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Retirement Plans, Attitudes, and Expectations of Kansas Board of Regents Faculty

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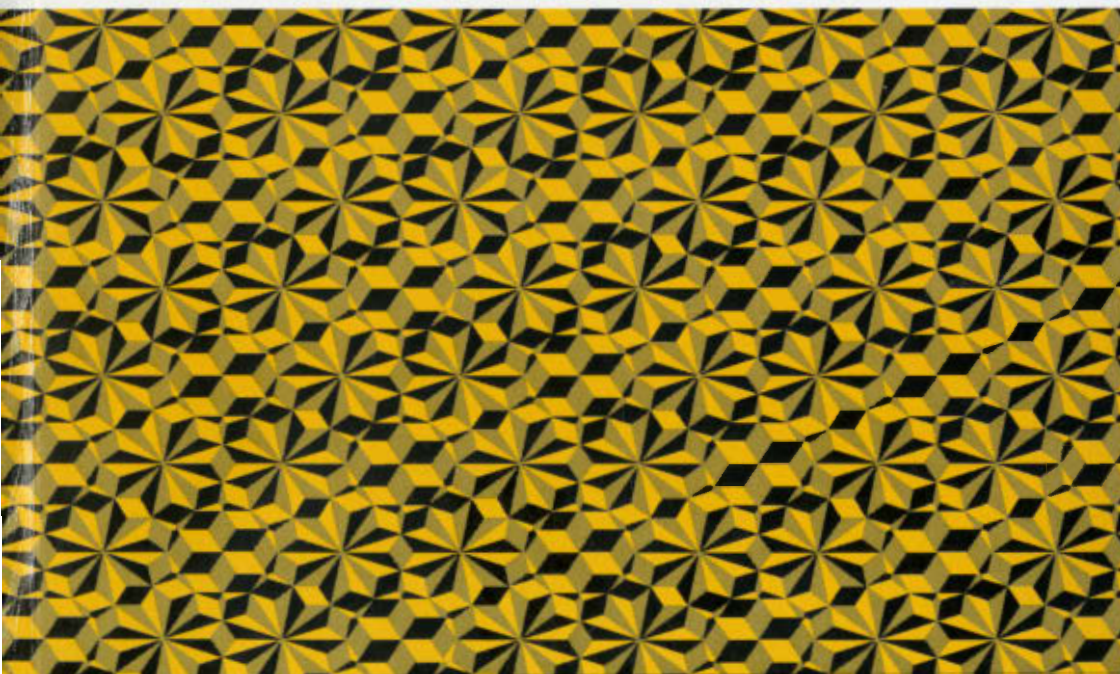

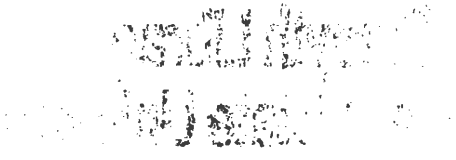

Fort Hays Studies
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Fort Hays State University is a thriving liberal and applied arts, state-assisted institution with an enrollment of about 8,000 students. It offers bachelor's and master's degrees in many fields and provides a wide variety of cultural and intellectual resources, not only for its faculty, staff, and students but for the western Kansas region and beyond. Fort Hays State University occupies the southwest corner of Hays, KS, a city of about 20,000 people located halfway between Kansas City and Denver on Interstate 70. The city and its people make their livings from across a wide spectrum of industries—agriculture, education, light manufacturing, medical care, oil, retail, and technology.

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Introduction

The retirement decision of faculty has important implications for both individual faculty and the University as an employer. If an adequate supply of new faculty is available at current salary levels, there is no problem of replacing retiring faculty. Typically, retiring faculty will have higher rank and pay compared to newly hired faculty, and thus, there is a cost saving to the university. This scenario is not likely to be the case when faculty shortages occur. In a shortage scenario, competition among universities for qualified faculty will drive salaries up to attract new faculty and to retain existing faculty. Noncompetitive universities will either have unfilled faculty positions or be staffed by less qualified faculty. Evidence from the age distribution of faculty suggests that the second scenario is likely to be the situation facing universities in the near future as increasing numbers of "baby-boomer" faculty retire. Therefore, retaining an existing faculty member beyond a "normal" retirement age may be viewed as desirable under these conditions.

Theoretically, retirement decisions are influenced by many economic and non-economic factors that include current and expected future earnings, assets, expected retirement income from public and private sources, health, expected longevity, attitude toward retirement, attitude toward work in general, and satisfaction derived from current job. Tax considerations, type of pension plan, and expected changes in the Social Security law also impact the retirement decision. Additionally, the growing number of dual-income households places retirement decisions in a family or joint decision-making context in which the couple must coordinate retirements with consideration of a spouse's current income and retirement income. Previous research, using 1996 data of Kansas Regents faculty age 50 and over, identified and estimated the marginal effects on retirement behavior for individual faculty associated with a number of these variables.[1]

From a macro perspective, the impact of an adverse change in the economic environment upon the planned retirement date for faculty has received little attention in the literature. For studies that have considered such an impact, data was generally hypothetical rather than actual. For example, data could be gathered from a question that asks: "How would your retirement decision be different if there were a significant downturn in the economy?" There is a

serious question about behavioral responses to hypothetical circumstances. Unfortunately, a significant downturn in financial markets occurred from 2000 to 2003, but fortunately from a research perspective, individual responses can now be obtained from an actual and experienced circumstance. This data will allow for a research study that can fill an important gap in the literature by exploring and estimating the effect of a prolonged downturn in financial markets on faculty retirement behavior.

A major contribution of past, as well as planned, research projects is that the results are based on a unique data set. Both demographic and financial information are collected from individual faculty at all Kansas Regents universities, and the homogeneous nature of the sample controls for variables that are otherwise difficult to model. All faculty in the Regents system face the same pension plan characteristics in terms of required faculty contribution levels and percentage match of retirement funds by the state. Although defined benefits plans are the most common type of plan in the public sector, including public colleges and universities, Kansas Regents faculty participate in a defined contribution retirement plan in which faculty choose how retirement contributions are invested. Kansas Regents faculty choose from four authorized companies (TIAA-CREF, Aetna, Lincoln National, and Security Benefit Life) that offer similar investment options and services. There is no evidence to suggest that planners or agents of these providers influence the asset allocation decision of individual participants other than by providing information. The investment options reflect a typical menu that includes money market funds, real estate funds, bond funds, growth funds, income funds, and international funds. Each of the four companies include a social choice/awareness fund in which investments may represent, partially, a non-financial objective. Overall, the pension plan "rules" faced by Kansas Regents faculty do not significantly limit choices of faculty with respect to individual investment allocation strategies. Additionally, investment choices for this faculty group do not include purchases of employer equities with its attendant implications for diversification and risk. Further, homogeneity of occupation reduces the likelihood that desired investment choices influence choice of an employer by virtue of investment options offered by the firm. Faculty also have similar access to pension-plan information. In terms of geographic location, most faculty live in Kansas and, therefore, face similar pricing for consumer goods, similar culture, and the same state tax-rate structure.

This data set enables the examination of investment choices of a mature group of faculty, where saving for retirement is a major investment objective. Consideration of future retirement-related policy proposals by universities should be evaluated with an understanding of the relative importance of economic and non-economic influences upon the retirement decision by university faculty. Although there is a considerable amount of research concerning the retirement decision by workers in general in the U.S. economy, little research in comparison has focused specifically upon the retirement decision of university faculty.[2]

Data

In September and October 2003, a survey titled "Survey of Retirement Plans, Attitudes, and Expectations of Selected Kansas Board of Regents Faculty" was mailed to 1,850 tenure-track faculty age 50 and over at all Kansas Regents institutions. A copy of the survey is attached as an appendix. The response rate was 35% or 648 returned surveys. Exhibit 1 displays the response rate by each Regents university.

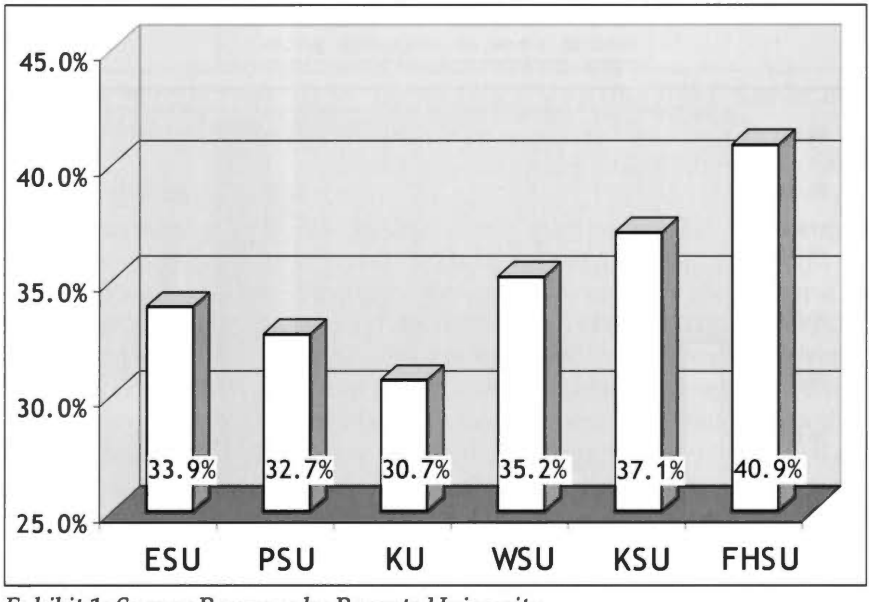

Exhibit 1: Survey Response by Regents University

Profile of the Regents Faculty Sample

The average age of the Regents faculty sample is 58.4 years, and 24.8% are women. In a similar survey conducted seven years earlier, these numbers were 57.2 and 22%, respectively. Faculty have been working at their present university an average of 22.0 years and have an average of 26.6 years of total

university employment. All faculty are in tenure-eligible positions. Ninety-four percent are employed full-time. Virtually all faculty who reported part-time employment are participating in the Kansas phased-retirement program.

Exhibit 2 reports the average workload of Regents faculty. While faculty workload is based on the 1996 survey because these questions were not asked in the current survey, the results are expected to have been largely unchanged. Administrators were arbitrarily defined as any respondent reporting that more than 50% of their workload consisted of management or senior administration responsibilities. The average instructional, research, and service load of a faculty member is 44.6%, 23.1%, and 15.4% of total workload respectively. The faculty workload percentages are partially diluted by including as "teaching" faculty, faculty who have part-time administrative appointments such as directors, coordinators, and department chairs whose administrative appointments are typically 50% or less. Faculty reporting no management responsibilities constitute 73.3% of the sample and have an average teaching, research, and service load of 48.8%, 25.8%, and 16.4% respectively. The total of these percentages does not equal 100% because an additional "other" category was included in the survey instrument to describe current university job activities.

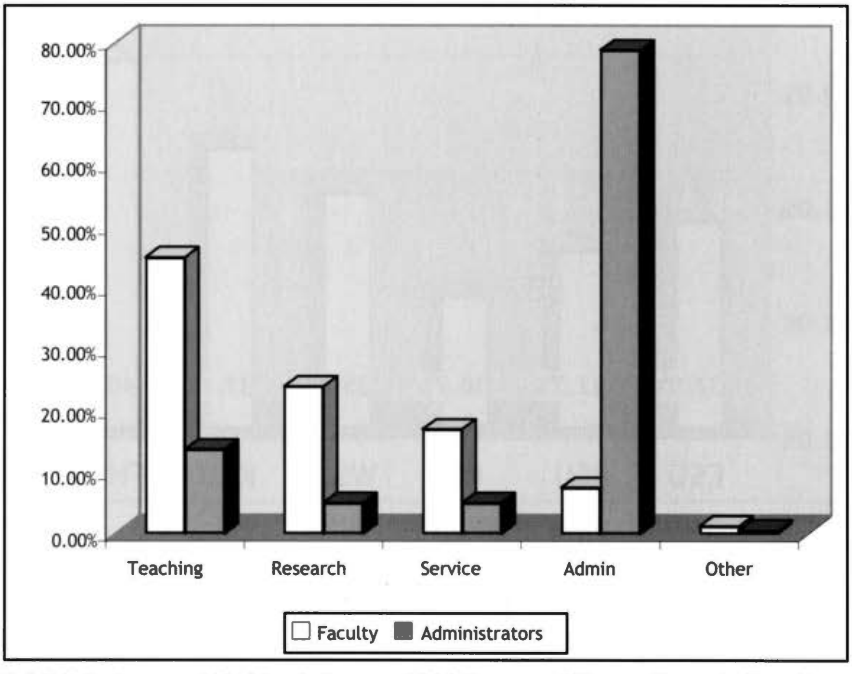

Exhibit 2: Average Workload. Source: 1996 Survey of Kansas Regents Faculty

Exhibit 3 disaggregates and reports average workload by Regents university for teaching faculty who report no administrative responsibilities. Differences in workload across universities reflect differences in the individual missions of these universities.

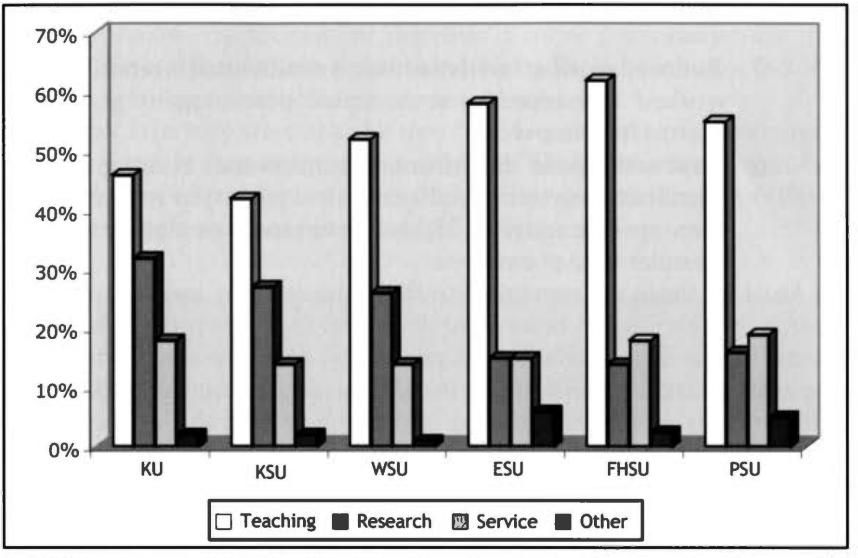

Exhibit 3: Average Workload for Teaching Faculty by University. Source: 1996 Survey of Kansas Regents Faculty

Defining Retirement

Retirement is typically thought of as "quitting work," receiving an employer-sponsored pension and/or Social Security benefits, and increased consumption of leisure. However, the question arises: if after leaving an employer and collecting Social Security or private retirement benefits, consulting services are provided out of the home to a former employer or other agency, is that individual retired? Some workers may leave a job (i.e., totally leave the labor force), begin collecting pension benefits, and then after a period of time become re-employed with another employer. Did the worker retire? Some workers sharply reduce the number of hours they work for a period of time prior to exiting the labor force. Is this worker partially retired? There are various labor-force transitional situations from full-time work to no work over time and from no work back to work that can occur toward the end of one's work life such that retirement becomes a rather ambiguous concept.[3] Thus, there are several definitions of retirement that can fit the specific requirements of a study. These definitions include:

1. **Subjective self-identification definition**: An individual is retired if they state they are retired.
2. **Social Security definition**: An individual is retired if they are receiving Social Security benefits.

3. **Labor force definition**: An individual is retired if they are not in the labor force, i.e., not working and not looking for work.
4. **Pension definition**: An individual is retired if they are receiving benefits from an employer-sponsored pension plan, profit-sharing plan, 401(k) plan, IRA account, or some combination of these.
5. **Reduced work-effort definition**: An individual is retired if hours worked is reduced by some stated percentage (e.g., 50%) of normal full-time work.
6. **First retirement definition**: An individual is retired if they terminate long term employment in a particular endeavor after some specific age (e.g., 55) and do not seek re-employment with a similar type of employer.

Most of these retirement definitions have been used in previous research. The choice of a retirement definition for a given study is usually dictated by the data available and purpose(s) of the research. The use of different definitions of retirement, usually the dependent variable in many studies, makes direct comparisons of retirement behavior across studies rather difficult. For example, if the purpose of a study is to provide guidance to policy makers in formulating policies targeted to the elderly, determining an appropriate definition of retirement would likely be a more difficult task. Specifically, Congress continues to grapple with the short-term and long-term financial soundness of the Social Security program. Understanding or predicting the effects of changes in this basic pension benefits program on consumption, savings, and retirement behavior of the elderly is directly dependent on the specific meaning of retirement.

Research based on this data will analyze the retirement decision and the associated factors that influence that decision for Kansas Regents faculty age 50 and over and the policy implications of those findings for higher education. Therefore, the "subjective self-identification definition" or the "first retirement definition" seems appropriate for such studies. In this survey, faculty were simply asked at what age they planned to retire. It is clear from faculty survey responses that a significant number of faculty plan to engage in work related activities after "retiring" from university employment. Whether faculty return to the labor force outside of higher education at a subsequent date or not will have little, if any, direct impact on policy decisions relating to the management of faculty resources within higher education.

Retirement Plans of Kansas Regents Faculty

There is extensive literature examining the individual retirement decision based on post-retirement data.[4] In comparison, very little literature examines the expected retirement age based on pre-retirement data.[5] Pragmatically, the small amount of research into retirement planning is

partially explained by the lack of data sources. Additionally, researchers are generally more comfortable with data that deal with actual decisions rather than expectations. However, if planned retirement correlates reasonably well with actual retirement decisions, this becomes a moot issue. The absence now of a mandatory retirement age removes the focal point of age and makes the retirement decision a more personal and a more deliberative one that focuses upon economic and socio-economic factors as well as a set of personal or family circumstances.

Regents faculty were asked if they had decided upon a specific age, or if not, to provide their best estimate of their "likely" retirement age. Fifty-four percent of respondents provided a specific retirement age. Specific and likely retirement ages are presented in Exhibit 4.

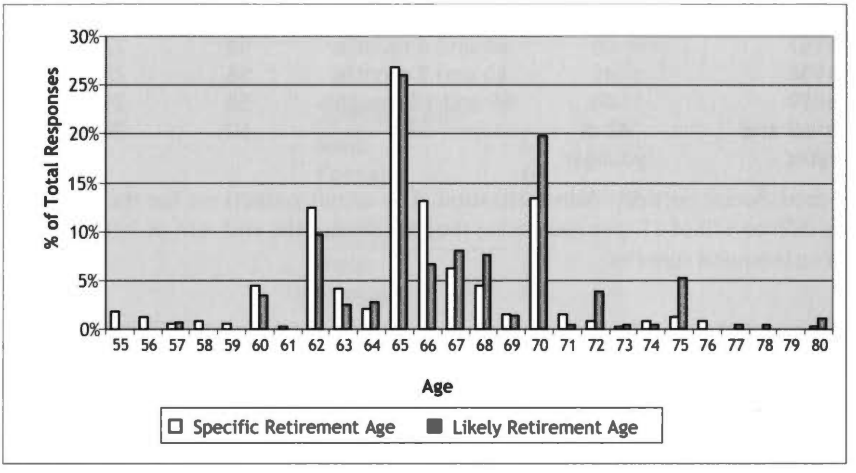

Exhibit 4: Expected Retirement Age

Both groups (specific age and likely age) have several peaks in their distribution of expected retirements. In the Kansas Regents system, present state regulations allow a faculty member to retire at age 55, draw pension benefits without penalty, and remain in the state health-insurance group. The faculty member, however, must pay the premium for health insurance until eligible for Medicare. The first peak occurs at age 62 when, presently, a retiree is first eligible for Social Security benefits, although at a reduced rate. Exhibit 5 shows the full retirement age and the reduction in benefits associated with retiring at age 62 for different birth years. A second and largest peak occurs at age 65 - 66 when full Social Security benefits can be collected by many of the faculty born prior to 1938 in the sample. Also, Medicare coverage begins at age 65. An additional peak occurs in Exhibit 4 at age 70. Age 70 represented the mandatory retirement age for many faculty prior to the 1986 ADEA amendments that eliminated mandatory retirement for tenured faculty.

Year of Birth	Age in Survey Year (2003)	Full Retirement Age	Age 62 Reduction Months	Total % Reduction
1937 or earlier	66 or older	65	36	20.00
1938	65	65 and 2 months	38	20.83
1939	64	65 and 4 months	40	21.67
1940	63	65 and 6 months	42	22.50
1941	62	65 and 8 months	44	23.33
1942	61	65 and 10 months	46	24.17
1943-1954	60-49	66	48	25.00
1955	48	66 and 2 months	50	25.84
1956	47	66 and 4 months	52	26.66
1957	46	66 and 6 months	54	27.50
1958	45	66 and 8 months	56	28.33
1959	44	66 and 10 months	58	29.17
1960 and later	43 or younger	67	60	30.00

Source: Social Security Administration. The actual reductions for the worker are .555 or 5/9 of 1% per month for the first 36 months and .416 or 5/12 of 1% for subsequent months.

Exhibit 5: Full Social Security Retirement and Percent Salary Reduction for Early Retirement

For responders stating a "likely age" for retirement, an additional peak occurs at age 75. Why this peak does not occur for faculty having a specific retirement age is open to speculation. This peak is about half as large in the 2003 sample (5.2%) compared to the 1996 sample (9.8%).

Although a majority of Regents faculty indicated a firmly set retirement age with no recent changes, life-cycle theory suggests that retirement plans are partially made on the basis of expectations about future economic and socio-economic factors. If health or personal financial circumstances change, then retirement plans will likely change. The 1996 data were collected during a time when economic activity in general, and the stock market in particular, were achieving spectacular positive results. The 2003 data were collected after three consecutive years of decline in the stock market. The uniqueness of collecting this data at this time deserves emphasis. Data collected in 2003 provides information about the influence of prolonged adverse economic and financial conditions upon various decisions related to retirement planning of Kansas Regents faculty.

The median age of expected retirement for faculty with a firm retirement age in mind is 65 years and 66 years for faculty without a firm retirement age in mind. The median expected retirement age is similar for all six Regents universities. Fifty-four percent of the faculty sample indicated that they had

a specific retirement age in mind. (This compared to 73% in the 1996 faculty sample, which is suggestive of greater uncertainties arising from the 2000 – 2003 stock market decline.) Faculty were asked if they had changed their mind recently (last 2 or 3 years) about the age at which they expected to retire. Thirty-six percent indicated they now expect to retire at an older age with an average number of 3.7 years of postponed retirement. On the other hand, only 8.6% now expect to retire at a younger age.

The expected retirement age by gender is presented in Exhibit 6. There is only a small difference in the expected retirement age on the basis of gender among either faculty who gave a "specific age" at which they intend to retire or among faculty who gave the "likely age" at which they expect to retire. Since the mean and median values are almost identical, only median values are reported in the exhibit.

Specific Age	
Male	65
Female	65
Likely Age	
Male	67
Female	66

Exhibit 6: Retirement by Age and Gender

Reasons for Retirement: Regents Faculty

Faculty respondents were asked to select the single most important, second most important, and third most important factors in making their retirement decision. Exhibit 7 reports the reasons given and their percentage distribution for all faculty respondents and for faculty having a specific retirement date in mind.

The single most important factor was financial ability, accounting for about 60% of all faculty respondents. For faculty who had a specific retirement date in mind, financial ability accounted for 63.3%, more leisure time or time for family accounted for 11.2%, and health status accounted for 7.4%. Together, these three factors accounted for 81.9% of these respondents. The significance of financial ability in the retirement decision is increased when the second most important factor is accounted for. Eighty five percent (63.3 + 21.7) of faculty who had a specific retirement date in mind indicated that financial ability was either the most important or second most important factor in their retirement decision. Achieving the financial ability to retire appears to be a necessary condition for retirement, and once it is achieved, other retirement factors trigger the actual decision to retire. When looking across the first, second, and third most important factors influencing the

retirement decision, it is clear that health status and more leisure time/time for family are the next two most important factors after financial ability.

Factors Influencing the Retirement Decision

The retirement age decision is multifaceted, complex, and likely influenced by many economic and non-economic factors that include current and expected future earnings, assets, expected retirement income from public and private sources, health, expected longevity, attitude toward retirement, attitude toward work in general, and satisfaction derived from current job. Tax considerations, type of pension plan, and changes in the Social Security law also impact the retirement decision. Additionally, the growing number of dual income households places retirement in a family or joint decision-making context in terms of coordinating retirements and consideration of a spouse's current income and retirement income.

Financial Ability. The 2003 survey (Exhibit 7) suggests that financial ability is the most important concern for individuals considering retirement. What is the expected effect of retirement on their economic well-being? Three

	Single Most Important Factor		Second Most Important Factor		Third Most Important Factor	
	% All	% Spec	% All	% Spec	% All	% Spec
Financial Ability	59.8	63.3	20.7	21.7	8.6	6.5
Dissatisfaction with Job	4.6	4.4	8.0	9.1	13.1	11.2
Health Status	11.7	7.4	23.4	20.0	15.4	15.9
More Leisure Time/ Time for Family	10.1	11.2	23.7	24.7	22.0	24.7
Stress/"Burn Out"/ Lack of Energy	4.0	3.5	8.0	6.8	13.4	10.9
Qualify for Retirement Benefits	3.8	4.7	10.1	10.9	13.4	14.4
Pursue Other Type of Employment Activity	10.0	2.1	3.5	3.2	7.3	7.9
Prospects for Promotion/ Salary Increases	--	--	1.6	2.1	4.0	3.8
Other	3.8	3.2	1.1	1.0	2.8	2.1
	N=630	N=340	N=624	N=340	N=618	N=340

Exhibit 7: Factors Influencing Retirement Decision

studies initiated for the Consortium on Financing Higher Education found that "fear of inadequate income during the first two years of retirement was an important factor that served to delay or postpone retirement."[6]

Survey respondents were asked if they had changed their mind recently (last 2 or 3 years) about the age at which they expected to retire. Fifty-five percent indicated that they had not changed their minds about the age they expect to retire. Thirty-six percent indicated that they expected to postpone their retirement age by an average of 3.7 years (median value is 3.0). A significant majority (71%) who postponed their expected retirement date indicated that the major reason was due to the economic/stock market decline. Other reasons for postponing the expected retirement date were: health insurance costs (9.5%), job circumstances (6.2%), family circumstances (4.4%), and other (9.7%).

How will the standard of living during the first year of retirement compare to the standard of living just prior to retiring? Two questions were asked to provide information about this question. Respondents were asked: "How do you expect your income after taxes during the first year of retirement will compare to your income after taxes just prior to retiring?" They were also asked: "How do you expect your regular living expenses during the first year of retirement will compare to your regular living expenses just prior to retiring?"

Income and expenses, collectively, will be referred to as *cash flow*. If income increases more than expenses, for example, cash flow has increased. Admittedly, cash flow is only one of many factors that could affect one's post-retirement standard of living. However, it is assumed that changes in cash flow and standard of living are highly positively correlated. Based on this assumption, respondents' expectations of changes in cash flow are identified in four groups shown in Exhibit 8. As can be seen, 112 respondents (18%) were either not sure or provided insufficient information to generalize about their post-retirement cash-flow expectations. Of the 516 respondents who did provide sufficient information to make generalizations, 34% expected their cash flow (standard of living) would improve after retirement, 30% expected their cash flow (standard of living) would remain about the same after as before retirement, and 36% expected their cash flow (standard of living) would be worse after retirement. In the 1996 survey data, 68.4% of respondents believed that their pre-and post-retirement cash flows would be about equal. Only 52.6% of the 628 respondents (63.9% of the 516 with an opinion) believed that their post-retirement cash flow would be as great as or greater than their pre-retirement cash flow. This drop in respondent optimism about cash flows suggests that the adverse geo-political, social, and economic events of the past four years (declines in the stock market, soft labor market, recession, rising trade and federal deficits, wars in Afghanistan and Iraq, etc.) have indeed had an adverse effect on the optimism (and by implication, the retirement plans) of respondents.

	Frequency	Percent
Expected cash flows providing a higher standard of living		
Income will increase more than expenses will increase	1	.16
Income will increase, expenses will stay the same	12	1.91
Income will increase, expenses will decrease	3	.48
Income will decrease less than expenses will decrease	122	19.43
Income will stay the same but expenses will decrease	39	6.21
Total who will be better off	177	28.18
Expected cash flows providing no change in standard of living		
Income and expenses will both increase the same amount	2	.32
Income and expenses will remain the same	134	21.34
Income and expenses will decline by the same amount	17	2.71
Total who will be the same	153	24.36
Expected cash flows providing a lower standard of living		
Income will increase less than expenses will increase	0	0.00
Income will decline more than expenses will decline	34	5.41
Income will decline and expenses will increase	7	1.11
Income will decline and expenses will remain the same	10	1.59
Income will decline more than expenses will decline	135	21.50
Total who will be worse off	186	29.62
Results uncertain		
Not sure of either income, expenses, or both	110	17.52
Unusable/inconsistent responses	2	.32
Total not counted	112	17.83
Grand Total	628	

Exhibit 8: Expected Cash Flows

In addition to cash flow, an important element that helps form an expectation of the post-retirement standard of living is the stock of pension assets held by a faculty member at retirement age. The pension plan provided by the State of Kansas to Regents faculty is a defined-contributions plan administered by TIAA/CREF and three other providers. The estimated pension assets expected by Kansas Regents faculty at retirement by age group and gender are reported in Exhibit 9. In column four, projected salary at retirement was determined by growing the current salary of each faculty member by 3% each year until his or her expected retirement age is reached.

A rule of thumb frequently used by financial planners to estimate the minimum pension assets "needed" for retirement is six to nine times salary at retirement to approximate a pre-retirement standard of living. The retirement ratio in the last column is calculated by dividing estimated

Below is the Corrected Exhibit for page 18

	Frequency	Percent
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Grand Total	628	

Exhibit 8: Expected Cash Flows

pension assets at retirement by projected salary at retirement. All of the faculty age groups meet at least the lower end of that threshold range. The lower retirement ratio for younger faculty (i.e., close to age 50) in the sample can be and often is accelerated as they near retirement through the use of supplemental retirement annuities (SRAs). A lower ratio for female faculty is observed in the table.

Age/Gender	Expected Retirement Age	Estimated Pension Assets at Retirement	Estimated Salary at Retirement	Estimated Retirement Ratio
50-54				
Male	64.9	$927,056	$114,483	8.3
Female	63.4	650,743	94,764	7.3
55-59				
Male	65.2	1,062,659	102,538	10.8
Female	65.6	650,571	80,915	8.4
60-64				
Male	65.2	955,625	87,615	11.6
Female	67.4	660,863	79,575	8.8
65-69				
Male	70.9	1,317,391	85,033	18.3
Female	70.7	1,033,333	82,670	14.3

Notes: Estimated pension assets at retirement do not include Social Security benefits, and unit of measurement is thousands of dollars. Estimated salary at retirement is calculated by growing the average current salary by 3% each year until expected retirement age is reached. Unit of measurement is thousands of dollars. Expected retirement ratio is estimated pension assets at retirement (column 3) divided by estimated salary at retirement (column 4).

Exhibit 9: Expected Retirement Age, Estimated Pension Assets at Retirement, Estimated Retirement Salary, and Estimated Retirement Ratio by Age Group and Gender

Does the correlation of financial ability to retire and expected retirement vary by how far or close a faculty member is from her/his anticipated retirement age? Intuitively, moving closer to actual retirement age should enhance the concern for pension benefits and provide improved estimates of the income that flows from those benefits. Faculty farther away from retirement, although aware of the need for pension assets, may be more prone to philosophical thoughts concerning their basic attitudes toward work and leisure. To evaluate this, Exhibit 10 reports correlation coefficients between expected retirement age and financial ability to retire by age groups and gender.

Age Group	Correlation Coefficient	Pr Value
50-54		
Male	0.21	0.04
Female	0.18	0.31
55-59		
Male	0.20	0.02
Female	0.15	0.38
60-64		
Male	0.00	0.99
Female	0.24	0.25
>64		
Male	0.33	0.79
Female	N too small	

Exhibit 10: Correlation Coefficients and Significance Levels for the Relationship Between Expected Retirement Age and Expected Retirement Ratio By Age Group

Up to age 60, the correlation between expected retirement age and financial ability for male faculty is statistically significant. After age 60 there is no significant relationship between male retirement age and financial ability to retire. This lack of significant correlation may suggest that for this subset of faculty over age 60, of which many are likely to have the financial ability to retire, the sufficient condition or trigger for retirement has not occurred. These faculty are quite likely healthy, productive, and comfortable with their work environment. Interestingly, there is no statistical significant relationship (at the .05 level or better) between female faculty retirement age and financial ability to retire for any age group, which may suggest that for married women family income or a family retirement ratio is more relevant to the retirement decision.

Inflation. Fundamentally, greater inflationary expectations imply a lower expected future value of real retirement benefits. A lower value of real retirement benefits would in turn lead to greater anticipated financial need, increased uncertainty about the ability to achieve the necessary level of post-retirement income, and an increased probability of delayed retirement. This generation of surveyed faculty have experienced, during their work life, one of the most pervasive high-inflation periods in US history. Like the generation that experienced the "great depression" of the 1930s and its effects on expectations and decision-making, one would expect Regents faculty over age 50 to "fear" the effects of inflation in eroding purchasing power—particularly of post-retirement income—and their ability to retire.

The 2003 survey data suggests that fear of inflation is perhaps overstated. The inflation expectation of Kansas Regents faculty during the next five years averages 3.9% per year. Extending out to the period of five to ten years from now, annual inflation expectation rises to 5.6%. The results were very similar in the 1996 survey, having inflation values of 4.1% and 5.6% respectively.

Statistical results, however, suggest that inflationary expectations of Kansas Regents faculty do not have a significant impact on expected retirement age. Those faculty expecting a lower standard of living evidently do not particularly fear erosion of purchasing power. Instead, expectation of a lower living standard by some faculty may derive from the level of expected post-retirement income weighed against expected post-retirement living expenses or quality-of-life issues.

Earnings from Current Job. Another factor that, a priori, would influence the retirement decision is earnings or salary from working. The relationship between earnings and expected retirement age, however, is not a simple one. Economic theory suggests that an increase in earnings increases the price (i.e., opportunity cost) of leisure and, hence, reduces the consumption of leisure (a substitution effect). However, an increase in earnings also increases wealth. Increases in wealth lead to greater consumption of normal goods and services including leisure (an income effect). Therefore, the theoretical net effect of earnings on retirement (i.e., the "purchasing" of leisure) is unclear and depends on the relative strengths of the income and substitution effects.

A review of the empirical evidence suggests that when statistically significant results have been estimated, more often studies have indicated that higher earnings delay the age of retirement (i.e., the magnitude of the substitution effect is greater than the income effect).[7] Regression results based on the 1996 Regents faculty data estimated a positive, but insignificant coefficient for the effect of earnings on expected retirement age (i.e., higher earnings delay retirement).[8] Similar statistical analysis based on the 2003 survey data will be forthcoming.

Health. Health status may intervene significantly in a worker's retirement decision. Health is a multidimensional concept that includes both physical and mental aspects, including cognitive functioning. "Good health" is generally thought of as a "package" that requires no significant deficiencies in any dimension. However, the relative importance of these health dimensions is occupationally related. For example, maintenance of physical strength is certainly more important to a fire-fighter than to a university professor. Cognitive functioning, however, is rather critical for most university faculty.

The general assumption is that poor health will result in earlier retirement. Empirical evidence tends to confirm this, particularly for young workers who retire. Clark and Spengler (1980) summarized survey evidence prior to 1980 and noted that in the National Longitudinal Survey data, 85%

of white males who retired between ages 50 and 59 indicated that health status was the principal reason for exiting the labor force at an early age. Many empirical studies that have included a health measure in a regression, correlation, or analysis of variance model have found poor health to be associated with earlier retirement. Sammartino (1987) finds that workers in poor health retire from one to three years before healthy workers in otherwise similar circumstances.[9]

There are many measures or proxies to assess health status and just about as many disagreements by researchers over the relative efficacy of these measures of health. One major source of disagreement involves the validity of using self-assessment measures of health status rather than a formal clinical assessment. It is argued that the availability of disability benefits may provide an incentive for some individuals to overstate the severity of a health condition. Also, the direction of causality between health state and retirement is not always clear. Certainly poor health can lead to early retirement. However, male workers who retire early may use health status as a "socially acceptable" rationalization for exiting the labor force early rather than admitting they have a stronger preference for leisure than work.

This concern is moot for this faculty survey since all faculty are presently working and hence not providing a post-retirement reason for retirement. Further, although one's perception of poor health may not be clinically supported, the perception itself may influence retirement planning and hence is important.

The Regents faculty survey contained questions for health-related proxies. As subjective measures, faculty were asked to describe, on a Likert-type scale, the state of their health and whether they have a health condition that limits ability to work. Also asked was the number of workdays missed in the academic year 2002-03.

Overall 98% of faculty reported their health as either "very good" or "good." Only one respondent reported "very poor" health. Four percent of faculty indicated that they have a health condition that in some way limits their ability to carry out their university responsibilities. On average, faculty reported missing 1.8 days in the 2002–03 academic year. The average value in this case is misleading because over 44% of all faculty reported zero (0) work days missed. Exhibit 11 reports the average number of work days missed by age groups for those faculty who reported positive work days missed. For example, 53.8% of the faculty in the age group 60-64 reported that they had missed some work days. The average days missed in the previous academic year (2002-03) for this group was 3.7 days and 6.0% reported that they had a health condition which in some way limited their ability to carry out their university responsibilities. Column 4 of Exhibit 11 suggests that health conditions limiting work increase in the older age groups.

Age Group	Percent of Age Group Having Days Missed	Average Work Days Missed, 2002-03	Health Condition Limits Work
50-54	53.8%	4.1	7.1%
55-59	51.8%	4.2	11.3%
60-64	53.8%	3.7	6.0%
65-69	73.4%	10.8	14.3%
>69	53.3%	4.5	20.0%

Exhibit 11: Work Days Missed by Regents Faculty who Reported Days Missed by Age

Job Satisfaction. Job satisfaction represents a psychological variable that likely influences the retirement decision. From the perspective of a utility-maximizing paradigm, job satisfaction represents a worker's "tastes" that are subjectively determined by a variety of factors. These factors include general attitudes toward work compared to leisure (i.e., work ethic), the undesirable (or desirable) attributes of a specific job (i.e., degree of stress, monotony, risk, etc.), compatibility with coworkers and/or supervisors, and the general ambiance of a specific work environment.[10] Measures of job satisfaction are not readily available in many of the national data sets used for labor market research. The available empirical evidence, however, suggests that job satisfaction does influence the retirement decision but not as greatly as other influences.[11]

Responses to specific queries relating to job satisfaction in terms of work career, salary increases, and promotion in academic rank are reported in Exhibit 12. Clearly the greatest source of dissatisfaction resides with salary increases while the clear majority of faculty are satisfied with progress of their career and promotion in academic rank. The percentage responses were remarkably similar to the percentages found in the 1996 data. The question of whether faculty job satisfaction has a statistically significant impact on estimated retirement age will be analyzed and reported in forthcoming studies.

Expected Longevity. Intuitively, retirement behavior should be influenced by an individual's longevity expectation. A basic utility maximization model for work (or goods) and leisure predicts that a decrease in life expectancy results in the consumption of more leisure (less work) and hence, other things equal, an earlier retirement age. Regents faculty were asked to estimate the average life expectancy for someone of their age and gender, i.e., the average age that someone like himself or herself usually live. The average life expectancy of female faculty is 83.1 years and 80.4 years for male faculty. The simple correlation between life expectancy and expected retirement age in the Regents data set is positive and statistically significant (Pr=.001). Based on a simple linear regression, it is estimated that a one-year

Ranking	Progress of Work Career	Salary Increases Current Employment	Promotion in Academic Rank
Very Satisfied	47.5%	8.3%	48.3%
Somewhat Satisfied	36.8%	25.4%	25.2%
Fairly Neutral	5.1%	11.8%	10.7%
Somewhat Dissatisfied	8.6%	23.2%	10.1%
Very Dissatisfied	1.9%	31.3%	5.0%

Exhibit 12: Regents Faculty Attitudes Toward Work Career, Salary Increases, and Promotion in Rank – Percentage of Total

decrease in life expectancy decreases expected retirement age, on average, by slightly more than one month (1.2 months). Results of similar magnitude and significance were estimated using the 1996 data.

Family Effects. Rapidly increasing labor-force participation rates of women during the past three decades has enhanced the need to better understand how work and retirement decisions are made in a family or joint decision-making context. Data requirements of a model would include rather comprehensive knowledge about both spouses' ages, health, earnings, pension coverage, number of children, and their age distribution. Such a model would enable the exploration of issues such as how and to what extent poor health of the husband (wife) influence the wife's (husband's) work and retirement behavior.

An example of joint decision making within dual-earner households is the coordination of retirement or alternatively minimizing the time interval in which one partner remains in the labor force after the other retires. Eighty two percent of respondents reported their present marital status as "married." Sixty-eight percent of married faculty have an employed spouse and 72% of the spouses were employed full time. In response to the question: "Is it likely that your spouse will be working for salary or wages after you retire," 63% responded "No." Sixty-six percent of married faculty indicated that their spouse will be eligible to receive, or is already receiving, a pension (other than Social Security) based on their own employment. Ninety percent of married faculty said their pension income would be larger than their spouse's pension income.

Early-Retirement Incentives

Without a mandatory retirement age along with scheduled changes in the age for full Social Security benefits, the meaning of "normal" or "early" retirement has or will become rather ambiguous. Historically, the concept of normal retirement age has typically been associated with the age that, with normal participation in a pension plan, will provide for a "standard of

living" after retirement that would approximate the standard of living just prior to retirement.

For purposes of this discussion, early retirement is considered to be retirement before age 65.[12] The survey instrument contained questions designed to discover how Regents faculty might respond to phased retirement and early-retirement incentives. Utilizing a data set of faculty members age 55 and over that had retired from their university employment, Lozier and Dooris (1991) found that for 20% of these retirees, availability of early-retirement incentives was the most important factor in their retirement decision.

The Kansas Board of Regents has a phased retirement plan for faculty age 55 or older who have completed 10 years of full-time service, that continues to pay into state basic retirement based on 100% of salary with no reduction in medical contributions by the state. The maximum length of phased retirement is 5 years and the appointment must be between 25% and 75% of full-time employment.

Regents faculty were asked if they would be interested in a phased retirement program in which they would receive a reduced salary in return for a reduced work load. Exhibit 13 reports total responses and responses for age groups. Columns 2 and 3 reflect an interest in phased retirement. Column 2 records the response "Yes, would consider it," while column 3 records the response "Yes, already participate." Both male and female faculty

(1) Age Group	(2) Yes, Would Consider (Percent)	(3) Yes, Already Participate (Percent)	(4) No (Percent)	(5) Not Certain (Percent)	(6) Average Age to Begin Phased Retirement
50-54					
Male	66.1	0	21.2	12.7	60
Female	71.6	0	8.3	20.0	59.4
55-59					
Male	71.7	1.4	15.9	11.0	61.9
Female	72.7	1.8	14.5	10.9	62
60-64					
Male	63.8	6.3	20.5	9.4	64.1
Female	60.0	6.7	13.3	20.0	64
>64					
Male	42.3	28.2	21.2	8.3	67.8
Female	20.0	20.0	60.0	0	67

Notes: Freq = Frequency Percentages are totaled by row and may not total 100% because of rounding.

Exhibit 13: Interest in a Phased Early Retirement Arrangement, All Regents Faculty by Age Group and Gender

across all age groups are receptive to the concept of phased retirement, with the possible exception of female faculty in the greater than 64 age group. Due to the small sample size associated with this category, the results may be less than compelling.

Based on this sample, the phased retirement program presently in place has a 7.9% participation rate among faculty aged 55 and older. To extrapolate from the sample to the Regents system, for FY2004 approximately 94 faculty participated in the phased retirement program.[13] The maximum number of participants on phased retirement in any fiscal year cannot exceed 2% of an institution's unclassified FTE.[14] The maximum length of a phased retirement agreement is five years and is funded by the existing salary base of each institution. Based on this survey, faculty indicated a preference for the 5-year term of phased retirement and a 50% of full employment work load. It is not surprising that faculty would choose the 5-year term, since they may later change their mind and choose to fully retire before the end of the 5-year term with no penalty. On the other hand, faculty who select less than a 5-year term may not later extend that term beyond the initial agreement.

Faculty who favored a phased retirement were asked at what age they would consider phased retirement. These values are reported in the last column of Exhibit 13 and indicate that these faculty are willing to begin phased retirement when they are 62.9 (average) years old. Not surprisingly, the average age of beginning phased retirement increases across age groups. The average age of 62.9 roughly coincides with the age (i.e., presently 62) that faculty can begin drawing Social Security benefits at a reduced rate. However, there is little incentive to time the beginning of phased retirement with drawing Social Security benefits. If you work and are full retirement age or older, you may keep all of your Social Security benefits, no matter how much you earn. If you are younger than age 65 and 4 months in all of 2004, you must deduct $1 from your benefits for each $2 you earned above $11,640.[15]

Regents faculty were asked: "What would be the minimum amount of a 'cash severance payment' that would induce you to retire in the following year when you reach the age of 62 (or at your current age if over 62)?" Exhibit 14 summarizes the faculty responses. Because of the range in the magnitude of responses and a few large reported values within all faculty groups, the median value is a better measure of central tendency for the "minimum required cash severance payment." It is interesting to note that the median value of $100,000 for the minimum required cash payment was found not only for faculty as a whole but across gender and age groups.

Is $100,000 a substantial cash payment? Perhaps it is in a comparative sense. Faculty were also asked, "If the university would continue to pay your health insurance until eligible for Medicare, would that influence your decision to retire prior to age 65?" Forty-eight percent indicated they would consider retiring at an earlier age; 39% indicated health insurance availability would have no effect on their age of retirement, and 13% were uncertain.

Age Group	Minimum Cash Severance Payment Average	Median
All	$186,609	$100,000
50-54		
Male	208,839	125,000
Female	153,788	100,000
55-59		
Male	203,086	150,000
Female	171,714	100,000
60-64		
Male	163,342	100,000
Female	150,611	100,000
>64		
Male	185,766	100,000
Female *	----------	---------

*Number responding too small

Exhibit 14: Minimum Cash Severance Payment, by Age and Gender

Faculty who would consider retiring at an earlier age indicated that they would likely retire 3.6 years, on average, earlier if the university would continue to pay health insurance. Forty-three percent of the age group 60-64, who are perhaps in the best position to fully evaluate this proposal, indicated they would consider retiring an average of 2.5 years earlier if the state paid health insurance premiums until covered by Medicare. Presently in the Kansas Regents system, faculty who retire prior to age 65 can remain in the state-employees health-insurance group but they must pay their premiums. Currently (2004) the annual cost for a single faculty member in the state health group is approximately $4,660 and $9,375 for a faculty member with a spouse. Thus, the health-insurance cost of retiring at age 62 and paying health-insurance payments until Medicare becomes effective (3 years) is $13,980 for a single faculty member and $28,125 for a married faculty member. For the same age group, 60-64, only 5.7% indicated that a cash payment of less than $30,000 would be sufficient to induce retirement in the following year.

Based upon these results, a greater result per dollar in managing faculty resources would be derived from paying health insurance premiums until age 65 rather than from using a cash payment approach. However, the question arises: why would 43% of faculty (age 60-64) be willing to retire two and a half years earlier if provided with continuation of payment of their health insurance valued at $13,980 (single) to $28,125 (married) but

only 3.3% of that faculty group would be willing to retire if given a cash payment of $30,000 or less? One explanation could be that some of the responding faculty have pre-existing health conditions and hence cannot obtain individual insurance and are not aware of "continuation of health insurance" mandates.[16]

Finally, faculty were asked to consider another scenario in which universities' "courtesies" are continued after retirement. Specifically asked was, "If upon retirement, the university would continue to provide office space in close proximity to your department, secretarial assistance, and access to computers or other support services, would those benefits affect your retirement decision?" Responses to this scenario are summarized in Exhibit 15.

Response	Percent Choosing	Effect Upon Retirement (Percent)
Yes, would retire at an earlier age	12.3	
Retire one year earlier		5.0
Retire more than one year earlier		7.3
Uncertain	17.0	
No effect on retirement age	70.7	

Exhibit 15: Effect that Provision of Office Space and Other Services after Retirement Would Have on Retirement Age

This retirement incentive could be (and already is in many institutions) part of an emeritus designation. Only 12.3% of faculty indicated they would retire at an earlier date, with 7.3% of faculty indicating that they would retire more than one year earlier. The cost to the university would depend upon student enrollment projections and if corresponding space requirements require additional expenditures.

Success of Early-Retirement Programs

Early-retirement programs have been in place for years in many universities and abolishment of mandatory retirement will likely increase their use as a human resource management tool.[17] Assessment of their past and likely future success offers two perspectives: a faculty perspective and an institution perspective. In general, a successful early-retirement program would be one that enhances the welfare of faculty in terms of their ability to provide leisure and/or time for other professional activities and provide a standard of living approaching that derived from retirement at a "normal" retirement age. A simple measure of success would be its popularity, namely

the number of faculty accepting an early-retirement plan as a percentage of eligible faculty. From an institution's perspective, success of an early-retirement program would be measured in terms of maintaining appropriate staffing patterns within normal budget parameters. Historical to current comparisons of tenured faculty to total faculty ratios, vacancies created, personnel costs, and faculty age distributions would provide insights into the success of an early-retirement plan.

Fundamentally, to be effective such programs must address the interests and needs of both faculty and the university. Institutions must determine whether the benefits of increasing older faculty retirement rates exceeds the costs of early-retirement programs which increase retirement rates of older faculty and achieve the "targeted" number of retirements. Ideally, universities should not make early retirement payments to faculty that otherwise would have retired without an inducement and at the same time should not engage in discriminatory behavior that violates ADEA provisions. Smith (2001) notes that the principal concern to the end of mandatory retirement is not increased costs to the university because of delayed retirements but rather "that institutions will unnecessarily introduce costly retirement incentive plans that become entitlements and escalate faculty compensation costs."[18] Allen states that "the biggest payoff to the university is an increase in the odds that low-performing faculty will initiate the retirement process earlier."[19]

Summary and Conclusions

Fifty-four percent of the faculty sample indicated they had a definite retirement age in mind. Thirty-six percent of faculty indicated they expected to postpone retirement by an average of 3.7 years. The median age of expected retirement for faculty with a firm retirement age in mind is 65 years of age and for faculty without a firm retirement age in mind is 66 years of age. The average expected retirement age is similar for all six Regents universities.

Regents faculty gave a number of reasons why they would retire, with the financial ability to retire the most frequently cited reason. Achieving the financial ability to retire is considered to be a necessary condition for retirement and, once achieved, other retirement factors trigger the actual decision to retire. Beyond financial ability, health status and more leisure time for family are the second and third most often cited reasons to retire.

Without a mandatory retirement age and considering the scheduled changes in the age for full Social Security benefits, the meaning of "normal" or "early" retirement has or will become rather ambiguous. The survey instrument contained questions designed to discover how Regents faculty might respond to phased retirement and early retirement incentives.

Faculty were asked if they would consider the phased retirement program available to Regents faculty, in which they would receive a reduced salary in return for a reduced work load. Overall, 70.6% responded affirmatively with 6.2% indicating that they already participate. It is interesting that 42.3% of male and 20% of female faculty over age 64 responded favorably to a phased "early-retirement" option. At least to some faculty, the concept of what once was a normal retirement age has already become somewhat blurred. When asked at what age they would consider a phased retirement plan, the average age is 67.8 and 67 years for male and female faculty respectively.

All faculty in the survey were asked: "What would be the minimum amount of a 'cash severance payment' that would induce you to retire in the following year when you reach the age of 62 (or at your current age if over 62)?" The median value was $100,000 for all age groups and both genders. Is $100,000 a substantial cash payment? Perhaps it is in a comparative sense. Faculty were also asked, "If the university would continue to pay

your health insurance until eligible for Medicare, would that influence your decision to retire prior to age 65?" Forty-eight percent indicated they would consider retiring at an earlier age; 39% indicated that providing health premiums would not have any effect on their age of retirement, and 13% were uncertain. Presently in the Kansas Regents system, faculty who retire prior to age 65 can remain in the state-employees health-insurance group but they must pay their premiums. Currently the annual cost for a single faculty member in the state health group is approximately $4,660 and $9,375 for a faculty member with a spouse. Thus, the total cost of health-insurance premiums if retiring at age 62 (i.e., three years before Medicare begins) is $13,980 (single) and $28,125 (married). For the age group, 60-64, only 5.7% indicated that a cash payment less than $30,000 would be sufficient to induce retirement in the following year.

These results have implications from a policy perspective, particularly if there were an environment of declining enrollments. Based upon these results, a greater "bang per buck" to the state in managing faculty resources occurs through paying health-insurance premiums until age 65 rather than using a cash-payment approach.

Faculty were also asked to consider a scenario in which universities "courtesies" are continued after retirement. Specifically asked was, "If upon retirement, the university would continue to provide office space in close proximity to your department, secretarial assistance, and access to computers or other support services, would those benefits affect your retirement decision?" This retirement incentive could be (and already is in many institutions) part of an emeritus designation. Only 12.3% of faculty indicated they would retire at an earlier age, with 7.3% of faculty indicating they would retire more than one year earlier. The cost to the university would be minimal, particularly in periods of declining enrollment and correspondingly likely excess capacity for these types of resources

The "fear" that large numbers of faculty will choose to significantly increase their retirement age in the absence of a mandatory retirement age is not borne out by the data. It appears that adverse economic conditions and increased medical-insurance costs have contributed to the postponing of retirement, with 36% of faculty surveyed expecting to postpone retirement an average of 3.8 years.

Additionally, the concern that faculty who develop health problems as they age will, in the absence of a mandatory retirement age, continue to teach at a reduced level of effectiveness is not supported by this data set.

The data reveal that although financial considerations matter to virtually all faculty, the retirement decision is a very personal decision and one often surrounded by a set of individual family circumstances. This has implications for policy formulation by institutions wanting to influence retirement rates of faculty. The development of incentive programs, largely financial, may need to strike a delicate balance between flexibility to meet individual circumstances and equity in retirement opportunities for eligible

faculty. The response or success of an early-retirement program may also depend upon its duration. A program of limited duration may stimulate retirement decisions to a greater extent than one perceived by faculty to be in place for many years.

Appendix A: Survey of Retirement Plans, Attitudes, and Expectations of Selected Kansas Board of Regents Faculty

Conducted by

Department of Economics and Finance
Fort Hays State University

Sponsored by

Office of the Provost
Docking Institute of Public Affairs
Fort Hays State University

Special Instructions: Please do not enter your name on the questionnaire. Most of the questions should be answered by filling in the bubble alongside the answer statement that best fits your situation or describes your circumstances. Some questions require a numerical answer.

1. Do you have a specific age at which you expect to retire from full-time employment?

① Yes. What age is that? _____
Age

② No. Although you have no definite retirement age in mind, if you had to decide right now about a most likely age at which you will retire, what would that age be? _____ (most likely age)

2. Of the following factors, which is the single most important, second most important, and third most important factor in your retirement decision? (In each column choose only one answer)

	Single most important	2nd most important	3rd most important
Financial ability to retire	①	①	①
Dissatisfaction with job/superiors	②	②	②
Health status	③	③	③
More leisure time/Time for family	④	④	④
Stress/"Burn-out"/Lack of energy	⑤	⑤	⑤
Qualify for retirement benefits	⑥	⑥	⑥
Pursue other type of employment activity	⑦	⑦	⑦
Prospects for promotion/salary increases	⑧	⑧	⑧
Other _____	⑨	⑨	⑨

3. Have you changed your mind recently (last 2 or 3 years) about the age at which you expect to retire?

① Yes, now expect to retire at an older age

② Yes, now expect to retire at a younger age

③ No (Go to 6)

4. How many years earlier or later do you now plan to retire? _____ Years

5. What is the major reason you have changed your expected retirement age?

① Economic/Stock market decline

② Health status

③ Health insurance costs

④ Job circumstances

⑤ Family circumstances

⑥ Other _____ (please specify)

6. When you leave your current university employment, do you plan on working full-time in another capacity?

① No

② Yes, for another university (Go to 8)

③ Yes, for a private employer (Go to 8)

④ Yes, self-employed, non-consulting (Go to 8)

⑤ Yes, self-employed, consulting (Go to 8)

⑥ Other _____ (please specify) (Go to 8)

⑦ Not certain (Go to 8)

7. If you answered no to the previous question, are you planning to work part-time after you retire?

① Yes, part-time, year round

② Yes, part-time, part of the year

③ Yes, full-time, part of the year

④ No

⑤ Not certain

8. In general are you satisfied or dissatisfied with the progress of your overall academic career to this point?

① Very satisfied

② Somewhat satisfied

③ Fairly neutral

④ Somewhat dissatisfied

⑤ Very dissatisfied

⑥ Not certain

9. In general are you satisfied or dissatisfied with the salary increases you have received from your current university employment?

① Very satisfied

② Somewhat satisfied

③ Fairly neutral

④ Somewhat dissatisfied

⑤ Very dissatisfied

⑥ Not certain

10. In general are you satisfied or dissatisfied with your promotion(s) over time?

① Very satisfied

② Somewhat satisfied

③ Fairly neutral

④ Somewhat dissatisfied

⑤ Very dissatisfied

⑥ Not certain

11. Listed below are some specific retirement planning actions. Which ones, if any, have you already done, which do you plan to do, and which will you probably not do? Please check one box for each action.

ACTIONS	Already Done	Planning To Do	Not Planning To Do	Not Certain
A. Figured out how much money you would need in retirement to be able to maintain the standard of living you want	①	②	③	④
B. Prepared an estimate of likely retirement income and expenses	①	②	③	④
C. Established a program to save for retirement (other than your regular pension plan)	①	②	③	④
D. Looked into health care coverage you will have during retirement	①	②	③	④
E. Decided where to live during retirement	①	②	③	④
F. Purchased long-term care insurance	①	②	③	④
G. Have a formal financial plan prepared by a professional financial planner	①	②	③	④

12. How much has your financial planning for retirement been affected by the following concerns: Please check one box for each concern

	A Great Deal	Some	A Little	None	Not Certain
A. Inflation	①	②	③	④	⑤
B. Medical and/or health insurance costs	①	②	③	④	⑤
C. Performance of the stock market during the last three years	①	②	③	④	⑤

13. What annual rate of inflation do you expect to occur (A) during the next five years and (B) five to ten years later?

A. Expected inflation rate over the next five years _____ %

B. Expected inflation rate five to ten years later _____ %

14. How do you expect the stock market will perform (A) next year and (B) next five to ten years later?

	(A) Next Year	(B) Next five to ten years
Decrease a "lot"	①	①
Decrease a "little"	②	②
Remain "about the same" level as now	③	③
Increase a "little"	④	④
Increase a "lot"	⑤	⑤

15. Do you now contribute substantially to the financial support of anyone else (except your spouse) or expect to contribute substantially to the financial support of anyone else (except your spouse) after retiring?

	Yes	No	Not Certain
A. Now support someone else (other than spouse)	①	②	
B. Expect to be supporting someone else after retiring (other than spouse)	①	②	③

16. Listed below are some sources of retirement income. Which ones are you planning on for <u>your</u> own retirement income? Please check Yes for each source from which you expect to receive retirement income and No for each source from which you do not.

		Income Expected		
RETIREMENT INCOME SOURCES	Yes	No	Not Certain	
1. University based retirement pensions e.g., TIAA-CREF, Aetna, Lincoln National		①	②	③
2. Social Security		①	②	③
3. Other pensions or annuities (e.g., previous university employers, private company pension plan)		①	②	③
4. Income from an IRA, Keogh plan, or tax-deferred annuity		①	②	③
5. Interest or dividend income (other than retirement plans)		①	②	③
6. Paid employment (part-time or full-time)		①	②	③
7. Withdrawals from savings or other assets		①	②	③
8. Inheritance, royalties, or gifts		①	②	③

17. Of these income sources (Question 16), which do you expect will provide (A) the largest portion of your retirement income, (B) the second largest portion, and (C) the third largest portion?

	Univ. Retirement	Soc Security	Pension/ Annuity	IRA, etc.	Dividend/ Interest	Paid employ	Savings assets	Inheritance, etc.
A. Largest portion:	①	②	③	④	⑤	⑥	⑦	⑧
B. Second largest portion:	①	②	③	④	⑤	⑥	⑦	⑧
C. Third largest portion:	①	②	③	④	⑤	⑥	⑦	⑧

18. How do you expect your income after taxes during the first year of retirement will compare to your income after taxes just prior to retiring?

① About the same

② Roughly by about what percent less? _____ %

③ Roughly by about what percent more? _____ %

④ Not certain

19. How do you expect your regular living expenses during the first year of retirement will compare to your regular living expenses just prior to retiring?

① About the same

② Roughly by about what percent less? _____ %

③ Roughly by about what percent more? _____ %

④ Not certain

Special Instructions: If you have more than one employer, the questions in this part pertain to your current university employment only.

20. What is the length of your annual university contract?

① 9 months

② 12 months

③ Other (please specify) _____

21. At present, what is your employment status?

① Employed full-time (1.0 FTE)

② Employed part-time (less than 1.0 FTE)

③ Other (please specify) _____

22. How many years have you been working for this university? _____ Years

23. What is the total number of years you have been employed in all universities? _____ Years

24. What is the total number of years you have been employed full-time in non-university positions? _____ Years

25. Do you have a tenure-track appointment?

① Yes

② No

The Kansas Board of Regents has a phased retirement plan for faculty age 55 or older that continues to pay into state basic retirement based on 100% of salary and no reduction in medical contributions by the state. The maximum length of phased retirement is 5 years and the appointment must be between 25% and 75% of full-time employment.

26. Would you consider this type of retirement plan?

① Yes, would consider it

② Yes, already participate

③ No, would not consider it (Skip to 30)

④ Not certain (Skip to 30)

27. What percent of full-time employment from 25%-75% would you prefer?
_____ %

28. How many years of phased retirement from 1-5 years would you prefer?
_____ Years

29. At what age would you consider beginning a phased retirement option?
_____ Age

30. What would be the minimum amount of a "cash severance payment" that would induce you to retire in the following year when you reach the age of 62 (or at your current age if over 62)?
$_____

31. If upon retirement, the university would continue to provide you office space in close proximity to your department, secretarial assistance, access to a computer(s), or other support services, would those benefits affect your retirement decision?

① Yes, retire one year earlier

② Yes, retire more than one year earlier

③ No, would not have any effect on age of retirement

④ Not certain

32. If the university would continue to pay your health insurance until eligible for Medicare, would that influence your decision to retire prior to age 65?

① Yes, would consider retiring at an earlier age

② No, would not have any effect on age of retirement (Go to 34)

③ Not certain (Go to 34)

33. How many years earlier (prior to age 65) would you likely retire if the university would continue to pay your health insurance? _____ Years

34. When did you first enter a university sponsored retirement plan? (Please indicate the year in which you began your participation either with your present or a previous university employer.) _____

General Information: The questions in the following section request information that will enable examination of how faculty with similar characteristics differ or are the same in the ways they view and plan for retirement.

---

35. What is your age? _____ years old

36. Gender

① Female

② Male

37. Present marital status

① Married

② Never married

③ Widowed

④ Separated or divorced

38. In general, how would you describe your health (and that of your spouse if you are married)?

Yourself	Spouse
① Very Good	① Very Good
② Good	② Good
③ Poor	③ Poor
④ Very poor	④ Very poor

39. Do you have a health condition which in any way limits your ability to carry out your university responsibilities?

① Yes

② No

40. How many days have you missed work, i.e., could not come to campus (or work place) and carry out your normal activities (A) During the 2002-2003 academic year (during FY2003 for 12 mo. faculty) and (B) During the 2001-02 academic year (during FY2002 for 12 mo. faculty)?

A. During 2002-03: _____ Number of days

B. During 2001-02: _____ Number of days

41. What is your best estimate of the average life expectancy for someone your age and gender, that is, the average age people like you usually live to be?
_____ Years of age

Special Instructions: Answer Questions 42-51 only if you are married. If you are not married, skip to Question 52 now

---

42. What is the age of your spouse? _____ years old

43. Which best describes your spouse's education level?

① High school graduate

② Some college, no degree

③ Associate's degree

④ Bachelor's degree

⑤ Master's degree

⑥ Doctorate degree

⑦ Other _____ (please specify)

44. Does your spouse have a health condition which limits their ability to work?

① Yes

② No

45. Is your spouse presently employed?

① Yes

② No (Go to 49)

46. Is your spouse employed full-time or part-time?

① Full-time

② Part-time

47. What is your spouse's current type of employer? (Select from list)

① College or university

② Other teaching institution

③ Non-profit institution

④ Government agency (non-teaching)

⑤ Private sector company

⑥ Other _____ (please specify)

48. What is the annual salary of your spouse (before taxes and other deductions)? $_____

49. Is it likely that your spouse will be working for salary or wages after you retire?

① Yes

② No

③ Not certain

50. Will your spouse be eligible to receive (or already is receiving) a pension (other than Social Security) based on their own employment?

① Yes, will be eligible to receive

② Yes, already receiving

③ No (Go to 52)

④ Not certain (Go to 52)

51. Who will likely have the larger pension income -you or your spouse?

① You

② Spouse

③ About equal

④ Not certain

52. Do you own or rent your home?

① Own

② Rent (Go to 56)

53. Do you have a mortgage on this home?

① No

② Yes (please indicate how much longer you have to make payments, assuming you do not sell or refinance) _____ Years

54. What is the debt free value (approximate current market value minus mortgage balance) of your home?

$_____

55. Roughly what percentage of your total annual household income after taxes goes to pay the mortgage and property taxes on your main home?
_____% or ① Don't Know

56. Do you plan to move to another area or state after you retire or stay where you are now?

① Plan to move to another city in Kansas

② Plan to move to another state → Where? _____

③ Plan to stay

④ Not certain

57. What is your university salary for the 2003 academic year (before taxes and other deductions)?

$_____

58. Giving your best approximation, what will be your total income from all sources for calendar year 2003 (before taxes and other deductions)? If you are married, include any income your spouse received. $_____

59. About what percentage of your total income from all sources do you estimate you will save or invest? (Please do not include any payments to Social Security and your employer's retirement plan or any mortgage payments.)
_____ % of 2003 income

60. How are your current savings and investments distributed (something besides your university's pension plan)? (Percentage of all sources checked should total 100%)

① Savings account (bank, savings and loan, or credit union) _____ %

② Individual stocks _____ %

③ Bonds _____ %

④ Mutual funds _____ %

⑤ Other (please specify, e.g., art work, antiques, gold)
_____ _____ %
Total = 100%

61. Giving your best approximation, what do you expect the total value of all your personal savings and investments to be when you retire? (Please do not include the accumulated value of your retirement fund(s) through an employer or spouse's savings.) $_____

62. Giving your best approximation, what do you expect the total value of all your personal savings, investments, and accumulated value of your retirement funds(s) to be when you retire? (Please do not include Social Security benefits)
$_____

63. Giving your best approximation, what do you expect the total value of all your spouse's personal savings, investments, and accumulated value of their retirement fund(s) to be when you retire? (Please do not include Social Security benefits)

$_____ ① Not married

64. What is your expected monthly Social Security benefit at retirement?
$_____

65. If married, what is your spouse's expected monthly Social Security benefit at retirement?

$_____ ① Not married

66. How are your university pension or retirement funds currently invested on distributed? (Percentage of all sources checked should total 100%)

① Stocks _____ %

② Bonds _____ %

③ Fixed Retirement Annuity (e.g., TIAA) _____ %

④ Money Market _____ %

⑤ Real estate funds _____ %

⑥ Other _____ (please list) _____ %

Total = 100%

67. How were your university retirement funds invested or distributed in 2000? (Percentage for all sources checked should total 100%)

① Stocks _____ %

② Bonds _____ %

③ Fixed Retirement Annuity (e.g., TIAA) _____ %

④ Money Market _____ %

⑤ Real estate funds _____ %

⑥ Other _____ (please list) _____ %

Total = 100%

68. Which best describes how retirement assets decisions and expected date of retirement decisions are made in your household?

① Not married (Skip to 72)

② Primarily individual decisions based upon my personal circumstances

③ Primarily individual decisions based upon my spouse's circumstances

④ Primarily joint decision making that considers each person's circumstances and preferences

69. Does your spouse influence how your retirement assets are invested?

① Yes

② No (Skip to 71)

70. Does this influence result in more or less stock held?

① Larger percentage of stocks held

② Smaller percentage of stocks held

③ Not certain

71. Is your spouse a more conservative investor than you?

    ① More conservative

    ② Less conservative

    ③ Have about the same risk tolerance

    ④ Not certain

72. Do you pay a financial planner for investment or retirement advice?

    ① Yes

    ② No (Skip to 74)

73. If you paid a financial advisor, what are their credentials? Select one.

    ① Certified Financial Planner® (CFP®)

    ② Certified Public Accountant (CPA/PFS)

    ③ Chartered Financial Consultant (ChFC)

    ④ JD (Lawyer)

    ⑤ Chartered Financial Analyst (CFA)

    ⑥ Other _____ (please specify)

    ⑦ Don't Know

74. What is your major source of investment/retirement information?

① Retirement company representative (e.g., TIAA-CREF, Aetna, etc.)

② Financial planner

③ Colleagues or friends

④ Financial magazines or reports

⑤ Other _____ (please list)

75. Do you expect retirement income to be adequate to meet your family's current standard of living during retirement?

① Yes

② No

③ Not certain

76. Will uncertainty over the future of the Social Security system likely influence your expected retirement age?

① Yes, it will delay my age of retirement

② No, I expect Social Security to continue as currently structured

③ No, even though I expect Social Security benefit levels to be reduced

④ No, I will not need Social Security benefits to supplement my retirement income

⑤ Not certain

77. A similar questionnaire was sent to Kansas regents faculty approximately five years ago. Did you respond to that questionnaire?

① Yes

② No

③ Not certain

Notes

1. See Rickman and Terry (2002); Parker, Rickman, and Terry (2003); and Rickman and Parker (2005).
2. See Hurd (1990) for a survey of retirement literature for workers in general. Many of these studies attempt to explain the secular fall in labor-force participation rates. Recent studies that examine retirement behavior of university faculty include Holden and Hansen (1989), Gustman and Steinmeier (1991), Rees and Smith (1991), Lozier and Dooris (1991), and Gustman and Steinmeier (1994).
3. Berkovec and Stern (1988) note that in the National Longitudinal Survey data set, 67% of men over 55 make transitions from full-time work to no work. Rust (1988) estimates that 75% of transitions in the Retirement History Survey are from full-time to no work. Diamond and Hausman (1984) report findings of high re-entry rates to the labor force from retirement and partial retirement status. Would university faculty have similar percentages of full-time to no-work transitions? Although speculative, the percentage may be less for faculty with more phased retirement opportunities and post-retirement consulting opportunities.
4. See Hurd (1990) and Mitchell and Fields (1982).
5. The Hall and Johnson (1980) study is one such study that examines retirement planning.
6. Montgomery (1989), p. 57.
7. Mitchell and Fields (1982), p.146.
8. Anderson and Burkhauser (1985) argue that the insignificance of earnings on the retirement decision may result from treating a health variable, typically included as an independent variable in the model as exogenous. They suggest that health may be an indogenous or choice variable. In other words, an individual makes choices with respect to diet, exercise, smoking, use of drugs, etc. that affects one's health state similar to making work/leisure choices. Therefore, if the preference for good health is correlated with the preference for work, "then the estimated impact of health on retirement may be too large, and the estimated effect of wages on retirement may be too small" (p. 316).

9. For additional reviews of the empirical evidence see Quinn and Burkhauser (1990) and Chirikos (1993).
10. Quinn (1978) found that health status influences a worker's perception of the work environment with men in poor health being more sensitive to job attributes that lead to the formation of work attitudes.
11. Palmore, et. al. (1985).
12. In 1980, 73 percent of higher-education institutions set 65 as its normal age of retirement but only a third of these institutions had a mandatory retirement age of 65. Holden and Hansen (1989), p. 74.
13. Calculated from Kansas Board of Regents Data Book, Table 4.4, Fiscal year 2004. http://www.kansasregents.org/download/universities/data2004.pdf
14. Board of Regents: Policies and Procedures Manual (12-01-95).
15. SSA Publication No. 05-10069, February 2004.
16. "Continuation of coverage" mandates require that employees of a firm-sponsored health-insurance plan be allowed to continue in the health group after termination of employment but pay their own premiums for a specified length of time. In the 1970s several states passed "continuation of coverage" legislation with months of coverage that varied from three to twenty months after termination of employment. Federal legislation occurred in 1986 under COBRA. In Kansas, eighteen months is the maximum continuation allowed for termination of employment by resignation. However, Kansas state employees that retire as early as age 55 have continuation of coverage until age 65 and coverage by Medicare. Gruber and Madrian (1995) examine the effects of "continuation of coverage" on the retirement decision. They estimate with a hazard model that one year of continuation of health-insurance coverage is valued at $13,600 to the worker. This amount is considerably greater than the difference in firm-supplied health insurance and the price paid for private or single-coverage health insurance. This assumes that a worker does not have a pre-existing health condition and hence can purchase private insurance.
17. Allen (2004).
18. Smith (2001), p 138.
19. Allen (2004).

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