TIAA-CREF Institute

Reluctant Retirees and Managing Change in Higher Education

Summary of a panel featuring:
Teresa Hassara, TIAA-CREF
Herman Berliner, Hofstra University
Hugh Penney, Yale University

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About this Work

Maintaining a dynamic faculty workforce may be a challenge when a significant share of tenured faculty choose to forgo retirement well beyond the “normal” retirement age. Recent TIAA-CREF Institute research sheds light on the decision-making processes that faculty undertake as they consider whether to retire. Findings and commentary were presented at the Forum for the Future of Higher Education’s 2015 Aspen Symposium, via a panel entitled *Reluctant Retirees and Managing Change in Higher Education.* Those findings are summarized here, with insightful context provided by campus practitioners, so as to help campus leaders consider how best to influence retirement patterns while taking into account the needs, desires and hopes of the academic communities they serve.

TIAA-CREF is a long-time partner of the Forum for the Future of Higher Education, and supports the Forum’s annual Aspen symposia as well as its collaborations with the Council on Foreign Relations and the Brookings Institution.

About the TIAA-CREF Institute

The TIAA-CREF Institute helps advance the ways individuals and institutions plan for financial security and organizational effectiveness. The Institute conducts in-depth research, provides access to a network of thought leaders, and enables those it serves to anticipate trends, plan future strategies, and maximize opportunities for success.

To learn more about our research and initiatives for higher education leaders, please visit our website at www.tiaa-crefinstitute.org.

Executive Summary

TIAA-CREF Institute research released in a May 2015 report, *Understanding the Faculty Retirement (Non)Decision,* was presented at the Forum for the Future of Higher Education's 2015 Aspen Symposium by Teresa Hassara, Executive Vice President and Head of Institutional Business for TIAA-CREF. The research, based on a survey of several hundred tenured faculty members from a range of institutions, found that just 35% of tenured faculty age 50 or older expect to retire by age 67. Nearly half reported delaying retirement by choice, not as a result of financial necessity. Most of those who cited financial necessity as a reason to not retire appear to assume a financial barrier to doing so, as they reported not having done a careful evaluation of their retirement finances. Perspectives on the findings and what is sometimes called the "reluctant retiree" phenomenon were offered by Herman Berliner, Provost and Senior Vice President for Academic Affairs at Hofstra University, and Hugh Penney, Senior Director of Compensation and Benefits at Yale University.

Key Take-Aways

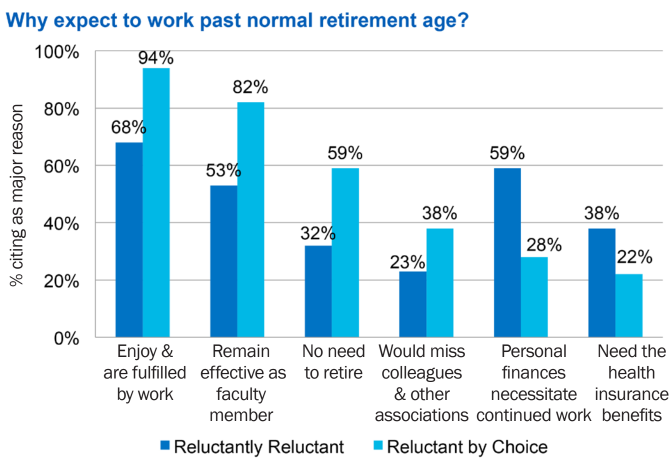
- When a significant share of tenured faculty works past "normal" retirement age, challenges arise for campus leaders related to maintaining a dynamic faculty, meeting departmental needs, and reallocating resources to meet changing needs across the institution.
- A TIAA-CREF Institute survey found that just 35% of tenured faculty age 50 or older expect to retire by age 67 (the approximate age at which they can collect full social security benefits).
- The remaining nearly two-thirds of faculty surveyed are reluctant to retire: 49% are reluctant by choice, and 16% are reluctantly reluctant, that is, they would like to retire by normal retirement age but expect to work longer.
- One-half to two-thirds of reluctantly reluctants appear to be assuming a financial barrier to retirement, given that they report not having done a careful evaluation of their retirement finances.
- Opportunities to meet with financial advisors who assess financial readiness for retirement and help pinpoint dates could help shift the reluctantly reluctant group toward earlier retirement. The reluctant by choice group could benefit too, given that many in that group also report finances as a factor in their retirement decisions, along with an unclear picture of their own finances.
- Among those reluctant by choice, anywhere from 60% to 90% have not seriously considered what they would do with their time in retirement. Programs that help envision the possibilities of life in retirement—including potential options to advise students and/or teach classes—could help blunt the pull of full-time academia and encourage retirement.
- Programs that allow a transition over time (e.g., over two to three years) from full-time to retirement have in many cases been more effective in encouraging retirement than financial incentives. Time appears to be the more valuable commodity than money.
- Tenure was not originally envisioned as a life-long appointment and indeed was designed when a mandatory retirement age was still in effect. Proposals for new tenure models include limiting it to 35 years after tenure is awarded, followed by short, frequently renewed contracts (e.g., every one or two years).

Teresa Hassara, TIAA-CREF

Hassara discussed the results of the TIAA-CREF Institute's Faculty Career and Retirement Survey, which found that just 35% of tenured faculty age 50 or older surveyed expect to retire by "normal" retirement age (i.e., 67 years). The remaining nearly two-thirds of tenured faculty are reluctant to retire. Noting that a deeper understanding of how reluctant retirees are thinking about retirement will help inform strategies for managing faculty retirement patterns and, likewise, shaping the academic workforce, Hassara dug deeper into the survey results. Figure 1 below illustrates clear distinctions between the reluctantly reluctant and the reluctant by choice: The reluctant by choice faculty enjoy and are far more fulfilled by their work than those who are reluctantly reluctant, and are significantly more likely to believe they will remain more effective as faculty members and see no reason to retire. On the other hand, far more reluctantly reluctant faculty report that their personal finances necessitate continued work, and that they need the health insurance benefits provided through work.

Figure 1

Understanding Reluctant Retirees



Source: *Faculty Career and Retirement Survey*, TIAA-CREF Institute (2015).

It appears, however, that many in both the reluctantly reluctant and the reluctant by choice groups are basing their decisions on assumptions. When asked "Have you done a careful evaluation of when you can afford to retire?" just 47% of reluctantly reluctants responded yes, versus 62% of the reluctant by choice group (and 68% of the traditional retiree group). A deeper look reveals that this is likely an over assessment of such evaluations: just 31% of reluctantly reluctants, for example, have received advice from a professional financial advisor. Hassara noted that programs that encourage reluctantly reluctants to meet with a financial advisor, who could help them pinpoint their income needs and when they will be able to retire, could help shift the dynamic for that group.

What is clear is that the financial barriers—perceived or real—for the reluctantly reluctant group are significant. When asked, "Would you retire sooner than expected if finances were not an issue?" 89% of them said they would. Yet just 37% of the reluctant by choice group responded that way. To help shed light on what is driving the reluctant by choice group—which comprises approximately half of all senior faculty surveyed—Hassara compared them with the traditional retirees (those who intend to retire on time). Notably, both groups reported high levels of job satisfaction (79% for reluctant by choice and 73% for traditional retirees). The survey found that the key distinction between the two lies in how they view the attractiveness of their options for life after work. When asked whether the statement "Nothing outside of academia could provide an equivalent sense of fulfillment," 44% of the reluctant by choice group said that describes them very well, compared to 29% of the traditional retiree group.

The TIAA-CREF Institute Faculty Career and Retirement Survey

The survey, fielded in 2014, examined a range of job-, career- and retirement-related topics in the evolving context of academic workforce models. One of the issues the survey sought to shed light on is faculty expectations and preferences about whether and when to retire, and factors that influence the retirement dynamic.

Findings are based on survey responses of 770 tenured faculty, age 50 or older who were surveyed by phone in fall 2014. The results are representative of senior tenured faculty across public and private institutional types and academic disciplines. Thirty-one percent of respondents were female and 69% male.

Overall, female faculty were more likely than their male colleagues to expect to retire by normal retirement age (48% vs. 31%), while male faculty were more likely to be reluctant by choice (53% vs. 37%). Faculty at public colleges and universities appeared more likely than those at private institutions to be traditional retirees (40% vs. 30%), while those at private institutions were more likely to be reluctant by choice (56% vs. 45%). Faculty at doctoral institutions were least likely to expect to retire by normal retirement age when compared to faculty at masters and baccalaureate institutions (33% vs. 39% and 38%, respectively). There are no such differences between faculty in the liberal arts and those in professional disciplines.

Hassara emphasized that programs that hope to move the needle with the reluctant by choice group will need to tackle the psychosocial barriers to retirement. Cultures and expectations vary widely across campuses, and so programs designed to address the reluctant retiree phenomenon are best tailored at the institutional and individual levels.

She described TIAA-CREF's work with clients to design programs that start early in the employment life-cycle to help to address cultural norms surrounding retirement, and to overcome some of the barriers to retirement—whether financial or psychosocial.

> *"When people have a deep commitment to their work, when they feel like they have a strong ability to continue to make significant contributions to their profession, the pull to stay is quite strong."*
>
> —Theresa Hassara, TIAA-CREF

Herman Berliner, Hofstra University

Berliner, from Hofstra, briefly described the context for most colleges and universities today, that is: limited endowments, high tuition discount rates, enrollment fluctuations, and changing student demand across disciplines. He also noted the high fixed costs that institutions must operate with—including a senior tenured faculty that is reluctant to retire and, since the early 1990s, is no longer required to do so. Emphasizing that faculty are not interchangeable, Berliner discussed the increasing use of adjuncts to meet shifting enrollment demands. This strategy often results in a suboptimal allocation of adjunct faculty across departments as, for example, student interest rises and more adjuncts are hired or, on the other hand, student interest wanes and all classes are taught by tenured faculty.

A large cohort of reluctant retirees and their associated fixed senior-level costs also makes it difficult to reallocate resources. Institutional responses in this regard include reducing budgets in non-academic and administrative areas, as well as not filling open faculty lines. Another response, eliminating post-retirement health benefits, can dramatically reduce costs but often makes faculty even more reluctant to retire.

Berliner pointed to the tenure system as largely responsible for the expanding numbers of reluctant retirees. He proposed a revised model for tenure, one with more robust post-tenure review, and suggested clearly broadening the weights of the criteria for tenure, to include not only teaching, research and service, but also to take into account the long-term needs of the institution. Other possibilities he outlined included more flexible clinical/practitioner "contract" faculty lines with an emphasis on teaching (and a higher teaching load) rather than research, and faculty workloads that reflect the typical faculty life-cycle, that is, with more research on the front end and more teaching toward the end of one's career.

> *"When I was awarded tenure, the mandatory retirement age was 65. . . all of us entering higher ed in those days never felt that tenure was forever. . .I value all the protections that tenure provides, but it doesn't have to be forever."*
>
> —Herman Berliner, Hofstra University

Tenure, Berliner said, was not originally envisioned as a life-long appointment and indeed was designed when a mandatory retirement age was still in effect. While strongly opposed to a mandatory retirement age, he proposed limiting tenure to 35 years, followed by possible annual one-year appointments.

Hugh Penney, Yale University

Penney described Yale's efforts to manage the retirement patterns of its tenured faculty. As he and his colleagues sought to understand what was driving the reluctant retirees on their campus, they realized that faculty often have little understanding of retirement, as found in the TIAA-CREF survey. Most faculty, for example, didn't know, but thought they might not be able to afford to retire. (That can also serve as a "safe" excuse to keep working.) It also became clear that faculty didn't have a complete understanding of the rights and privileges that go with emeriti status, and viewed retirement as a severing of their relationship with the university, colleagues, students, teaching and research. In short, they saw retirement as a single event, akin to stepping off a cliff.

Yale addressed that mindset by working to increase the availability and usefulness of information about everything that impacts faculty in retirement, and created a single website and brochure for all such resources. Material was pulled in from myriad sources across campus including, importantly, information about how they might continue to teach and research, albeit with different roles and titles.

At the same time, to counter the notion of retirement as a single, cliff-jumping event, a three-year phased retirement program was created. The program is available to faculty between ages 65 and 70 and allows a reduction to half-time for up to three years, at 100%, 75% and 50% salary for years one, two and three, respectively. This period includes a triennial leave, so typically they teach or research full-time for two semesters or half-time for four semesters over the course of three years. The salary step-downs help faculty to transition to living on their retirement income and, again, move away from the intimidating notion of retirement as a single event. When the program was first rolled out there was also a one-time opportunity for faculty already over age 70 to enroll. That deadline proved to be a call to action, and faculty in large numbers met with financial advisors—many for the first time—to evaluate their financial plans. Most learned that they were very financially secure and could retire while maintaining strong ties to the university and their colleagues. Retirements tripled in the first year of the program.

> *"We found that what people really needed was time to transition [into retirement], and that in many cases time was a more important and valuable commodity than money."*
>
> —Hugh Penney, Yale University

From there, Penney said, the benefits team focused on making sure that all faculty over the age of 65 were offered multiple opportunities to meet with financial advisors, and then continued to work their way down to faculty aged 60. Their goal had been to increase retirements so that reluctant baby boomer faculty didn't swell the reluctant retiree population. Yale has been successful in achieving this change in recent years. The question now is, why not continue down the age spectrum so that soon after joining the university, faculty begin their financial planning, which over the course of their careers evolves into retirement planning? Finally, Penney noted the gratitude many faculty members have expressed about the retirement programs, and said that the team's efforts are not just about renewing the faculty, but that they also aim to help individuals understand their financial security so they can plan and, if they desire, pursue other interests and spend more time with their families.

One Size Doesn't Fit All

What is clear to us—and we have learned a lot from the survey but also from the almost 100 years we have been working in higher ed and with retirees and pre-retirees—we know for certain that one size does not fit all, that there are many needs, wants, aspirations, and hopes in the community that we serve. We also know that customs and cultural expectations vary by institution and that programs to influence retirement patterns need to be tailored at the institutional and the individual level. We know that there are some worrisome trends emerging since the mandatory retirement age was repealed in the 1990s. We are increasingly hearing from our institutional clients that because of cost pressures and because of the longevity of tenure today, they are having trouble hiring newer talent, and that is particularly problematic in emerging fields where they need to hire people with a different set of experiences, skills and, perhaps, perspectives. This workforce clog is very real for some institutions and is causing some significant concerns.

—Teresa Hassara, TIAA-CREF

Q&A with Paul Yakoboski
Senior Economist, TIAA-CREF Institute
Author, *Understanding the Faculty Retirement (Non)Decision*

Why the attention focused on faculty retirement ages?

Maintaining a dynamic college or university faculty workforce for purposes of teaching, research and service may be challenged when a significant share of tenured faculty remains beyond “normal” retirement age. Such challenges can result from declining productivity among some faculty, limited advancement opportunities for junior faculty, a lack of openings for new hires, and an inability to reallocate resources across departments and programs. At the same time, faculty who remain in academe to older ages may miss opportunities that would provide greater fulfillment and enjoyment.

Don’t buyout and early retirement packages address the issue when it exists?

Buyout and early retirement packages have been common responses to encourage retirements, but these are blunt instruments that may generate unintended consequences, such as encouraging the departure of productive faculty. Furthermore, if the motivation for working to older ages is not financial, then financial incentives to retire will be of limited value.

So what are the motivations for longer work lives among faculty?

The key drivers differ between the reluctantly reluctant (those who would prefer to retire by normal retirement age, but expect to work longer) and the reluctant by choice (those who would like to and expect to work past normal retirement age.) Not surprisingly, personal finances are a particular barrier for the reluctantly reluctant. Psychosocial factors are the issue with those reluctant by choice.

What do you mean by “psychosocial” factors?

Ninety-four percent of those who are reluctant by choice cite the enjoyment and fulfillment provided by faculty work as a major reason for expecting to work beyond normal retirement age. Teaching, research, interactions with students and colleagues—all can exert pulls to remain in academia.

What use is this information to institutions and faculty?

The answer lies in a more refined understanding of the faculty decision regarding whether and when to retire. Institutions should engage faculty along two dimensions—first, the financial aspect of the decision, and second, the psychosocial aspect. In any case, it is imperative to address assumptions held by many senior faculty, as those assumptions dictate outcomes.

No one will voluntarily retire if they do not feel financially prepared. With this said, one-half to two-thirds of those reluctantly reluctant have not carefully evaluated their retirement finances, i.e., they appear to be *assuming* a financial barrier. Systematic financial analysis of individual retirement readiness is needed. Assumptions need to be tested since they may or may not be correct.

But it’s not a financial issue for most faculty who expect to work beyond normal retirement age.

True, but an analogous dynamic exists among the one-half of senior faculty who not only expect to work past normal retirement age, but want to do so. The vast majority (anywhere from 60% to 90%) have given little if any consideration to what they could do if they retired, so the prospect of retirement has no pull for them. The default outcome then is continued work.

Changing this dynamic requires enabling and encouraging senior faculty to systemically consider how they could use their time if retired. The objective should be a fully informed decision by the individual resulting from an evaluation of alternatives. Life planning is the investigation of preferences and life meaning, which engages an individual in systematically thinking through the possibilities for the remainder of his or her life. This may or may not result in an accelerated time frame for retiring, but it is a prerequisite for one. The challenge involves creating a framework that provides a means to do such an evaluation and then encouraging senior faculty to do so.

Links of Interest

To access the full report, *Understanding the Faculty Retirement (Non)Decision,* see: https://www.tiaa-crefinstitute.org/public/pdf/understanding-the-faculty-retirement-nondecision.pdf

Herman Berliner's paper, *Campus Perspectives From a Long-Time Provost: A Private Higher Education Assessment,* is available at: https://www.tiaa-crefinstitute.org/public/pdf/campus-based_perspectives_from_a_long-time_provost.pdf

Additional work stemming from the TIAA-CREF Institute Faculty Career and Retirement Survey, *The Career Experiences of Academics in Adjunct Faculty Positions,* is available at: https://www.tiaacrefinstitute.org/public/pdf/adjunct_career_experience_full.pdf

About the Panelists

Herman Berliner is provost and senior vice president for academic affairs and the Lawrence Herbert Distinguished Professor at Hofstra University. He is one of the nation's longest serving chief academic officers. In his more than 25 years as provost, Berliner played a vital role in the establishment of the Herbert School of Communication, the Hofstra University Honors College, and the School of Engineering and Applied Science, among others. He also has served as dean of the Frank G. Zarb School of Business and acting dean of the School of Education. Berliner is a TIAA-CREF Institute Fellow.

Teresa Hassara is Executive Vice President and Head of Institutional Business at TIAA-CREF. She leads the institutional retirement business, which serves more than 16,000 colleges, universities, K-12 school districts, health care systems, local and state governments, and other nonprofit organizations. Prior to joining TIAA-CREF in 2009, Hassara held a variety of senior positions at Fidelity Investments. Hassara is a passionate advocate for helping women achieve financial security, and championed the development of TIAA-CREF's Woman-to-Woman Financial Empowerment Series.

Hugh Penney is Senior Director, Compensation and Benefits at Yale University and is responsible for the design and implementation of Yale's retirement plans, health and welfare plans, and staff compensation. Prior to his appointment at Yale in 2007, he served in senior human resource leadership positions at Tufts Medical Center, Shaw's Supermarkets, BayBank, and Filene's Department Stores. Penney is on the Yale Board of University Health and serves as chair of the Connecticut Business Group on Health.