Faculty Benefits And Retirement

Fighting Off the Bears, Part II

By William Dale Crist

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Crist writes on pension fund investing, retirement system administration, corporate governance, and health care. He served as an elected member of the California Public Employees' Retirement System (CalPERS) Board of Administration since 1987 and as president of CalPERS and chairman of its Board of Administration from 1992 until his retirement. CalPERS is the largest public pension fund in the United States with 1.3 million members and $145 billion in assets.

A founding member of the Thought & Action *Review Panel and founding president pro tem of the California Faculty Association (CFA/NEA) in 1974, Crist was elected CFA president and board chair from 1976 to 1985, and was a CFA board member from 1987 to 1999.*

The *NEA Almanac*, now celebrating its tenth anniversary, has consistently promoted two important messages to higher education faculty and staff:

Prepare for retirement!

Fight for increased benefits![1]

Now, in 2003, these concerns assume even greater importance as the world economy struggles to get back on its feet. The negative economic news of the past three years might have brought on an economic depression in earlier times. We're not in a depression yet—there's even some momentum toward a recovery—but many economists remain pessimistic about the world economy for the long term.[2] Current economic conditions make the *Almanac's* messages—prepare for the long term *and* protect ourselves now—of utmost importance.

A recap of the economic events of the last three years puts this crisis in perspective. U.S. stock markets fell precipitously after the global high-tech financial bubble burst in 2000. The market decline showed signs of leveling out until the attack of September 11, 2001 began the unsettling, seemingly interminable war on terrorism. Financial markets—responding to unfavorable economic conditions—continued to fall for most of 2002. Exposure of massive fraud and incompetence in trusted American corporations further destroyed confidence in the economy. Finally, the continuous saber rattling of the United States president caused increased uncertainty during the last quarter of 2002.

The long downward slide of the world's financial markets reduced the ability of free enterprise systems to improve on their own. But neither expansionary monetary intervention of the U.S. Federal Reserve System nor congressional fiscal intervention stimulated economic activity. Three years of negative events and failed public policy shook the confidence of investors, workers, and politicians. Attempts to explain our financial and economic troubles were often depicted as a "crisis of confidence."[3]

The need to survive in a weak economy explains why we reiterate last year's call to advocate for benefits that adequately address retirement and health care needs. In 2001 we hoped that 2002 would bring better economic times. But last year's warning—"it's unwise to wait for an economic upturn to save us from inadequate wages, lousy benefits, and

more risky retirement plans"[4]—now seems too mild. A return to good economic times may take a long time.

PENSIONS UNDER SIEGE

Reduced capital spending in all sectors of the world economy accompanied the continued global collapse of investment in technology in 2002. The downward trend in public equity markets surprised most analysts, and kept thousands of faculty members who expected to live on their capital gains earned in defined-contribution plans from retiring as planned.[5] Faculty members in defined benefit retirement systems could still retire as planned. The much-publicized bankruptcies of Enron and WorldCom and the weak financial market conditions have not reduced the ability of defined benefit plans to pay all pension liabilities.[6]

Defined benefit pension plans proved far superior to defined contribution plans during this severe financial market decline. But having a defined benefit plan does not eliminate an employee's total compensation concerns.[7] Negative investment returns during 2002 required employers to increase their contributions to defined benefit pension plans. These increases reduced or eliminated prospects for improved wages and benefits through collective bargaining. The employer's contribution rate for faculty in the California State University system, for example, increased from 4.17 percent of salary in 2001–02 to 7.41 percent of salary in 2002–03.[8] Increases in benefits and wages were already rare in large universities that depended on state government financing.[9] And the precipitous decline in the market value of U.S. corporations made it difficult for private universities to obtain contributions to endowment funds reduced by the same financial market collapse. But despite these negative financial facts, average real compensation for higher education faculty increased more during 2001–02 than during any single year since the mid-1980s. What's really happening?

THE DECEPTION OF LAG TIME IN COMPENSATION MEASUREMENT

"Quite Good News—For Now" declared a 2002 "Annual Report on the Economic Status of the Profession."[10] "The academic year 2001–02," the report observed, "was the fifth consecutive year in which the value of the average faculty salary rose." "Economically," the report continued, "it would seem that faculty have much to be happy about."[11] "Is this the beginning of a new, rosier future for faculty members?" the report asked. The accurate answer: "Unfortunately, it probably is not."[12]

A rate of consumer price inflation below two percent between 2000 and 2002 helped boost real incomes of higher education faculty. Faculty members were paid from educational budgets based on funding from 1998–2000 income flows. Basing public and private education budgets on revenues generated in the preceding period, and making few adjustments for predicted revenue increases or declines, implies a less favorable compensation picture in 2002–03. The low inflation rate favorably affects employer contributions to pension plans. But the low rates of return on investments during 2000–02 more than offset this inflation rate effect. Hence a gloomy wage and benefits forecast for 2003.[13]

THE COST OF FACULTY BENEFITS

Tables 1 through 4 show the current dollar cost of specific benefits received by faculty members as a percent of salary for public, private-independent, and church-related schools.[14] Faculty benefits, the data indicate, were stable for the last several years.[15] But comparing benefit costs for the past four years shows the continued increase in the cost of medical insurance and retirement benefits. Benefit costs for all institutions between 1998–99 and 2001–02 increased by 1.4 percent. More than 70 percent of this increase resulted from increases in medical and dental insurance costs.[16] Increased medical and work-related insurance costs accounted for 34.5 percent of the total increase in benefit costs over the four-year period, up from 30 percent over the preceding four-year period.[17] Other benefit categories will suffer as increased health insurance costs place even greater pressure on higher education benefit budgets.[18]

Retirement benefit costs for all institutions increased from $5,551 in 1998–99 to $6,184 in

Table 1

Average Institutional Cost of Benefits for Faculty Members Receiving Specific Benefits, in Dollars and as a Percentage of Average Salary, by Affiliation and Itemized Benefit, 2001–02 (All Ranks)

Benefit	All Combined $	All Combined %	Public $	Public %	Private-Independent $	Private-Independent %	Church-Related $	Church-Related %
Retirement	6,184	9.8	6,203	10.0	7,005	9.8	4,897	8.8
Medical Insurance	4,404	7.0	4,395	7.1	4,693	6.6	4,034	7.3
Disability	256	0.4	261	0.4	249	0.3	249	0.4
Tuition	3,459	5.5	1,151	1.9	5,470	7.7	7,347	13.3
Dental Insurance	474	0.8	513	0.8	398	0.6	351	0.6
Social Security	4,228	6.7	4,099	6.6	4,853	6.8	3,989	7.2
Unemployment	139	0.2	115	0.2	200	0.3	202	0.4
Group Life	195	0.3	181	0.3	241	0.3	184	0.3
Worker's Comp.	383	0.6	363	0.6	484	0.7	332	0.6
Benefits in Kind	1,315	2.1	1,116	1.8	1,380	1.9	1,869	3.4
All Combined	21,036	33.4	18,398	29.7	24,973	34.9	23,454	42.4

Source: American Association of University Professors, "AAUP Salary Survey Report" Academe *(March-April 2002), Table 10.*

Table 2

Average Institutional Cost of Benefits for Faculty Members Receiving Specific Benefits, in Dollars and as a Percentage of Average Salary, by Affiliation and Itemized Benefit, 2000–01 (All Ranks)

Benefit	All Combined $	All Combined %	Public $	Public %	Private-Independent $	Private-Independent %	Church-Related $	Church-Related %
Retirement	5,663	9.4	5,594	9.5	6,647	9.5	4,665	8.8
Medical Insurance	4,042	6.7	4,079	6.9	4,235	6.1	3,549	6.7
Disability	267	0.4	285	0.5	248	0.4	229	0.4
Tuition	3,769	6.3	1250	2.1	6,449	9.2	8,584	16.1
Dental Insurance	445	0.7	478	0.8	378	0.5	363	0.7
Social Security	4,096	6.8	3,953	6.7	4,754	6.8	3,894	7.3
Unemployment	155	0.3	135	0.2	210	0.3	207	0.4
Group Life	195	0.3	189	0.3	225	0.3	181	0.3
Worker's Comp.	351	0.6	339	0.6	431	0.6	301	0.6
Benefits in Kind	1040	1.7	802	1.4	1377	2	1774	3.3
All Combined	20,022	33.3	17,104	29.1	24,954	35.7	23,747	44.6

Source: American Association of University Professors, "AAUP Salary Survey Report," Academe *(March-April 2001), Table 10.*

Table 3

Average Institutional Cost of Benefits for Faculty Members Receiving Specific Benefits, in Dollars and as a Percentage of Average Salary, by Affiliation and Itemized Benefit, 1999–2000 (All Ranks)

Benefit	All Combined $	All Combined %	Public $	Public %	Private-Independent $	Private-Independent %	Church-Related $	Church-Related %
Retirement	5,669	9.7	5,728	9.9	6,369	9.6	4,390	8.6
Medical Insurance	3,792	6.5	3,849	6.7	3,913	5.9	3,302	6.4
Disability	245	0.4	249	0.4	246	0.4	228	0.4
Tuition	3,106	5.3	955	1.7	6,367	9.6	6,916	13.5
Dental Insurance	456	0.8	482	0.8	400	0.6	372	0.7
Social Security	3,932	6.7	3,830	6.6	4,511	6.8	3,676	7.2
Unemployment	159	0.3	145	0.3	197	0.3	190	0.4
Group Life	197	0.3	189	0.3	237	0.4	174	0.3
Worker's Comp.	343	0.6	344	0.6	381	0.6	289	0.6
Benefits in Kind	922	1.6	673	1.2	1283	1.9	1730	3.4
All Combined	18,821	32.3	16445	28.5	23,904	36.1	21,268	41.4

Source: American Association of University Professors, "AAUP Salary Survey Report," Academe *(March-April 2000), Table 10.*

Table 4

Average Institutional Cost of Benefits for Faculty Members Receiving Specific Benefits, in Dollars and as a Percentage of Average Salary, by Affiliation and Itemized Benefit, 1998–99 (All Ranks)

Benefit	All Combined $	All Combined %	Public $	Public %	Private-Independent $	Private-Independent %	Church-Related $	Church-Related %
Retirement	5,551	9.9	5,667	10.1	6,060	9.6	4,219	8.5
Medical Insurance	3,440	6.1	3,414	6.1	3,860	6.1	3,071	6.2
Disability	222	0.4	211	0.4	260	0.4	214	0.4
Tuition	3,038	5.4	975	1.7	6,510	10.3	6,693	13.5
Dental Insurance	439	0.8	461	0.8	403	0.6	346	0.7
Social Security	3,669	6.5	3,517	6.3	4,399	6.9	3,568	7.2
Unemployment	155	0.3	135	0.2	220	0.3	192	0.4
Group Life	188	0.3	180	0.3	235	0.4	168	0.3
Worker's Comp.	346	0.6	341	0.6	388	0.6	322	0.7
Benefits in Kind	966	1.7	753	1.3	1229	1.9	1706	3.5
All Combined	18,014	32.0	15,652	28.0	23,563	37.1	20,500	41.5

Source: American Association of University Professors, "AAUP Salary Survey Report." Academe *(March-April 1999), Table 10.*

2001–02. The cost of retirement benefits decreased by $6 between 1999–2000 and 2000–01—the result of much higher earnings on invested trust funds during 1999–2000. But the cost of retirement benefits increased by $521 between 2000–01 and 2001–02. Substantially reduced earnings on invested pension funds for 2000–01—there were net investment losses—caused this increase. Because budgets lag revenues, the reduced return on invested funds in defined benefit *and* defined contribution pension systems will force the absolute and the relative cost of retirement benefits even higher for at least the next two years.[19]

The total increase for all benefits received for public college faculty, was $2,746, or 17.54 percent, over the four years. A substantial decrease in the amount reported as tuition benefits offset the large increase in retirement and medical insurance costs for private-independent schools, resulting in a $1,410 increase (5.98 percent), over the four-years. Church-related schools showed a $2,954 increase (14.41 percent) in faculty benefits over the same period. The tuition benefit increased by 9.77 percent, compared to an increase in the same benefit of 36.84 percent over the preceding four years. Stabilized costs of tuition at church-related schools explain this smaller marginal change. Tuition benefits will probably increase as a substitute benefit for church-related and for private-independent schools as paying for rising medical insurance costs and retirement contributions becomes more difficult.

To sum up. Employer contributions to faculty benefits, including basic retirement plans and medical insurance, have not improved much during the last four years. But low or negative returns on invested pension funds and rapidly rising medical insurance rates mean considerably increased costs to employers.

Table 5 displays the cost of employee benefits per faculty member from 1986–87 to 2001–02. This cost is presented as a percent of salary—an accurate picture of the portion of an employee's total compensation provided as benefits. Between 1960 and 1985, benefits provided to college and university faculty increased by almost 300 percent, keeping pace with the rapid growth of funded retirement systems throughout the economy.[20] Benefits continued to increase as a percent of faculty salary during the last five years of the 1980s, albeit at a slower pace. This increase largely resulted from increased medical insurance costs that boosted insurance premiums and brought about managed care. The booming U.S. stock market and stabilized medical insurance premiums during the 1990s kept benefits as a percentage of salary relatively constant while real faculty salaries increased. During these good economic times, salary and benefit increases stayed ahead of the cost of living, and neither employers nor employees saw a need to increase their focus on benefits as part of the total compensation package. But a new emphasis on negotiating benefits and working cooperatively with all stakeholders to solve the health care crisis may emerge in 2003–04 as the bear market continues to threaten the prospects for well-funded pensions, and as medical insurance costs threaten to become unaffordable.

CORPORATE GOVERNANCE AFFECTS WHOSE RETIREMENT?

Why would an *Almanac* chapter address this global problem? *Corporate fraud and bad corporate governance affect faculty retirement options.* A trust fund, annuity, or money manager may hold your savings. Many faculty members accumulate their pension savings in companies like TIAA-CREF, in public employee funds like CalPERS, or in separate systems for higher education employees, like the University of California Retirement Plan.[21] Some colleagues may "self-direct" their retirement portfolios. In any case, these savings represent ownership of producing assets. Organizations holding your retirement savings—"institutional investors"—are most often seen as the "shareholders." But look at your portfolio of retirement savings. You, the faculty member, are the ultimate owner of the equity and the beneficiary if your savings include common stocks. You should therefore think of yourself as a shareowner, and should recognize your responsibility to look out for your own best interests—including improved corporate governance. Scholars have recognized shareholder responsibility for more than 60 years, though the concept has only now become a topic of general interest.[22]

Table 5

Institutional Cost of Employee Benefits per Faculty Member as Percentage of Salary, All Institutions, 1986–87 to 2001–02

Benefit	1986–87	1991–92	1996–97	2001–02
Retirement	9.4	9.5	9.7	9.4
Medical Insurance	3.9	6.0	6.0	6.5
Disability	0.3	0.2	0.3	0.3
Tuition	0.8	0.8	0.7	0.7
Dental Insurance	0.2	0.3	0.3	0.3
Social Security	5.8	6.3	6.2	6.3
Unemployment	0.2	0.2	0.2	0.2
Group Life	0.3	0.3	0.3	0.2
Worker's Compensation	0.4	0.5	0.6	0.5
Benefits in Kind	0.2	0.3	0.2	0.3
All Combined	21.5	24.4	24.5	24.7

Source: American Association of University Professors, "AAUP Salary Survey Report," Academe *(March-April 2002), Table 3.*

Corporate governance is the process through which a board of directors represents the owners (shareholders) of a corporation, and holds the company's management accountable for acting in the best interest of the shareholders. Large institutional investors and a few shareholder activists have focused on improving corporate governance since the late 1980s.[23] But prior to the corporate scandals of 2002, the public remained unaware of how corporate boards fulfilled their responsibility as fiduciaries for large and small shareowners, and faculty members had little interest in corporate governance, despite their direct or indirect investments. The Enron and WorldCom bankruptcies captured the attention of the public, the media, and individual investors, including faculty members. Congress, in response, passed the Sarbanes-Oxley Act of 2002 on July 25, and President Bush signed the bill only five days later. This sweeping legislation, rushed into law by historic standards, aims to increase the reliability and accuracy of corporate reporting and accounting practices and to ensure the independence of securities analyst advice.

The importance of good corporate governance and market transparency has finally become apparent to the public. Improved governance should become part of the political action program of every faculty union. Faculty members must become more involved in the governance of the pension systems that manage their retirement savings. Some concrete steps: Become trustees of your defined benefit systems; insist on better disclosure from the professional managers of defined contribution systems; push for increased faculty union allocations to study and report on the performance of public pension plans.[24]

The rapid growth of pension systems and their expanded use of passively managed index funds has increased defined benefit and defined contribution plan dependence on investment returns.[25] The current global trend toward a more dependent aging population makes adequate preparation for old age a national imperative. This preparation involves careful early planning; it also requires active participation in managing the assets of the individual, the trust fund, and the nation.

THE REAL CRISIS: PAYING FOR HEALTH CARE

"Save Young, Live Long, and Prosper," the article on benefits and retirement in the *NEA 2001 Almanac*, speculated on the effect of the 2000 presidential election on Social Security reform, long-term care needs, and medical

insurance costs,. Here's an update: No Social Security reform, inadequate support of long-term care, and intolerable health care costs. Nor has anything helpful to working people emerged from the Economic Growth and Tax Relief Reconciliation Act of 2001, discussed in last year's *Almanac*. Bottom line—the 2000–02 period has only increased our need to become more involved politically. But we must now focus on the part of our expenditure budgets most in jeopardy.

A health care crisis is developing in the United States, and the marketplace cannot deal with the problem. This crisis is a long time in the making, but recent corporate combinations and economic failures of health maintenance organizations have driven college and university faculty to a much higher level of awareness and participation.[26] "It's really important," stated a recent Teamsters Union publication, "that local unions start making members aware about how their health plans are paid for."[27] Public employees in California grasped the dimensions of the crisis when HMO premiums increased by 25 percent in a single year for the state's largest purchaser of medical insurance.

CalPERS, the health benefits provider for all employees of the California State University and of other California state and public agencies (1.3 million participants), is the second largest purchaser of public employee health benefits in the United States. Even with its market leverage, CalPERS can no longer negotiate for sustainable medical insurance premiums.[28] Table 6 shows the rate of change in HMO premiums paid by CalPERS from 1990–91 through 2002–03. Managed care failed to reduce the cost of medical insurance after 1997. Increased costs to users—including increased co-payments and deductibles, and required use of mail-order prescription services—accompanied dramatic increases in premium rates for 2002 and 2003. The CalPERS experience reflects market conditions. Substantial increases in health benefit costs to employers are prompting widespread efforts to shift these costs to employees.[29]

The need to provide adequate health care to older and uninsured Americans is shifting attention from piecemeal solutions and quick fixes to proposals for a universal health care system. "No matter what the size, industry, or location, no organization is safe from major health care increases," states a report by Hewitt Associates, a human resources consulting firm. "Employers simply cannot afford to continue to absorb these types of rate hikes and, unfortunately, that means employees will have to pay a lot more for health care."[30]

Table 6

Annual Rate of Change in Basic HMO Premium Rates for CalPERS Plans

Year	Percent change
1991	+17.9%
1992	+12.1
1993	+6.9
1994	-0.4
1995	-0.7
1996	-5.3
1997	-1.4
1998	+2.7
1999	+7.3
2000	+9.7
2001	+9.2
2002	+13.2
2003	+25.1
2004	+20.0*

Source: Office of Public Affairs: www.calpers.ca.gov.
**2004 change estimated*

"Fewer Have Coverage for Health Care—Soaring costs and a shaky economy reverse gains—Crunch affects all income levels" headlined a recent article in the *Los Angeles Times*.[31] "If you're covered by a medical benefits plan and actually go to the doctor," a respected writer for *Fortune* echoed, "you're making yourself vulnerable to rising deductibles, lost referrals, denied claims—all the extra headaches of modern American medicine."[32]

Providing high-quality, affordable health care is our top domestic problem. The problem consists of more than gouging by the pharmaceutical industry, the hospitals, and the medical profession. It involves more than insufficient tax dollars to fund Medicare, Medicaid, and similar state programs. And, it's not just a problem for the uninsured. Our dilemma results from underfunding existing government programs, *and* from the large and

growing number of uninsured citizens in an environment of rising health-care costs. The system is pushing those who pay for their care through employer provided insurance programs—CalPERS is an example—to pick up the cost of care provided to non-payers. Our standards of living and morality does not permit citizens with emergency life-threatening medical conditions to go untreated. That leaves only one answer—universal health care.

Several political coalitions are confronting our national health care needs. The National Coalition on Health Care (NCHC, founded 1990)—the largest, most broadly representative alliance—is non-profit and non-partisan.[33] NCHC advocates for quality health care *for all* in a rapidly changing health care system. NEA, AFT, the AFL-CIO, most other large labor unions, many large pension funds, and many companies and non-profit organizations belong to this coalition. The Screen Actors Guild and the Directors Guild of America joined NCHC in 2002 as health care costs spiraled in the entertainment industry.

Making coalitions like NCHC effective requires rank-and-file employee participation. Our medical insurance benefit is jeopardized unless higher education faculty and all other employees take political action. The proof: the failure of top-down efforts in the first Clinton Administration. The free market will not solve the problem; only massive grassroots action will bring about favorable policy changes from our government.

Last year, this chapter urged faculty leaders to cooperate with administrators in aggressive political advocacy for higher education funding. This year, we urge faculty leaders to become more involved in their retirement plans—including participating as trustees on pension fund boards. Perhaps more important, faculty members must work politically to achieve equitable universal health care because health care costs can quickly decimate salary gains and retirement plans. Improved faculty health care and retirement benefits are still economical ways to strengthen our colleges and universities. Faculty union involvement at every level of the political fray helps to convince employers of this reality. Local unions must play a larger role in community politics; they should not rely on others. There may be many ways to skin a cat, but first we much catch the cat, and then argue strongly for our preferred method of skinning it.

NOTES

[1] Chronister, 1994, 1995, 1996, 1997, 1998, 1999, 2000; Crist, 2001, 2002. These analyses provide an historical perspective on advocacy for improved faculty benefits in a changing economic and political environment. Knowing this history over at least two past business cycles is invaluable for negotiators and faculty seeking long-term change through collective bargaining and personal decision making.

[2] U.C. Berkeley researchers provided a good example of third quarter 2002 pessimism in "U.S. economy may be headed for another major recession." See http://www.ucnewswire.org/news_viewer.cfm?story_PK=2051&CFID=351869&CFTOKEN=58990523.

[3] The failure of the Arthur Andersen accounting firm, corporate governance failures, and corporate management fraud in large, well-known companies such as Enron, Tyco, WorldCom, Aldelphia, and Global Crossing affected confidence in our future ability to fund pensions and health care expenses. See http://www.thecorporatelibrary.com/spotlight/scandals.html for a listing of reports on the corporate scandals that damaged confidence in the market economy in 2002.

[4] Crist, 2002, 90.

[5] For representative opinion see: http://www.saperston.com/financial/stats.htm.

[6] In a "comforting" press release from CalPERS on August 2, 2002, the chief investment officer (CIO) stated, "No pension funds over $10 billion scored a positive overall gain in assets this past fiscal year, but at CalPERS, our diversification strategy paid off." "The good news for members," continued the CIO, "is that we continue to be very well funded to meet our benefit obligations to present-day retirees and future retirees. The good news for the state and local government employers is that we have excellent actuarial policies to minimize the impact of increases in employer rates." "We know historically there will be periods of time when the markets aren't generous," the CIO concluded, "we just don't always know when that will occur. As a result, in good times and in less favorable times, we take the prudent approach of not putting all of our eggs in one basket. We remain in good financial shape." http://www.calpers.ca.gov/whatsnew/press/2002/0827a.htm. For a similar example from the University of Illinois, see http://www.surs.com/news/Features/feature.htm.

[7] See Gustman and Steinmeier, 2002.

[8] For an explanation of all the variables considered in changing employer pension contributions by such a substantial amount year on year, see www.calpers.ca.gov.

[9] The California State Legislature, for example, has not supported a California State University budget that would provide for much more than token salary adjustments since 1999-2000. After almost a year, the California Faculty Association, representing 20,000 state university faculty, has negotiated a new three-year contract providing for two-percent general salary increases for each fiscal year, from 2001 through June 30, 2004. A 2.65 percent seniority increase for eligible faculty members, effective June 30, 2002 (FY 2002-03), augments the two-percent general salary increase, effective April 1, 2002 (from FY budget 2001-02). A two-percent general salary increase, effective July 1, 2002 (FY budget 2002-03), follows, along with the 2.65 percent seniority increase for eligible faculty members, effective June 30, 2003 (FY 2003-04). A 2.65 percent seniority increase, effective June 30, 2004 (FY 2004-05) is contingent upon a 3.5 percent negotiated settlement for FY 2003-04. Twenty-five percent of the settlement will pay for a jointly developed merit pay program. This agreement would not have been acceptable in years of stronger budget support, but given the present outlook for the 2003-05 period, assurances of seniority adjustments for 2003-04—though tied to new unknown merit pay provisions—may prove beneficial. See http://calfac.org/New_contract_info.html http://www.calstate.edu/PA/news/agreement02.shtml and http://www.calstate.edu/PA/news/budgetcut.shtml

[10] American Association of University Professors (AAUP), March-April, 2002.

[11] AAUP, 2002,21.

[12] AAUP, 2002, 21.

[13] See note 7 above.

[14] AAUP, 1999, 2000, 2001, 2002. These tables include comparable data, though the institutions reporting in each year's survey may vary. Unfortunately, complementary data provided by the National Center for Education Statistics prior to 2000-2001 is no longer available.

[15] Chronister, 1994, 1995, 1996, 1997, 1998, 1999, 2000; Crist, 2001, 2002.

[16] Current AAUP data show a 1.0-percent increase in these combined costs. Some reporting institutions include dental insurance costs as part of medical insurance cost. The tables combine these costs to be inclusive without double counting. The AAUP study attributes only ten percent of the increase in these costs to dental insurance. AAUP 2002, 38.

[17] Includes medical insurance, disability, dental insurance, and worker's compensation.

[18] The California Faculty Association (CFA) obtained legislation that allows negotiation for better medical insurance coverage for part-time faculty. Negotiating these benefits is proving more costly than predicted. Contact CFA for details; http://calfac.org.

[19] Clair, 2001, 1; Jacobius, 2002, 19. For examples of recent investment results for all major pension systems, see http://www.calpers.ca.gov/about/directry/otherretsyslinks.htm.

[20] AAUP, 2002, 28-29. See Woodbury and Hamermesh, 1992, 287-96.

[21] http://atyourservice.ucop.edu/employees/retirement/ucrp/index.html

[22] Benjamin Graham and David Dodd, the first scholars to recognize stock analysis as an important activity, wrote in 1934 that an investor should take just as much care in *being* a stockholder as in *becoming* a stockholder. See Graham and Dodd, 1940, 594.

[23] See Monks and Minow, 2001; Ward, 2002; Crist, 2003; and CalPERS, August 14, 1995. See also the CalPERS Library Catalog, a bibliographic database tracing the history of corporate governance, dating back to the late 1970s. This 14,000-item library covers major regulatory and legal documents, academic papers, conference proceedings, and major news stories, including many full abstracts: http://calpers.thecorporatelibrary.net/Library.htm.

[24] See National Education Association, 2000. The Pension Benefit Guaranty publishes federal government information on private pension plans. See http://www.pbgc.gov/map.htm. For information on labor union pension fund trustee education see http://www.ifebp.org.

[25] The CalPERS retirement fund, for example, grew by more than $80 billion net—that is, after deducting benefit payments averaging more than $3 billion a year—in the past ten years. Income totals over the decade included $108 billion from investment returns, $13 billion from employer contributions, and $14 billion from member contributions. See "Facts at a Glance."

[26] For example, see *The Faculty Voice,* an independent faculty newspaper at the University of Maryland, College Park. The writer charges that their HMO "tried to survive and prosper in an era of rapidly rising medical costs by denying or reducing as many claims as possible." The article illustrates several documented examples of failures of the HMO to honor its obligations and urges faculty members to become politically active in dealing with their individual problems. See Brush, 2002, 1-2.

[27] See "The Health Care Challenge," 2002.

[28] Following the rapid increase in fee-for-service medical insurance premiums during the late 1980's, CalPERS moved to managed care, created

standardized benefits for competing HMO's and relied on market competition to reduce the rate of premium increases. Between 1991 and 1997 this combination reduced the rate of premium increases, and actually generated decreases in HMO premium rates from 1993 to 1997. But the trend line moved upward at an alarming rate from 1995 to the present.

[29] See *The Mercer Report,* March 15, 2002; *In Focus,* second quarter 2002.

[30] Statement by Jack Bruner, national health care practice leader for Hewitt Associates. Bruner added: "Unless there is a fundamental change in the way health care is delivered, costs will double in the next five years." "This is a major concern for senior management," he concluded, "as it impacts the bottom line of companies across the country." http://was.hewitt.com/hewitt/resource/newsroom/pressrel/2002/10-14-02.htm

[31] Kemper, 2002.

[32] Stires, 2002, 205.

[33] See http://www/nchc.org. NCHC has published numerous studies related to health care. See Miller, 2001.

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