Statement of Principles on Academic Retirement and Insurance Plans

The statement that follows, prepared by a joint committee of the American Association of University Professors and the Association of American Colleges (AAC; now the Association of American Colleges and Universities), represents the most recent revision of a joint statement originally issued in 1950. Subsequent revisions, endorsed by the two organizations, were issued in 1958, in 1969, and in 1980. The present revision, adopted by the Council of the AAUP in November 1987, was adopted by the AAC at its annual meeting in January 1988, and endorsed by the AAUP's Seventy-fourth Annual Meeting.

The purpose of retirement plans and plans for insurance benefits for faculty members and administrators is to help educators and their families maintain their standard of living following retirement and to withstand the financial effects of illness and death. The purpose of such plans for institutions is to increase the educational effectiveness of the college or university. The plans should be designed to attract individuals of the highest abilities to the faculty and administration, to sustain their morale, to permit them to devote their energies to the concerns of the institution and the profession, to provide for their orderly retirement, and thus to afford opportunities for entry and advancement in the profession. In addition, the plans must meet the requirements of current applicable federal and state laws: for example, on the federal level, the Employee Retirement Income Security Act of 1974, the Age Discrimination in Employment Act of 1967, Title VII of the Civil Rights Act of 1964, the Equal Pay Act of 1963, and the Internal Revenue Code have particular relevance. The following practices are recommended.

1. The institution's retirement and insurance plans should
   a. be clearly defined;
   b. take into account, and be coordinated with, old-age, survivor, disability, and medical benefits of federal social security and/or other applicable public programs;
   c. facilitate mobility among institutions without loss of accrued retirement benefits and with little or no gap in annuity and insurance-plan participation, and, in the case of colleges and universities with defined-benefit plans, seek to offer a plan, or alternative plans, that do not penalize faculty members who leave prior to retirement;
   d. make available, as a matter of course, both information on all benefits, including an estimation of retirement income, and a program of pre-retirement counseling; and
   e. be reviewed periodically by a committee representing the faculty and administration of the institution, in consultation with retirees. As appropriate, recommendations should be made to the institution's governing board that ensure that the plans continue to meet and reflect the needs, resources, and objectives of the institution and the participants. Retirement plans that are found to provide retirement income less than, or in excess of, the plans' objectives should be carefully reviewed in relation to the overall allocation of financial resources within the institution.
2. The retirement plan for faculty members and administrative officers of the institution should provide for
   a. *Normal Retirement.* This term is employed in retirement planning to designate an age for setting retirement income objectives and contribution rates. Plans in which the normal retirement age is set within the age range of sixty-two to seventy-two appear to conform with reasonable practice. The availability of an adequate retirement income at the normal retirement age will encourage timely retirement.

   b. *Early Retirement.* The plan should designate an explicit early retirement age that will enable individuals to retire earlier than the stated normal retirement age and to begin receiving their retirement income at that earlier age.[1] Though plan benefits are generally reduced by early retirement, such reductions may be offset through supplemental benefit arrangements provided by the individual and/or the institution.[2]

   c. *Phased Retirement.* The plan should enable individuals who are approaching retirement to arrange, on their own initiative, reductions in services and salary acceptable both to them and to their institutions.[3]

3. Ordinarily, retirement should occur at the end of the academic year. Each institution should make clear whether the summer period attaches to the preceding or the following academic year. Individuals should notify the administration of their decision to retire as far in advance as possible.

4. At the time of initial appointment and periodically thereafter participants should be both counseled and urged to inform themselves about their retirement options and benefits.

5. The institution should provide for a plan of retirement annuities.
   a. Such a plan should require participation after not more than one year of service by all full-time faculty members and administrators who have attained a specified age, as determined by relevant federal and state law.

   b. It should be financed by regular payments, with the institution contributing as much as or more than each participant. Contributions should continue during leaves of absence with pay. In addition, the retirement plan should permit supplementary contributions from participants (including those on leaves of absence without pay). Individuals should have the opportunity to make both required and voluntary contributions by salary reduction in accordance with relevant tax laws.

   c. It should maintain contributions at a level considered sufficient to give long-term participants at normal retirement age a continuing combined income from the retirement plan and federal social security that is appropriately related to their level of income prior to retirement, with provisions for continuing income to a surviving spouse. The recommended objective for those retiring at the normal retirement age who have participated in the plan for at least thirty-five years is a continuing after-tax income equivalent in purchasing power to approximately two-thirds of the yearly disposable salary (after taxes and other mandatory deductions) during the last few years of full-time employment.[4]

   d. It should ensure that the full accumulations from the participant's and the institution's contributions are fully and immediately vested in the participant, available as a benefit in case of death before annuity payments commence, and with no forfeiture in cases of departure or dismissal from the institution.

   e. It should be such that the participant may receive the accumulated funds only in the form of an annuity. Exceptions might be made for (1) small proportions of the accumulations of retiring participants, or (2) small accumulations in inactive accounts.[5]

6. Since the abolition of mandatory retirement in 1993, some cases that previously would have resulted in "involuntary retirement" now have to be treated as involuntary termination. Such cases should be considered by representatives of the faculty and administration through appropriate procedures.[6] Reassignment from administrative duties to teaching responsibilities is not considered a retirement.

7. When a retirement plan is initiated or modified, reasonable transition provisions, such as special financial arrangements or the gradual implementation of the new plan, should be made for those who would otherwise be adversely affected, and consideration should be given to the needs of those who are already retired.

8. Each institution should help retired faculty members and administrators remain a part of the academic community, and facilitate timely retirement, by providing, where possible, such amenities as a mail address, library privileges, office space, faculty club membership, the institution's publications, secretarial help, administration of grants, research

facilities, faculty dining and parking privileges, and participation in convocations and academic processions. Institutions that confer the emeritus status should do so in accordance with standards determined by the faculty and administration.

9. The institution should maintain a program of group insurance financed in whole or in part by the institution and available to faculty members and administrators promptly after employment commences. The program should continue all coverages during leave of absence with pay, and during leave without pay unless comparable protection is otherwise provided for the individual. At a minimum, the program should include the following:
   a. Life insurance providing a benefit considered sufficient to sustain the standard of living of the faculty member's or administrator's family for at least one year following death. Where additional protection is contemplated, consideration should be given to providing the largest amount of insurance at the younger ages, when the need for insurance often is greater, with coverage decreasing as age advances and the death benefit from the retirement annuity becomes substantial.
   b. Medical-expense insurance providing basic hospital-surgical medical insurance and major-medical insurance, or equivalent protection, for faculty members, administrators, and their dependents. Such insurance should continue to be available through the institution (1) for retired individuals and their spouses, (2) for surviving spouses who do not remarry, and (3) for dependent children of active or retired participants who die while insured. Serious consideration should be given to offering catastrophic medical and long-term health-care insurance.
   c. Disability insurance providing a monthly income for faculty members and administrators who remain totally disabled beyond the period normally covered by salary continuation or sick pay. Provision should also be made to continue payments to the disabled individual's retirement annuity. For a person who has been disabled six months or more, the plan should provide an after-tax income, including federal social-security benefits, equivalent in continuing purchasing power to approximately two-thirds of the income realized after taxes and mandatory deductions prior to disability. The plan should be structured so that disability benefits to a disabled individual continue at least until the retirement annuity is greater than the disability benefit or until the age at which the law requires distribution of the annuity, whichever is earlier.

Notes

1. The Older Workers Benefit Protection Act, 29 U.S.C. Sec. 623, permits institutions to establish a minimum-age requirement for early-retirement eligibility.

2. In 1998, Congress amended the Age Discrimination in Employment Act to allow institutions to offer supplemental "retirement-incentive" benefits to tenured faculty who complete a required number of years of service and attain a specified age. These supplemental benefits may be phased out after a specified maximum age, as long as the supplemental plan allows every faculty member a 180-day opportunity to consider accepting the maximum benefit by retiring within a year. Higher Education Amendments of 1998, Pub. L. No. 105–244, Sec. 941 ("Voluntary Retirement Incentive Plans"), 112 Stat. 1834 (1998).

3. The advantages and disadvantages of phased-retirement programs are treated in Jay L. Chronister and Thomas R. Keppel Jr., *Retirement Programs for Faculty* (ERIC Clearinghouse on Higher Education), available online at www.thememoryhole.org/edu/eric/ed301141.html.

4. Since current law does not permit age-based discontinuance of retirement contributions, institutions may wish to develop a modified plan that is fully paid when it achieves a specified benefit such as that recommended in item 5c.

5. The AAUP's Council, at its meeting in June 1990, adopted changes in this subsection that were discussed with the Association of American Colleges (now the Association of American Colleges and Universities). See the "AAC/AAUP Interim Comment on the Annuitization Provision of the 'Statement of Principles on Academic Retirement and Insurance Plans,'" *Academe: Bulletin of the AAUP* 78 (September–October 1992): 53.

6. See, for example, the joint AAC-AAUP 1958 "Statement on Procedural Standards in Faculty Dismissal Proceedings," AAUP, *Policy Documents and Reports*, 10th ed. (Washington, D.C., 2006), 12–15.