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AN INVESTIGATION AND ANALYSIS OF RETIREMENT SYSTEMS AT OKLAHOMA INSTITUTIONS OF HIGHER EDUCATION

A DISSERTATION

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VINCENT F. ORZA, JR.

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AN INVESTIGATION AND ANALYSIS OF RETIREMENT

SYSTEMS AT OKLAHOMA INSTITUTIONS

OF HIGHER EDUCATION

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Finally the writer wishes to extend a personal expression of gratitude and appreciation to his wife Barbara for her sacrifices, support, patience and understanding throughout the researcher's entire graduate program.

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Retirement

Retirement involves both losses and gains;
Just which, depends largely on you.
You retire from schedules imposed by your job,
From its responsibilities, too;
You retire from the crowds on the city streets,
From the hazards of living alone;
From dull household tasks or office routines,
Whose tensions sometimes make you groan.

But a sense of security may light your way,
Should trouble or pain dim your view;
And you needn't refuse all chances to serve,
Or to do what you most like to do.
Just learn to relax and to slow down a bit,
And to read in a leisurely way;
To reflect on the blessings which now you enjoy,
And to say, "Thank you, God!" every day.[1]

(Florence I. Otis)

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[1]Harold Geist, The Psychological Aspects of Retirement (Springfield, Illinois: Charles C. Thomas, 1968), p. 117.

AN INVESTIGATION AND ANALYSIS OF RETIREMENT SYSTEMS AT OKLAHOMA INSTITUTIONS OF HIGHER EDUCATION

CHAPTER I

THE PROBLEM

Introduction

"Teacher retirement systems will be under continued pressure to improve benefits in the future. . . . Teacher retirement benefits are usually not high: . . . . On the basis of present living costs, some teachers may draw a comfortable benefit, but the cost of living is constantly rising."[1]

It seems logical to assume that there has always come a time in man's life when for some reason he is no longer able to work or care for himself and his dependents. Historically, man attempted to protect himself from this occurrence by accumulating enough property and belongings to pass to his children who then had the responsibility of caring for their parents. As society advanced and changed, this method became less reliable and even impractical with the

[1]Charles Edward Stone, "Teacher Retirement Systems," The Education Digest, XXXVII (December, 1971), p. 42.

advent of recent tax laws and changing family structure. Modern anthropologists have noted that one of the purposes of the formation of primitive societies was to provide mutual protection and promote the feeling of belongingness. Mutual aid was a method of promoting security. Religion became a powerful source in protecting the helpless and dictating that charity be practiced. In ancient times (as noted in Deuteronomy, 15:7) a law was laid down stating that if money was loaned to the poor, no interest should be charged. In Leviticus, 25:29,39, the command was given "Thou shalt surely open thy hand unto thy brother, to the needy and to thy poor, in thy land." The Christian philosophies also recommended aid to those in need as summarized by Luke, 6:31 in what has come to be known as the Golden Rule: "And ye would that men should do to you, do ye also to them likewise."[1] These and other beliefs and attitudes handed down through the generations of man have lead to the development of a system of maintenance of the elderly.

In recent years the statistical chances of a person reaching retirement age have improved significantly. A man fifty years old today has a seventy-four per cent chance to survive to the normal retirement age of sixty-five. Having reached sixty-five, he has a better than average chance of attaining the age of seventy-five. It is estimated that one

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[1]Paul A. Brinker, Economic Insecurity and Social Security (New York: Appleton-Century-Crofts, 1968), pp. 10-13.

person in eight will survive to their eighty-fifth year, and by the year 2000, one person in four is projected to reach eighty-five years of age. In 1900, almost two-thirds of the men aged sixty-five and older reported themselves in the labor force; in 1950 less than one-half did so,[1] and by 1970 only twenty-five per cent did so. (Table 1.) In almost all segments of the population, there have been major changes in the number of people participating in the labor force. (Table 2.) A study done by the United States Bureau of the Census showed not only a change in the labor force but also a dramatic increase in the number of elderly in the population, four persons in 100 in 1900 compared with ten today.[2] (Table 3.) The proportion of elderly men who work has been declining for the last twenty years. This shows the effects of increasing voluntary retirement programs and the general decline in self employment.

Nearly one-fifth of the older people today have no children, and many families with children find them moving great distances from the parents. Thus the past method of retirement, that is moving in with one's children, is being replaced and as a result the need for a retirement income to sustain life has become more and more important.

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[1]Harold Geist, The Psychological Aspects of Retirement (Springfield, Illinois: Charles C. Thomas, 1968), pp. 5-6.

[2]U. S., Department of Commerce, Bureau of the Census, We the American Elderly (Washington, D. C.: U. S. Government Printing Office, June, 1973), p. 4.

TABLE 1

PERCENTAGE OF THE ELDERLY IN THE LABOR FORCE IN 1970

Age	Men	Women
65-69	39%	17%
70-74	22%	9%
75 +	12%	5%

Source: U. S., Department of Commerce, Bureau of the Census, We the American Elderly (Washington, D. C.: U. S. Government Printing Office, June, 1973), p. 13.

TABLE 2

LABOR FORCE PARTICIPATION 1900-1985

Age	Percent in Labor Force in 1900	Percent in Labor Force in 1970	Projections for 1985
45-49	14.7%	53.3%	57.4%
50-54	14.7%	52.4%	57.4%
55-59	13.2%	47.6%	45.4%
60-64	13.2%	36.4%	45.4%
65-69	9.1%	17.2%	8.5%
70-74	9.1%	9.1%	8.5%
75 and over	9.1%	4.7%	8.5%

Source: U. S., Department of Commerce, Bureau of the Census, Census of the United States, 1940-1970 (Washington, D. C.: U. S. Government Printing Office, 1940-1970).

TABLE 3

NUMBER AND PERCENTAGE OF OLDER AMERICANS

Year	Number	Percentage
1970	20,065,502	9.9%
1960	16,559,580	9.2%
1950	12,294,698	8.1%
1940	9,036,329	6.8%
1930	6,644,378	5.4%
1920	4,939,737	4.7%
1910	3,953,945	4.3%
1900	3,083,939	4.1%

Source: U. S., Department of Commerce, Bureau of the Census, We the American Elderly (Washington, D. C.: U. S. Government Printing Office, June, 1973), p. 4.

In 1900, the population of the United States was approximately seventy-six million people. Today, the population exceeds 215 million. This increase in population has been accompanied by an increase in life expectancy from 47.3 years in 1900 to 71.2 years in 1972.[1] As a result there has been a major increase in the number of senior citizens in the nation's population. (Table 4.) Furthermore, the projections for the remainder of this century shows a similar

[1]Institute of Life Insurance, Life Insurance Fact Book 1974 (New York: Institute of Life Insurance, 1974), pp. 90-91.

picture. (Table 5.) States with high proportions of older people are mostly those which have heavy migrations out of the state by younger people, such as in Oklahoma.[1]

TABLE 4

GROWTH RATE OF TOTAL POPULATION AND THE ELDERLY IN AMERICA

Decade	Percentage Increase of Population	Percentage Increase of Elderly
1960-1970	13%	21%
1950-1960	19%	35%
1940-1950	14%	36%
1930-1940	7%	36%
1920-1930	16%	35%
1910-1920	15%	25%
1900-1910	21%	28%

Source: U. S., Department of Commerce, Bureau of the Census, We the American Elderly (Washington, D. C.: U. S. Government Printing Office, June, 1973), p. 5.

[1]U. S., Department of Commerce, Bureau of the Census, American Elderly, op. cit., p. 7.

TABLE 5

UNITED STATES POPULATION
PROJECTIONS 1980-2000

Year	Total (65-75+)	Male	Female
1980	24,051	9,710	14,343
1990	27,768	11,081	16,687
2000	28,842	11,493	17,338

Source: U. S., Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1974 (Washington, D. C.: Government Printing Office, 1974), p. 6.

Not only has the nation grown in population and length of life but also major technological advances have lead to many new and better products that have reduced much of the drudgery of life and resulted in a rise in the Gross National Product from $103.1 billion in 1929 to $1,289.1 billion in 1973.[1] In the period from 1947 to 1972, median income of American families (male head of household) rose from $3,104 annually to $12,965 annually.[2] Oklahoma ranked forty-second in per capita and median family income when compared to other states in 1969. Oklahoma median family income rose from $4,620 in 1959 to $7,720 in 1969, for a

[1]U. S., Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1974 (Washington, D. C.: Government Printing Office, 1974), p. 373.

[2]Ibid., p. 383.

67.1 per cent increase.[1] Nationwide, a family with the head of the household having four or more years of college earned a median income of $16,318 annually in 1972.[2] The Consumer Price Index (by major groups) in 1945 was 53.9 and by 1974 had risen to 144.0.[3] In recent years, the median income for elderly persons has been less than half the median income of working people. The primary reason for this relatively low income among older Americans was that most were not working and were receiving Social Security benefits or other pension payments. Almost one family in five headed by an elderly person was in the low-income or poverty range in 1969.[4]

These statistics show the necessity of proper retirement planning so that an individual may prepare himself to meet the financial burdens of a rapidly changing economy. In the past, it has generally been assumed an individual's financial needs decrease after retirement. While this assumption seems reasonable, it is not necessarily practical. Social pressure discourages any major change in the standard of living of a retired individual. In fact, with earlier retirement and better health many retired individuals remain fairly active primarily in civic, recreational and social activities. Another important consideration is the fact that more individuals approaching retirement or recently retired do not

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[1] _Ibid._, p. 387. [2] _Ibid._, p. 386. [3] _Ibid._, p. 411.

[4] U. S., Department of Commerce, Bureau of the Census, _American Elderly_, _op. cit._, p. 12.

expect or desire a decrease from their standard of living before retirement. This expectation is made more important by the recent high rates of inflation that reduces the purchasing power of the dollar and as a result an individual's standard of living. Retirement and retirement planning are even more important to educators, since according to government statistics on aging they are among the fortunate few who are most likely to reach a ripe old age.[1]

In recent years, educators have become overly aware of the necessity and importance of retirement programs. As of 1974, almost three and one-quarter million teachers were members of state and local retirement systems.[2] Retirement programs for higher education basically fall into four areas: (1) Social Security, (2) Insured Plans, (3) Trusteed Plans, and (4) State and Local Retirement Plans.

Social Security

The federal government established Old Age and Survivors Insurance as its basic social insurance program with the passage of the Social Security Act in 1935. Initially, this program excluded teachers and other government employees. In 1951, employees of private colleges and universities became eligible for inclusion under Social Security for the first

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[1]Edgar Logan, "Retirement Years: More Sweet Than Bitter," Phi Delta Kappan, June, 1970, pp. 531-34.

[2]U. S., Department of Commerce, Bureau of the Census, Statistical Abstract, op. cit., p. 285.

time. The program was further extended in 1954 to include employees of public colleges and universities. Within a few years of the adoption of these two amendments, most private and public institutions of higher education became part of the Social Security System.

Today "Social Security is the nation's basic program for retirement protection in old age."[1] More than ninety per cent of all people sixty-five or older are eligible for Social Security benefits and about ninety-five per cent of those reaching age sixty-five today receive benefits. The advantage of Social Security is that it is portable. Earnings with different employers are combined and full credit is given for those earnings in computing the individual's retirement benefits.

Insured Plans

Insured plans are those in which an insurance company receives the contributions and assumes responsibility for paying benefits according to either a master contract covering a group of employees or a series of individual contracts covering each employee individually. In 1966, there were 83.3 thousand of these plans covering 7.8 million employees. In 1950, they had assets of $5.6 billion and had grown approximately five-fold by 1967, when they reached a magnitude of $32.1 billion.

[1] Bert Seidman, "Future Structure of Social Security System and Interrelation with Private Pension Plans," _National Tax Journal_, XXVII (September, 1974), p. 473.

Trusteed Plans

Since insurance companies were subject to more legal restrictions than trusts with regard to investments, many companies elected to manage their own funds or to set up trusteed systems with a third party trustee handling the system. These plans have been quite popular--a fact which can be observed from their rapid growth from $6.5 billion in 1950 to $71.8 billion of assets in 1967. In 1966, the membership of these plans had risen to 18.6 million.

State and Local Retirement Funds

Retirement funds provided by state and local governments for their employees have been growing at a rather steady pace. Teacher retirement funds cover approximately three million active members and provide benefits for over 330 thousand beneficiaries.[1]

A great deal of research has been done with respect to retirement programs. Programs have been analyzed financially, comparatively analyzed as well as investigated to determine the role of the employee in a retirement system. Geist[2] noted the recommendations made by the Committee on Old Age Security of the Twentieth Century Fund:

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[1]"Teacher Retirement Systems," Bureau of School Service Bulletin, XLIV (September, 1971), pp. 18-21.

[2]Geist, op. cit., p. 8.

1. Each person has the responsibility--as a right and as a duty--of making whatever contributions he can toward his own support and that of his family during the later years of life.

2. The individual should not be denied adequate opportunity to earn and incentive to save.

3. Employees and unions should endeavor to provide greater opportunities for the productive employment of older people who can and want to work. This means:

    a. Reassigning older workers to tasks within their capacities and providing retraining and placement facilities to promote such reassignment;

    b. Abandoning age limits on hiring that preclude consideration of mature workers on the basis of skills;

    c. Substitution for requirements that workers retire at a fixed age, methods to distinguish those who should be retired because of decline of their working capacities--physical, mental, or both.

4. Private pension plans should be encouraged where the economic position of the employer's enterprise permits. Employers and unions have a dual role and government should also help out.

The old notion that retirement is a period when an individual, in a state of suspended animation, waits for death to come is obsolete. Today retirement involves a new life rather than a retirement from life. Modern retirement implies the possibility of maintenance from a pension in which one has the right to support and benefits even though he no longer has a role in the wage system. Retirement has produced a "new leisure class" according to Michelon.[1] A study at

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[1]L. C. Michelon, "The New Leisure Class," American Journal of Sociology, LIX (January, 1954), pp. 371-78.

Cornell showed that while for fifty years the normal retirement age in the United States has been considered to be sixty-five years old, only forty-one per cent of the people contacted retired at that age. Most of that forty-one per cent were employed in private business and industry. Persons employed in public service, education and the professions tended to work beyond age sixty-five.[1] People in civil services and public education tended to retire at age seventy because their pensions are geared to that age. Furthermore, there is a direct correlation between age of retirement and education. The more highly educated respondents tended to remain at work longer than those with less education. Some professionals (such as professors) were in a better position to control their work situation and could often transfer their skills to a new setting.[2]

The financial stringencies affecting many universities require that henceforth their faculty sizes remain relatively constant. Now that these faculties have ceased to grow, one finds a high proportion of staff members holding tenured positions. This situation imposes a severe limitation on the ability of the institution to maintain a steady influx of new talent. In view of this fact, early retirement programs are being considered as a means for increasing the turnover rate

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[1]Gordon F. Streib and Clement J. Scheider, Retirement In American Society (Ithaca, New York: Cornell University Press, 1971), p. 3.

[2]Ibid., p. 59.

of faculty positions, as well as to provide more opportunities for the promotion of junior faculty. However, there is a question as to whether early retirement should be imposed on an effective older faculty member or whether it should be the option of the older faculty member to request early retirement under a plan that provides economic benefits that are fixed and known to all.[1] The luxury of early retirement can also be a problem if it is not properly planned for by the retiree.

Statement of the Problem

The problem of this study was to identify and comparatively analyze the major retirement systems in use at institutions of higher education in the State of Oklahoma. More specifically, this study attempted to provide information:

1. To identify what retirement systems were presently in use at the forty-four public and private accredited institutions of higher education in the State of Oklahoma.
2. To compare the various features each of the different major programs had to offer, such as:

    Creditable Service

    Withdrawals and Refunds

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[1]David S. P. Hopkins, "Faculty Early Retirement Programs," Operations Research, XXII (May-June, 1974), p. 455.

Vesting and Deferred Allowances

Number of Retirants and Benefits Paid

Financing

Member Contributions

Tax Sheltered Annuities

Disability

Lump-Sum Death Benefits

Retirement Benefits

3. To compare the retirement systems in use and analyze the income benefits derived from each system in a hypothetical situation of a faculty member who contributed from thirty-five years of his earnings with an average annual income for the last five years of $15,000, at ages fifty-five, sixty, sixty-two and sixty-five.

Statement of Purpose

The purpose of this study was to determine which, if any, of the various retirement programs available to faculty members at institutions of higher education provided the most adequate benefits. Specifically, would the benefits provided allow the individuals to live at a level equal to or near their pre-retirement standard of living? Was there one system in use that provided substantially better benefits to its members? Were there any major advantages (with respect to income benefits) to retirement at age fifty-five, sixty, sixty-two or sixty-five? As a result of this study, it was hoped that faculty members might better be able to answer the question: "What will my retirement plan do for me?" In addition, the findings of this study might be used to evaluate present retirement systems and as a guide in making recommendations for changes to those systems.

Limitations

This study was limited to the retirement systems at the forty-four institutions of higher education accredited by the Oklahoma State Regents for Higher Education.

Assumptions

1. The finer an institution's retirement system is, the more likely the institution is to attract and hold qualified instructors.

2. Recommendations for the various retirement systems at institutions of higher education should aid in making changes to attract and hold highly qualified faculty members.

Significance and Need for Study

The need and significance of a study of this nature are obvious upon pondering the thoughts of Bess Goodykoontz,[1] former Assistant Commissioner of the Office of Education.

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[1]U. S., Department of Interior, Office of Education, Insurance and Annuity Plans for College Staffs, by Sherman E. Flanagan, Bulletin 1937, No. 5 (Washington, D. C.: Government Printing Office, 1937), p. v.

She said:

> The efficiency and morale of members of college faculties are dependent in a large measure on an assurance of economic security.
>
> In order that they may render a high standard of service in teaching youth and in discovering knowledge for the benefit of society, protection for them and their families against the risks and anxieties of the future is essential. The generally low pay of college staffs makes it difficult for the individual teacher to provide this protection.

These thoughts stress the importance of a continuous evaluation of educational retirement programs to ensure that they are adequately meeting the needs of teachers.

A study in 1951,[1] authorized by George L. Cross and the Board of Regents of the University of Oklahoma showed that at the time "two thirds of the colleges, universities and state teachers' colleges in the United States, employing over eighty-five percent of the total faculty members;" had retirement programs. The frequent references to changes and revisions of plans on the part of institutions in the study, indicated the need to continuously improve the plans and their provisions.

The study enumerated the primary reasons why adequate retirement programs are needed:

1. Colleges and universities are in competition with other occupations for securing talent, training,

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[1]University of Oklahoma, "Retirement Plans in Colleges and Universities, and Important Factors Affecting Them," (unpublished study authorized by President George L. Cross and the Board of Regents of the University of Oklahoma, 1951), pp. 2-108.

and ability. Capable people tend to enter occupations which are economically rewarding.

2. The cost of preparing for a teaching career is relatively very high, since standards for instructors are constantly being raised. Teaching as a profession requires a large initial investment of time, talent, and money. The financial burdens are so great that many instructors must go into debt to acquire advanced degrees and thus commit themselves to repaying their debt long after their formal education is over. Furthermore, the cost of rearing children and purchasing a home further reduce a teacher's ability to save for his retirement.

3. Compared to other professions, teachers' salaries are relatively low. Business and industry rewards people of talent, training, and ability much better than people of equal talent, training, and ability in teaching. In addition to better salaries and benefits, industry and government employees look forward to equally attractive retirement benefits.

   The report noted an article in the December 1, 1950 issue of U. S. News and World Report stating that "a man who works with his hands can live on the right side of the tracks--and make more than many of his college trained neighbors."

4. The cost of living and maintaining a professional status is relatively high for teachers. Continuous education and professional libraries are essential to maintaining and increasing scholarship. The professionally minded instructor is obligated to support and participate in the learned voluntary associations of his special field; including fees and dues. Since it is not desirable as a general practice for faculties to engage in side-line occupations to supplement their salaries, these commitments further preclude saving for one's retirement.

5. It is proper to conclude that teaching just like any position in private enterprise should be supported and sustained by well considered plans for retirement.

6. In addition to the cost of living, consideration must be given to an income or annuity largely

for the purpose of helping a faculty member meet the changes in that cost of living.

7. Professor Francis R. Cella's study showed that the salaries of seventy per cent of the faculty at the University of Oklahoma were less than their respective costs of living.

In obtaining data about the institutions' retirement programs, Chicago University stated its obligation to pay retirement allowances, shall be neither greater nor less than its obligation to pay salaries to persons in active service.

There can be no doubt but that the situation today in terms of meeting the ever rising cost of living is similar to, if not worse, than when President Cross authorized his study. Over the years the general economic status of the American aged has always been poor.[1] The U. S. Senate Special Committee on Aging Task Force in trying to determine the cause of this economic problem has stated:

> Every American--whether poor or rich, black or white, uneducated or college trained--faces a common aging problem: How can he provide and plan for a retirement period of indeterminate and uncertain need? How can he allocate earnings during this working lifetime so that he not only meets current obligations. . . but has something left over for his old age. The economic situation of the aged today speaks ill of the solutions to this problem in the past.[2]

We must determine the adequacy of retirement plans and planning (adequacy for this purpose is defined by relating

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[1]James H. Schulz and Guy Carrin, "The Role of Savings and Pension Systems in Maintaining Living Standards in Retirement," The Journal of Human Resources, VII (Summer, 1972), p. 343.

[2]*Ibid.*, p. 344.

living standards in retirement to various preretirement living standards) prior to the time of actual need of these programs to ensure that they will be sufficient to provide a comfortable retirement life.

Schulz and Carrin summarized the major sources of retirement income support which an individual in the United States could build up and/or utilize in meeting his economic needs in retirement. The sources can be divided into private and public means and further subdivided; private determined as to whether the source is individual controlled or whether the source emanates from individuals or institutions outside the immediate family.

The economic status of the aged is dependent primarily on (a) the earning-consumption pattern in preretirement years and hence the extent of personal savings accumulated during that period; (b) the division of the workers' pay packages between current wages and private pensions; (c) the decision as to retirement age; and (d) the extent to which society will allow the transfer of income claims from workers to retirees by way of tax-benefit mechanisms. Furthermore, a retiree's economic situation is affected by such factors as inflation and general economic growth. Given these factors, to provide an adequate level of retirement income requires more savings during working years, and/or the development of and monitoring of institutions to provide retired or semi-retired persons with a required amount of income. The options require either higher private pensions or insurance contributions, higher personal savings in preretirement years, and/or higher taxes.

Present practice in the United States allows an individual the opportunity to save (individually or collectively, or both) in preretirement years. However, either of these methods requires the individual to lower his disposable income during his working years. Again assuming a person in retirement desires to live at a level close to preretirement, he must accumulate enough sources of retirement funds to enable him to replace a certain proportion of the income lost when work ceases. Any inflation occuring during retirement years will result in a deterioration of purchasing power unless retirement funds appreciate at the same rate as inflation.

Social Security has reduced the magnitude of an individual's job in preparing for retirement. Furthermore, it has been tied to changes in the cost of living so that it will provide funds relative to the changes that occur in the economy. On the other hand however, average personal savings rates in the United States have remained relatively constant over the years and have not equaled by far the rates required to provide adequate funds in retirement. Therefore an investigation of the various retirement systems in use at Oklahoma colleges and universities is essential to determine their ability to help faculty members meet these rising costs of living during retirement years.

Furthermore, many persons considering careers in higher education find retirement programs a significant factor in their decision making. With the national trend toward earlier retirements these considerations are of special importance. The costs of the various systems and the different benefits provided by each of the many systems make it absolutely essential that all parties concerned be aware of the differences.

It should be noted for example, that in an actuarial analysis of the Teachers' Retirement System of Oklahoma by Peat, Marwick, Mitchell and Company of Houston, the following statement was made with respect to benefits: ". . . we believe the current School Laws (1968) provide adequate benefits. . . we believe that a disproportionate share of the cost of these benefits is being borne by the current members of the system who are 35-40 years of age."[1] Later in that same report it was noted that many insurance companies, retirement and investment counselors were giving great consideration to relating future retirement incomes to either equity investment performance or a barometer of inflation, such as the Consumer Price Index, but it was believed the taxpayers should not be expected to bear this financial burden.

This then demands that an investigation of all retirement systems in Oklahoma institutions of higher education

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[1]Peat, Marwick, Mitchell and Company, "Teachers' Retirement System of Oklahoma, Actuarial Analysis of Current Liabilities, Recommended Alternatives and Attendent Actuarial Costs," Oklahoma City, Oklahoma, n. d., p. i. (Typewritten.)

be scrutinized to determine not only the costs involved but also the benefits derived from those costs. In a study dealing with teacher supply and demand in Oklahoma, Hobbs[1] noted that only about 250 of each 1,000 teachers trained in Oklahoma are still teaching in Oklahoma after ten years. There can be no doubt but that some of those teachers who left the state might have been college level instructors who may have left as a result of inadequate retirement systems at their place of employment.

Definition of Terms

To help the reader develop a better understanding of the investigation, key terms were defined as follows:

> Annuity: Shall mean payments for life derived from the accumulated contributions of a member.
>
> Beneficiary: The person(s) to whom the member's contributions or other selected benefits will be paid upon member's death.
>
> Creditable Service: The sum of the prior service plus the membership service that equal the years of service used in computing retirement benefits.
>
> Disability Retirement: Retirement benefits paid to a member who is either mentally or physically incapacitated for further performance of duty.
>
> Employer Contribution: The amount contributed by the employer to the retirement fund.
>
> Faculty: All personnel of the institution's teaching staff.

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[1]Dan Stewart Hobbs, "A Study of Teacher Supply and Demand in Oklahoma" (unpublished Ph.D. dissertation, University of Oklahoma, 1969), p. 151.

<u>Membership</u>: Educational employees who are members of the retirement system.

<u>Member Contribution</u>: The amount contributed by individuals to the retirement fund.

<u>Military Service</u>: Years of membership service credited to a member for prior or current military service.

<u>Normal Retirement Age</u>: The age a member must attain to receive maximum benefits.

<u>Options</u>: The various plans from which a member may choose his retirement benefits.

<u>Pensions</u>: Payments for life derived from money provided by the employer.

<u>Prior Service Credit</u>: Services rendered prior to the establishment of the retirement system for which credit is allowable.

<u>Vesting</u>: The right to receive a retirement benefit from a system after either a specified number of years service or upon reaching a specified age.

Procedures

The study of retirement programs available to members of the faculty at institutions of higher education in the State of Oklahoma was basically divided into two parts. Initially a questionnaire had to be mailed to the business managers of each of the forty-four institutions of higher education accredited by the Oklahoma State Regents for Higher Education. A mailed questionnaire was selected as the best tool to ascertain the necessary information. The mailed questionnaire can be used effectively as an economical means of reaching a geographically dispersed sample population. Since the stimuli is standardized and identical from one respondent to another this technique should yield more objective responses than other methods.[1]

The questionnaire used (Appendix A, Exhibit 1) was a modified version of one used by Colene Boring Maxwell and Joseph H. Klein in similar studies of Oklahoma and Maryland educational institutions. Additional information was acquired from the records of the Teachers' Retirement System of Oklahoma, the Oklahoma State Regents for Higher Education, and the Teachers Insurance and Annuity Association. After all the information was compiled, it was compared and analyzed and tabulations were then summarized.

Organization of the Remainder of the Study

Literature related to the study representing a history of retirement systems in general and more specifically of those major systems in use at Oklahoma institutions of higher education is presented in Chapter II. Procedures followed and an explanation of the analysis and interpretation of the data are in Chapter III. Chapter IV consists of the summary, conclusions and recommendations based upon the study.

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[1]Gerald Zaltman and Philip C. Burger, Marketing Research: Fundamentals and Dynamics (Hinsdale, Illinois: Dryden Press, 1975), pp. 310-12.

CHAPTER II

REVIEW OF RELATED LITERATURE

A review of the literature reveals that a great deal has been written on retirement with much research investigating the many various retirement programs. While some of this writing is not directly related to college and university retirement programs, much of it is quite relevant to a proper analysis of the current systems available.

The History of Pensions

Personal pensions date back to the Roman Empire. Monies or services were provided to distinguished military personnel. Later, government leaders provided pensions to men as a reward for distinguished services in the field of literature, the arts and philanthropy.[1]

During the first decade of the eighteenth century, civil service pensions made their appearance in France and

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[1]H. S. Pritchett, A Comprehensive Plan of Insurance and Annuities for College Teachers, Bulletin No. 9 (New York: Carnegie Foundation for the Advancement of Teaching, 1916), p. 6.

in England. Civil servants, which at that time included school and university faculties, were provided with a pension by the government.[1] In 1772, a bill that provided for annuities paid by local government passed the House of Commons but was defeated in the House of Lords. As early as 1786, a plan for nationwide compulsory old age and disability insurance had been advocated.[2] The first organized teacher pension plan was developed in Switzerland, in 1839. While there is very little known about the program, it appears to have been government sponsored.[3]

The History of Pensions in the United States

The history of pensions in the United States is quite recent. However, even in Colonial America the indigent aged were required to live with all other groups who were unable to care for themselves.[4] Early in the history of the United States the Federal Government provided pensions, land or

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[1]*Ibid.*, p. 7.

[2]Paul A. Brinker, *Economic Insecurity and Social Security* (New York: Appleton-Century-Crofts, 1968), p. 49.

[3]W. S. Elsbree, *The American Teacher* (New York: American Book Company, 1939), pp. 457-58.

[4]Brinker, *op. cit.*, *Economic Insecurity and Social Security*, p. 51.

funds, to the men who served in the armed forces.[1,2] In fact by 1910, all but six states had granted pensions to civil war veterans. To receive this assistance, an individual had to request it and the amount received was based on need.

The history of the movement for teachers' retirement pensions in this country began in New York City in 1869 with the establishment of Teacher's Assurance and Mutual Aid Associations. In that year, a large school in New York City circulated a collection list among teachers with an appeal to contribute to a fund for the funeral of a fellow teacher who had died and left no funds. Another young teacher, Mr. Vanderbilt, decided later it would be better to organize an association in which each member would pledge himself to contribute one dollar whenever called upon as well as to receive similar benefits when he died. This program was called the New York City Teachers' Mutual Life Assurance Association. In years to follow, other cities would develop similar programs and in some cases went further to provide money to the family above the costs of a funeral. In effect this was a form of life insurance. Later and more elaborate

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[1] Journals of the Continental Congress, Vol. V, pp. 762-63, September 16, 1776, cited by National Archives and Records Service, Guide to Genealogical Records in the National Archives (Washington, D. C.: U. S. Government Printing Office, 1964), p. 91.

[2] J. C. Fitzpatrick, ed., Land Ordinance of 1785, May 20, 1785, Journals of the Continental Congress, Vol. XXVIII, p. 375 ff, cited by Henry Steele Commager, Documents of American History (6th ed.; New York: Appleton-Century-Crofts, Inc., 1958), p. 123.

programs went on to provide health care benefits, old age and disability benefits. Associations were established in Detroit, 1888; St. Paul, 1890; Chicago, Des Moines, Lincoln and Evansville, 1891.[1]

There is little evidence of any organized provisions for retirement incomes for faculty members at colleges and universities prior to the present century. What was provided as a pension was usually a gratuity granted in recognition of "long and faithful service" or for some outstanding accomplishment. Since colleges were small, it was rare that payments were made to staff members for anything other than current services. As these institutions grew in size and stature and faculty membership became more of a refined contractual relationship, the need to provide for a retirement income became more apparent. As a result, in the late 1800's some of the older and larger universities and colleges began to establish pension plans for their faculties.[2] It should be noted that for the most part no particular need for planning ahead on a group basis was recognized in the colleges or, for that matter, in other walks of life, since retirement

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[1]Paul Studensky, Teachers' Pension Systems in the United States, A Critical and Descriptive Study (New York: D. Appleton and Company, 1920), pp. 4-5.

[2]Rainard B. Robbins, College Plans for Retirement Incomes (New York: Columbia University Press, 1948), p. 137.

problems were thought of as problems of individuals and handled in an individual manner.[1]

Samuel Johnson, the first president of Columbia University (then King's College), was retired in 1763 on a pension of fifty pounds per annum. During the next 129 years, several faculty members retired on various stipends. In 1892, University trustees established a regulation that provided that any professor of sixty-five years of age who had completed fifteen or more years of service could be retired on half salary at the option of the professor or the trustees. In 1897, Yale University provided half salary to any faculty member age sixty-five who had served for twenty-five years at a rank higher than assistant professor. In 1899, Harvard developed a more complex formula for its administrative and instructional staff aged sixty and over with twenty-five years of service as assistant professor or higher. Their allowance would be 1/60 of their last year's salary for each year of credited service, not to exceed two-thirds salary.

In 1930, Cornell University developed a contributory plan started with an anonymous gift of $150,000 to which full professors contributed. That same year, the University of California established a plan to provide at age sixty-five, a benefit of two thirds of average salary for the last five

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[1] William C. Greenough, College Retirement and Insurance Plans (New York: Columbia University Press, 1948), p. 7.

years of service for certain faculty members holding specified ranks for at least twenty years.

One of the key points of all the early retirement plans was that a professor would only be eligible for the pension if he remained at the institution until retirement, and even then the programs were restricted to specified ranks or classes of employees.[1]

The Carnegie Foundation

When Carnegie became a trustee of Cornell University in 1890,[2] he was shocked "to find how small were the salaries of the professors," and concluded that it was next to impossible for a professor to save for his old age.[3] The problem made a deep and lasting impression on Carnegie, and the foundation bearing his name became the first systematic attempt to develop a large scale retirement system for American colleges.

In a letter of gift dated April 16, 1905, to twenty-five prominent educators Carnegie wished to be trustees of his new foundation, he said:

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[1]*Ibid.*, p. 8.

[2]The Carnegie Foundation for the Advancement of Teaching, *First Annual Report of the President and Treasurer* (New York: The Carnegie Foundation for the Advancement of Teaching, 1906), pp. 32-35.

[3]William C. Greenough and Francis P. King, *Retirement and Insurance Plans in American Colleges* (New York: Columbia University Press, 1959), p. 15.

I have reached the conclusion that the least rewarded of all the professions is that of the teacher in our higher educational institutions. New York City generously, and very wisely, provides retiring pensions for teachers in her public schools and also for her policemen. Very few indeed of our colleges are able to do so. The consequences are grievous. Able men hesitate to adopt teaching as a career, and many old professors whose places should be occupied by younger men, cannot be retired.

I have, therefore, transferred to you and your successors, as Trustees, $10,000,000.00 5% First Mortgage Bonds of the United States Steel Corporation, the revenue from which is to provide retiring pensions for the teachers of Universities, Colleges and Technical Schools in our country, Canada and Newfoundland under such conditions as you may adopt from time to time. Expert calculation shows that the revenue will be ample for the purpose. . . .

I hope this Fund may do much for the cause of higher education and to remove a source of deep and constant anxiety to the poorest paid and yet one of the highest of all professions.[1]

In 1905, the Carnegie Foundation was granted a regular business charter with the express intent of providing old age and disability pensions, and to provide for families of deceased professors in the United States, Canada and Newfoundland.[2] Carnegie's gift of $10,000,000 originally had the stipulation that the foundation was to give no aid to teachers in sectarian institutions. However, in 1908,

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[1]The Carnegie Foundation for the Advancement of Teaching, op. cit., First Annual Report, pp. 7-8.

[2]Theron F. Schlabach, Pensions for Teachers (Madison, Wisconsin: State Historical Society of Wisconsin for the Department of History, University of Wisconsin, 1965), p. 20.

an additional $6,000,000 was provided for faculty members of certain publicly controlled institutions previously excluded.[1]

Additional grants toward pension obligations were made by the Carnegie Corporation of New York to the Carnegie Foundation totaling $12,425,716.[2] These gifts constituted the primary source of retirement income for college staff members during the early part of this century. The pension plans were initially quite liberal--$400 more than half of the average salary for the last five years of service beginning at age sixty-five for those employees holding the rank of professor for fifteen years.[3]

Within a decade it became obvious that the growing number of college teachers would make it impossible to provide free pensions continuously. The first to recognize this problem was the Foundation's first president (former president of the Massachusetts Institute of Technology) Henry S. Pritchett. Pritchett believed the best arrangement would be a contractual agreement by which colleges and faculty members might contribute toward a retirement program.[4]

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[1]Herber H. Hunt, "Some Suggestions for a Teacher Retirement System for Missouri" (unpublished Ph.D. dissertation, University of Missouri, 1939), p. 55.

[2]Greenough, op. cit., College Retirement, p. 9.

[3]Greenough and King, op. cit., Retirement and Insurance Plans, pp. 15-16.

[4]Greenough, op. cit., College Retirement, p. 10.

Teachers Insurance and Annuity Association (TIAA)

In 1916, under the direction of Henry S. Pritchett with the consent and funding of the Board of the Carnegie Foundation for the Advancement of Teaching (in 1906, "The Carnegie Foundation" was reincorporated as "The Carnegie Foundation for the Advancement of Teaching") studies were conducted into the needs and costs of faculty retirement. In 1918, a separate life insurance company, Teachers Insurance and Annuity Association of America (TIAA) was established, to pool the provisions for retirement income and life insurance with contracts available to staff members in all colleges and universities and certain other nonprofit educational institutions.[1]

Carnegie continued his philanthropic ventures by providing $1,000,000 from the Carnegie Corporation of New York and another million to help provide benefits for older teachers of institutions adopting the new plan.[2] For several years, many of the expenses of this organization were paid for by gifts from Carnegie sources as well as from income from the original gift of $10,000,000. In 1938, stock of the Association was transferred from the Carnegie Corporation to an

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[1]Greenough and King, _op. cit._, _Retirement and Insurance Plans_, p. 18.

[2]The Carnegie Foundation for the Advancement of Teaching, _Twelfth Annual Report of the President and of the Treasurer_ (New York: The Carnegie Foundation for the Advancement of Teaching, 1917), pp. 24-33.

independent Board of Trustees of TIAA stock and a membership organization was created by a special act of the New York State Legislature.

The association operates without sales agents soliciting business since college officers and staff members can consider various plans and decide what they want. The major advantage of this method is a major reduction in overhead costs. In return for a premium, TIAA contractually agrees to provide member college faculty with an individual life insurance policy and retirement program. The faculty member may change his place of employment and take with him all rights established by all premium payments up to that time. Furthermore, he may continue the payments himself, allow his new employer to pick up the premium payment or cease payment and assume a paid-up policy. Payment of premiums may even be discontinued for a period of time and then resumed. To prevent an employee from mortgaging or dissipating his retirement fund, the contract makes no provisions for a cash or loan value at any time.[1] When retirement age is reached and employment ceases, the individual's income shifts from compensation for services to a college, to annuity payments from the life insurance policy. The idea and

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[1]Aaron H. Bergen, "An Analysis of Retirement Plans in Selected Independent Colleges" (unpublished Ed.D. dissertation, University of Denver, 1955), p. 40.

basic advantages of the pension arrangement is that it allows mobility of academic talent among various institutions. The agreement is flexible as to type of premium payment, retirement date, type of retirement income settlement and thus allows the insitiution and individual wide latitude in adjusting the contract to various situations. The TIAA contract is entirely between the company and the individual. The college retirement plan is an agreement between the college and its staff, usually formalized by the institution's governing board, stating the essentials of the college plan. The individual staff member has an agreement with both the college and TIAA. "Through the use of these two agreements; complicated state laws, trust agreements, or master contracts and certificates are made unnecessary and income tax procedure is simplified."[1]

College Retirement Equity Fund (CREF)

In the early 1950's, the College Retirement Equity Fund (CREF) was established as a companion organization to the Teachers Insurance and Annuity Association of America. The objective of CREF was to stabilize purchasing power and provide a regular income for its members during their retirement.[2] CREF was established because of the economic uncertainty caused by World War II.

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[1]Greenough, op. cit., College Retirement, p. 15.

[2]Greenough and King, op. cit., Retirement and Insurance Plans, p. 37.

> It became evident that disregard of the factor of inflation in pension planning means that a retired person's income may be subject to an erosion in purchasing power that could defeat the primary purpose of a retire-program.[1]

Even though the dollar has been one of the most stable currencies in the world, some safeguards were necessary to ensure a reasonable income in current purchasing power. At any given time the forces of inflation or deflation (since there have also been periods when purchasing power increased) are in conflict. Successful financial planning however is a long range process that requires closer attention to be paid to long range trends rather than short cyclical actions. The College Retirement Equity Fund in conjunction with TIAA was designed to provide financial security for the retired person regardless of the direction the economy moved.[2]

While TIAA premiums are invested primarily in bonds and mortgages that provide fixed returns (except as increased by dividends), CREF premiums are used to purchase common stocks. The individual participates in the long range growth of the American economy and purchases an annuity income that increases and decreases along with stock prices and dividends.[3] The CREF plan is risky since it invests totally in common

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[1]Arthur W. Viner, "A New Plan for Retirement Stability," Dun's Review and Modern Industry, September, 1953, pp. 48-56.

[2]Greenough and King, op. cit., Retirement and Insurance Plans, p. 38.

[3]Ibid., p. 39.

stocks, thus CREF makes no commitment to pay a fixed-dollar pension during the retirement period of the beneficiary funds. CREF pays a pension in fixed number of units whose dollar value varies with stock prices.[1] (An explanation of CREF units are included in William C. Greenough and Francis P. King's book, Retirement and Insurance Plans in American Colleges, which was published in New York in 1959.)

Historically, as the cost of living has risen in the United States, common stock prices have also risen. The long range effect has been that income has risen at a pace equal to or in excess of the cost of living and thus CREF has provided its members with a hedge against inflation. It should be noted that stock purchases are guided by "standards of quality and diversification established and regularly reviewed by the Finance Committee of the CREF Board of Trustees."[2]

An individual participating in TIAA-CREF may select a type of retirement income from several options. All options provide a lifetime income for an individual and all but one provides an income for a beneficiary in the event of a member's early death.

The following options are available:

1. Single Life Annuity.

   This plan pays an individual a lifetime income, with all payments ceasing at death. This

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[1]Bergen, op. cit., "Retirement Plans in Selected Independent Colleges," p. 43.

[2]Greenough and King, op. cit., Retirement and Insurance Plans, p. 41

option does not provide for continuation of payment to a beneficiary.

Survivor Annuities with ten- or twenty-year guaranteed period.

2. Two-thirds Benefit to Survivor.

   This option provides a member and spouse a lifetime income. At death of either, the payments are reduced to two-thirds the amount that would have been paid if both had lived; the two-thirds benefit continues to the survivor for life. If both die during the ten or twenty period selected, the two-third benefit continues to a beneficiary for the remainder of the period.

3. Full Benefit to Survivor.

   This plan provides a member and spouse a lifetime income. At the death of either, the payments continue to the survivor for life, in the same amount that would have been paid if both had lived. If both die during the ten- or twenty-year period selected, the payments continue to a beneficiary for the remainder of the period.

4. Half Benefit to Spouse.

   This plan pays a member a lifetime income. If the spouse survives the member, he or she receives for life one-half the amount the member would have received if living. There is no reduction in lifetime income if the spouse dies first. If both die during the ten- or twenty-year period selected, the half benefit continues to a beneficiary for the remainder of the period.

Life Annuities with a certain number of payments guaranteed.

5. Life Annuity with Ten-Twenty Year Guaranteed Period.

   This plan pays a member a lifetime income, with installments continuing for ten or twenty years, as selected, whether the member lives or dies. Should the member die during the ten- or twenty-year period selected, payments continue to a beneficiary for the remainder of the period.

If a member lives beyond the period selected, payments continue until death, but with no furthur provisions for payments to a beneficiary.

6. Installment Refund Annuity (Available in TIAA but not in CREF).

This plan provides the member with a lifetime income. If death occurs prior to receiving total contractual payments equal to full accumulation the member had when the annuity payments began, the income continues to a beneficiary until the sum of all contractual payments made equals the accumulation amount. If the member lives longer than it takes to pay out the original accumulation amount, payments continue until death, but with no further provision for payments to a beneficiary.

Social Security

Almost everyone who is earning protection under a private pension plan, at the same time, from the same work, is earning protection under Social Security. The Social Security System was established after state and local programs failed to meet the needs of millions of older people impoverished by the depression of the 1930's.[1] In June of 1934, President Roosevelt issued Executive Order 6757,[2] establishing the Committee on Economic Security and the Advisory Council on Economic Security. They were charged with the duties of studying problems relating to economic security of individuals. In a preliminary report in September

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[1]Joseph A. Pechman, Henry J. Aaron, and Michael K. Taussig, Social Security Perspectives for Reform (Washington, D. C.: The Brookings Institution, 1968), p. 1.

[2]Robert B. Stevens, ed., Statutory History of the United States Income Security (New York: Chelsea House Publishers, 1970), p. 64.

1934, they stated that old people without means of support who didn't need institutional care should be granted an old age pension sufficient to enable them to live decently and with dignity in their homes. The federal government was to subsidize state old age pension laws that met federal standards so that non-contributory pensions could be provided for old people. A contributory pension system was recommended to replace the non-contributory system as soon as practicable except for persons who could not be brought under a contributory system. The contributory system was to be self supporting. This and other recommendations resulted in the Social Security Act of 1935.[1]

Social Security was established in 1936 as a small, limited system covering only a small proportion of the population. It was not designed to provide benefits in proportion to an individual's income or taxes paid into the system. Rather it sought to provide "social equity" versus a system of "individual equity" whereby each premium dollar purchased a specified right to retirement and death benefits. Initially, teachers were not included in the Social Security System. However, the 1950's showed major developments in the area of educational retirement programs. In addition to CREF, in 1951 employees of private colleges and universities became eligible for inclusion under Social Security for the first time. In 1954, Social Security benefits were

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[1] *Ibid.*, pp. 72-75.

extended to employees of public colleges and universities.[1] Within a few years of the 1951 and 1954 amendments, most public and private colleges and universities had decided to accept Social Security coverage.

Today, about nine out of ten persons working for a living are covered by Social Security.[2] Social Security itself may have been a major factor contributing to the increase and acceptability in retirement, in addition to a decreased participation of the elderly in the labor force and a longer life expectancy.[3] Benefits received from government social insurance programs are payable as a matter of right--and in addition to, rather than a substitute for, other financial resources. Individuals are encouraged to participate in other public and private retirement programs as well as to exercise personal thrift to prepare for their eventual retirement. Social Security has served as a stimulus to the growth of private pension plans.[4] Social Security

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[1]Greenough and King, op. cit., Retirement and Insurance Plans, p. 502.

[2]U. S., Department of Health, Education, and Welfare, Social Security Administration, Social Security Programs in the United States, Publication No. (SSA) 73-11915 (Washington, D. C.: U. S. Government Printing Office, January, 1973), p. 1.

[3]Alicia H. Munnell, The Effect of Social Security on Personal Savings (Cambridge, Mass.: Ballinger Publishing Company, 1974), p. 98.

[4]Bergen, op. cit., "Retirement Plans in Selected Independent Colleges," p. 17.

was designed to partially replace earnings lost by retirement. Relating the retirement benefits to previous earnings (which Social Security and most private pensions do) makes it obvious, that the task of a private pension is dependent on the level of protection provided by Social Security.

The National Old-Age Survivors, Disability, and Health Insurance (OASDHI) program, properly referred to as Social Security and administered by the Federal Government, is the largest and most important of the social insurance programs in the United States. The development of the OASDHI program was based on certain basic principles:[1]

1. Work Related--The security of a worker and his family grows out of his own work. Entitlement to benefits is based on past employment and income. In general, the more earned the greater the protection.
2. Contributory--Workers make contributions to help finance current benefits; thus the worker has a personal interest and stake in the soundness of the program.
3. No Means Test--Benefits are an earned right, paid regardless of income from savings, pensions,

[1]U. S., Department of Health, Education, and Welfare, Social Security Administration, op. cit., Social Security Programs, pp. 22-24.

private insurance, or other forms of nonwork income. The purpose is to encourage workers to build additional protection for themselves and their families.

4. Compulsory--With minor exceptions the coverage is compulsory to insure the financial soundness and diminish dependency.

5. Rights Clearly Defined in the Law--Any person meeting the conditions provided in the law must be paid.

Currently the maximum amount of earnings on which an individual will pay Social Security contributions is $14,100. Through 1977, employees and employers each pay 5.85 per cent on the employee's wages.[1] Each person working in covered employment is required to obtain a Social Security number, which is used to identify the lifetime earnings record upon which benefits are based. Reported earnings are posted to the worker's earnings record in the central office of the Social Security Administration in Baltimore, Maryland. The worker's earnings record is used to determine the claimant's eligibility for benefits and the amount of any cash benefits payable.

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[1]U. S., Department of Health, Education, and Welfare, Social Security Administration, Your Social Security, Publication No. (SSA) 75-10035 (Washington, D. C.: U. S. Government Printing Office, May, 1975), pp. 22-23.

Basically, Social Security is a redistribution of income from the young working to the older retired. Social Security taxes are withheld and collected by the Internal Revenue Service under the Federal Insurance Contributions Act.[1] As of 1975, minimum retirement benefits for a single individual were $101.40 per month or $1,216.80 annually; and the maximum benefit was $341.70 per month or $4,100.40 annually. Benefits are determined for each individual based on the number of calendar quarters covered and income earned. Currently, anyone receiving benefits whose current income does not exceed $2,760 a year can get benefits for twelve months of the year. For earnings above $2,760, one dollar in benefits is withheld for each two dollars of earnings. However, benefits are payable regardless of annual earnings, for any month in which the beneficiary earns $230 or less in wages and does not render substantial services in self employment.[2]

As of 1961, monthly benefits became payable at age sixty-two instead of age sixty-five, to a retired insured person or to the wife or dependent husband of a retired worker. The first year this provision was in effect, more men retired on the reduced benefits program than on regular

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[1] U. S., Department of Health, Education, and Welfare, Social Security Administration, Compilation of Social Security Laws, Including the Social Security Act as Amended and Related Enactments Through January 2, 1968 (Washington, D. C.: U. S. Government Printing Office, 1968), Vol. II, pp. 399-424.

[2] *Ibid.*, p. 30.

benefits. "In 1973, the number of men who retired before age sixty-five on Social Security benefits was close to seventy percent."[1] Social Security studies have indicated the predominant reason for the increase in early retirement is poor health. Most benefits paid to beneficiaries before age sixty-five are actuarially reduced throughout the period of entitlement to take in account the longer period of benefit payment. After 1974, almost all monthly benefits were tied to the cost of living as measured by the Bureau of Labor Statistics Consumer Price Index. Benefits will be increased, not more than once a year, by any increase of three percent or more from the time of the last adjustment in benefits. These increases were designed to ensure that the program continued to provide benefit protection not eroded by inflation.

Individuals choosing to delay their retirement receive an additional one per cent (1/12 of one per cent for each month) added to their old-age benefits for each year between ages sixty-five and seventy-two.[2] While many Social Security recipients today still receive inadequate benefits, the fact is that those retiring today and in the future, will be entitled to much higher levels of benefits than have come to

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[1]Seidman, op. cit., "Future Structure of Social Security System," p. 473.

[2]U. S., Department of Health, Education, and Welfare, Social Security Administration, op. cit., Social Security Programs, pp. 33-51.

be associated with the term Social Security. As a result of the automatic provisions for increases, Social Security has been made inflation proof. The introduction of automatic provisions to keep Social Security benefits on par with changes in the cost of living "are by far the most important changes in the program."[1]

This improvement in Social Security is significant since it is the only retirement system for approximately eighty per cent of today's elderly, and it seems unlikely in the foreseeable future that private pension plans will provide supplementation for as many as fifty per cent of the retired population. This implies that Social Security must be reasonably adequate in itself for a very high proportion of the elderly. In recent years, there has been some question as to whether the plight of the retired employee confronted with high rates of inflation is as severe as often assumed. The fact is:

> . . . for an individual who retired ten years ago, Social Security benefits have increased at least eighty-five per cent compared to an inflation factor of approximately of fifty per cent. Just as importantly this increase has been without additional contributions by the retired employees, in effect the increase being a gift from younger Social Security taxpayers.[2]

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[1]Robert M. Ball, "Social Security and Private Pension Plans," National Tax Journal, XXVII (September, 1974), p. 467.

[2]Ronald L. Haneberg, "Inflation, What Solutions Under Retirement Plans?" Trusts & Estates, CXIII (July, 1974), p. 465.

The problem of meeting the additional costs of living has not been with government programs such as Social Security, but with personal savings and employer pension plans. To improve personal savings or employer pension plans will require additional private funds which in itself could be a source of inflation.

Teachers' Retirement System of Oklahoma

The Teachers' Retirement System of Oklahoma was established by Act of the Nineteenth Legislature, and became effective July 1, 1943, under the proclamation of Governor Robert S. Kerr. To make the law possible, voters had to change the Constitution at a primary election in 1942. Section 62 of Article 5 of the Constitution of the State of Oklahoma was adopted to read:

> The Legislature may enact laws to provide for the retirement for meritorious service of teachers and other employees in the public schools, colleges and universities in this State supported wholly or in part by public funds, and may provide for payments to be made and accumulated from public funds, either of the State or of the several school districts. Payments from public funds shall be made in conformity to equality and uniformity within the same classifications according to duration of service and remuneration received during such service.[1]

The Oklahoma Education Association presented Governor Leon C. Phillips a petition with 244,179 signatures and asked that the question be submitted to the people. The amendment

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[1]Teachers' Retirement System of Oklahoma, "Fact Sheet," Oklahoma City, Oklahoma, prepared November, 1975. (Typewritten.)

passed 257,740 to 151,451, and the Oklahoma State Legislature appropriated $200,000 to establish the system. The first year of operation, the Teachers' Retirement System of Oklahoma had 11,216 members.

In 1957, the Oklahoma Legislature dedicated seventy-eight per cent of the natural and casinghead gas tax revenues (House Bill 546) to the Teachers' Retirement System and with subsequent appropriations and employee contributions constitutes the Teachers' Retirement System of Oklahoma.[1] Initially, membership was optional for teachers regularly employed between July 1, 1938 and June 30, 1943. Participation was made mandatory for all regularly employed school teachers after July 1, 1943.[2]

The 1943 plan of operation was joint-contributory on an actuarial basis with each member having four per cent of his annual salary withheld as his contribution. Member contributions earned a minimum of two per cent and a maximum of four per cent interest compounded annually. Upon retirement the state was to match the members contributions and interest earned. In addition, the state was to provide and pay for prior service equal to .8 of one per cent of the average annual salary times the number of years of service, not to exceed thirty-six years. Originally, member retirement benefits

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[1]Teachers' Retirement System of Oklahoma, "Rules and Procedures for Operation of Teachers' Retirement System of Oklahoma," Board of Trustees, Oklahoma City, Oklahoma, December, 1974, p. 6.

[2]Ibid., pp. 11-12.

were to be an annuity equivalent to their contributions plus interest, state contributions and a prior service pension.[1]

The first retirements occurred in 1947 for several individuals attaining the age of seventy. In 1950, members age sixty or with thirty years of teaching service became eligible for retirement. On July 1, 1965, changes in the law became effective that allowed full retirement benefits to be paid at age sixty-two. Further changes in 1967, required a member to have ten or more years of contributions in the system to be eligible for retirement benefits. When a member attains the age of sixty-five, no further contributions are accepted after the close of the school year. The Teachers' Retirement System of Oklahoma has no compulsory retirement age.

College and university faculty administrators, librarians, counselors, supervisors or registered nurses are considered classified personnel. These members contribute five per cent of their gross annual salaries, not to exceed five per cent on $9,500 unless form TRS 37, waiver of contributions on salaries was filed in the retirement office. (Any employee whose salary exceeded $7,800 at the beginning of the 1974-1975 school year was allowed to choose $9,500 or $7,800 as the salary level on which to contribute.)

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[1]Colene Boring Maxwell, "The Oklahoma Teacher Retirement System: A Comparative Study of Retirement Systems in the Mountain Plains Region" (unpublished Ed.D. dissertation, University of Oklahoma, 1971), p. 2.

A member may select his retirement benefits from one of several options:

1. <u>Maximum Retirement For Life</u>.

   This plan provides the greatest possible monthly benefit with all payments ceasing at the death of the member. There are no beneficiary provisions or estate plans under this method.

2. <u>Option 1</u>

   Provides monthly benefits to a member for life. If a retired member dies before receiving in the annuity portion of his monthly payments an amount equal to his accumulated deposits at date of retirement, the remaining unpaid balance will be paid in lump sum to beneficiary.

   Option 1 benefits are slightly smaller than the maximum retirement for life plan since part of the member's deposit plus interest will be paid to the beneficiary.

3. <u>Option 2</u>

   Provides for a monthly payment for life to the member and at death the same amount is paid monthly to the spouse. (Spouse must be designated as beneficiary in this plan.) The amount of the monthly benefit is the actuarial equivalent of what the maximum benefit would have been. Since the amount of the monthly benefit depends on age and sex of the spouse, the younger the spouse the greater the reduction in monthly benefits. Likewise the female spouse would cause a greater reduction than males of the same age. Should the spouse predecease the member in death, no beneficiary substitution is allowed.

4. <u>Option 3</u>

   This plan is the same as Option 2 except that the benefit to the spouse (designated at the time of retirement) if surviving at the time of the member's death, will be only one-half the benefit the member was receiving prior to his death and will continue until the death of the spouse.

5. Option 4

This option pays 120 monthly payments to a member or in the event of the member's death to his beneficiary, until a total of 120 such payments in all have been made. If the beneficiary and or the member should die before the total 120 monthly payments are made a lump sum payment will be made to the administrators, executors, or assigns of the last surviving payee.

As of November, 1975, the Teachers' Retirement System of Oklahoma had 46,000 active members (including employees of public schools, state colleges and universities, State Department of Education and related agencies) with 11,955 retired members.[1] Vesting occurs after twenty years of creditable service. Should a member die before retirement, a lump sum payment of deposits plus interest will be made to the specified beneficiary.

As of November, 1975, the average retirement check paid out by the Teachers' Retirement of Oklahoma was $292.98. (Previous years' average benefit checks are listed on Table 6.)

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[1]Teachers' Retirement System of Oklahoma, op. cit., "Fact Sheet."

TABLE 6

TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA AVERAGE MONTHLY RETIREMENT CHECK AMOUNTS

Years	Amount
1947-48	$ 33.04
1953-54	75.33
1959-60	83.00
1965-66	128.72
1968-69	147.71
1969-70	178.77
1970-71	201.07
1971-72	209.09
1972-73	217.35
1973-74	225.71
1974-75	248.10
September 1, 1975	292.98

Source: Teachers' Retirement System of Oklahoma, "Fact Sheet," Oklahoma City, Oklahoma, prepared November, 1975. (Typewritten.)

CHAPTER III

DATA ANALYSIS AND INTERPRETATION

The review of the literature in Chapter II presented a history and background of the various major retirement systems identified as being available to faculty members who were employed by the public and private institutions of higher education in the State of Oklahoma. The purpose of this study was to determine which, if any, of the various retirement programs available to faculty members at Oklahoma institutions of higher education provided the most adequate benefits. Specifically, the study attempted to determine if the benefits provided by the various retirement systems in use in Oklahoma would allow an individual to live at a level equal to or near his pre-retirement standard of living.

Identification of Institutions and Retirement Systems

This chapter of the report analyzes and interprets the data acquired from the forty-four (44) questionnaires that were mailed to the business managers of the forty-four institutions of higher education accredited by the Oklahoma Regents of Higher Education. (Table 7.) The forty-four

TABLE 7

THE FORTY-FOUR PUBLIC AND PRIVATE INSTITUTIONS OF HIGHER EDUCATION ACCREDITED BY THE OKLAHOMA REGENTS FOR HIGHER EDUCATION

Institution	Classification
American Christian College	Private
Bacone College	Private
Bartlesville Wesleyn College	Private
Bethany Nazarene	Private
Cameron University	Public
Carl Albert Junior College	Public
Central State University	Public
Claremore Junior College	Public
Connors State College	Public
East Central Oklahoma State University	Public
Eastern Oklahoma State College	Public
El Reno Junior College	Public
Hillsdale Free Will Baptist College	Private
Langston University	Public
Midwest Christian College	Private
Murray State College	Public
Northeastern Oklahoma A & M College	Public
Northeastern Oklahoma State University	Public
Northern Oklahoma College	Public
Northwestern Oklahoma State University	Public
Oklahoma Baptist University	Private

TABLE 7--Continued

Institution	Classification
Oklahoma Christian College	Private
Oklahoma City Southwestern College	Private
Oklahoma City University	Private
Oklahoma College of Osteopathic Medicine and Surgery	Public
Oklahoma Panhandle State University	Public
Oklahoma State University	Public
Oklahoma State University Technical Institute	Public
Oklahoma State University School of Technical Training	Public
Oklahoma University Health Sciences Center	Public
Oscar Rose Junior College	Public
Oral Roberts University	Private
Phillips University	Private
Sayre Junior College	Public
Seminole Junior College	Public
South Oklahoma City Junior College	Public
Southeastern Oklahoma State University	Public
Southwestern Oklahoma State University	Public
Saint Gregory's College	Private
Tulsa Junior College	Public
University of Oklahoma	Public
University of Sciences and Arts of Oklahoma	Public

TABLE 7--Continued

Institution	Classification
University of Tulsa	Private
Western Oklahoma State College	Public
TOTAL = 44 (14 Private and 30 Public Institutions	

institutions include fourteen (14) privately supported colleges and universities and thirty (30) public institutions of higher education supported in total or in part by public funds appropriated by the Oklahoma Legislature.

The writer is cognizant of the difficulties in using a mail questionnaire. Selltiz[1] noted that for purposes of filling out even a simple written questionnaire, at least ten per cent of the adult population of the United States is illiterate. A complex questionnaire such as the one used in this study is appropriate only for subjects with a considerable amount of education and expertise (such as the business managers of the institutions to be studied in this investigation). When questionnaires are mailed to a sample of the population, the proportion of returns usually varies from ten to fifty per cent. Factors influencing the percentage of returns to a mailed questionnaire are:

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[1]Claire Selltiz, et al. Research Methods in Social Relations (New York: Henry Holt and Company, Inc., 1959), pp. 242-43.

1. Sponsorship of the questionnaire
2. Attractiveness of the questionnaire format
3. Length of the questionnaire
4. Nature of the accompanying letter requesting cooperation
5. Ease of filling out the questionnaire and mailing it back
6. Inducements offered to reply
7. Nature of the people to whom the questionnaire is sent.

The people most likely to return a questionnaire usually are more literate, less mobile, more interested and the more partisan section of the population.

To counteract these possible causes for poor or improper responses to the questionnaire used in this study, the researcher:

1. Acquired the assistance of experts in the area of retirement programs, to ensure that a reliable and valid questionnaire was utilized.
2. Pre-tested the instrument to eliminate ambiguities and ensure that the questionnaire was as simple to answer as possible.
3. Attached two cover letters. One from the writer's chairman at the University of Oklahoma, attesting to the validity and importance of this study and asking for the respondent's cooperation, as well as a second letter from the writer explaining the study and necessity for the information.
4. Mailed all questionnaires to the business managers (or officer in charge of personnel retirement) to ensure that the person answering the questionnaire was versed in the complexities of the retirement program at the respective institutions.

5. Enclosed postage paid, self-addressed envelopes to induce a reply by making the instrument easy to return to the sender.

A sample questionnaire is attached to this study as Exhibit 1 in Appendix A. A copy of both cover letters and the follow-up letter are also included in Appendix A, as Exhibits 2, 3, and 4 respectively.

All insititutions were classified into one of four categories:

Type 1. State Universities and Senior Colleges

Type 2. State Junior Colleges

Type 3. Independent Senior Colleges

Type 4. Independent Junior Colleges

Of the forty-four institutions contacted, fourteen were classified as Type 1 (State Universities and Senior Colleges), fourteen were Type 2 (State Junior Colleges), ten were Type 3 (Independent Senior Colleges), and four were Type 4 (Independent Junior Colleges). (Two public institutions were unclassified, since the information regarding their retirement program was maintained by a parent institution.) All colleges and universities are listed and classified Type 1-4 in Table 8. To ensure the confidentiality of the institutions and their respective retirement benefit programs, information presented in this study will refer to the institutions by their classification into one of the four categories rather than by name.

TABLE 8

CLASSIFICATIONS OF OKLAHOMA INSTITUTIONS OF HIGHER EDUCATION

Type 1 Schools State Universities and Senior Colleges	
Cameron University	Oklahoma Panhandle University
Central State University	Oklahoma State University
East Central Oklahoma State University	Oklahoma University Health Sciences Center
Langston University	Southeastern Oklahoma State University
Northeastern Oklahoma State University	Southwestern Oklahoma State University
Northwestern Oklahoma State University	University of Oklahoma
Oklahoma College of Osteopathic Medicine and Surgery	University of Sciences and Arts of Oklahoma
Type 2 Schools State Junior Colleges	
Carl Albert Junior College	Northern Oklahoma College
Claremore Junior College	Oscar Rose Junior College
Connors State College	Sayre Junior College
Eastern Oklahoma State College	Seminole Junior College
El Reno Junior College	South Oklahoma City Junior College
Murray State College	Tulsa Junior College
Northeastern A & M College	Western Oklahoma State College

TABLE 8--*Continued*

Type 3 Schools Independent Senior Colleges	
American Christian College	Oklahoma Christian College
Bartlesville Wesleyn College	Oklahoma City University
Bethany Nazarene College	Oral Roberts University
Midwest Christian College	Phillips University
Oklahoma Baptist University	University of Tulsa

Type 4 Schools Independent Junior Colleges	
Bacone College	Oklahoma City Southwestern College
Hillsdale Free Will Baptist College	Saint Gregory's College

Of the forty-four questionnaires mailed to the school business managers, thirty-three (33) were returned, for a return of seventy-five (75) per cent. Of the thirty-three institutions responding, twenty-two (22) were public (Type 1 and 2 institutions) and eleven (11) were private (Type 3 and 4 institutions, having a total of 3,422 full-time faculty members. (Table 9.)

TABLE 9

INSTITUTIONS RESPONDING TO QUESTIONNAIRE
BY CLASSIFICATION

Types of Institutions	Number of Institutions Reporting
Type 1--State Universities and Senior Colleges	10
Type 2--State Junior Colleges	12
Type 3--Independent Senior Colleges	7
Type 4--Independent Junior Colleges	4
Total Number of Institutions Responding to Questionnaire	33

The questionnaires contained forty-nine (49) questions pertaining to the identity of the retirement system(s) being used by each of the respective institutions, the number of full-time faculty members participating in the system(s) as of November 1, 1975, as well as information regarding creditable service, withdrawals and refunds, number of retirants and benefits paid, vesting and deferred allowances, financing, member contributions, tax sheltered annuities, disability, lump sum death benefits and retirement income benefits. The retirement income was to be derived for a hypothetical faculty member with thirty-five years experience, a fifteen thousand dollar averaged income for the last five years of employment, and retiring at four different ages, fifty-five, sixty, sixty-two and sixty-five.

Institutions Participating in the Teachers' Retirement System of Oklahoma

All of the twenty-two public institutions of higher education responding to the questionnaire were required by state law to have compulsory contributory participation in the Teachers' Retirement System of Oklahoma. The twenty-two institutions using Teachers' Retirement System of Oklahoma provided joint contributory retirement funds to 2,729 full-time faculty members (100%) under the program. (Table 10.)

TABLE 10

NUMBER OF FACULTY UNDER THE TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA AT THE TWENTY-TWO INSTITUTIONS RESPONDING TO THE QUESTIONNAIRE BY INSTITUTION TYPE

Types of Institutions	Full-Time Faculty
Type 1--State Universities and Senior Colleges (10 Responding)	2,224
Type 2--State Junior Colleges (12 Responding)	505
Total Full-Time Faculty	2,729

Institutions Participating in Social Security

All thirty-three public and private institutions were participating in Social Security. However, one church related institution did not require compulsory membership but still had 100 per cent membership in the program. In total, all 3,422 full-time faculty members were covered by Social Security.

Institutions Participating in Teachers Insurance and Annuity Association and College Retirement Equity Fund (TIAA-CREF)

In addition to Teachers' Retirement System of Oklahoma and Social Security, certain public and private institutions responding to the questionnaire participated in the TIAA-CREF system. This program provided protection for 1,100 of the 1,675 full-time faculty members at the ten institutions using TIAA-CREF. Of the ten institutions using TIAA-CREF, two were Type 1 institutions, six were Type 3 institutions, and two were Type 4 institutions. None of the Type 2 institutions reporting were participating in TIAA-CREF. (Table 11.)

Other Retirement Programs Available

In addition to Teachers' Retirement System of Oklahoma, Social Security and TIAA-CREF, a few public institutions responding provided "University Supplement" to their faculty. University Supplement guarantees a specified level or minimum

TABLE 11

INSTITUTIONS BY TYPE, PARTICIPATING IN TIAA-CREF

Institution Type & Number of Institutions	Number of Full-Time Faculty	Number in TIAA-CREF	Percent Participation
Type 1 Institutions State Universities and Senior Colleges (2)	1,027	678	66%
Type 2 Institutions State Junior Colleges (0)	-	-	-
Type 3 Institutions Independent Senior Colleges (6)	600	396	66%
Type 4 Institutions Independent Junior Colleges (2)	48	26	54%
Totals (10)	1,675	1,100	66%

income for university faculties meeting specific requirements such as length of service. The program is a non-contributory system financed entirely from public revenue. Only seven institutions (all Type 1) provided university supplement, and of the seven only one provided for vesting. Table 12 lists the institutions participating in university supplement and an explanation of its computation.

TABLE 12

INSTITUTIONS PROVIDING "UNIVERSITY SUPPLEMENT"[a]

Institutions	Supplement Computations
Central State University East Central Oklahoma State University Northeastern Oklahoma State University Northwestern Oklahoma State University Southeastern Oklahoma State University Southwestern Oklahoma State University	These six institutions guarantee an individual with 25 years of experience in Oklahoma higher education, to have a total retirement income equal to at least half (1/2) of gross salary, based on the average of the five highest years of the last ten years, to be offset by the Teachers' Retirement System of Oklahoma and Social Security.
University of Oklahoma	A specific retirement income minimum is guaranteed by formula computation. Formula: Average of five highest consecutive years salary times 2% times years of service for the first 25 years of service, plus average of highest five consecutive years salary times 1/2% times years of service over 25, offset by Social Security, Teachers' Retirement System of Oklahoma, and TIAA-CREF Retirement Benefits.

[a]All seven institutions providing University Supplement were Type 1 Institutions.

The other retirement programs identified were at one Type 3 (Independent Senior College) institution. That institution had one employee on the Travelers Anñuity Plan, six employees (ministers) in the Presbytarian Fund and seventy-four faculty members in the Disciples of Christ Pension Fund. (Table 13.)

TABLE 13

ADDITIONAL RETIREMENT SYSTEMS AVAILABLE IN TYPE 3--INDEPENDENT SENIOR COLLEGES (One Reporting)

Number in Faculty	Number in Travelers Annuity Fund	Number in Presbyterian Fund	Number in Disciples of Christ Pension Fund
86	1	6	74

Notes:

No Type 1, 2, or 4 institutions reported any additional retirement programs.

Table 13 does not include previously reported faculty members included in TIAA-CREF or Social Security for this institution.

Three institutions reported their school provided only Social Security benefits as a retirement program. All three institutions were private colleges (one Type 3 institution and two Type 4 institutions). Table 14 provides information as to these institutions' faculty size.

TABLE 14

INSTITUTIONS USING ONLY SOCIAL SECURITY

Type of Institution	Number of Full-Time Faculty	Number in Social Security
Type 3-- One Institution	9	9
Type 4-- Two Institutions	36	36
Totals	45	45

Summary

A total of thirty-three of the forty-four institutions of higher education in the State of Oklahoma responded to the questionnaire. The thirty-three institutions had a total of 3,422 full-time faculty members, 100% of which were covered by at least Social Security. Furthermore, of the 3,422 full-time faculty, 3,377 were covered by some additional retirement program beyond Social Security.

Ten of the institutions responding were classified as Type 1 institutions (State Universities and Senior Colleges), twelve institutions were classified as Type 2 institutions (State Junior Colleges), seven institutions were classified as Type 3 institutions (Independent Senior Colleges), and four institutions were classified as Type 4 institutions (Independent Junior Colleges).

As of November 1, 1975, 100 per cent of the 2,729 full-time faculty members of the twenty-two public schools reporting were covered by the Teachers' Retirement System of Oklahoma and Social Security. Two of the ten Type 1 institutions reporting had 678 of their 1,027 full-time faculty (66 per cent) participating in TIAA-CREF. (While both institutions maintained compulsory membership in TIAA-CREF after a specified waiting period, one institution did not require member contributions since the program was fully funded by the university. However, if an individual so desired he could contribute any portion of his income over the university's original contribution. The second institution provided for a joint contribution of five per cent by the individual and the school).

Seven of the ten Type 1 institutions reported that all 1,009 (100 per cent) of their full-time faculty were covered under "University Supplement." University supplement was designed to provide an individual with a guaranteed minimum level of retirement income.

The eleven independent senior and junior colleges reported that 100 per cent (693) of their full-time faculty members were also covered by Social Security. Eight of the eleven Type 3 and 4 institutions (with a total of 648 full-time faculty members had 65 per cent (422) of their full-time faculty insured under TIAA-CREF. Furthermore, one Type 3 institution with 86 full-time faculty, insured one of its employees in the Travelers Annuity Plan, six in the Presbyterian Fund and 74 in the Disciples of Christ Pension Fund. Table 15 provides a summary of all reporting institutions' retirement program participation.

Table 16 lists the several group retirement programs reportedly used at Oklahoma institutions of higher education and the number of full-time faculty members insured under each program.

Comparison of Retirement Benefits

The findings of this portion of the report (as well as information presented earlier in this chapter) resulted from the analysis and interpretation of the data from the questionnaires returned from the thirty-three institutions of higher education. Little or no explanation of procedures was required for institutions using Social Security or Teachers' Retirement System of Oklahoma since benefits and participation were standardized by law. The majority of this data analysis and interpretation pertains to all programs other than Social Security and Teachers' Retirement System of Oklahoma and how they compare to each other.

TABLE 15

SUMMARY OF INSTITUTION PARTICIPATION
IN THE VARIOUS RETIREMENT PROGRAMS

Institutions by Type	Number of Full-Time Faculty	Number in Teachers' Retirement System of Oklahoma	Number in Social Security	Number in TIAA-CREF	Number in Other Retirement Programs
Type 1 Institutions					
State Universities and Senior Colleges (10 Reporting)	2,224	2,224	2,224	678[a]	1,009[b]
Type 2 Institutions					
State Junior Colleges (12 Reporting)	505	505	505	-	-
Type 3 Institutions					
Independent Senior Colleges (7 Reporting)	609	-	609	396[c]	81[d]

TABLE 15--Continued

Institutions by Type	Number of Full-Time Faculty	Number in Teachers' Retirement System of Oklahoma	Number in Social Security	Number in TIAA-CREF	Number in Other Retirement Programs
Type 4 Institutions					
Independent Junior Colleges (4 Reporting)	84	-	84	26[e]	-
TOTALS					
(33 Reporting)	3,422	2,729	3,422	1,100[f]	1,090

[a]Only two institutions participate (Full-time Faculty = 1,027).

[b]Seven institutions participate in University Supplement (Full-time Faculty = 1,009).

[c]Six institutions participate (Full-time Faculty = 600).

[d]One institution participates in three programs in addition to TIAA-CREF (Full-time Faculty = 86).

[e]Two institutions participate (Full-time Faculty = 48).

[f]1,100 of a possible 1,675 Full-time Faculty.

TABLE 16

RETIREMENT PLANS IN USE AT OKLAHOMA
INSTITUTIONS OF HIGHER EDUCATION

Program	Number of Faculty Insured
Social Security	3,422
Teachers' Retirement System of Oklahoma	3,422
Teachers Insurance and Annuity Association of America, College Retirement Equity Fund (TIAA-CREF)	1,100
University Supplement	1,009
Disciples of Christ Pension Fund	74
Presbyterian Fund	6
Travelers Annuity Plan	1
Total Number of Faculty in all Systems	9,034

Membership

Membership in the seven retirement programs previously identified (Table 16) was a matter of law, policy or choice. The twenty-two Type 1 and 2 institutions, by state law were required to make membership in the Teachers' Retirement System of Oklahoma compulsory. All thirty-three institutions reporting were in most cases required by federal law to participate in Social Security. However, membership in the

Social Security System while not required for "elders of the church" was voluntarily agreed to at one Type 3 institution, thus providing Social Security coverage to 100 per cent of the faculty members at the thirty-three institutions reporting. Membership in TIAA-CREF was both voluntary and mandatory, depending on the institution, length of service, or by virtue of age, salary or tenure.

Creditable Service

In addition to services rendered at a particular institution, faculty members were also deemed eligible for creditable service as a result of prior service, military service and out-of-state service.

Prior service credit for Type 1 and 2 institutions is granted for Teachers' Retirement System of Oklahoma. For employment in Oklahoma public schools before July 1, 1943, prior service credit is granted for the employee who joined the Teachers' Retirement System of Oklahoma before July 1, 1967; and for those who joined after July 1, 1967, ten full years paid in membership is required before prior service can be granted.

The TIAA-CREF program allows each individual institution to determine its own choice on prior service credit. The majority of the independent (Type 3 and 4) institutions did not accept prior service credit at all. One institution noted it would accept prior service credit only if the faculty member was a TIAA-CREF member previously. In terms of the number of years of prior service credit granted, one Type 1 institution noted all prior service could be granted at no cost to the member and another Type 1 institution reported it would grant up to five years credit, on the basis of "one year of credit for each four years of full-time service at other institutions of higher education." There was no cost involved to the individual in that prior service grant. Only three of the ten institutions using TIAA-CREF granted prior service credit.

Only one Type 1 institution granted credit for military service (with no limit as to number of years and no cost, except as required by the Teachers' Retirement System of Oklahoma). However, an employee would qualify "only if ordered to service" from the institution. All other institutions granted no credit for military service (except for those Type 1 and 2 institutions as required by the Teachers' Retirement System of Oklahoma).

Various methods of granting out-of-state credit were used. A Type 3 institution granted credit for out-of-state service if the employee had been with TIAA-CREF previously. Two Type 1 institutions granted out-of-state credit. One restricted it to individuals previously with TIAA-CREF. The other institution granted credit under the same conditions it granted prior service credit, at no cost (other than as required by Teachers' Retirement System of Oklahoma) and up to five years on the basis of one year of credit for each four years of full-time service at other institutions of higher education.

Withdrawals and Refunds

The twenty-two Type 1 and 2 institutions provided for withdrawals and refunds as prescribed by Oklahoma law for the Teachers' Retirement System of Oklahoma. Application for withdrawal of membership may be made after a period of four months has elapsed from the date of the member's last teaching.

In addition to Teachers' Retirement System of Oklahoma, two Type 1 institutions participating in TIAA-CREF noted that when a member leaves service the account was left open indefinitely. However, one of these institutions did not require individual participation in TIAA-CREF (although an employee could elect to contribute). Rather, the university would contribute whether the individual elected to contribute or not. In the event of withdrawal, since the member has not been required to participate, all university contributions would revert to the institution since they were contributed for the purpose of retirement. In four of the Type 3 institutions providing TIAA-CREF benefits, each institution treated withdrawals and benefits differently.

One institution noted that when a member left service vesting occured immediately. However, contributions were only refunded in full if the amount was less than $2,000. Interest paid on refunds was determined annually. Another institution reported that no refunds (except in special conditions) were provided for in TIAA-CREF. Upon withdrawal, a member must wait until retirement to collect any and all benefits. Interest would be paid on all contributions. A third institution noted that for employees with more than five years of contributions in TIAA-CREF, all contributions would remain in the system until retirement. For employees with less than five years' contributions, the employee could withdraw both the individual and institution contributions. In the fourth case, again TIAA-CREF provided for an account to remain open indefinitely. No provisions were made for withdrawals. In all four cases, an individual could elect to return to active service with TIAA-CREF after a lapse of time, but necessarily always with additional contributions on the institution's behalf.

Two Type 4 institutions also reported that their program provided for accounts to remain open indefinitely. However, one provided for no refunds and the other reported that contributions could be refunded in full if a member left service within five years of the date he began to participate in the program.

Number of Retirants and Benefits Paid

Of the institutions responding to this portion of the questionnaire, only one Type 1 institution could provide the median annual retirement allowance for an individual retiring during the 1974-1975 fiscal year. This institution had 124 retirants or surviving beneficiaries receiving benefits at the end of the 1974-1975 fiscal year. Nine employees were reported retired during that period, all receiving university supplement. The median annual retirement allowance of that supplement was $4,405.

Vesting and Deferred Allowances

All ten institutions using TIAA-CREF reported that benefits vested immediately. One Type 1 institution reported that university supplement vested after twenty-five years. The remaining six institutions providing university supplement had no provisions for vesting. In the Teachers' Retirement System of Oklahoma, vesting occurred at twenty years.

Financing and Member Contributions

The Teachers' Retirement System of Oklahoma is a joint contributory retirement system. All employees contribute five per cent of their gross annual salaries, not to exceed $445 in any one school year. Retirement incomes are provided from those contributions and from monies appropriated by the Legislature as well as 78 per cent of the natural and casinghead gas tax. Social Security is financed in a similar manner based on joint contributions from the employer and the employee. Through 1977, employees and employers each pay 5.85 per cent on the employees wages (not to exceed $14,100).

In the case of TIAA-CREF, all ten institutions contributed some percentage of gross salary to finance the system.

This included public revenue for Type 1 and 2 institutions and private revenues from Type 3 and 4 institutions. One Type 1 institution contributed the total cost of the system, requiring no contribution on the part of the individual. In the nine institutions requiring individual contributions, eight required five per cent of an individual's base salary to be matched by the institution. One independent institution noted that sixty to seventy per cent of the cost of the program was maintained by the individual with the institution contributing subject to its reserve requirement.

Five institutions had no limit on which a member could contribute. Four institutions limited a member's contributions to the individual's gross salary. Since one institution required no contributions, there was no current rate of contributions by members, nor was there a maximum salary on which they could contribute, if they so desired. In all institutions using TIAA-CREF, contributions and interest were credited to an individual member's account. The rate of interest was determined by TIAA-CREF and averaged 7.5 per cent.

Member contributions increased noticeably in Social Security and Teachers' Retirement System of Oklahoma during the last ten years. However, six of the ten institutions using TIAA-CREF reported that the contribution rates of its members had remained level. Three institutions noted that there had been an increase in the members' contribution rate, and one institution reported its members' rate of contributions had increased, decreased and remained level.

Four institutions made no providions for additional voluntary contributions for supplemental benefits. The remaining six institutions provided for additional voluntary contributions for supplemental benefits at the option of the individual; however, none of the institutions matched the additional contributions.

Tax Sheltered Annuities

In addition to the Teachers' Retirement System of Oklahoma tax sheltered annuities available to the twenty-two Type 1 and 2 institutions responding, two Type 1 institutions provided tax sheltered annuities from TIAA-CREF. All eight of the Type 3 and 4 institutions also had tax sheltered annuities available to members of the retirement system. One Type 2 institution provided tax sheltered annuities to its faculty from three different sources.

Disability

Teachers' Retirement System of Oklahoma provided for disability retirement for any member who was teaching and had been a contributing member for ten years. Social Security may provide for disabled individuals as young as 18 years old. Eligibility for monthly benefits depended on how long and how recently an individual worked. Four independent institutions (two Type 3 and two Type 4) provided no disability benefits as part of their retirement program.

One Type 1 institution required one year of creditable service to qualify for disability benefits. Those benefits were computed as being sixty per cent of base salary including Social Security. There was no age requirement for those benefits. Another Type 1 institution required ten years of creditable service to qualify for disability benefits. The benefits were computed by "averaging the five highest consecutive years' salary times two per cent times the number of years of university service offset by Social Security, Teachers' Retirement System of Oklahoma and TIAA-CREF benefits." There was no age requirement for those benefits.

Three Type 3 institutions providing disability benefits all required one year creditable service to qualify for sixty per cent of gross salary offset by Social Security. None of the three institutions had an age requirement as a qualfification for those benefits.

Lump Sum Death Benefits

Social Security provided a basic lump sum death benefit of $255 no matter at what age death occurred. The Teachers' Retirement System of Oklahoma provided members a lump sum death benefit equal to the member's contributions plus four and one-half per cent interest compounded annually. The TIAA-CREF program may or may not provide an individual with a lump sum death benefit. Of those independent institutions responding using TIAA-CREF, one Type 3 institution and two Type 4 institutions provided no lump sum death benefits. The seven remaining public and private institutions using TIAA-CREF all provided lump sum death benefits equal to varying percents of an individual's salary.

Retirement Income Benefits

All retirement programs reported on by participating institutions provided retirement benefits based on age, sex, years of creditable service, income or some combination of these factors. Social Security was the only program that guaranteed an increase in benefit payments as the cost of living increased. Teachers' Retirement System of Oklahoma did not relate retirement incomes to changes in the cost of living on a regular basis. However, benefits have been adjusted upward in recent years to aid its members' plight in living on a fixed income during periods of inflation. TIAA-CREF, as are most commercial retirement programs, was partially related to the changes in the cost of living by virtue of the investments of the CREF portion of the program. In recent years, benefits from CREF have kept an approximate pace to the cyclical changes in the economy. All ten institutions participating in TIAA-CREF reported the expected age of retirement to be sixty-five years old. With only two exceptions of those institutions using TIAA-CREF, the average age of retirement was reported to be sixty-five years old.

One Type 1 institution reported an average age of retirement of sixty-eight, and one Type 4 institution reported an average age of retirement to be approximately sixty-two.

While Teachers' Retirement System of Oklahoma had no compulsory retirement age, regular retirement occurred at age sixty-two. Social Security provided for an expected age of retirement at sixty-five. However, an overwhelming majority of individuals are electing to receive actuarially reduced benefits at age sixty-two. All programs reporting provided for early retirement (with actuarial reductions) for those individuals meeting the various requirements (basically employment for a specific number of years or attaining a specified age). Tables 17 through 23 provide an analysis of each of the major retirement systems, for a hypothetical faculty member with thirty-five years of experience, an average salary for the last five years of $15,000, and seeking to retire at age fifty-five, sixty, sixty-two or sixty-five.

TABLE 17

RETIREMENT INCOME FROM SOCIAL SECURITY[a]

Sex	Monthly Income at Various Ages: Age 55	Age 60	Age 62	Age 65
Male	0	0	$273.40[b]	$341.70[c]
Female	0	0	273.40[b]	341.70[c]

[a]Benefits will be increased, not more than once a year, by any increase of three per cent or more as measured by the Bureau of Labor Statistics Consumer Price Index, from the time of the last adjustment in benefits.

[b]Annual income from Social Security--$3,280.80--Age 62 (Male or Female)

[c]Annual income from Social Security--$4,100.40--Age 65 (Male or Female)

TABLE 18

RETIREMENT INCOME FROM TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA (Maximum Retirement for Life Option)[a]

Sex	Monthly Income at Various Ages Age 55	Age 60	Age 62	Age 65
Maximum Benefits[b]				
Male	$ 291.52	$ 408.20	$ 471.04	$ 471.04
Female	291.52	408.20	471.04	471.04
Annual Income	$3,498.24	$4,898.40	$5,652.48	$5,652.48
Maximum Benefits[c]				
Male	$ 239.36	$ 335.16	$ 386.75	$ 386.75
Female	239.36	335.16	386.75	386.75
Annual Income	$2,872.32	$4,021.92	$4,641.00	$4,641.00

[a]The Maximum Retirement for Life Option provides these respective benefits to a member until death, with no beneficiary.

[b]These benefits pertain to contributions based on gross annual incomes up to $9,500 with a 5% rate of contribution.

[c]These benefits pertain to contributions based on annual incomes up to $7,800 with 5% rate of contributions. Members selecting this option have filed a waiver.

TABLE 19

RETIREMENT INCOME FROM TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA OPTION 1[a]

Sex	Monthly Income at Various Ages Age 55	Age 60	Age 62	Age 65
Option 1 Benefits				
Male	$ 284.21	$ 397.73	$ 458.90	$ 455.93
Annual Income	$3,410.52	$4,772.76	$5,506.80	$5,471.16
Female	$ 286.44	$ 400.89	$ 462.32	$ 460.57
Annual Income	$3,437.28	$4,810.68	$5,547.84	$5,526.84

[a]Option 1 provides for the payment of a monthly benefit to the member for life. If the member should die before receiving the annuity portion of his payments, the remaining portion will be paid in a lump sum to his beneficiary.

TABLE 20

RETIREMENT INCOME FROM TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA OPTION 2[a]

Sex	Monthly Income at Various Ages Age 55	Age 60	Age 62	Age 65
Option 2 Benefits[b]				
Male	$ 224.65	$ 304.64	$ 346.92	$ 339.90
Annual Income	$2,695.80	$3,655.68	$4,163.04	$4,078.80
Female	$ 252.63	$ 348.73	$ 400.10	$ 396.76
Annual Income	$3,031.56	$4,184.76	$4,801.20	$4,761.12

[a]Option 2 provides for the payment of a monthly benefit to the member for life and at death the same amount will continue to be paid to his spouse. This option is termed "Joint and Last Survivor."

[b]Income computation varies with age of spouse and member. Computations assume spouse and member are the same age.

TABLE 21

RETIREMENT INCOME FROM TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA OPTION 3[a]

Sex	Monthly Income at Various Ages Age 55	Age 60	Age 62	Age 65
Option 3 Benefits[b]				
Male	$ 250.71[c]	$ 348.89	$ 399.54	$ 394.87
Annual Income	$3,008.52	$4,186.68	$4,794.48	$4,738.44
Female	$ 270.68	$ 376.12	$ 432.70	$ 430.72
Annual Income	$3,248.16	$4,513.44	$5,192.40	$5,168.64

[a]Option 3 provides benefits similar to Option 2 except it is a "Joint and One-Half Survivorship to the Spouse." Under such an arrangement the benefit to the spouse will be only one-half (1/2) of the benefit the member was receiving prior to his death and will continue until the death of the spouse.

[b]Income computation varies with age of spouse and member. Computations assume spouse and member are the same age.

[c]This figure estimated.

TABLE 22

RETIREMENT INCOME FROM TEACHERS' RETIREMENT SYSTEM OF OKLAHOMA OPTION 4[a]

Sex	Monthly Income at Various Ages			
	Age 55	Age 60	Age 62	Age 65
Option 4 Benefits				
Male	$ 275.20	$ 374.52	$ 425.44	$ 413.10
Annual Income	$3,302.40	$4,494.24	$5,105.28	$4,957.20
Female	$ 279.86[b]	$ 385.35	$ 440.28	$ 432.18
Annual Income	$3,358.32	$4,624.20	$5,283.36	$5,186.16

[a]Option 4 provides a monthly payment to the member for life, but in the event he dies before he has received one hundred twenty (120) payments, the payments shall be continued to the beneficiary who has been designated at the time of retirement and filed with the Board of Trustees, until a total of one hundred twenty (120) such payments in all shall have been made. If the beneficiary so designated should predecease the member or the member dies before the total number of payments has been paid, those remaining unpaid shall be cummuted (lump sum payment) and paid to the administrators, executors, or assigns of the last surviving payee.

[b]This figure estimated.

TABLE 23

ANNUAL RETIREMENT INCOME ILLUSTRATIONS OF TIAA[a]

Sex and Retirement Age	Male 65 Female 65	Female 65 Male 65	Male 62 Female 62	Female 62 Male 62	Male 60 Female 60	Female 60 Male 60	Male 55 Female 55	Female 55 Male 55
Single Life Annuity	$4,479.84	$3,997.44	$4,053.96	$3,661.32	$3,796.68	$3,454.68	$3,205.56	$2,967.48
Two Thirds Benefit to Survivor								
10 Year Guaranteed Period	4,016.64	4,016.64	3,685.08	3,685.08	3,479.16	3,479.16	2,989.56	2,989.56
20 year Guaranteed Period	3,935.76	3,935.76	3,642.84	3,642.84	3,452.04	3,452.04	2,980.56	2,980.56
Full Benefit to Survivor								
10 year Guaranteed Period	3,669.36	3,669.36	3,404.64	3,404.64	3,236.16	3,236.16	2,822.04	2,822.04
20 Year Guaranteed Period	3,568.92	3,568.92	3,350.88	3,350.88	3,201.12	3,201.12	2,810.04	2,810.04
Half Benefit to Spouse								
10 Year Guaranteed Period	4,034.28	3,826.44	3,701.04	3,528.24	3,494.16	3,341.88	3,001.56	2,892.96
20 Year Guaranteed Period	3,972.84	3,771.00	3,669.00	3,499.20	3,473.52	3,323.04	2,994.72	2,886.60
Life Annuity								
10 Year Guaranteed Period	4,194.72	3,881.88	3,862.44	3,587.40	3,648.24	3,399.24	3,125.52	2,939.16
20 Year Guaranteed Period	3,717.84	3,626.28	3,518.76	3,416.88	3,373.68	3,269.40	2,970.84	2,873.64
Installment Refund	3,959.04	3,717.24	3,658.32	3,458.04	3,466.44	3,290.28	2,996.40	2,870.88

[a]All figures on Table 23 were computed specifically for this study by Fred Duchac, Benefit Plan Counselor, and the Actuaries of TIAA.

ASSUMPTIONS:

1. It was assumed that an annual salary in 1940 of $1,440.00 would increase so as to reach $15,000 for 5 years prior to retirement. This rate of salary increase was also used to determine the starting salaries for the hypothethical individuals beginning contributions in 1943 and retiring at age 62, beginning contributions in 1945 and retiring at age 60 and beginning contributions in 1950 and retiring at age 55.

2. All illustrations assume retirement will commence at year end, 1975. For the purpose of computing the Survivor Income Options, it was assumed that the spouse was the same age as the annuitant.

3. All contributions were assumed to have been allocated 100% to TIAA, were equal to 10% of gross salary and were contributed on a monthly basis.

4. TIAA's actual dividend scale from 1940 through 1975 was applied to calculate the various accumulations.

5. TIAA's current post-retirement dividend scale of 8 1/2% was applied to the decreasing accumulation during the benefit period.

6. All figures may be divided by 12 to obtain monthly incomes.

Summary of Retirement Income Benefits

Any analysis of the retirement incomes provided by Social Security, Teachers' Retirement System of Oklahoma and The Teachers Insurance and Annuity Association of America must be viewed with caution so as not to draw unfounded or misleading conclusions from the figures presented. All retirement incomes were computed for a faculty member with thirty-five years of experience, having earned an average annual salary of $15,000 for the last five years of employment, and seeking to retire at ages fifty-five, sixty, sixty-two and sixty-five. Each system computed their benefits differently and based their member retirement income on varying assumptions as to age, sex, contributions, etc. Also, since each plan varied in cost and contributions, no assumptions can be made with regard to which benefits are best.

A review of the figures presented showed several things. First, since no Social Security retirement incomes are paid prior to age sixty-two, those individuals employed at institutions (one Type 3 and two Type 4 institutions with a total of forty-five faculty members) using only Social Security, could not retire and live at a level equal to or near their pre-retirement standard of living. In fact, even upon reaching age sixty-two, those forty-five individuals would receive only $3,280.80 each annually, and thus still would be unable to live at or near their pre-retirement standard of living. Even at age sixty-five, their retirement income from Social Security would be only $4,100.40, still precluding the possibility of a standard of living equal to or near their pre-retirement level.

Those individuals employed at the twenty-two state institutions participating in Social Security and Teachers' Retirement System of Oklahoma might be able to attain a retirement standard of living equal to or near their pre-retirement level, depending on the age they decided to retire. Any individual retiring at age fifty-five under the conditions stated in this study would receive a maximum income of $3,498.24 annually, and $4,898.40 annually at age sixty from Teachers' Retirement System of Oklahoma. Since that individual would not be receiving any Social Security benefits, he would be unable to live at or near the pre-retirement level. However, an individual age sixty-two would receive a maximum $5,652.48 annually from the Teachers' Retirement System of Oklahoma in addition to the #3,280.80 annual income received from Social Security. Those two benefits total to $8,933.28 or approximately sixty per cent of the individual's pre-retirement income. Given the major tax changes that occur after retirement, that individual could live at or near the pre-retirement standard of living. The situation further improved at age sixty-five, when although there was no change in the Teachers' Retirement System of Oklahoma Benefit ($5,652.48 annually, maximum), there was a major increase in Social Security benefits to $4,100.40 for a combined income of $9,752.88 or approximately sixty-five per cent of the pre-retirement income.

In the case of the two Type 1 institutions participating in TIAA-CREF, in addition to Social Security and Teachers' Retirement System of Oklahoma, again the ability of a faculty member to maintain the pre-retirement standard of living was dependent on the age at which retirement occurred, as well as the sex of the member.

At age fifty-five an individual would be unable to receive Social Security benefits, but would receive a maximum of $3,498.24 from the Teachers' Retirement System of Oklahoma and between $2,810.04 and $3,205.56 from TIAA, for a combined income of somewhere between approximately $6,300 and $6,700 annually (TIAA incomes vary depending on the sex of the member and spouse and on the option selected). These amounts would constitute approximately forty-two or forty-five per cent of the pre-retirement income. At age sixty an individual would receive $4,898.40 from Teachers' Retirement System of Oklahoma and between $3,201.12 and #3,796.68 from TIAA for an annual income of approximately $8,100 to $8,700 which would provide an individual with about fifty-four to fifty-eight per cent of his pre-retirement income. At age sixty-two, the individual would experience a dramatic increase in benefits as a result of becoming eligible for Social Security. Total benefits would be between approximately

$12,300 and $13,000. The individual would receive $5,652.48 from Teachers' Retirement of Oklahoma, $3,280.80 from Social Security and between $3,350.88 and $4,053.96 from TIAA. At age sixty-two the individual would receive approximately eighty-two to eighty-seven per cent of pre-retirement income.

At age sixty-five, an individual would receive $5,652.48 from Teachers' Retirement System of Oklahoma, $4,100.40 from Social Security and between $3,568.92 and $4,479.84 from TIAA. At that level, an individual's combined retirement income would be between approximately $13,300 and $14,200, or approximately eighty-nine to ninety-five per cent of pre-retirement earnings.

The individuals at the eight Type 3 and 4 institutions using Social Security and TIAA, again could possibly attain a standard of living equal to or near their pre-retirement standard of living depending on age, sex and option selected. For those individuals retiring prior to age sixty-two, their sole source of income would be TIAA. Benefits would be between $2,810.04 and $3,796.68, or at best only twenty-five per cent of pre-retirement earnings. At age sixty-two, TIAA benefits would increase to a minimum of $3,350.88 and maximum of $4,053.96 plus $3,280.80 from Social Security. The combined income would range from approximately $6,600 to $7,300 or between forty-four and forty-nine per cent of pre-retirement income. At age sixty-five, Social Security would provide $4,100.40 and TIAA between $3,568.92

and $4,479.84 for a total of approximately $7,600 to $8,600 annually or between fifty-one and fifty-seven per cent of pre-retirement earnings.

In summary, an individual could go from receiving nothing at age fifty-five (when only participating in Social Security), to receiving a total of $14,232.72 at age sixty-five ($5,652.48 from Teachers' Retirement System of Oklahoma $4,100.40 from Social Security and $4,479.84 from TIAA) or approximately ninety-five per cent of the pre-retirement income. For those seven institutions providing an individual with "University Supplement," it was possible a person's retirement income could increase. Any changes would depend on the individual's prior earnings, age, sex, age and sex of spouse, option selected and other variables.

CHAPTER IV

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Problem and Purpose

This investigation of retirement systems in Oklahoma higher education was undertaken with two basic assumptions guiding the formulation of the purpose and problem of the study. First, it was assumed that better retirement systems were more likely to attract and maintain qualified instructors. Second, recommendations made to improve institution retirement systems should also serve to attract and maintain qualified faculty members.

The problem of this study was to identify and comparatively analyze the retirement systems in use at institutions of higher education in the State of Oklahoma. The researcher attempted to identify what retirement programs were being used at the various institutions of higher education in Oklahoma and to identify and compare the features of the different retirement systems. Furthermore the researcher sought to determine hypothetically the various retirement incomes that might be available as a result of an individual participating in the different programs.

This problem was undertaken to provide information to those individuals charged with the responsibilities of planning retirement programs for their institutions as well as to provide information to educators so that they would better be able to plan their finances for their future retirement. There can be no doubt about the problem of inflation and other economic factors being a cause for concern when an institution or an individual tries to plan for his retirement. Much of the past planning for these problems has become inadequate, given the recent violent and rapid changes in a retiree's standard of living.

There have been no recent studies of higher education retirement programs in Oklahoma since that authorized by George L. Cross and the Board of Regents of the University of Oklahoma in 1951. This study sought to determine which, if any, of the various retirement programs available to faculty members in higher education provided the most adequate benefits. Specifically, would the benefits provided allow an individual to live at a level equal to or near his pre-retirement standard of living? Did one system provide substantially better benefits? Were there major financial advantages to retirement at the various ages of fifty-five, sixty, sixty-two, or sixty-five? Simply stated, this study attempted to help a faculty member determine if his retirement system would provide him an adequate income.

Significance and Need for Study

The significance and need for this study should be obvious based on the remarks of Assistant Commissioner of Education, Bess Goodykoontz. She stated that faculty efficiency and morale were dependent on economic security. Since economic security is difficult for college faculty members to secure as a result of their limited means, this study is of particular importance. Indeed, Oklahoma educators find this problem compounded as a result of their extremely poor salaries. College professors' salaries in Oklahoma are ranked "near the bottom" in a ten state regional comparison of public institutions of higher education.[1] Poor salaries not only reduce a current standard of living but also reduce an individual's ability to prepare for future financial needs such as retirement. This fact is significant since in addition to low salaries many current retirement programs may or may not be providing college faculty members with adequate protection against the constant rises in the cost of living. It was hoped that this dissertation would make a meaningful contribution to a better understanding of this important problem.

Procedures

An extensive review of the literature pertaining to the major retirement systems in use at Oklahoma institutions of higher education was performed. A questionnaire was

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[1] "College Fund Scene Dim," <u>Daily Oklahoman</u> (Oklahoma City), March 5, 1976, p. N10.

developed (the questionnaire was a modified version of one used by Colene Boring Maxwell and Joseph H. Klein in similar studies of Oklahoma and Maryland educational institution retirement systems) with the aid of Mr. Standifer Keas, past Executive Secretary of the Teachers' Retirement System of Oklahoma, and mailed to the business managers of the forty-four institutions of higher education accredited by the Oklahoma Regents for Higher Education. The purpose of the questionnaire was to identify the various major retirement systems in use at Oklahoma institutions of higher education, to compare the various benefits the systems provided and to determine a possible retirement income in a hypothetical situation from each of the various programs. Thirty-three of the forty-four of the questionnaires were returned and validated for tabulation, for a return of seventy-five per cent.

Results and Conclusions

The retirement systems presently in use, must and are changing to better meet the needs and demands of the faculties. While many of these systems are designed to work in conjunction with each other, it was clear that there was a lack of pre-planning and coordination necessary to maximize benefits. Of the three major systems, only TIAA-CREF and Social Security guaranteed an irrevocable retirement fund. Teachers' Retirement System of Oklahoma allowed a member to withdraw whenever he left the system.

The study identified seven retirement plans in use at Oklahoma institutions of higher education (Table 16, Chapter III, page 73). The overwhelming majority of faculty members were insured by Social Security (100 per cent). Teachers' Retirement System of Oklahoma insured 100 per cent of the faculty employed at all state institutions. TIAA-CREF insured sixty-six per cent of the faculty at two state universities and senior colleges (Type 1 schools), sixty-six per cent of the faculty at six of the Type 3 independent senior colleges and fifty-four per cent of the faculty at two Type 4 independent junior colleges. Seven of the state universities and senior colleges also provided their faculty with "University Supplement" guaranteeing an individual a minimum level of retirement income after having met certain requirements regarding years of service. Finally one Type 3 institution provided certain members of its faculty with three varying retirement programs (Table 13, Chapter III, page 67). It should be noted that three institutions (one Type 3 and two Type 4) provided only Social Security to their forty-five faculty members.

Each of the three major programs was significantly different in purpose and operation and as a result factors affecting income, membership, service, withdrawals and refunds, vesting, financing, disability and other features varied with the objectives of the particular plans.

Those individuals at state institutions using Teachers' Retirement System of Oklahoma could possibly retire and live at or near their pre-retirement standard of living depending on the age they chose to retire. The individuals at the two state institutions participating in TIAA-CREF in addition to Teachers' Retirement System of Oklahoma and Social Security, were in a very enviable financial position in terms of living at or near their pre-retirement standard of living. Even at age fifty-five, they would receive between forty-two and forty five per cent of their pre-retirement income. At age sixty, they could receive fifty-four to fifty-eight per cent of their pre-retirement salary and by age sixty-five, up to ninety-five per cent of their pre-retirement earnings as a result of participating in all three programs.

For individuals at the eight Type 3 and 4 institutions using Social Security and TIAA-CREF, living on par with their pre-retirement years was possible depending on age, sex, and the option selected from TIAA-CREF. Again though, since Social Security benefits were not paid prior to age sixty-two, retiring early and maintaining the economic level at or near the pre-retirement years would be virtually impossible.

Again it is important to note, that although it is difficult to compare the three major programs because they are so diverse, a few observations can be made. First, Social Security and TIAA-CREF have built in safeguards against loss of purchasing power (Social Security being directly tied to the Consumer Price Index and TIAA-CREF investing a portion of the contributions in securities closely related to changes in the economy). While the Teachers' Retirement System of Oklahoma is not indexed economically, it is reviewed periodically and up dated. All three programs provided a relatively high degree of mobility. Teachers' Retirement System of Oklahoma and TIAA-CREF both provided for earlier retirement than available from Social Security. TIAA-CREF and Social Security both provided immediate vesting.

Finally in terms of the cost benefit relationship, the Teachers' Retirement System of Oklahoma and Teachers Insurance and Annuity Association (TIAA-CREF) programs provided considerably better benefits than Social Security. Since all three programs used contributions of approximately five per cent of gross income, not only did Teachers' Retirement System of Oklahoma and TIAA-CREF allow for earlier retirement but quite often at age fifty-five and sixty both programs provided approximately the same or more than the income provided by Social Security at age sixty-two.

The results of this study lead the researcher to draw the following conclusions. First, any individuals employed at an institution providing only Social Security benefits for retirement, would experience a major reduction in their standard of living at retirement. They would have to accumulate a sizeable savings to maintain a post-retirement standard of living at or near their pre-retirement level. Recent changes in the tax laws, make it possible for individuals to establish a private retirement plan if they are not covered by any group pension program. Under the law, an individual could contribute up to fifteen per cent of his wages annually, not to exceed $1,500 a year. All interest earned and monies deferred to the program would be tax free until retirement, anytime between the ages of fifty-nine and one-half and seventy. This program is important, since Social Security was not designed to be an individual's sole source of retirement income. Furthermore, as a result of current trends in savings and retirement planning, it behooves an individual to be absolutely certain of some retirement income beyond Social Security.

Depending on the age of retirement, an individual partitipating in the Teachers' Retirement System of Oklahoma and Social Security, could retire at or near his pre-retirement standard of living. However, as a result of the permissive withdrawals allowed by Teachers' Retirement System of Oklahoma, an individual could provide himself with a higher current standard of living, but this would only serve as a temporary increase, as a result of poor or insufficient post-retirement financial planning.

Those individuals fortunate enough to be able to retire with a benefit income from Social Security, Teachers' Retirement System of Oklahoma and TIAA-CREF, would be very likely to maintain their pre-retirement standard of living. These three programs combined, provided not only the best post-retirement income, but also the best combination of benefits, options and choice as to age of retirement.

Finally, while the results of this study do not lend themsevles to making a judgement as to which program was best, it does become obvious upon reviewing the study's findings, that of the three major retirement programs (Social Security, Teachers' Retirement System of Oklahoma and TIAA-CREF), that TIAA-CREF is the most flexible and financially beneficial to an individual who is relatively mobile. While some individuals may also have a minimum retirement income guaranteed, by virtue of teaching at an institution having University Supplement; in acuality, since University Supplement is offset by the other retirement programs being used at the institution, in all likelihood, it is not used very often and will continue to be used less often in the future.

Recommendations

In view of the findings of this study, the researcher makes the following recommendations:

1. Faculty members must begin to take a stronger role in their own retirement planning to ensure an adequate post employment standard of living.
2. Further investigation is necessary to determine not only the institution's role in providing

a retirement income, but also the individual's responsibility in preparing for his own retirement (such as savings, assets, real estate, insurance, etc.).

3. All major retirement systems should investigate some safeguards (such as those built in to Social Security) to prevent the erosion of purchasing power as a result of inflation.
4. Additional post-employment retirement options should be investigated for the Teachers' Retirement System of Oklahoma to allow for improved benefits as a result of changes in the tax laws.
5. Officers of the Teachers' Retirement System of Oklahoma should give serious consideration to shortening the time period for vesting of benefits to between five and ten years rather than the current twenty years.
6. More institutions should investigate the cost benefit relationships to granting prior service credit as an inducement to attract more and better qualified personnel.
7. Retirement systems should provide for early re-retirement at the option of the individual as well as planning for a definite age for retirement to help the individual and institution plan for that occurence.

8. More and better periodic reporting (perhaps once or twice yearly) should be provided to faculty members about current benefits and retirement programs in which they participate. This would enable an individual to better plan his responsibilities for providing his own retirement.
9. A follow-up study should be made of retired faculty members to determine their feelings and suggestions about the programs they are benefiting from and to determine the effects inflation has had on them as a result of living on a fixed income.

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APPENDIX A

DATA COLLECTION MATERIALS

APPENDIX A

EXHIBIT 1

QUESTIONNAIRE

Purpose of the Study:

To compare the retirement systems in use at Oklahoma institutions of higher education, in an attempt to determine a basis for possible change, and to provide information to the administrators of the systems to compare the various systems in use.

Instructions:

Please answer the following questions to the best of your knowledge.

1. What type of retirement system does your institution have for full-time faculty? If more than one, please explain.

   a. Teachers' Retirement System of Oklahoma

   ____

   b. Social Security

   ____

   c. Teacher's Insurance and Annuity Association (TIAA-CREF)

   ____

   d. Federal Civil Service

   ____

   e. Other (Please Specify)

   ____

2. If your institution uses Social Security, is membership compulsory?

   ____

3. Is membership for any retirement system (other than Teachers' Retirement System of Oklahoma) compulsory? If so, please specify.

   ____

4. How many active full-time faculty members were there in each of the following programs as of November 1, 1975:

   a. Teachers' Retirement System of Oklahoma________________________

   b. Social Security________________________

   c. TIAA-CREF________________________

   d. Federal Civil Service________________________

   e. Other (Please Specify)________________________

   ____

CREDITABLE SERVICE...

The following questions pertain to any retirement system in use OTHER THAN TEACHERS'S RETIREMENT SYSTEM OF OKLAHOMA.

1. Does your system grant prior service credit?

   CHECK YOUR RESPONSE

   ______ Yes

   ______ No

2. If your system does grant prior service credit, how many years are creditable?

   ____

   ____

3. If prior service is creditable, what (if any) is the cost to the member?

   ____

4. Is military service creditable?

   ______ Yes

   ______ No

5. If military service is creditable, how many years are creditable?

   ____

   ____

6. If military service is creditable, what (if any) is the cost to the member?

____

____

7. Is out-of-state service creditable?

______ Yes

______ No

8. If out-of-state service is creditable, what (if any) is the cost to the member?

____

____

WITHDRAWALS AND REFUNDS..

1. When a member leaves service, how many years is the account kept open?

____

2. Are contributions refunded in full when a member leaves service?______

_________ If not, please explain.______________________________

____

3. What is the waiting period (if any) before a member can withdraw his contributions?

____

____

4. Is interest on contributions refunded when a member withdraws his contributions?

____

If yes, how much interest is paid on refunds?______________________

____

5. If a member who has withdrawn his contributions returns to active service, may withdrawn contributions be repaid?

____

If yes:
a. Is there a time limit (years)?____________________

b. How much interest does the member pay?____________________

____

NUMBER OF RETIRANTS AND BENEFITS PAID....................................

1. How many retirants and survivor beneficiaries were receiving benefits at the end of the 1974-1975 fiscal year?

____

2. How many members retired during the 1974-1975 fiscal year?

____

3. What is the median annual retirement allowance for the group that retired in the 1974-1975 fiscal year?

____

VESTING AND DEFERRED ALLOWANCES..

1. After how many years of service do benefits vest?________________

2. What is the age requirement (if any) for a member to be eligible for a deferred allowance?

____

3. How is the deferred allowance computed?

____

____

FINANCING...

1. Are benefits financed by member contributions, private revenue or public revenue? Please explain.

____

____

MEMBER CONTRIBUTIONS..

1. What is the current rate (percentage) of contributions by members?

____

2. What is the maximum salary on which members may contribute?

____

3. Are member contributions credited to the individual member's account?

____

4. Is interest credited to the individual member's account?____________

   If yes:
   a. What is the current rate?______________________

   b. Who determines the rate of interest?______________

5. Has the member contribution rate gone up, gone down, or remained level in the past ten years?

____

6. How much did members contribute in fiscal 1974-1975?____________

7. What (if any) are the provisions for additional voluntary contributions for supplemental benefits (other than tax sheltered annuities)?

____

____

7. Does the institution match the additional voluntary contributions for supplemental benefits?

____

TAX SHELTERED ANNUITIES...

1. Are tax sheltered annuities from the retirement system available to members?

____

____

DISABILITY...

1. What is the minimum creditable service (years) for a member to qualify for disability benefits?

____

2. How is the disability allowance computed?______________________

____

3. Is there a provision for temporary disability?________________________

4. Is there an age requirement for disabiltiy benefits?________________

____

5. If disability is incurred in service, what is the minimum creditable service (years) to qualify for disability benefit?__________________

____

6. How is the disability allowance computed?

____

LUMP SUM DEATH BENEFITS..

1. In addition to any return of contributions plus interest when a member dies in service, is a lump sum death benefit provided to the beneficiary?

____

If yes, what is the amount?____

Please explain any requirements for length of service or age of member.

____

RETIREMENT BENEFITS..

1. Are benefits based on:

   a. Age of retirant?____

   b. Sex of retirant?____

   c. Years of creditable service?______________________________________

2. Are automatic increases for retired members provided:

   a. When the cost of living increases?_______________________________

   b. When there is a general salary increase for active members?_______________________________________

   c. Any other basis?____

3. What is the expected age of retirement?_____________________________

4. What is the average age for retirement?_____________________________

5. What is the minimum number of years required for retirement?

____

6. Are retirement benefits calculated by an annuity system or a formula system? Please explain.

____

____

7. Please give examples of benefits paid to professional members retiring in fiscal 1974-1975; who had an average annual income of $15,000 for the last five years, and seeking to retire at the various ages listed, after having been employed for 35 years.

Annual Salary	Retired at age 55	Retired at age 60	Retired at age 62	Retired at age 65
	35 Years of Experience			
Male	________	________	________	________
Female	________	________	________	________

Options

Comments:

I would like an abstract of the completed study.

Yes..........   No..........

Name____

Address____

____

APPENDIX A

EXHIBIT 2

COVER LETTER 1

November 20, 1975

Gentlemen:

Mr. Vincent F. Orza is a student in the University of Oklahoma Educational Administration Doctoral Program. Mr. Orza is working under my direction on his dissertation in the area of higher education retirement programs.

I would like to encourage you to provide Mr. Orza with as much information as possible. I will appreciate any assistance you may be able to give Mr. Orza and I want to assure you that all information will be kept confidential.

Sincerely,

Gerald Kidd

Gerald Kidd
Associate Professor of Education
University of Oklahoma

APPENDIX A

EXHIBIT 3

COVER LETTER 2

6200 North Harvard
Oklahoma City, Oklahoma 73122
November 7, 1975

Gentlemen:

Please allow me to take a little of your time. I am preparing a study to identify the types and scope of retirement systems at institutions of higher education in the State of Oklahoma. This information is being compiled for a doctoral dissertation for the College of Education at the University of Oklahoma.

The information needed in the study will be obtained from the enclosed questionnaire. Of course all information you provide will be kept confidential.

A stamped, self-addressed envelope is enclosed for your convenience. Your immediate response is essential to the success of this research project. I will appreciate your complete and immediate response. Thank you for your assistance.

Sincerely,

Vincent F. Orza, Jr.

Enclosures: Questionnaire
Envelope

APPENDIX A

EXHIBIT 4

FOLLOW-UP LETTER

6200 North Harvard
Oklahoma City, Oklahoma 73122
January 27, 1976

Gentlemen:

Last November, you should have received a copy of the enclosed questionnaire pertaining to the types and scope of retirement systems at institutions of higher education in the State of Oklahoma. This information is being compiled for a doctoral dissertation for the College of Education at the University of Oklahoma.

If you never received your questionnaire, or if you have not had the time to complete it, would you please take a few moments to help me with this information. Of course all information received will be kept confidential.

A stamped, self-addressed envelope is enclosed for your convenience. Your prompt response is essential to the success of this project. Thank you for your time and assistance.

Respectfully,

Vincent F. Orza, Jr.