

Academic Senate Tenure and Tenure Track Committee Report for 2017-2018

June 20, 2018

This document serves as the annual report from the Academic Senate Tenure and Tenure Track Committee regarding our activities for the 2017-2018 academic school year.¹

Executive Summary

The 2017-2018 Academic Senate Tenure and Tenure Track Faculty Committee focused our attention on early retirement programs. We elected to study this issue because faculty retirement is important to USC's administration and the tenured faculty. USC's administration is tasked with establishing the university's strategy including innovation, faculty recruiting, and enhancing diversity requiring predictable faculty turnover. Tenured faculty also face a complex retirement problem with uncertain future resources and the stressful decision to end a life of service to USC. Since mandatory retirement is prohibited, tenured faculty have an indeterminate period of employment. These challenges suggest the importance of an early retirement program for tenured faculty.

We analyzed the issue by exploring the fundamental reason for tenure in a university structure. The literature suggests that tenure offers faculty independence to provide oversight of the administration reducing agency costs. Time-series models of tenure view faculty as highly productive in the pre-tenure phase of their career exceeding a high hurdle for tenure then productivity declines throughout the remainder of a career, on average. This view of declining productivity results from the inability of the university to benefit by increasing tuition from research generated in the final phase of one's career. Yet, faculty compensation increases over time. This time series view requires mandatory retirement to be efficient. Hence, the elimination of mandatory retirement creates demand for early retirement programs to obtain a "second best" solution for faculty compensation over time.

We collected data on early retirement programs for tenured faculty for thirteen (plus USC) of the top 25 national research institutions.² We found that these programs require minimum service (10 years), minimum age (55 – 65) and maximum age (70 -72 & 4 No Max). Many Early Retirement Programs provide one or two times the faculty's base salary in exchange for retirement. Also, phased retirement programs are offered by a number of schools. These phased retirement programs propose a package with compensation proportional to base salary that exceeds the proportion of effort over a 2 – 3 year phase out period.

We recommend two early retirement packages, Competitive and Aggressive. The Competitive Package offers one-year base salary to tenured faculty upon retirement. Alternatively, the tenured faculty member could elect two years of full salary for 50% effort during a two year phase out period.³ The Aggressive Package offers a payment of two years base salary between 63 and 67 and one year base salary from 66 to 73. Introduction of an early retirement package provides an incentive for tenured faculty to elect to retire opening wide ranging opportunities for the administration.

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²US News and World's 2018 rankings <https://www.usnews.com/best-colleges/rankings/national-universities>.

³These retirement packages would require 10 years of active service. The eligible faculty member would be over 63 or under 71 to participate in the program.

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The 2017 – 2018 Academic Senate Tenure and Tenure Track Faculty Committee has focused on the issue of faculty retirement. In particular, many universities as well as USC provide faculty retirement transition programs that provide various levels of assistance as tenured research and teaching faculty transition from full-time employment to retirement. Our committee urges the Faculty Senate to recommend that USC’s administration introduce an Enhanced Faculty Retirement Program. The following information provides background, review of academic research on tenure, evidence of early retirement programs from private national research institutions, two proposed enhanced early retirement programs, and discussion of the cultural impact of this proposed program.

Section 1. Introduction

The issue of faculty retirement is particularly important at this time as a substantial proportion of the USC tenured faculty (the “Baby Boomers”) are at a stage of life when it is typical that tenured faculty consider retirement.⁴ Retirement is a particularly complex issue in the academic setting because USC and other universities bestow tenure on a subset of the faculty leading to an indeterminate period of employment. Additionally, federal law has precluded mandatory retirement since January 1, 1994.⁵ Thus, academic administrations have limited options to control the timing of tenured faculty retirements. The uncertainty resulting from an indeterminate period of employment coupled with no assured retirement date limits the ability of USC to plan for the future (for example, strategic planning; diversity initiatives; recruiting faculty; and budgeting resources).

Tenured faculty face a similarly complex retirement decision. Affordable healthcare is a concern for tenured faculty and society in general. It’s noteworthy that life expectancy has improved with the advent of innovations in healthcare and life style.⁶ With retirement savings plans (Roth IRAs, 401ks, 403bs, and 457bs), contemporary tenured faculty member’s financial security in retirement depends on realized returns from a portfolio of risky investments supplemented with social security payments.⁷ Importantly, tenured faculty members may have been engaged in scholarly research, teaching, and service for many decades. The faculty member may consider his/her employment as far more than

⁴ Between 2000 and 2010 the proportion of all professors 65 and older nearly doubled, and the median age of the professorate now surpasses all other occupational groups. TIAA CREF (2016) p 2. Our committee requested USC’s time series age distribution from the Provost’s Office. The administration responded that USC does not track or use this information. Thus, USC’s proportion of tenured faculty above the age of 65 is unknown.

⁵ 1986 Age Discrimination Act.

⁶ US Life Expectancy from birth has risen 1980 – 73.7, 2000-76.8, and 2015-78.8. Similarly, US Life Expectancy at 65 years of age has risen 1980 – 16.4, 2000-17.6, and 2015-19.4. Thus, one might expect faculty to live on average for at least 2 decades beyond the traditional retirement age of 65. <https://www.cdc.gov/nchs/data/hus/2016/015.pdf>.

⁷ Maximum social security benefits at full retirement age, 67, is \$2,788 per month or \$33,456 per year. If faculty elect to continue working until 70, maximum social security benefits rise to \$3,680 per month or \$44,162 per year. <https://www.fool.com/retirement/2017/12/01/this-is-the-maximum-social-security-retirement-ben.aspx>. Defined contribution programs require faculty to manage their retirement investments. Investment in stocks and bonds produce positive long-run returns (for example, 8.89% for a 60/40 mix of stock and bonds from 1990 – 2017). However, investing involves substantial risk. For example, “Black Monday” October 19, 1987’s 22.6% one-day Dow Jones Average loss dramatically demonstrates risk in financial markets. <https://seekingalpha.com/article/4138936-new-60-40>. <https://www.wsj.com/video/remembering-black-monday-crash-of-1987/A5BC09AA-4010-481E-9076-77ECEBFDB25B.html>.

simply a job. Instead, faculty members may consider their involvement in academe as their *raison d'être*. Thus, the decision to retire from a lifetime of academic activity is likely to be a profound and difficult decision for a tenured faculty member.

In sum, tenured faculty retirement provides a challenge for both the administration and the faculty. In the case of the administration, the long-run institutional benefits of faculty turnover may be unnecessarily delayed imposing opportunity costs on the academic institution. Faculty may elect to postpone retirement past a person's ideal retirement date due to financial uncertainty. Our report is designed to structure, analyze, and propose an Enhanced Faculty Retirement Program that seeks to benefit USC in the long run while supporting faculty through the retirement process.

In the next section, we review the academic literature on tenure and offer our view of the role that an early retirement program may help address the faculty retirement problem facing USC's administration. In Section 3, we summarize the details of early retirement programs at a set of private research universities. Section 4 provides our proposal for an Enhanced Early Retirement Program. Section 5 concludes with our view of the benefits of an Enhanced Faculty Retirement Program for USC's culture.

Section 2. Academic Literature and Implications

2.1 Background

The issue of Early Retirement Programs at USC is not a recent phenomenon. A 1973 survey of USC faculty by Rosemary Cliff noted that USC policy established "an automatic retirement age of 65". This policy permitted annual appointments until the age of 70 at USC's discretion. The survey concluded that most faculty expected to retire at 65 but a significant proportion would have retired earlier if their income was adequate and they could continue their professional involvement.⁸ This evidence suggests that even in a time when mandatory retirement was typical some faculty would elect to retire early under the right circumstances.

The 1986 Age Discrimination Act included a special exemption allowing colleges and universities to enforce mandatory retirement at age 70 until January 1, 1994.⁹ After 1994, colleges, universities and other institutions are not permitted to enforce a mandatory retirement age. This legislation is particularly important at academic institutions because of tenure at colleges and universities. The institution of tenure is pervasive in colleges and universities in the US and the rest of the world. Although the American Association of University Professors (AAUP) is a powerful lobbying group favoring tenure, there is no legal requirement mandating the tenure system in higher education.¹⁰

The interaction between the tenure system and the end of mandatory retirement creates an indeterminate period of employment for tenured faculty. Although tenure is not a guarantee of continuing employment, the 1940 *Statement of Principles on Academic Freedom and Tenure* provides: 'After the expiration of a probationary period, teachers . . . should have permanent or continuous tenure, and their service should be terminated only for adequate cause . . . or under extraordinary

⁸ See Cliff (1974).

⁹ See Ashenfelter and Card (2001).

¹⁰ See McPherson and Schapiro (1999).

circumstances because of financial exigencies'.¹¹ This view of the conditions for the removal of a tenured faculty member establishes a formidable threshold for faculty termination.¹²

These observations suggest that a thorough understanding of the tenure system is essential to consider an early retirement program. In the next section, we begin by reviewing the arguments supporting the tenure system. Then, we summarize the academic literature that proposes various models that explain the tenure system. Finally, we conclude by considering the role of an early retirement program in the tenure system.

2.2 Traditional Views of the Tenure System

The tenure system emerged from the 1915 and 1925 statements of academic freedom and tenure from the American Association of University Professors (AAUP).¹³ The 1940 Statement of Principles on Academic Freedom and Tenure offers the following joint statement of the AAUP and the Association of American Colleges (AAC): Tenure is a means to certain ends; specifically: (1) freedom of teaching and research and of extramural activities, and (2) a sufficient degree of economic security to make the profession attractive to men and women of ability. Freedom and economic security, hence, tenure, are indispensable to the success of an institution in fulfilling its obligation to its students and to society.¹⁴ This view of tenure emphasizes the societal benefits of professoriate freedom of choice and economic security. The societal need for independent scholars offering their thoughtful views on issues of the day provides an aspirational basis for the protections of tenure.

Many other justifications for tenure have been suggested by various authors.¹⁵ Tenure has been viewed as a carrot for pre-tenured faculty permitting lower salaries, selective hiring, and attraction of risk-averse talented faculty. There have also been models suggesting that tenure is a risk-sharing arrangement that incentivizes individuals to make risky investments in human capital. Numerous authors have explored the view that tenure insulates the scholar from failure from taking on extraordinary risks in his/her research that may fail and appear to be shrinking.¹⁶

Others have noted that academics tend to reward specialized knowledge. The senior faculty are most capable of identifying talented recruits that compete directly with themselves. In this view, tenure provides the assurance that senior faculty will support hiring talented junior faculty without fear of swift replacement.¹⁷ This view also suggests that tenured faculty have a long-run perspective creating an incentive to monitor university administrators. In the next section, we will explore this principal-agent

¹¹ See AAUP Counsel Donna Euben's 2004 presentation on Termination & Discipline at the 14th Annual Legal Issues in Higher Education Conference, University of Vermont.

¹² See Early Retirement Incentive Plans and the Age Discrimination in Employment Act Georgetown University Law Center (2010) <https://scholarship.law.georgetown.edu/legal/54/> and Lahey J. (2006) "How Do Age Discrimination Laws Affect Older Workers?" Center for Retirement Research at Boston College.

¹³ Metzger (1973).

¹⁴ Available at www.aaup.org/report/1940-statement-principles-academic-freedom-and-tenure.

¹⁵ See Broogaard, Engelberg, and Van Wesep (2018).

¹⁶ In general, authors have found relatively little evidence to demonstrate that researchers' post-tenure scholarship dominates pre-tenure scholarship on average. See Broogaard, Engelberg, and Van Wesep (2018).

¹⁷ See Carmichael (1988).

view in more detail.¹⁸ The final section summarizes a time-series analytic model that highlights three phases of a prototypical tenured faculty member's career.

2.3 Models of the Tenure System

2.3.1 Principal-Agent View

A principal-agent view of the tenure system rests upon the notion that colleges and universities are predominantly not-for-profit institutions. Since not-for-profit colleges and universities have no owners, the administration has less oversight than in for-profit organizations. Although colleges and universities have Boards of Trustees, these groups are often fundraising devices that do not typically possess the expertise to monitor the activities of college and university administrators.¹⁹ Brown (1999) casts the tenure system as providing the faculty with the right to vote as a key element of residual claimant status. This model relies heavily on upward-sloping wage profiles motivating the faculty to monitor the administration to ensure that the school will be able to pay their promised wages. In the end, the tenured faculty are valuable to the institution because of their incentive to monitor and criticize the administration without fear of reprisal.

2.3.2 Time-series Model

Cater, Lew, and Pivato (2017) present a model of the tenure system that provides answers to the following observations and questions:

1. The dismissal of those who are initially unproductive makes it clear that research is somehow important to the university. Why then, would it not insist that a professor be productive in research at *every* stage of her career?
2. The research production of academics declines with age.²⁰ Does this pattern reflect some disincentive effect, and therefore a major drawback of tenure?
3. If the sort of leniency associated with tenure is somehow efficient, why do universities stand alone in extending that leniency?
4. If universities derive some unique benefit from granting tenure, how is their recent and ongoing shift away from the use of tenure-eligible faculty to be explained?²¹

Their stylized model proposes a three stage competitive market for professors. In the first stage, the professor selects an effort level and publicly observable output occurs. The university collects tuition revenue at each stage that depends upon the quality of research and teaching produced by the faculty. The research impact on tuition arises when the research is available (second & third stages) with the impact on tuition of this research decaying over time. However, research in the third stage does not impact tuition revenues because the signal generated by the faculty member leaves with the professor's departure. For example, one can imagine students being attracted to a university because they wish to

¹⁸ Brown (1997).

¹⁹ The California Corporations Code establishes conditions that absolve not-for-profit board members from personal legal liability in Section 5239 suggesting that not-for-profit boards are held to a lower standard of care than for-profit boards consistent with the notion of less board monitoring of academic administrators.

²⁰ See Diamond (1986), Levin and Stephan (1991), Kenny and Studley (1995), Oster and Hamermesh (1998), Baser and Pema (2004), Gingras Y, Larivière V, Macaluso B, and Robitaille J-P (2008), and Broogaard, Engelberg, and Van Wesep (2018).

²¹ Cater, Lew, and Pivato (2017) pg. 332.

take classes from a third period Nobel Prize-winning faculty member. If the Nobel Prize-winning faculty member recently retired, student demand would be lessened resulting in lower tuition revenue.

The model's solution produces a tenure contract that generates declining effort and research production on average over the three periods. These results occur because of a trade-off between raising standards and foregoing missed opportunities from the dismissed faculty. The model demonstrates that the up or out decision at the end of the first period sets a very high standard. The second period standard is lower because removal would eliminate the tuition benefit obtained from the faculty member's first period research that exceeded the first period high standard. Since this model defers compensation, Lazear (1979) demonstrates that the practice of mandatory retirement is efficient in this model.²² However, mandatory retirement is prohibited as noted earlier.

In sum, the traditional, principal-agent, and time-series models provide very useful insights into the tenure system. Traditional views tend to focus on the benefits of academic freedom, risk taking, and replacement of talented faculty. In the case of the principal-agent view, tenure helps to solve the agency problem by faculty monitoring the administration of the university. In addition, this view requires wage profiles of faculty that are upward sloping. The time-series model offers a parsimonious explanation and some observed results of the present tenure system. In the time-series model, senior faculty are also paid more than junior faculty. However, senior faculty produce less research over time because of the impact of tuition on the value of the university. Finally, deferral of compensation is consistent with the efficiency of mandatory retirement.

This review suggests that the tenure system with a legal environment that precludes mandatory retirement is inefficient. Before January 1, 1994, tenured faculty retired at either 65 or by 70 at USC. After January 1, 1994, tenured faculty can continue for an indeterminate period as their research productivity declines as the data and models predict. Since the university is not permitted to force retirement, a second best solution could be obtained by offering an Early Retirement Program. The time-series model above suggests that the university's value from tuition declines over time because of the lack of research in later years. Yet, the tenured faculty member continues to be paid based upon her research in periods 1 and 2. Thus, this model suggests that a value-maximizing tenured faculty member would be willing to retire in exchange for the value bestowed on the senior faculty arising from tenure.²³

²² Cater, Lew, and Pivato (2017) page 342 footnote 17.

²³ The observed agreements (see table 1) suggest that the value is roughly between one and two times a tenured faculty member's base salary at various ages.

Section 3. Summary Characteristics of Early Retirement Programs at Select Private Institutions (Including USC)

This section describes Early Retirement Programs for thirteen top-25 private national universities in the 2018 US News & World Report. The private benchmark schools include Brown, Carnegie Mellon, Columbia, Dartmouth, Harvard, Northwestern, Notre Dame, Rice, Stanford, University of Chicago, University of Pennsylvania, Vanderbilt, and Washington University in St. Louis.²⁴ We have collected details of each school's Faculty Retirement Transition Program from publicly available data sources (website descriptions) and in two cases detailed presentations of the early retirement program provided to the faculty. Table 1 Panel A provides a summary of the selected details of each school's program. In addition, Table 1 Panel B incorporates USC's recent early retirement transition program that presently covers some USC faculty. However, USC's program is no longer available to USC faculty after 2016.

Each early retirement incentive program establishes minimum years of service ranging from 10 years (majority of schools) to 15 years for eligibility. Some programs use an approach that adds age and years of service (the "Rule of 75") to establish eligibility. The minimum age ranges from 55 to 65. The maximum age (when established – 4 cases of no maximum) ranges from 70 to 72. Overall, the plans establish a minimum service, minimum age, and maximum age. These results suggest that the plans are designed to reward continuous service at an age that faculty may prefer leisure to the rigors of research, teaching, and service by age 70 – 72.

Key parameters of the benchmark school early retirement programs reveal some common elements. First, Carnegie Mellon, Columbia, Notre Dame, University of Chicago, University of Pennsylvania, and Vanderbilt offer monetary incentives in exchange for retirement ranging from one to two year's base salary. For those schools with an age dependent incentive plan, larger monetary incentives are provided for retirement at an earlier age of the faculty member. The University of Chicago's plan provides the most intricate of the age based plans with an annualized incentive for ages 66 – 69 ranging from two to one times base salary. Vanderbilt offers a similar plan with a payment of two times base salary from age 63 to 67 and one times base salary from age 68 to 72. Carnegie Mellon, Columbia, Harvard, Notre Dame, and U. Pennsylvania offer a plan that provides the retiree with one year's base salary. In sum, these early retirement plans offer a lump sum payment between one and two times base salary designed to provide payments denominated in base salary multiples in exchange for faculty retirement.²⁵

²⁴ The benchmark schools are top-25 ranked private national universities in the 2018 US News & World Report. <https://www.usnews.com/best-colleges/rankings/national-universities>. The benchmark early retirement program data is obtained from personal contacts and information available on websites. Cal Tech and Georgetown programs appear to be described on secured websites. Johns Hopkins and Emory have programs for the medical center and Arts & Sciences that have similar features to the schools in our benchmark group. We have been unable to establish whether Duke, MIT, or UVA offer early retirement programs. Finally, UCLA, UC Berkeley, and Cornell were not included because of the public nature of all or some of their activities. These benchmark schools almost surely do not represent all private universities. However, we have no reason to believe that the benchmark schools are outliers with respect to Early Retirement Incentive Programs.

²⁵ Our data does not provide much evidence on additional benefits. It's unclear if there are provisions for healthcare, counseling, office space, faculty club, parking, or other benefits involved in these packages. We suspect that some of these benefits may be available to faculty that elect an early retirement package.

A number of retirement incentive programs offer a phased retirement alternative. The phased retirement programs in our sample range from (1) 50% full salary (base and benefits) plus \$25,000 for three years for 50% engagement to (2) full salary (base and benefits) for two years for 50% engagement. A number of schools offer 3, 4, and even 5-year transition programs with payments denominated in percentage of base salary exceeding the proportionate effort level. In general, these programs provide between 60 – 70 % of full salary for 50% effort level. Overall, many of the plans exhibit flexibility in program design that allows a faculty member to ease into retirement while retaining faculty benefits.

This analysis suggests that our benchmark group values early faculty retirement since these schools offer monetary incentives to tenured faculty to retire and release their tenured position. Typical conditions of eligibility include tenured faculty with at least 10 years of service in their early 60s until early 70s. Many plans include a lump sum payment in exchange for faculty retirement. Finally, flexibility of faculty disengagement over a short period is available in many programs.

USC's Up to Four-Year Phased Retirement Program (effective 1/1/14 – 6/30/16) is quite different from the plans in the benchmark study.²⁶ The up to four-year phased retirement program allowed a faculty member to reduce effort for a proportional reduction in pay and benefits (with a Dean's discretionary bonus) for a period of up to 4 years. For example, a faculty member that elects 50% engagement would be paid between 50% - 55% of base salary depending upon the Dean's discretion. A USC faculty member must have 10 years of service and must be at least 55 years old. USC's phased retirement program is quite flexible allowing faculty to ease into retirement over up to 4 years from age 55 by reducing their workload with a commensurate reduction in pay. However, the monetary benefit is significantly below any other program offered at the benchmark schools.²⁷ Finally, USC's program requires negotiation for the modest increment above full salary between the faculty member and his/her Dean.

It's unclear why USC's early retirement program differs from other schools in our sample. USC's most recent program is unlikely to yield similar early retirements that may occur at the benchmark schools given the relatively modest incentives in the plan. If USC views early retirement of faculty as an opportunity to change strategy, recruit faculty, or adjust budgets, the previous early retirement program appears to be inferior to the benchmark private schools. Presently, there is no early retirement program in place for USC's faculty. Thus, faculty negotiate retirement terms with their Deans with faculty at an informational disadvantage. Fundamental notions of fairness suggest that USC might be wise to standardize this final phase of a tenured faculty member's career.

In the next section, we offer two suggestions (Competitive and Aggressive) for early retirement packages that would provide significant incentive for tenured faculty to accelerate their retirement date.

²⁶ Carnegie Mellon 2 is quite similar to USC's most recent program. However, Carnegie Mellon 1 offers a lump sum program for tenured faculty between 64 and 66.

²⁷ An interesting benefit of the USC Up to Four-Year Phased Retirement Program would appear to be full healthcare benefits with less than 100% engagement. Since healthcare benefits are not taxable, tenured faculty are able to continue subsidized healthcare benefits for up to 4 years. In the absence of USC healthcare, a retired faculty member must obtain healthcare with after-tax dollars.

Section 4. Proposed Enhanced Faculty Retirement Program

We urge that USC adopts either (1) Competitive or (2) Aggressive Early Retirement Package for Tenured USC faculty as an integral element of tenured faculty employment agreements. The two proposed packages presented in Panel B of Table 1 are quite similar to those offered at the benchmark schools discussed above. The difference between the Competitive and Aggressive Early Retirement Packages revolves around the amount offered to tenured retiring faculty (one versus two full year base salary remuneration) to accelerate retirement. These proposed packages would provide incentives that are competitive with the early retirement packages at the benchmark schools and will provide a nontrivial incentive for tenured faculty to seriously consider retirement at an age roughly around the time faculty retired before legislation eliminated mandatory retirement (65) adjusted for increased life expectancy (3 years, See Footnote 6).

The Competitive Retirement Package USC 1 would offer one-year base salary excluding benefits (less taxes) to a tenured faculty member upon agreement to retire and give up tenure. Alternatively, the tenured faculty member could elect Competitive Retirement Package USC 2. This package would offer two years of full salary (including benefits) for 50% effort in exchange for a two-year phase out with tenure given up at the end. These retirement packages would require 10 years of active service. The eligible faculty member would be over 63 or under 71 to participate in the program.

The Aggressive Retirement Package USC 3A would offer a payment of twice the base salary (less taxes) to a tenured faculty member upon agreement to retire and give up tenure after 63 but before 67. Aggressive Retirement Package USC 3B would offer one year of base salary (less taxes) after 66 but before 73. The Aggressive Retirement packages would require 10 years of active service.

The Competitive Retirement Package USC 1, provides a one year lump sum and an immediate opportunity for USC to reconsider budgetary resources upon payment of a one-time early retirement package. Thus, eliminating benefits during the upcoming year (roughly 35% of a faculty member's compensation). The Competitive Retirement Package USC 2, is a two-year full salary & benefits in exchange for 50% faculty effort leading to retirement at the end of two years and is more generous than USC 1. However, the two-year full Salary & Benefits package provides a phased retirement that assures the administration sufficient time to plan for change over two years. Finally, the USC 2 two-year full Salary & Benefits package allows the faculty member to gradually withdraw from scholarly activity while maintaining full salary and benefits over a brief time.

The Aggressive Retirement Package, USC 3, increases the incentive to retire before age 67 with a two-year base salary retirement package. From 67 to 72, the Aggressive Retirement Package is equivalent to the one-year lump sum package previously described. The Aggressive Retirement Package provides a clear incentive to retire no later than age 66 if the faculty member is motivated by the lump sum payment. In all of these packages, USC is made better off by the revelation of the faculty member's desire for leisure or alternative employment opportunities versus continuing academic pursuits.²⁸

Either the Competitive or Aggressive Retirement Packages are more generous than USC's present Four-Year Phased Retirement Plan. The fact that these packages are costly is necessary to elicit the tenured

²⁸ USC's administration is free to negotiate with particularly valuable faculty to remain in service as is true presently.

faculty member's preference for leisure or alternative employment opportunities versus continued employment at USC. The present Four-Year Phased Retirement Plan provides a very modest incentive for a tenured faculty to retire. We expect that all of the recommended plans will substantially increase interest by some faculty to retire providing USC the opportunity to continue to ascend to greater academic heights in the very near term.

Finally, the introduction of any Early Retirement Package requires a transition approach to assure fairness for faculty that have not had the opportunity to consider these early retirement options. Table 1 Panel B refers to this concern by noting no max/70 and no max/72. In particular, we urge that tenured faculty older than 70 or 72 should be offered the USC Early Retirement Package for a reasonable period (1 – 2 years) to permit a carefully considered retirement decision. This period allows for completion of scholarly research, mentoring faculty to assume duties of the retiring faculty member, and an orderly transition to retirement. Importantly, USC administration should alert relevant faculty to this limited time opportunity to permit faculty to elect the USC Early Retirement Package.

Section 5. USC Culture and Early Retirement Program

We believe that incorporation of an equitable and competitive retirement program is consistent with maintaining a strong culture at USC. At the February 2018 joint Provost/Senate Retreat, the importance of a strong culture at USC was emphasized as a high priority by a number of faculty and administrative leaders. Dr. Yaniv Bar-Cohen, incoming President of the Academic Senate said that we must ask the question, "Are we treating each other well?" Provost Michael Quick highlighted the importance of creating a thriving culture where faculty feel valued and diversity is celebrated. Dr. Paul Rosenblum, current President of the Academic Senate, emphasized the need for increased transparency. Finally, Dr. Paul Adler underscored the difference between espoused values- what members say they value vs. enacted values- what people do to shape USC's culture. He identified "rewards" as one item toward that end. All of these notions are related to each faculty member's journey from joining the Trojan family to ultimately retiring from full-time service.

An early retirement package, comparable to other top private research universities, would signal that faculty are valued and rewarded for their years of dedicated service to USC. A formal early retirement arrangement would provide transparency as faculty with limited information currently negotiate individually with their Dean, resulting in uncertainty and distrust. An early retirement package would signal enacted and not just espoused values of the importance of faculty contribution to the University. Finally, as tenured faculty retire, an early retirement package also allows the opportunity to increase faculty diversity, which reinforces a culture that is in a state of continuous growth.

Our committee report has emphasized economic reasons for introducing an early retirement program. However, faculty retirement is a deeply personal and emotional decision. Many faculty members have been active participants in the evolution of USC over the past decades. A carefully constructed early retirement program can benefit both the administration and faculty. The implementation of such a program would add to a stronger culture of respect for faculty contributions at USC. The Academic Senate Tenure and Tenure Track Committee Report for 2017-2018 urges introduction of an Enhanced Faculty Retirement Program that we believe will have a lasting impact on the culture and evolution of USC.

Respectfully submitted July 24, 2018

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Top 25 U.S. News & World Report Early Retirement Programs

Table 1	Panel A					
School	Early Retirement Programs	Minimum Service	Age of Eligibility	Maximum Age	Remuneration	Phased Effort & Period
<i>Brown 1</i>	Three year Phased Retirement	10	65	70	half salary + \$25,000	1/2 for 3 yrs.
<i>Brown 2</i>	Three year Phased Retirement	10	71	72	half salary + \$25,000 (only for yrs. 1 & 2)	1/2 for 3 yrs.
<i>Carnegie Mellon 1</i>	One Year Lump Sum	10 years	64	66	Base Salary (less taxes)	
<i>Carnegie Mellon 2</i>	Up to Four Year Phased Retirement	10 years	61	no max	Phased retirement 50% salary & effort w/ full benefits	<= 4 years
<i>Columbia 1</i>	One Year Lump Sum	10 years	65	no max	1 Full Year Salary	
<i>Columbia 2</i>	Up to Five Year Phased Retirement	10 years	65	no max	Negotiate with the faculty member's Dean	max of 5 yrs.
<i>Dartmouth</i>	Three year Phased Retirement	15 years	59	67	60% +1 % for each service yr. >15 x salary (75% max)	1/3 for 3 yrs.
<i>Harvard 1</i>	Two Year Option	10 years	65	72	Full Salary	1/2 for 2 yrs.
<i>Harvard 2</i>	Four Year Option	10 years	65	72	full salary first year; half salary + full-time retirement contributions 3 yrs	1/2 for 4 yrs.
<i>Harvard 3</i>	After 72	10 years	72		Faculty can elect Two Year Option	1/2 for 2 yrs.
<i>Northwestern</i>	Three year Phased Retirement	15 years	55	no max	60% of "normal" academic salary	1/2 for 3 yrs.
<i>Notre Dame 1</i>	One Year Lump Sum	10 years	62	70	Base Salary (less taxes)	
<i>Notre Dame 2</i>	Two Year Full Salary & Benefits	10 years	62	70	Full Salary (base and benefits)	1/2x for 2 yrs.
<i>Notre Dame 3</i>	One Year half Time with Full Salary	10 years	62	70	Full Salary (base and benefits)	
<i>Rice</i>	Phased Retirement Arrangement	10 years	62	70	1st year -80% Yr. 1; 70% of Yr. 2 Salary; & 50% Yr. 3 Salary	1/2 for 3 yrs.
<i>Stanford</i>	Retire Frip & Recall 50% time for 2 yrs	15 years	63	71	Full Salary (1/2 pay plus FRIP) during recall plus (2 FRIPs @ recall end)	1/2x for 2 yrs.
<i>Univ. of Chicago 1</i>	Two Year to One year Formula by age	10 years	65	70	2x;1.8x;1.6x;1.2x; & .8x for 65; 66; 67; 68 ;& 69 (3 yr. ave.) base salary	
<i>Univ. of Chicago 2</i>	2/3rds Full Salary	10 years	65	70	2/3rds (base salary + administrative salary + term allowances+ etc.)	1/2x up to 5 yrs.
<i>Univ. of Chicago 3</i>	U of C 2 transition to U of C 1	10 years	65	70	Combine U of C 2 with U of C 1 between 65 but before 70;	1/2x up to 5 yrs.
<i>Univ. of Penn 1</i>	Rule of 75 (Age + yrs of service = > 75)	10 years	60	69	FIAP Benefits Greater of 165% base salary or 165% of average full professors' base	
<i>Univ. of Penn 2</i>	Over 69 Plan	10 years	70		FIAP Benefits Greater of 165% base salary or 165% of ave. full professors' base	
<i>Vanderbilt 1</i>	Two Years for Early Retirement	15 years	63	67	2 Full Year Salary	
<i>Vanderbilt 2</i>	One Year for Early Retirement	15 years	68	72	1 Full Year Salary	
<i>Vanderbilt 3</i>	Three Year Phased Retirement	15 years	63	??	Unclear the arrangements?	Partial load basis
<i>Wash. U. St. Louis</i>	Rule of 75 (Age + yrs of service = > 75)	Rule of 75	55	no max	first year -2/3rds of Full Salary + second year - 2/3rds of (Full Salary + annual increase)	1/2 for 2 yrs.
<i>Yale</i>	Phased Retirement Arrangement	10 years	65	70	1st year -100% Yr. 1; - 75% of Yr. 2 Salary; & 50% Yr. 3 Salary	1/2 for 3 yrs.

USC Previous Early Retirement and Recommended Programs

Table 1	Panel B					
School	Early Retirement Programs	Minimum Service	Age of Eligibility	Maximum Age	Remuneration	Phased Effort & Period
USC 1/1/14-6/30/16	Up to Four Year Phased Retirement	10 years	55	no max	Phased retirement salary [50% - 100%] by effort % + Dean's 10% (full year - phased retirement salary)	% Phased effort <= 4 yrs
USC	Recommended Retirement Programs					
Competitive Package						
USC 1	One Year Lump Sum	10 years	64	no max/70	Base Salary (less taxes)	
USC 2	Two Year Full Salary & Benefits	10 years	64	no max/70	Full Salary (base and benefits)	1/2 time for 2 yrs.
Aggressive Package						
USC 3 A	Two Year Full Salary	10 years	64	66	2 x Base Salary (less taxes)	
USC 3 B	One Year Lump Sum	10 years	67	no max/72	Base Salary (less taxes)	

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