

# To Retire or Not?

Retirement Policy and Practice  
in Higher Education

Edited by  
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## Chapter 4

# **Survey of Early Retirement Practices in Higher Education**

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John Keefe

This chapter presents the findings from a survey on early retirement at colleges and universities in the United States. TIAA-CREF commissioned the survey to assist university administrators and faculty in dealing with the human resources challenges of an aging faculty base. After changes in employment law in 1993 eliminated mandatory retirement, incentives for early retirement have become the only means to encourage faculty to relinquish tenure, and to allow administrators to reallocate the positions and salary dollars of senior faculty.

To observe the types of early retirement measures in place and their effectiveness in meeting the institutions' human resource goals, we contacted 167 large and small colleges and universities, both public and private. We received 66 responses on 77 different plans. Drawing on the responses, we discuss the prevalence of early retirement plans and the structure of the plans we encountered. We also present critiques from the institutions using the several different types of plans, and statistics on plans' "success rates" (acceptances versus offers).

To preview our findings, about 80 percent of both public and private institutions in our sample offered early retirement plans of some type. By comparison, the National Center for Education Statistics surveyed higher education institutions on the topic of faculty retirement arrangements in 1992–93, and concluded that 60 percent of all higher education institutions offered early retirement incentives at that time (U.S. Department of Education 1997b). We also found that the 1994 legislative end to mandatory retirement for professors at 70 had little effect on most institutions' early retirement policies: many of the programs observed had started after the legislative change and encouraged retirement as early as age 55.

### **Types, Features, and Motivations for Retirement Incentive Plans**

An early retirement plan for higher education faculty is the product of staffing challenges typical to educational institutions—a short planning horizon, departments out of balance with enrollment needs, or underperforming faculty—combined with an individual school’s context of financial and human resources, state and federal employment regulations and pension plan rules.

Although early retirement arrangements in academe are rarely identical, most have common structures with respect to compensation and other variables. In the course of our survey of seventy-seven early retirement plans at 66 schools and systems, we encountered two primary types of early retirement plans:

- *incentive payment plans*, in which faculty receive severance payments as an incentive to retire
- *phased retirement plans*, in which senior faculty teach reduced course loads and are paid adjusted salaries.

Several plans formally combined incentive payments with phased retirement, and a few plans offered little or no incentives, simply allowing faculty to take retirement earlier than the conventional age.

Although the primary difference among plans is the structure of compensation they provide to faculty, plans also vary according to the length of time they are offered to faculty, and the flexibility they give to school administrators. To illustrate this range of options, we next describe typical, as well as some unusual, applications of each structure.

#### Basic Plan Types

*Retirement incentive plans.* Under an incentive payment plan, an institution makes a special payment to a faculty member, in return for which the faculty member relinquishes tenure, leaves the employment of the school, and starts to draw benefits from a retirement account.

The size of incentive payments varies widely among types of schools. For private institutions, the lowest payment observed in our survey was 40 percent of final salary; the highest was 200 percent. Most private institutions with a payment plan in our sample offered between 100 percent and 200 percent of final salary. The payments offered by public schools and systems were generally smaller, ranging from 12 percent of final salary to 100 percent. At many public institutions, early retirement benefits were tied to the length of the employee’s service in his state or system pension plan.

Payments for early retirement are meant as a substitute for, or a supple-

ment to, retirement income in the years between the date of early retirement and normal retirement age. A 1994 study by Bruce Palmer indicates that pensions in the United States provide average income replacement from 70 to 80 percent for employees in defined contribution plans (Palmer 1994). Thus an incentive payment of 100 percent of final salary allows a retiring employee a cushion of about 1.5 years of average retirement income, allowing the employee to delay drawing on their retirement assets.

Although most institutions paid incentives in one lump sum or a series of payments over two years, we did encounter some variation of payment methods. One private university paid a lump sum of 30 percent of salary to the employee at retirement and then made five annual contributions, totaling 70 percent of salary, to an annuity for the retiree's benefit. Another private university paid \$9,500 to the employee at departure, followed by a series of monthly checks up to the amount of the employee's social security earnings limitation.

We observed two institutions—one public and one private—that built time-based expiration incentives into their plans. In one case, the lump sum payment started at 100 percent of salary at age 55, and dropped 10 percent per year as the employee delayed retirement. In the other, the institution paid 200 percent of salary to retirees ages 60 to 65, and sharply reduced the payments in subsequent years. In the latter case, employees retiring at age 69 received 60 percent of final salary; employees retiring at 70 or older received no payment.

*Phased retirement plans.* Our definition of phased retirement plans includes part-time teaching arrangements that are formally structured and uniformly applied, as well as less formal part-time or consulting plans that are negotiated case by case. In our sample of 66 schools, we noted formal phased plans at nine institutions and informal plans at 16 others.

Clouding the distinction between formal and informal phased plans further are those institutions which offer a formal payment type plan, but separately offer part-time posts to faculty after they retire. In our sample, we found 17 schools with this arrangement. Only 11 institutions in the sample, or about 17 percent, said they did not offer any part-time employment to retired faculty.

The types of part-time employment offered to retired faculty varied from institution to institution. One institution limited the term of reduced teaching assignments to one year, but most arrangements provided for three to five years of part-time teaching. Some allowed an instructor to teach all of his or her courses in one semester, thus granting a synthetic full retirement during the rest of the year. Several public institutions noted that regulations governing state employment and retirement benefits imposed limits on the amount retirees could work.

Of the 25 institutions with phased plans, seven responded that retirees teaching part-time received salaries in direct proportion to their reduced

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course load. There were five institutions paying more than a pro rata share, ranging from continuation of full-time salary, to 70 percent of salary for teaching a 50 percent course load, to a pro rata salary plus 10 percent.

*Combination plans.* We found three institutions—all fairly small, privately controlled, and located in the Northeast—that offered early retirement plans that integrated incentive payment and phased retirement arrangements. Only one of these three formally articulated the package. At that institution, employees received a lump sum of 25 percent of final salary at retirement, and agreed to teach, for up to five years, a course load ranging from 33 percent to 50 percent of full time for which they received 50 percent to 65 percent of full-time pay. Arrangements at the other two schools followed a similar pattern, but individual compensation packages were negotiated with retirees.

*Other plan types.* For two small liberal arts colleges on the east coast, early retirement appears to mean simply that—the opportunity to leave employment early (beginning at ages 55 and 58) and start to draw on a pension account and receive retiree health benefits. At one of these institutions, retired faculty are offered part-time teaching posts on a case-by-case basis. At the other there are no part-time teaching or consulting relationships between the school and the retired faculty.

### Plan Features

*Ongoing plans versus window offers.* A second key element in the early retirement plans we observed is whether the plan has an indefinite life, and thus is an ongoing plan that potentially applies to all future employees, or is a “window plan,” and thus offered only to a group of employees who meet age and service requirements on a specified date or during a specified time interval.

The distinction between ongoing plans and window offers is significant to the legal and tax status of a given plan, and thus beyond the scope of our research. However, employees’ expectations can be very different under the two types of plan, which we consider in Chapter 8 of this volume.

Sixty of the 77 plans observed in our survey were ongoing and had no explicit closing date. In most of those cases, an employee who met the age or service requirements of the plan could elect early retirement at any time, often up to age 65. Seventeen of the plans in our survey, or 22 percent of the total, were window offers with an explicit end and no guarantee of an opportunity in the future. Nearly all window offer plans included incentive payments, and the majority were offered at public schools or systems.

*Eligibility.* Responses to our survey indicated that the focus of the plans at most institutions truly is encouraging faculty to retire early—that is, before the conventional retirement age of 65—rather than displacing faculty who

have stayed until 68 or 70. Twenty-seven of the 77 plans observed offered early retirement before age 60, and most of these were effective at age 55.

The requirement for years of service varied widely, although most institutions allowed participation in early retirement after 10 or 15 years of employment.

*Formal versus informal plans.* We also inquired in our survey whether the plan was formal—that is, a written, publicized policy offering similar terms to all employees meeting age or service requirements—or informal, individually negotiated and offered to selected employees. Twenty-one of the 77 responses indicated that plans were informal (by their nature, window plans are formal plans, while ongoing plans can be either formal or informal).

### Motivations for Early Retirement of Faculty

To close our discussion of plan characteristics, our survey asked several questions about institutional objectives in adopting particular plans and whether those objectives had been met. Most institutions declined to answer, but we managed to gather 16 observations. Five institutions said they adopted early retirement in order to reduce costs; another five noted that the plan was adopted as a tool for managing faculty performance; and five more claimed their goal was greater flexibility in faculty hiring and department balancing.

The objective stated by the sixteenth responding institution, a well-known private research university in the northeast, was “to continue rates of retirement after the end of mandatory retirement.” *This institution was the only one to cite the end of mandatory retirement as a motivation for adopting early retirement incentives.* Moreover, only three institutions indicated that the end of mandatory retirement at age 70 in 1993 was a significant factor in developing their early retirement policies. Very few institutions mentioned mandatory retirement at all in their responses. Consider, however, the response of an administrator at a small institution in the Northeast, who claimed to speak for all of higher education: “They are doing this to get rid of bad teachers, and if anyone tells you any different, they are lying.”

## Institutions' Application of Plan Types

### Survey Design and Coverage

The population of interest for this project included public four-year institutions or university systems in all fifty states, as well as large and small private four-year schools.

We contacted benefits administrators and other executives at 167 separate institutions or systems and sent a four-page questionnaire to those who

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Table 1. Institutions Contacted for Early Retirement Study

	<i>Private</i>	<i>Public</i>	<i>Total</i>	<i>Percent</i>
Northeast	27	14	41	24.6
Southeast	24	15	39	23.3
Midwest	21	19	40	24.0
Southwest and west	20	10	30	18.0
	5	12	17	10.2
<i>Total</i>	<i>97</i>	<i>70</i>	<i>167</i>	<i>100.0</i>
<i>Percent</i>	<i>58.1</i>	<i>41.9</i>	<i>100.0</i>	

Source: Author's calculations.

Table 2. Institutions Responding to Survey

	<i>Private</i>	<i>Public</i>	<i>Total</i>	<i>Percent</i>
Northeast	15	8	23	29.9
Southeast	5	8	13	16.9
Midwest	9	12	21	27.3
Southwest and west	3	9	12	15.6
	4	4	8	10.4
<i>Total</i>	<i>36</i>	<i>41</i>	<i>77</i>	<i>100.0</i>
<i>Percent</i>	<i>46.8</i>	<i>53.2</i>	<i>100.0</i>	

Source: Author's calculations.

agreed to participate. The questionnaire asked for details on the participating institutions' current early retirement plans, as well as any past plans. In view of the sensitive nature of early retirement measures, we promised at the outset to avoid naming individual institutions in papers or presentations. Most replies came back via mail or fax. As a quality control measure, we conducted many interviews by phone and contacted participants to offer assistance with answering the questions. We received replies to the survey from 66 institutions. We were able to observe 77 different plans, including ten instances where institutions had multiple plans in operation or prior plans that had ceased. Thirty-six of the responses (46.8 percent) pertained to plans at private institutions, and 41 (53.2 percent) to public schools or systems.

Table 1 details, the number of institutions contacted to participate in the survey by region and institution control. Table 2 indicates the sources of responses received. The western region, which includes the Pacific Coast states as well as Alaska and Hawaii, may seem underrepresented both as to contacts and responses. However, this shortfall is compensated for by the extensive data and analysis on the region provided by Ellen Switkes (this volume) who examines early retirement in the University of California system (see also Pencavel 1997).

A second apparent discrepancy in our survey data is the apparent over-



representation of private institutions. Our survey reports on private and public institutions in nearly equal numbers, while for the United States as a whole, about 70 percent of higher education faculty works at public institutions, and about 30 percent is at private schools (U.S. Department of Education 1997a). However, many of the survey responses for public institutions cover statewide systems or universities with multiple campuses, and thus represent a larger faculty base than the responses of private schools. In any case, a disproportionate number of responses in one category or the other does not change the aim of this project, which is to identify and interpret different policies and practices of early retirement rather than make a precise statistical estimate. As a final comment on how our sample relates to the population of higher education faculty, we note that the responses to our survey include, directly or indirectly, 23 of the 50 largest institutions in the U.S. (1998 *Higher Education Directory*).

Although we were satisfied with the picture that emerged from the surveys we received, it is important to consider the significance of those institutions who did not respond. A small number of institutions—five or so—declined because they do not participate in surveys as a matter of policy. A dozen others also declined, saying they could not afford the time. In the remaining cases, our calls went unreturned. What other systematic reasons might have kept the remainder from responding? One reason might be that their institutions had no plan. We indicated in the questionnaire that the absence of a plan was one response we were looking for; indeed, about 19 percent of responses indicated no plan. Nevertheless, it is logical to assume that some administrators at schools without early retirement chose to disregard the survey. Another possible explanation is the desire for privacy. Early retirement measures can be controversial, and, unlike public institutions where plans are public information, private institutions may have chosen to remain silent. Only 37 percent of the private schools we contacted submitted a survey response, versus 59 percent for public institutions.

#### Patterns in Retirement Incentive Plans

Patterns in early retirement plans were evaluated according to the key variables of institutional control, Carnegie classification, geography, and size. Due to several limitations on the information we gathered—a small sample size, many missing observations, and data that is qualitative rather than quantitative—the statistical analysis is fairly simple. For example, we compare the proportions of the types of plans offered at private institutions to the sample as a whole, and then perform the same comparison for public schools.

*Public versus Private.* Are the plans offered by private institutions different from those offered by public schools? Table 3 below suggests that public and private institutions' early retirement plans differ in just one respect:

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Table 3. Plan Types for Public and Private Institutions Responding

<i>Type</i>	<i>Private</i>	<i>Percent</i>	<i>Public</i>	<i>Percent</i>	<i>Total</i>	<i>Percent</i>
Payment	12	33.3	18	43.9	30	38.9
Phased	12	33.3	13	31.7	25	32.5
Payment and phased	3	8.3	1	2.4	4	5.2
Other	2	5.6	1	2.4	3	3.9
None	7	19.4	8	19.5	15	19.5
<i>Total</i>	<i>36</i>	<i>100.0</i>	<i>41</i>	<i>100.0</i>	<i>77</i>	<i>100.0</i>

Source: Author's calculations.

Table 4A. Early Retirement Programs at Surveyed Institutions, Numbers of Programs According to Carnegie Classification

<i>Carnegie classification</i>	<i>Payment</i>	<i>Phased</i>	<i>Payment phased</i>	<i>Other</i>	<i>None</i>	<i>Total</i>
Baccalaureate 1	4	3	1	2	2	12
Baccalaureate 2	1	1	—	—	1	3
Doctoral 1	—	1	—	—	1	2
Doctoral 2	3	2	—	—	3	8
Fine arts	—	—	1	—	—	1
Master's 1	5	4	2	—	1	12
Master's 2	—	1	—	—	—	1
Research 1	7	6	—	—	4	17
Research 2	2	2	—	—	1	5
System	8	5	—	1	2	16
<i>Grand total</i>	<i>30</i>	<i>25</i>	<i>4</i>	<i>3</i>	<i>15</i>	<i>77</i>
<i>Percent of total</i>	<i>38.9</i>	<i>32.5</i>	<i>5.2</i>	<i>3.9</i>	<i>19.5</i>	<i>100.0</i>

Source: Author's calculations.

public institutions have a somewhat greater proportion of plans involving payments to the retiree than private schools (44 percent versus 33 percent). Public and private institutions in our sample show the same proportion for “no plan”—about 19 percent.

*Carnegie classification.* Do early retirement programs differ according to the nature of the school offering them? Table 4 switches the axis orientation of Table 3 and shows the details of plan types according to the institutions' Carnegie classifications (developed by the Carnegie Foundation for the Advancement of Teaching). At this level of detail, the small size of our sample limits inferences on the proportions of plan types within a particular class of school. That said, the distribution of program types within Carnegie classifications is very close to the overall proportions in the sample. Fewer payment plans were offered by Baccalaureate I and Doctoral II schools than by the responding institutions overall, while public systems offered payment plans

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Table 4b. Percentages of Program Types for Carnegie Classifications

<i>Carnegie classification</i>	<i>Number of plans</i>	<i>Payment</i>	<i>Phased</i>	<i>Payment and phased</i>	<i>Other</i>	<i>None</i>	<i>Total</i>
Baccalaureate 1	12	33.3	25.0	8.3	16.7	16.7	100.0
Baccalaureate 2	3	33.3	33.3	—	—	33.3	100.0
Doctoral 1	2	—	50.0	—	—	50.0	100.0
Doctoral 2	8	37.5	25.0	—	—	37.5	100.0
Fine arts	1	—	—	100.0	—	—	100.0
Master's 1	12	41.7	33.3	16.7	—	8.3	100.0
Master's 2	1	—	100.0	—	—	—	100.0
Research 1	17	41.2	35.3	—	—	23.5	100.0
Research 2	5	40.0	40.0	—	—	20.0	100.0
System	16	50.0	31.3	—	6.3	12.5	100.0
<i>Total</i>	<i>77</i>	<i>Nm</i>	<i>Nm</i>	<i>Nm</i>	<i>Nm</i>	<i>Nm</i>	<i>Nm</i>

Source: Author's calculations.

Percentages refer to the number of plans for a given school classification, not plan type; thus columns total across to 100 percent. Percentages within columns are not comparable, and do not add to 100 percent. Nm = not meaningful

Table 5. Early Retirement Plans by Geographic Region

<i>Region</i>	<i>Payment</i>	<i>Phased</i>	<i>Payment and phased</i>	<i>Other</i>	<i>None</i>	<i>Grand total</i>
Northeast	7	5	3	1	1	17
Southeast	5	8	—	1	5	19
Midwest	11	7	—	1	2	21
Southwest and mountain	3	3	—	—	6	12
West	4	2	1	—	1	8
<i>Total</i>	<i>30</i>	<i>25</i>	<i>4</i>	<i>3</i>	<i>15</i>	<i>77</i>

Source: Author's calculations.

slightly more frequently. The proportions of Doctoral II and state systems' plan offering payments did not deviate much from the sample overall.

*Geography.* Does the school's region make a difference to its early retirement offering? Table 5 shows the survey data grouped for geographical analysis. Only the west had a distribution of plans that was in line with the proportions of the overall survey. In the northeast region there was a concentration of combined payment and phased early retirement plans, and fewer than the proportional number of institutions offering no plan at all. In the southeast, more institutions offered payments and fewer offered phased plans. In the midwest, sample proportions led us to expect 11 payment type plans, but only 8 were observed. We also expected to find 4 institutions without plans but saw only 2. The southwest region had a higher than expected

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proportion of plans offering payments, as well as a surplus of institutions with no plan.

*School size.* Is there a relationship between the size of responding schools and early retirement offerings? Two different measures of correlation to school size and plan types indicated no strong measure of association with early retirement arrangements.

*Indirect observations: effective control and plan funding.* Although we did not measure these factors in our survey, we were able to discern two other important influences in early retirement plans through the responses we received. The first was the degree of control the institution exercised over the design of the plan. Public institutions generally are exempt from the requirements of ERISA legislation, meaning that these schools can avoid contention with rules that prohibit discrimination in favor of high earners. On the other hand, as public institutions are funded with public monies, they are subject to greater taxpayer scrutiny than private institutions, and thus likely would feel constraints in the amounts of incentives they can grant. In fact, we found that early retirement offers were disallowed or limited in a number of states, due to specific employment laws at the state level.

A second observation was that plans take different shapes according to the source of their funds. We observed several plans that were part of a larger state employment initiative, and thus did not require the university to build early retirement into operating budgets. In other cases, state authorities granted permission to allow early retirement, but left it to the public institution to allocate the funds. For the most part, private institutions must fund their early retirement plans entirely on their own, so that the generosity of any plan is a function of the institution's wealth (we did encounter one private university, however, which had received a foundation grant to encourage early retirement of faculty).

Last, we noted that the type of basic pension plan can have a bearing on plan design. The University of California system was able to afford several waves of early retirement in the early 1990s, thanks to its overfunded defined benefit pension plan. In a few other cases, an institution compensated early retiring employees through additions to the defined benefit pension accounts, or allowed them to purchase additional service credits in state plans. None of the institutions in our survey with defined contribution basic pension plans had devised ways to reallocate funds within their plans.

*Schools without early retirement.* How do schools that offer no early retirement programs differ from those that do? About 19 percent of our sample reported no early retirement plan. Doctoral II and Research I institutions averaged fewer plans than expected by the sample proportions, while Master's I schools and state systems offered more. As noted, the southwest had a higher proportion of schools without early retirement, the southeast was in line with the total, and the other regions were below the average.

When compared to research from the National Center for Education

Table 6. Institutions Without Early Retirement: Comparison of Studies

<i>Carnegie class and control</i>	<i>Percentage of institutions with no early retirement plan</i>	
	<i>NCES, 1993</i>	<i>This survey, 1998</i>
Private liberal arts	67.2	20.0
Private comprehensive	44.8	12.5
Public comprehensive	45.6	0.0
Private doctoral	55.2	20.0
Public doctoral	34.2	60.0
Private research	29.6	28.6
Public research	23.0	20.0
Public systems	not measured	12.5
<i>Overall</i>	<i>40.3</i>	<i>19.5</i>

Source: Author's calculations.

Statistics (U.S. Department of Education 1977b) the "19 percent without" proportion from our study suggests that the use of early retirement plans has increased significantly during the 1980s. Table 6 reorganizes our findings to match a summary presentation of the NCES estimates. The NCES study estimated that for U.S. higher education as a whole, about 40 percent of institutions offered no early retirement plans. The proportion of four-year institutions having no plans in 1993 varied widely across Carnegie classifications, ranging from 67 percent for private liberal arts colleges to 23 percent for public research institutions.

Our findings suggest that early retirement plans are now present at a much larger proportion of schools. With the exception of the Public Doctoral group, early retirement plans were present at over 70 percent of institutions observed (we point out that our sample was much smaller than that of the NCES). Our results also offered their own explanation for the increase: twenty-four out of seventy-seven responses, or close to one third of our observations, indicated that institutions had adopted early retirement after 1993, when the NCES sample was drawn.

#### Success of Early Retirement Programs

Few of the institutions responding to our survey included evaluations on how well their early retirement plans have met their goals, or were able to provide statistics on the acceptance of early retirement offers. Hence we were unable to draw general conclusions about which plan designs are most effective. We can nonetheless glean some insights from the responses of a few individual programs.

One important factor in the retirement decision may be that the genera-

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tions facing retirement today and in the future are simply not prepared for any retirement, much less an early one. A large state system that offered a cash incentive program to both faculty and staff commented that the administration had been unpleasantly surprised by the older employees' lack of financial preparedness for retirement.

*Incentive payment plans.* All of the institutions that commented on incentive payment plans had negative remarks. Both small and large private institutions remarked that their payment plans turned out to be more expensive than they had anticipated. A mid-sized public university wrote that faculty accepted the plan in greater numbers than expected. A very large state system responded that administrators had a "mixed picture" of the cost savings from their plan, which involved options for both incentive payments and phased retirement. One public system stated that its incentive payment plan had been effective when initiated in the 1980s. Over time, however, it had grown too expensive and evolved into a "golden handcuff" that faculty had come to expect as a part of their retirement.

*Phased plans.* We received few comments from institutions on their phased retirement plans. The comments we did receive also cited phased plans as being too expensive, and noted that they resulted in the loss of many good instructors.

*Payment and phased plans together.* In two cases—a small liberal arts college and a large three-campus state system—we obtained offer and acceptance statistics for institutions that offer prospective early retirees a choice of payment incentives or phased retirement. These cases are especially valuable as they show how groups of people working in a common management and compensation environment interpret and choose from options that place different values on retiring versus continuing to work.

The smaller institution (student enrollment of 2,000) typically offers either incentive payments of about one year's salary, or a 50 percent teaching load lasting three years for which the early retiree is paid 70 percent of final salary. Major benefits are continued under both arrangements (early retirement is not offered to all employees, and every offer is negotiated separately). Over the two-year life of the plan, 21 employees in total had been offered early retirement; seven had selected phased retirement, and three had taken the lump sum package. Administrators indicated that since creating the phased plan in 1996, they favored phased retirements to avoid speculation among employees on amounts granted in buyouts.

The second case pertains to the university system of a state in the Great Plains; one of its campuses is among the 50 largest universities in the United States. This system has offered a phased retirement plan since 1982 and an early retirement incentive since 1986. Employees, both faculty and staff, aged 57 or older are eligible. This early retirement incentive does not make a payment in lieu of salary. Instead, it pays for medical insurance coverage until the employee is eligible for Medicare, provides a small paid-up life in-

surance policy, and makes contributions to the employee's pension account for several years. The phased plan offers a five-year transition to retirement with pay in direct proportion to the years of service. In the past three fiscal years an average of 31 people per year have chosen phased retirement, while an average of 129 people per year have opted for the early retirement incentive.

The logic behind the choices made by the retirees at the two institutions seems to conflict: although the payment offer was more lucrative at the small school than the large one, a majority of the small school's employees chose phased retirement. The opposite applied at the state system, where more faculty chose what appears to be a less lucrative payment over the option of phased retirement.

The two offers are hardly equal and opposite; both of the options at the small school are quite generous, while the payment offer at the large school yielded no cash upon retirement. Moreover, many factors could be responsible for leading the employees to these decisions: the environment of a small school versus a large one, health considerations, differing options for spending their retirement years, or "guidance" by the administration. Even so, we present these contrasting examples to show that monetary considerations are only one factor driving the early retirement choice (Chapter 8 in this volume evaluates the importance of the nonmonetary factors in a retirement decision).

*Offer and acceptance statistics.* Only 11 schools reported fully on how many people had become eligible and then accepted offers of early retirement. Table 7 below summarizes these plans and their acceptance rates. The number of observations is small, but the information contained is very useful, as it illustrates the wide range of acceptance for plans of different designs. Acceptance rates ranged from zero to 100 percent; most rates came in between 12 and 33 percent. In general our contacts knew how many faculty had accepted early retirement, but few had kept track of the numbers of faculty who became eligible. This lack of information is not surprising, but it is unfortunate. Institutions invest considerable time and energy in designing early retirement plans and then spend large sums to carry them out. Establishing targets for costs and success rates of early retirement arrangements, and the analyzing actual results—including measuring retirees' expectations of and satisfaction with retirement—will give administrators insights into how highly professors value their work and service, thus providing important feedback for fine-tuning early retirement plans and development of other retirement measures.

*Case histories.* Because the number of observations is small and their range wide, we believe that calculating an average acceptance rate would not generate a meaningful measure. Instead we have provided some of the context of the cases in Table 7.

In one unusual but instructive case, a small liberal arts institution in the

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Table 7. Summary of Experience, Early Retirement Plan Offers Accepted

<i>Carnegie classification</i>	<i>Enrollment</i>	<i>Plan type</i>	<i>Eligible</i>	<i>Accepted</i>	<i>Rate (%)</i>	<i>Comment</i>
Research 2	22,000	Payment/window	1,000	220	22	—
Master's 1	5,000	Phased/ongoing	42	36	86	—
Baccalaureate 1	2,000	Payment/window	21	7	33	—
—	—	Phased/window	—	3	14	—
Baccalaureate 1	2,000	Payment/ongoing	2	2	100	Designed case by case
Master's 1	7,000	Payment/window	50	12	24	Final year of plan
Master's 1	2,000	Payment and phased/ongoing	15	5	33	Plan ended
Baccalaureate 1	2,000	Payment and phased/ongoing	37	0	—	Plan "not rich enough"
Doctoral 2	7,000	Phased/ongoing	5	5	100	Plan used to retain faculty
State system	—	Payment/window	3,500	472	13	—
Research 1	27,000	Phased/ongoing	250	30	12	—

Source: Author's calculations.

northeast devised a phased retirement plan offering 50 percent of salary and full benefits in compensation for a reduced course load for a term of two years. To the surprise of the administration, none of the 37 eligible faculty accepted the offer. In the 1980s the school had offered an unusually generous phased plan, and the new generation of prospective retirees thought the revised plan was "not rich enough" in comparison (our contact also volunteered the opinion that if the school were to offer a plan consisting only of payment to cover health insurance coverage, many faculty would likely opt for early retirement).

At the other extreme, a well-known liberal arts college offered a payment incentive of 40 percent of a faculty member's last annual salary, paid monthly, starting at age 60, for up to five years. Thus, a retiring faculty member could receive up to two years' salary, plus commensurate contributions to his or her retirement account, in exchange for retiring and relinquishing tenure. The early retirement incentive is reduced, however, if the faculty member waits to retire, and the offer expires at the end of five years. The plan was adopted in October 1997; since then seven faculty members became eligible for the incentive, and all elected to receive it.

Another small liberal arts college said that it offered early retirement payment incentives to just one or two faculty members per year, usually as a means to retire faculty who were no longer meeting the school's teaching standards. All these offers were accepted as well, but incentives were formulated case by case, so that the school's management was able to meet the needs of each prospective retiree.



The University of California (UC) system undertook three waves of payment incentives for early retirement between 1991 and 1994. The UC system had a greatly overfunded defined benefit pension plan, and chose to use the excess to fund early retirements. The offers and resulting retirement were studied in detail by Ellen Switkes (this volume; see also Pencavel 1997). In the first offer, which was publicized as a one-time event and not to be repeated, 31 percent of eligible faculty accepted early retirement. The second offer was more generous than the first and extended the boundaries of eligibility, but only 18 percent of offers were accepted. In the final offer, which was more liberal and generous still, 33 percent of eligible employees took early retirement.

A look at the University of California case is especially useful in view of the different states of employee expectations in each round. The first offer was unprecedented, and billed as a one-time event. The second offer was also publicized as a last chance, but employees apparently felt they could hold out for another round. In the third instance, word passed among the faculty that there truly would be no future offer, likely contributing to the highest acceptance of all.

*Comparison to NCES study results.* As with the availability of early retirement plans, the acceptance rates revealed by our survey may be compared to a 1992 survey conducted by the National Center for Education Statistics (U.S. Department of Education 1997b). In that study, 11,000 faculty were surveyed on their views of retirement, and the sample results were extrapolated to the entire higher education faculty of 528,000 (note that the NCES survey asked about intentions and preferences, but did not measure actual retirements).

Of the faculty sampled, 26 percent were aged 55 or older. About one third of the respondents aged 55 to 64 said they would accept the offer of an early retirement incentive, and about another third were undecided. As only one third answered a definite “no” to the prospect, about two thirds of the retirement-minded population were at least candidates for early retirement. The sample also contained about 24,000 faculty over the age of 65; of this group, over 50 percent said they would decline an offer of early retirement. The NCES survey also asked faculty about their job satisfaction levels. Only 20 percent of those who were willing to take early retirement indicated that they were generally dissatisfied with their jobs. In sum, early retirement is a complex decision that takes into consideration the relative values—both monetary and nonmonetary—of working life and retired life, and the risks of moving from one to the other.

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