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IOWA ADMINISTRATOR RETIREMENT INTENTIONS STUDY

Executive Summary

**School Administrators of Iowa
and
Iowa Department of Education**

October 1999

IOWA SCHOOL ADMINISTRATOR RETIREMENT INTENTIONS STUDY

Summary Page

- ✓ In 1998-99 there were 1,880 superintendents, assistant superintendents, principals, assistant principals, AEA administrators and AEA directors in Iowa.
- ✓ Of the 1,880 administrators, 674 or 35.9% of them will be eligible to retire under the Rule of 88 by the year 2003.
- ✓ Based on survey results, it is projected that 610 of these 674 administrators will retire by 2003.
- ✓ By the year 2003, just over 32% of Iowa's current public school and AEA administrators are projected to retire.
- ✓ The Rule of 85 versus the Rule of 88 does not appear to be a determining factor for surveyed administrators' retirement intentions.
- ✓ The impact of using a 3-year final average salary versus the current 7-year salary phase-in to calculate retirement benefits appears to significantly influence retirement intentions for surveyed administrators.
- ✓ Using a 3-year final average salary to calculate retirement benefits results in a more constant number of retirees each year, however, a substantially greater number of retirements is projected from 2000 to 2002 compared to the seven-year phase-in plan.
- ✓ In general, retirement intentions appear to be consistent when results are compared by district enrollment, administrative position and salary groupings, except for the group earning \$55,000 or less.

Under the current IPERS plan, 25.9% of surveyed administrators eligible to retire under the Rule of 88 plan to retire by the year 2002. In the year 2003, this percentage increases dramatically by 64.6 percentage points to a total of 90.5%.

Projected Retirement Intentions Under the Current IPERS Plan

Year	Cumulative Percent of Surveyed Administrators Intending to Retire	Percentage Point Increase from Previous Year	Projected Cumulative Total of Administrators Retired	Projected Retired Administrator Increase From Previous Year
2000	11.8%	--	80	--
2001	16.4%	4.6	110	30
2002	25.9%	9.5	175	65
2003	90.5%	64.6	610	435

If IPERS is changed to use a 3-year final average salary to calculate retirement benefits, a more steady retirement rate may occur, however, it may result in greater administrator retirements in the first two years.

Projected Retirement Intentions Under a 3-Year Final Average Salary and The Rule of 88

Year	Cumulative Percent of Surveyed Administrators Intending to Retire	Percentage Point Increase from Previous Year	Projected Cumulative Total of Administrators Retired	Projected Retired Administrator Increase From Previous Year
2000	37.3%	--	252	--
2001	63.1%	25.8	426	174
2002	83.0%	19.9	559	133
2003	93.1%	10.1	627	68

Introduction

Over the past ten years, Iowa's public school administrators have seen an increase in average age. The average age of superintendents in Iowa has risen from 48.7 in 1986-86 to 51.7 in 1997-98. Principal mean age has increased from 46.6 in 1985-86 to 47.5 in 1997-98. As this trend continues, retirement issues become of greater concern not only to those retiring, but also to those responsible for filling the vacancies created. As administrators in Iowa plan for their retirement, it is not known what effect, if any, the enactment of a seven-year final salary phase-in and the salary cap are having on the retirement plans of public school administrators in Iowa.

This study was initiated by the School Administrators of Iowa (SAI) to gather data and to determine retirement intentions of public school administrators in Iowa under the current IPERS plan and under plans using a three-year average salary for calculating retirement benefits. This report represents a collaborative effort between School Administrators of Iowa and the Iowa Department of Education.

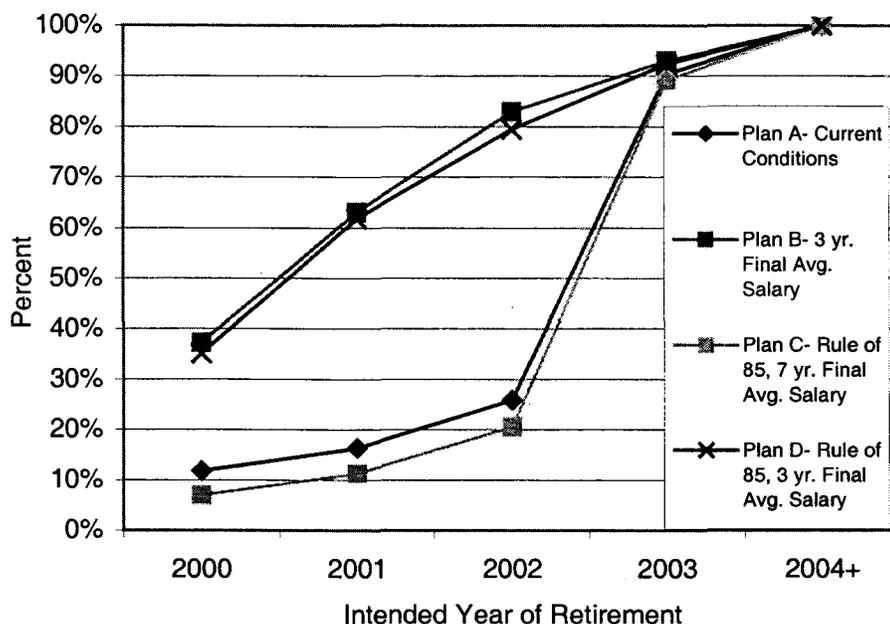
Respondents to a survey distributed to retirement age superintendents, assistant superintendents, principals, assistant principals, AEA chief administrators and AEA directors in Iowa were asked to express their retirement intentions under the following four plans for the years 2000, 2001, 2002, 2003 and 2004 and beyond:

- Plan A** IPERS current conditions (rule of 88 and seven-year final salary phase-in apply)
- Plan B** Rule of 88 applies and three-year final average salary is enacted
- Plan C** Rule of 85 applies and seven-year final average salary remains in place
- Plan D** Rule of 85 applies and three-year final average salary is enacted

Conclusions

The results of the retirement intentions study appear to indicate that the impact of the seven-year salary phase-in for calculating retirement benefits under IPERS will result in a dramatic increase in retirements of Iowa administrators in 2003. In contrast, the retirement intentions of Iowa administrators under retirement plans that use a three-year average for the calculation of retirement benefits appear to show a more constant number of retirees each year, however, the three-year plans show significantly larger numbers of retirees in the first two years (Figures 1 & 2). In general, these conclusions appear to be consistent when retirement intentions are compared by district enrollment, administrative position and by salary group, except for the group earning \$55,000 or less.

Figure 1- Cumulative Percent of Surveyed Iowa Administrators Intending to Retire Who Meet the Rule of 88 and are 55 Years Old or Older in 2000



Source: Iowa Administrator Retirement Intentions Study, School Administrators of Iowa and Iowa Department of Education, 1999.

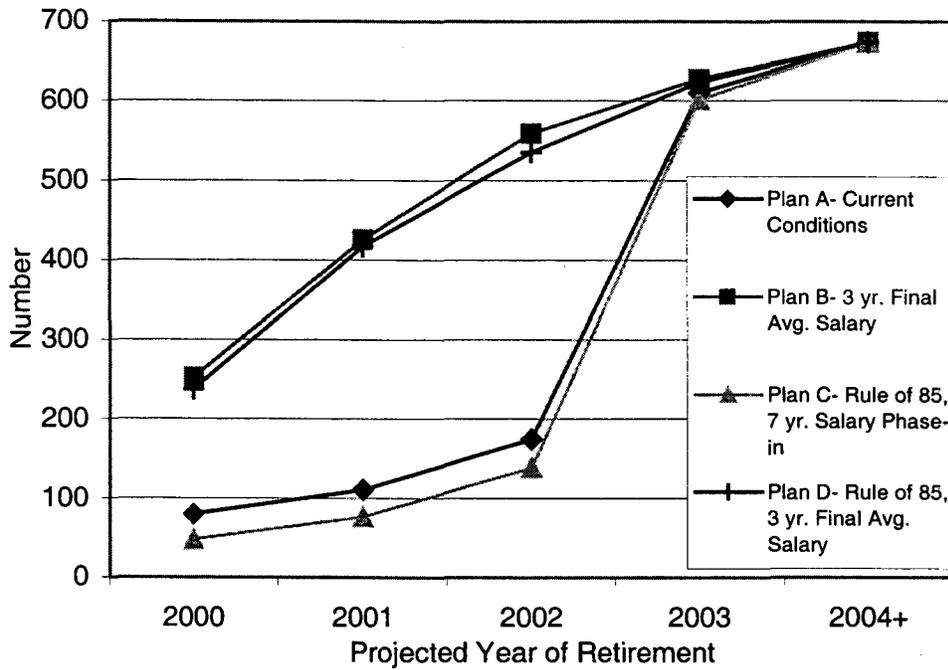
Note: The retirement intentions expressed as a line graph represent the cumulative percentages of administrators meeting the Rule of 88 and who are 55 years old or older by the year 2000.

When the retirement rates of the surveyed administrators are applied to the total population of public school administrators in Iowa, it appears that approximately 600 of the 674 administrators eligible to retire will retire by 2003 regardless of the plan in effect (Figure 2). These 600 retiring administrators represent approximately 32% of all public school administrators projected to retire by 2003. Whether the current seven-year salary phase-in or a three-year final average salary is used to calculate retirement benefits, it does not appear to appreciably affect the total number of administrator retirements occurring by 2003, but it does appear to impact when these retirements occur.

Under the current IPERS plan, it is projected that 175 (25.9%) administrators eligible to retire will retire before 2003. By 2003, 610 (90.5%) administrators eligible to retire are projected to have retired. This would result in 435 administrators projected to retire in a single year. Under a three-year final average salary, the number of administrators projected to retire in any given year does not exceed 174 and averages 125 per year.

There appears to be little effect on projected retirements based on whether the Rule of 88 or the Rule of 85 applies.

Figure 2- Projected Cumulative Number of Retirements of All Iowa Administrators Who Meet the Rule of 88 and are 55 Years Old or Older by 2003



Sources: Iowa Department of Education, Basic Educational Data Survey, Staff File 1998.
Iowa Administrator Retirement Intentions Study, School Administrators of Iowa and Iowa Department of Education, 1999.

Notes: This figure reflects the distribution of the population of administrators applying the sample rates to each plan option and year for those administrators in the population meeting the rule of 88 and who are 55 years old or older by 2003. The 1998 Basic Educational Data Survey, Staff File was used to estimate the population of Iowa administrators in future years. The projected retirements of the population of Iowa administrators have not been adjusted to account for those administrators who would have retired after the 1998-99 school year.

Methodology

A total of 1,032 surveys were distributed. Table 1 shows response rate information for this study. The survey also gathered demographics on position, district enrollment, age, current base salary, AEA, approximate number of years of service in IPERS, and intended year of retirement under four retirement plans.

Table 1- Iowa Administrator Retirement Intentions Survey Return Rate

Total Number of Surveys Distributed	1032
Total Number of Survey Respondents	787
Survey Response Rate	76.26%

Source: Iowa Administrator Retirement Intentions Study, School Administrators of Iowa and Iowa Department of Education, 1999.

From the 787 respondents, the number of responses for each plan and year were tabulated for those administrators who will meet the Rule of 88 and will be 55 years old or older in the year 2000. From these totals, the cumulative number of retirees and the resulting cumulative percentages of retirees for each plan and year were calculated (Table 2).

Table 2-Number of Responses (N), Cumulative Total of Responses (Cum N) and Cumulative Percent of Responses (Cum %) by Plan for Surveyed Iowa Administrators Who Will Meet the Rule of 88 and be 55 Years Old or Older by 2000

Year	Plan											
	Plan A			Plan B			Plan C			Plan D		
	N	Cum N	Cum %									
2000	26	26	11.82%	81	81	37.33%	13	13	7.03%	70	70	35.18%
2001	10	36	16.36%	56	137	63.13%	8	21	11.35%	53	123	61.81%
2002	21	57	25.91%	43	180	82.95%	17	38	20.54%	35	158	79.40%
2003	142	199	90.45%	22	202	93.09%	127	165	89.19%	26	184	92.46%
2004+	21	220	100%	15	217	100%	20	185	100%	15	199	100%

Source: Iowa Administrator Retirement Intentions Study, School Administrators of Iowa and Iowa Department of Education, 1999.

The cumulative number of administrators in Iowa meeting the Rule of 88 and are 55 years old or older for the years 2000 to 2004 are shown in Table 3.

Table 3- Number of Iowa Administrators Who Meet the Rule of 88 and are 55 Years Old or Older by Year

Year	2000	2001	2002	2003	2004
Number of Administrators	413	497	595	674	788

Source: Iowa Department of Education, Basic Educational Data Survey, Staff File, 1998.

Notes: The 1998 Basic Educational Data Survey, Staff File was used to estimate the population of Iowa administrators in future years. The projected retirements of the population of Iowa administrators have not been adjusted to account for those administrators who may have retired after 1998-99 school year.

The cumulative percentages for surveyed administrators under Plan A (Table 2) were applied to the number of administrators eligible to retire in 2003 (Table 3) to calculate the number of retirees under the current IPERS conditions. Cumulative percentages for Plan B were applied to the same population to calculate the number of retirees if IPERS reverts to a three-year final average salary used to calculate retirement benefits.