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OPPORTUNITIES FOR POLICY LEADERSHIP ON PHASED RETIREMENT

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COMMENTS BY: REPRESENTATIVE JENNIFER CALLAHAN (D-MA)
OPPORTUNITIES FOR POLICY LEADERSHIP ON PHASED RETIREMENT

As the age of the workforce increases and as Baby Boomers approach retirement, it will be increasingly important to consider ways to promote alternative employment options, such as phased retirement, that enable older workers to extend their participation in the labor force.

For some time, labor economists have predicted an increase in the number of older workers who are in the labor force. Experienced, mature employees will be facing the age of retirement. Many of these employees will decide to continue to work, either because of financial need or because they enjoy working. However, research suggests that most older workers would prefer to work less than a full-time schedule.

Phased retirement is a special type of part-time work arrangement designed specifically for older workers. It is a process which allows an older worker to gradually reduce the number of hours worked per week (or, in some situations, the number of hours worked per year).

Several surveys have found that older workers are hoping to have a phased retirement option so that they can transition into retirement gradually. For example, according to the Watson Wyatt Retirement Survey, two-thirds of workers over the age of 50 hope to phase into retirement. However, the majority of employers do not have any phased retirement options available to older workers.\(^1\)

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**WHY IS PHASED RETIREMENT A POLICY MATTER?**

Constituencies of all kinds will need to address the pressing issue of en masse retirements as the workforce ages. Legislators will be called upon to ease this transition by enacting laws that benefit both aging employees planning for their futures and businesses seeking to maintain their institutional knowledge and skills and shore up their workforces.

- Between 2000 and 2020, the number of working adults for every nonworking adult aged 65 or over will fall from 4.5 to 3.3 (27\%).\(^3\)
- If every worker delayed retirement by 5 years relative to retirement plans based on current work patterns, the additional income and payroll taxes they would pay would more than cover the Social Security trust fund deficit for the foreseeable future.\(^3\)
- Over half of employers responding to a recent survey stated that legal and regulatory barriers held them back in efforts to adopt or expand phased retirement programs.\(^2\)

> “WITH REGARD TO THE TWO BILLS I HAVE FILED, I VIEW PHASED RETIREMENT AS AN EFFECTIVE PUBLIC POLICY MEASURE THAT CAN SIGNIFICANTLY BENEFIT PUBLIC INSTITUTIONS OF HIGHER EDUCATION BY ASSISTING IN THE RETAINING AND RECRUITMENT OF FACULTY WITHOUT LOSING VALUABLE INSTITUTIONAL KNOWLEDGE. IT WOULD ALLOW FOR MORE COORDINATED MENTORING AMONG SEASONED AND NEW EDUCATORS. IT WOULD ALSO SERVE AS A VIABLE ALTERNATIVE FOR ADMINISTRATIONS TO BETTER PREVENT LOOMING FACULTY SHORTAGES IN KEY ACADEMIC PROGRAMS AND TO ENCOURAGE THE EARLY RETIREMENT OF LESS-PRODUCTIVE FACULTY. IT ALSO CAN BE USED AS A MANAGERIAL TOOL DESIGNED TO FREE UP EMPLOYMENT FUNDS TO PAY FOR NEW HIRES.”

> — REPRESENTATIVE JENNIFER CALLAHAN, MA
Having access to phased retirement could contribute to the quality of life of the older workers in your state. Older workers who do not need the income of full-time jobs may find that phased retirement is a positive alternative for them. In some situations, phased retirement makes it possible for older workers to defer using any retirement funds they might have.

- Almost one-third (32%) of phasers retired completely from their career jobs but later re-entered the workforce after becoming disillusioned with retirement.¹
- Some 42% of the planned phasers cited “enjoyment of working” as their most important reason for phasing.¹
- A recent AARP survey found that 38% of workers expressed interest in phased retirement, and 78% of those interested said these programs would encourage them to stay in the labor force longer.³
- By working until age 67 instead of retiring at age 62, a typical worker could gain about $10,000 in annual income at age 75, net of taxes and health insurance premiums.³

**HOW DOES PHASED RETIREMENT AFFECT BUSINESSES?**

Employers who have phased retirement options may find that there are business benefits.

- In a survey of 144 medium and large-sized employers, 55% had already evaluated the impact of potential retirements on their organization, and 61% had developed or would develop special programs aimed at retaining targeted, near-retirement employees.²
- Some 21% of those surveyed considered phased retirement to be critical to their company’s HR strategy today, but that number tripled to 61% when they looked ahead 5 years.²
- Employer benefits from offering phased retirement were: (1) retaining experience, knowledge and skills (72%); (2) easing the difficulty of replacing key skills (52%); and (3) helping transfer key skills from experienced to inexperienced employees (50%).²
- In a study of college and university departments, benefits from phased retirement were that it: (1) provided the department with more time to develop a hiring strategy (cited 41 times), and (2) released salary funds, giving the department head more degrees of freedom to meet staffing needs (cited 31 times). In nine cases, the respondents said that phased retirement encouraged earlier retirement of less-productive faculty.⁴

**WHO HAS ACCESS TO PHASED RETIREMENT?**

While many employees and employers are interested in phased retirement, and options for phased retirement are becoming more widely available, the arrangements provided are often informal and decided on a case-by-case basis.³

- Just over one-quarter (25.6%) of surveyed employers reported that “most or all” of their full-time employees had access to some form of phased retirement.⁵
- According to one survey, only about 30% of employers offer formal phased retirement programs.⁶
- Almost three-quarters (73%) of establishments, when asked if they offered phased retirement, responded, “Yes, something could be worked out.” However, only 14% of employers have formal policies which apply to all employees allowing phased retirement.⁶

**WHAT CAN BE DONE?**

State policies that encourage state agencies to model phased retirement programs could encourage employers in the private sector to offer phased retirement options to their employees as well.

The number of states that have passed statutes addressing the availability of phased retirement has doubled to 14 since 2006.

- Five states (CA, FL, KS, MN, WV) have laws related to re-employing retired faculty members as adjunct professors in state higher educational institutions and allowing for phased retirement with other educational staff members such as librarians and counselors.
- Six states (CA, KS, MD, OK, TX, WV) have laws related to phased retirement programs offered to public school employees.
- Eight states (CA, IA, LA, MS, MT, PA, TN, UT) have laws related to phased retirement programs offered to state employees.
- One state (WV) has laws related to phased retirement programs for public elected officials.

For more bills and statutes, visit wfnetwork.bc.edu/bills.php
Employers who have phased retirement options may find that there are business benefits. Those who would ordinarily work longer or return to work after retirement may benefit from the flexibility that phased retirement affords. Having access to phased retirement could contribute to the quality of life of the older workers in your state. Older workers who do not need the financial benefits of retirement but want to continue working may benefit from phased retirement. Please visit www.bc.edu/wfnetwork, email wfnetwork@bc.edu, or call 617.552.1708.

Have any bills on phased retirement recently been considered in your legislature?

<table>
<thead>
<tr>
<th>State</th>
<th>Bill</th>
<th>Description</th>
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<tbody>
<tr>
<td>MA</td>
<td>HB 3931</td>
<td>Relates to phased retirement of nursing faculty in public higher education.</td>
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<tr>
<td>MN</td>
<td>HB 3415</td>
<td>Relates to retirement, Teachers Retirement Association, and first-class city teacher plans; provides for phased retirement from teaching.</td>
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<td>NC</td>
<td>SB 702</td>
<td>Extends the exemption for the phased retirement program from the revised definition of retirement.</td>
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<tr>
<td>RI</td>
<td>HB 5155</td>
<td>Amends restrictions regarding eligibility for post-retirement employment to include participants in an alternate retirement plan provided to certain employees by the Board of Governors for Higher Education and/or the Office of Higher Education.</td>
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<tr>
<td>RI</td>
<td>HB 7339</td>
<td>Permits members in the state retirement system retired from municipal employment to obtain post-retirement employment with the state without a suspension of retirement benefits.</td>
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<tr>
<td>RI</td>
<td>SB 2104</td>
<td>Permits members in the state retirement system retired from municipal employment to obtain post-retirement employment with the state without a suspension of retirement benefits.</td>
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<tr>
<td>WA</td>
<td>HB 2143</td>
<td>Reduces the post-retirement employment restrictions for members of the teachers’ retirement system, school employees’ retirement system, and public employees’ retirement system who retire after earning 30 or more years of service.</td>
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</tbody>
</table>

For additional bills related to phased retirement or other work-family related bills, visit our website at http://wfnetwork.bc.edu/bills.php

Where can I get more information?

- Sloan Work and Family Research Network: http://wfnetwork.bc.edu/
  The Sloan Work and Family Research Network has a number of additional resources on phased retirement. The Phased Retirement Topic Page provides statistics, written interviews, resources for teaching/training, definitions, audio and video, links, suggested readings, and other useful information. The Phased Retirement Bills by Theme section highlights legislation pertaining to phased retirement that has been introduced in the last legislative session.

- Sloan Center on Work and Aging: http://agingandwork.bc.edu/
  The Sloan Center on Work and Aging focuses on flexible work options because they represent an innovative response to the aging workforce. Research conducted by the Center examines employers’ adoption of flexible work options, their implementation in the workplace, and their utilization by older workers.

- AARP’s retirement research: http://www.aarp.org/research/work/retirement/index_html/?filter=report&sort-on=da

- The Urban Institute’s phased retirement research:
  http://search.urban.org/texis/search?query=phased+retirement&dropXSL=&pr=wwwurban&prox=page&rorder=500&rprof=x=500&rdfreq=500&rwfreq=750&rlead=750&sufts=0&order=r&cq=

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