

Retirement Readiness: A Faculty View

Source: HR Horizons

As recently as five years ago, the swell of aging faculty and concerns about how to replace them were prominently featured in higher education publications. Fast forward to the end of 2008 when many nearing retirement began replacing hopeful visions of financial security with the reality of dwindling retirement funds and decreasing home values. It is no surprise that today faculty members report they are remaining in the workplace longer than expected. Data from the TIAA-CREF Institute report “Managing Retirement in Higher Education” (April 2009), by research fellow Paul Yakoboski, revealed that of 1,002 near-retirees (ages 50 to 70) in the higher education sector, 27 percent expected to retire later than they had anticipated retiring one year prior. The typical (median) increase in expected retirement age among these individuals was three years.

While the two primary factors in the retirement decision-making process for most employees remain retiree health-care costs and the amount of money saved for retirement, ultimately career and retirement decisions are highly individual ones that are influenced as well by personal preferences about leisure and lifestyle, the work environment, and so on. An aging of the professoriate remains among the most important trends in higher education today, and many institutions have not adequately planned for large numbers of faculty retiring simultaneously. Nor have many institution leaders truly considered how they will strategically renew their faculty ranks within the coming decade.

What role can higher education HR leaders play in addressing the growing concerns of faculty members who are nearing retirement in the midst of a sluggish economy? How can HR leaders help their institutions get in front of economic recovery as more prosperous conditions, or at least a stabilized economy, may lead faculty members to retire at compounded levels—making up for the unexpected delays in their retirement brought about by the recession?

The Need for Perception

Institutional human resource practices, procedures, and processes are essential in the planning efforts at each stage of employment—recruitment, retention, and retirement. Yet, to do a better job of addressing the nuances surrounding faculty retirement in particular, we must include another “P”: perception. Because individuals have distinct needs and motivations, understanding the perspectives of those facing retirement decisions during the next several years will allow leaders to rise above mere analysis of general workforce demographics and trends to truly understand the dynamics at play within their own institutions.

While many institutions collect and compile demographic data about their workforce, often the data are not analyzed beyond what they suggest about trends in turnover, retention, or productivity. As such, a broad range of workforce information can go overlooked, including generational concerns about retirement and their implications for institution retirement programs and benefits.

Asking Faculty What They Think

Earlier this year I surveyed faculty members from four smaller independent higher education institutions in Virginia to gain a better understanding of faculty views and concerns about retirement, including what they felt most impeded their plans for retirement. With the exception of age and gender categories, participants could opt out of any questions. Faculty members responded to additional questions in the survey specific to their retirement concerns or **needs**.

Health-care concerns. Among the most interesting findings of the study was the primary role health care played in respondents' concerns about retirement and their decisions to delay retirement—more so than pure economic factors. For instance, 90.3 percent of those surveyed agreed that the availability of health care insurance upon retirement would make them better prepared. Additionally, the rising cost of health care was deemed more critical as a retirement concern than either insufficient retirement planning or recent market changes. **See Table 1: Faculty Concerns About Retirement.** (Important to note is that data collection for this survey occurred as the national initiative to pass the health-care reform was headed for a vote, and this likely had some impact on the survey results.)

Table 1: Faculty Concerns About Retirement

Please rank the concerns you have about retiring in the order <i>most critical</i> in column 1, <i>critical</i> in column 2, and <i>least critical</i> in column 3.				
	Most Critical	Critical	Least Critical	Response Count
The rising costs of health care	42.9% (36)	46.4% (39)	10.7% (9)	84
Insufficient retirement planning	24.7% (21)	28.2% (24)	45.9% (39)	85
Recent economic market changes	32.2% (29)	26.7% (24)	41.1% (37)	90
			answered question	93
			skipped question	3
			OTHER	5

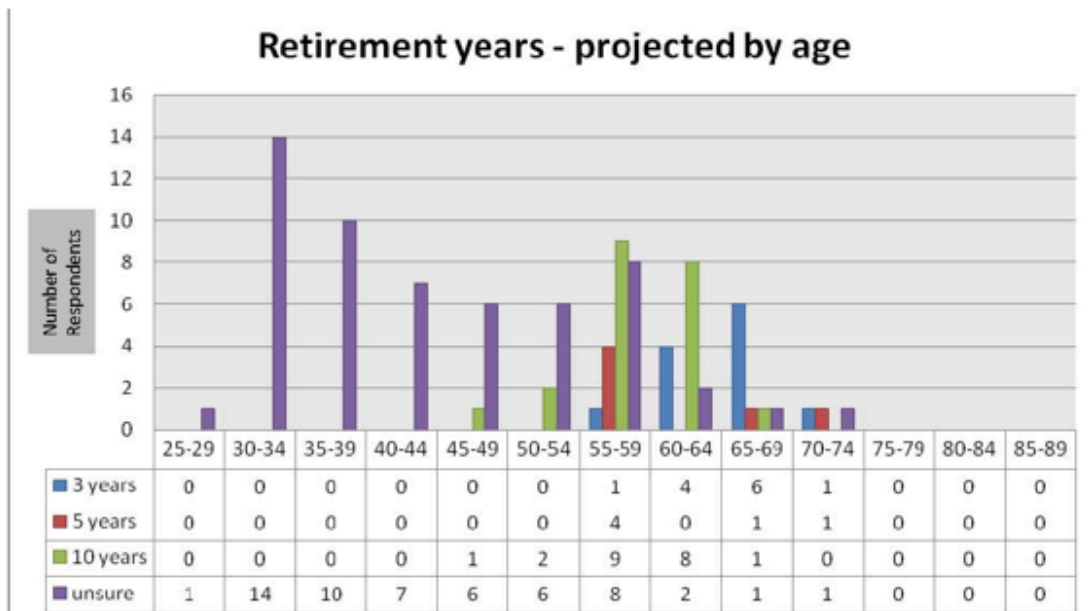
And yet, by some indications there is a downward trend afoot in the number of institutions offering retiree health care. The November 2006 TIAA-CREF Institute report, "The Retiree Health Care Challenge," cites research by the institute revealing that 12 percent of the 75 percent of colleges and universities indicating that they sponsored a retiree health plan in 2004 were likely to discontinue the offering within five years. Those looking to continue their programs planned modifications such as tightening eligibility, eliminating subsidized coverage for future retirees, and capping employer contributions and increasing retiree contributions for premiums and out-of-pocket expenses.

One takeaway for institution leaders is that the availability and cost of health care remains a key issue for retiring and retired faculty and is likely to be an important aspect of any early-retirement incentive program that may be offered. Even as institution leaders and human resource professionals develop strategic approaches to retirement benefits for a changing workforce, uncertainties about retirement among near-retirees must be addressed. Short-term budgetary concerns can easily overshadow what may be a valuable piece of the retirement planning puzzle considered essential to **near-retirees in particular**.

Phased retirement. When asked whether they felt a phased retirement plan would better prepare them for retirement, 54 percent of participants responded “yes” versus 22 percent who said “no” and 24 percent who weren’t sure. (Many respondents were still uncertain about when they would retire.) Phased retirement options can potentially address some of the uncertainty that exists in retirement planning and provide some meaningful criteria and policies that add fairness and transparency to the process. This may become even more critical as institutions begin to experience an uptick in faculty retirements. Without a cohesive retirement plan, the problems associated with a mass exit of older employees could become a costly liability to the financial stability of the institution. For instance, inadequate retirement planning from an institutional standpoint could result in unintended consequences such as hiring unplanned replacements, an imbalance in the offerings of deals to faculty such as buyouts or early retirement options, a lack of continuity in faculty knowledge, and **academic program inconsistency**.

Retirement revisited. While the mass exodus of faculty anticipated a few short years ago was sharply curtailed by the economic recession, there is no doubt that a wave (or a series of ripples) in faculty retirements will again emerge, as a significant segment of this employee population is set to retire from full-time work **within the next five to 10 years**. See **Table 2: Faculty Retirement Projections**. Even as institution leaders attempt to manage the flow of faculty retirements in the near term, they must begin now to engage in comprehensive planning to develop retirement programs and benefits that will attract and retain **quality younger faculty members**.

Table 2: Faculty Retirement Projections



Facultywide Concerns

Important to bear in mind is that the concerns expressed by faculty about health-care costs and availability weren't exclusive to those nearing retirement but were evident among all age groups. In terms of higher education recruitment, the security of a retiree health-care plan or supplement to the nationwide Medicare program may be an important benefit to consider offering to all faculty members. Equally important to remember is that a "one size fits all" retirement program is not realistic for most institutions today. A retirement benefits package that addresses the concerns of only one generation such as those nearing retirement may not adequately address the needs of younger faculty and of evolving family structures. Offering a variety of venues to encourage employee retirement and health-care savings allow all faculty to find what works best for them. Because the variety of program alternatives each bears a cost, every institution must likewise determine what best fits its mission and budget. A necessary first step is for human resource professionals and other institution leaders and decision makers to evaluate their particular workforce needs, using data that can assist them in faculty recruitment, retention, and retirement planning.

Gathering baseline demographic data and information from faculty about their needs and concerns can help institution leaders make balanced decisions as they seek creative retirement program benefits to serve as a tool for recruitment and retention of new faculty as well as offer a smooth transition for those nearing retirement. Ultimately, strategic retirement planning is critical not only for those employees for whom retirement is imminent, but also for those located anywhere along the retirement spectrum—from the newest hire to the most senior tenured professor. While attempts to determine workable alternatives to retirement planning may be effective temporarily for an aging population, a comprehensive strategic retirement plan is required for attracting and retaining quality **faculty members for the long haul**.

Facilitating Faculty Retirement

So, how can HR facilitate effective planning of faculty retirement through normal attrition or a formally structured phased retirement **program**? **Here are three** key steps.

Analyze your workforce. Categorize each generation. Determine the potential of a mass exit if all faculty members above age 65 retired tomorrow. How would this impact the institution not only in terms of cost of replacement, but also in the benefits arena and distribution costs of existing retirement plans in place? This view will be different for each institution, depending on the plans offered and the demographics of the workforce. However, gaining this essential overview will allow administrators to work collaboratively with human resources to budget for estimated future hiring needs. This also provides a visual map for reallocating resources within the university while remaining committed to the **university's mission and culture**.

Ask faculty members at different levels, within different disciplines, and within various age groups, what they envision as an effective retirement plan. Faculty at one institution may envision the ideal plan very differently than those at another institution. Yet, without researching needs to gain this valuable input, the assurance that any plan will be effective is a shot in the dark. For instance, while a phased retirement plan may be deemed the best benefit to assist near-retirees with retirement planning, what specific components are important to them within the plan design? Is health care offered to retirees of the institution, and if not, can it be? Has there been discussion about how this could be implemented into the faculty retirement plan?

As one example, my university is among more than 50 institutions that offer the Emeriti Retirement Health Solutions Program. While this is still relatively new (the plan was first offered in 2007), we are beginning to use this plan to offer eligible faculty and staff members retiree health-care options with a variety of plan designs and alternatives, plus insurance premium costs at attractive group rates. An institution's contribution is a demonstration of commitment to the program. Our hope is that over time, individuals who are in the Emeriti program will realize the potential of saving for health-care retirement needs. Long term, the Emeriti program can provide a level of security in a health-care plan available upon retirement as well as the funding resource to meet health-care needs, such as those typically available in a pre-tax, flexible health-care spending program. This is an example of a program that addresses the potential concern for retirees faced with rising health-care costs for themselves or their dependents upon retirement. While this is one example of a program that can be used, other options and solutions exist **to address retirement needs.**

Research what other institutions are doing to benchmark your activities against industry best practices. Annual surveys, articles, and data about higher education faculty retirement planning—including plan administration, design, and overall costs—are available through TIAA-CREF, AAUP, EBRI, CHERI, SHRM, and CUPA-HR, among other organizations. Keep in mind that what you see may not always be what you get. A program that looks good on the surface could be an administrative nightmare with hidden costs or requiring complicated coordination **among other benefits.**

Understanding Hearts and Minds

While no one knows exactly what may unfold with regard to the scope and pace of faculty retirements during the next several years, workforce data can help leaders project best- and worst-case scenarios for faculty replenishment and enable their institutions to become more adaptive and creative with meeting future faculty retirement needs. If there is a silver lining regarding the recession, perhaps it is that it has allowed higher education retention and retirement rates to remain fairly stable. While this has provided a bit of breathing room with regard to faculty replenishment, this is no time for HR or other institution leaders to delay responding to a dramatic turnover of faculty members certain to take place within the coming decade.

What drives individuals toward final decisions about when to retire often entails a long and complex thought process specific to each person. While compiling the current demographics of your workplace is fairly easy using indicative payroll data, and while analyzing that and other data is likewise a fairly transparent process, understanding the hearts and minds of your employees is much more complex, requiring a new strategic role that HR must embrace and *nurture within the institution.*

Kelly J. Samson-Rickert is human resources and benefits manager at Shenandoah University, Winchester, Virginia. E-mail: krickert@su.edu.