Actuaries Intimate Faculty on Benefits

By Cy Gulassa
President, Football-De Anza Faculty Association

District-hired actuaries often depict monstrous unfunded liabilities for future retirement benefits that in comparison make the national debt look like an overdue library fine. With names like Cooper & Lybrand, Deloitte & Touche, these reports come equipped with credentials as intimidating as Moses' tablets. As a consequence, overwhelmed with statistical charts and obscure formulas, faculty budgetary committees deliver up newer hikes in the pay of presidential benefits to an already-bleak bottom line.

The major tool districts use to dislocate retiree benefits is the actuarial methodology. The oft-sprinkled assumptions are often more political than financial documents, designed to shock, intimidate, and overwhelm through manipulation of data and the use of statistical hyperbole. The best faculty defense is a calculated offense. First, understand that retiree benefits are not a district gift; they are a form of deferred compensation authorized and encouraged by the Ed Code. Second, understand that the GASB accounting standards, which managers claim they must abide by, merely require that the unfunded liability be acknowledged, not actually pre-funded. What is an unfunded liability? Here's one way to look at it. Think of the cost of raising a child born today all the way to graduation from college, graduation 2020, a cost which some experts estimate to be no less than $250,000 in today's dollars. That's a worrisome amount until you realize that your income spread over the same period of years and adjusted for inflation would be in the multi-million dollar range. The cost of raising the child, therefore, is logically spread lifetime, and the cost of living tends to increase, along with the cost of rearing the child, so does one lifestyle. Finally, the cost of paying retirement benefits, especially now with cost controls, PPOs and HMOs, may very likely be a fixed percentage of your district income, despite the costs modestly increase, so does district income, and the two move in tandem.

How do you challenge something as technical as an actuarial study? The best beginning to insist on having a role in designing the study, before it's framed out. Short of that, hire an actuarial expert to challenge the basis for the numbers and extrapolations. First, have this expert check the demographics. STRS data are often used, but may not be accurate for CS faculty who on the average are more stable than K-12 teachers and account for twice or more years before retirement. Check the methodology of discounting.

A recent analysis of one district revealed a substantial error in the magnitude of 15 to 20 percent in calculation of the formulas. Check the number of years in a faculty member's longevity. Thirty years is the common practice for pension liability, yet post-retirement costs analysis sometimes extend to 65 years, extrapolations that clearly defy common business sense and are cynically intended to exaggerate conclusions. Check the percentage of Medicare benefits used in the calculation. Medicare-eligible faculty will considerably lower district cost, and after 1986, all faculty are pre-paying into Medicare coverage. But it appears to be a common practice to include dummy hires who are eligible for Medicare. By excluding or greatly minimizing their many school district costs, inflates.

Check the baseline data. Reports can deliberately err by choosing as the baseline the atypical years when costs were high, deliberately ignoring more recent experience. If they are included in the study, check the trend, discount and sensitivity rates. While over recent two years costs have decreased, district studies may exclude this significant downturn in trends and instead deliberately rely on old data that predict future costs increases of 8 to 10 percent or more. One would think any study dealing with something as unpredictable as medical costs would include a range of predictions, say anywhere from 3 to 8 percent, for example. But it's not unusual for a district-sponsored actuarial report to specify a single sensitivity range, falsely suggesting that the actuarial act is striking the bull's eye instead of the entire bull and a considerable amount of its grazing pasture and meniscus. A minor change in the relation between the trend rate and the discount rate, which can be thought of as the amount of interest a set-aside fund would have to generate in order to fund future faculty benefits, can yield vastly different results. A fluctuation of 1 percent (100 points) could produce a 20 percent swing in the final projection.

The moral of this story? Be wary. The unfunded liability now devouring budgets in many district boardrooms may be just another Halloween goblin, designed to trick faculty into turning over their hard-earned retiree medical benefits.

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Cut Faculty Pay, Get a Bonus

While most college community managers simply continue to agitate for larger class size and teaching loads in order to increase faculty productivity, President of the Community College faculty union, Louise Atherton, has taken the final step in employing the industrial model in our classrooms; she may have to pay more from a college's budget.

Atherton has convinced her trustees to pay bonuses to managers—including herself—for reducing labor costs at Grossmont and Cuyamaca colleges. According to her own "incentive contract" with her trustees, Atherton can get up to an annual 10 percent pay hike if she "achieves" a 1 percent decrease in the 1996-97 compensation costs as shown in the 1996-97 expense balance (in the tentative budget for 1997-98). The vice-chancellor and college presidents have similar pay incentives to reduce employee costs.

In her effort to learn from the management incentive program, Grossmont Cuyamaca's Unified Faculty union told its constituency that "under these conditions bargaining is a sham. Both the atmosphere and the vice-chancellor's contract under conditions which require them to reduce the percentage of total compensation in order to improve their own financial position! This is clearly predilecting to the bararic process [and] also violates both the law and professional ethics. In particular, it is disastrous of the [interest-based process [mutual-gains bargaining] which is based upon parties to negotiations coming to the table with no previous agreement or restrictions."

At Grossmont, the faculty negotiator Zoe Close told trustees, "The term productivity has begun to turn this district upside down; we are to put it right side up we must talk about our goals and truly understand the faith with the interests of everyone being equal, but management bonuses are not the only source of faculty discontent at this Southern California district. The chancellor's hard-nosed itemization plan has resulted in slashing of 100 class sections, dramatic increases in faculty workload at Grossmont College, and declining support for library materials and laboratories.

On October 21, the Academic Senate passed a resolution expressing no confidence in the chancellor and calling for her resignation. (See page 4)
How the CCCI Unions Are Doing Statewide

(From page 1) Both are struggling to have a meaningful impact on the management team at West Valley-Mission. "The job and the management team at West Valley-Mission is "performance goals," which, according to Campbell, translates as "productivity." The full-time equivalent WESC for faculty has recently soared from 525 to 562.

The United Faculty organization at Contra Costa is in the middle of a three-year contract but continues to provide full-service, effective representation for the entire faculty. Retroactive to July 1, all salaries for all faculty were increased by 4 percent. Other mid-year agreements include the establishment of a committee of contractors, which is working on covering the use of technology in the delivery of instruction, including distance education. Chief faculty negotiators for the faculty on faculty involvement in all decision-making regarding the expenditure of District resources on technology. Another important agreement achieved by Contra Costa faculty is a memo of understanding that any future acuarial study of the District's benefits programs will be based on assumptions on which the District and the union agree.

Finally, UF is still talking with the District about a plan for part-time faculty office hours.

Carol Chobert at Chabot-Las Positas reports that negotiations in her district have not been productive. Most important, according to her, is the agreement that is ensuring that 90 percent of the part-time faculty will be retained to cover the loss of part-time faculty members. The District is spending $87 percent of all income on all forms of compensation, including salary, benefits and payroll taxes. The Chabot-Las Positas negotiations also achieved a mentoring service for senior faculty. Each award will cover 1,500 per year; faculty can accumulate two of these.

At Santa Barbara's Tom Carey was usually reported to his colleagues in other districts that his constituents will not demand a 3 percent salary hike to the District. An agreement was signed that the District’s "fixed" $700 per faculty. Santa Barbara District business manager forgot to tell the faculty to receive money from the contract. That's because the District's "fixed" $750 per faculty. District faculty will not receive any salary increases over the contract's $750. According to the Academic Senate's opposition to top management tactics are right and necessary is that middle level managers need to take on the "on-the-shelf encouragement to faculty" that will make the job that much easier to keep. Carey’s group has worked with the District in developing a load-factor based schedule for paying faculty for work as department chairs, laboratory coordinators, coaches, and chairs of departmental meetings. No more feelings of neglect. It's an objective, straightforward method for paying faculty for important jobs. Call Tom Carey at Santa Barbara City College to find out how his no-touching faculty compensation system works. He'll send you a copy of the new proposal.

Allan Hancock faculty have a few barrelettes to get through. Ricardo Almeida, part-time faculty, says the College is making a "very limited interest-based bargaining agreement" with the faculty. It is a contract that is being used to write the contract for the upcoming spring semester. The new contract is approximately $125,000 ADW faculty members are currently attending community college who are women. More than a small portion of whom are GAIN students. Lost all these strategies by unnecessarily commercialized by county social services directors with discussions with local community colleges would impact our growth projections. In addition, under the new legislation, welfare recipients will be required to be engaged in a "work activity" after receiving aid for two years with a lifetime limit of five years of aid. Also, a limit of one year of paid educational benefits is likely, unless education is current with 20 hours of "work activity" per week. Most community college work-study programs assume a two-year cycle—with summers off. One implication of limited time and educational benefits is the provider to shorter length programs—perhaps more intensive than usual. In addition to vocation-related instruction, successful programs will need to incorporate some job preparation topics like work behavior, money management, and citizenship.

But that's a minor point. The percentage of welfare-supported training needs to include a supervised work activity. This meets our open-door education to the community service programs will be stretched to accommodate this requirement.

And finally, there is an implicit assumption that many of the welfare recipient students will need developmental education in order to benefit from these opportunities.

So, how will community colleges respond to these challenges? Think of it as a test that community colleges must pass without partners. In addition to going to school and participating in a work activity, they are maintaining a household, raising children and worrying about child care. Our concern should be to help them be successful. Will the community college system rise to this challenge?

What's Happening?

Golden Handshake, COLAs, Part-time Equity and More

The All Faculty Association at Santa Rosa Junior College has negotiated a STRS golden handshake package for faculty to retire at the end of the current academic year. This retirement incentive program provides up to $290,000 annuity from retirement to $100,000 credit, which for the average retiree means about $320 extra per month in retirement benefits from the state retirement system. 3.1 COLA Next Year? By coincidence, this fall's CCCI leadership conference took place at the same campus and in the same area where the FACCC board of Governors was meeting. In a joint session of the two groups, FACCC executive director Patrick McCullum told some US community college faculty leaders what he expects to happen in Sacramento on the CCSS legislative front. McCullum foresees a COLA of about 3 percent and, possibly 1 percent for growth; new faculty, equity, and other faculty improvements. The traditional "May revise" could see a total of 6.5-7 percent for the CSS system.

FACCC intends to continue working to improve the lot of part-timers, but notes that this COLA does not achieve state support for basic medical coverage. The COLA also needs state support for state support to guarantee that every part-time faculty member who teaches two or more classes in the fall will be eligible for the COLA. McCullum will join the state Chancellor's Office in pushing to reinstate retirement credit for unused sick leave, to get property tax shortfalls back on the table, and a plan to share of Prop 98 money, and to get a capital outlay bond go for 1998.

Part-time Equity

The Council of Faculty Organizations, the statewide faculty liaison group, will hold workshops this spring on implementation of the part-time faculty equity program that has been approved by all state-wide bargaining agencies as well as the state Academic Senate.

Workshop dates are April 26 in Northern California and May 10 for the Southland session. Contact Emily Strauss at San Jose City College or Bill Price at Santa Rosa Junior College for information about these meetings.

Full-time Part-timers

A little-known provision in AB 725 is adverting qualifications for "full-time part-time" lines for a district-two experiment in offering part-time part-timers full-time "reversion" employment contracts.

Though no such experiment is under way, there is little in this country that shows the rush to discuss the reversion proposals to let districts hire part-time as non-tenured full-time employees. Discussion of full-time employment for "part-timers" drew strong reaction at the recent state-wide FACCC meeting. Some faculty representatives are convinced that the idea is simply to make it easier and cheaper to rubber-stamp part-time faculty. Others think that, with effective protections, a limited program of full-time employment for part-time faculty makes for more professional sense than freewheeling. The issue is on the agenda for the next CCCI conference on April 11-12.

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