YALE UNIVERSITY

Report of the Provost's Advisory Committee on Retirement

February 22, 1979

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Since early October, the Advisory Committee on Retirement has been meeting weekly to consider changes in University policy appropriate to recent federal and state laws on age discrimination and mandatory retirement. The two laws, while responding to the same demographic changes, social values and political pressures, are profoundly different. Where the federal legislation has extended the protection against age discrimination to persons up to seventy years old, the state law has prohibited age discrimination -- and mandatory retirement -- entirely in the private sector. While we recognize the legitimacy of the interest in continued employment for older persons, we also believe that the federal legislation is by far the better accommodation between this interest and others, discussed below, which are also compelling. We therefore support and encourage the University's efforts to bring the state law into substantial conformity with the federal, and to enlist the aid of others in resisting the amendment of the federal legislation to prohibit mandatory retirement completely.

We have nevertheless proceeded on the assumption that legally and practically the Connecticut law as originally passed, must govern the University's planning. The general import of the law is to prohibit discrimination on the basis of age in the terms or conditions of employment. What precisely this means, we cannot know until experience and litigation refine the details. We can say, however, that the broad language of the law makes suspect any employment policy which differentiates among persons solely on the basis of age. Specifically, the implications of the state law for University policy are clear in two major respects: beginning this academic year, the University must cease to refuse employment to persons solely because they have passed the age of normal retirement, and must cease to require the retirement of its faculty and staff on the basis of age alone. The first of these changes not only presents few difficulties, but offers a positive opportunity both for individuals and for the institution. It is the complete prohibition of mandatory retirement that concerns us, and will challenge the ingenuity of the officers of the University. Because this prohibition means such different things when considered inside and outside the context of the tenure system, our report is divided into two main sections, one which deals with tenured employees, and one which deals with non-tenured employees.[1]

THE TENURED FACULTY:

The prohibition on all mandatory retirement raises the gravest concerns in the context of the tenure system. Before the passage of the Connecticut legislation we spoke of tenure as a contract without term, when in fact mandatory retirement provided a universal termination date. With the passage of the Connecticut legislation, tenure becomes a contract truly without term. To the degree that tenured faculty avail themselves of the right to keep working, the law will inhibit the appointment and promotion of younger members of the faculty, and thwart efforts to increase the representation of women and minority group members

[1]This organization is somewhat complicated by the fact that the University employs people whose functions resemble academic and instructional roles of faculty while the terms of their employment more closely resemble the staff's. For the purpose of the report, it is the latter similarity which is decisive: members of the faculty in non-tenured ranks (lecturer, senior lecturer, lector, senior lector, etc.) and research appointees serve for the duration of contracts with no presumption of renewal, and the legislation -- while it does convey to them protection against age discrimination -- does not affect the terms of those contracts.

at all ranks of the faculty. To that degree the legislation threatens, in combination with financial constraints and policies governing promotion to tenure, to produce an unhealthy age distribution in the faculty -- a very significant concentration of its numbers in a group quite old and in a group very young, with an underrepresentation of people in the vital middle years of their career.[2] It will also limit the capacity of the University to plan for curricular change, and intensify financial difficulties by imposing considerable additional costs of compensation to senior faculty. Finally, it raises the prospect -- which is serious even if it is not likely often to occur -- that a member of the faculty may refuse to retire even after age-related disabilities have made it difficult for him to perform his responsibilities.

As serious as we find these dangers, we believe it is necessary for legal reasons, and desirable for humane ones, that the University concentrate upon devising positive adjustments to the legislation, and avoid policies which would pressure people to retire, or otherwise be hostile to their interests in continued professional activity. We have ourselves tried to design policies which can accommodate the various interests of younger and older faculty, and of the institution.

With this attitude in mind, we have chosen not to recommend, at least for the time being, a number of possible responses to the legislation. We believe that the University ought not now to consider any major changes in the terms on which faculty are employed. We have considered and rejected at least three such changes: a system of granting tenure until normal retirement age, after which faculty would return to short-term contracts; the abandonment of tenure altogether in favor of long-term

[2]Appendix A shows the possible effects of the legislation on the age distribution of the tenured faculty under two sets of assumptions.

contracts; and a system of performance reviews at regular intervals throughout the duration of tenure.

The goal of any of those devices would be primarily to protect against serious declines in performance by providing the University a means to discover and react effectively to such declines. None of the three plans is likely to accomplish that goal. The first probably would not withstand a test of age discrimination. All three depend for their effectiveness upon the willingness of colleagues to judge dispassionately the people who have been longest in their midst, and for whom affection and sympathy are likely. Even if there were a consensus, under any of these plans, that the employment of a senior member of the faculty ought to be terminated, it would be difficult for the University to defend against a resulting charge of age discrimination. Finally, all of these measures would put Yale at a serious competitive disadvantage in the recruitment of faculty. While it may happen occasionally that the combination of tenure and the abolition of mandatory retirement will produce a critical situation with respect to an individual faculty member, we think that such a situation is appropriately addressed through the usual concept of, and procedure for, dismissal from tenure for cause.

Rather than focus on finding ways for the University to terminate employment, then, our recommendations concerning faculty retirement policies attempt to create a new framework for an individual's decision whether to retire voluntarily. These recommendations are made against the background of two major assumptions.

Our first -- extensively examined -- assumption is that a normal retirement age of 68 has a desirable role in University policy. This reflects not just a mechanical necessity in structuring benefits: it also expresses our conviction that while some members of the faculty will remain vigorous and productive thereafter, 68 is a reasonable age at which to expect an academic career to move out of its institutional phase. A normal retirement age of 68 is desirable to the University not least because the costs of compensating a senior member of the faculty who is at normal retirement age are very high absolutely, and from two and a half to three times higher than the costs of compensating a beginning teacher. In a time of financial difficulty, retirements provide an occasion to reduce the size of the faculty and to effect substantial savings. If the decision is rather to replace a member of the faculty who retires -- whether by another senior member or by one or more younger people -- retirements provide a chance to respond to changing patterns of intellectual inquiry and student interests. While retirements alone do not, of course, guarantee to junior members of the faculty, women and minority people the opportunity for appointment and promotion, retirements (along with other departures from the tenured ranks) provide the necessary condition for their inclusion and advancement in University life.

A normal retirement age of 68 does not, we believe, cut unreasonably short an academic career. All of us now at the University commenced our working lives with the expectation that our formal, full-time relationships with the institutions at which we teach would end in our late sixties. Those who remain active scholars are particularly well prepared to continue their professional development outside the role of teacher. Those who do not remain active scholars should be sensitive to the argument that the constant evolution of their disciplines, both in method and in substance, makes newly trained teachers a crucial addition to a faculty.

Our second assumption is that under present circumstances, many if not all members of the faculty would take advantage of the opportunity given by the new law to stay on at least for a while after the normal retirement age. The literature on retirement indicates that the frequency of voluntary retirement varies directly with present and anticipated income (the strongest single predictor), and with health problems, and varies inversely with job satisfaction and occupational status. It seems likely that faculty members will postpone full retirement because it is financially less attractive than full employment; because the nature of academic work, particularly at a place like Yale, accommodates the desire to slow one's pace, and because under current policies retirement represents an unnecessarily drastic change in one's relationship to colleagues and to the University.

Our recommendations attempt to neutralize the role of financial considerations in the decision to retire, to provide mutually advantageous ways of preserving connections between retired individuals and the institution, and to create a stage between full employment and full retirement that will be flexible and remunerative enough to attract older members of the faculty, and yet economical enough to allow new appointments as well.

THE CHOICE BETWEEN FULL EMPLOYMENT AND FULL RETIREMENT

To neutralize the financial differences between full employment after 68 and full retirement, one might of course either alter the first to make it less attractive, or alter the second to make it more so. While our recommendations emphasize the latter, there are a few ways in which they follow the former course. Some of our recommendations we can state only in general terms, and people more expert than we will have to explore and define them further to see whether they are feasible financially. We have tried in designing them to attend to the implicit as well as the explicit meaning of the state and federal legislation, but here too our recommendations should be reviewed in the light of expert interpretation of the laws and of administrative regulations as they become final.

As a long-run adjustment to the legislation, we recommend that you consider a substantial revision of the faculty's benefits package. The goals of a new package would be simultaneously to encourage retirement, to provide better benefits, to protect the University's financial resources against the adverse impact of the law, and to comply with the prohibition against age discrimination. In brief, the new package would include larger retirement benefits, but no extension of University contributions to faculty pensions passed the current retirement age of 68; a diminishing term life insurance plan; a disability plan which provides increasing benefits as an employee gets older, up to a fixed age, probably 65; and a leave policy which provides no more paid leaves than are now available between the average age of appointments to tenure and the normal retirement age of 68, and which removes the requirement to return to teaching after a paid leave for people who choose instead to retire.

Given the attitudes and goals we have stated thus far, it can hardly be surprising that we recommend improved retirement benefits. It is difficult from the small sample now available to us to get a good picture of the retirement income of the average member of the faculty. But even our small sample makes clear that the retirement incomes of people now near 68 will vary widely. For those in our sample whose salaries are now between $40,000 and $43,500, pension accumulations will produce single life annuities ranging between $17,500 and $26,640, or joint survivor annuities ranging from $13,300 to $20,500; for persons in the salary range $30,000 to $37,500 the single life annuities vary from $7,000 to $29,250, and joint survivor annuities from $5,300 to $20,500. Although income from social security and from sources of which we are unaware may bring many of these retirement incomes to levels comparable to and even higher than full-time compensation, some of the people in this sample will probably find it very difficult to retire given current rates of inflation. Nothing could do more to neutralize the financial aspects of the decision between full retirement and full employment than a retirement income which approached income from full employment. We are not sufficiently expert to know how closely, in the long run, the one can or should be made to approach the other, but we cannot avoid the obvious recommendation that you explore the possibility of improving retirement benefits.

It is less obvious why -- having recommended better retirement benefits -- we also recommend the cessation of University contributions to faculty pensions at normal retirement age. We do not intend by this simply to save the University money, though it would have that important effect. We also believe the cessation of contributions would bolster the concept of normal retirement age, and give some concreteness to the expectation that a career will normally at least begin to wind down at that age. The cessation of contributions at 68 would also do something to mitigate the impact of an incentive to keep working which is inherent in defined contribution plans like TIAA's.

The longer one postpones collecting a pension built upon defined contributions, the more substantial by far will be its annual pay-out. Even if the University ceases, as we think it should, to contribute to TIAA after 68, the system will provide strong reasons to postpone retirement. Because only a defined benefit plan can altogether remove this incentive to continued employment, we think you should also explore the complex question whether to change the faculty's plan to one of that sort. While there may be powerful arguments against such a change, there is one further reason to support it: the legislative history of the federal act and the process of rule-making under it also indicate that a defined benefit formula which ended accruals at normal retirement age is more clearly permissible than the cessation of contributions to a defined contribution plan at normal retirement age. While the state law will permit cessation of accruals under either plan, it is not yet clear how the final federal regulations will read on this point. If the latter prohibit cessation of contributions at normal retirement age, the University will be exposed to considerable additional costs, and to the full impact of the incentive to keep working which is built into defined contribution plans, unless it changes to a plan based on defined benefits.

The recommendation that the University revise its life insurance plan also stems from desires to provide an improved benefit, to conserve financial resources, to remove an incentive to continued employment, and to do these without discriminating on the basis of age. The federal regulations seem to allow age-related decreases in benefits only if they are supported by actuarially based differences in the costs of providing benefits. Whatever the stipulation may allow, it does not allow the sudden cessation of life insurance benefits at a fixed age below 70, and if we do not discontinue our present plan at normal retirement age, we may incur considerable expense from the necessity to cover people in their advanced years. Diminishing term life insurance would provide a more appropriate benefit than one which yields a multiple of an ever-increasing salary, would distribute the costs of the plan more fairly among the participants, would probably cost the University less, and would at the same time remove an incentive to continue working past normal retirement age. It is not yet settled whether the state law will permit any variation in life insurance benefits on the basis of age; if it does not, the University will have to assess the cost of continued coverage and decide whether it can afford to continue offering such plans at all.

Our recommendation concerning health benefits stems from the concern that our present arrangement -- which changes coverage abruptly at 65 not just to accommodate Medicare, but to require individuals to pay the costs of services which are not covered by Medicare -- may be open to a charge of age discrimination. It would not cost the University a great deal to pay for the additional coverage for persons over 65, and to provide favorable rates for their spouses. If the University extended this benefit to retired persons, it might significantly simplify the decision to retire by eliminating one major source of insecurity.

While we feel less strongly about the need to revise leave policy than we do about our other recommendations, we are concerned that the legislation exposes the University to an expensive extension of an already expensive benefit. We think that a rule which made people past normal retirement age ineligible for paid leave would not survive a test of age discrimination. The University could, however, fairly and legally protect itself against this exposure by attempting to fix the total number of paid leaves available over a career. The maximum number would be that currently available between the average age of tenure and

68; the number for any particular person would be the maximum pro-rated according to the actual time between an appointment to tenure and 68. By spacing leaves more widely than necessary, an individual might indeed still be eligible after normal retirement age, but by taking them in the most rapid possible succession, he might also use them up so that he would be ineligible if he worked past normal retirement. Whether or not you find this structure for leave policy advisable, we believe that the current requirement to return to work for a year after a paid leave would unnecessarily defeat the goal of encouraging retirement, and that this requirement should be eliminated for persons who declare their intention to retire at the end of a paid leave taken in the year of normal retirement or thereafter.

We have one final suggestion for a long-run adjustment to legislation which prohibits all mandatory retirement, and that involves the curve of a faculty member's salary over his or her career. While we believe that it would be neither legal nor wise to put arbitrary age-related limits on salarly increases, we also believe that relatively automatic salary increases which are not highly sensitive to merit will be very costly and will discourage retirement. We suggest, then, that relatively more of the salary increase pool for tenured faculty be devoted to merit increases, and relatively less to automatic ones. Further, we suggest that the pool for automatic increases vary inversely to salary levels. Such a pattern would help to protect the University from the loss of members of the faculty to outside offers, as it minimized the incentive to older faculty to stay on in expectation of automatic salary increases.

In the short run, we do not see that the University can do much to make full retirement attractive financially to people now near retirement age who have not made their own considerable investments in retirement. We have already indicated how widely retirement incomes seem to vary, and how low some of them appear to be. It would cost the University a good deal to affect their pensions substantially: TIAA estimates for us that a deposit of $10,000 to an individual's account would increase retirement income by only $1,200 a year. The Stanford system -- which supplements retirement income for those who retire early and until they reach mandatory retirement age -- is somewhat difficult to translate into a situation in which there is no mandatory retirement age, and we have other reservations about a system which pays people not to work. We do not wish to suggest that one-time financial arrangements to facilitate retirement are never appropriate; on the contrary, some flexibility in attending to hardship cases seems wise. But we do not now recommend that the University adopt a systematic response to the retirement legislation which rests on supplements to pensions, or cash bonuses or similar devices.

There are nevertheless a number of ways, which relate to compensation only slightly if at all, but which might make retirement more attractive even in the short run. First, we recommend that the University adopt and make widely known a policy of guaranteeing office space to retired people: such space need not be the most choice, but it would preferably be near departmental homes. Charles Bockleman, at our request, has explored the feasibility of doing this. The resulting survey, prepared by Al Reise, is not very encouraging, but neither is it decisively negative. To adopt a policy of guaranteeing office space for retired persons would require the cooperation of departments, perhaps some strain on junior faculty, perhaps some expense and some compromise on location. But particularly if the faculty is to diminish in size over the next couple of years, it should be possible to change our attitude toward the interests of retired members of the faculty in maintaining a place to work at the University. The problem of laboratory space is much more serious, we suspect, and thus we make no recommendation for a commitment of such facilities to retired persons.

Second, we recommend that priority be given to retired people for safe and convenient parking at low cost, even if to do so requires the enclosure, lighting and supervision of lots which are not now particularly safe. In addition, the University should continue to provide access for retired people to the library, gym and sporting events, etc., whenever appropriate on a reduced fee basis.

Finally, we think the University should develop and make known ways in which retired persons can continue to serve the University and their own professional interests. The most conventional such ways would be to welcome retired faculty in the College Seminar program, and as one-year or per-course replacements in departments. Less conventional ways might include the development of income producing efforts such as consulting services and continuing education programs.

While some of those recommendations will not have immediate effect, we hope that they will make the choice of full retirement less difficult in some ways, more positive in others. Until they have full effect -- but also thereafter -- the University must find a creative compromise between full employment and full retirement.

PHASING RETIREMENT: A FLEXIBLE PART-TIME OPTION

It is now possible for any member of the faculty, with the approval of the appropriate Board of Permanent Officers and of the Provost, to move from full to part-time responsibilities. Part-time employment for faculty under this policy means a minimum of half-time, and performance not only of fractions of teaching loads, but of all other faculty responsibilities as well. One needs the Provost's permission to alter the fraction, but it is assumed that one who chooses may return to full time work. The policy normally requires that the part-time service be rendered throughout the school year, rather than be concentrated in one term. Faculty members receive pro-rated salary and benefits, except that they do not qualify for disability insurance or the scholarship plan. The Faculty Handbook presents the opportunity generally to all faculty and specifically to persons over 60, in this case with no paid leaves.

A half-time arrangement so defined meets a number of personal and professional needs. It does not, however, meet the need we perceive for a phased retirement plan, and to our knowledge few people have used it this way. While it should continue to be an option for faculty members of all ages, we hope that the University will offer a different choice to people who may be interested in phased retirement.

We propose a part-time option which carries only the responsibility to teach. How much teaching would vary between a minimum of quarter time and a maximum of half time, defined by departmental norms, but within that range, according to the wishes of the individual. Participation in committee work and other departmental or University activities would be optional. The teaching might be spread over the year, or concentrated in one term, and if the latter, with as much as a calendar year's leave without salary between two terms' work, thus allowing the individual to receive in that calendar year full social security benefits. Whatever their teaching load and other voluntary duties, faculty members would receive one quarter of their highest full-time professorial salary, maximum University contributions to TIAA as if they were still on full salary, regardless of individual contributions, and benefits equal to those of full-time members of the faculty, including the scholarship plan, except that they would not qualify for paid leave.

At the same time as this option would provide members of the faculty with a substantial connection to the University, great flexibility in defining that connection, generous benefits and a reasonable income, it would allow the University -- by virtue primarily of the savings in salary -- to make a new full-time appointment to the faculty in the junior ranks.

We have included in Appendix B a chart which indicates the income to an individual, and the cost to Yale, under our current policies and under the alternatives we propose. The chart represents an abstract individual at normal retirement age, and a replacement for him at the beginning assistant professor level.

The chart is designed to indicate a number of considerations important to the decision how to proceed in the face of the new legislation. The total cost of compensation to an individual at the median salary for full professors at age 68 is approximately $48,200, some $30,000 more than the total cost of compensation to a beginning assistant professor. Two benefits contribute a large share of those costs: contributions to TIAA and paid leaves cost the University, for a person near 68, more than $9,600. Our proposals concerning benefits would eliminate these costs for people who choose to work full time past 68. While these savings are not sufficient to make a new appointment, we consider them important economies.

For our purposes here, however, the most important message of the chart concerns the costs and benefits of the proposed phased retirement or part-time option. We believe that the proposed phased retirement option would be more attractive than the current half-time option even for a faculty member who wished to teach the maximum of half-time, and in spite of the fact that the new option would carry only one-quarter salary. Half-time duties would include only teaching responsibilities, and would permit considerable flexibility in arranging them each academic year to accommodate other interests. We believe the plan will be financially attractive, as well. Its financial attractiveness depends upon the peculiarities of the social security system. Under that system, in 1979 an individual may earn up to $4,500 without sacrificing any income from social security; for every two dollars above the $4,500 which an individual earns, he sacrifices only one dollar of social security income. Thus, the difference between half salary and quarter salary is more apparent than real, for social security income replaces half of the difference, and the non-taxability of social security income further closes the gap. If individuals teaching part-time under the current and the proposed plans also choose to collect their full pensions to compensate for reduced earned income, the difference in their tax situations reduces the difference in their income after taxes practically to zero (line number 13). The chart for the abstract individual indicates on line number 6 that under the new option he would have an income from salary and social security net of taxes of approximately $15,700; after paying for benefits, his income would be $15,400 (line number 10); if he drew a pension based on a joint survivor's option, his income after taxes and benefits would be $25,900 (line number 13).[3] In addition, the new benefits package for

[3]We have assumed that the typical faculty member at 68 has a spouse and that, therefore the selection of this option is most likely. A single life annuity based on the same accumulation would yield about $17,300 a year, and thus a total income of about $29,000, net of taxes and benefits.

part-time people would provide full cost of his own health insurance, and contributions to TIAA by the University based on full salary, thus allowing a new annuity to improve his eventual retirement income even if he is collecting his old annuity. The value of these benefits would more than compensate for the difference in income on the two part-time plans.

More important than its attractiveness compared to the current half-time option, we believe that phased retirement would provide a significant solution to the dilemma of choosing between full-time employment and full retirement. Again referring to the line on the chart which represents total net income (line 13), we can see that the option would provide a total net income on part-time only $2,100 less than full-time work would provide. In addition, the component of that income which derived from salary would be subject to annual increases, a hedge against inflation not available on pension and social security alone. A small anonymous sample of real members of the faculty near retirement age indicates that a few of them would have a larger income if fully retired and drawing full pension than they have working full time. Excluding them from the sample, we find that the rest would suffer a decline in total net income of an average of $7,100 if they retired fully, but a decline of only $2,900 if they selected the phased retirement option.

Assuming as we have that for many people now near 68 full retirement seems unattractive financially and difficult personally and professionally, we believe that without an alternative like the part-time option many will resolve the dilemma by choosing to continue to work full time, thus imposing considerable costs on the University, and precluding the appointment and promotion of others. With such an alternative, we hope that a significant number of people will be able and willing, perhaps even eager, to reduce their responsibilities, at the same time maintaining their professional lives and opening the way to others. For each individual who elected the phased retirement option the University would save $25,800 as compared to proposed full-time compensation policies -- more than enough to allow a new appointment.

If state regulations permit, the University should make phased retirement available to faculty any time after age 62, when social security first becomes available. Under this definition of eligibility, a member of the faculty could continue to work part time as long as he wished and were fit, but at age 72 -- when full social security becomes available regardless of earned income -- the University's contributions to TIAA should drop to a pro-rated share of salary or to zero. While this plan creates no significant incentive later on to retire fully, we believe that it will facilitate the decision to do so by gradually acclimating people to reduced professional activity. If state regulations make impermissible a definition of eligibility based upon age alone, the option should be made available to tenured persons of any age, but the Provost's determination that its exercise is in the University's interest should be required in each instance. Under this definition of eligibility, a faculty member who elected the phased retirement option would -- whatever his age at the time of its election -- have a maximum of ten years in phased retirement status, at the end of which he would have to retire fully. Under neither definition of eligibility should the decision to move to part-time be reversible.

As a corollary to this option, the Provost should communicate to chairmen and deans the general expectation that people of all ages who choose to work full time truly work full time. We suspect that one of the reasons that the current half-time option has not proved attractive is that it is now possible, without declaring oneself, to ease off considerably while drawing full salary, and that half-time as defined currently is not sufficiently different in the demands it makes to be worth the sacrifice in salary.

This discussion and the chart of current and proposed policies indicate how complex it is to determine the financial implications of each of the policies we propose. We are concerned that without full explication, none of those policies will have its desired effect. Our work has, therefore, reinforced our earlier recommendation that the University make financial counselling for retirement available to its employees. We have thought further about this recommendation, and while we still believe that counselling services are crucial to the success of new retirement policies, it has occurred to us that instead of employing a counsellor directly, the University might better arrange with a bank to make the services available. We think it would further both individual and University interests for each individual over 55 to receive annually from the Provost's Office a communication which states the internal options in planning for retirement, and makes known the availability of a specific person to contact for expert advice on the financial implications of these options as well as other choices which affect retirement income. The non-financial aspects of the retirement decision should be the subject of regular internal discussion between individuals and chairmen or deans, and between chairmen or deans and the Provost.

NON-TENURED EMPLOYEES

Our recommendations with respect to untenured employees reflect our belief that there will be only slow change, if there is any change, in two important areas where staff employment patterns now differ critically from faculty patterns. First, Yale's experience conforms to reported nationwide trends in that most staff members wish to retire upon reaching age 65, and those who seek to stay on are generally competent, physically fit, and able to handle their jobs. Second, Yale has no obligation, moral or otherwise, to continue past the normal retirement age the employment of any staff member who is not able to perform his or her job satisfactorily or whose position must be eliminated for financial or functional reasons. This is equally true of instructional and research appointees with contracts for a term of years: the renewal of such appointments must be decided on the basis of institutional needs and resources, and on the basis of the appointee's performance. Thus, we do not believe there is a need to create special policies and programs to encourage retirement for non-tenured employees. We do not expect that it will often be necessary, but we can and should require staff members and other non-tenured individuals to step down when performance begins to fail for any reason, including those connected with aging.

The Yale Staff Retirement Plan makes no distinction between employees on the basis of age except that it is not available to individuals who begin work at the University after reaching age 60. We propose no change in this plan. Normal retirement should continue to be defined as the end of the month in which the 65th birthday is reached, and typical retirement will continue to be at the end of the University year in which the normal retirement age is reached. The pension benefit should continue to be based on length of service and the highest salary in the last five years of employment, with no maximum imposed upon either aspect of the formula. We have not proposed a maximum number of years of service or maximum salary for the formula upon which the staff plan is based because a defined benefit plan, as opposed to a defined contribution plan, does not yield a pension which grows automatically for each year in which one postpones its collection; on the contrary, it not only remains fixed in absolute terms, but continually loses value against inflation as one postpones its collection. A minor ammendment to the plan is required to take into account the special case of the odd employee who after having retired on a Yale pension is then rehired.

Several hundred Yale staff members participate in the TIAA/CREF Annuity Plan. We propose that the conditions of the plan for full-time staff members continue to be the same as the conditions of the plan for full-time faculty, and that any changes made be such that they affect both groups equally. Normal retirement for staff should continue to be the end of the month in which the 65th birthday is reached.

The long term disability plan is currently the same for both faculty and staff except that staff members must have a base salary of at least $15,000 per year to be eligible. We recommend no changes for staff except that if the plan is changed for faculty it should be changed equally for the staff.

The contributory life insurance program is now the same for faculty and staff and should continue to have the same terms for both groups. If the final Department of Labor Regulations or the state law should be interpreted to require that life insurance be kept in force for employees beyond the age of 65, we recommend reconsideration of the plan in the same terms we have suggested for faculty.

With respect to health benefits, all staff members participate on the same basis and under the same conditions as faculty, and we recommend that this relationship remain unchanged. If University contributions are improved for post-65 faculty members, then they should be improved similarly for post-65 staff members.

The Scholarship Plan for Sons and Daughters of Yale Faculty and Staff is available to the children of retired employees provided the parent met the eligibility criteria while in active service. Both groups should continue to participate in this program on the same terms. A change in the formal statement of the plan is required to allow continued participation in the program by children of both faculty and staff members who after having become eligible for retirement continue to work on a part-time basis.

CONCLUSION

Our proposals rely upon untested incentives operating in a framework with which we have no experience. We believe that all of them would contribute to creating a framework for individual decisions which put genuine professional energy rather than fears of financial or personal loss at the center. Some of them are, however, clearly more important than others. At the heart of our recommendations is a package of benefits which neutralizes the financial differences between full employment and full retirement, a repertory of ways to keep individuals in full retirement in gratifying connection with the institution, and a flexible, financially reasonable, part-time arrangement through which individuals may phase their progress from full employment to full retirement.

These proposals represent our best efforts to combine respect for the rights of older employees (and for the law) with the desire to protect the interests of employees not yet established at the University, and of the University itself. Whether they will prove effective in mitigating the potential negative impact on the University of the Connecticut legislation we cannot say. For this reason we also recommend that you, or someone acting for you, present those proposals you find acceptable to the people they will most early and most directly affect, as well as to the rest of the faculty and staff: perhaps they can improve upon them or even suggest others. If we can be of help to you in further explaining what we propose -- either to you or to members of the community -- please call on us.

Appendix A

The following tables show respectively for Arts and Sciences and for all other schools the current age distribution of the tenured faculty, and their age distribution under two sets of assumptions about responses of individuals to the new retirement legislation.

Both Case 1 and Case 2 include data from mortality tables. Both assume constant faculty size, and that faculty who leave Yale before retirement to take employment elsewhere are replaced by persons identical in age and sex. Both assume that replacements for persons who either die or retire are uniformly distributed over the age interval 36-45, and that 25% of these replacements will be women.

The difference between the two cases is that Case 1 relies on the rather extreme assumption that under the new law there will be no voluntary retirements, and that deaths alone will provide occasion to appoint younger persons. Case 2 takes the perhaps more reasonable assumption that one half the survivors over 65 will retire every five years.

Projected Age Distribution of Tenured Faculty, 1988 and 1998

Faculty of Arts and Sciences

Age	Age Distribution July 1, 1978		Case 1: No Retirements* 1988		Case 1: No Retirements* 1998		Case 2: 50% Retire Every Five Years* 1988		Case 2: 50% Retire Every Five Years* 1998	
	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Over 75	0	0	6	0	42	2	2	0	8	0
66-75	10	0	69	3	86	2	54	2	66	1
56-65	88	3	109	2	72	7	109	2	73	8
46-55	121	2	80	7	41	16	81	8	62	21
36-45	77	5	31	12	38	13	46	15	60	20
35 and under	9	4	--	--	--	--	--	--	--	--
Total	305	14	295	24	279	40	292	27	269	50
SUMMARY										
Median age	51	43	58	46	64	50	57	45	58	48
% over 65	3	0	25	13	46	10	19	7	28	2
% 45 and under	28	64	11	50	14	33	16	56	22	40

* Assumptions

1. Constant size of faculty.
2. Replacements for deaths and retirements are uniformly distributed over age interval 36-45; 25% are women.
3. Faculty leaving Yale before retirement are assumed to be replaced by person of same age and sex.
4. In Case 2 one half of survivors over 65 are assumed to retire every five years.

Projected Age Distribution of Tenured Faculty, 1988 and 1998

Non - F.A.S. Faculty

			Case 1: No Retirements*				Case 2: 50% Retire Every Five Years*			
	October 27, 1978		1988		1998		1988		1998	
Age	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women
Over 75	0	0	2	1	26	2	0	0	5	0
66-75	3	1	43	2	64	1	34	1	48	1
56-65	55	2	82	1	73	3	82	1	74	4
46-55	91	1	81	3	29	8	84	4	43	12
36-45	81	2	23	6	28	10	32	8	43	14
35 and under	7	1	--	--	--	--	--	--	--	--
Total	237	7	231	13	220	24	232	14	213	31
SUMMARY										
Median age	48	48	57	47	63	48	56	45	59	46
% over 65	1	14	19	23	41	13	15	7	25	3
% 45 and under	37	43	10	46	13	42	14	57	20	45

* Assumptions

1. Constant size of faculty.
2. Replacements for deaths and retirements are uniformly distributed over age interval 36-45; 25% are women.
3. Faculty leaving Yale before retirement are assumed to be replaced by person of same age and sex.
4. In Case 2 one half of survivors over 65 are assumed to retire every five years.

Appendix B

The financial details of current and proposed policies are crucial to understanding the Committee's recommendations. The chart which follows expresses for an abstract individual at 68 the costs and benefits of currently applicable and alternative policies.

We have tried to construct an abstract individual who typifies what we know about faculty at retirement age: we assumed that the typical individual of 68 is married to someone over 65 and has no other dependents. He has been a long-term participant in TIAA and has elected the most commonly selected contribution scheme: 2½% below the social security base and 5% above from the individual; 5% below the base and 10% above from the University. His life insurance plan provides a benefit at three times annual salary. He would choose a joint survivor's annuity which reduces the annual benefit to 81% of a single life annuity for the TIAA portion, and to 69% of a single life annuity for the CREF portion.

We have tried to base the chart upon information about typical choices regarding benefits under current policies, but it has been necessary to make some assumptions about behavior under proposed policies. These assumptions of course affect the picture which emerges in each of the columns. One relatively insignificant assumption is that an individual over 68 would not purchase life insurance if it were not offered by the University. A second more important one is that while someone who now worked half-time would continue to contribute to TIAA, neither someone who worked full-time past 68 under proposed policies, nor someone who chose the proposed phased retirement plan, would contribute himself at all to TIAA: the first because his annuity would grow rapidly without further contributions, and because the University would have ceased to contribute; the second because his disposable income is relatively low and because the University would still be contributing to an annuity for him as if he were on full salary.

The least satisfactory figures are those pertaining to the cost of the University, and the value to the individual, of health insurance under proposed policies. The costs under current policies are those of purchasing for the individual and his spouse, where applicable, the health insurance plans which are recommended to supplement Medicare. Individuals over 65 bear the full cost of these plans for themselves and for spouses who are also over 65. We have proposed that the University assume the cost of the supplemental plans for employees over 65, and also provide coverage for them which is not now provided either by Medicare or by the supplemental plans. The cost or value of this latter proposal is very difficult to estimate, and is represented here by a rather abstract $100.

CHART ONE (ABSTRACT INDIVIDUAL)

	CURRENT POLICIES			PROPOSED POLICIES			REPLACEMENT
	Full-time past 68	Half-time past 68	Retires at 68	Full-time past 68	Part-time past 68	Retires at 68	Ass't. Professor
INCOME TO INDIVIDUAL BEFORE PENSION*							
1. Salary	37,600	18,800	0	37,600	9,400	0	13,500
2. Social Security	0	2,500	9,900	0	7,200	9,900	0
3. Total	37,600	21,300	9,900	37,600	16,600	9,900	13,500
TAXES							
4. Income	-7,600	-2,000	0	-7,600	-300	0	-1,400
5. FICA	-1,400	-1,200	0	-1,400	-600	0	-800
6. Income net of taxes	28,600	18,100	9,900	28,600	15,700	9,900	11,300
COST OF BENEFITS TO EMPLOYEE							
7. TIAA	-1,400	-500	0	0	0	0	-300
8. Health	- 600	-600	-600	-600	-300	-300	-400
9. Life	- 800	-400	0	0	0	0	-200
10. Income net of taxes and benefits	25,800	16,600	9,300	28,000	15,400	9,600	10,400
INCOME TO INDIVIDUAL AFTER PENSION*							
11. Pension(full w/survivor benefit)	0	13,000	13,000	0	13,000	13,000	0
12. Additional tax	0	-3,500	-900	0	-2,500	-900	0
13. Total net income	25,800	26,100	21,400	28,000	25,900	21,700	10,400
VALUE OF UNIVERSITY BENEFITS	10,600	2,200	0	1,500	3,900	400	4,400
COSTS TO UNIVERSITY							
14. Salary	37,600	18,800		37,600	9,400	0	13,500
15. FICA	1,400	1,200		1,400	600	0	800
16. TIAA	2,900	1,000		0	2,900	0	700
17. Health	0	0		100	400	400	600
18. Life	0	0		0	0	0	100
19. Leave	6,300	0		0	0	0	2,200
20. Total	48,200	21,000	0	39,100	13,300	400	17,900

*Note that lines 10 and 13 represent the boundaries of disposable income: line 10 represents minimum net income by excluding pension; line 13 represents maximum net income from these sources by adding full pension, assuming the election of a survivor's benefit. An individual has in fact discretion to vary the amount of pension he draws.