICIPATING STAFF MEMBERS

Staff members now employed who voluntarily participate in the plan shall accumulate savings in the form of deferred annuity, endowment, or life insurance policies with annuity retirement provisions in legal reserve companies acceptable to the State Board of Higher Education. The guaranteed life annuity benefits of said policies must at least equal those provided by a deferred annuity contract of the Teachers Insurance and Annuity Association of America, based upon a premium cost of 5 per cent of each month's salary beginning with July 1, 1940, and continuing until the age of 70 is reached. If the guaranteed life

annuity which will be paid upon reaching the age of 70 by acceptable existing policies is insufficient to provide the benefits referred to, then the staff member shall be required to supplement his existing policies with a deferred annuity contract in one or both of two companies to be approved by the State Board of Higher Education.

New staff members employed after July 1, 1940, upon being given the rank of assistant professor or higher on indefinite tenure shall be required to contribute ten per cent of their monthly salaries toward the purchase of a deferred life annuity policy providing for retirement at the age of 70. The policy shall be with one or both of two companies to be approved by the State Board of Higher Education.

The supplementary pay of participating staff members for irregular and part-time services, such as for the summer sessions, correspondence study, and general extension division employment, is not to be considered subject to payment of the monthly premiums noted above, nor is it to affect the compensation which will be paid for emeritus, part-time employment.

E. LEAVE OF ABSENCE

During leave of absence of a participant in the plan on part pay, the premium payments of the deferred annuity,

endowment, or life insurance policies shall continue undiminished. Full-time credit will be granted for periods of leave on pay to staff members now employed whose employment is to be contined after the age of 70 on an emeritus, reduced-time basis. Leave of absence of such staff members without pay will provide no time credit for purposes of determining part-time employment benefits referred to in Section "H" hereafter.

F. DEFERRED ANNUITY CONTRACTS

Each deferred annuity contract purchased in accordance with this plan shall be the property of the individual participant. Contracts thus purchased are agreements between the participants and the company or companies which have been approved by the State Board of Higher Education. Monthly premium payments for such policies, deducted from the monthly salaries of the participants, will be made direct to the companies by the State Board of Higher Education. Surrender of or borrowing on such policies shall require the approval of the State Board of Higher Education, and will be given only if provided for in the policy and if the participant is severing his or her connection with the higher educational system, or if he or she is retiring.

Annuity, endowment, or life insurance policies now in force, and accepted by the State Board of Higher Educa-

tion on behalf of the participant, shall be deposited with the Board. Agreements will be entered into between the insuring companies, the participant, and the State Board of Higher Education, whereby policy loans and surrenders shall be permitted only if approved by the Board. No such approval will be given if the participant's contractual savings in the retirement program will be jeopardized unless the participant is leaving the employ of the higher education system, or is retiring. Premium payments on existing policies are to be made by the participant, and a receipt for such payments filed in the office of the State Board of Higher Education at least two weeks before the expiration of the grace period.

The State Board of Higher Education shall not be responsible for the contractual responsibilities of insurance companies reflected in existing annuity, endowment, or life insurance policies, nor in annuity policies which participants may purchase in the future.

G. DEFERRED ANNUITY BENEFITS.

The benefits from the deferred annuity, endowment, and life insurance policies with annuity provisions are to be paid in accordance with the terms of the policy of participants.

H. EMERITUS, PART-TIME EMPLOYMENT

In the case of staff members now employed who volunteer to participate in the plan, it is proposed that after completion of the last year of regular service in which the age of 70 is reached the future annual income from the deferred life annuity and the salary for part-time, emeritus employment should be equal to 2 per cent of the average annual compensation for the ten-year period ending with the one in which the age of 70 is reached multiplied by the number of years of service rendered the State System of Higher Education. There shall be a yearly maximum income, though, of 50 per cent of the average annual salary for the ten-year period.

If a participant in the plan, now employed, is given emeritus, part-time employment before the end of the year in which the age of 70 is reached, the maximum annual income shall be calculated on the average salary for the ten-year period which ends with the last year in which the regular services are rendered, and shall be:

48% for the age of 69
46% for the age of 68
44% for the age of 67
42% for the age of 66
40% for the age of 65

The total annual income which is to be provided during the period of emeritus employment, decreased by the guaran-

teed deferred life annuity benefits equal to those provided by a policy with the Teachers Insurance and Annuity Association of America taken out July 1, 1940, with a premium of 5 per cent of each month's future pay, will give the amount of pay which is to be provided by the State Board of Higher Education. Part-time, emeritus service shall be rendered effective with the close of the last fiscal year in which normal duties have been performed. Assignment of duties for part-time, emeritus employment shall be in whatever capacity and on whatever time basis is determined advisable by the Board, and shall be performed to its satisfaction.

I. NON-PARTICIPATION

Present staff members who are now eligible or become so in the future, and who do not volunteer to participate in the program upon becoming eligible, are not assured of part-time, emeritus employment by the State Board of Higher Education after the close of the fiscal year in which the normal retirement age is reached--namely, 70, 69, 68, 67, 66, or 65. Eligible staff members who do not choose to participate in the plan shall be required to sign a waiver relieving the State Board of Higher Education from any obligation for employment after the retirement age is reached.

J. EFFECTIVE DATE

The effective date of the retirement plan shall be July 1, 1940.

II. FINANCIAL AND STATISTICAL DATA PERTAINING TO THE PROPOSED RETIREMENT PROGRAM

Explanation and comments on Tables I to VII, pages 38 to 44, which reflect in summary form the statistical calculations and data used in arriving at the summary and conclusions reflected in Chapter V, are noted hereafter.

TABLE I. ILLUSTRATIVE DETERMINATION OF PAY FOR EMERITUS EMPLOYMENT (Page 38)

The method of calculating the pay for part-time, emeritus employment for the 456 eligible staff members is illustrated by this tabulation. The factual information and data were obtained from the records of the different institutions of the higher educational system.

The pay for emeritus employment was calculated on the assumption that eligible staff members would perform regular services to the end of the fiscal year in which the age of 70 is reached, and that part-time, emeritus employment would continue from that time to the expected date of death.

TABLE II. LIFE EXPECTANCY TABLE (Page 39)

The 1937 standard annuitants table has been adopted by the Teachers Insurance and Annuity Association of America as a basis of determining the life expectancy of its annuitants. Because faculty members have an expected life greater than that of most annuity policy holders, the table has been adjusted to conform with the one being used by the company which writes most of the annuity policies for teachers in higher educational institutions. It should be remembered that the expected age at death reflects averages applied to large groups of individuals, and may or may not reflect the actual experience of a small group or of a particular locality.

It is interesting to note that the life expectancy of women is materially greater than of men. For example: A woman at the age of 60 is expected to live until about the age of 82, which is the same expected age as for a man of 70. Another way of expressing the difference, for example, is that a man aged 70 is expected to live approximately twelve more years, while a woman of the same age is expected to live another fifteen years.

It is evident, therefore, that at the age of 70, with a woman's life expectancy being 25 per cent greater than that of a man, the total cost to the State Board of Higher

Education for emeritus employment will be correspondingly larger for a woman than for a man. (Of the total eligible staff, approximately 75 per cent are men and 25 per cent are women.)

TABLE III. LIFE ANNUITY PURCHASED BY MONTHLY PREMIUMS OF $10 EACH (Page 40)

The data reflected in this table are based upon the guaranteed life annuity of policies being written by the Teachers Insurance and Annuity Association of America in February 1940. No consideration can be given to unpredictable additional benefits which may be granted in the future because of dividends resulting from interest earnings being in excess of those contemplated in the policy, savings in mortality, and savings due to administrative expenses being less than provided for in the policy.

It is interesting to note that for a man whose pay remains constant over a period of years, retirement at half pay at the age of 70 would require a monthly contribution of 10 per cent of his salary beginning with the age of 37, while a woman would need to begin making similar premium payments at the age of 33. In other words, in order to obtain a life annuity equal to 50 per cent of his salary, a man would need to contribute 10 per cent of his monthly salary for about 33 years, and a woman for about 37 years.

The use of the data in the table for illustrative purposes is not to be considered as an expression of opinion in favor of or against the company referred to, inasmuch as the guaranteed benefits for the same amount of premium are larger in the case of some legal reserve companies and smaller in the case of others.

TABLE IV. AGE DISTRIBUTION OF ELIGIBLE STAFF ON JUNE 30, 1940 (Page 41)

The mean age of the 456 eligible staff members is 46.77 years. This age should not be confused with the average age of the entire teaching, research, extension, and administrative staff, which undoubtedly would be lower. It will be remembered that the eligible staff does not include the non-academic staff, teaching and research assistants, instructors, and assistant professors who are on definite tenure.

TABLE V. NUMBER AND ANNUAL PAY OF ELIGIBLE STAFF (Page 42)

The information shown in the table is self-explanatory. The difference between the actual number of staff members and the full-time equivalent is due to staff members who are rendering less than full-time service to the higher educational system.

TABLE VI. SUMMARY OF PAY FOR EMERITUS EMPLOYMENT OF INELIGIBLE STAFF, AGE 70 OR OVER ON JUNE 30, 1940. (Page 43)

The table reflects the expected pay for emeritus employment for staff members who would not be eligible for participation in the proposed joint contributory plan because they had reached the age of 70 or over by June 30, 1940. The estimated cost figures are based upon the life expectancy shown in Table II, and assumes that the rate of pay for emeritus employment for twelve staff members whose age on July 1, 1939, is over 70 will continue unchanged until the expected age of death. For the four staff members whose closest age on June 30, 1940, is 70 years, and who it is believed will be retired beginning with 1940-41 and 1941-42, the expected pay for emeritus employment has been calculated at 43 per cent of the present base rate of pay, in accordance with the present practice of the State Board of Higher Education.

TABLE VII. SUMMARY OF PAY FOR EMERITUS EMPLOYMENT OF ELIGIBLE STAFF REACHING THE AGE OF 70 AFTER JUNE 30, 1940. (Page 44)

The estimated cost for emeritus employment of the eligible staff, reaching the age of 70 after June 30, 1940, increases gradually, reaching a peak in 1960-61, and decreasing thereafter. The cost data reflect the

totals of the 456 eligible staff members calculated by the method shown in Table I, and is analyzed according to the expected amount to be paid during each fiscal year.

If one considers only the mortality factor, the total actual cost for emeritus part-time employment over a long period of years will approximate the sum of the annual costs shown in the table. The actual pay for emeritus employment will be less than indicated in the table in the case of individuals who die before the normal expectancy; while in the case of the individuals who live longer than the normal expectancy, the actual pay will exceed the estimates reflected in the table. In terms of total cost over a period of years the lessened cost of one group probably will be offset by increased costs of the other group. The use of mortality tables, giving effect only to the mortality factor, tends to overstate the estimated costs in the earlier years and understate the estimated cost in later years.

The actual cost for emeritus employment will be less than estimated in the table because of savings due to resignations. It is impossible to predict the savings which will result from the resignation of staff members before reaching the retirement age. It is interesting to note, for example, that after ten years of operation of

the University of Oregon deferred annuity and supplemental annuity program, twenty per cent of the staff originally participating have resigned. It is probably safe to assume that there will be a relatively small number of resignations in the case of older employees, and a higher per cent of resignations in the case of the younger staff members.

Based upon general observations which cannot be scientifically or mathematically predicted, it would seem that for the first few years the actual pay for emeritus employment would be only slightly less than the data shown in the table. Thereafter the actual costs would show a relatively larger reduction from the estimated costs because of the increase in the number of resignations of the original 456 eligible staff members.

The data in Table VII does not reflect the pay for emeritus employment of the staff who will be 70 or over on June 30, 1940, and who, because of their ages, could not purchase annuity policies. It has been assumed, therefore, that these older staff members, sixteen in number, will be provided with part-time, emeritus employment in accordance with established practices of the State Board of Higher Education with the pay shown in Table VI.

CHAPTER V

SUMMARY

The findings and analyses previously referred to indicate that, except for the 67 staff members now participating in the University of Oregon Annuity Retirement program, there is no official plan in operation which assures the other 456 faculty members now employed, or staff members who will be employed in the future, of a definite, predictable income after reaching the official retirement age. The State Board of Higher Education has found that the part-time, emeritus employment now being provided to the aged staff is becoming increasingly burdensome to the budget of the higher educationa system. During the fiscal year 1939-40, the Board has deemed it advisable to lower the rate of pay for part-time, emeritus employment of the staff reaching the age of 70 from 50 per cent of the prevailing pay before retirement to 43 per cent of such pay.

The proposed plan previously discussed in detail is advantageous to the State Board of Higher Education since it appears to be legal, and because it would be less costly to the Board. The attorney General of the State of Oregon, in a letter dated March 13, 1929, addressed to the Secretary of the Board of Regents of the University, in-

dicated that the subject matter of contracts entered into by governing boards must be considered to determine what is a reasonable time during which a contract may remain effective beyond the termination of the Board entering into it. Authorities referred to in the Attorney General's opinion lead one to conclude that if, in the usual course of business, duties of faculty members are to be performed in the future, that governing boards of educational institutions have the authority to enter into fair and reasonable contracts with said faculties, notwithstanding the duration of the contract. The State Board of Higher Education therefore appears to exercise properly its legal powers when it grants indefinite tenure to faculty members which provides, in effect, that the staff member's employment is to continue for an indefinite period, subject to termination for good cause or upon reaching retirement age. An important feature of the proposed plan in so far as it would apply to participating staff members now employed, is the waiving of the established retirement age limit, but with the State Board of Higher Education reserving the right to reduce employment from a normal, full-time basis to an emeritus, part-time basis when a staff member reaches the ages between 65 and 70 years. The proposed plan offers additional advantage to the Board, because the cost thereof would be less than the present

prevailing rate of pay for emeritus employment which is equal to 50 per cent of the pay granted in the last year of full-time employment. The suggested joint contributory program would provide a mean rate of pay for emeritus employment of about 33.8 per cent of the 1939-40 pay, with the prescribed maximum of 50 per cent being approached only by the older staff. The recommended retirement program would also be advantageous to the Board in the case of new faculty members, because retirement arrangements would be entered into when the staff members were granted indefinite tenure.

Benefit would accrue to the staff now eligible to participate in the proposed plan, because they would be assured of an adequate income after reaching the ages now fixed for retirement, ranging between 65 and 70 years of age. Although in the past, part-time, emeritus employment has normally been provided, the arrangements have usually been entered into on a year-to-year basis, and it is now impossible to predict definitely the certainty and amount of such future employment.

Participants now employed would benefit from the proposed plan because the average staff member would be assured of an income from the Board, to be paid after the normal retirement age, of about 33.8 per cent of the average of his ten-years' pay prior thereto. In the case of

older staff members, this 33.8 per cent would be materially increased with an upper limit, however, of 50 per cent. In joint contributory plans in effect in many higher educational institutions, governing boards endeavor to provide annuities equal to about 50 per cent of the average pay which a faculty member has received, with the cost of the benefits being shared jointly by the governing board and the participant; in other words, the contributions by the governing board would normally provide a retirement annuity equal to only about 25 per cent of the average rate of pay.

The cost to the Board of the suggested program has been estimated satisfactorily for all practical purposes although it cannot be definitely and exactly predicted. As previously indicated, the estimated pay to be provided by the State Board of Higher Education for part-time, emeritus employment (as noted in Table VII, page 44) is undoubtedly materially overstated, as the estimated cost calculations for such employment could not reflect the savings which will result from resignations of participants. Reference to the material reported on the University of Oregon annuity retirement program shows, for example, that in the ten-year period since its inception, 20 per cent of the original participants have already resigned(page 9). Although it is impossible to indicate who of the 456 staff

members eligible for participation in the proposed plan will resign before reaching the normal retirement age, and who, therefore, will not be provided with part-time, emeritus employment, nevertheless, it is likely that the number of such resignations will equal or exceed 20 per cent.

The study, moreover, based the estimated cost of emeritus, part-time employment on the salary rates now in effect, because it would be impossible to estimate the average rate of pay which will be given to each participant for the ten-year period immediately preceding the time when part-time, emeritus employment begins. The proposed plan does provide a definite upper limit, however, to the cost to the Board for part-time, emeritus employment, the maximum for any participant being an amount equal to 50 per cent of the average rate of pay in the ten-year period immediately preceding the beginning of such part-time employment.

The suggested maximum could be given further consideration by the administrative officers and governing board of the higher educational system, especially from the standpoint of setting an upper limit in terms of monthly pay, possibly at $200. Moreover, because the life expectancy of women is greater than that for men, recognition

of this situation might warrant a differentiation in the maximum for the two sexes.

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APPENDIX A

REFERENCE TABLES

TABLE I. ILLUSTRATIVE DETERMINATION OF PAY FOR EMERITUS EMPLOYMENT

1. Name	Noe, H. K.	Koe, Agnes
2. Rank	Asst. Prof.	Assoc. Prof.
3. Department	Forestry	Foods & Nutrition
4. Date of birth	Aug. 5, 1894	Sept. 2, 1892
5. Age--in years		
a. On June 30, 1940, to nearest birthday	46	48
b. At death	74.78	79.72
c. At retirement	70.90	70.83
6. Years of retirement	3.88	8.89
7. Last year of service	1964-65	1962-63
8. Years of service		
a. Through June 30, 1939	3	10
b. Future	26	24
c. Total	29	34
9. Salary		
a. Annual	3,200	2,600
b. Monthly	266.67	216.67
c. 5% of monthly salary	13.33	10.83
10. Monthly retirement pay, 2% for each year of service, with maximum of 50%		
a. Per cent	50	50
b. Amount	133.33	108.33
11. Deferred monthly life annuity		
a. For monthly premium of $10	32.55	24.12
b. For 5% of monthly salary	43.39	26.12
12. Monthly pay for emeritus employment (#10b - #11b)	89.94	82.21
13. Ratio of pay for emeritus employment to present monthly salary (#12 ÷ #9b)	33.72	37.94

TABLE II. LIFE EXPECTANCY TABLE
(Based on 1937 Standard Annuitants Table with age for men set back one year, and for women six and one-half years)

Age at Present	Age at death Male	Age at death Female	Age at Present	Age at death Male	Age at death Female
21	72.18		54	76.49	80.75
22	72.25		55	76.75	80.96
23	72.32		56	77.02	81.17
24	72.39		57	77.30	81.40
25	72.46		58	77.60	81.62
26	72.53	77.64	59	77.90	81.86
27	72.60	77.72	60	78.22	82.12
28	72.67	77.78	61	78.55	82.38
29	72.75	77.86	62	78.90	82.66
30	72.83	77.92	63	79.25	82.95
31	72.91	78.00	64	79.62	83.25
32	73.00	78.06	65	80.01	83.56
33	73.09	78.14	66	80.40	83.88
34	73.18	78.21	67	80.81	84.22
35	73.28	78.29	68	81.24	84.58
36	73.38	78.37	69	81.68	84.94
37	73.49	78.46	70	82.14	85.32
38	73.61	78.54	71	82.60	85.70
39	73.73	78.64	72	83.09	86.20
40	73.86	78.73	73	83.59	86.52
41	74.00	78.83	74	84.10	86.96
42	74.14	78.94	75	84.63	87.41
43	74.29	79.05	76	85.17	87.87
44	74.44	79.17	77	85.73	88.34
45	74.61	79.30	78	86.30	88.84
46	74.78	79.43	79	86.89	89.34
47	74.96	79.57	80	87.49	89.86
48	75.15	79.72	81	88.11	90.40
49	75.35	79.86	82	88.76	90.95
50	75.56	80.02	83	89.39	91.52
51	75.78	80.20	84	90.05	92.10
52	76.01	80.37	85	90.72	92.69
53	76.24	80.56	86	91.41	93.30

TABLE III. LIFE ANNUITY PURCHASED BY MONTHLY PREMIUMS OF $10 EACH
(First Monthly Annuity Payment at Age 70)

Age when first premium is paid	Monthly Annuity Men	Monthly Annuity Women	Age when first premium is paid	Monthly Annuity Men	Monthly Annuity Women
25	82.03	68.12	48	29.04	24.12
26	79.05	65.64	49	27.35	22.71
27	76.14	63.22	50	25.70	21.34
28	73.30	60.87	51	24.09	20.01
29	70.53	58.57	52	22.52	18.70
30	67.83	56.32	53	20.99	17.43
31	65.19	54.13	54	19.50	16.19
32	62.62	52.00	55	18.04	14.98
33	60.11	49.91	56	16.62	13.80
34	57.66	47.88	57	15.23	12.65
35	55.27	45.90	58	13.88	11.52
36	52.94	43.96	59	12.56	10.43
37	50.67	42.08	60	11.27	9.36
38	48.45	40.23	61	10.01	8.31
39	46.29	38.44	62	8.79	7.30
40	44.18	36.68	63	7.59	6.30
41	42.12	34.97	64	6.42	5.33
42	40.11	33.31	65	5.28	4.39
43	38.15	31.68	66	4.17	3.47
44	36.24	30.09	67	3.09	2.57
45	34.37	28.54	68	2.03	1.69
46	32.55	27.03	69	1.00	.83
47	30.77	25.55			

Note: Above data from "Handbook of Life Insurance and Annuity Policies", Teachers Insurance and Annuity Association of America, December 1, 1938, page 33.

A life annuity provides for payments to the annuitant to continue throughout life, but to cease with his or her death. The annuitant has the right to choose one of several types of annuities that result in continuing payments to another person in case the death of the annuitant occurs soon after payments are begun to him, the payments under the other types of annuities being smaller than for an ordinary life annuity.

TABLE IV. AGE DISTRIBUTION OF ELIGIBLE STAFF ON JUNE 30, 1940

Age	Frequency	Age	Frequency
28	3	49	21
29	3	50	10
30	1	51	14
31	7	52	24
32	3	53	14
33	7	54	10
34	12	55	13
35	12	56	16
36	14	57	9
37	21	58	7
38	13	59	11
39	17	60	6
40	21	61	6
41	11	62	7
42	20	63	6
43	14	64	5
44	21	65	4
45	16	66	4
46	26	67	1
47	7	68	4
48	14	69	1

Note: Mean age of 456 staff members is 46.77 years.

TABLE V. NUMBER AND ANNUAL PAY OF ELIGIBLE STAFF

	Men	Women	Both
Total Pay	1,103,991.00	314,616.00	1,418,607.00
Number of Staff			
Actual	329	127	456
Full-time equivalent	323.95	115.75	439.70
Average annual pay per full-time equivalent staff member	3,407.90	2,718.06	3,226.30*

*Median salary is $3,039.06.

TABLE VI. SUMMARY OF PAY FOR EMERITUS EMPLOYMENT OF INELIGIBLE STAFF, AGE 70 OR OVER ON JUNE 30, 1940

Fiscal Year	Number of staff	Total Pay
1940-41	15	28,802.35
1941-42	16	30,737.35
1942-43	16	30,737.35
1943-44	16	30,737.35
1944-45	16	30,737.35
1945-46	16	30,737.35
1946-47	16	30,737.35
1947-48	14	24,422.35
1948-49	13	21,788.35
1949-50	11	19,402.17
1950-51	10	18,235.50
1951-52	10	9,355.40
1952-53	2	2,721.47
1953-54	1	1,935.00
1954-55	1	1,935.00
1955-56	1	1,180.35

Note: The data for one staff member reaching the age of 70 between July 1 and December 31, 1940, are reflected in the above table inasmuch as her attained age on June 30, 1940, is considered to be 70 according to life expectancy tables.

TABLE VII. SUMMARY OF PAY FOR EMERITUS EMPLOYMENT OF ELIGIBLE STAFF REACHING AGE OF 70 AFTER JUNE 30, 1940

Fiscal Year	Total Pay	Fiscal Year	Total Pay
1941-42	1,261.50	1965-66	119,384.21
1942-43	2,476.23	1966-67	111,227.31
1943-44	7,619.73	1967-68	104,508.05
1944-45	11,749,14	1968-69	100,275.79
1945-46	16,593.51	1969-70	87,650.45
1946-47	26,201.80	1970-71	72,738.48
1947-48	33,777.14	1971-72	75,931.38
1948-49	46,639.73	1972-73	73,322.44
1949-50	53,937.84	1973-74	68,282.97
1950-51	59,499.36	1974-75	60,559.89
1951-52	72,224.67	1975-76	55,462.71
1952-53	85,733.77	1976-77	47,483.39
1953-54	93,843.43	1977-78	36,695.33
1954-55	105,958.34	1978-79	28,583.33
1955-56	125,547.57	1979-80	22,582.40
1956-57	124,785.82	1980-81	14,899.35
1957-58	133,860.09	1981-82	11,680.24
1958-59	144,624.75	1982-83	8,039.97
1959-60	150,425.01	1983-84	5,537.29
1960-61	154,637.24	1984-85	3,069.67
1961-62	141,243.55	1985.86	1,368.57
1962-63	140,175.45	1986-87	1,001.54
1963-64	129,726.95	1987-88	1,001.54
1964-65	119,329.14	1988-89	470.05

Note: The data for one staff member, reaching the age of 70 between July 1 and December 31, 1940, are not reflected in the above table, inasmuch as her attained age on June 30, 1940 is considered to be 70 according to life expectancy tables.

APPENDIX B

FEATURES OF RETIREMENT PLANS OF SELECTED TAX SUPPORTED UNIVERSITIES AND COLLEGES

FEATURES OF RETIREMENT PLANS OF SELECTED TAX-SUPPORTED UNIVERSITIES AND COLLEGES

Fundamental principles pertaining to the formulation of a proposed retirement program previously referred to on pages 2 and 3 have been considered in establishing programs of publicly-supported higher educational institutions. In tax-supported universities and colleges, the major factors determining the pattern of the retirement plan are the legal limitations on the authority of the governing board, and the amount of funds which can be made available for the program.

Significant features of several plans follow:

I. UNIVERSITY OF CALIFORNIA[1]

The retirement and annuity program was put into operation on July 1, 1924. The "Pension System" was designed to provide annuities for the older staff members while the "Retirement Annuities System" was intended to provide for the other eligible faculty. For both systems the governing board of the University has reserved the right to modify or repeal action taken in establishing the retirement program. Major factors in each of the two systems are as follows:

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1. The Regents of the University of California. By-laws and standing orders of the regents of the University of California. Berkeley, California, 1938.

A. PENSION SYSTEM

The pension system provides for free pensions to be given to the faculty who held professorial rank on, or before, June 30, 1919. Contributions are not required to be made by the participants. The program, as amended, bases the benefits on the average salary for the five years of service ending June 30, 1929, and is to be equal to two-thirds of the average salary for the time indicated. The sliding maximum decreases from $3900 for those reaching the age of 70 prior to July 1, 1931, to $3000 for those reaching the age of 70 after July 1, 1939. When the staff member reaches retirement age, the University provides the necessary amount for the staff member to purchase an annuity from a list of life insurance companies which have been approved by the University.

The death or resignation of the participant before formal retirement terminates all rights under the pension system.

B. RETIREMENT ANNUITIES SYSTEM

The professorial staff whose services began on, or after, July 1, 1919, are required to participate and to contribute 5 per cent of the monthly salary. The University matches the contribution of the faculty member. The total

of the two payments; namely, 10 per cent of the monthly salary, is accumulated by the University to the date of retirement at which time the total amount to the credit of the participant is used to purchase an annuity in a company approved by the University.

In the event that a participant dies or resigns before he has participated for more than four years, he is entitled to only the accumulations which have reslted from his 5 per cent contribution.

At the option of the participant, the staff member may contribute 5 per cent of the salary which he earned from July 1, 1919, through June 30, 1924. His contribution would be matched by the University. In case the staff member severed connection with the University prior to retirement, the University's contribution for the 5-year period would revert to the University.

II. COLLEGE OF THE CITY OF NEW YORK[2]

The City of New York in 1917 established a teachers' retirement system applicable to the teachers of the College of the City of New York and other publicly-supported higher educational institutions of the city. Membership is compulsory for all teachers.

2. Flanagan, Sherman E. Insurance and annuity plans for college staffs. U. S. Department of the Interior, Office of Education. Washington, U. S. Government Printing Office, 1937, p. 32-33.

The teacher contributes 6 per cent of the monthly salary which contribution is matched by the city. The teacher may contribute a larger amount which is also matched by the city but only in an amount which will provide an annuity up to 50 per cent of the salary prevailing at the time of retirement. The amount of the retirement annuity varies, depending upon the accumulated contributions, but ordinarily is equal to approximately 50 per cent of the average salary for the five years preceding retirement. If a staff member terminates his employment before reaching retirement age, his contributions are refunded with interest at 4 per cent. The normal retirement age is 65 or prior thereto after 35 years of service have been rendered of which 20 years of service must have been with the city.

III. UNIVERSITY OF HAWAII[3]

The staff of the University is provided for under the retirement system of the Territory of Hawaii. Membership in the program was optional at the inception of the plan but compulsory shortly thereafter.

Contributions are made by the employees and the Territorial Government. Retirement is voluntary at the age of 60 and compulsory at 70 years of age. The retirement

3. Flanagan, Sherman E. Op. cit., p. 33-34.

allowance is based upon approximately one-seventieth of the average annual salary received by the teacher during the last ten years of service multiplied by the number of years of service. The teacher's contribution makes up about one-half of the retirement fund while the government pays the other one-half. The Territorial Government provided funds to cover the accrued liabilities of teachers in service prior to the inauguration of the plan.

IV. UNIVERSITY OF ILLINOIS[4]

The retirement allowances program of the University was put into operation on September 1, 1925. Employment contracts with staff members provide for the payment of cash salaries during the period of active employment and also for the payment of retirement allowances. All members of the faculty, education, administrative, and mechanical staff who have been in the service of the University for 15 years or more are eligible for participation in the retirement program. Normal retirement is at the age of 68 but the period of service may be extended for one year at a time.

Upon retirement after at least 15 years of service, there shall be paid to the participant a compensation

4. Robbins, Rainard B. Retirement plans for college faculties. Teachers' Insurance and Annuity Association of America. New York, 1934, p. 32-33.

equal to 25 per cent of the average salary for the 5 years preceding retirement and in addition 1 per cent of such average salary for each year of service rendered the University. The maximum payment, though, is not to exceed one-half of the average salary for the 5 years preceding retirement. Staff members who are retired are subject to call for the performance of special duties.

Resignation or death of a staff member before reaching the retirement age releases the University from any responsibility for the payment of the benefits provided for under the plan. The University reserves the right to change or annul any or all parts of the plan for the retirement of staff members and the payment of retirement pensions.

V. MASSACHUSETTS STATE COLLEGE[5]

Employees of the College are provided for by the State Retirement Association of Massachusetts. Participation of the staff members may begin after one year of service. The employee's contribution is 5 per cent of the monthly salary, which contribution is matched by the state. In no case, though, is the retirement annuity to be less than $300 per year nor more than 50 per cent of the average annual salary for the 10 years preceding re-

5. Flanagan, Sherman E. Op. Cit., p. 35-36.

tirement. If the participant resigns or dies before reaching retirement age, there is refunded to his heirs his total accumulative contributions with interest thereon.

Accrued liabilities at the inception of the plan were provided for by a state appropriation.

Retirement is compulsory at the age of 70, but permissible prior thereto after 35 years of service.

VI. UNIVERSITY OF NEVADA[6]

Participating staff members are retired at the age of 65, but the period of service may be extended a year at a time until the age of 70. Staff members contribute nothing to meet the cost of the retirement program. Retirement benefits are based upon the average annual salary for the last 5 years prior to retirement and shall be equal to 1 per cent of said average for each year of service rendered the University. An additional 1 per cent is provided for each two years of similar service elsewhere. The maximum retirement pay shall be 25 per cent of the average salary for the 5-year period preceding retirement with an absolute maximum, though, of $1800. per year.

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6. Robbins, Rainard B. Op. Cit., p. 35.

VII. UNIVERSITY OF WISCONSIN[7]

The state retirement program applies to the faculty of the University of Wisconsin and other publicly-supported schools. Teachers are eligible for retirement at any time after serving 25 years and having reached the age of 50. Participants contribute 5 per cent of their monthly salaries. The State contributes an amount equal to 50 per cent of the contribution of the teacher plus 5 per cent for each year of teaching experience and minus 1 per cent for each $100 in excess of $1200 of salary. The contributions of the state and the teacher are accumulated and invested by the state. Upon retirement the annuity which is paid is based upon the accumulations of the teacher and the state.

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7. Flanagan, Sherman E. Op. cit., p. 35.