Creating a path forward for reluctant retirees
As baby boomers age into the traditional retirement years, campuses are getting grayer. In fact, academic institutions employ a disproportionately higher number of persons over the age of 65, relative to the general labor force. Consider these statistics:

- Between 2000 and 2010, the proportion of all professors 65 and older nearly doubled.
- Seventy-five percent of senior faculty expect to work past “normal” retirement age (i.e., when they are eligible for full Social Security benefits). Sixty percent want to work past this age, while 15 percent feel that they will need to do so.
- The median age of the professorate now surpasses all other occupational groups.

As a result, tenured faculty who postpone retirement for a variety of reasons are commonly described as “reluctant retirees.” There are certainly advantages to having a highly experienced faculty and administrative staff on campus, including knowledge and continuity. But these can come at significant costs to the institution, including higher salaries and benefit costs; lower faculty productivity in some cases; the inability to reallocate faculty resources across departments and programs as student demand changes; and the opportunity costs of not making room at the institution for new and rising academic talent.

For these reasons, institutions have a vested interest in creating a pathway to retirement for reluctant retirees. Many pre-retirees—often tenured faculty—have not yet begun to plan or even envision retirement. By helping them address two fundamental questions, institutions can reduce the anxiety reluctant retirees feel about retirement and help improve their retirement readiness. These two questions are:

- From a financial perspective, will they be able to afford to retire?
- From an emotional perspective, are they prepared for life after academe?

Efforts to answer these questions can benefit both the institution and reluctant retirees. The institution can manage costs more effectively, infuse greater flexibility into its staffing model and make room for new talent, while reluctant retirees can plan for a new life phase that can be both satisfying and financially secure.

But institutions must manage a delicate balancing act, being careful to avoid the perception that they’re trying to push faculty out, especially since this can be perceived as an issue related to age discrimination. Also complicating the messaging and design of these programs is the fact that not all employees are the same: Faculty, administrators, executives and staff all face different financial realities and have different priorities.

However, the need to overcome the emotional obstacles associated with retirement seems to be significantly more prevalent among tenured faculty than other employees. For this reason, helping reluctant retirees address their emotional retirement concerns is more relevant to tenured faculty, while financial strategies are more universally applicable. In both cases, Human Resources may need to work closely with Academic Affairs to best understand and meet the needs of reluctant retirees.
What’s behind a delayed retirement?
The first step in addressing the financial and emotional concerns of reluctant retirees is to understand the primary factors behind the trend toward delayed retirement.

**Longer, healthier lives**
Not only is the average life expectancy in the U.S. increasing, but people tend to be healthier—eating better, exercising more, not smoking—and physically capable of working longer than their predecessors.4,5 What’s more, since academic work is more mentally stimulating than physically demanding, many professors stay on the job longer. Tenure, of course, makes it even easier to do so: 1993 was the last year that colleges and universities were permitted to enforce a mandatory retirement age of 70.

**Job satisfaction**
Faculty report higher job satisfaction levels than their counterparts in other professions. Some studies cite “the work itself” as the source of this satisfaction, while others cite achievement, responsibility and social relationships.6 Two-thirds of faculty planning to work past age 67 cite personal preference as the primary reason.7

**Fear of what’s next**
Many senior faculty say they have not developed a sense of meaning or satisfaction outside of their occupational roles, and fear they will be “sent to pasture” when they do retire.8 University of Iowa researchers found that even those participants already enrolled in phased retirement programs were often at a loss for what they would do after leaving academia.9

**Generous benefits**
Academic institutions often provide generous benefits to their faculty and staff, and health insurance has been found to be an especially important factor when deciding whether or not to retire. Rising health insurance costs can be difficult to afford on a post-retirement fixed
Many faculty members are also reluctant to give up office space, parking and library privileges.¹⁰

Financial uncertainty

Many pre-retirees simply don’t know if they’ve saved enough or if they can replace their salary with an adequate income stream from their investments and other sources of income such as Social Security. In fact, the financial condition of many aging baby boomers has not kept pace with their health and physical fitness, leading many to stay on the job well past the traditional retirement age of 65.

To better understand the reluctant retiree’s thinking, a TIAA-CREF Institute study featured the results of a survey of faculty members aged 60 and older (see Exhibit 1). Several patterns emerged. Seventy-seven percent listed personal finances as a reason for delayed retirement. Two-thirds cited health benefits. Exhibit 1 also highlights a large number of “meaning-related” issues. Almost all (96 percent) of reluctant retirees enjoy their work and feel fulfilled by it. Three-quarters said they would miss their colleagues and campus activities. Therefore, these issues need to be addressed from both a financial and an emotional perspective.

According to a TIAA-CREF Institute Study, almost all (96 percent) of reluctant retirees said they enjoy their work and feel fulfilled by it. Three-quarters also said they would miss their colleagues and campus activities.

<table>
<thead>
<tr>
<th>Exhibit 1: Why do you expect to work past a normal retirement age?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have not considered possibility of retirement</td>
</tr>
<tr>
<td>No reason to retire</td>
</tr>
<tr>
<td>Remain effective in faculty responsibilities</td>
</tr>
<tr>
<td>Would miss colleagues and campus associations</td>
</tr>
<tr>
<td>No attractive alternatives for time</td>
</tr>
<tr>
<td>Enjoyment and fulfillment of work</td>
</tr>
<tr>
<td>Need employer health insurance benefits</td>
</tr>
<tr>
<td>Personal finances necessitate</td>
</tr>
</tbody>
</table>

Source: Conrad S. Ciccotello, JD, Ph.D., TIAA-CREF Research Fellow, “A nudge too far? Opportunities and challenges for advising the reluctant retiree,” September 2013. *Responses may not add up to 100% due to rounding.
The financial challenge: Is retirement financially feasible?

Many higher education faculty and staff might actually be in a better financial position than they might realize. Compared to other professions, a greater percentage of the higher education workforce have had access to financial advice throughout their careers, have been saving at the recommended rate of 10 percent to 15 percent (or more) of their salary and have access to guaranteed income products through their retirement plan. This helps to put higher education near-retirees on the right track to achieving a secure retirement.

Every pre-retiree’s financial situation is unique, and through financial education and advice, plan sponsors can help faculty and staff set income replacement goals—recommended to be between 70 percent to 90 percent of pre-retirement income—for their retirement and monitor their progress. That said, faculty members are generally more open to third-party financial advice (see Exhibit 2).

Exhibit 2: How interested are you in receiving advice about retirement from these sources? (Among reluctant retirees)

Source: Conrad S. Ciccotello, JD, Ph.D., TIAA-CREF Research Fellow, “A nudge too far? Opportunities and challenges for advising the reluctant retiree,” September 2013.
It is important for you to work with your retirement plan providers and advisors to make sure your faculty, administrators and other employees have the necessary resources and tools that can lead them to a comfortable retirement. Among others, this means offering and helping to increase awareness and participation in one-on-one advice sessions, as well as engaging individuals at critical moments with relevant support, including peer support in person or through online communities. It also means empowering your employees with the resources to take a holistic approach to retirement that includes a household’s total assets, liabilities and goals. Lastly, your plan should offer the necessary investment options and financial products—especially guaranteed products—to allow your faculty and staff to implement an effective retirement plan.

In addition, you may want to consider offering financial incentives to nudge reluctant retirees, if you are not already doing so. These may include:

- bonus payments for faculty members that agree to retire at or prior to a specified age
- offering the option to phase into retirement with a workload reduction that comes with an adjusted salary
- continuing employer-paid health benefits post-retirement
- offering hire/rehire options for faculty to relinquish tenure—with the understanding that they will be rehired—in exchange for certain incentives

Although financial incentives can play an important role, there are different approaches that do not have significant costs associated with them. For example, you may want to focus on increasing reluctant retirees’ awareness of existing retirement programs. You can also work with your retirement providers to make sure you are making the most of available resources and programs.

The emotional challenge: Is there life after academe?

As noted earlier, retirement is not just a financial decision. Many faculty and staff members are uncertain about what they will do in retirement. Will their life still be fulfilling? Will they still be welcome on campus? Will they lose touch with friends and colleagues? Institutions must help reluctant retirees to redefine retirement. It’s not about severing people’s connection to their passion, but about a new phase of life.

Redefining retirement for your faculty and staff starts by understanding their needs and concerns. You may find you have different segments of employees with different priorities. The administrative staff may have a very different perspective on retirement than the tenured faculty. While senior executives may have more complex retirement planning needs than the rest of your workforce, you can tailor your communications and retirement programs to each group’s unique characteristics. Focus groups or surveys are an invaluable tool to help identify these unique characteristics.

Based on your faculty and staff members’ needs, you can then create a comprehensive action plan that addresses existing obstacles to retirement. An institution should consider offering a variety of retirement pathways to make the transition to full retirement less abrupt. For instance, phased retirement allows faculty to work part-time while developing new interests (see “Case Study: The University of Chicago”). Likewise, a retire/rehire option gives the faculty member a sense of confidence that he or she can continue to maintain a relationship with the school.
To work through this challenging, emotional transition, the institution can schedule speakers about retirement, hire life/retirement coaches, and organize forums in which transitioning peers can interact. The idea is to “redefine” retirement and make it attractive. But discussion alone won’t allay fears. Institutions need to put tangible programs and policies in place that appeal to near-retirees who don’t want to sever ties with the institution. A few of these include:

- **Mentoring**: Programs in which retired professors mentor younger or incoming faculty
- **Recognizing retiring academics**: Programs designed to provide more recognition to retiring academics
- **Continuing professional support**: Provision of a physical office or lab space, as well as related support, such as a computer, library access, part-time research assistant, and limited expense account for conferences and meetings, so retired professors can continue their professional work
- **Continuing professional involvement**: Policies that encourage retirees to sit on committees, review boards, and the like; although these are generally not remunerative, retired participants may be honored with emeritus status
- **Continuing campus involvement**: Policies that encourage retirees’ participation in campus life, including invitations to deliver guest lectures, introduce speakers, advise students, or contribute to newsletters

Ultimately, every retiree must determine his or her goals and dreams for the next stage of life. But institutions can help significantly in allowing them to imagine the shape of a new phase.

Institutions need to put tangible programs and policies in place that appeal to near-retirees who don’t want to sever ties with the institution. The idea is to “redefine” retirement and make it attractive.
Soon after the courts ruled in the early 1990s that schools could not enforce a mandatory retirement age on tenured faculty, the University of Chicago rolled out a Faculty Retirement Incentive Plan (FRIP). Senior leaders knew they had to make the incentives generous enough so that faculty could confidently transition into retirement or they simply would not participate. They ended up with a generous and well-established plan that is part of the university’s culture. Results have been consistent and every year a good percentage of eligible faculty participate in the plan.

Within the FRIP, tenured faculty have two options to choose from:

- **Early retirement:** Faculty are informed at age 63 of their eligibility to participate in this program, and can retire between the ages of 65 and 70, after completing an Early Retirement Election and Agreement form two years prior to their retirement date. In return for setting their retirement date, faculty receive a bonus based on a multiple of their base academic salary that declines as the retirement age increases. For instance, professors retiring at age 65 with an average base academic salary of $200,000 over their last three working years will receive a $400,000 bonus at their retirement date. “That will really jumpstart a retirement,” says Michael Knitter, assistant vice president of human resources at the University of Chicago.

- **Halftime:** Faculty members agreeing to this plan can work halftime for up to five years at two-thirds of their pay. Faculty members are eligible to begin this program starting at the age of 65, but they can sign up for the program any time after turning 63. This option is intended to appeal to those faculty members looking to transition into retirement while working on a reduced schedule.

Other benefits of the FRIP include healthcare at no cost to retirees and their partners who are Medicare eligible; private tuition benefits at the University Laboratory School for children in K-12; and college tuition benefits up to 85 percent of the university’s own tuition for adult dependents to attend any university in the world. The institution also offers $3,000 worth of retirement counseling services to all tenured faculty members participating in the FRIP program which can be used at anytime.

Knitter says the FRIP is successful not just because of these generous benefits, but because the program has become part of the university’s culture. Faculty hear about the FRIP for years, and they’re expecting the benefits package when they turn 63. As a result, the FRIP program is not seen as an antagonistic move against the faculty. It’s part of the University’s normal way of operating and four faculty members sit on the Faculty Retirement Oversight Committee (FROC), which oversees the FRIP.

Knitter acknowledges that there are aspects of the university’s FRIP that are not easily duplicated. One is the cost of the benefits package; not all schools are in a financial position to design such a generous plan. Another aspect of the University of Chicago’s plan not easily duplicated is its place in the school’s culture. It takes time to develop a sense of trust with the faculty and dispel the notion that these types of plans are just self-serving to the institution. For this reason, Knitter recommends that other institutions move forward expeditiously. The sooner a FRIP is in place, the sooner its integration into the culture of the institution can begin.
Best practices in retirement transitions

While institutions in general can do more to transition reluctant retirees, some colleges and universities have already implemented innovative programs that are instructive for institutions still designing their own solutions. In 2012 The American Council on Education (ACE) and the Alfred P. Sloan Foundation recognized 15 colleges and universities that had demonstrated cutting-edge approaches to supporting faculty before, during and after their retirement transitions. Awardees each received $100,000 grants to accelerate innovative practices.

The institutions demonstrated a best practice in three stages in culmination of faculty careers: the development of a legacy, the transition into retirement and the continuing involvement of faculty in the academic community post-retirement. Institutions were recognized based on the retirement transitions program they had in place in 2012. They include:

**Development of a legacy:** Georgia Institute of Technology had the highest ACE/Sloan Institutional Survey score among research universities. As part of its many retirement policies, it offers part-time appointments to retirees, who can select a research, teaching, or service track. It also offers fully subsidized medical insurance to retired faculty, their spouses, and their dependents. These policies have resulted in many early retirements.

**Transition into retirement:** Princeton University has a variety of policies and programs to ease the transition to retirement that includes creating opportunities for retired faculty to continue their research and scholarship. The university has four retirement-transition packages for faculty members who are eligible for retirement after they reach age 55 and have at least 10 years of service. These packages are intended to address concerns that "closed-door deals" are creating inequities.

Helping the institution and reluctant retirees

What these best practices clearly show is that a successful faculty retirement plan must balance the financial and emotional well-being of reluctant retirees. This includes providing pre-retirement planning on financial and nonfinancial topics, gradual transitions, and post-retirement opportunities.

For the vast majority of faculty, the transition to retirement, no matter how well-planned, is an emotional one. But institutions can play a valuable role in facilitating this transition. Done right, pre-retirees benefit by opening a new chapter in their lives, and institutions benefit by lowering costs and opening up faculty positions for scholars with fresh perspectives and energy.
Checklist: Five steps to transition reluctant retirees to the next stage

A five-step process can ease the transition to retirement for reluctant retirees. This process will help you develop policies, procedures and programs that address their concerns.

**Step one: Form a committee of stakeholders focused on facilitating the retirement process for pre-retirees.**

- Ensure that you have diverse representation on the committee. Membership should draw from the administration, faculty and staff so that no group feels disenfranchised.

**Step two: Evaluate faculty and staff behavior to identify opportunities to improve your retirement offering.**

- Study your faculty and staff to uncover unique retirement behavioral patterns across different segments. Determine if there are differences between employee segments and also between employees of the various schools of the institution.

- Consider conducting surveys or focus groups of your faculty and staff to find out how they feel about retirement and the institution’s existing retirement programs.

- Evaluate the utilization of existing retirement programs across the institution.

**Step three: Make sure you are making the most of resources and programs available through your providers.**

- Work with your retirement providers and advisors to develop a deeper understanding of what near-retirees are thinking. Study best practices from around the industry. Some institutions may have already implemented innovative programs that could be applicable to your current situation.

- Assess your retirement plan provider’s available workshops and seminars to determine if your pre-retiree faculty and staff would benefit from them.

- Review the retirement readiness of your near-retiree segment—with the help of your plan provider and/or advisor—to determine what steps are needed to improve their retirement outlook.
### Step four: Design a plan that addresses both the financial and emotional concerns of your faculty and staff.

- Establish a strategic plan to facilitate your faculty and other employees’ transition into retirement. Use the insights developed from steps 1, 2 and 3 to create a plan that addresses both the financial and emotional concerns of your employees.
- Take into consideration the unique concerns and attributes of your different employee segments when developing and implementing the plan.
- Work with your retirement providers and advisors to align your retirement efforts and programs. You may also want to consider working with a consultant to help with more comprehensive approaches and solutions to your institution’s needs.
- Consider implementing a phased retirement or incentive plan to entice individuals to retire.

### Step five: Effectively communicate your retirement program for pre-retirees and establish a process to track the success of the program.

- Understand that faculty may be initially wary of policies and programs aimed at transitioning them to retirement, especially if driven solely by the administration. Clearly communicate that these are voluntary programs and dispel any notion that there will be pressure to join.
- Maintain a long-term focus for your retirement transition planning and incentives. It takes time for new programs to gain credibility and an institution’s culture regarding retirement can’t be changed overnight.
- Settle on which metrics to follow to determine the success and financial viability of the program; for instance, it makes sense to track the percentage of eligible faculty and staff members who show initial interest in the retirement programs, and the percentage that actually sign up.
- Incorporate feedback as part of the evaluation process. The success of a program is highly dependent on the experience of retirees. A positive experience will encourage others to take part in the program.
An age of opportunity: Taking a strategic approach to longevity, retirement and job satisfaction in higher education,” TIAA-CREF, April 2012.

Yakoboski, Paul J., “Should I Stay or Should I Go? The Faculty Retirement Decision,” TIAA-CREF Institute, December 2011.


Ibid.


Investment, insurance and annuity products are not FDIC insured, are not bank guaranteed, are not bank deposits, are not insured by any federal government agency, are not a condition to any banking service or activity and may lose value.

TIAA-CREF products may be subject to market and other risk factors. See the applicable product literature, or visit tiaa-cref.org for details.

TIAA-CREF Individual & Institutional Services, LLC, Teachers Personal Investors Services, Inc., and Nuveen Securities, LLC, Members FINRA and SIPC, distribute securities products. Annuity contracts and certificates are issued by Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF), New York, NY. Each is solely responsible for its own financial condition and contractual obligations.

©2014 Teachers Insurance and Annuity Association of America-College Retirement Equities Fund, New York, NY 10017