

Eroding Retirement And Benefits: The Wrong Response to Fiscal Crises

By Valerie Martin Conley

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A weak economic recovery and state budget shortfalls raise questions about presumed career certainties in higher education—especially in the public sector. The traditional “social contract” assumed that public sector employees and education professionals would exchange higher salaries for secure retirement and benefits. That assumption is in jeopardy. Recent events crystallized the new realities, but two decades of studies foretold the shifting responsibilities, adjusted expectations, and increased individual risk that now characterize retirement and benefit policies. This chapter reviews the major trends; highlights state legislative actions and proposals, and describes initiatives to inform decision making in this new environment.

MAJOR TRENDS

In the 1990s, many colleges and universities shifted from defined benefit to defined contribution retirement plans. Defined contribution plans aim to generate adequate retirement income. But pensions would no longer be based on a percentage of salary earned. Instead investments made by the participants and their employers—most plans assume shared responsibility—would determine the return.

A 1999 review of the benefits and retirement landscape, published in the *NEA Almanac*, called the 1990s “a decade of change.”¹ “The severe financial distress of the early 1990s,” stated the review, “led colleges and universities to pay closer attention to personnel staffing and compensation.”² Reduced state and political support,

lowered public trust, and increased competition with other public policy needs for shrinking tax revenues led colleges and universities to raise tuition rates and create a more “flexible” workforce with more part-time and more full-time, non-tenure track faculty and with fewer benefits obligations. Colleges also shifted more of the increasing cost of health care to the employee, during employment and retirement. Premiums, co-pays, and deductibles all increased.

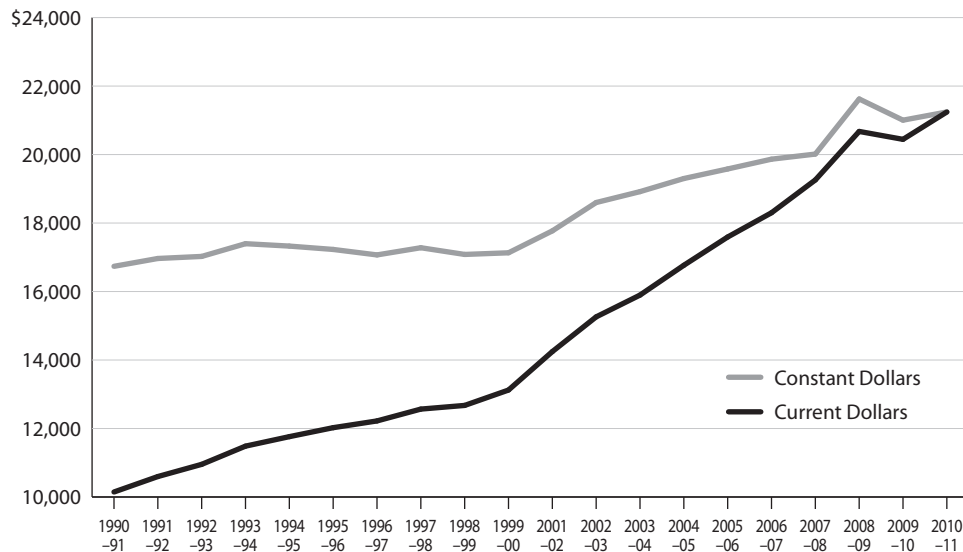
Plenty of data documented this decade of change. The *NEA 1995 Almanac*, for example, reported that benefit and retirement costs increased between one-third and one-half over the preceding three years. Co-payments increased, the report added, at a time when few, if any, colleges increased salaries and some institutions reduced worker pay. “Financial constraints,” the report predicted, “may lead to reduced benefits or to increases in the faculty member’s share of the benefit’s cost.”³

Figures 1 and 2 show changes in average benefits costs for faculty on 9/10-month contracts

for public and independent institutions, respectively. Estimated average benefit costs for public institutions, in current dollars, more than doubled between 1990–91 and 2010–11, increasing from \$10,146 to \$21,243. Benefits costs at independent institutions also increased—from \$10,765 in 1990–91 to \$23,000 in 2010–11. These current dollar increases—\$11,097 and \$12,235 respectively—equate to real increases of \$4,507 and \$5,243 when adjusted for inflation. The increases are substantial, particularly relative to the changes in the estimated average inflation-adjusted costs of benefits reported between 1990–91 and 1996–97: \$178 and \$818, respectively.⁴

IPEDS HR surveys will no longer collect the benefits data supporting these figures. Members of a Technical Review Panel (TRP) commented that the data were “only projected” and that it was “one of the most problematic and burdensome sections of the HR component.”⁵ Acknowledging the importance of collecting benefits data, the panel added, “For all

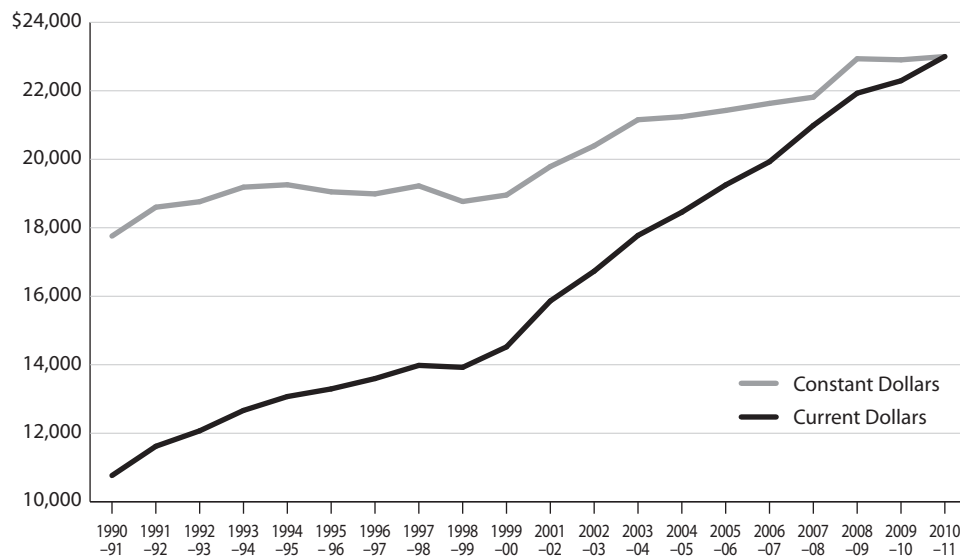
Figure 1. Changes in Average Benefit Costs for Faculty on 9/10-Month Contracts at Public Institutions, Current and Constant Dollars: 1990–91 to 2010–11



Source: NCES IPEDS Salary Surveys, 1990–91 through 2010–11. Data not collected for 2000–01.

Note: In constant 2010–11 dollars.

Figure 2. Changes in Average Benefit Costs for Faculty on 9/10-Month Contracts at Independent Institutions, Current and Constant Dollars: 1990–91 to 2010–11



Source: NCES IPEDS Salary Surveys, 1990–91 through 2010–11. Data not collected for 2000–01.

Note: In constant 2010–11 dollars.

sectors except private for-profit institutions, the IPEDS Finance component collects total actual amounts for salary and benefit expenses of staff.” These data typically run two years behind, the panel noted, but “the numbers are likely to be more accurate than those reported in the HR component and should be adequate for performing cost analyses.”⁶ Future analyses of benefits costs must rely on another information source.

STATE LEVEL PENSION LEGISLATION

The digests of pension and retirement legislation published by the National Conference of State Legislatures (NCSL) show how states handled retirement and benefits issues, and how their retirement policies changed over time. In 1998, 1999, and 2000, many states replaced defined benefit plans with defined contribution plans, or offered these plans as options.⁷ In 2001, the states responded to teacher shortages by offering to maintain retirement benefits of retired

employees who returned to work.⁸ In 2002, states reviewed and revised retirement policies to comply with the Economic Growth and Tax Relief Reconciliation Act of 2001. They also continued to respond to shortages by addressing the conditions governing re-employment after retirement.⁹ Alaska, Colorado, Georgia, Oklahoma, Virginia, and West Virginia designed legislation to encourage teachers to return to work. At the same time, state-level early retirement incentive legislation appeared or re-appeared.¹⁰ In 2002, Illinois, Kentucky, Massachusetts, New Jersey, New York, and Ohio joined Iowa, the only state to enact an early retirement incentive package in 2001.¹¹

By 2003, the tide had turned. Fiscal concerns, funding issues, and actuarially accrued unfunded liabilities replaced teacher shortages at the top of the priority list.¹² “Oregon completely reorganized the Public Employee Retirement System to address an unfunded accrued liability that had grown from less than

one billion dollars in 1999 to approximately \$15 billion in October 2002.”¹³ NCSL listed governance as a reason for the attention shift. “The reorganization of retirement system boards of trustees in Maryland and Oregon was in both states at least in part because of issues related to financial management.”¹⁴

Health care coverage for retirees also emerged as a major concern. “Kentucky, New Hampshire, and Texas tightened eligibility for future retiree health benefits through minimum service requirements.”¹⁵ “Connecticut increased active teachers’ and the state’s payments to cover health insurance for retired teachers who are not eligible for Medicare, and also increased the beneficiaries’ copayments.”¹⁶

The crosscurrents apparent in current retirement and benefits policy discussions began to take form. At least eight states, according to the NCSL report, offered early retirement incentives: Connecticut, California, Indiana, Maine, Michigan, Missouri, New Jersey, and Texas. But three of these states—Connecticut, Missouri, and Texas—along with Florida, Illinois, Montana, New Mexico, and North Dakota, also eased or removed restrictions for retired teachers wishing to return to work.¹⁷

Funding remained a major concern in 2004.¹⁸ “Major concerns about the management of pensions in Ohio were addressed in Senate Bill 133,” noted the NCSL report. “Louisiana strengthened legislative oversight of the state retirement systems, requiring legislative approval of budgets and proposals for benefits increases.”¹⁹ California established a “unique funding method” for proposed pension obligation bonds:

New state employees will be members of an alternative retirement plan instead of the regular defined benefit plan for their first 24 months of employment, after which they will begin making contributions to the defined benefit plan. The state will not make contributions on their behalf during the 24 months, providing potential funding for pension bonds.²⁰

Several states introduced “choice” into retirement and pensions policy discussions in 2004. Oklahoma and Ohio for example, “broadened opportunities for alternative plan choices for employees in higher education.”²¹ Illinois, Iowa, Louisiana, and Utah legislated early retirement incentive programs in 2004.²² Several states enacted more generous provisions for purchasing service credit. New Mexico, for example, “doubled its allowance of time that may be purchased to 24 months to aid members in meeting requirements for maximum retirement benefits.”²³

In 2005, long-term security of defined benefits took center stage. Alaska terminated its defined benefits retirement plans, while many states increased employer and employee contribution levels and cut benefits packages. Some states limited “the spiking of salaries in the years just before retirement.” An Illinois law, noted the NCSL report, “makes school districts and institutions of higher education liable for the present value of an increase in benefits that results from annual salary increases of more than six percent in the years used to determine final average salary (FAS).”²⁴ Illinois also terminated its teachers’ early retirement policy.

Legislatures requested special studies: “service requirements, COLAs [cost of living adjustments] and contribution rates (Illinois); general state retirement system issues (Louisiana, Rhode Island and Vermont); retiree health insurance subsidies (Maryland); investment performance (Montana); COLAs (New Hampshire); shifting to a defined contribution plan (New Mexico); and health savings accounts and high-deductible health care plans (Texas).”²⁵

Long-term security of defined benefits continued to head the list of legislature concerns in 2006.²⁶ To provide this security, legislatures reduced future benefits for new employees, capped future cost-of-living adjustments, increased employer and employee contribution levels, and made lump-sum contributions to address unfunded liabilities.²⁷ Iowa, Kentucky, Minnesota, and Nebraska increased employer

and employee contribution rates for pension systems.²⁸

At least three states, Connecticut, New Mexico and West Virginia, made large lump-sum contributions to their retirement plans to address unfunded liabilities. The West Virginia appropriation was \$718 million. Washington created a \$350 million pension stabilization fund, a reserve for future appropriation to the state retirement systems.²⁹

Only three states offered early retirement incentive programs in 2006.³⁰

Illinois enacted another in its series of offers that allow employees to withdraw from employment and retirement system membership in return for a lump sum payment, in this case in an amount equal to twice their contributions (plus interest) to the system. These programs, effective in reducing public employment in the state in absolute numbers, have apparently not been emulated in any other state. Louisiana adopted a traditional early retirement plan aimed at reducing the number of state employees (it provides that the vacated position must be abolished). A widely attacked early retirement plan for New York teachers was vetoed by Governor Pataki.³¹

Georgia, Maryland, Oklahoma, and Washington increased some benefits modestly.³²

There were no increases reported in benefits legislated in 2007.³³ Several states reduced commitments for future employees, required longer vesting requirements, and increased contribution levels to sustain defined benefit plans “for the long haul.”³⁴

North Dakota created a new tier in its Teachers’ Fund for Retirement, with longer vesting, retirement according to the Rule of 90 instead of the Rule of 85, other increases in age and service requirements, and a

benefit calculation based on a five-year average of salary, rather than three years.³⁵

Many states created trust funds for retiree health care or other post-employment benefits to prepare for GASB 43 and 45, rules designed by the Governmental Accounting Standards Board to assure that state governments report the full cost of these benefits earned by their employees each year.

States continued to reduce commitments to future employees in 2008.³⁶ “New Jersey increased the minimum age for eligibility for normal retirement benefits for new employees and increased the salary levels at which new hires are eligible to join retirement systems.”³⁷ New Jersey and Tennessee were the only two states offering early retirement incentives in 2008.

Tennessee offered an employee buy-out program that offered cash incentives for leaving state employment, with the goal of eliminating 2,200 state positions. It was not explicitly an early retirement program in the sense of offering enhanced retirement eligibility or benefits. It is [was] offered as an alternative to forced separations.³⁸

States also increased contribution requirements for retiree health benefits and “tightened” eligibility.³⁹

The economic downturn determined the focus of pensions legislation in 2009: “the need to make future pension costs manageable in the light of states’ straitened fiscal circumstances and losses most retirement trust funds have experienced.”⁴⁰ Many states reduced benefits packages of new employees and increased employee contributions. “Rhode Island raised the age of retirement from 60 to 62, provided a somewhat smaller benefit as a percent of final salary, reduced future annual benefit increases, and tightened eligibility for disability benefits.”⁴¹ Connecticut, Maine, and Vermont offered early retirement incentives “to reduce

the size of the state workforce.”⁴² Louisiana Governor Jindal vetoed an early retirement incentive plan.

Many states enacted legislation to protect retirement benefits after several states mandated unpaid furloughs as a cost-saving strategy. Who picked up the cost of retirement contributions during the furloughs? Iowa required employees to make the employee and employer contributions, while North Carolina required the employer to make the payments.⁴³

Legislatures addressed a “plethora” of retirement and benefits topics in 2010.⁴⁴ “The Illinois legislature voted to extend the period the retirement system was scheduled to reach 90% of funding from 2045 to 2059.”⁴⁵ Iowa lengthened “the time employees will need to work in Iowa to qualify for the same or similar retirement benefits.”⁴⁶ Michigan’s controversial three percent retirement contribution requirement remains unresolved. The funds are held in trust to pay for retirement health care benefits for retirees and their eligible dependents. In late 2011, the Michigan Education Association reported that the Michigan Court of Appeals, which heard oral arguments on October 19, had not yet rendered a decision.⁴⁷ Five states offered early retirement incentives: Iowa, Michigan, Minnesota, New York, and Oklahoma.

“Even more state legislatures enacted significant retirement system changes in 2011 than did so in 2010,” reported NCSL.⁴⁸ Forty states, added NCSL, enacted significant retirement system changes in 2010 and 2011. Changes in 2011 included contribution rates and funding issues, cost of living adjustments, deferred retirement option plans, defined benefit plan changes, defined contributions and hybrid plans, early retirement incentives, post-retirement COLAs, and re-employment after retirement.

Kansas and Maine enacted early retirement programs. Eligible employees in Kansas had two options for post-retirement group health insurance coverage:

The state will pay the employer’s share of the state employee rate up to 60 months for member-only coverage or up to 42 months for member-plus-dependent coverage—until the employee reaches age 65, whichever comes first—or a one-time Lump Sum Payment of \$6,500.⁴⁹

States continue to enact early retirement incentive programs to save costs. Maine, for example, “budgets \$5.5 million in expected savings.”⁵⁰

Sixteen states increased employee contribution requirements. Employee contribution rates for teachers and state employees in Alabama’s Retirement System increased from five percent to 7.25 percent on October 1, 2011 and to 7.5 percent on October 1, 2012. The increases cover current and future employees. In Arizona, employee contribution rates will increase from 50 percent to 53 percent of the total contribution. In both cases, the increase in employee contribution is intended to offset decreases in employer contributions—not to increase savings or total assets for retirement. In fact, half of the states that increased employee contributions also reduced employer contributions.⁵¹

Fifteen states increased age and service requirements for normal retirement. In Connecticut, for example, negotiations with public-sector unions allow for: “An increase in age and service requirements for eligibility for normal retirement effective for current employees, other than hazardous duty employees, who retire after July 1, 2022 (sic) from age 60 and 25 years of service to 63/25 or from 62/10 to 65/10.”⁵² In Florida, Chapter 68, Laws of 2011 (Senate Bill 2100) changes vesting for normal retirement to eight years for 100 percent vesting for employees initially enrolled in the pension plan on or after July 1, 2011. The increase to eight years is from six years for current employees.⁵³

Six states expanded the base on which pension benefits are calculated. Again Connecticut, for example: “Retirement benefits will be based on the average of the final five years of

compensation instead of the final three years”⁵⁴ as part of a “new retirement plan tier, Tier III, for employees hired on or after July 1, 2011.”⁵⁵ In Florida, “the base for computing final average compensation will increase from the five highest years to the eight highest years, for new employees.”⁵⁶

Ten states reduced commitments to future cost-of-living adjustments. In Maine, for example: “The retiree cost-of-living adjustment will be frozen for three years, and then capped at 3% in future years based on the Consumer Price Index (CPI).”⁵⁷ The adjustment in Hawai‘i will decrease for those who retire after July 1, 2012 from 2.5 percent to 1.5 percent.⁵⁸

The NCSL report views these changes as a “testimony to continuing pressure on state budgets.”⁵⁹ Yet, financial planners agree that a comfortable retirement depends on saving. Increased life expectancy and health care costs will require additional savings to live comfortably in retirement. Employees may not feel the impact of such changes for many years to come; that’s why it’s tempting to defer retirement benefit costs. But such deferrals lead to unfunded and unsustainable liabilities.

Arguably, deferring retirement benefit costs led to a retirement benefits crisis in California. In October 2011, California Governor Jerry Brown responded to this crisis by proposing a 12-point pension reform plan. The plan’s goals are to “reduce taxpayer burden for state retiree health care costs” and to “put California on a more sustainable path to providing fair public retirement benefits.”⁶⁰ The plan’s 12 points follow:

1. Equal sharing of pension costs: All employees and employers.
2. “Hybrid” risk-sharing pension plan: New employees.
3. Increase retirement ages: New employees.
4. No spikes in three-year final compensation: New employees.
5. Base benefits on regular, recurring pay to stop spiking: New employees.
6. Limit post-retirement employment: All employees.

7. Felons forfeit pension benefits: All employees.
8. Prohibit retroactive pension increases: All employees.
9. Prohibit pension holidays: All employees and employers.
10. Prohibit purchases of service credit: All employees.
11. Increase pension board independence and expertise.
12. Reduce retiree health care costs: State employees.

In November 2011, California’s nonpartisan Legislative Analyst’s Office called the governor’s proposal “a bold, excellent starting point.”⁶¹ The proposal includes strategies used in other states: reducing benefits for future workers and shifting “more of the financial risk for public pensions—now borne largely by public employers—to employees and retirees.”⁶² At the same time, added the analyst’s response:

the Governor’s proposals aim for a future in which career public workers receive a package of retirement benefits that would be (1) sufficient to sustain employees’ standards of living during their retirement years and (2) more closely aligned with benefit packages offered to private sector workers.”⁶³

But the response noted many unanswered questions, such as “how the hybrid benefit and retirement age proposals would work” and “how to address the huge funding problems facing the state’s teachers’ retirement fund, the University of California’s significant pension funding problem, [and] retiree health benefit liabilities.”⁶⁴ The answers to these questions will affect retirement confidence and expectations for many years.

RETIREMENT CONFIDENCE

The Employee Benefit Research Institute (EBRI) collects data annually on retirement confidence among American workers. EBRI

reported the “most pessimistic levels of confidence among American workers that the RCS [Retirement Confidence Survey] has ever measured, in more than two decades of this survey.”⁶⁵ Retirement age expectations among older workers, EBRI added, are increasing (Figure 3).⁶⁶

Still, higher education employees are more confident regarding prospects for a financially secure retirement than American workers in general. The current retirement and benefits policy landscape begs the question: Will this continue to be the case? A 2011 survey indicates 25 percent of higher education employees are very confident in their retirement income prospects; 50 percent are somewhat confident. Reflecting the effects of the recession, the percentage of higher education employees reporting they are *not* confident in their retirement income prospects increased from 17 to 24 percent in one year.⁶⁷ Figure 4 shows the percentage distribution of retirement confidence for all higher education employees in 2010 and 2011.

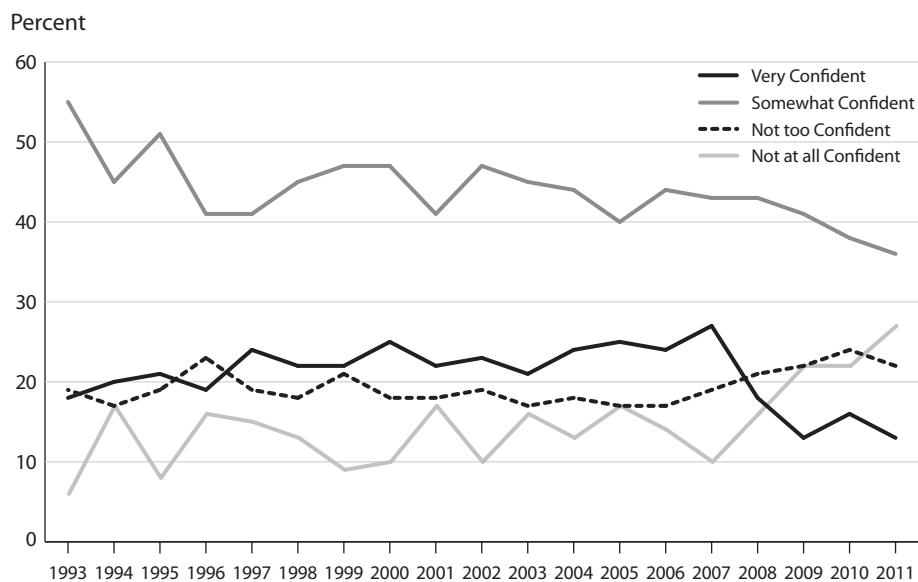
“More than 6 in 10 higher education employees,” another survey found, “fear their retirement savings will not be enough for a comfortable retirement.”⁶⁸

RELUCTANT RETIREES

By requiring individuals to bear more of the risk of volatile markets, the new retirement plans created the need for institutions to provide individualized financial and retirement planning. Increases in the average age of tenured faculty heightened this need, so did, perhaps, the elimination of mandatory retirement. Today, some financial services companies are designing programs for “reluctant retirees.”⁶⁹

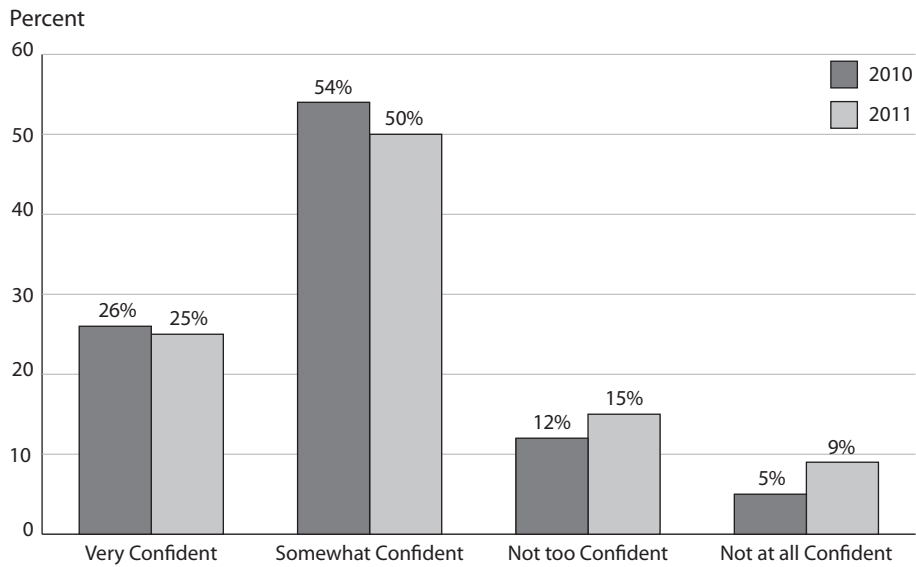
Figure 5 shows results from a survey of full-time faculty age 60 and older. The majority (75 percent) of older faculty respondents expect to work past normal retirement age. Most of these faculty members *want* to continue working (60 percent). Another 15 percent would *prefer* to retire but are constrained by financial or other reasons. The majority (76 percent) of this

Figure 3. Workers’ Confidence in Having Enough Money to Live Comfortably Throughout Their Retirement Years



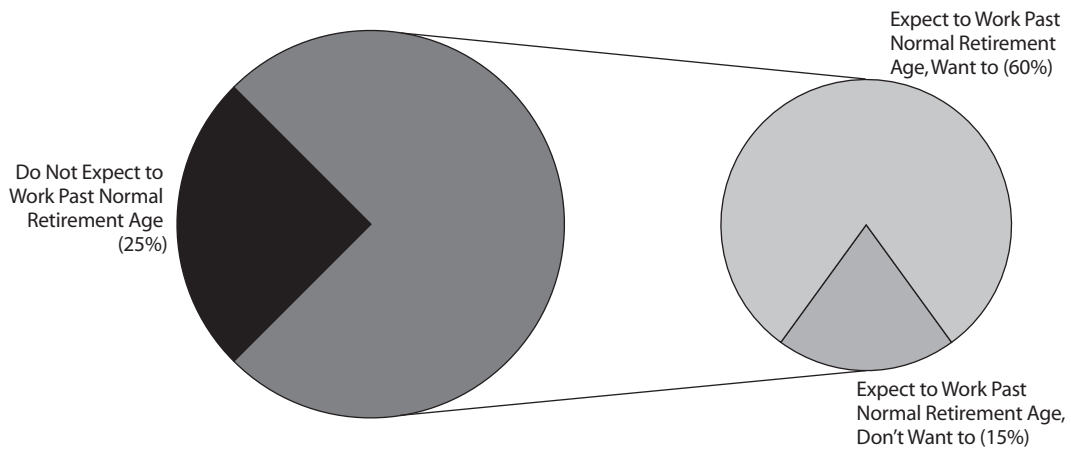
Source: Employee Benefit Research Institute, 1993–2008; Employee Benefit Research Institute and Matthew Greenwald & Associates, Inc., *Retirement Confidence Surveys*, 1993–2011.

Figure 4. Percentage Distribution of Retirement Confidence, All Higher Education Employees: 2010 and 2011



Source: Yakoboski, June 2010; Yakoboski, June 2011.

Figure 5. Percentage Distribution of Full-Time Senior Faculty (Aged 60 and Older), by Reported Expectations and Preferences for Retirement



Source: Derived from Yakoboski, December 2011.

“reluctantly reluctant” 15 percent cite “personal finances” as the key constraint. About one-half (53 percent) say they need employer-provided health insurance.⁷⁰

How much money is needed to provide a financially secure retirement? It depends. A recent study discusses the “replacement rate concept,” which compares income pre- and post-retirement. The study assumed that households with earnings of at least \$50,000 need about 80 percent of pre-retirement earnings to maintain the same level of consumption in retirement.⁷¹ Next, the researchers sought to determine the amount individuals would have to save to reach 80 percent post-retirement income. The model assumes Social Security will replace a portion of income in retirement, and subtracts it from the 80 percent to arrive at an estimate of the “required savings rate.”⁷² Other assumptions: age 25 in 2010; saving begins at 25, 35, or 45; retirement age ranges from 62 to 70; rates of return range from one to seven percent; and a 65-year old retiree “annually withdraws 4% of savings attained in that year.”

The study offers this example:

Take the case of an individual who is 25 in 2010, earns Social Security’s medium earnings of \$43,000, and retires at the Full Retirement Age of 67 in 2052. Under current law, Social Security will replace 41 percent of this individual’s final inflation-adjusted earnings of \$71,000; so the individual has to save enough to replace 39 percent (80 percent minus 41 percent), or about \$27,700 [to maintain pre-retirement income]. With the 4-percent rule [annual four-percent withdrawals of savings], the individual needs just under \$660,000 in 2052. If the individual starts saving at 35 and earns a real return of 4 percent, he will need to save 18 percent of earnings each year.⁷³

Determining a precise answer to the “How much money is needed” question requires individualized earning, consumption, and savings

information and a willingness to accept a number of assumptions. Scenarios differ substantially for low and high earners, too, because of Social Security. But the study’s basic messages are clear and consistent: Start saving early. Work longer.

CONTINGENT FACULTY

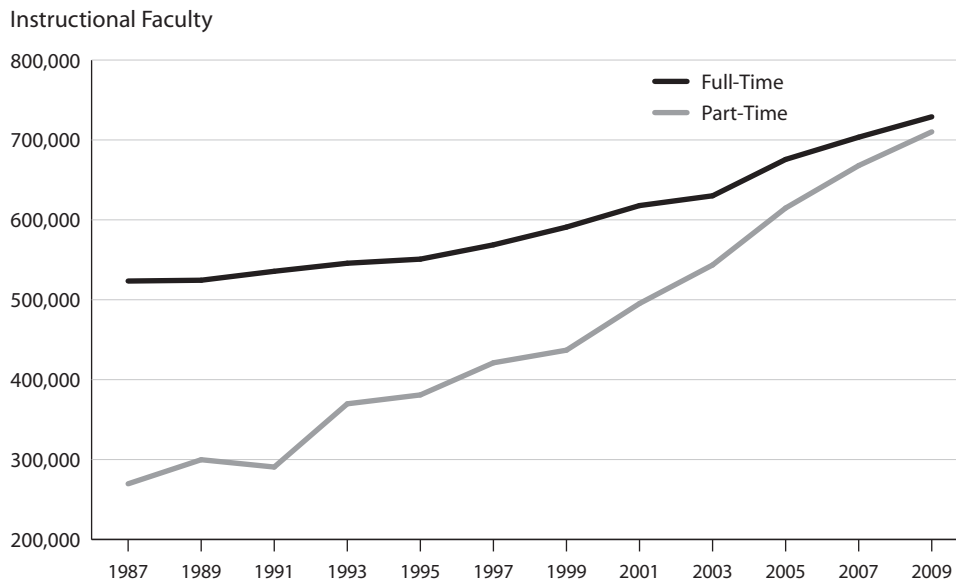
The restructuring of higher education is nearly complete. Figure 6 shows the number of instructional faculty in degree-granting institutions by employment status for selected years. The number of part-time faculty has increased over time, and the gap between part-time and full-time employees has narrowed. The ratio of part-time to full-time instructional faculty is almost one to one; it increased from 0.52 to 0.97 between 1987 and 2009.

The number of part-time employees grew across all primary occupations. Table 1 shows the percentage change in staff by primary occupation for selected years. Growth in “other professional staff” outpaced all other categories between 1976 and 1995 (152 percent), slowing thereafter. Executive-administrative employees showed the largest percentage change between 2001 and 2003 (20 percent). Part-time executive-administrative employees showed a 14 percent increase during the same period. Growth rates between 2005 and 2009 showed greater similarity across the executive-administrative (17 percent), other professional (17 percent), and faculty (11 percent) groups than at any time since the 1970s.

UNINTENDED CONSEQUENCES

Most full-time higher education employees have access to and/or participate in employer-sponsored retirement and benefits plans. Data on the availability of and participation in such plans for part-time faculty members shows that these colleagues are paid less and receive fewer benefits. They are eligible to participate in some institutionally sponsored retirement savings plans, but only about one-half of eligible part-timers participate.⁷⁴ Some part-time faculty

Figure 6. Number of Instructional Faculty in Degree-Granting Institutions, by Employment Status: Selected Years, Fall 1987–2009



Source: Derived from *Digest of Education Statistics*, 2010, Table 259.

Table 1. Staff in Degree-Granting Institutions of Higher Education, by Primary Occupation: Selected Years

	1976	1995	Percent Change, 1976–1995	2001	2003	Percent Change 2001–2003	2005	2007	2009	Percent Change 2005–2009
Executive-Administrative	101,263	147,445	46%	152,038	183,153	20%	199,457	219,781	233,115	17%
Full-time	97,003	140,990	45	146,523	176,888	21	193,122	212,657	224,896	16
Part-time	4,260	6,455	52	5,515	6,265	14	6,335	7,124	8,219	30
Other Professional	178,560	449,807	152	605,793	611,273	1	661,996	717,564	776,615	17
Full-time	150,319	374,698	149	519,293	522,115	1	571,913	618,483	674,195	18
Part-time	28,241	75,109	166	86,500	89,158	3	90,083	99,081	102,420	14
Faculty	633,210	931,706	47	1,113,183	1,173,556	5	1,308,543	1,384,056	1,455,623	11
Full-time	434,071	550,822	27	617,868	630,419	2	686,351	711,724	737,948	8
Part-time	199,139	380,884	91	495,315	543,137	10	622,192	672,332	717,675	15
Other Staff	790,671	917,208	16	951,203	913,870	-4	931,894	944,550	954,141	2
Full-time	630,511	734,861	17	759,524	738,661	-3	759,556	766,198	773,494	2
Part-time	160,160	182,347	14	191,679	175,209	-9	172,338	178,352	180,647	5
Total	1,703,704	2,446,166	44	2,822,217	2,881,852	2	3,101,890	3,265,951	3,419,494	10
Full-time	1,311,904	1,801,371	37	2,043,208	2,068,083	1	2,210,942	2,309,062	2,410,533	9
Part-time	391,800	644,795	65	779,009	813,769	4	890,948	956,889	1,008,961	13

Source: Derived from *Digest of Education Statistics*, 2003, and from *Staff in Postsecondary Institutions*, Fall 2003, 2005, 2007, 2009.

members may save through another employer. But others may not have enough discretionary income to devote to retirement savings.

Employer spending on retirement and benefits is *not* discretionary. Employees satisfied with their benefits, a recent study notes, are more likely to be satisfied with their jobs.⁷⁵ But the current workforce “has grown more dissatisfied and disloyal, to the point where a startling one in three employees hopes to be working elsewhere in the next 12 months.”⁷⁶ Benefits, the study concludes,

remain an important mechanism to support business goals of employee attraction, retention, and productivity, and to forge an employer-employee bond by helping protect employees and their families. The impact of the recession has made employee benefits more important than ever.⁷⁷

The clear message: “Reprioritize employee loyalty and satisfaction, or economic recovery may arrive with unanticipated setbacks for retention and productivity.”⁷⁸

Unintended consequences may result if benefit and retirement programs continue to erode unabated. More faculty members may work longer if anticipated retirement income appears inadequate. Recruitment, retention, and productivity may be adversely affected.

MOVING FORWARD

While California provided a looking glass for the rest of the nation in 2010, in 2011, all eyes were on Ohio and Wisconsin. Senate Bill 5, passed in March 2011 by the Ohio legislature threatened the right of Ohioans to collectively bargain, especially over retirement and benefits. Proponents stoked fears about the affordability of benefits won by employee representatives at the bargaining table. The bill also expanded the definition of “supervisor” and “management level employee” to faculty members at public colleges involved in certain decisions, thereby removing these colleagues from the bargaining

unit.⁷⁹ These threats ended when Ohio voters repealed the controversial legislation in November.

In March 2011, Republican members of the Wisconsin legislature enacted similar legislation that specifically removed collective bargaining rights for university faculty and staff members.⁸⁰ The bill passed despite the objections of thousands of protesters gathered at the state capitol and despite the exodus of Democrats from the state to delay voting on the bill. Republican governor Scott Walker, who promoted the legislation, faced a recall vote at press time.

These events could signal a turning point, in part, related to two decades of eroding benefit and retirement programs, and of deferring retirement contributions.

CONCLUSION

These strategies will not work, just as across the board budget cuts do not work. Eroding retirement and benefits will produce unintended consequences for satisfaction, loyalty, recruitment, retention, and productivity of higher education employees. Some studies recommend shifting expectations from a “security blanket” to a “safety net.”⁸¹ But given the personnel shifts in higher education, many contingent faculty members may already be working without a net.

Retirement and benefits are not expendable. Negotiations must focus on helping all full-time and part-time higher education employees establish greater financial security, increasing the prospects for having adequate retirement income, and offering life-planning options for post-retirement years. A restructured higher education environment calls for a renewed commitment to a social contract for employees that balances costs and needs.

NOTES

¹ Chronister, 1999, 93.

² Ibid.

³ Chronister, 1995, 107.

- ⁴ Chronister, 1999.
- ⁵ Technical Review Panel #31, 3.
- ⁶ Ibid.
- ⁷ Snell, 1998; Snell, 1999; Snell 2000.
- ⁸ Snell, 2001.
- ⁹ Snell, 2002.
- ¹⁰ Ibid.
- ¹¹ Snell, 2001; Snell, 2002.
- ¹² Snell, 2003.
- ¹³ Ibid., 1.
- ¹⁴ Ibid.
- ¹⁵ Ibid.
- ¹⁶ Snell, 2003, 1-2.
- ¹⁷ Snell, 2003.
- ¹⁸ Snell, 2004.
- ¹⁹ Ibid., 1.
- ²⁰ Ibid.
- ²¹ Ibid.
- ²² “Illinois offered an unusual early termination benefit to specified groups of state employees who ended their employment and waived future retirement benefits in exchange for twice their employee retirement contributions plus interest, an incentive that fewer employees than expected were willing to accept” (Ibid., 2).
- ²³ Ibid.
- ²⁴ Snell, 2005, 1.
- ²⁵ Ibid., 2.
- ²⁶ Snell, 2006.
- ²⁷ Ibid.
- ²⁸ Ibid.
- ²⁹ Ibid., 1.
- ³⁰ Ibid., 2.
- ³¹ Ibid.
- ³² Ibid.
- ³³ Snell, 2007.
- ³⁴ Ibid.
- ³⁵ Ibid., 1.
- ³⁶ Snell, 2008.
- ³⁷ Ibid., 1.
- ³⁸ Ibid., 2.
- ³⁹ Ibid.
- ⁴⁰ Snell, 2009, 1.
- ⁴¹ Ibid.
- ⁴² Ibid.
- ⁴³ Snell, 2009.
- ⁴⁴ Conley, 2011; Snell, 2010.
- ⁴⁵ Ibid.
- ⁴⁶ Ibid.
- ⁴⁷ MEA, 2011. Also at press time, a pending federal law suit brought by State University of New York faculty members against the state alleges a state-mandated two percent increase in health-insurance rates for retirees is a breach of contract.
- ⁴⁸ Snell, 2011, 1.
- ⁴⁹ Ibid., 24.
- ⁵⁰ Ibid.
- ⁵¹ Ibid.
- ⁵² Ibid., 14. The changes are subject to ratification by the General Assembly.
- ⁵³ Ibid., 16.
- ⁵⁴ Ibid., 15.
- ⁵⁵ Ibid., 15.
- ⁵⁶ Ibid., 16.
- ⁵⁷ Ibid., 12.
- ⁵⁸ Ibid., 12.
- ⁵⁹ Ibid., 1.
- ⁶⁰ gov.ca.gov/docs/Twelve_Point_Pension_Reform_10.27.11.pdf, 1.
- ⁶¹ Taylor, 2011, 3.
- ⁶² Ibid.
- ⁶³ Ibid.
- ⁶⁴ Ibid., 3-4.
- ⁶⁵ EBRI Script.
- ⁶⁶ EBRI, December 2011.
- ⁶⁷ Yakoboski, June, 2011.
- ⁶⁸ Murphy, 2011.
- ⁶⁹ Ciccotello, Pollock, and Yakoboski, 2011; Foster, Naiditch, and Politzer, 2011; Yakoboski, 2011.
- ⁷⁰ Yakoboski, December 2011.
- ⁷¹ Munnell, Golub-Sass, and Webb, 2011.

- ⁷² Ibid.
- ⁷³ Ibid., 2. These calculations do not take health care coverage beyond Medicare into account.
- ⁷⁴ Conley, 2008.
- ⁷⁵ MetLife, 2011.
- ⁷⁶ Ibid., 3.
- ⁷⁷ Ibid., 4.
- ⁷⁸ Ibid., 3.
- ⁷⁹ Bill Analysis Legislative Service Commission, n.d.
- ⁸⁰ "Wisconsin Senate Votes..." March 9, 2011.
- ⁸¹ MetLife, 2011, 5.

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