

TRENDS AND ISSUES

JUNE 2015

UNDERSTANDING THE FACULTY RETIREMENT (NON)DECISION

RESULTS FROM THE FACULTY CAREER AND RETIREMENT SURVEY

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EXECUTIVE SUMMARY

The retirement patterns of senior faculty are an issue of ongoing interest in higher education, particularly since the 2008-09 recession. If a significant share of tenured faculty works past “normal” retirement age, challenges can arise for institutional leadership focused on keeping the faculty workforce dynamic for purposes of teaching, research and service. Buyout packages and phased retirement programs have been common responses to encourage faculty retirement, but colleges and universities are increasingly interested in alternative and complementary strategies to manage faculty retirement patterns.

Tenured faculty age 50 or older can be divided into three groups—35% expect to retire by normal retirement age; 16% would prefer to retire by normal retirement age, but expect to work longer (i.e., they are “reluctantly reluctant” to retire); and 49% would like to and expect to work past normal retirement age (i.e., they are “reluctant by choice”). The key drivers differ between those reluctantly reluctant and those reluctant by choice.

Not surprisingly, personal finances are a particular barrier for those reluctantly reluctant. Psychosocial factors are the issue with those reluctant by choice. However, one-half to two-thirds of those reluctantly reluctant appear to be assuming a financial barrier given that they have not done a careful evaluation of their retirement finances. A systematic financial review would test such assumptions.

An analogous dynamic exists among those reluctant by choice—anywhere from 60% to 90% have not seriously considered what they could do with their time in retirement. Better management of retirement patterns requires addressing the psychosocial. Senior faculty should be enabled and encouraged to systemically evaluate how they could use their time if retired. This would allow a fully informed decision by the individual. This may or may not result in an accelerated time frame for retirement, but it is a prerequisite for one.



INTRODUCTION

The retirement patterns of senior faculty, including the age at which they retire, has been an issue of ongoing interest in higher education, particularly since the 2008-09 recession. When a significant share of tenured faculty works beyond what is considered a “normal” retirement age, challenges can arise for college and university leadership (department chairs, deans and provosts) focused on keeping the faculty workforce dynamic for purposes of teaching, research and service. 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.

Buyout packages and phased retirement programs have been common institutional responses to encourage retirements. These are blunt instruments, however, that may generate unintended consequences, such as encouraging the departure of productive faculty or encouraging unproductive faculty to remain longer than they otherwise would. Colleges and universities are thus increasingly interested in alternative and complementary strategies to manage faculty retirement patterns. But ultimate effectiveness is rooted in understanding the thought process among senior faculty regarding whether and when to retire.

The TIAA-CREF Institute report, “Should I Stay or Should I Go? The Faculty Retirement Decision” (December 2011), provided such understanding and this report presents an updated and enhanced analysis of the relevant issues. The *Faculty Career and Retirement Survey* (FCRS) interviewed 770 tenured faculty, age 50 or older, about their expectations and preferences regarding the timing of retirement and the factors that influence their thinking.

EXPECTED VERSUS PREFERRED RETIREMENT AGES

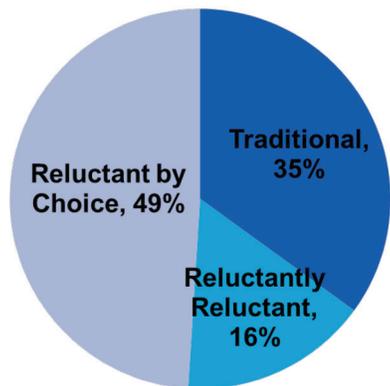
Approximately one-third of tenured faculty, age 50 or older, expect to retire by what can generally be considered a “normal” retirement age, while two-thirds expect to work past normal retirement age or have already done so.¹ This latter group is sometimes referred to as “reluctant retirees.” When the age at which faculty would like to retire is also considered, senior faculty can be further divided into three groups (Figure 1)² —

- 35% expect to retire by normal retirement age (these individuals are labeled here as “traditional retirees”)
- 16% would prefer to retire by normal retirement age, but expect to work longer, i.e., they are “reluctantly reluctant” to retire
- 49% would like to and expect to work past normal retirement age, i.e., they are “reluctant by choice”

1 The age at which those currently age 50 can begin to collect full Social Security benefits—67—is used as the normal retirement age.

2 The survey did not define what it means to “retire.” Survey respondents were asked—“Generally speaking, there is an age at which an individual would like to retire and an age at which an individual expects to retire, and these two ages may or may not be the same. At what age would you like to retire?” Then they were asked—“Based on everything you know at the moment, at what age do you expect to retire?”

FIGURE 1
DISTRIBUTION OF TENURED FACULTY, AGE 50 OR OLDER



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

Female faculty are more likely than their male colleagues to expect to retire by normal retirement age, while male faculty are more likely to be reluctant by choice (Table 1). Faculty at public colleges and universities appear more likely than those at private institutions to be traditional retirees, while those at private institutions are more likely to be reluctant by choice. There are no such differences between faculty in the liberal arts and those in professional disciplines

TABLE 1
DISTRIBUTION OF TENURED FACULTY, AGE 50 OR OLDER, ACROSS DEMOGRAPHICS

	Traditional Retirees	Reluctantly Reluctant	Reluctant by Choice
All	35%	16	49
Gender			
Males	31%	15	53
Females	48%	14	37
Discipline			
Liberal Arts	36%	15	49
Professional	37%	16	47
Sector			
Public	40%	16	45
Private	30%	14	56
Institutional Type			
Doctoral/Research	33%	14	53
Masters	39%	16	46
Baccalaureate	38%	18	44
Primary Retirement Plan			
Defined benefit	52%	13	35
Defined contribution	32%	15	53

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

Faculty reporting a defined benefit (DB) pension as their primary retirement plan are 20 percentage points more likely to expect to retire by normal retirement age than are faculty with a primary defined contribution (DC) plan. This differential is likely driven by typical DB plan design which creates a strong financial incentive to retire by a given age. There is no difference between DB and DC participants in the likelihood of being reluctantly reluctant to retire by traditional retirement age.

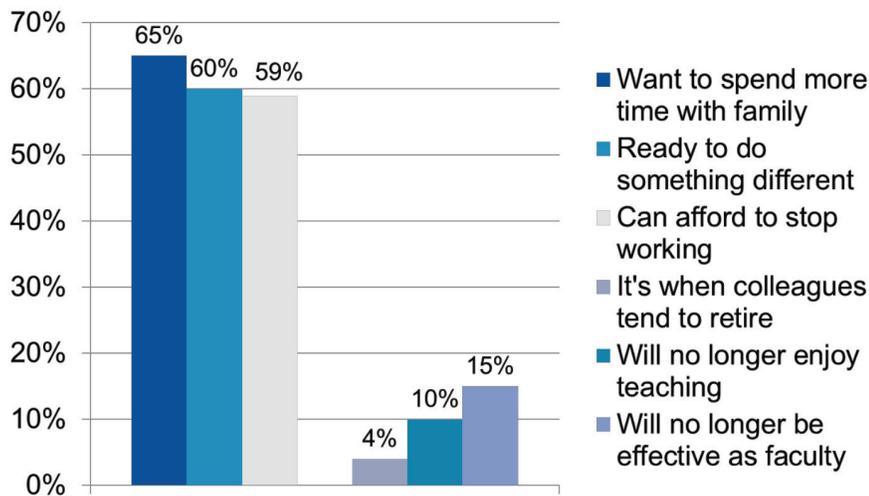
So how important is the distinction between those who want to work past normal retirement age and those who would rather not? Should colleges and universities think differently about the two groups in regard to managing their respective retirement patterns? Furthermore, are there lessons in the thought process of the one-third who expect to retire by a normal retirement age that can be applied?

UNDERSTANDING FACULTY TYPES

A two-part dynamic appears at play among senior faculty expecting to retire by what is generally considered a normal retirement age (Figure 2). First, not surprisingly, these faculty anticipate being able to afford retirement at that point; 59% rate this as a major reason for their expectation. Second, the prospect of retirement offers something that draws them; 65% rate wanting to spend more time with family as a major reason and 60% feel strongly that they will be ready to do something different.

**FIGURE 2
PULLS TO RETIREMENT AT A NORMAL AGE, NOT PUSHES**

(% of traditional retirees rating each factor as a “major” reason)



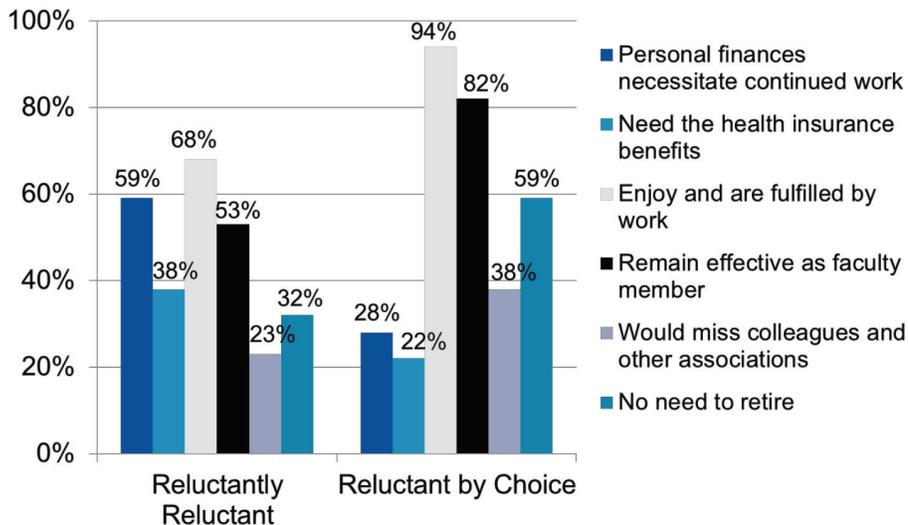
Source: *Faculty Career and Retirement Survey*, TIAA-CREF Institute (2015).

While “pulls” to retirement matter, “pushes” do not. Factors that could be viewed as pushes are seldom rated as “major” reasons for an expected retirement by age 67. For example, only 10% of traditional retirees rate no longer enjoying teaching as a major reason. The vast majority may feel that they will still enjoy teaching at the time they retire. Alternatively, while some may feel that they will no longer enjoy teaching, it’s not an important reason for their decision to retire. A similar logic appears to apply with pushes such as no longer being effective as a faculty member or retiring when colleagues tend to retire; either they don’t apply or they don’t matter.

Among those expecting to work past normal retirement age, there are significant differences in key drivers between those reluctantly reluctant and those reluctant by choice (Figure 3). Not surprisingly, personal finances are a particular barrier for those reluctantly reluctant. Psychosocial factors are the issue with those reluctant by choice.

FIGURE 3
DRIVERS OF EXPECTING TO WORK BEYOND NORMAL RETIREMENT AGE

(% rating each factor as a “major” reason)



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

While the enjoyment and fulfillment provided by faculty work is the reason most commonly cited in both groups, it applies to over 90% of those reluctant by choice compared to two-thirds of those reluctantly reluctant. Among those reluctant by choice, continuing effectiveness in the role also factors greatly into the expectation of working beyond normal retirement age; 82% cite it as a major reason. Feeling “no need to retire” would seem to logically flow from these reasons and is the next most commonly cited factor among this group.

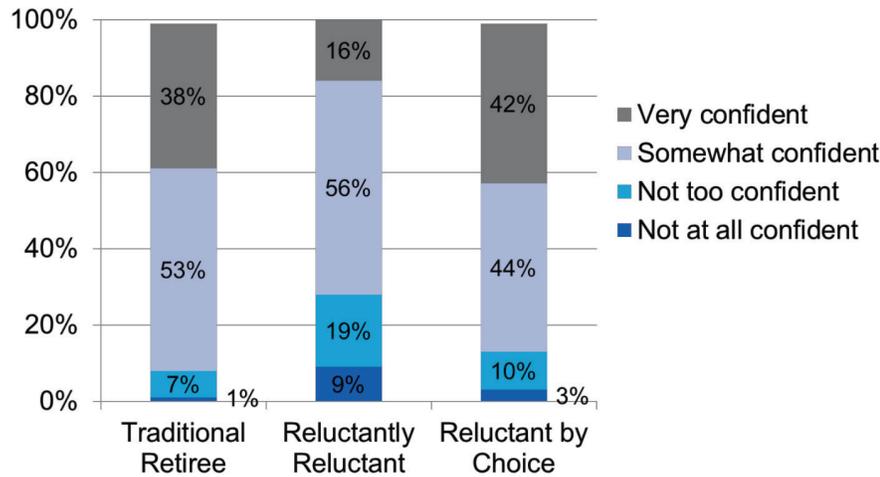
In contrast, those reluctantly reluctant are more than twice as likely (59% versus 28%) to cite personal finances necessitating continued work as a major reason for expecting to work past normal retirement age. Furthermore, 89% of reluctantly reluctants who cited personal finances would retire sooner than expected if finances were not an issue; the analogous figure among those reluctant by choice is 37%.

Similarities among Traditional Retirees and Those Reluctant by Choice

Traditional retirees and those reluctant by choice are surprisingly similar along several dimensions. These similarities may provide further insights for managing retirement patterns of the latter.

1. They share a similar outlook regarding their retirement income prospects. Approximately 40% of each group are very confident that they will have enough money to live comfortably throughout retirement (Figure 4). At the same time, 14% of those reluctant by choice and 8% of traditional retirees are not confident about having enough money during retirement. By comparison, 28% of those reluctantly reluctant are not confident in their retirement income prospects and only 16% are very confident, views consistent with finances being a barrier to retirement at their preferred age.

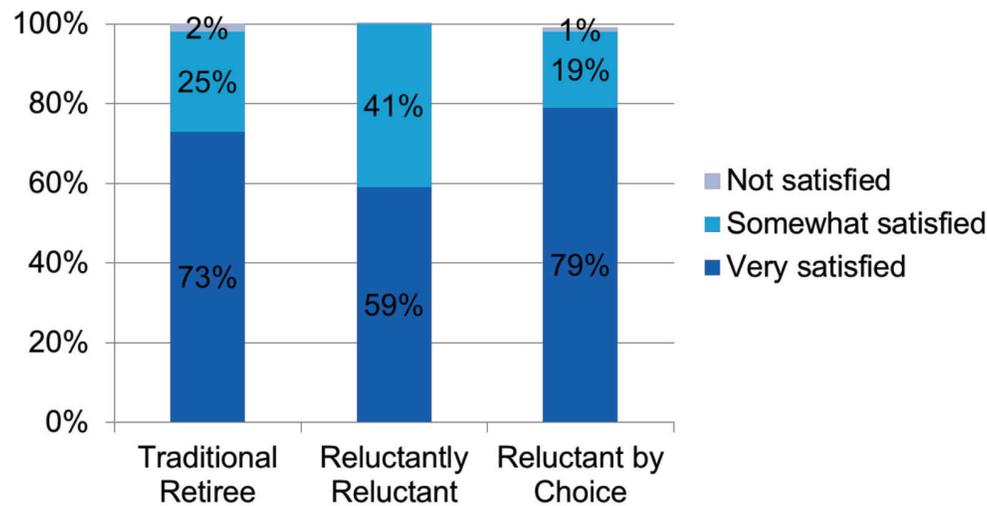
FIGURE 4
CONFIDENCE IN HAVING ENOUGH MONEY TO LIVE COMFORTABLY THROUGHOUT RETIREMENT



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

- They also share a similar level of career satisfaction. Seventy-nine percent of those reluctant by choice report being very satisfied with their academic career, a figure much higher than that among those reluctantly reluctant (59%), but close to that of traditional retirees (73%).

FIGURE 5
SATISFACTION WITH ACADEMIC CAREER



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

Given that retirement finances are not an issue for either traditional retirees or those reluctant by choice, and given that their career satisfaction levels are essentially the same, why the difference in expected retirement ages? Why do traditional retirees expect to retire by normal retirement age, while those reluctant by choice expect to, and want to, work past normal retirement age?

Pulls to Work vs. Pulls to Retirement

Career satisfaction is indicative of pulls to remain in academia. Such pulls are psychosocial barriers to retirement experienced to different degrees across faculty. As noted earlier, those expecting to retire by a normal age experience factors that draw them to retirement, e.g., a desire to spend more time with family or to do something new. Traditional retirees must then expect that the pulls to retirement will outweigh the pulls to continued academic work by the time they reach normal retirement age. It follows that those reluctant by choice have the converse expectation that the pulls of academia will continue to outweigh the pulls to life outside academe.

Table 2 highlights the degree to which senior faculty enjoy or value four aspects of their academic position that could exert a pull. The vast majority enjoy teaching and interacting with students, with essentially no variation across the three groups. Those reluctant by choice appear more likely to experience other pulls—the intellectual stimulation provided by research or interactions with colleagues and the social benefits associated with academia—to a greater degree than those reluctantly reluctant and/or those expecting to retire at a traditional age. Thus it is not surprising that those reluctant by choice are 10 percentage points more likely than those reluctantly reluctant, and 15 percentage points more likely than traditional retirees, to feel strongly that nothing they could do outside academia would provide an equivalent sense of fulfillment.

**TABLE 2
PSYCHOSOCIAL PULLS TO ACADEMIA**

How well does each statement describe you now?			
	% responding “very well”		
	Traditional Retirees	Reluctantly Reluctant	Reluctant by Choice
You enjoy teaching and interacting with students.	89%	86%	88%
You value the intellectual stimulation provided by research.	65	76	74
You value the intellectual stimulation provided by interactions with colleagues.	68	59	73
You value the social benefits associated with academia.	50	49	59
Nothing you could do outside academia would provide an equivalent sense of fulfillment.	29	34	44

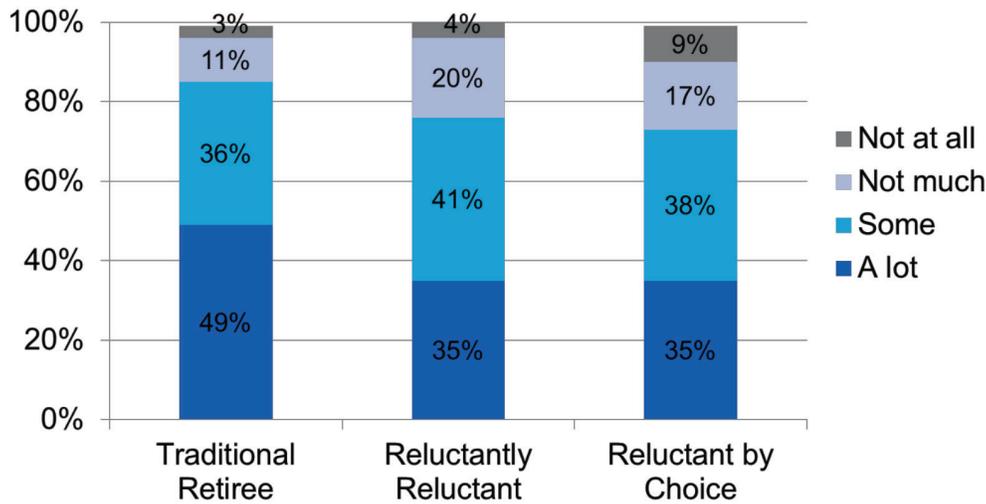
Source: *Faculty Career and Retirement Survey*, TIAA-CREF Institute (2015).

ASSUMPTIONS AND OUTCOMES

A financial barrier can be actively addressed and, with time, eliminated for an individual. A psychosocial barrier is fundamentally different. No one would recommend trying to reduce or eliminate the value and fulfillment experienced in the academic life of a faculty member. The dynamic might change, however, if there are pulls to retirement that some senior faculty have not experienced or if the pulls of academic life could still be experienced in retirement.

Those expecting to work beyond normal retirement age are less likely than traditional retirees to have thought about whether and when to retire from academe; one-third each of those reluctant by choice and those reluctantly reluctant have thought about it a lot, compared with one-half of traditional retirees (Figure 6). Conversely, one-quarter each of those reluctant by choice and those reluctantly reluctant have thought about retirement not much, if at all, compared with 14% of traditional retirees.

FIGURE 6
THOUGHT GIVEN TO WHETHER AND WHEN TO RETIRE FROM ACADEME



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

A closer examination along this dimension is revealing. While finances are a driving barrier among those reluctantly reluctant, less than one-half (47%) report having done a careful evaluation of their financial situation and when they can afford to retire. Ironically, a greater share of both traditional retirees (68%) and those reluctant by choice (62%) have done so. Furthermore, this is likely an over assessment of such evaluations. Fifty-three percent of reluctantly reluctants have received retirement planning advice from a professional advisor within the past 3 years, and among these, 58% received advice regarding when they can afford to retire (Table 3). This means 31% of reluctantly reluctants have received advice from a professional advisor about when they can afford to retire. In essence, one-half to two-thirds of those reluctantly reluctant to retire assume that they cannot afford to retire, as opposed to know that they cannot afford it.

TABLE 3
ASSUMPTIONS DRIVING OUTCOMES

	Traditional Retirees	Reluctantly Reluctant	Reluctant by Choice
Received retirement planning advice from a professional advisor within the past 3 years	67%	53%	61%
Received advice regarding when you can afford to retire			
among those receiving advice	75%	58%	63%
among all	50	31	39
Received advice regarding how to spend your time once retired			
among those receiving advice	12%	2%	12%
among all	8	1	8

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

An analogous dynamic is at play among those reluctant by choice regarding how they could spend their time if retired; 39% report having done a careful evaluation of this. The figure among those reluctantly reluctant is also 39%, but it's 50% among traditional retirees. And again, this likely overstates the degree of evaluation that has actually occurred. Less than 10% of those reluctant by choice have worked with a professional advisor in considering how to spend their time if retired (Table 3). So anywhere from 60% to 90% of those reluctant by choice have not seriously considered what they could do with their time in retirement. This implies that pulls to retirement exist that many have not considered. These pulls might outweigh pulls to continued work for an unknown share of those reluctant by choice.

IMPLICATIONS

These findings imply that efforts to manage faculty retirement patterns should engage faculty along two dimensions—first, the financial aspect of an individual's decision whether and when to retire and, second, the psychosocial aspect. Common to both is the need to address assumptions held by many senior faculty.

Systematic financial analysis of individual faculty member retirement readiness is needed. No one will voluntarily retire if they do not feel financially prepared. Beyond this, however, one-half to two-thirds of the 16% of senior faculty that are reluctantly reluctant to retire by normal retirement age appear to be assuming a financial barrier given that they have not done a careful evaluation of their personal finances in the context of retirement. Their assumptions need to be tested since they may or may not be correct.

A financial review could reveal that an individual is actually able to retire at his or her preferred time. In cases where assumptions are validated by a review, the review would quantify the magnitude of the shortfall and the time needed to make it up. It may also reveal manageable changes in saving behavior that would speed recovery time. Financial reviews beginning in mid-career could pre-empt the situation of someone approaching retirement age with (the perception of having) inadequate financial assets.

Also, financial analysis of retirement readiness would complement formal retirement incentive programs. Those reluctantly expecting to work past normal retirement age may be particularly open to entering a phased retirement program or accepting a buyout—if they are confident that the numbers add up to allow them to do so. A financial review would answer that question.

Significant progress in managing faculty retirement patterns, however, requires addressing the psychosocial given that one-half of senior faculty not only expect to work past normal retirement age, but want to do so. They experience firsthand the pull to academic life every day. But it appears that the majority, likely even the vast majority, have given little if any consideration to what they could do if they retired, so the prospect of retirement has no significant pull for them. The net result is a default outcome of 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 the alternatives. This may or may not result in an accelerated time frame for retiring, but it is a prerequisite for one.

Life planning is an investigation of preferences and life meaning that engages an individual in systematically thinking through the possibilities for the remainder of his or her life. It is “a process conducted...to help financial planning clients (1) focus on the true values and motivations in their lives, (2) determine the goals and objectives they have as they see their lives develop and (3) use these values, motivations, goals and objectives to guide the planning process and provide a framework for making choices and decisions in life that have financial and non-financial implications or consequences...”³

3 Anderson, Carol, and Deanna L. Sharpe. “Research: Communication Issues in Life Planning.” *Journal of Financial Planning* (June 2008).

The challenge involves not only creating a framework that provides a means to do such an evaluation, but somehow encouraging senior faculty, particularly the “right” faculty (those whose productivity has fallen or who are in programs that need to be downsized), to do so. The difficulty of the challenge is apparent given that the majority (60%) of those reluctant by choice feel that there is little, if any, value in someone helping them think through how they could spend their time in retirement; only 13% feel that it would be very valuable.

The influence of peers and perceptions of norm behavior may be helpful in this regard. Survey findings indicate that to some degree faculty take cues, consciously or not, from their peers. Those reluctant by choice are the most likely (32%) to report that most of their colleagues tend to work beyond age 70, compared with 18% of those reluctantly reluctant and 14% of those expecting to retire by a normal age. Peer influence could be leveraged by recruiting faculty opinion leaders into program participation and subsequently using them as program champions.

CONCLUSION

Institutional challenges can emerge when senior faculty remain in tenured positions into advanced ages. At the same time, some faculty who work to older ages may miss opportunities that would provide greater fulfillment and enjoyment than continued academic employment. Understanding and addressing the relevant barriers to faculty retirement, whether financial or psychosocial, stands to benefit the individual and the institution. Unconfirmed assumptions often appear to underlie a reluctance to retire—assumptions regarding personal finances in the case of those reluctantly reluctant to retire and assumptions regarding viable alternatives to academe in the case of those reluctant by choice. A systematic evaluation of personal finances in the context of an individual’s retirement readiness can address the former. Analogously, a thorough evaluation of how an individual could spend his or her time if retired can address the latter. Such exercises would allow senior faculty to make fully informed decisions regarding whether and when to retire.

Of course, evaluating a dramatic change in life and lifestyle is different from actually living it. No matter how careful the evaluation, actual experience will likely vary to some extent. Facilitating conversations and consultations with successfully retired colleagues would thus be helpful in the context of evaluating potential retirement. Allowing faculty to “test drive” retirement could also address this, but as currently constructed, phased retirement programs do not allow faculty to reverse a commitment to retire.

In addition, meaningful opportunities for faculty to remain academically engaged once retired from a tenured position will have value given the “pull” of academic life. In envisioning the possibilities of life in retirement, the potential to advise students, teach a course, participate in seminars, and even continue a research agenda for several years into retirement will impact the mental calculus of whether and when to retire. Such programs blunt the impact of pulls to remain in academia by providing some of the same benefits in retirement. In fact, they complement life planning and the two can be strategically integrated.

ABOUT THE AUTHOR

Paul Yakoboski is a senior economist with the TIAA-CREF Institute. He conducts and manages research on issues related to defined contribution plan design, retirement planning and saving behavior, income and asset management in retirement, managing retirement patterns, and topics relevant to strategic management in the higher education and non-profit sectors. He is responsible for the development and execution of Institute forums on such issues. Yakoboski serves as director of the Institute's Fellows Program and editor of the Institute's *Trends and Issues* and *Advancing Higher Education* publication series.

Prior to joining the TIAA-CREF Institute, Yakoboski held positions as Director of Research for the American Council of Life Insurers (2000 to 2004), Senior Research Associate with the Employee Benefit Research Institute (1991 to 2000) and Senior Economist with the U.S. Government Accountability Office (1989 to 1991). Yakoboski previously served as Director of Research for the American Savings Education Council (1995 to 2000). He was an adjunct faculty member at Nazareth College (Rochester, NY) from 1986 to 1988.

Yakoboski is a member of the American Economic Association and the National Academy of Social Insurance. He also serves on the board of the *Journal of Retirement*, the editorial advisory board of *Benefits Quarterly*, the research committee of the Insured Retirement Institute and the Society of Actuaries' Committee on Post-Retirement Needs and Risks. Yakoboski earned his Ph.D. (1990) and M.A. (1987) in economics from the University of Rochester (Rochester, NY) and his B.S. (1984) in economics from Virginia Tech (Blacksburg, VA).