Community College Benefits Task Force

Tuesday March 15, 2011
10:00 a.m. – 3:00 p.m.
Lunch Break 12:00-1:00 p.m.
CalSTRS Truckee River Conference Room
100 Waterfront Place
West Sacramento, CA 95605

NOTES

Welcome and review agenda
1) Julie Gallego and Ed Derman welcomed everyone
   a) Julie reminded everyone that the meeting is being recorded for note-taking purposes
   b) Introductions from everyone present, name and organization representing:
      i) Ron Norton Reel, President, Community College Association
      ii) Cliff Liehe, San Francisco Community College, AFT 2121 Part-timer
      iii) Mitra Moassessi, Santa Monica Community College, California Community College Independents
      iv) Sharon Hendricks, Retirement Liaison, LA College Faculty Guild
      v) Deborah Dahl-Shanks, Part-Time Faculty Officer, FACCC Board of Governors, Diablo Valley Union College
      vi) Phyllis Eckler, CFT Chair Part-Time Community College League, Glendale Community College
      vii) Cassie Raddon, CalSTRS Member Account Services, staff
      viii) Peter Haley, CalSTRS Member Account Services, Director
      ix) Peggy Plett, CalSTRS Benefits & Services, Deputy Chief Executive Officer
      x) Tom Barrett, CalSTRS Ombudsman
      xi) Carmela Sasaki, CalSTRS Ombudsman’s office
      xii) Lori Chu, Office of Administration, El Dorado County Office of Education, Lake Tahoe Community College Human Resources
      xiii) Rudy Lopez, LA Community College District
      xiv) Berman Obaldia, CalSTRS Government Affairs and Program Analysis, Director
      xv) Craig Butcher, Santa Rose Junior College
      xvi) Jennifer Baker, CTA
   c) Ed reviewed the agenda
      i) Consensus among task force members is to focus this meeting on the Load Alternative
      ii) If there is time, the group will also discuss SB 114 (Senator Yee)
          (1) Understand the intent behind the bill and how it fits into the efforts of the task force
   d) Ed recognized Julie’s work over the past 18 months and thanked her
**Brief background review**

2) **Purpose of this effort:** To identify and resolve issues related to part-time service when credited to the CalSTRS Defined Benefit Program
   a) Began in August 2009, first task force meeting held November 2009
   b) Key components of DB program are problematic – service credit and final compensation
   c) Identified the goals for any retirement program:
      i) Accurately reflect the work performed by part-time faculty
      ii) Pay a benefit that appropriately reflects their careers
      iii) Figure out how to determine final compensation most appropriately
            (1) Compensation of part-time instructors is outside CalSTRS’ purview
      iv) Need something easy for members to understand and estimate their own benefits – need to understand the components better than currently and be able to validate data
            (1) Easy for employers to explain to employees and easy for CalSTRS to administer
      v) Preserve ability for part-timers to earn excess service and continue building a supplemental account (DBS)
   d) Full-Time Equivalent is complex and problematic and doesn’t work well as a method for accruing service credit
      i) Some part-timers are working under very inconsistent situations where their FTE does not reflect their workload
      ii) Mentioned a previous meeting that was held to discuss AB 1586 in which the FTE problems were highlighted
      iii) Desire by all to get away from FTE
   e) Spent a lot of time on Social Security estimates and looking at how the offsets affect part-timers
      i) Showed that CalSTRS’ benefit is still better than Social Security
      ii) Whether to contribute to Social Security is the real choice for some part-timers

**Possible solutions**

3) Three alternatives explored:
   a) One based on Colorado PERA, which uses a multiple of the federal minimum wage (write-up goes into detail about why it is an undesirable option)
   b) Another that would credit all community college service in DBS Program and would not generate service credit
      i) This alternative does not provide an adequate benefit
      ii) Also would not include the possibility for supplemental benefits
   c) Another alternative is to base service credit on Load

**Input obtained**

4) Surveyed PT CC instructors:
   a) Many part-time instructors supplement full-time private sector employment with part-time community college employment
   b) Many would like to contribute more than 4% but are concerned with vesting in DB
i) Contributions to Cash Balance are 4%
c) Part-timers want more confidence in what is reported to CalSTRS

5) Held telephone conversations with several employers
   a) Majority of employers contacted would be supportive of a load-based method for
      service credit

Accruing service credit based on load
6) This meeting will focus on the load alternative – a new way to accrue service credit in the
   DB Program when employed by a community college
   a) DB service equal to load

7) All employers track load for benefit eligibility purposes
   a) Looking to tap into data they already understand and track

8) What is load?
   a) CalSTRS doesn’t care how districts define load
      i) Whatever their measurement for load is, part-timers work a fraction of it and
         it can be reported as less than 100%
      ii) Is it reasonable to expect that employers could come up with a percentage?
         (1) Yes, they do already when they report to other entities (chancellor’s
             office, benefits provider)
   b) Discussion about defining the term “load”
      i) Need to tie the definition to the 67% threshold law
      ii) Can’t use the word “load” in different ways
      iii) Could cause confusion later when a member gets service credit equal to
            their workload but employer says they are under the 67% threshold, member
            could sue for tenure
      iv) Many part-timers are already employed and working more than 67% and
          they don’t sue for tenure
   c) Measuring load
      i) More direction from employers is needed before determining reporting
         requirements
      ii) Some have yearly contracts because they may go over the 67% threshold in
          one semester and balance it with a less workload the next
      iii) Allow the employer to determine load and have them report it
          (1) Reference the 67% law and relate it to that
          (2) Duties included in load are negotiated
      iv) Money not included in load would go to DBS, no DB service credit but
          increases supplemental benefit
          (1) Employer would report money paid as load or not load
          (2) Employer codes haven’t been worked out yet, not sure exactly what
              reporting would look like
d) Summer school and intersession might not be included in the 67% threshold
   i) Most task force members don’t think it is
   ii) Summer school and intersession are in addition to 67%
e) Parity pay
   i) Parity pay is only given when you have an assignment
   ii) Many task force members think it should be included in load pay
f) Task force members had examples of unique ways their district averages load assignments, determines load, and balances load

**FTE vs. Load**
9) If FTE is calculated correctly, there should be little difference in service credit
10) Currently, members get service credit from:
   a) Summer school
   b) Intersession
   c) Substitute teaching
      i) Some duties they get credit for now won’t generate service credit if they are not included in the load
      ii) CalSTRS’ Ombudsman is concerned
   d) CalSTRS does not want to define requirements to include specific duties in load
      i) Everyone on the same campus would be treated the same
      ii) Might be differences on different campuses
   e) Members may come back later and claim they would have vested if these additional duties would have generated service credit
   f) Non-instructional work is governed by local bargaining and is not within CalSTRS’ purview
   g) What is loaded and non-loaded is determined by collective bargaining
      i) Office hours and ancillary duties can be negotiated as being included in load and salary schedule
      ii) If included in salary schedule, will also be included in DB for service credit but will also bring down final comp
      iii) Minor duties are usually at a lower pay rate, so crediting them to DBS helps final compensation in DB
   h) In K-12, anything extra that is done by a part-timer generates service credit and they can earn 1.0 in the year
      i) This would not be the case under the load model for the community college
      ii) Load appears to disadvantage people throughout their careers because so much would go to DBS that currently receives DB service credit

11) Ed provided two options for DB/DBS crediting:
   a) Whatever is associated with load goes to DB, all else goes to DBS
   b) All earnings (even those outside of the 67% load threshold) divided by load to get earnable but you don’t get a benefit from all of the earnings prior to the final comp period
      i) As long as it’s consistent for all employees at a college, it is equitable
      ii) Whether to count all earnings is a policy decision
   c) Example: 0.6 load = 0.6 service credit divided by all earnings to get earnable
      i) This would incorporate parity
      d) This would promote spiking because the member could increase their unloaded duties during their final comp period

**Input from school employer HR representatives**
12) Schools will report whatever CalSTRS requires
13) Employers’ biggest problem is helping faculty figure out the right plan so the employee doesn’t come back later and blame the district for not putting them in the right plan
   a) Part-timers don’t know what is going to happen with their careers and cannot make this decision sometimes
   b) Equal contribution rates would make the decision easier so becoming a member in DB is seamless

Default retirement option
14) Currently, the load proposal is to make DB Program the default for all part-time that do not elect another option
   a) This may encourage employers to offer Social Security because it is a lower contribution rate
   b) Part-time employees don’t know the difference between all of their retirement options
15) Support for making this the default is about 50/50 among TF members
   a) TF members are concerned about making this the default option because of
      i) 8% contribution
      ii) Vesting requirement
      iii) Inability of members to get out of DB once in
   b) Suggested providing projections of how long it would take a member to vest
      i) “You are hired to perform a 0.2 load, under this scenario it may take you X years to vest”
      ii) “5 years service credit” is not understood – understood rather as 5 years of CalSTRS membership
      iii) Problem remains that new employees don’t read the material that is provided
   c) Employers do not necessarily conduct new employee orientation that explains their benefits
      i) Orientation may be provided but it’s optional
      ii) This was supported by the results of the faculty survey conducted in April and May 2010
   d) Does the election or default have to be irrevocable?
      i) Can there be a window period during which the member can get out of DB – 12 months from date of initial membership in CalSTRS
         1) CalSTRS annual statement is mailed in December
         2) This is more than one year after the initial CalSTRS membership date if starting at the beginning of the school year
         3) Employers would have to reverse anything that was sent to CalSTRS or be required to leave it in the Fund
         4) Opting out could be achieved by rolling the refund over into another qualified plan
      ii) Provides time for CalSTRS to reach new members and give information
      iii) Also gives time for union or employer to educate new members
      iv) Some are skeptical that this year will make a difference
         1) Pensions are a “hot topic” currently and we could capitalize on this awareness
(2) Unions need to ramp-up their education and activism efforts
   v) CalSTRS will evaluate this as a possibility

16) Discussion around the time allowed for employees to elect retirement coverage
   a) Employees have 60 days to elect retirement coverage
   b) Cannot change their election once submitted to CalSTRS
   c) A form provided by CalSTRS specifies that the employee was notified that they have the right to elect CalSTRS coverage

**Employer reporting**

17) How often should employers report load data?
   a) Proposal assumes reporting load once at beginning of school year
      i) Schools report earnings monthly
         (1) Load data can remain on report if it is not easy to remove it after first reporting
         ii) “Soft load” is known at the beginning of the semester/quarter
         iii) Task force members had varying examples of when their employers determine load
         iv) A deadline is necessary
   b) Discussed the lag time between the office of education and CalSTRS receiving data
      i) We deal with this lag time currently, it’s not an issue
      ii) May cause difficulties with counselors being able to estimate benefits based on unknown service credit from current year
   c) CalSTRS doesn’t need load information until the end of the school year
      i) Mid-term retirement or death while the member is active
         (1) CalSTRS would have to know the portion of the load completed at the time of death or retirement

18) Summer school crosses the school year – begins in one school year (May or June) and ends in the subsequent school year (July or August)
   a) Must maintain the July 1-June 30 school year reporting schedule
   b) CalSTRS looks at service credit as of June 30 each year
      i) Asking districts to split the load June/July may be too much
      ii) Districts don’t currently include summer school in the load reported to the chancellor because it’s not included in the 67% threshold for adjunct
      iii) Some won’t be used to determining load for summer school
      iv) Even though summer school isn’t reported to the chancellor’s office, the data is still gathered
   c) This is only an issue for the adjunct employees – for all full-time, summer school goes to DBS
   d) Cannot earn more than 1.0 in a school year
   e) Cannot make up service credit from a previous year in a subsequent year
   f) CalSTRS looks at pay rates and when the pay was earned (not received)

19) Winter intersession remains an issue

**Multiple employment**

20) The load alternative does not solve the issue of lower-paying assignments bringing down final comp
a) Load at each campus can be aggregated for service credit purposes
   i) Example: teaching 40% at 3 campuses = 20% would go to DBS
      (1) Transfer 20% of earnings to DBS based on assignment with lowest earnable
      (2) Need to create an earnable for each assignment

21) Treatment of full-time K-12 DB member that teaches part-time at the community college stays the same as it is currently
   a) The part-time community college service would likely result in more than 1.0 service credit
   b) Excess would be credited to DBS
   c) If this member does not earn 1.0 with the K-12 service:
      i) Community college service would generate credit based on load
      ii) Load service credit would be added to K-12 service
      iii) Member could earn 1.0 year
   d) This is a feature we wanted to preserve with a new structure

Coordination with AB 1586
22) Load is a new way of accruing service credit, replaces FTE for community college service
   a) Creates a new population of members that may have 3 methods for calculating service credit depending on when the service was performed
      i) Service credit will be based on whatever standard is in place at the time of service
      ii) AB 1586 applies to service performed from 1992 through the date that the new load structure takes affect
   b) Example of member hired in 1992, retires in 2022
      i) Service from 1992 through 1996 based on 1,050 hour FTE
      ii) Service from 1996 through effective date of new load structure based on 525 FTE (or whatever appropriate FTE was established by the employer)
      iii) Service from effective date of new load structure through retirement date based on load
      iv) Service credit from the three periods would be aggregated
   c) Final comp will still be based on the period of highest earnings and whatever structure was in place at that time

Return to work
23) Return to work after retirement under the load structure is no different than current DB provisions
   a) This is not a new plan, just a different way to accrue service credit under the existing DB Program
   b) CB return to work provisions will be brought closer to DB under current legislation
      i) Retired under age 60, must wait 6 months
      ii) Retired over age 60, held to earnings limit
      iii) CB has no earnings limit after retiring and returning to work

Disability Benefits
24) Structure of proposed disability benefits mirrors current Coverage A
a) Would effectively establish Coverage C for community college employees
   i) This is the type of coverage the board approved in 2008
   ii) The current Coverage B is not sustainable
b) Converts to service retirement at age 65 or after receiving disability for 5 years, whichever is later
c) Benefit uses highest actual DB earnings, which is the current practice

25) TF does not support creation of this Coverage C for community college employees
a) Provisions are more restrictive and provide a lesser benefit than Coverage B currently does
b) This may be seen as negatively effective community college members
c) Disability benefits should be addressed as part of a separate discussion
d) Should not be included in the discussion of equitable service credit for part-time community college employees

26) The proposal will be revised to reflect disability benefits that are consistent with Coverage B and maintain the current structure

Survivor Benefits
27) No changes have been proposed for survivor benefits
a) Julie incorrectly stated the current death benefit is available to members with only 1 year of service if the death is the result of the unlawful act
   i) The death benefit is actually available to members after 1 year of service credit regardless of the reason of death
b) A monthly survivor benefit is available to members who are vested with 5 years

Comparison of normal cost to make load-related changes
28) Load structure is within the DB Program
a) No new funding sources
b) Question is not “how much does it cost to provide benefits?” but is rather “how much benefit can be paid out with the existing funds?”

29) Normal cost to employers, members and the state to provide benefits under the load structure
a) More people would vest and commence a benefit under the load structure
b) Fewer refunds and more benefits paid results in a higher cost than the current DB structure
c) More people commencing benefits is a function of load being more accurate than FTE

Details of Member B benefit estimates
30) Late career community college instructor that worked multiple assignments
   a) Estimate shows service credit and final compensation under current DB structure and proposed load structure
   b) Estimate assumes full-time is 12 instructional hours per week
      i) Many TF members object to this assumption
      ii) Should be revised to reflect 15 instructional hours per week
         (1) This would result in less service credit but would be more appropriate
c) Final comp is based on highest earnable during career
   i) Earnable each year of career may be different under current DB and proposed load
      (1) This is because actual earnings are divided by service credit
      (2) Service credit differs under DB vs. load
      (3) In years when load equals more than 1.0, lower pay rates are dropped
   ii) Under load, member achieved more than 1.0 in years when they did not achieve 1.0 under current DB structure
   iii) Final comp was selected from the 3 highest years of earnings, which are different under DB and load

d) AB 1586 was not applied to any of the service credit calculations
   i) This may significantly change the benefit amount

e) Benefit estimate also does not reflect whatever contributions would have gone to DBS and the resulting supplemental benefit

f) Three estimates were done – one to reflect each specific type of part-time community college employees
   i) Member A – varying part-time patterns throughout career
   ii) Member B – part-time with multiple employers
   iii) Member C – part-time at one campus their entire career
      (1) The benefit that is monetarily the greatest depends on the type of career and whether the employer calculates FTE correctly
      (2) Our task was to come up with a mechanism that is most beneficial and equitable for the majority
         (a) Freeway fliers make up 14% of the part-time population

Cash Balance Benefit Program
31) Problems with CB/DB dual membership
   a) Members can elects CB at one district but be in DB at another district

32) Task force would like CalSTRS to consider increasing CB’s contribution rates
   a) Some TF members would prefer to see CB contributions increase equal to DB and be made the default
      i) Task force members are concerned about vesting in DB
   b) CB can currently negotiate a higher contribution rate with employers and employees but no one has
   c) If CB is at the same contribution rate as DB they can move from one to the other seamlessly
      i) There is an additional cost to the employer when moving from CB to DB

33) Changing to load doesn’t necessarily result in a cost to the employer
   a) DB is already mandatory at every district, the proposal would make DB the default, which is something new – right now part-time does not default into DB
   b) Load is simply a different statutory definition of service credit

Social Security
34) A significant choice in retirement coverage for some part-time community college employees is between Social Security and CalSTRS
a) Some wish to continue Social Security contributions for their community college service because it supplements full-time, private sector employment

35) Ideally, Julie would like to see all community colleges required to offer Social Security to their certificated employees
   a) This is most likely two pieces of legislation:
      i) Changes to the DB program to incorporate the load structure
      ii) Required Social Security

Recommendation to Teachers’ Retirement Board

36) Task force seems to be in agreement that the following could be recommended to the board:
   a) Service credit could be based on load
   b) Collective bargaining should be responsible for determining what is included in load
   c) Earnings associated with load should go to DB
   d) Earnings not included in load should go to DBS

37) Task force also agrees:
   a) Outstanding issues are not insurmountable, would not hinder the proposal
   b) Load is more understandable than the current situation for all faculty
   c) Taking sufficient time to conduct a full discovery effort is more important than meeting a deadline for legislation

38) There is no concrete time frame
   a) Once the plan design is finalized and the administrative issues are worked out, the recommendation could be taken to the board
   b) It is not practical that legislation would run in 2012
   c) Many employee groups have the expectation that this will be done “soon”

Next Steps

39) Define what is meant by “Load” to determine what will be included in the earnings

40) Determine treatment of summer school and intersession through additional discussions with employers
   a) Determine whether they can be factored into the load
   b) This is a significant issue – under existing structure, part-timer at one campus with 67% load can get 1.0 service credit by working intersession and summer school
   c) Under proposed load structure, part-timer at one campus with 67% load would not get more than .67 year service credit if summer school and intersession are not included

41) Determine to what extent will this become the default and can members get out

42) Provide benefit estimates that reflect the majority population to improve understanding

43) Reconvene task force when the above has been determined to adopt the recommendation to the board