

Retirement Transitions for Faculty Members

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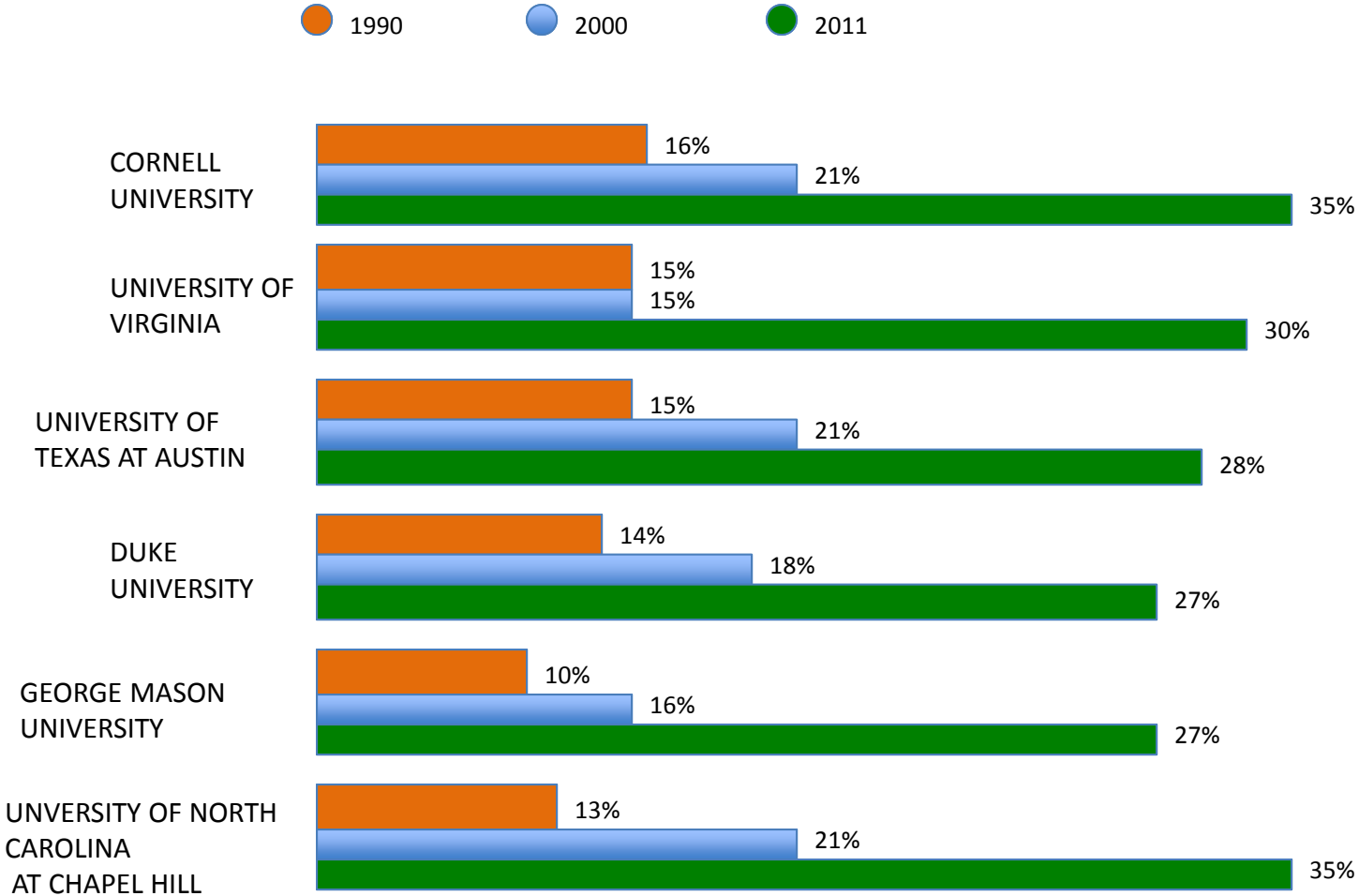
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THE BABY BOOMER CAMPUS

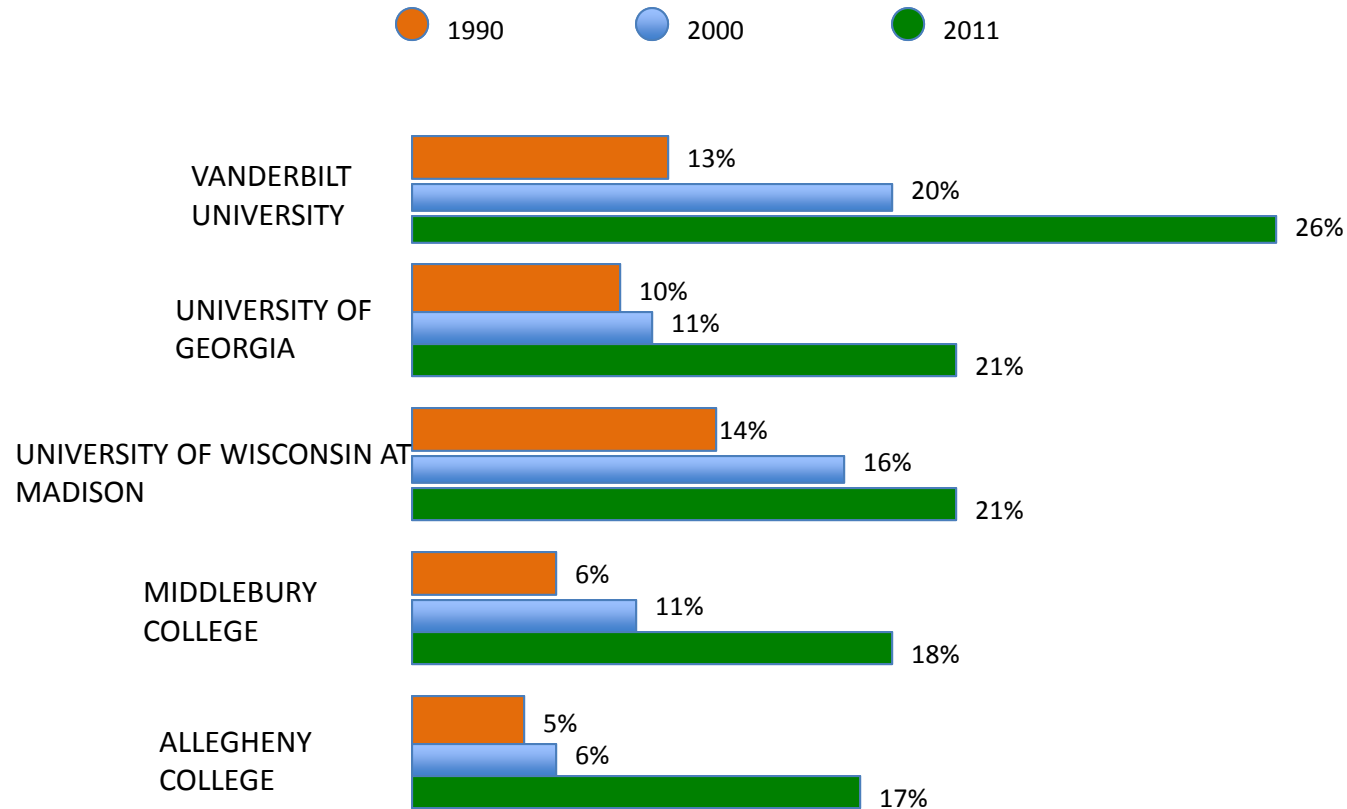
According to data from the Bureau of Labor Statistics, the **number of professors ages 65 and up** more than doubled between 2000 and 2011.

STAFF APPROACHING RETIREMENT AGE IN HIGHER EDUCATION



Source: TIAA-CREF INSTITUTE

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REASONS FOR WORKING PAST A NORMAL RETIREMENT AGE

	Major Reason	Minor Reason	Not a Reason	No Response
Personal finances necessitate	43%	34%	23%	0%
Need employer health insurance benefits	38%	29%	33%	0%
Enjoyment and fulfillment of work	83%	13%	4%	0%
No attractive alternatives for time	17%	28%	54%	1%
Would miss colleagues and campus interactions	27%	48%	25%	1%
Remain effective in faculty responsibilities	68%	20%	11%	1%
No reason to retire	41%	26%	30%	3%
Have not considered possibility of retirement	14%	24%	57%	5%

Source: TIAA-CREF INSTITUTE

THE CHALLENGE FOR FACULTY and STAFF

Older workers are delaying retirement, citing concerns about having access to affordable health insurance and having enough money to cover out-of-pocket medical expenses.

- ✓ Many institutions have had to reduce retiree healthcare or have discontinued health coverage for retirees (*in a recent CUPA-HR survey, only 50% of respondents offered retiree health benefits, only half of those subsidized any portion of the premium*)
- ✓ Costs for healthcare services and insurance are rising significantly
- ✓ There is confusion about health care reform, Medicare and planning for cost of health care in retirement

THE REALITY

"We totally underestimated the cost of medical insurance. It is killing our retirement savings."

Couple cited in recent BMO Private Bank focus group report

Only one-fifth of faculty are “very confident” that they will have enough money to take care of medical expenses in retirement.

Source: “Aging Academe: Retirement Trends in Higher Education”, The Chronicle of Higher Education, 2014

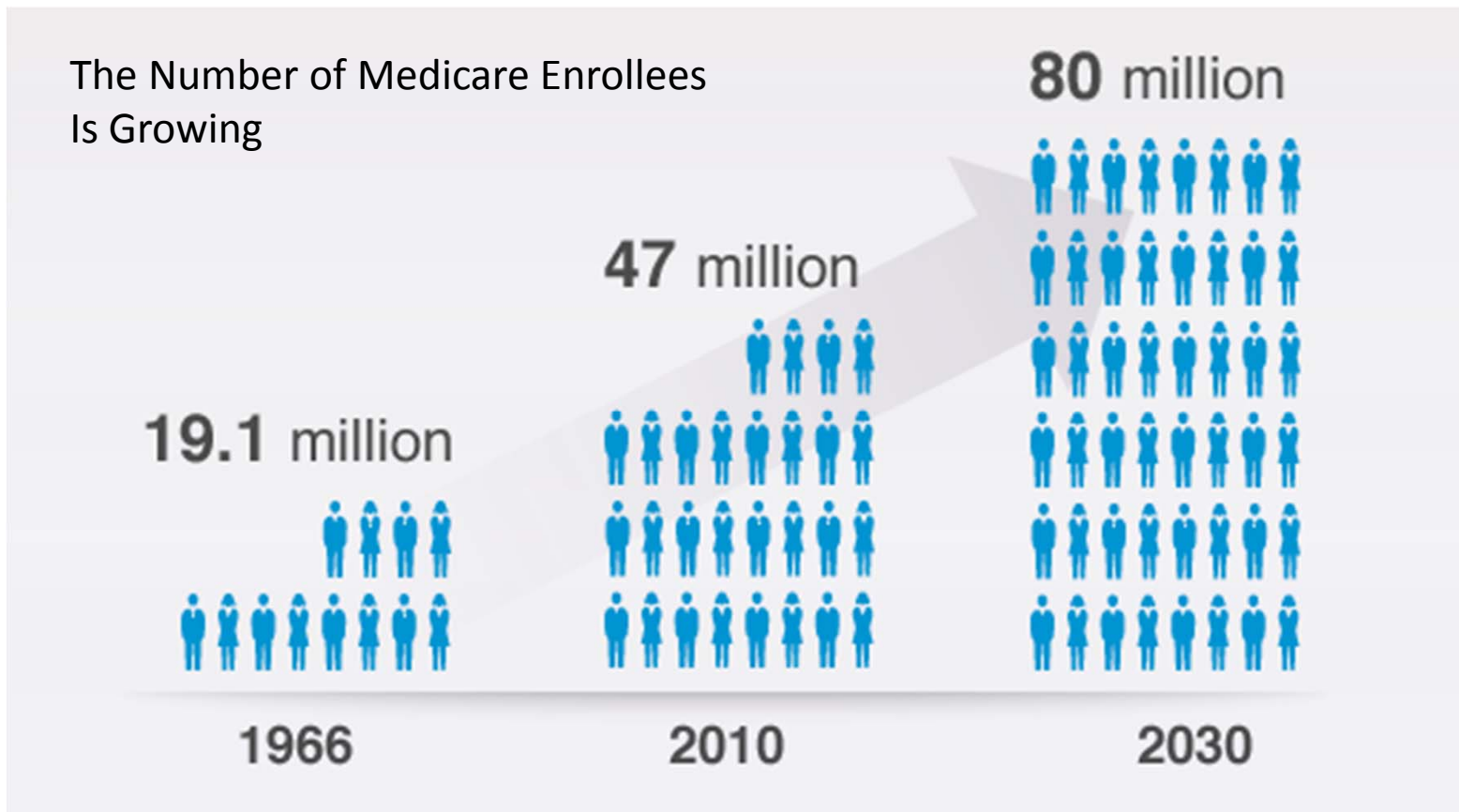


THE CHALLENGE FOR COLLEGES AND UNIVERSITIES

An aging workforce is a significant problem in every institution's cost structure. This cohort is among your most highly compensated employees and represent your most costly health insurance participants (by virtue of their medical experience), which negatively impacts medical trend and drives your healthcare premiums up.

- ✓ Delayed retirements increase high end-of career compensation costs and impede institutional renewal
- ✓ For institutions with legacy defined benefit retiree health plans, promises to pay for healthcare insurance create unsustainable accounting liabilities
- ✓ Costs for retirement incentive programs are also escalating and do not always lead to desired results

THE LOOMING MEDICARE CRISIS



Source: Partnership for the Future of Medicare.

MEDICARE'S UNSUSTAINABLE FUTURE

The cost of Medicare is expected to nearly double over the coming decade, from 565.3 billion in 2011, to **\$1.058 Trillion in 2022.**

The program's annual spending increases—7.6% in 2011—are expected to grow to 10.7% in 2022.*

THE BOTTOM LINE

- Today, Medicare only covers about 62% of total retiree healthcare costs*
- Future of Medicare funding is in question
- Seniors don't benefit from retiree health insurance tax advantages (no pre-tax treatment of premiums)
- Seniors will have to pay more and more for Medicare and supplemental insurance coverage; Age 65 couple needs about \$220,000 for out-of-pocket expenses in retirement according to EBRI study (2013)

*Source: National Institute on Aging, Newsroom, Dramatic changes in U.S. highlighted in new census, NIH report, June 26, 2013.

WHAT'S NEXT?



Individuals will have to assume more cost sharing and purchasing responsibility



Plan sponsors will have to assess how an employer-sponsored retirement healthcare benefit can best serve employees *and* the institution

Responding to the Challenge

Responding to the Challenge

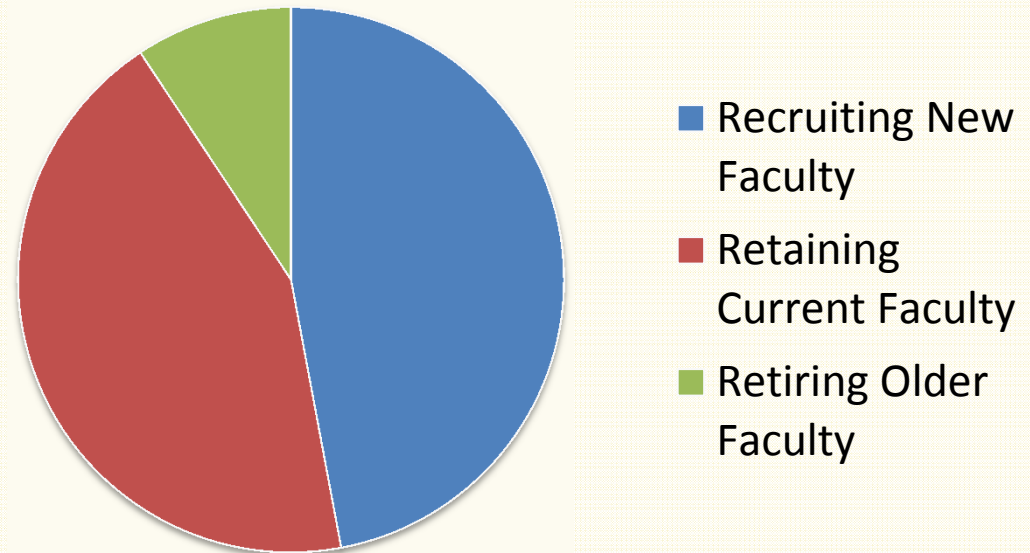
- ✓ When should faculty and their institutions begin thinking about faculty retirement?
- ✓ Who participates in that conversation?
(and what is that conversation really about?)
- ✓ What should that conversation include?

And then, later, some questions to think about

When should faculty and their institutions begin thinking about retirement?

Sooner rather than later: just as with hiring and retention, retirement is a strategic issue

**Key Staffing Practices
as "Very Important"**



*Survey of Changes in
Faculty Retirement
Policies 2007, AAUP*

Sooner rather than later: vital senior faculty

Intrinsic factors

- socialization
- subject knowledge/skills
- past mentors
- work habits
- adult career development
- vital network of colleagues several projects underway at the same time
- sufficient work time
- commitment
- morale

- supportive academic culture
- positive group climate
- participative governance
- decentralized organization
- frequent communication
- sufficient and accessible resources
- adequate and fair salaries and other rewards
- actively providing opportunities for growth
- participative academic leadership.

Extrinsic factors

- clear goals that articulate faculty responsibilities for teaching and scholarship

Who participates in conversations about retirement?

“I can understand that any institution leans toward phasing out more senior faculty, so that younger faculty can be hired, usually at lower salaries. This is all very transparent and sensible and it would be very wrong of me to have a principled complaint about it, though naturally, I feel sad, and will miss Princeton terribly.”

“One does have a sense of being ushered not exactly forcibly, but firmly, in the direction of an exit door that, once you step through, will lock behind you as in a comical episode in ‘The Simpsons’.”

Joyce Carol Oates, *New York Times* 4/14/13



Who participates?

(and what is the conversation really about for faculty?)

- Being appreciated by the leaders of the institution
- Culminating legacy
- Collegiality
- A commitment on the part of the leaders of the institution to academic values and the founding mission of the college or university

Status / Identity / Power / Money

What should that conversation include?

Status / Identity / Power / Money

Pre-retirement: preparation and planning; typically within 5 years



Retirement: from within 6 months of retirement to within 6 month after retirement



Post-retirement: maintenance; after 6 months of retirement



- Employment law
- Pre- and post-retirement concerns
- Economics and logistics
- Professorial and personal identity
- Institutional culture
- Communication
- Structures

Money: Retirement Incentive Programs

Survey of Retirement Plans, Policies and Practices in Higher Education, TIAA-CREF Institute, March 2013

Retirement Incentive Program / Early Retirement Program / Phased Retirement Program

Sponsor a phased retirement program for full-time tenured faculty	39%
Phased retirement also offered to other employees	57%
Full-time employer contribution to health insurance premium	83%
Extra retirement plan contributions or credits	36%
Greater than pro-rata salary payments	5%
Option to receive partial retirement benefits in addition to salary	61%
Institutions that offered an early retirement buyout to full-time faculty since 2007	61%
But, less than 5% of institutions report having formal programs or policies aside from buyouts and phased retirements to encourage faculty retirement.	

FACILITATING A POSITIVE RETIREMENT TRANSITION

Importance of Academic Community

- Intellectual Engagement
- Intrinsically Rewarding Career
- Social Network

Pre-Retirement Initiatives

1. Facilitate conversations
2. Retirement seminar
3. Mentor program
4. Legacy program
5. Phased retirement

Post-Retirement Initiatives

1. Communication
2. Continued Intellectual Enrichment and Social Engagement On-campus
3. Retirement House
4. Off-campus Activities



RESOURCES

- AROHE: <http://www.arohe.org/>
- Medicare Resource: <http://www.emeritihealth.org> (click on Already a Participant, see Important Documents, ***A,B,C,Ds of Medicare***)
- “Strategies to Help Faculty Into a Graceful Retirement,” Women in Higher Education.
- “Retirement Plans, Policies and Practices in Higher Education, TIAA-CREF, March 2013.
- “Early Retirement Incentive Programs at Public Universities, Education Advisory Board, 2008.
- American Council on Education:
 - <http://www.acenet.edu/news-room/Pages/Faculty-Retirement-Transitions.aspx>
 - <https://bookstore.acenet.edu/products/retirement-transitions-higher-education>
 - <http://www.acenet.edu/news-room/Pages/Literature-Review-of-Faculty-Retirement-Transitions.aspx>
 - <http://www.acenet.edu/leadership/programs/Documents/SLOAN-report-FINAL-legal.pdf>
 - Van Ummersen, McLaughlin, & Duranleau (Eds., 2014). *Faculty Retirement: Best Practices for Navigating the Transition*. Stylus.
- Albright retirement website:
http://www.albright.edu/sloan/fac_retirement/index.html