

Which DB and DC Characteristics Account for Faculty's Plan Satisfaction?

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This study used Lancaster's (1966) Theory of Characteristics Demand to determine which features (portability, security, etc.) University of Georgia faculty members find most appealing in the Teacher's Retirement System (TRS) and the defined contribution Optional Retirement Plan (ORP). The researchers hypothesized that there was a difference in the satisfaction among plan users and that certain characteristics are related to plan satisfaction. With shifts away from defined contribution plans, there is growing interest in how faculty make their selection among options. Little research focused on why they select certain plans. Understanding the specific attributes that contribute to enrollee's satisfaction will assist plan administrators as many institutions are moving to hybrid plans.

Out of a population of 2106, the investigators received a convenience sample of 275 UGA faculty members. There were 106 females, 129 males, and two chose not to identify. The survey measured the perceived values of TRS and ORP characteristics, participants' demographics, and plan satisfaction. Plan satisfaction was rated on a five-point Likert scale. Respondents were asked to rate their level of satisfaction with plan options, access to counselors, current account balance and employer's contribution. Results: T-tests showed that TRS respondents expressed greater satisfaction with the university retirement plan options, access to benefits counselors, and their current TRS account balance. ORP respondents valued portability of their retirement account and were more satisfied with the accessibility of ORP providers. Sixty-eight percent of TRS users stated that they would not switch plans even if they were allowed to as compared to 33% of ORP users. Eighty-one percent of TRS employees did not regret their decision to enroll in their current plan as compared to 51% of ORP users. ORP enrollees were more likely to say they would not be able to retire on schedule.

With changes in social security and employee benefits, exploring relationships between characteristics and retirement plan selection is critical in retirement planning, particularly in such situations where the decision is irrevocable. Employees' understanding of the plan characteristics coupled with their career plans (i.e., tenure, transitions to other institutions) affect universities, the families of plan enrollees, and the retirement rates. Misinformation about which plan offers certain benefits can create delayed retirement as indicated by the ORP enrollees in this study. Among academics, the issue of tenure makes defined contribution plans more appealing because of its ease of portability even though it lead to greater dissatisfaction. For institutions looking to implement hybrid plans, this research can help in determining which specific characteristics provide enrollees the greatest utility. As a result, policymakers may need to consider a hybrid plan that includes portability and higher employer matching.

Reference

Lancaster, K. J. (1966). A new approach to consumer theory. *Journal of Political Economy*, (2), 132.

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