

Why Phased Retirement?

The case for phased retirement and some
policy recommendations

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Agenda

- Context
- Why phased retirement
 - Individual perspective
 - Employer perspective
- Focus on rehire of retirees
- Policy recommendations
- Conclusions

Context: Longer work and phased retirement

- About 5 in 10 people work after retirement or phase out in some way
- More than 7 in 10 people say they want to work in retirement
- About 4-5 in 10 people retire earlier than planned
 - Don't plan for premature retirement risk
- 32% – retirement does not apply to me
- Many more people say they want to work than do
- Skills are a big problem – some occupations
- But more difficult for older applicants to get jobs
- Future: puzzles about retirement – when and how?

Definition of Phased Retirement

- Allows mature workers to work on reduced or modified basis before retirement (phasing pre-retirement)
- Allows rehire of retirees (phasing post-retirement)
- Modified work may mean change of schedule, place or duties
- May enable workers eligible for retirement to collect some portion of their pension benefits as they continue work
- Can be formal or informal arrangement
- Includes working for former employer or a different employer

Who are the stakeholders and why?

- Individuals – age 50 and up
 - Need good employment options
- Employers and shareholders
 - Need talent and good results
- Public at large
 - Need a well functioning economy and as consumers, depend on having good products and services

Gradual retirement: Phasing

Phasing a little vs. phasing a lot

Phasing a little

- Usually regular schedule—reduced somewhat
- Regular employee with ongoing commitment, predictable income and health benefits
- Unlikely to get pension payments
- Modest total flexibility and same work options as offered to employees generally

Phasing a lot

- Many schedule options including on-call, pool, seasonal work, job-sharing
- Most likely temporary or consultant; may not have regular commitment or salary, unlikely to have health benefits
- Likely to get pension payments
- Lot of flexibility and probably different work options

Example of phased retirement

Bank tellers moving to retirement

Phasing pre-retirement

- Works 3 or 4 days per week on regular basis as regular employee
- Works at regular work location
- In future can be paid partial pension after age 62

Phasing post-retirement

- Work as fill-in during vacations or on-call during the year
- Work as temporary or through a retiree pool
- In a bank with multiple branches, may work at different locations
- Paid pension and appropriate compensation for work performed

Why phased retirement?

Individual perspective

- Many jobs have turned into 60+ hours per week – very stressful
- Family members needing care
- Disability and physical limitations
- Fits personal needs when spouse retires first
- Desire to choose projects
- Desire for schedule flexibility including how much to work
- Interest in different life balance
- Interest in different type of work

Why phased retirement?

Employer perspective

- Helps keep valued talent
- Some expertise very hard to replace
- Regular staff don't have time for special projects
- Former employees ideal to help with training
- Peak loads including unpredictable peaks, e.g. after storms
- Round the clock customer service
- Variable work loads and seasonal work patterns
- Keep open promotion paths
- Fill in when someone disabled/on vacation

Bon Secours Richmond Health System

- Three methods of phasing into retirement
 - Retire at 65, but continue working part-time (to 24 hrs/wk) while collecting full pension
 - Work past 70.5 and get pension check regardless of schedule
 - Retire and return after 3 months absence — continue to collect pension
 - Pension credit continues if 1000+ hours of work
 - Health benefits offered if 16+ hours worked per week
 - Of 170 employees over age 65, 80 are phasing
 - 85% female workforce – very pleased with phasing
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Focus: Rehire of Retirees

- Most common form of phased retirement
- Examples
 - Southern company – in-house pool
 - Aerospace Corporation – retiree casual program – of 600 participants – 300 work at one time
 - Monsanto – Resource Re-entry Center – available to all former employees
 - Mitre – Reserves at the Ready
 - YourEncore – supports 30 Fortune 500 companies with 4000 experts – scientific and engineering personnel

Focus: Rehire of Retirees

- Barriers
 - Bona-fide termination of employment – unclear what is required
 - Independent contractor rules – can be added barrier
 - Suspension of benefits rules
 - Unclear if any age discrimination issues
- Employer solutions
 - Require a wait of 3 or 6 months before any rehire
 - Limit rehires to under 1000 hours
 - Use third party solutions

Policy and public information recommendations

- Public education about implications of various retirement ages
- Help facilitate rehire of retirees
 - Information paper and clarification – individual and employer focused
 - Bona-fide termination of employment safe harbor
 - Model documentation for contracting
- Reduce age 62 in PPA to plan's earliest retirement age
- Complete retirement pension plan regulations

Looking to the Future

- Half of today's retirees phased in some way – more will choose this route in the future
- More companies likely to choose phased retirement
 - 59 of 69 respondents said they are likely to have a program within three years (Conference Board Webcast)
- Create a better policy environment
- Good program needs to be well structured
 - Match employer and employee needs
 - Include portfolio of work options

Questions?

Appendix

What percentage of workers beyond the “average” retirement age are currently phasing into retirement?

- In 2004, 12.3% of the participants in the Health and Retirement Study could be considered “phasers.”
- Approximately 2 of every 5 (39.8%) of the current “phasers” were working part-time for the *same employer* that they had previously worked for on a full-time basis.
- The percentage of the “phasers” working on a part-time basis but for a *different employer* than the one for whom they had worked when they were working full-time was slightly higher: 44.9% of the “phasers.”

Source: McNamara, T. Analysis of 2004 HRS Data, 2006, The Center on Aging and Work

What percentage of retirees has phased into retirement?

- 47.6% of the current retirees had “phased” into retirement.
- 16.4% of the retirees went from full-time to part-time while working for the same employer before transitioning into full-time retirement.
- Nearly one-third (31.1%) of the retirees “phased” into retirement by moving from full-time work to part-time employment but *not necessarily with the same employer* before they completely retired.

Source: McNamara, T. Analysis of 2004 HRS Data, 2006, The Center on Aging and Work

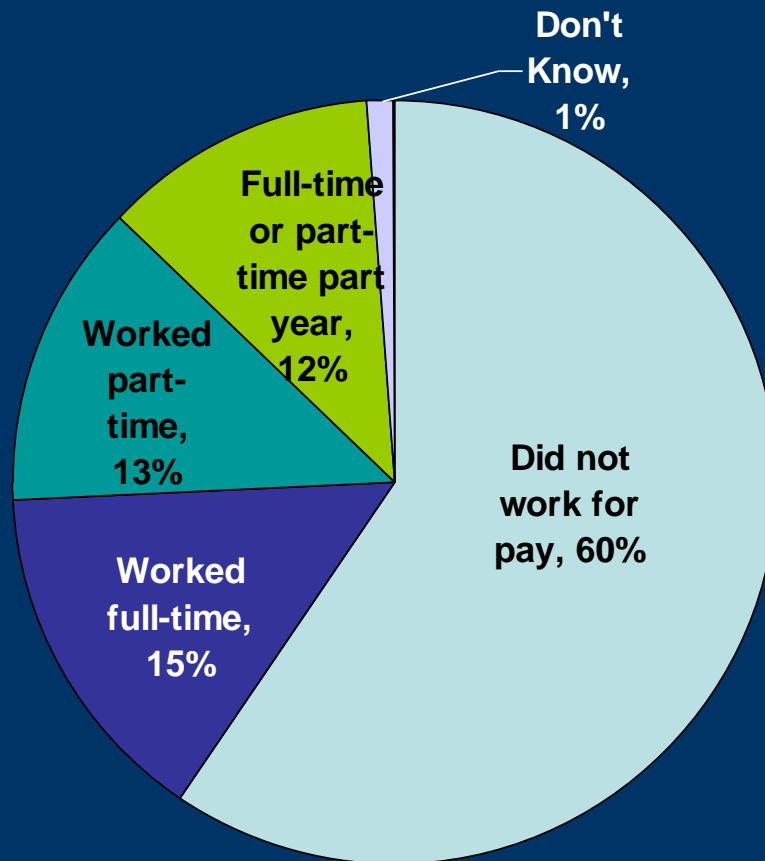
Which employees “phase” into retirement?

- Older workers with higher levels of education were more likely to work part-time (i.e., be a “phaser”) than to either continue to work on a full-time basis or to move to full-time retirement. That is, among those who “want” to work, human capital can be a factor in who can find part-time employment or negotiate it with their current employer.
- Comparing “phasers” (i.e., those who work part-time) to those who continued to work on a full-time basis, women, those who had more education, and older respondents were more likely to be “phasers.”

Source: McNamara, T. Analysis of 2004 HRS Data, 2006, The Center on Aging and Work

Building the case for phased retirement: Work After Retirement

Retirees with Post-retirement Work Experiences (2004)



Results based Source: Society of Actuaries, 2005 Risks and Process of Retirement Survey, on 274 retirees who provided their retirement age.

Building the case for phased retirement: Pre-retirees expect to work longer

How old were you when you retired or began to retire from your primary occupation? At what age do you expect to retire from your primary occupation?

Age category	Retirees (%) (n=400)	Pre-retirees (%) (n=401)
Under age 55	31	1
55 to 61	30	16
62 to 64	16	12
65 to 69	13	27
70 or older	4	6
Will not retire	1	1
Doesn't apply	3	32
Don't know	2	6

Source: Society of Actuaries, 2007 Risks and Process of Retirement Survey