

RETIREMENT BENEFITS UNDER TIAA/CREF PROGRAM
(Board of Trustees meeting, June 17-18, 1979)

Dr. Richards presented a proposal to increase the College's contribution under the TIAA/CREF program. He explained that under the existing policy approved by the Board of Trustees, the College paid, on a matching basis, retirement benefits amounting to 6.25 percent on the social security wage base and 7.5 percent on salary in excess of the social security wage base. He showed, however, that as a result of the recent federal increase in the social security wage base, faculty members experienced a loss in retirement benefits under existing policies. He explained further that the College's contribution under TIAA/CREF was lower in percentage than contributions paid under the Virgin Islands Retirement Program. Mr. Kirwan estimated that, if approved, the proposed policy would cost the College between \$20,000 and \$25,000 a year in additional contributions.

Dr. Richards recommended that a 7.5 percent matching rate be established for the payment of contributed benefits under TIAA/CREF beginning on July 1, 1979, in place of the present sliding scale rates of 6.25 percent on the social security wage base and 7.5 percent above it. A motion to adopt the recommendation was proposed by Dr. Turnbull, seconded, and approved unanimously.



COLLEGE of the VIRGIN ISLANDS

June 6, 1979

MEMORANDUM

TO: Members of the Board of Trustees

FROM: Acting President

SUBJECT: Retirement Benefits under TIAA/CREF Program

1. Present Policy

The present policy provides for the payment of TIAA/CREF benefits by the College on a matching basis as follows:

6 $\frac{1}{4}$ % on Social Security Wage Base

7 $\frac{1}{2}$ % on salary in excess of Social Security Wage Base

2. Social Security Tax Structure

The following shows what has happened to the social security rate structure under the new social security law.

<u>Old Law</u>			<u>New Law</u>		
	Rate	Wage Base		Rate	Wage Base
1977	5.85	16,500	1977	5.85	16,500
1978	6.05	17,700	1978	6.05	17,700
1979	6.05	18,900	1979	6.13	22,900
1980	6.05	20,400	1980	6.13	25,900
1981	6.30	21,900	1981	6.65	29,700

3. Declining TIAA/CREF Benefits

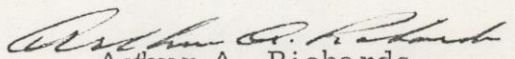
On a salary of \$20,000 per annum, a faculty member in 1977 accumulated \$1,284 in benefits for the year from College contributions. In 1979 benefits on the same salary would amount to \$1,250. This decrease of \$34 is attributable to the increase in the social security wage base to which TIAA/CREF benefits are tied.

4. Comparison with V. I. Retirement

Based on the rates established by law for the V. I. Retirement program, the College makes retirement contributions amounting to 11% of the salary of an employee enrolled in this program. On a salary of \$20,000 the College's annual contribution amounts to \$2,200. For 1979 this compares with a contribution of \$1,250 under TIAA/CREF for a faculty member earning a salary of \$20,000 per annum.

5. Recommendation

Based on the foregoing, we are recommending that a $7\frac{1}{2}\%$ matching rate be established for the payment of contributed benefits under TIAA/CREF beginning July 1, 1979. This rate will replace the present sliding scale rates of $6\frac{1}{4}\%$ on the social security wage base and $7\frac{1}{2}\%$ above. With the increases in social security wage base it would no longer be relevant to tie the rate of TIAA/CREF contributions to this figure.


Arthur A. Richards