Retirement and Benefits:
The Long Road to Recovery

By Valerie Martin Conley

Valerie Martin Conley is professor of higher education and student affairs, and chair of the department of counseling and higher education at Ohio University. A TIAA–CREF Institute Research Fellow and an award-winning teacher, she has written extensively about faculty careers, retirement, and benefits. Dr. Conley’s publications include “Career Stage Differences in Pre-tenure Track Faculty Perceptions of Professional and Personal Relationships with Colleagues,” “Regenerating the Faculty Workforce: A Significant Leadership Challenge and a Public Policy Concern,” “New Ways to Phase into Retirement: Options for Faculty and Institutions,” and “Exploring Faculty Retirement Issues in Public Two-Year Institutions.” She is writing a book about the changing landscape for faculty careers with Jack Schuster and Martin J. Finkelstein.

Pension reform and fallout from the Affordable Care Act dominated discussion about retirement and benefits in 2013. This chapter outlines the magnitude of the pension crises and the corresponding state and local government reforms.1 Balancing state and local government demands for pension reform, cost containment, and risk reduction with assuring retirement security for public sector employees will be difficult in the aftermath of the “Great Recession.” Union negotiators, the chapter concludes, need accurate data regarding key pension health indicators to negotiate successfully for their members.

The chapter then examines the implementation of The Patient Protection and Affordable Care Act (PPACA or ACA), the groundbreaking national health care legislation enacted in 2010. A reprieve from the initial compliance deadline provided time to resolve the many questions about implementation raised during 2013. The comments on the proposed Internal Revenue Service (IRS) rule for determining the share of employer responsibility for health coverage illustrate the range of opinions individuals and administrators hold about ACA and its implementation.2 The long-term success of the legislation is unclear. But more relevant immediately: Will the ACA provide affordable health care, in the spirit intended, for part-time faculty and graduate students? This analysis highlights the changing nature of the academic workforce and questions the business and employment models relied upon in many colleges and universities.

The major takeaway: There are significant challenges for retirement and benefits on the long road to recovery.
PENSION REFORM

Pension reform dominated discussion about retirement and benefits in 2013. A recent forum examined the range of reform strategies used by states and localities to address their pension funding challenges. The forum also contemplated the future relationship between the public sector’s workforce and employment model and retirement plan design.

Because “pension reform does not happen from a clean slate, but involves redesign of existing plans,” one forum speaker noted, “an initial consideration should be whether workers in a given state or locality are covered by Social Security.” “Social Security is essentially a DB [defined benefit] plan providing lifetime income with replacement rates that vary across the income distribution,” noted the forum’s organizers. “In states where workers are not covered by Social Security,” the speaker argued, there is a case for incorporating an income floor, which can be done through a traditional DB design or an income-oriented DC [defined contribution] design that incorporates annuities. Such an income floor should be designed to address concerns about workers falling into poverty or near-poverty status in retirement. Beyond such a minimum, redesign should consider essential expenses that ought to be covered in an inflation-protected, longevity-insured manner. Again, this can be done in either a DB or a DC context.

The speaker maintained “that the guaranteed income component should be in the 70 to 80 percent range of working income.”

Another presenter “stressed the importance of making financial planning and decision-making as easy as possible for individuals through plan design, financial education, and savings incentives.” Practice may contradict this advice. A recent survey highlighted the complexity of retirement plan design among public colleges and universities. For example, 40 percent of public institutions with multiple vendors use three; 45 percent use more than three. By contrast, the norm is two among the relatively few private institutions with multiple vendors. But providing more investment options—the most common reason cited for using multiple vendors—does not necessarily result in lower fees and expenses. In addition, using more than one vendor adds complexity and comes with an acknowledged cost.

Earl Pomeroy, a former North Dakota Representative, offered a federal perspective on pension reform and retirement security. “A national strategy on retirement income security,” Pomeroy noted, would

- preserve Social Security by addressing under-funding more aggressively with revenue increases than benefits cuts;
- preserve defined benefit plans where possible;
- improve the structure of the defined contribution plans; and
- increase incentives for personal savings outside workplace plans.

Pomeroy cautioned against drastic reforms, citing the success of public sector DB plans in providing retirement income security. He focused instead on minor adjustments in contribution rates, retirement ages, and benefit accruals based on realistic market return assumptions. Pomeroy advocated a hybrid DB/DC plan over a pure DC model if adjustments prove inadequate. A hybrid, he argued, would better balance plan cost, benefit adequacy, and shift risk to public sector employees.

Tackling the pension crisis necessitates a comprehensive approach. Pension reform that fails to ensure retirement security serves neither the needs of current or future generations. Needed is collaboration aimed at developing a national retirement policy that considers the vast array of public pension and private sector retirement plan models, Social Security, Medicare, and personal savings options. The collaboration must also allow for tailored state...
and local approaches that consider unique situations within specific jurisdictions.

We possess data on the percentage of state and local government wages that go uncovered by Social Security. The program covers only one percent of the state and local government wages in Ohio. In 2013, the Ohio Legislature petitioned the U.S. Congress to oppose legislation requiring Social Security coverage for state retirement system members. It does not cover at least half of wages in nine other states: Massachusetts (97 percent), Nevada (96 percent), Louisiana (83 percent), Colorado (70 percent), Illinois (64 percent), Maine (64 percent), California (60 percent), Alaska (58 percent), and Texas (53 percent).

The Bureau of Labor Statistics compiles data on salaries, wages, and benefits. The data are broken down by ownership: civilian, state and local government, and private industry. “Full-time workers in state and local government,” concludes the survey, had greater access to employer-provided benefits than private industry workers. For example, retirement and medical care benefits were offered to 99 percent of state and local government workers while only 74 percent of full-time employees in private industry had access to retirement benefits and 85 percent to medical care coverage.

Key indicators derived from the survey include the Employment Cost Index (ECI) and the Employment Cost for Employee Compensation (ECEC). These indicators, published quarterly, measure changes over time in labor costs and changes in average costs per hour worked.

Figure 1 shows the costs of total benefits as a percentage of total compensation for state and local government workers, by selected major occupational groups, for 2004 to 2013. During those years, the percentage of total compensation devoted to benefits increased for all workers in state and local government from 30.8 to

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**Figure 1. State and Local Government Workers, by Major Occupational Group: Total Benefits Costs as a Percentage of Total Compensation, 2004–2013**


Excludes federal employees.
35.2 percent. Individual occupational groups saw similar increases.

The portion of total compensation attributable to benefits relative to wages and salaries for state and local government workers employed by junior colleges, colleges, and universities increased from 29.3 to 34.0 percent between 2007 and 2008 (Figure 2). Total benefits still account for about one-third of the group’s total compensation.

Figure 3 shows total benefits by type of benefit. All types of benefits—except supplemental pay—increased. Insurance, and retirement and savings each increased by two percentage points. The one anomaly: paid leave as a percentage of total compensation rose from 8.2 percent to 12.6 percent between 2007 and 2008, before returning to pre-recession levels between 2009 and 2010.

Figure 4 displays retirement and savings as a percentage of total compensation for state and local government workers, by selected major occupational groups between 2004 and 2013. All groups showed an upward trend, but state and local government workers employed by junior colleges, colleges, and universities show a smaller overall change for the period than the other groups in the sector.

Benefits as a percentage of total compensation have now increased for over a decade. Given stagnant, or small wage and salary increases at best, workers have acutely felt this increase. Previous NEA Almanac chapters focused on the shift in responsibility for retirement security from government and employers to individuals. To what extent did this trend continue, or accelerate, after the economic downturn, and has this shift been necessary? The next section looks at the magnitude of the pension crisis.

THE MAGNITUDE OF THE PENSION CRISIS

The Pension Protection Act of 2006 revealed the extent of unfunded liabilities for public pension plans. The Great Recession often exacerbated

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Figure 2. State and Local Government Workers in Junior Colleges, Colleges, and Universities: Wages, Salaries, and Total Benefits as a Percentage of Total Compensation, 2004–2013


Excludes federal employees.
Figure 3. State and Local Government Workers in Junior Colleges, Colleges, and Universities: Total Benefits and Benefits by Type as a Percentage of Total Compensation, 2004–2013


Figure 4. State and Local Government Workers, by Major Occupational Group: Retirement and Savings as a Percentage of Total Compensation, 2004-2013

these liabilities. Figure 5 shows another key indicator of pension health, the percent of the Annual Required Contribution (ARC)—the plan sponsor’s “required” contribution to a defined benefit plan—actually paid in 2010 by public pension plans. The ARC includes two parts: (1) the normal cost is the amount for benefits attributable to the current year of service; (2) the amortization payment funds the unfunded actuarial accrued liability over the next 30 years.

The term “annual required contribution” is misleading because sponsors need not pay the ARC each year. Under Governmental Accounting Standard Board (GASB) Statement 45, the ARC must be calculated and disclosed in a public employer’s annual financial statement. A majority of the plans in the public plan database paid at least 80 percent of the required contribution—an amount generally accepted as good practice. Thirty-six plans logged ARC payments below 80 percent. But only nine plan sponsors paid less than half the required contribution, and only two plans paid less than ten percent of the required contribution. The lowest ARC payment reported was 1.85 percent.

ARC payments alone do not tell the whole story. It is also necessary to look at the funding of the plan over time and at the size of the unfunded liability. Plans range from well- to poorly-funded, while the generosity of benefits varies by plan and by hire date for different types of employees.

What is the magnitude of the pension crisis? States made more changes than commonly thought. According to a study published by the Center for Retirement Research (CRR), “40 percent of the sample appeared to take the crisis as an opportunity to reduce costs below pre-crisis levels.”12 This conclusion confirms results presented in previous NEA Almanacs. The CRR study attempted to quantify the impact by modeling pre-crisis, post-crisis, and post-reform scenarios for 32 state-administered pension systems spanning 15 states.13

Based on actuarial valuations, the researchers estimated average pre-crisis pension costs

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Figure 5. Number of Public Pension Plans by Percent of Annual Required Contribution (ARC) Paid, 2010

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Source: Center for Retirement Research at Boston College, Public Plans Database.
as a percent of state-local budgets for their sample to be 4.1 percent. After the crisis, in the aggregate, estimated costs would have been 6.5 percent without enacted reforms. Projections to 2046 that included the reforms showed pension costs as a percent of state-local budgets averaging 3.3 percent—below the 4.1 percent pre-crisis level. The researchers categorized California and New York as “expensive,” and identified Illinois and New Jersey as “troubled.” Georgia and Michigan made “dramatic changes,” and Texas and Wisconsin made “minor changes.” Florida and North Carolina were “model states.” The researchers left five states unclassified: Connecticut, Massachusetts, New Mexico, Ohio, and Virginia.

Figure 6 summarizes the data for the 15 states. “Regardless of their circumstances,” the CRR study concluded, “all of the sample states experienced a significant increase in pension costs as a result of the economic crisis.” In all but one state, total pension and retiree health costs as a percent of the state budget would have increased after the economic downturn, absent reforms. Without these reforms, the post-crisis levels exceeded pre-crisis levels in half of the states by more than two percentage points.

Average pension and retiree health costs in seven of the 15 states, the researchers estimated, will fall below pre-crisis levels when reforms are fully phased in. Reforms in four states, including New York, offset recession effects. The researchers project enacted reforms in Connecticut, New Jersey, and Virginia to reduce pension and retiree health costs by at least one percentage point below pre-crisis levels.

Prior to the crisis, Connecticut devoted 8.2 percent of the state-local budget to pension and retiree health costs—the highest pre-crisis percentage among the 15 states. Seven other states had higher post-crisis levels, but Connecticut showed a higher difference between pre-crisis levels and post-crisis, post-reform projections than any other state. Reforms in New Jersey, the researchers estimate, will bring the percentage back to pre-crisis levels by 2028. The percentage of the budget devoted to pension and retiree health costs will decline to 5.5 percent by 2046, all else being equal and if funding stays at the same level.

For Virginia, estimates of pre-crisis and post-crisis total pension and retiree health costs as a percentage of the state budget were the same (4.6 percent). But payments required for amortizing pension plan unfunded liabilities increased significantly for the Virginia State Employees Retirement System (SERS) and the Virginia Teachers Retirement System (TRS). These two systems comprise about 60 percent of active public plan membership in the state. The state therefore enacted several changes:

The most important was the introduction of a hybrid system for new hires that combines a traditional defined-benefit (DB) pension with a defined-contribution (DC) plan.

DB benefits under the new hybrid system provide a lower benefit factor for each year of service than under the old system and a reduced cost-of-living adjustment. The DC portion of the hybrid requires that employees and employers each contribute, at minimum, 1 percent of their gross pay and payroll, respectively. For SERS, the dramatic design change will gradually reduce the projected employer’s contribution to the normal cost from 4 percent of payroll today to 1.6 percent in 2046. For TRS, the projected employer’s contribution to the normal cost will drop from 6 percent of payroll today to 3.3 percent in 2046. To provide short-term relief from increased costs due to the crisis, the Virginia legislature extended the period for paying down unfunded liabilities to 30 years from 20 years, and allowed for underpayment of the annual required contribution (ARC) until 2019. However, by 2021 the amortization period will return to 20 years. Overall, if the systems pay their ARCs in full from 2019 onward, and assumed returns materialize,
Figure 6. Employer Pension and Retiree Health Costs as Percent of Budget, by State$^{1,2}$

Source: CRR, Fact Sheets (http://crr.bc.edu/special-projects/state-local-pension-plans).

Notes:

$^1$ Based on sampled plans.

$^2$ See endnote 16 for notes to this figure.
the share of state and local budgets devoted to pensions will drop from 4.6 percent today to 2.6 in 2046, at which point all employees will be covered under the new hybrid system.18

The Virginia case highlights the need to look at multiple factors when determining the extent of the problem, including both parts of the ARC—the normal cost and the unfunded liability.

Figure 6, which reports total pension and retiree health cost percentage projections, shows the relative severity of the crisis for Illinois. Its pension and retiree health costs—7.1 percent of the budget before the economic downturn—would have risen to 15.5 percent without reforms. Even after reforms are fully implemented, the researchers project that pension and retiree health costs in 2046 will be 10.1 percent, well above pre-crisis levels.

“Poorly funded plans were more likely to ‘overshoot’ than well-funded plans,” the researchers concluded, “suggesting an inclination to take more sweeping actions given a more severe problem.”19 “The plans with the largest projected reductions,” they added, “are those that were poorly funded and those with generous benefits.” “The poorly funded plans reduced their normal cost as a share of payroll from 7.8 percent to 3.3 percent, on average, compared to 8.5 percent to 5.6 percent for well-funded plans.”20

A rigorous analysis completed by researchers in Florida, included unique circumstances of state and local jurisdiction, including historical funding patterns and actuarial projections. The researchers, wishing to identify potential solutions, conducted a targeted analysis of GASB 45 disclosed unfunded liabilities for the Florida Public School System. They focused on unfunded liability for government employers providing other than pension post-retirement benefits (OPEB) (mainly post-retirement medical benefits), by district. A 2010 white paper draft prompted their analysis. The current level of unfunded liability for the Florida school districts, the white paper concluded, exceeded $3.5 billion.21

After collecting actuarial reports from each district, the researchers reviewed the assumptions used in the calculations and compared employee benefits packages across the districts. They considered other factors that could affect the ability of individual districts to fund the liability. They found:

Significant differences exist across most of the assumptions that drive the determination of (unfunded) OPEB liabilities. It is important to note here that we are not suggesting that any of the assumptions that we have examined thus far are incorrect or unacceptable. Rather, we are interested in capturing how these assumptions differ across school districts and actuarial firms in order to better understand the impact that a difference in assumptions has on the OPEB liability.22

The researchers also found variation in retirement plan design choices, particularly related to eligibility for retiree health benefits.

Given the fact that employee benefit decisions have been made at the local level, we see the type of variation that one would expect in examining 67 different businesses of various size and operating in different locations. The distinction here is that employee benefit plan features and design choices do affect the OPEB liability.23

Some states and unions are conducting similar studies. An Illinois task force, for example, studied the impact of Tier 2 pension benefits on the ability of school districts to recruit and retain teachers in public school classrooms.24

The Association of Pennsylvania State Colleges and Universities Faculties commissioned an audit of seven institutions in the system. The system had tentatively planned to cut faculty
positions and some academic programs because of declining enrollments and state appropriations. The findings questioned the fiscal policies used to justify the cuts. But system officials “said the union’s characterization of the audit contains ‘a significant number of inaccuracies,’ including a failure to account for the rising costs of employee salaries, health care, and pensions, which are financed with tuition and state appropriations.” Such disputes are often heated, and the issues are interrelated and complex, so negotiators must have data on key pension health indicators to negotiate successfully for their members.

2013 STATE PENSION AND RETIREMENT PLAN LEGISLATION

The National Conference on State Legislatures publishes digests of selected state pension, retirement, and benefits legislation. A recent digest documents the changes made by the 43 states that modified their pension plans between 2009 and 2011, as legislators addressed long-term funding issues. Ten states made “major structural changes in state retirement plans” in 2012, calling into question whether a slowdown of pension reform has occurred. Still, fewer states enacted major plan changes in 2012 (eight states) and in 2013 (nine states and outlying areas as of September) than in 2011 (32 states) and 2010 (21 states). Forty-six states had adopted some legislation.

Changes in 2013 included contribution rates and funding, cost of living adjustments, plan type changes, governance and investment policy, purchase of service credit, and re-employment after retirement. Notable among the 2013 bills is the Louisiana House Concurrent Resolution 2, which suspended the Cash Balance Plan for new public employees. The 19th Judicial District Court ruled the plan unconstitutional because the state’s House of Representatives passed the legislation with a simple majority, not the two-thirds majority required by the Louisiana Constitution for certain legislation. A cash balance plan for new public employees would have replaced DB plans on July 1, 2013. The plan would have been mandatory for higher education faculty, though optional for other education employees. California continues to implement the Public Employees Pension Reform Act of 2013. Assembly Bill 1381 legislated technical changes in the Teachers Retirement Law to correspond with the pension reform provisions.

A December 2013 California Superior Court ruling overturned key parts of “Measure B,” a voter-approved San Jose attempt to cut future employer costs for pensions earned by current workers. Chuck Reed, the San Jose mayor, believes a constitutional amendment is needed to “empower government leaders to tackle their massive pension problems and negotiate fair and reasonable changes to employees’ future pension benefits.” The “more than $3 million in taxpayer dollars spent on the Measure B legal battle,” said the leader of the labor coalition that challenged Measure B, will be the “tip of the iceberg of the legal costs” if such an amendment is pursued.

ACA: RULINGS, RESPONSES, AND CHOICE POINTS

Implementation of ACA proved as controversial as pension reform in 2013. This section summarizes the current status of the employer mandate provisions of the ACA. It then reviews statements posted during the comment period for IRS Proposed Rule: Shared Responsibility for Employers Regarding Health Coverage. The statements offer the opinions of individuals and higher education leaders about the proposed rules, especially determination of eligibility for adjunct or part-time faculty.

When President Barack Obama signed the Patient Protection and Affordable Care Act into law in March 2010, only a few human resource professionals and attentive government relations officers took much notice of the implications of the act for postsecondary education. But the higher education community soon asked questions. When an unintended
omission appeared to remove the exemption of student health insurance plans from the individual market, the White House quickly corrected the oversight. Soon, employers and workers had to navigate through a “Health Care Maze” that included at least 1,000 rules and decisions about implementation. Employers had to decide swiftly whether to retain “grandfathered” status for a plan.

IRS initially omitted any guidance concerning the eligibility of part-time faculty members for health care—a controversial, far-reaching implementation decision. Concerns regarding the “hours of service” framework used to determine employee eligibility led the IRS to acknowledge:

Educational organizations generally do not track the full hours of service of adjunct faculty, but instead compensate adjunct faculty on the basis of credit hours taught. Some comments suggested that hours of service for adjunct faculty should be determined by crediting three hours of service per week for each course credit taught. Others explained that some educational organizations determine whether an adjunct faculty member will be treated as a full-time employee by comparing the number of course credit hours taught by the adjunct faculty member to the number of credit hours taught by typical non-adjunct faculty members working in the same or a similar discipline who are considered full-time employees.

The comments received by the IRS reveal as much about higher education employment and funding models, particularly in community colleges, as they do about health care. “I teach ‘part time’ at a community college and have no health insurance,” stated one faculty member.

78% of the faculty at my college are part-time. If I were to teach my maximum allowable load of 4 classes a semester, and a summer course, I would make $21,600 annually. I work other part-time jobs without benefits to make ends meet. I’m in my late 50s and am dependent on a community free clinic for my health care.

Many news reports indicate that the response of a number of college administrations to the Affordable Care Act is to reduce the hours of adjuncts. If this is allowed, our poor conditions will get worse. I have very little disposable income as it is, and do not know how I would pay for even subsidized insurance under the ACA if my employer acts to deny me coverage.

I also still have college loan debt from obtaining a 3rd graduate degree, since my first two degrees didn’t raise my income even close to the median level of a high school graduate.

An adjunct professor and doctoral student who taught at several small New Hampshire liberal arts colleges wrote:

Though I would argue I certainly deserve health benefits for my work, the institutions for which I’m employed have made it clear that, as a result of these new regulations, they are simply going to cut my and others adjuncts’ class loads to ensure no one part-timer trips the 30-hour/week threshold. Without some sort of action that limits an employer’s ability to cut adjunct class loads as a direct result of these new regulations, this response from institutions, I fear, will be a regular one.

Stated another:

Not a day goes by when I do not get an email or phone call from adjuncts bemoaning the fact that the college where they do the bulk of their teaching has responded to the possibility of having to offer health insurance to some of their contingent staff by peremptorily reducing class loads and hours of work
so that these contingent workers will not fall under the guidelines of the Affordable Care Act. Although meant to help those who contribute to society but do it at low wages, the unintended consequences of the ACA have made it even harder for these expert faculty members to cobble together enough courses to sustain themselves. They are now forced to become migrant academic workers running from school to school to teach while assuring that they will never amass enough hours at any one of these colleges to qualify for health insurance under the ACA.40

One individual summed up these sentiments:

Therefore, it is urgent that college and university administrators not be allowed to use the provisions of the Patient Protection and Affordable Care Act to reduce the hours, and consequently the livelihoods, of adjunct faculty across the nation. Currently this is a controversy at only a small number of schools, but the issue will soon become a national tidal wave.

Consequently, I ask that the Department of the Treasury not allow the PPACA to be used by college administrators as a pretext for pecuniary, and self-serving evasions of the spirit of the law through reductions in faculty workloads. Colleges and universities must not be allowed to reduce adjunct faculty workloads as a means of shirking their moral and ethical responsibilities to provide more, rather than less, healthcare coverage for their faculties and staffs.”41

Not all part-time faculty members would have to be covered if their hours remained uncut, noted the co-president of a chapter of adjunct faculty members:

Also many of us do not need health care. Of those we have polled recently over 14% of our members are on Medicare, 11% have health benefits through a Public School Retirement System, and 13% are covered under their spouse’s plan.42

Community college administrators cited financial pressures and service to students in arguing for flexibility:

Community colleges employ the largest numbers of adjunct faculty among traditional higher education institutions. The recent recession, coupled with the ongoing expectation that community colleges provide education at substantially less cost than other institutions, have created acute financial pressures on institutions. These pressures are unlikely to abate. Significantly increased health care costs resulting from the PPACA will very likely result in increased tuition and/or a reduction in services. Given the cost of providing health insurance and that most higher ed. institutions engage the services of hundreds of adjuncts per semester, it is unrealistic to assume that higher ed. organizations could provide large numbers of adjunct faculty health insurance without devastating financial consequences.”43

If it is determined that the PPACA’s intent can best be reflected through a formula that assumes that faculty work a specific number of hours outside of the classroom for the hours that they teach, a 1:1 ratio should be adopted. This ratio reflects assumptions and practices found at many community colleges...This approach provides predictability and ease of administration while ensuring that the hours worked calculation accurately reflects the effort required to prepare for teaching and the work involved in grading and assessing student work....44

Not everyone agreed that a 1:1 ratio accurately reflected faculty effort. “Adjunct faculty,” stated one respondent, “should be classified as full-time employees if the course load they
teach during the measuring period is equal to or greater than three quarters of the course load for a full-time adjunct in that department.”

Adopt a national standard, proposed another respondent, modeled after a state community and technical college system:

I recommend the standard in place in 34 colleges that make up the Washington State community and technical college system: part-time faculty who are employed at 50 percent of a full-time qualify for health care. I would like to propose that employment at 50 percent of full-time be adopted as the national standard.

Stating the requirement in terms of a percentage avoids the variance in interpretations of hourly assignments that exist both in different systems and within in institutions within those systems. A straightforward standard of 50 percent of full-time would result in a single national standard, as opposed to several thousand unique standards, each peculiar to each institution.

Consider the percentage of part-time faculty employed at the institution, stated another proposal, as a factor in determining an employer contribution of the shared responsibility.

Many comments described the complexity of accounting for faculty work:

It is essential for my colleagues without any health insurance to be covered by the new law. Those who only spend nine hours per week in the classroom often spend three times that amount of time outside of class every week preparing for class and assessing their students’ work. The challenge in determining exactly how many out-of-class hours are spent is a serious one. It depends, among others, on variables such as class size, type of course (large lecture or small seminar), and appropriate assessment tools. Consequently, I cannot suggest a one-size-fits-all allocation of hours, but we all spend a considerable amount of time beyond the in-class hours.

Having worked as an adjunct professor for the past four years, I can say with certainty that it is necessary to address the lack of compensation for time spent outside the classroom. What’s done in class is only a small fraction of the time required to be a successful instructor. Even the college administrators where I work admit that adjunct faculty compensation is exploitive, and both the faculty and the students suffer as a result of it.

The three-hours-per-course rule, mentioned in the IRS document, generally speaking, sounds like a reasonable estimate. Preparing lecture notes, PowerPoint presentations, tests, study guides, and grading term papers, requires a significant amount of time to be done well, not to mention the times that are often needed to meet with students who have concerns of one kind or another.

“The proposed rule of 1 credit hour representing 3 hours of work,” another respondent stated, “grossly underestimates the amount of actual work involved.”

Some respondents cited the impact on students and the quality of education when objecting to other proposed rules. “The IRS requirement (directed at and discriminating against schools) stating schools must count the summer breaks in the look back period,” stated one observer, “will have a negative, catastrophic impact upon the finances of schools and therefore, the education of students.”

Education has continually been under-funded by state and federal government. As public, taxpayer funded schools continue to see their funding decrease and their insurance costs skyrocket the quality of education our students receive will be negatively impacted. As the working hours and number of staff are reduced in order to
pay increased costs of health care, students will not receive the necessary attention and instruction required to be college and career ready. Please consider the education of our students as you move forward with health care reform and its negative impact on our schools.

Others, recognizing institutional dependence on adjuncts, praised their contributions, but pleaded poverty when it came to providing health care.

From 2-year community colleges to the most prestigious 4-year research universities, American higher education is massively dependent upon the teaching and service of adjunct faculty. Without the classroom presence of adjuncts, course offerings will undergo draconian reductions so severe as to close off access to thousands upon thousands of potential college students at the very time that the current Administration is striving to increase college completion rates.

Adjunct faculty are an important part of the educational environment at Lake Land College and at our peer institutions across the United States. It is critical that we continue to include and support their role. Likewise, it is critical that we keep tuition and fees affordable for the millions of students who pursue higher education through community colleges. If the financial burdens on community colleges are significantly increased as a result of the PPACA, we will not be able to do either.

Jim Rice, president of the National Council for Higher Education, noted the consequences of such arguments. “The NEA, along with many unions, organizations, and members in higher education has been submitting their concerns and suggestions to the U.S. Treasury,” said Rice. “Numerous examples abound with institutions notifying adjuncts that their course loads are being reduced.”

Mid-year, the Obama Administration announced a delay until 2015 in enforcing the shared responsibility provisions under ACA for large employers. The delay gave the administration time to “simplify the new reporting requirements and employers the time to adapt health coverage and reporting systems as they move toward full coverage for their full-time employees.”

Delaying implementation may postpone, if not alleviate, concerns of some part-time faculty. The Illinois News Network reported,

“In a survey of adjunct professors conducted by the Illinois Education Association, or IEA, 46 percent of respondents said their hours were cut or were threatened to be cut because of the federal health care law.”

“The fact they delayed the [employer] penalty encouraged some colleges to hold off,” said Bill Silver, a higher education organizer at IEA. “But it’s still on the agenda, because obviously this is all going to be implemented by the end of 2014.”

SUSTAINING OUR VALUES

This chapter delineated the extent of the pension crisis based on data, a look at pension reform undertaken by states and local governments in response to the economic downtown, and 2013 pension and retirement legislation. The extent of the pension crisis varies by state and local government. Factors contributing to the variation include the history of the agency’s commitment to funding the pension plan, actuarial assumptions about risk, and politics. Some governments, wishing to implement pension reform for reasons unrelated to retirement income security, may have cited underfunding to create a “burning platform” or a crisis. Underfunding in public sector plans must be addressed, but magnitude of the problem should determine the extent and how.
Those who bargain contracts must focus diligently on retirement security for all employees: former, current, and future. This focus must incorporate short-term and long-range planning models. Savvy negotiators armed with data on ARC, unfunded liabilities, and market return assumptions will ensure successful negotiations.

The chapter also looked at the implementation of the Affordable Care Act. Most agree on a role for government in health care, but it is too soon to predict the effect of the ACA on U.S. workers, especially higher education employees. Attention paid to ACA has highlighted the difficult employment conditions facing many part-time faculty members.

Pension underfunding and affordable health care must be addressed. We may safely predict ongoing differences in availability and cost share for retirement and benefits. There is a long road to recovery ahead.

NOTES

1. It draws on comments made at a recent symposium on public sector pension reform; data from the Bureau of Labor Statistics, the Center for Retirement Research Public Plans Database, and a review of relevant legislation enacted in 2013. The TIAA-CREF Institute and the Nelson A. Rockefeller Institute of Government sponsored the symposium.


4. Ibid., 16.

5. Ibid., 19.

6. The Ohio University Center for Higher Education and TIAA-CREF Institute conducted the survey.


8. The Government Accountability Office compiled the data.


11. The section reports on data from the Public Plans Database (PPD), a resource available from the Center for Retirement Research (CRR) at Boston College.

12. Munnell et al., 2013a, 4.

13. California, Connecticut, Florida, Georgia, Illinois, Massachusetts, Michigan, New Jersey, New Mexico, New York, North Carolina, Ohio, Texas, Virginia, and Wisconsin. The researchers summarized results for Texas in their Issue in Brief and provided detailed Fact Sheets for the other states.

14. Munnell et al., 2013a, 5-6.


16. Notes to Figure 6: (a) California PERF represents more than 95 percent of CalPERS's total assets and 90 percent of CalPERS's total membership. Includes four state-administered plans to cover University of California employees, judges, legislators, and volunteer firefighters. (b) Includes three small state-administered plans to cover general assembly and judges, one state-administered municipal plan—Connecticut Municipal Employees Retirement System—and all the locally administered plans within Connecticut. (c) Includes all the locally administered plans within Florida. (d) Includes five small state-administered plans to cover firemen, peace officers, judges, court clerks, and public school employees who are not teachers, and all the locally administered pension plans within Georgia. (e) Includes one large state-administered municipal plan—Illinois Municipal Retirement System—and two small state-administered plans to cover judges and the general assembly. (f) Includes seven state-pooled municipal retirement systems (Berkshire, Essex, Franklin, Hampden, Hampshire, Middlesex counties, and the City of Worcester), three authorities (Massachusetts Port Authority, Turnpike Authority, and Water Resources Authority), the Massachusetts Housing Finance Agency, and all the locally administered pension plans within Massachusetts. (g) Includes the Michigan State Legislative, Judges, Police, and Municipal Employees retirement systems, and all the locally administered plans within Michigan. (h) Includes a total of four small state-administered plans covering police, prison-workers, and judges, and locally administered plans not participating in the state system. (i) Includes three small state-administered plans to cover judges, magistrates, and firefighters. (j) Includes three small state-administered plans to cover judges, magistrates, and firefighters. (k) Includes a state-administered municipal retirement system—the North Carolina Local Government Employee Retirement System—three small state-administered plans for legislators, judges, and the National Guard, and all locally administered pension plans within the state of North Carolina. (l) Includes the Ohio State Highway Patrol Retirement System and all the locally administered plans within Ohio. (m) Includes two state-administered municipal retirement systems—Texas County and District Retirement System and Texas Municipal Retirement System—and all locally administered plans.
within Texas. (n) Includes one large state-administered municipal plan to cover employees of certain political subdivisions, three small state administered plans to cover the state police, law officers, and judges, and all the locally administered plans within Virginia. (o) Includes all the locally administered plans within Wisconsin.

Connecticut, Florida, Massachusetts, Michigan, New Jersey, Ohio, and Virginia.

Munnell et al., 2013b, 2.

Munnell, et al., 2013a, 4.

Ibid., 4.

Governmental Accounting Standards Board, 2010.


Ibid., 11.


Kelderman, 2013, para. 9.

The NEA 2012 Almanac chapter on retirement and benefits reviewed the existing reports.


Ibid.

Mendel, 2013, para. 1.

Ibid., para. 20.

Ibid., para. 24.

Federal Register, 2013.


Stripling, 2010.

REG-138006-12.

IRS Notice 2013-78, 225.


Rice, 2013, 2.


Adams, 2013, para. 8.

Ibid., para. 9.

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