

Employee Retirement Report

August 2008

Conducted by



Human Resource Services

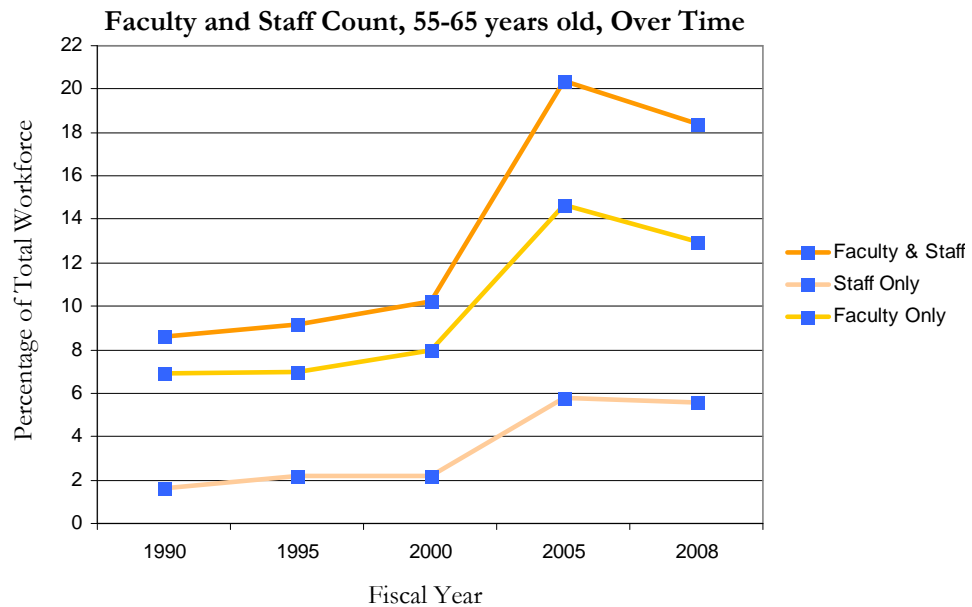
Committed to Employee and Organization Effectiveness

THE UNIVERSITY OF TEXAS AT AUSTIN

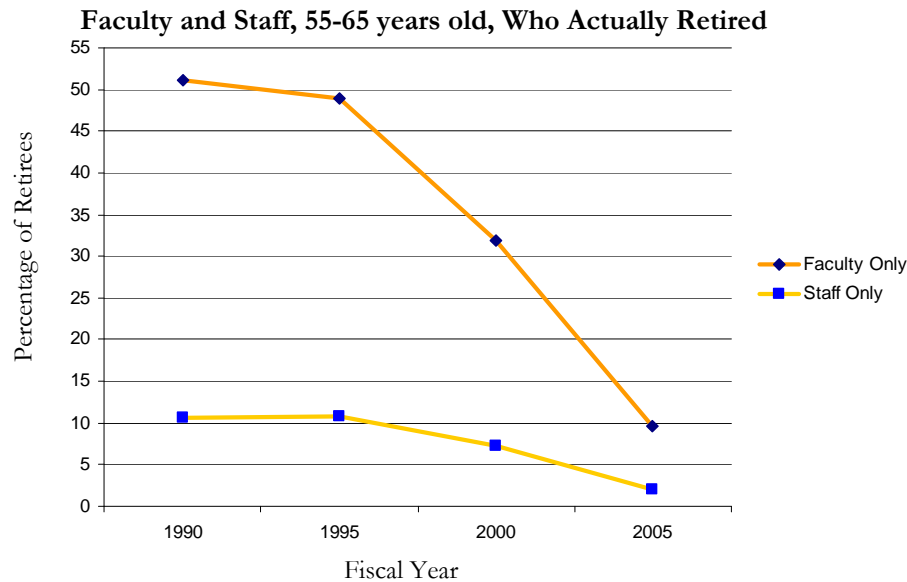
Employees Near Retirement

As is well documented, the time for the baby boomer generation to retire is rapidly approaching. Millions of skilled and knowledgeable workers will be leaving the workforce, and, as a result, some organizations are altering employment practices in order to maintain talented workforces. Such practices include phased retirement, telecommuting, flexible scheduling, and succession planning.

At the University of Texas at Austin approximately 18% (2490 faculty members and staff) of the workforce is between the ages of 55 and 65 years, the range in which workers are said to be near retirement. These employees, if not already eligible, will be eligible for retirement within the next ten years, based on their age, years of service, and assuming a retirement age of 65 years. This amount is slightly lower than the 20% of employees in the same age group employed at the university in 2005. The number in the age group, however, had been steadily increasing from 8.6% of the labor force in 1990 to 10.2% in 2000 (see chart below). According to census data, in 2006, 5.5 million people in the labor force were 65 years of age or older. It is predicted that by 2016, that number will have increased to 10.1 million. Therefore, while it seems the trend is to work beyond retirement age, utilizing some of the methods above may be beneficial in managing the older faculty and staff population at the university.



The next chart shows the percentage of faculty and staff that actually retired. For instance, of the 276 total faculty members in the 55-65 year old age range in 1990, 141 members, or 51.1% retired soon after. The steady decline in retirement rates for both faculty and staff reflect an increase in the workforce and a decrease in retirement, as well as the fact that many in the 2005 group haven't retired yet.



Analysis

The average age of retirement, not to be confused with the normal or full retirement age, differs across gender, race, private or public sectors, occupation, and a number of other variables. Across the board, however, the average age of retirement in the United States in 2007 was 62 years old, a figure that has held steady since about 2000. At the university, the average age of retirement is following the national trend as well, dropping from 70 years in 1990 to about 61 years of age in 2005, keeping in mind 2005 is partial data since many employees have yet to retire.

According to the Teacher Retirement System of Texas (TRS) handbook, to be eligible for retirement and receive a lifetime monthly service retirement annuity based on years of service, an employee must have at least five years of service credit, meet the eligibility requirements for age and service, terminate employment, apply for retirement, and complete the required break in service. Employees who became members of TRS prior to September 1, 2007 and maintained membership are eligible for normal-age service retirement when: 1) They are age 65 with five or more years of service credit, or 2) Their age and years of service credit total 80 (rule of 80) and they have at least five years of service credit. Those who joined TRS after September 1, 2007 are eligible for normal-age service retirement when: 1) They are age 65 with five or more years of service credit, or 2) They are at least 60, and their age and years of service credit total 80, and have at least 5 years of service credit.

A second retirement plan, the Optional Retirement Program (ORP) is determined by the job performed and not years of service or salary level. ORP eligible professions generally include faculty members, faculty administrators, chief and senior administrative officials, and athletic coaches. However, because ORP doesn't have prescribed retirement rules or restrictions and the majority of the sample belong to TRS (69.2% of employees versus 30.2% in ORP), TRS rules were used as a framework for the analysis.

An analysis was done on the faculty and staff at the university, as of the end of May 2008 and age 55 to 66 years, to determine how many employees could retire within five to ten years and

the departments where they work. Based on TRS requirements, 2,490 employees (751 faculty members, 1739 staff) are within several years of retirement and 939 of those employees could retire now. The majority of potential retirees are faculty members, followed by support and service professionals. The majority of staff members work in either the Facilities Services or Housing and Food Service departments. The Service and Maintenance field has the highest percentage of employees eligible to retire within the coming years. There are also 140 already retired employees currently working at the university. More detailed data are presented below. The first three charts below reflect data from the overall sample. The same data were also collected for employees in each age category from 60-65 years and are presented further on.

All Employees

All Employees Eligible to Retire in Five to Ten Years and Now by Age		
Age	Number of Retirement Eligible Employees	Number Who Meet Rule of 80
55	194	42
56	331	80
57	319	85
58	326	101
59	294	96
60	246	101
61	239	111
62	157	76
63	146	77
64	123	66
65	106	95 (67 meet rule of 80, 28 meet first criteria)
66	9	All eligible to retire now
Total	2490	939

All Employees by IPEDS Code		
IPEDS Code	Number of Retirement Eligible Employees	Total Number Employees in IPEDS Category (%)
1 (Exec, Admin, Mgr)	193	856 (23)
2 (Faculty)	751	3210 (23)
3 (Support/Service Prof)	662	4804 (14)
4 (Clerical/Secretarial)	361	2232 (16)
5 (Technical/Paraprof)	140	1126 (12)
6 (Service/Maint)	152	540 (28)
7 (Skilled Crafts)	231	1316 (18)
Total	2490	14084 (18)

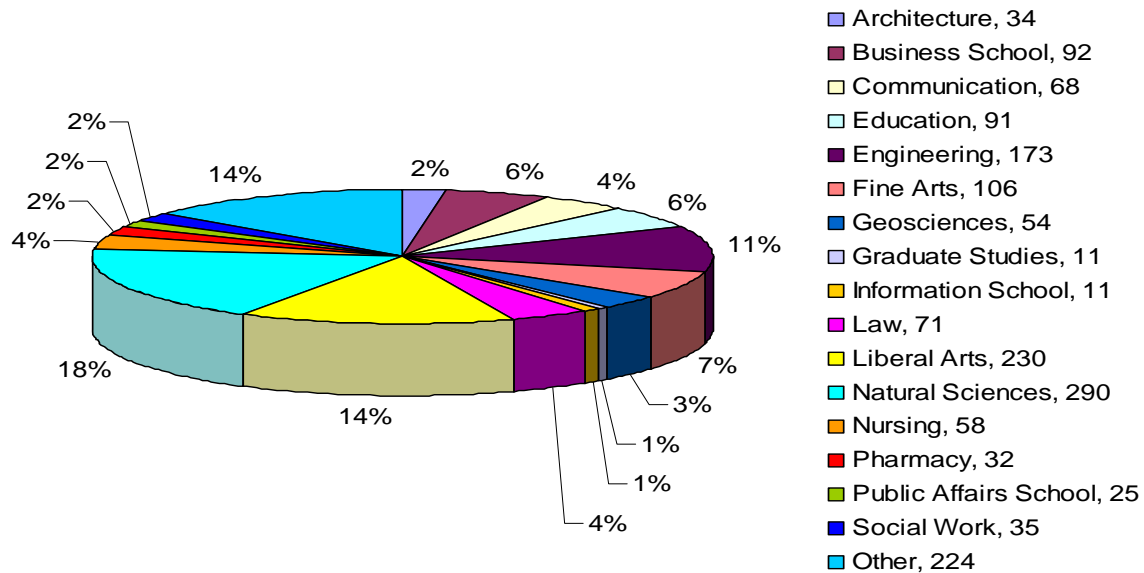
Departments with Most Eligible to Retire Employees		
Department Name	Number of Retirement Eligible Employees	Total Number Employees in Department (%)
Facilities Services	183	800 (23)
Housing & Food Service	75	420 (18)
Applied Research Labs	72	526 (14)
University Libraries	70	298 (23)
Law	62	374 (17)
Nursing Research Center	58	190 (31)
Project Mgmt/Const Srv	44	136 (32)
ITS Business Services	44	338 (13)
Intercollegiate Athletics	40	321 (12)
University Health Svcs	37	159 (23)

All Employees by VP Name	
VP Name	Number of Retirement Eligible Employees
VP Development	20
VP Diversity/Engagement	22
VP Employee/Campus Srv	364
Exec VP and Provost	1605
VP Financial Affairs	16
VP Information Tech	52
VP Legal Affairs	20
VP Public Affairs	7
VP Research	141
VP Student Affairs	173
President's Office	70

Colleges and Schools

There are a total 1605 employees eligible to retire that report to the Executive VP and Provost. The pie chart shows a breakdown of employees by college and school. Overall, the schools of Natural Sciences and Liberal Arts had the most retirement eligible employees, with 290 and 230 employees, respectively. The “other” category encompasses those units which report to the Provost but are not a college or school, including the Harry Ransom Center, University Libraries, the International Office, and the UT Charter School.

College/School and Number and Percentage of Employees



Employees Aged 60-66 by VP Name										
Age	VP Name									
	Dev	Div/Eng	Emp/Cam Srvs	EVP/Provost	Fin Aff	Info Tech	Legal Aff	Public Aff	Research	Student Aff
60	2	3	32	155	2	6	1	0	21	18
61	2	2	35	159	2	2	4	0	11	16
62	1	1	25	105	1	3	0	0	3	15
63	3	1	13	99	1	1	1	1	8	11
64	1	1	16	95	0	0	0	0	8	2
65	0	0	13	80	0	1	3	0	3	4
66	0	1	0	8	0	0	0	0	0	0
Total	9	9	134	701	6	13	9	1	54	66

Employees Eligible for Retirement Statistics

The following section is a breakdown of information regarding the frequency of retirement eligible employees by age, based on IPEDS codes, departments, and VP's whom the employees report to. However, only faculty members and staff between the ages of 60 and 65 years are included in these charts, for a total of 1017 employees. Of these, 525 or 52% are already eligible to retire. Clearly, the percentage of employees already eligible to retire increases with age, however, a number of employees working for the university have reached the age requirement but do not meet the years of service criteria. These employees may retire or separate from the university but may not be eligible for retirement benefits from the university. While the university may not incur a benefits cost for these employees, they are included in the analysis because the possibility of them leaving remains.

Numerous departments were represented in regards to the most number of retirement eligible employees. Three departments, Facilities Services, Housing and Food Services, and University Libraries, appeared most consistently across age groups. An important distinction should be made regarding key positions in these departments to assist in determining which retention or hiring methods would be best to ensure a complete workforce.

Statistics by IPEDS Code

Employees by IPEDS Code						
	60 Years - 246 Employees		61 Years - 239 Employees		62 Years - 157 Employees	
	Total Ee's	# Already Eligible	Total Ee's	# Already Eligible	Total Ee's	# Already Eligible
1 (Exec, Admin, Mgr)	19	7	24	12	10	6
2 (Faculty)	79	43	81	46	57	31
3 (Support/Service Prof)	67	25	56	28	35	17
4 (Clerical/Secretarial)	37	14	31	14	17	8
5 (Technical/Paraprof)	8	3	14	4	10	5
6 (Service/Maint)	17	5	14	4	13	5
7 (Skilled Crafts)	19	4	19	3	15	3
Total		101 (41%)		111 (46%)		75 (48%)
Average Months State Srv (Yrs)	207 (17)		206 (17)		203 (17)	
Max Months State Srv Reached (Yrs)	501 (42)		486 (41)		482 (40)	
Employees by IPEDS Code (continued)						
	63 Years - 146 Employees		64 Years - 123 Employees		65 Years - 106 Employees **	
	Total Ee's	# Already Eligible	Total Ee's	# Already Eligible	Total Ee's	# Already Eligible
1 (Exec, Admin, Mgr)	16	7	11	5	9	8
2 (Faculty)	55	36	52	32	50	47
3 (Support/Service Prof)	33	20	24	15	16	13
4 (Clerical/Secretarial)	14	5	15	7	8	7
5 (Technical/Paraprof)	9	4	4	2	5	5
6 (Service/Maint)	4	2	2	0	5	5
7 (Skilled Crafts)	15	3	15	5	13	10
Total		77 (53%)		66 (54%)		95 (90%)
Average Months State Srv (Yrs)	221 (18)		218 (18)		247 (21)	
Max Months State Srv Reached (Yrs)	495 (41)		529 (44)		489 (41)	
** Eleven employees have reached the age requirement but not the service requirement. These employees will be eligible to retire from the university within 1-4 years						

Statistics by VP

Employees by VP Name **						
	60 Years - 246 Employees		61 Years - 239 Employees		62 Years - 157 Employees	
	Total Ee's (%)	# Already Eligible	Total Ee's (%)	# Already Eligible	Total Ee's (%)	# Already Eligible
VP Development	2 (0.83)	1	2 (0.86)	2	1 (0.65)	1
VP Div/Engagement	3 (1.25)	1	2 (0.86)	1	1 (0.65)	0
VP Empl/Campus Srv	32 (13.33)	6	35 (15.02)	9	25 (16.23)	7
Exec VP and Provost	155 (64.58)	76	159 (68.24)	85	105 (68.18)	57
VP Financial Affairs	2 (0.83)	0	2 (0.86)	1	1 (0.65)	1
VP Information Tech	6 (2.50)	5	2 (0.86)	2	3 (1.95)	1
VP Legal Affairs	1 (0.42)	1	4 (1.72)	1		
VP Public Affairs						
VP Research	21 (8.75)	2	11 (4.72)	1	3 (1.95)	1
VP Student Affairs	18 (7.50)	5	16 (6.87)	7	15 (9.74)	7
Employees by VP Name (continued)						
	63 Years - 146 Employees		64 Years - 123 Employees		65 Years - 106 Employees	
	Total Ee's (%)	# Already Eligible	Total Ee's (%)	# Already Eligible	Total Ee's (%)	# Already Eligible
VP Development	3 (2.16)	2	1 (0.81)	1		
VP Div/Engagement	1 (0.72)	0	1 (0.81)	0		
VP Empl/Campus Srv	13 (9.35)	8	16 (13.01)	5	13 (12.50)	12
Exec VP and Provost	99 (71.22)	54	95 (77.24)	55	80 (76.92)	72
VP Financial Affairs	1 (0.72)	1				
VP Information Tech	1 (0.72)	0			1 (0.96)	1
VP Legal Affairs	1 (0.72)	1			3 (2.88)	1
VP Public Affairs	1 (0.72)	1				
VP Research	8 (5.76)	4	8 (6.50)	3	3 (2.88)	3
VP Student Affairs	11 (7.91)	4	2 (1.63)	2	4 (3.85)	4
** Totals and percentages may not equal 100, due to employees in departments without a VP, such as Intercollegiate Athletics.						

Statistics by Department

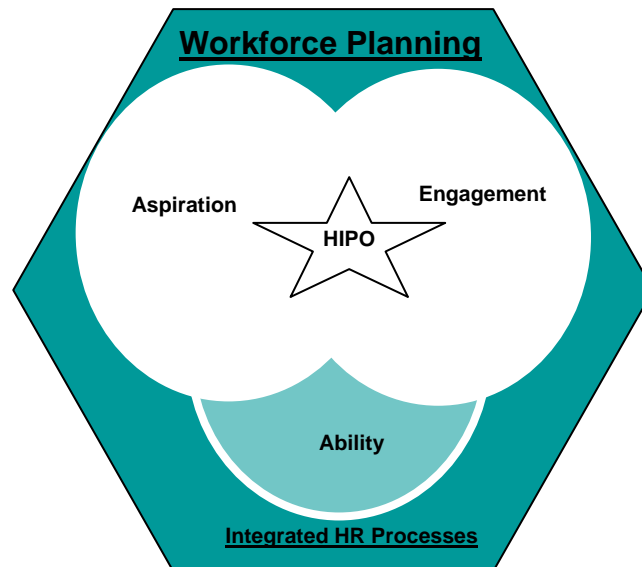
Departments with Most Retirement Employees												
	60 Years - 246 Employees		61 Years - 239 Employees		62 Years - 157 Employees		63 Years - 146 Employees		64 Years - 123 Employees		65 Years - 106 Employees	
Department	Employees (%)	Already Eligible	Employees (%)	Already Eligible	Employees (%)	Already Eligible	Employees (%)	Already Eligible	Employees (%)	Already Eligible	Employees (%)	Already Eligible
Facilities Services	17 (6.91)	3	18 (7.59)	3	8 (5.13)	2	4 (2.78)	1	6 (4.88)	1	8 (7.62)	8
Applied Res Labs	9 (3.66)	0					4 (2.78)	4	5 (4.07)	2		
Univ Libraries	9 (3.66)	6	7 (2.95)	6	4 (2.56)	3	6 (4.17)	4	4 (3.25)	4		
Housing & Food	8 (3.25)	2	8 (3.38)	3	9 (5.77)	3	5 (3.47)	1			3 (2.86)	3
Law	7 (2.85)	4	5 (2.11)	4	7 (4.49)	1			6 (4.88)	3		
Nursing Res Ctr	6 (2.44)	1										
Comp Sciences	5 (2.03)	3										
ITS Bus Services	5 (2.03)	4										
Pharm College	5 (2.03)	3										
Curric/Instruction			5 (2.11)	0								
HR AVP			5 (2.11)	1								
Proj Mgmt/Const Services					9 (5.77)	3						
Art & Art History					5 (3.21)	3					3 (2.86)	3
Natural Sciences					5 (3.21)	2						
Harry Ransom Ctr					4 (2.56)	4						
Intercol Athletics							4 (2.78)	0				
Mathematics							4 (2.78)	3				
Human Ecology									5 (4.07)	4		
Civil/Arch/Env Engineering									4 (3.25)	4		
Elec/Comp Eng									4 (3.25)	2		
History											4 (3.81)	3
Physics											4 (3.81)	4
Social Work											4 (3.81)	4
Educational Psych											3 (2.86)	3
Frank Erwin Ctr											3 (2.86)	1
Social Work Res											3 (2.86)	2

Conclusions and Recommendations

Workforce planning is an organized process for identifying the number of employees and types of employee competencies required to meet an organization's future goals and strategic objectives. While most organizations continue to disregard the possible effect of their retiring workforce, many understand the benefits of being proactive and are implementing planning programs in attempts to keep their talented employees. Research shows a slower rate of growth in the number of people entering the workforce, which predicts a growing labor shortage. It is still unclear, though, whether the shortage issue is one of quantity of workers or quality of workers. Workforce planning methods aim at solving that issue ahead of time and, detailed below, are some initiatives organizations have instated.

Succession planning is a method by which to assess the current and future status of the workforce by identifying key people or roles, defining a process to be followed in regards to retention and replacement, and preparing talented employees to fill positions vacated due to retirement, attrition, or other factors. Considering the grooming process can take years for some positions, early succession planning is imperative so that the organization is not left with key vacancies. The goal is to identify and develop high potential employees capable of driving business growth.

Based on a model developed by the Corporate Leadership Council (CLC, for the complete source see Corporate Leadership Council *Realizing the Full Potential of Rising Talent Volume I: A Quantitative Analysis of the Identification and Development of High Potential Employees*, 2005), a high potential employee has the ability, engagement and aspiration to succeed in a higher level or critical position. Ability is defined as a blend of innate characteristics, such as cognitive ability, and learned skills. Engagement refers to the extent to which an employee is committed to their organization's values and goals, is willing to go the extra mile, and intends to stay with the organization. Lastly, aspiration is reflected in an employee's desire for recognition, advancement, financial reward, and overall job enjoyment.



The Department of Human Resources at the University of Texas at Austin employs this model in their own workforce planning efforts. Though succession planning is most commonly associated with certain job titles and higher level positions, it is suitable for any position with a high vacancy risk. For example, positions that, if vacant, must be filled promptly, have a significant overall impact to the business, or require a skill set of which the labor market may be lacking at the time. Succession planning is most effective when prioritized according to key roles and vacancy risks, limiting the possibility of misallocating funds and resources. When undertaking a succession planning program, management teams should carefully consider all high performers as possible successors, instead of narrowing the talent base. Candidates should be consulted with so that they have an opportunity to discuss their own goals, create action plans, and, perhaps most importantly, express a desire to advance to the next level. Management teams should also update and revise plans regularly and as labor demands change. If not done so already, jobs should have defined career ladders in place so that employees know what positions lay ahead that they may move into. The university's Human Resources department has the resources and tools for consultation and to assist in the implementation of succession planning goals.

For areas where succession planning may not be appropriate, active recruiting and phased retirement programs can be employed to secure new employees and keep older ones in place long enough to transfer knowledge and skills. Phased retirement is a term used to describe a variety of employment arrangements that allow employees close to retirement to continue working as they transition from full-time work to full-time retirement. The concept is designed to gradually reduce an employee's workload and, generally, involves a move to part-time, seasonal, or temporary employment status. These days more workers are choosing to work past retirement age, Social Security increased the delayed retirement credit, and more retirees are facing financial limitations, all of which help in encouraging phased retirement plans. These plans are most prevalent in the education, especially higher education, industry and the public sector.

Mentoring, training, job rotation and other educational activities also are used to develop potential employees. To pass along information and knowledge, organizations are pairing up seasoned workers with newcomers, one of the benefits being company-specific guidance. A study by the Aberdeen Group in 2006 showed that 41% of firms had mentoring programs with higher level executives in place. Conversely, mentoring is also a way for younger employees to help older ones understand new technology, build upon skills, and provide insight on a new generation of workers to help dissolve possible generational conflicts. Aside from passing on business-related experience, a mentor can usually explain organizational processes and information to a younger employee more effectively than a manager can. This is especially important considering topical survey data showing 70% of recent graduates, commonly called Gen Y'ers, left their first job within just two years and a large percentage were job searching despite being content in their current positions ("Gen Yers Leave First Job"). This new generation has a reputation of being high-maintenance and holding higher expectations of the workplace. Successful companies recognize that recruiting and retention needs are different and make slight changes in organizational practices to accommodate the new type of entry-level employees, including updating technology and being more flexible. Mentoring and training have been used effectively to dispel unrealistic expectations in newcomers, potentially decreasing turnover due to dissatisfaction with the organization. In staying in tune with generational changes, looking at

alternative retirement plans could prove beneficial as the younger workforce may not have the retirement benefits of current retirees. That said, the characteristics and qualities of the new talent pool are very important factors to consider regardless of the method by which new positions are filled.

Other issues to be looked at deal with workforce trends for near retirement employees. Further research will be conducted to determine if increased absenteeism and otherwise unproductive workforce behavior are prevalent in near retirement employees. Additionally, economic factors will be evaluated to see to what extent they effect an employee's decision to retire and at what time.

The university can not precisely predict future business and labor demands but, with workforce planning, it can effectively anticipate and plan for changes such as the retirement surge. The purpose is to emphasize the relationship between business objectives and human capital such that the need to identify, secure and develop successful employees to support the university's mission and strategy is well understood. By actually investing in and conducting workforce planning, department heads can manage talent shortages and look forward to a significant return on their investment in the form of an ample and productive staff.