

Faculty retirement and COVID-19

Findings from the 2020 Higher Education Financial Wellness Survey

Paul J. Yakoboski
TIAA Institute

Melissa Fuesting
College and University Professional Association for Human Resources



Executive summary

How and to what degree will the COVID-19 pandemic impact faculty retirement patterns? According to data from the 2020 *Higher Education Financial Wellness Survey*, the age at which they expect to retire has changed for over one-third of full-time faculty age 50 or older since the onset of COVID-19—25% now expect to retire at an older age, while 11% expect to retire at a younger age. An increase in expected retirement age is most common among faculty in their 50s, as well as female faculty.

Institutional strategies to promote faculty retirement should recognize a dynamic where financial concerns are a primary issue among the 25%, yet most have not done a thorough financial check on their retirement readiness since the onset of COVID-19. So while two-thirds of full-time senior faculty report being at least somewhat likely to use a phased retirement program if offered when they decide to retire, no one will decide to retire if they do not feel that they can afford to do so. Encouraging and enabling faculty to carefully evaluate their retirement readiness, ideally with the assistance of a professional financial advisor, should complement phased retirement programs and any other related initiatives.

Introduction

How and to what degree will the COVID-19 pandemic impact faculty retirement patterns? Interest in this question has grown as colleges and universities continue to work through the pandemic while planning for the future.

Faculty retirement patterns were already an ongoing focus for higher education leadership. “Late” retirements among a significant share of faculty, particularly tenured faculty, can present challenges to keeping the faculty workforce dynamic for purposes of teaching, research and service. At the same time, faculty who continue in their position to more advanced ages may miss opportunities that would provide greater fulfillment and enjoyment at that stage of life.

Changes in expected retirement age

The age at which they expect to retire has changed for over one-third of full-time senior faculty (those age 50 or older) since the onset of COVID-19 and its economic consequences—25% now expect to retire at an older age, while 11% expect to retire at a younger age (Figure 1).¹ An increase in expected retirement age is most common among faculty in their 50s, as well as female faculty. Thirty-nine percent of those age 50-59 now expect to work longer, as do 34% of female faculty. In contrast, faculty age 60 or older and male faculty are just as likely, if not more likely, to now expect to retire sooner as they are to expect to work longer.

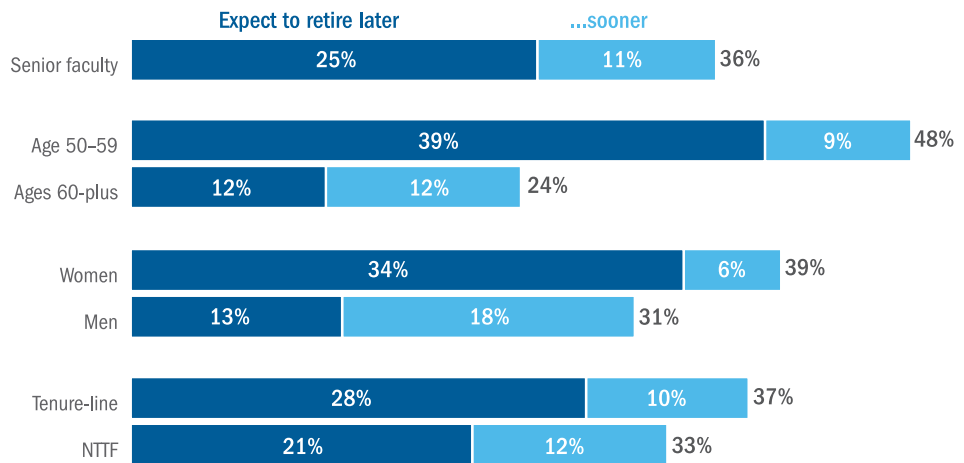
¹ This report is based on data from the 2020 *Higher Education Financial Wellness Survey* conducted by the TIAA Institute and the College and University Professional Association for Human Resources (CUPA-HR). The survey was fielded online from September 18 to October 17, 2020, with a sample of 1,195 faculty, staff and administrators employed full time by a public or private nonprofit college or university. The faculty sample of 600 included 213 respondents age 50 or older.

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Figure 1. Changes in expected retirement age

Expected retirement age has changed for over one-third of senior faculty since the onset of COVID-19.

Among full-time faculty age 50 or older



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

There is no meaningful difference between tenure-line faculty and nontenure-track faculty in terms of changes in expected retirement age. While slightly more tenure-line faculty report an increase in expected retirement age, 28% compared with 21%, this difference is not statistically significant. About 10% of each report now expecting to retire sooner.

Changes relative to normal retirement age

Changes in expected retirement age can be considered in the context of “normal” retirement age and the age at which faculty would like to retire. More specifically, faculty can be divided into those who expect to retire by normal retirement age and those who expect to work past normal age. The latter group can be further divided into those who want to work past normal retirement age and those who would prefer instead to retire by normal retirement age.²

² See Yakoboski and Bichsel, Yakoboski (2015), and Yakoboski (2011).

- Almost one-half (48%) of full-time senior faculty currently expect to retire by normal retirement age.³ Expected retirement age increased for 33% of these faculty since the onset of COVID, while decreasing for 12%.
- Thirty-eight percent of full-time senior faculty currently expect to work past normal retirement age and want to do so. Relatively few of these faculty have experienced a change in expected retirement age since the onset of COVID—it increased for 7% and decreased for 7%.
- Fourteen percent of full-time senior faculty currently expect to work past normal retirement age, but would prefer instead to retire by then.⁴ Changes in expected retirement age were most common among these faculty—it increased for almost one-half and decreased for approximately 20%.

Phased retirement

Phased retirement programs are one means used by colleges and universities to manage faculty retirement patterns. A phased retirement program transitions individuals from full-time employment through part-time employment to full retirement. They receive a pro-rata share of salary while phasing, which typically occurs over a 3- to 5-year period.⁵

The phase period provides individuals with the opportunity to prepare for the psychosocial aspects of full-time retirement and thus may encourage some to retire sooner, though the degree of such an effect is unclear. However, even absent such an effect, phased programs enable better workforce planning by creating certainty regarding the timing of retirement among those who choose to participate.

Almost one-third of full-time senior faculty report that they very likely would use a phased retirement program if offered by their institution when they decide to retire (Figure 2). An additional 37% are somewhat likely to do so.

³ Age 67 is used for normal retirement age. Individuals currently age 50 can begin to collect full Social Security benefits at age 67.

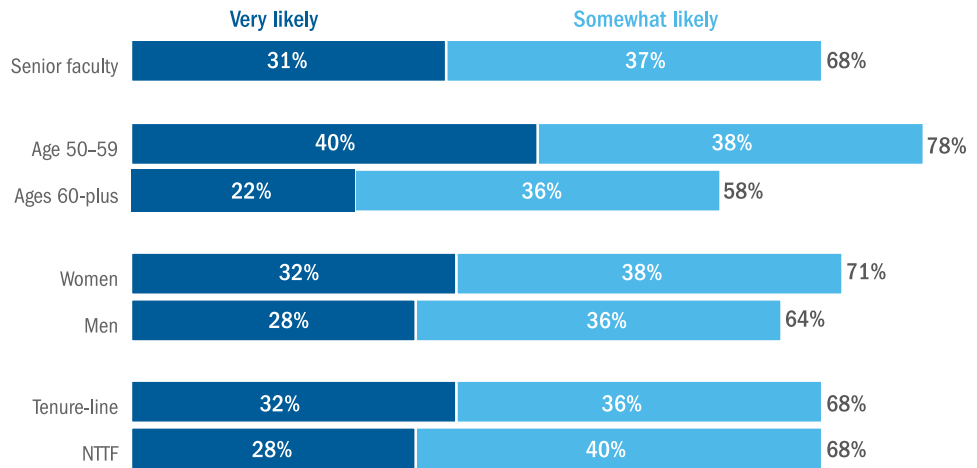
⁴ These figures are based on a small sample size.

⁵ Eligibility usually depends upon a combination of age and service, and participation typically requires administrative approval. Faculty often receive other employee benefits during the phase period.

Figure 2. Interest in phased retirement

Two-thirds of senior faculty are very or somewhat likely to use a phased retirement program when ready to retire.

Among full-time faculty age 50 or older



Source: *Higher Education Financial Wellness Survey*, CUPA-HR and TIAA Institute (2020).

Almost 80% of faculty in their 50s report being at least somewhat likely to use a phased retirement program; 40% say that they are very likely to do so. Women appear more interested than men in phasing into retirement, but this difference is not statistically significant. There is no difference between tenure-line and nontenure-track faculty in predisposition to use a phased retirement program.⁶

Phased retirement in the context of COVID-19

Can phased retirement programs encourage faculty retirement in the current environment? There are two dimensions to the faculty retirement decision: the financial and the psychosocial. As mentioned above, the phase period provides time for individuals to address psychosocial aspects of retiring. However, no one will make an irrevocable decision to enter a phased retirement program unless they are confident about being financially ready to retire at the end of the phase period.

⁶ Among full-time senior faculty reporting that their expected retirement age has increased, 34% are very likely and 37% are somewhat likely to use a phased retirement program if available when they decide to retire. These figures are based on a relatively small sample size, however.

Financial issues created or exacerbated by COVID-19 most likely underlie most increases in expected retirement age. With that said, it is also likely that in most cases individuals assume rather than know that they can no longer afford to retire at the age they expected prior to the pandemic. An analogous phenomena has been consistently identified in previous research—faculty who do not think that they can afford to retire when they would like have typically not done a financial evaluation of when they can afford to actually retire.⁷

There is evidence of the same dynamic here. While 69% of full-time senior faculty report that they have done a careful evaluation of their financial situation and when they can afford to retire, only 34% have received financial advice on planning and saving for retirement from a professional advisor or advisory service since the onset of COVID-19.⁸ So changed expectations to later retirement ages are likely based on assumptions rather than knowledge about financial readiness in most cases. Those same assumptions could bias against deciding to enter a phased retirement program in the current environment.

Discussion

Twenty-five percent of full-time senior faculty (age 50 or older) now expect to retire at an older age compared with their expectations prior to the onset of COVID-19. While an additional 11% of faculty now expect to retire at a younger age, it is the former that are likely of primary interest to higher education leadership in terms of workforce management as colleges and universities continue to work through the pandemic and plan for the future.

Institutional strategies that include incenting faculty retirement should recognize a dynamic where financial concerns are a primary issue for most of the 25%, yet most have not done a thorough financial check on their retirement readiness since the onset of COVID-19. Rather, it is likely assumptions that underlie most increases in expected retirement age. In an environment where financial markets have recovered most, if not all, losses incurred earlier in 2020, yet heightened volatility remains, the issue is individuals making choices with incomplete information—choices that might be different with better, more complete information.

Encouraging and enabling faculty to carefully evaluate when they can afford to retire, ideally with the assistance of a professional financial advisor, should complement phased retirement programs and any other initiatives to encourage retirement. Financial clarity positions individuals to make fully informed, appropriate decisions.

⁷ See Yakoboski and Bichsel, Yakoboski (2015), and Yakoboski (2011).

⁸ The analogous figures among faculty reporting that they now expect to retire at a later age are 60% and 31%, respectively. These figures are based on a relatively small sample size, however.

References

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About the authors

Paul Yakoboski is a Senior Economist with the TIAA Institute, where he is responsible for research on lifetime financial security, including topics related to defined contribution plan design, individual saving and investing, financial literacy and capability, and asset management during retirement, as well as research on workforce issues in the higher education and nonprofit sectors. Prior to joining the TIAA Institute, Yakoboski held positions with the American Council of Life Insurers, the Employee Benefit Research Institute and the U.S. Government Accountability Office. Yakoboski earned his B.S. in economics from Virginia Tech and M.A. and Ph.D. in economics from the University of Rochester.



Paul Yakoboski

Melissa Fuesting is a Survey Researcher with CUPA-HR, where she conducts research on the higher education workforce. Fuesting is responsible for research on benefits in higher education. In addition, Fuesting focuses on workforce issues in higher education, including topics related to diversity, equity, and financial well-being. Prior to joining CUPA-HR, Fuesting conducted research on diversity in the U.S. science and engineering workforce. Fuesting earned her B.A. in psychology from Illinois Wesleyan University and M.A. and Ph.D. in social psychology from Miami University.



Melissa Fuesting



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