TIAA-CREF institute

TRENDS AND ISSUES

MARCH 2013

RETIREMENT PLANS, POLICIES AND PRACTICES IN HIGHER EDUCATION

Paul J. Yakoboski
Senior Economist
TIAA-CREF Institute

Valerie Martin Conley
Professor and Chair, Counseling and Higher Education
Director, Center for Higher Education
Ohio University
TIAA-CREF Institute Fellow

EXECUTIVE SUMMARY

Colleges and universities sponsor retirement plans—both defined benefit (DB) and defined contribution (DC)—to provide retirement income security for their employees. Plan sponsorship in higher education appears successful relative to other sectors of the economy. This makes plans in higher education, in particular, DC plans, models for consideration by public policy analysts.

But plan designs in higher education are not static and unchanging. Colleges and universities must ensure that their plans are not only effective in providing retirement income security, but that they are cost-effective in doing so. In addition, sponsored plans must be competitive in the labor market.

This report documents and examines "typical" retirement plan design (both DB and DC) in higher education, along with retirement-related programs, policies and practices. This includes the sponsorship of retiree health insurance and retirement incentives programs. Data is based upon a national survey of colleges and universities fielded by the TIAA-CREF Institute and the Center for Higher Education at Ohio University in 2011-2012.

Among public colleges and universities with a primary defined contribution plan:

- Mandatory participation is the norm.
- Almost one-half have over 40 investment options.
- A target-date fund is the most common default investment.
- Most do not permit participant loans or hardship withdrawals.
- Almost all offer annuitization as a retirement payout option, though few require some degree of annuitization.
- About one-half have an investment policy statement.
- Three-quarters use multiple vendors to provide investments and related services for their participants.

TIAA CREF
Financial Services

Among private institutions with a primary defined contribution plan:

- Traditional opt-in enrollment is the norm.
- One-half have 25 or fewer investment options.
- A target-date fund is the most common default investment.
- Slightly more than one-half do not permit participant loans, while slightly less than one-half do not permit hardship withdrawals.
- All offer annuitization as a retirement payout option, though few require some degree of annuitization.
- Less than one-half have an investment policy statement.
- One-third use multiple vendors to provide investments and related services for their participants

In addition:

- Ninety percent of respondents currently provide retiree health insurance.
- Among those that sponsor retiree health insurance, 13% pay the entire premium and 49% share the cost of premiums with the individual.
- Over one-half changed their retiree health insurance coverage over the past five years; the primary driver for change was cost containment.
- Only 10% of colleges and universities sponsor a retiree health savings plan (RHSP) for employees.
- Thirty-nine percent of colleges and universities reported having a phased retirement program for full-time, tenured faculty.
- Sixty-one percent of institutions reported offering an early retirement buyout to full-time faculty since the beginning of 2007.

INTRODUCTION

Colleges and universities sponsor retirement plans to provide retirement income security for their employees—faculty, administration and other staff. Both defined benefit (DB) plans and defined contribution (DC) plans are common in higher education. Plan sponsorship in higher education appears successful when viewed relative to other sectors of the U.S. economy; for example:

- The college and university workforce is more confident regarding its prospects for a financially secure retirement than are American workers in general—25% of higher education employees are very confident in their retirement income prospects and 50% are somewhat confident, compared with 13% and 36%, respectively, for U.S. workers.[1]
- Eighty-eight percent of the full-time higher education workforce is currently saving for retirement. Most higher education employees who have saved for retirement are focused on generating a certain level of retirement income (57%) as opposed to accumulating a certain amount of money (32%).

This makes the retirement plans in higher education, in particular, the DC plans, models for consideration and evaluation by public policy analysts. In the aftermath of the 2008-2009 recession, policy makers and analysts have focused on shortcomings in the typical design of private-sector 401(k) plans and reconsidered what constitutes best practice in the design of a DC plan.[2] At the same time, state and local governments are grappling with potential reform of the retirement plans they sponsor for public sector workers.

1 See Yakoboski, Paul. "Retirement Confidence on Campus: The 2011 Higher Education Retirement Confidence Survey," TIAA-CREF Institute *Trends and Issues* (June 2011).

2 The TIAA-CREF Institute has published a series of reports that examine best-practice DC design—Yakoboski, Paul. "Rethinking Defined Contribution Retirement Plan Design," TIAA-CREF Institute *Trends and Issues* (March 2011); Yakoboski, Paul. "Rethinking Defined Contribution Retirement Plan Design: A Survey of Experts," TIAA-CREF Institute *Trends and Issues* (August 2011); and Yakoboski, Paul. "Redesigning Retirement Plans with R21 Principles: Case Study of the Employee Retirement Program for the TIAA-CREF Family of Companies," TIAA-CREF Institute *Trends and Issues* (November 2011).

But plan designs in higher education are not static and unchanging. In an environment of unrelenting budgetary constraints, colleges and universities must ensure that their plans are not only effective in providing retirement income security, but that they are cost-effective in doing so. In addition, sponsored plans must be competitive in the labor market as colleges and universities compete for talent with the private sector, as well as other each other.

Colleges and universities typically sponsor retiree healthcare benefits as well. Healthcare expenses are the biggest financial concern regarding retirement among college and university employees—28% are not confident that they will have the financial resources to cover medical care.[3] While these benefits have resulted in enormous cost pressures over time, higher education has looked to redesign such benefits rather than abandon them, in marked contrast with the private sector. Now uncertainty exists regarding benefit design as the implementation of the Affordable Care Act unfolds. An additional factor that colleges and universities must consider with regards to retiree health benefits is the effect of retiree medical expenditures on retirement patterns, especially among tenured faculty in the absence of mandatory retirement.

Managing the retirement patterns of senior tenured faculty is a significant workforce issue for many colleges and universities.[4] Seventy-five percent of senior faculty (age 60 and older) expect to work past a "normal" retirement age or have already done so.[5] Where this phenomenon exists, it can create various problems for department chairs, deans and provosts focused on keeping the faculty workforce dynamic for purposes of teaching, research and service, e.g., declining productivity among some senior faculty, limited advancement opportunities for junior faculty, a lack of openings for new hires and a lack of flexibility to reallocate resources across departments and programs. In response, colleges and universities have implemented a range of initiatives, including phased retirement programs and buy-out packages.

Given the environment within higher education and outside higher education, this report documents and examines "typical" retirement plan design (both DB and DC) in the sector, along with retirement-related programs, policies and practices. Data is based upon a national survey of colleges and universities fielded by the TIAA-CREF Institute and the Center for Higher Education at Ohio University in 2011-2012.

For DC plans, design elements examined include eligibility requirements, enrollment protocol, employer and employee contributions, vesting schedules, investment options, loans and hardship withdrawals, distribution options and the opportunity for supplemental savings. DC administrative practices, such as the use of single or multi-vendors, were also covered. For DB plans, design elements include eligibility requirements, benefit formulas, vesting schedules, distribution options and the availability of a supplemental DC plan. In addition, the survey covered retiree health benefits and retirement incentive programs.

Responses for 304 colleges and universities—244 public and 60 private—were received from across the spectrum of institutional type, community colleges to doctoral granting research universities.[6] Among the public colleges and universities represented in the survey, 163 (67%) sponsored both a primary DB plan and a primary DC plan. In these situations, new faculty members have the choice of primary plan type—either DB or DC; the primary DC is generally unavailable to administration and other staff. Fifty-four public institutions in the survey (22%) have only a primary DB plan and 27 (11%) have only a primary DC plan. Among the private colleges and universities represented by survey responses, 57 (95%) have a primary DC plan and 3 (5%) have both a primary DB plan and a primary DC plan. There were no responses for private institutions with a primary DB only.

3 See Yakoboski, Paul. "Retirement Confidence on Campus: The 2011 Higher Education Retirement Confidence Survey," TIAA-CREF Institute *Trends and Issues* (June 2011).

4 See Ciccotello, Conrad S., E. Jill Pollock, and Paul J. Yakoboski. "Understanding the Reluctant Retiree on Campus: Helping Individuals Make the Right Retirement Decision," TIAA-CREF Institute *Trends and Issues* (July 2011).

5 See Yakoboski, Paul. "Should I Stay or Should I Go? The Faculty Retirement Decision," TIAA-CREF Institute *Trends and Issues* (December 2011).The age at which individuals can begin collecting full Social Security benefits is used as the normal retirement age; this is 65 years to 66 years for those age 60 and older in 2011, the year of the survey. Among faculty age 60 and older, 73% are age 60-66 and 27% are over age 66.

6 The survey was distributed to TIAA-CREF clients. In some cases respondents represented a single institution. In other cases respondents represented multiple institutions in a system. Public or private status was unidentified for 18 institutions in the survey.

PRIMARY DEFINED CONTRIBUTION PLANS IN HIGHER EDUCATION

A degree of consensus among analysts has emerged regarding best-practice in the design of primary DC plans. For example, in a TIAA-CREF Institute survey of experts in behavioral economics, actuarial science, decision-making and financial education and advice,[7] consensus views included:

- Absent a willingness to mandate plan participation, auto-enrollment is the most effective design to maximize participation.
- The appropriate level of total contributions (participant and sponsor combined) is at least 10% of salary.
- Making contributions should be a shared responsibility between a plan sponsor and participant; a 50/50 split was recommended most often.
- The appropriate number of investment options lies in the 5 to 10 range; this allows construction of an appropriately diversified portfolio by a participant without making it too difficult.
- Target-date funds should be the investment default. A diversified equity fund and inflation-linked bond fund should be included in the investment menu. A balanced fund and deferred annuity should be strongly considered for inclusion as well.
- Participants should have the opportunity to annuitize through the plan, but they should not be required to do so.

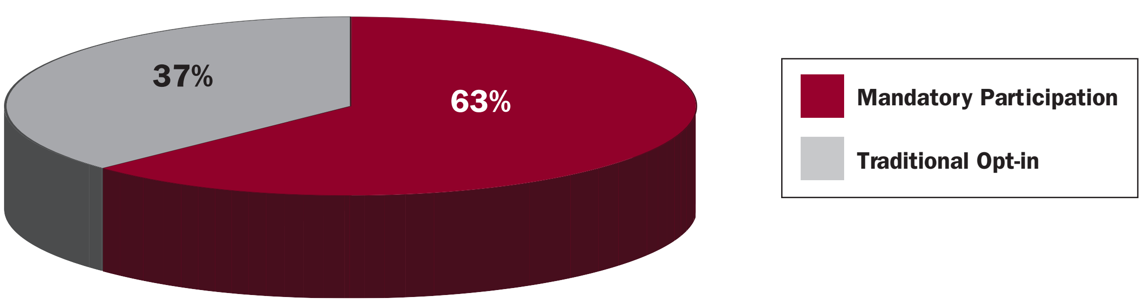
Primary DC plan design in higher education is generally consistent with consensus recommendations along these dimensions. This is likely driven by the objectives for plan sponsorship—among those responding, the overwhelming majority (96%) of public colleges and universities with a primary DC cite income replacement as the primary plan objective as opposed to wealth accumulation; the analogous figure for private institutions is 73%.

PUBLIC INSTITUTIONS

One hundred and ninety public colleges and universities represented in the survey offered a primary DC plan to at least some of their employees. At 73% of these institutions, employees are immediately eligible to participate in the primary DC plan, i.e., there is no service requirement prior to becoming eligible.

Mandatory participation is the norm design for public institutions with primary DC plans; 63% have mandatory participation for eligible employees. Thirty-seven percent have traditional opt in enrollment whereby eligible employees must proactively enroll in the plan to participate. No respondents representing public institutions reported that they automatically enroll eligible employees in the primary DC plan with the option to opt out of participation.

FIGURE 1
ENROLLMENT PROCEDURES AT PUBLIC INSTITUTIONS WITH A PRIMARY DEFINED CONTRIBUTION PLAN



Source: *Survey of Retirement Plans, Policies and Practices in Higher Education*, TIAA-CREF Institute and Center for Higher Education at Ohio University.

7 Yakoboski, Paul. “Rethinking Defined Contribution Retirement Plan Design: A Survey of Experts,” TIAA-CREF Institute *Trends and Issues* (August 2011).

In DC plans with mandatory participation, the plan specifies nondiscretionary levels of contributions for both the employer and employee. Relatively few respondents reported the nondiscretionary participant contribution rate; among those that did, the majority (60%) reported 5% of salary and one-third reported a rate less than 5%. Fewer respondents reported the nondiscretionary employer contribution rate; in these cases it ranged from 4% to 10% of salary. Among respondents reporting both, the combined nondiscretionary rates equaled or exceeded 10% most of the time.

Among public institutions with traditional opt-in enrollment, 55% incorporate a sponsor matching contribution to participant contributions. The most common match rate is 100%, i.e., dollar for dollar.

Since 2009, the number of investment options increased at 27% of the public colleges and universities with a primary DC plan, while the number of options decreased at 17% of such institutions. Fifteen percent of public colleges and universities have a plan with 15 or fewer investment options, 31% have 25 or fewer options and 53% have 40 or fewer. At the other end of the spectrum, 18% have plans offering over 100 investment options.

FIGURE 2
INVESTMENT OPTIONS AT PUBLIC INSTITUTIONS WITH A PRIMARY DEFINED CONTRIBUTION PLAN

NUMBER OF OPTIONS	FREQUENCY	CUMULATIVE FREQUENCY
15 or less	15%	15%
16 to 25	16	31
26 to 40	22	53
41 to 100	29	82
Over 100	18	100
Options serving as default		
Target-date fund	61%	
Money market fund	31	
Other	8	

Source: *Survey of Retirement Plans, Policies and Practices in Higher Education*, TIAA-CREF Institute and Center for Higher Education at Ohio University.

A target-date fund is included in almost all investment menus; it is also the most common default investment option. Money market funds are a distant second in terms of frequency as the default. One-half of public institutions offer a managed account in the primary DC plan. Essentially all offer a deferred annuity as an investment option.[8]

A DC plan participant attains vested, i.e., nonforfeitable and irrevocable, rights to sponsor contributions after a plan-specified period of time in terms of service or participation. A participant retains vested contributions when employment with the sponsor ends. Immediate vesting of sponsor contributions is the norm among public sector colleges and universities with a primary DC plan (67%). Twenty-seven percent have cliff vesting, i.e., full vesting (100 percent) occurs after the specified time period with no vesting prior to that point. Eight percent have a graded vesting schedule (gradual vesting over a period of time), with full vesting most typically occurring after five years.

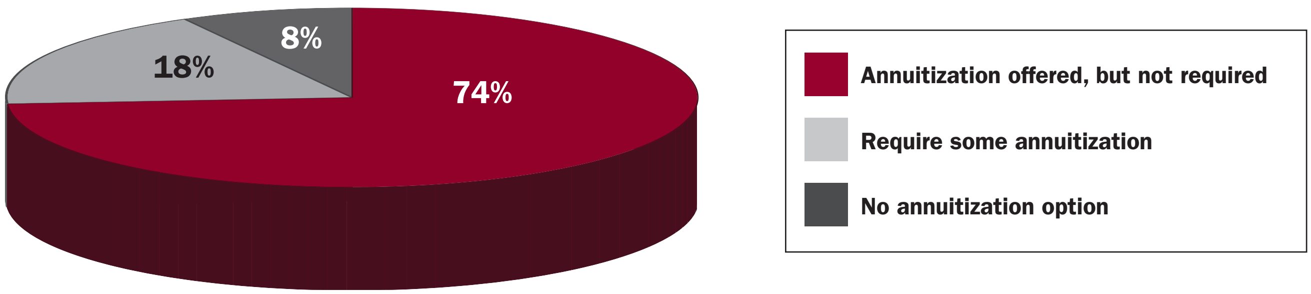
Over 80% of public institutions have plans that incorporate a Roth feature, i.e., participants have the option to make after-tax contributions under the plan.

Sixty-four percent of institutions have plans that do not permit participant loans and 76% do not permit hardship withdrawals. Such policies are consistent with the view that sponsored plans are for the purpose of providing retirement income security as opposed to simply accumulating wealth.

8 Almost all plans under TIAA-CREF include TIAA Traditional in the investment menu.

Finally, 92% of institutions with a primary DC plan offer annuitization as a retirement payout option. Among these, 20% require some degree of annuitization. The availability of in-plan annuitization is consistent with the view that sponsored plans are for the purpose of providing retirement income security.

FIGURE 3
DISTRIBUTION OPTIONS AT PUBLIC INSTITUTIONS WITH A PRIMARY DEFINED CONTRIBUTION PLAN

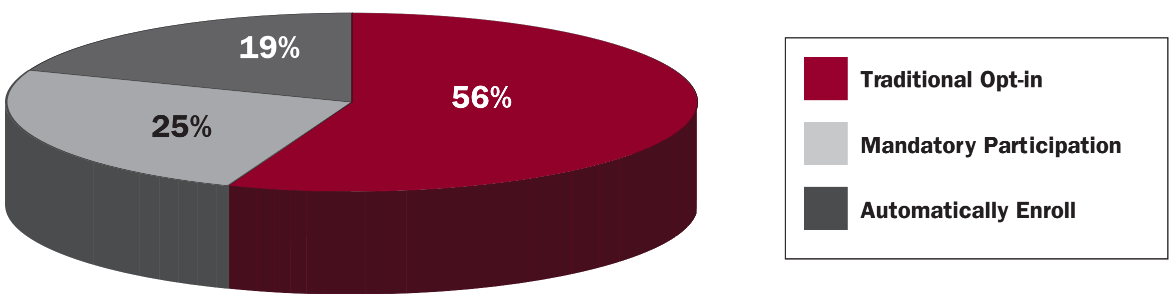


Source: *Survey of Retirement Plans, Policies and Practices in Higher Education*, TIAA-CREF Institute and Center for Higher Education at Ohio University.

PRIVATE INSTITUTIONS

Sixty private colleges and universities in the survey sponsored a primary DC plan for at least some of their employees.[9] Traditional opt-in enrollment whereby eligible employees must proactively enroll in the plan to participate is the norm design for private institutions with primary DC plans; 56% have opt-in enrollment. Twenty-five percent have mandatory participation for eligible employees and 19% automatically enroll eligible employees in the plan while giving them the option to opt-out.

FIGURE 4
ENROLLMENT PROCEDURE AT PRIVATE INSTITUTIONS WITH A PRIMARY DEFINED CONTRIBUTION PLAN



Source: *Survey of Retirement Plans, Policies and Practices in Higher Education*, TIAA-CREF Institute and Center for Higher Education at Ohio University.

DC plans with mandatory participation specify a nondiscretionary contribution rate for participants; this nondiscretionary contribution rate at private institutions fell in the 3% to 6% of salary range, with 5% being most common. DC plans with auto-enrollment specify a default contribution rate for participants; the default rate at private institutions ranged from 1% to 10% of salary among survey respondents, with the norm being 5%-6%.

Sixty-two percent of private institutions report making nondiscretionary, non-matching sponsor contributions to participant accounts under the primary DC plan. This is generally an inherent feature of plans with mandatory participation, but not so among plans with non-mandatory participation, i.e., either traditional opt-in or auto-enrollment. This implies that approximately one-half of plans with non-mandatory participation have non-discretionary sponsor

9 Three of the 60 also sponsored a primary DB plan.

contributions. These non-discretionary sponsor contributions range from 1% of salary to 12% of salary among survey respondents, with 5%, 6% and 10% being the most common rates.

In addition, one-half of sponsors match participant contributions in the primary DC plan. Assuming that all plans without nondiscretionary sponsor contributions have matching contributions, then 20% of plans with a nondiscretionary sponsor contribution also have a sponsor matching contribution. The typical match in private institution primary DC plans is 100%, i.e., dollar for dollar. The maximum employee contribution matched is typically 5% of salary.

Over the past two years, the number of investment options increased at 47% of the private colleges and universities with a primary DC plan, while the number of options decreased at just 4% of such institutions. Seventeen percent of private colleges and universities have a plan with 15 or fewer investment options, 48% have 25 or fewer options and 73% have 40 or fewer. The median number of options is 29.

FIGURE 5
INVESTMENT OPTIONS AT PRIVATE INSTITUTIONS WITH A PRIMARY DEFINED CONTRIBUTION PLAN

NUMBER OF OPTIONS	FREQUENCY	CUMULATIVE FREQUENCY
15 or less	17%	17%
16 to 25	31	48
26 to 40	25	73
41 to 100	12	85
Over 100	15	100
Options serving as default		
Target-date fund	74%	
Money market fund	7	
Annuity fund	17	

Source: *Survey of Retirement Plans, Policies and Practices in Higher Education*, TIAA-CREF Institute and Center for Higher Education at Ohio University.

A target-date fund is included in the vast majority of investment menus; it is also the most common default investment option. Over one-half of private institutions offer a managed account in the primary DC plan. Essentially all offer a deferred annuity as an investment option.[10] An annuity fund is the second most commonly reported investment default.

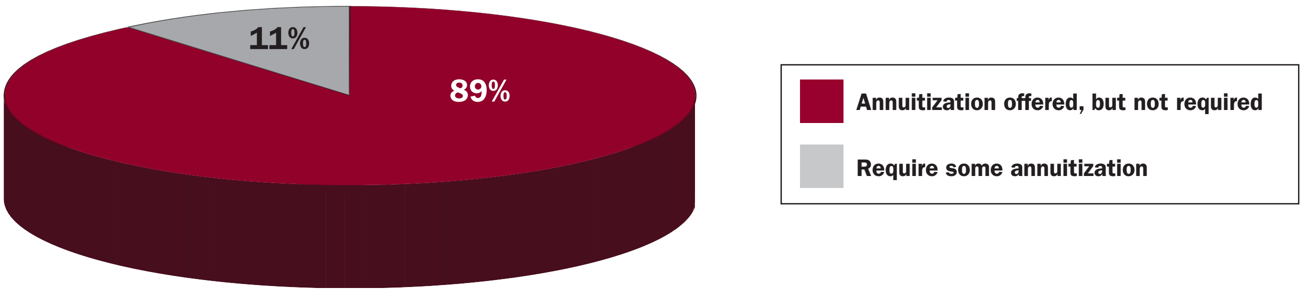
The vast majority (85%) of private higher education institutions with a primary DC plan have immediate vesting of sponsor contributions; 11% have plans with cliff vesting and 4% have a graded vesting schedule. Fifty-six percent of institutions have plans that do not permit participant loans and 47% do not permit hardship withdrawals.

Almost 90% of private institutions have plans that do not incorporate a Roth feature, i.e., participants do not have the option to make after-tax contributions under the plan.

Finally, all private institutions with a primary DC plan offer annuitization as a retirement payout option, and 11% require some degree of annuitization. The availability of in-plan annuitization is consistent with the view that sponsored plans are for the purpose of providing retirement income security.

10 Almost all plans under TIAA-CREF include TIAA Traditional in the investment menu.

FIGURE 6
DISTRIBUTION OPTIONS AT PRIVATE INSTITUTIONS WITH A PRIMARY DEFINED CONTRIBUTION PLAN



Source: *Survey of Retirement Plans, Policies and Practices in Higher Education*, TIAA-CREF Institute and Center for Higher Education at Ohio University.

DEFINED CONTRIBUTION PLAN ADMINISTRATION

Survey respondents with a primary DC plan were also asked about plan administration. Fifty-two percent reported that their plan has a formal investment policy statement (IPS). An IPS is a plan management tool to help ensure that fiduciary responsibilities are met by documenting the sponsor's process and procedures in choosing and evaluating investment options. An IPS is more common among public institutions (54%) than private institutions (44%). Seventy-one percent of private institutions without an IPS are currently developing one, as are 51% of publics without an IPS. Among those with an IPS, almost all private institutions report having reviewed it within the past two years; 70% of public institutions have reviewed their IPS within the past two years and almost all have done so within the past five years. While 76% of private institutions report using an external service for Form 5500 reporting required by ERISA, only one-fifth (21%) of public institutions do.

FIGURE 7
ADMINISTRATIVE PRACTICES AMONG PRIMARY DEFINED CONTRIBUTION PLAN SPONSORS

	PUBLIC INSTITUTIONS	PRIVATE INSTITUTIONS
Have a formal investment policy statement (IPS)	54%	44%
Reviewed IPS within past 2 years	70%	96%
Have multiple vendors to provide investments and related services	77%	36%
Use an external consultant to assist with design, governance and administration	78%	38%

Source: *Survey of Retirement Plans, Policies and Practices in Higher Education*, TIAA-CREF Institute and Center for Higher Education at Ohio University.

Seventy-seven percent of public institutions with a primary DC plan report that multiple vendors provide investments and related services for their participants; 36% of private institutions report using multiple vendors. Among the relatively few private institutions with multiple vendors, the norm is two. By contrast, 40% of public institutions with multiple vendors report using three and 45% report more than three. The most common reason cited for using multiple vendors is to provide participants with more investment options. A significant minority of public institutions also responded that competition among vendors results in lower fees and expenses. Very few users of multiple vendors feel that it is just as simple to administer multiple vendors as a single vendor; so the use of more than one vendor comes with an acknowledged cost.

Since January 1, 2009, there has been relatively little change across institutions in the number of vendors used. Twenty percent of public institutions reported a decrease in their number of vendors. About 20% of public and 40% of private institutions with multiple vendors are considering (further) reductions.

The majority (78%) of public institutions use an external consultant to assist with decisions regarding the design, governance and administration of the DC plan. In contrast, 38% of private institutions use external consultants. Among those who have not engaged an external consultant, 44% of private institutions and 35% of public institutions are considering doing so.

PRIMARY DB PLANS AT PUBLIC INSTITUTIONS

Two hundred and ninety public colleges and universities in the survey offered a primary DB plan to at least some of their employees. At 90% of these institutions, employees are immediately eligible to participate in the primary DB plan, i.e., there is no service requirement prior to becoming eligible. At 86% of these institutions, participants must make contributions to the funding of their benefits; at two-thirds of these, that contribution rate falls in the 5% to 7% of salary range and the median rate is 6%.

The annual retirement benefit received by a DB participant is determined by a formula that credits the participant with a specified percentage of salary (known as the multiplier) for each year of covered employment under the plan. Two percent of salary was the most common multiplier reported for public colleges and universities with a DB plan; over 70% used a multiplier that fell in the 2% to 2.5% range. Eighty percent of public institutions had no limit on the number of years of covered employment used in the DB benefit calculation; for the 20% with a limit, it fell in the 30 to 40 year range. The salary used to calculate benefits is determined by a final average method (i.e., average salary over the final specified number of years of covered employment) or a high average method (i.e., the highest average salary over a specified consecutive number of years). Seventy percent of institutions reported using a high average method and 30% used a career average method.

While all DB plans pay retirement benefits as an annuity, one-third of public institutions offer participants the option to receive their retirement benefits as a lump sum. The lump sum would equal the expected present value of the annual annuity payments. In addition, over 90% of public institutions sponsoring a DB plan were reported to have a supplemental DC savings option for employees.

RETIREE HEALTH BENEFITS

Survey respondents were asked about retiree health benefits provided to employees. These questions were answered for 295 colleges and universities. This section reports responses to those questions for public and private institutions as a combined group.

Ninety percent of respondents currently provide retiree health insurance for new hires. Among the 10% who do not, only 16% provide coverage for any current employees, meaning that very few colleges and universities (less than 2%) have dropped retiree health insurance as a benefit.

FIGURE 8
RETIREE HEALTH BENEFITS IN HIGHER EDUCATION

Provide retiree health insurance for new hires	90%
Premiums paid by	
Employer pays 100%	13%
Employee pays 100%	38
Employer and employee share cost	49
Plan changes made within past 5 years	54%
Share of premiums paid by individual increased	57%
Co-payments increased	57
Deductibles increased	35
Services covered changed	21

Source: *Survey of Retirement Plans, Policies and Practices in Higher Education*, TIAA-CREF Institute and Center for Higher Education at Ohio University.

Among colleges and universities that sponsor retiree health insurance for any of their employees, 13% pay the entire premium, 49% share the cost of premiums with the individual, and 38% have a plan where the individual pays the entire premium.

Over one-half of institutions reported changes to their retiree health insurance coverage over the past five years, and it is clear that the primary driver for change was cost containment. The most common changes were increasing co-payments and increasing the share of premiums paid by the individual—each reported by 57% of institutions that made a change. In addition, one-third reported that plan deductibles had increased and 21% reported changes in the services covered.

Only 10% of colleges and universities reported sponsoring a retiree health savings plan (RHSP) for employees. Among the limited number that do, approximately 30% make sponsor contributions to employee RHSP accounts.

RETIREMENT INCENTIVE PROGRAMS

Survey respondents were also asked about retirement incentives offered to full-time, tenured faculty. These questions were answered for 250 colleges and universities. This section reports responses to those questions for public and private institutions as a combined group.

Thirty-nine percent of colleges and universities were reported to have a phased retirement program for full-time, tenured faculty (defined as a program that permits faculty to phase into retirement by working fractional time for fractional salary on the condition that they waive tenure and retire at a specified future date.) Forty percent of phased retirement programs were implemented since 2000, with 26% within the 2008-2010 period. Over one-half of institutions with a phased retirement program for faculty also offer it to other employees, typically to administration.

FIGURE 9
RETIREMENT INCENTIVE PROGRAMS IN HIGHER EDUCATION

Sponsor a phased retirement program for full-time, tenured faculty	39%
Phased retirement also offered to other employees	57%
Benefits provided during the phase period	
Full-time employer contribution to health insurance premium	83%
Extra retirement plan contributions or credits	36
Greater than pro-rata salary payments	5
Option to receive partial retirement benefits in addition to salary	61
Offered an early retirement buyout to full-time faculty since 2007	61%

Source: *Survey of Retirement Plans, Policies and Practices in Higher Education*, TIAA-CREF Institute and Center for Higher Education at Ohio University.

Eligibility for phased retirement is almost always (98% of programs) based on a combination of age and service. Ten years is the typical minimum service requirement and age 60 is most commonly the minimum age requirement. In addition, almost all programs (96%) require administrative approval for an individual to participate.

The typical maximum phase period is three years and the minimum phase period can be as low as one year. Among institutions with a phased retirement program, the following benefits are provided to faculty during the phase period—

- 83% provide the full-time employer contribution for the health insurance premium
- 61% provide the option to receive partial retirement benefits in addition to salary
- 36% provide extra retirement plan contributions or credits
- 5% provide greater than pro-rata salary payments.

In addition, 61% of colleges and universities were reported to have offered an early retirement buyout to full-time faculty since January 1, 2007. But less than 5% of institutions report having formal programs or policies aside from buyouts and phased retirements to encourage faculty retirement. One-third of institutions report that they systematically track and analyze faculty retirement patterns; one-third of these track at the departmental level.

CONCLUSION

The TIAA-CREF Institute and the Center for Higher Education at Ohio University conducted a national survey of colleges and universities in 2011-2012 to examine the design and administration of retirement plans sponsored in higher education, along with retiree health benefits and retirement incentive programs.

The design of primary DC plans in higher education is generally consistent with the emerging consensus among analysts regarding best-practice. But plan designs in higher education are not static and unchanging. Colleges and universities must ensure that their plans are not only effective in providing retirement income security, but that they are cost-effective in doing so. In addition, sponsored plans must be competitive in the labor market.

REFERENCES

Conley, V. M. (2012). “Eroding Retirement and Benefits: The Wrong Response to Fiscal Crises,” National Education Association *The NEA 2012 Almanac of Higher Education*, pp.97-111.

Snell, R. “Pensions and Retirement Plan Enactments in 2001 State Legislatures: Final Report. National Conference of State Legislatures (December 11, 2001).” Retrieved from http://www.ncsl.org/default.aspx?tabid=13401.

_____. “Pensions and Retirement Plan Enactments in 2002 State Legislatures. National Conference of State Legislatures (November 21, 2002).” Retrieved http://www.ncsl.org/default.aspx?tabid=13403.

_____. “Pensions and Retirement Plan Enactments in 2003 State Legislatures. National Conference of State Legislatures (November 5, 2003).” Retrieved from http://www.ncsl.org/default.aspx?tabid=13402.

_____. “Pensions and Retirement Plan Enactments in 2004 State Legislatures. National Conference of State Legislatures (October 25, 2004).” Retrieved from http://www.ncsl.org/default.aspx?tabid=13396.

_____. “Pensions and Retirement Plan Enactments in 2005 State Legislatures. National Conference of State Legislatures (November, 2005).” Retrieved from http://www.ncsl.org/default.aspx?tabid=13405.

_____. “Pensions and Retirement Plan Enactments in 2006 State Legislatures. National Conference of State Legislatures (October, 2006).” Retrieved from http://www.ncsl.org/default.aspx?tabid=13406.

_____. “Pensions and Retirement Plan Enactments in 2007 State Legislatures. National Conference of State Legislatures (October, 2007).” Retrieved from http://www.ncsl.org/default.aspx?tabid=13404.

_____. “Pensions and Retirement Plan Enactments in 2008 State Legislatures. National Conference of State Legislatures (July 31, 2008).” Retrieved from http://www.ncsl.org/default.aspx?tabid=13313.

_____. “Pensions and Retirement Plan Enactments in 2009 State Legislatures. National Conference of State Legislatures (August 17, 2009).” Retrieved from from http://www.ncsl.org/default.aspx?tabid=17594.

_____. “Pensions and Retirement Plan Enactments in 2010 State Legislatures. National Conference of State Legislatures (November 23, 2010).” Retrieved from http://www.ncsl.org/default.aspx?tabid=20836.

_____. “Pensions and Retirement Plan Enactments in 2011 State Legislatures. National Conference of State Legislatures (September 30, 2011).” Retrieved from http://www.ncsl.org/default.aspx?tabid=22763.

ABOUT THE AUTHORS

Paul Yakoboski is a senior economist with the TIAA-CREF Institute. He conducts and manages research on issues related to defined contribution plan design, retirement planning and saving behavior, income and asset management in retirement, managing retirement patterns, and topics relevant to strategic management in the higher education and non-profit sectors. He is responsible for the development and execution of Institute forums on such issues. Yakoboski serves as director of the Institute's Fellows Program and editor of the Institute's *Trends and Issues* and *Advancing Higher Education* publication series.

Prior to joining the TIAA-CREF Institute, Yakoboski held positions as Director of Research for the American Council of Life Insurers (2000 to 2004), Senior Research Associate with the Employee Benefit Research Institute (1991 to 2000) and Senior Economist with the U.S. Government Accountability Office (1989 to 1991). He was an adjunct faculty member at Nazareth College (Rochester, NY) from 1986 to 1988. Yakoboski earned his Ph.D. (1990) and M.A. (1987) in economics from the University of Rochester and his B.S. (1984) in economics from Virginia Tech.

Valerie Martin Conley is professor of Higher Education and Student Affairs and chair of the Counseling and Higher Education Department at Ohio University. She teaches courses on governance in higher education, policy, and faculty issues. She also serves as co-director of the Center for Higher Education. Dr. Conley specializes in quantitative applications for educational policy and research, drawing upon her experience as an institutional researcher and consultant to the National Center for Education Statistics. Her research interests focus on faculty retirement, part-time faculty, academic labor market and management issues. She recently completed an ADVANCE-PAID-supported research project studying the academic career success of female faculty in science- and engineering-related programs at public two-year institutions. Dr. Conley holds a Ph.D. in educational leadership and policy studies from Virginia Tech and an M.A. and B.A. in sociology from the University of Virginia. She is a Fellow of the TIAA-CREF Institute.