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HOUSE COMMITTEE REPORT

(11)

Date Referred: April 5, 1989

FURTHER REFERRALS:

Date of Committee Action: 4/18/89

The FINANCE Committee considered:

HB 216

HOUSE BILL NO. 216

[U OF AK OPTIONAL RETIREMENT PROGRAM]

"An Act establishing an optional university retirement program for certain employees of the University of Alaska and certain community colleges; and providing for an effective date."

RECOMMENDATIONS:

- be replaced with CS HB 216 (Finance) the same title
- a new title
- have attached amendment(s)
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

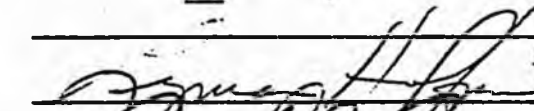
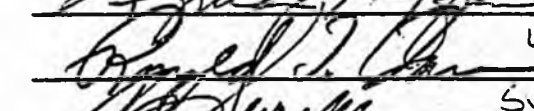
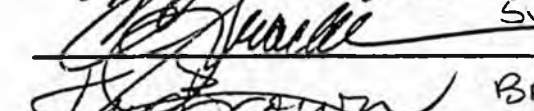
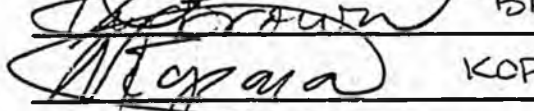
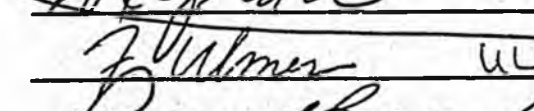
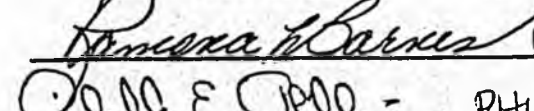
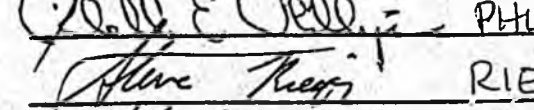
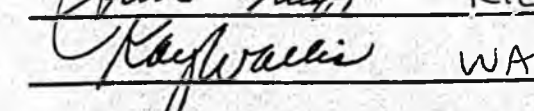


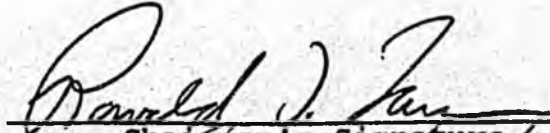
- fiscal impact _____
- zero fiscal note _____
- zero with analysis _____
- fiscal note(s) _____
- zero fiscal note(s) _____
- zero fn/analysis 4/5/89 Univ. & Admin.

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not
Pass No Rec Amend

	HOFFMAN			
	LARSON			
	SWACK-			
	BROWN			
	KOPONEN			
	ULMER			
	BARNES			
	PHILLIPS			
	RIEGER			
	WALLIS			
				
Chairman's Signature				

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Administration
 Title: "An act establishing an optional university retirement program." BRU: Retirement and Benefits
 Sponsor: Koponen Components: Retirement and Benefits
 Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached financial implication statement.

Prepared By: Sally Smith *Sally Smith* Phone: 465-4470
 Division: Retirement and Benefits Date: 3/29/89

Approved by Commissioner: John M. Andrews *John M. Andrews* Date: 3/29/89
 Agency: Department of Administration

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

RECEIVED
 MAR 31 1989
 LEGISLATIVE FINANCE

Adopted

100216

House Bill 216
Analysis of Fiscal Implications to the Retirement Funds
Prepared by Division of Retirement & Benefits
Department of Administration
March 23, 1989

Analysis: This bill would allow the University of Alaska to establish an additional retirement system for its faculty and administrator positions. Participation in this system would be optional and provide an alternative to participating in the appropriate Public Employees' (PERS) or Teachers' (TRS) Retirement System. The election will be irrevocable.

There would not be an adverse impact on the actuarial soundness of either the PERS or the TRS funds. The increase in the unfunded liability and the decrease in the funding ratio in each would be negligible.

FISCAL NOTE

REQUEST:

Revision Date: 3/28/89 Agency Affected: University of Alaska
 Title: "An Act establishing an optional university retirement program for certain employees of the University of Alaska and certain community colleges; and providing for an effective date." BRU: All
 Components: _____
 REQUESTOR: WESS Committee
 SPONSOR: Koponen, Boyer, Ulmer, Ellis, Collin Gruenberg, and Hudson

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		-0-	-0-	-0-	-0-	-0-
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		-0-	-0-	-0-	-0-	-0-

CAPITAL						
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REVENUE		-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND		-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) The cost of the alternative optional university retirement program is projected at zero. It is the university's intent to establish rates for the optional retirement program at levels which will result in no additional cost. The optional retirement program will, however, increase the university's competitiveness in recruiting faculty and top administrators.

Prepared by: Jim Lynch Phone: 474-6573
 Division: Controller and Associate Vice President Date: 3/28/89
 Approved by Commissioner: Brian Rogers Date: 3/28/89
 Agency: Vice President for Finance

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

RECEIVED
 MAR 29 1989
 LEGISLATIVE FINANCE

Adopted

Original sponsors: Koponen, Boyer,
Ulmer, et al.

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 216 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing an optional university retire-
7 ment program for certain employees of the University
8 of Alaska and certain community colleges; and provid-
9 ing for an effective date."

10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. AS 14.25.040(a) is amended to read:

12 (a) Unless a teacher or member has elected to participate in the
13 optional university retirement program under AS 14.40.661 - 14.40.799,
14 a [A] teacher or member contracting for service with a participating
15 employer is subject to this chapter.

16 * Sec. 2. AS 14.25.115(a) is amended to read:

17 (a) A teacher in membership service on or after July 1, 1977,
18 who is appointed to retirement on or after July 1, 1978, may elect to
19 apply unused sick leave credit in computing the total number of years
20 of credited service under AS 14.25.110(d) except for sick leave earned
21 while participating in the optional university retirement program
22 under AS 14.40.661 - 14.40.799. To obtain service credit for unused
23 sick leave, a teacher must apply to the administrator no later than
24 one year after appointment to retirement. Unused sick leave shall be
25 credited on a day-for-day basis in accordance with the table for
26 service after July 1, 1969, contained in AS 14.25.220(43). Teacher
27 contributions may not be required for credited unused sick leave.

28 * Sec. 3. AS 14.25.220(40) is amended to read:

29 (40) "teacher" or "member" means a person eligible to

1 participate in the system and who is covered by the system, limited to

2 (A) a certificated full-time or part-time elementary
3 or secondary teacher, a certificated school nurse, or a certif-
4 icated person in a position requiring a teaching certificate as a
5 condition of employment in a public school of the state;

6 (B) the commissioner of education and all supervisory
7 positions in the Department of Education;

8 (C) a full-time or part-time teacher of the University
9 of Alaska or a person occupying a full-time administrative posi-
10 tion at the University of Alaska which requires academic stand-
11 ing; the approval of the administrator must be obtained before an
12 administrative position qualifies for membership in the system;
13 however, a teacher or administrative person at the university who
14 is participating in the optional university retirement program
15 under AS 14.40.661 - 14.40.799 is not a member under this system;

16 (D) a state legislator who elects membership under
17 AS 14.25.040(b);

18 * Sec. 4. AS 14.40 is amended by adding new sections to read:

19 ARTICLE 5. OPTIONAL UNIVERSITY RETIREMENT PROGRAM.

20 Sec. 14.40.661. AUTHORITY OF BOARD. (a) The board may estab-
21 lish an optional university retirement program for eligible employees
22 in which retirement and death benefits are provided through the pur-
23 chase of annuity contracts, either fixed, variable, or a combination
24 of fixed and variable. Participation in the program is in place of
25 participation in a state retirement system.

26 (b) The board shall

27 (1) provide for the administration of the program, includ-
28 ing procedures for resolving complaints from participating employees;

29 (2) designate the company or companies to which payment of

1 the contributions required under AS 14.40.691 may be made, after
2 considering the

3 (A) nature and extent of the rights and benefits that
4 the contracts will provide to employees who elect to participate
5 and to their beneficiaries;

6 (B) relation of the contractual rights and benefits to
7 the contributions to be made under AS 14.40.661 - 14.40.799;

8 (C) suitability of the contractual rights and benefits
9 to the needs and interests of employees electing to participate
10 and to the interest of the university in the employment and
11 retention of employees;

12 (D) ability of the designated company or companies to
13 provide rights and benefits under the contracts; and

14 (E) efficacy of the contracts in the recruitment and
15 retention of faculty and administrators;

16 (3) take other actions required to ensure that the program
17 qualifies as a qualified trust under 26 U.S.C. 401(a) (Internal Reve-
18 nue Code).

19 Sec. 14.40.671. PARTICIPATION. (a) An employee in a partici-
20 pating position may elect to participate in the optional university
21 retirement program or to participate in the appropriate state retire-
22 ment system. Eligibility to participate in the program begins on an
23 employee's appointment to a participating position.

24 (b) An election to participate in the program is irrevocable.
25 The election shall be made in writing on a form provided by the board
26 and approved for the state by the commissioner of administration. The
27 form must be filed with the board no later than 30 days after the date
28 on which the employee first becomes eligible to participate in the
29 program. A copy of the form shall be delivered to the appropriate

1 state retirement system. The election becomes irrevocable on the date
2 it is received by the board.

3 (c) The election to participate in the program constitutes a
4 waiver of all rights and benefits under the state retirement systems
5 earned on or after the effective date of the election while the em-
6 ployee is participating in the program.

7 (d) Except as provided in (e) of this section, if a nonvested
8 member of a state retirement system elects to participate in the
9 program, the employee may choose to transfer the amount in the em-
10 ployee's contribution account to the program. If the employee chooses
11 to transfer the account, the appropriate state retirement system shall
12 pay to the university on behalf of the employee an amount equal to the
13 balance in the account. The payment must be made within 45 days after
14 the election is received by the state retirement system. The finan-
15 cial officer of the university shall immediately pay the amount re-
16 ceived to the designated company or companies for the benefit of the
17 employee. An employee who transfers assets under this subsection may
18 not reclaim the corresponding service in the state retirement system
19 if the employee is reemployed under the state retirement system.

20 (e) An employee whose rights to transfer assets out of a state
21 retirement system are subject to a qualified domestic relations order
22 is entitled to transfer assets from the state retirement system to the
23 program only if the requirements for receiving a refund under AS 14.-
24 25.150(b) or AS 39.35.200(c), as appropriate, are met.

25 (f) If a vested member of a state retirement system elects to
26 participate in the program, the employee ceases to be an active member
27 of the retirement system on the effective date of the participation in
28 the program. The employee retains all benefits accrued in the state
29 retirement system.

1 (g) An employee who does not elect to participate in the program
2 under this section becomes or remains a member of the appropriate
3 state retirement system.

4 Sec. 14.40.681. RETIREMENT SYSTEM MEMBERSHIP. An eligible
5 employee electing to participate in the program may not participate in
6 a state retirement system during the time the employee is employed in
7 a participating position. If the employee is later employed in a
8 position covered by a state retirement system that is not a partic-
9 ipating position, the employee may not continue to participate in the
10 program and shall begin to participate in the state retirement system.

11 Sec. 14.40.691. CONTRIBUTIONS. (a) The university shall con-
12 tribute on behalf of each employee participating in the program an
13 amount established by the board.

14 (b) An employee participating in the program shall contribute to
15 the program an amount established by the board.

16 (c) The board may specify that contributions required by this
17 section are made by a reduction in salary under 26 U.S.C. 414(h)(2)
18 (Internal Revenue Code).

19 (d) The financial officer of the university shall pay the con-
20 tributions authorized or required by this section to the designated
21 company or companies for the benefit of each participant.

22 Sec. 14.40.701. BENEFITS. Payment of benefits to participants
23 of the program is the responsibility of the company or companies
24 designated by the board and is not the responsibility of the board,
25 the university, or the state. The benefits are payable to partici-
26 pants or their beneficiaries in accordance with the terms of the
27 annuity contract or contracts. However, retirement benefits must be
28 paid in the form of a lifetime income. Except for death benefits, a
29 single-sum cash payment is not permitted under this section.

1 Sec. 14.40.799. DEFINITIONS. In AS 14.40.661 - 14.40.799,

2 (1) "appropriate state retirement system" means the state
3 retirement system that includes the employee's position;

4 (2) "board" means the Board of Regents of the University of
5 Alaska;

6 (3) "contribution account" means the member contribution
7 account under AS 14.25 or the employee contribution account under
8 AS 39.35, whichever is appropriate;

9 (4) "employee" means an employee of the University of
10 Alaska or a community college under AS 14.40;

11 (5) "participating position" means a position that is a
12 permanent position that is at least a .5 full-time appointment as

13 (A) a faculty appointment; or

14 (B) an administrator and the position has been des-
15 igned by the board for inclusion in the program;

16 (6) "program" means the optional university retirement
17 program;

18 (7) "state retirement system" means the teachers' retire-
19 ment system under AS 14.25 or the public employees' retirement system
20 under AS 39.35.

21 * Sec. 5. AS 39.35.120 is amended to read:

22 Sec. 39.35.120. COMMENCEMENT OF PARTICIPATION. (a) An employee
23 of the state shall be included in this system upon commencement of
24 employment with the state, or on January 1, 1961, whichever is later.
25 Unless an employee has elected to participate in the optional univer-
26 sity retirement program under AS 14.40.661 - 14.40.799, an [AN] em-
27 ployee of a political subdivision or public organization that becomes
28 an employer shall be included in the system on the effective date of
29 the employer's participation or the date of the employee's

1 commencement of employment with the employer, whichever is later.

2 (b) Inclusion in the system is a condition of employment for an
3 employee except as otherwise provided for an elected official and for
4 an employee of the university who has elected to participate in the
5 optional university retirement program under AS 14.40.661 - 14.40.799.

6 * Sec. 6. AS 39.35.680(21) is amended to read:

7 (21) "member" or "employee"

8 (A) means a person eligible to participate in the
9 system and who is covered by the system;

10 (B) includes

11 (i) active member;

12 (ii) inactive member;

13 (iii) vested member;

14 (iv) deferred vested member;

15 (v) non-vested member;

16 (vi) disabled member;

17 (vii) retired member;

18 (C) does not include

19 (i) former members;

20 (ii) persons compensated on a contractual or fee
21 basis;

22 (iii) casual or emergency workers or nonpermanent
23 employees as defined in AS 39.25.200;

24 (iv) persons covered by the Alaska Teachers'
25 Retirement System or the optional university retirement
26 program;

27 (v) employees of the division of marine transpor-
28 tation engaged in operating the state ferry system who are
29 covered by a union or group retirement system to which the

1 state makes contributions;

2 (vi) justices of the supreme court or judges of
3 the court of appeals or of the superior or district courts
4 of Alaska;

5 (vii) the administrative director of courts ap-
6 pointed under art. IV, sec. 16 of the state constitution
7 unless the director becomes a member under AS 39.35.158; and

8 (viii) members of the elected public officers'
9 retirement system (former AS 39.37);

10 (D) may include employees of the division of marine
11 transportation excluded under (C)(v) of this paragraph provided
12 that

13 (i) the State of Alaska formally agrees to their
14 inclusion through the process of collective bargaining; and

15 (ii) no collective bargaining agreement has the
16 effect of obligating contributions made by the state under
17 AS 39.30.150 in the event the state resumes participation in
18 the federal social security system;

19 * Sec. 7. Section 7, ch. 26, SLA 1986, is amended to read:

20 Sec. 7. INDEBTEDNESS ON REEMPLOYMENT. If a participant in the
21 retirement incentive program is reemployed as a member of the Public
22 Employees' Retirement System under AS 39.35, the optional university
23 retirement program under AS 14.40.661 - 14.40.799, or the Teachers'
24 Retirement System under AS 14.25 after appointment to retirement under
25 the program, the participant loses the incentive credit received under
26 sec. 5 (c) of this Act and is indebted to the system. The amount of
27 the indebtedness is equal to 110 percent of the amount the participant
28 received as a result of participation in the program for which the
29 participant was not otherwise entitled, including the cost of health

1 insurance. The participant is entitled to a credit to be applied
2 against the reemployment indebtedness in the amount the participant
3 has paid under sec. 5 (d) of this Act. Interest accrues on the
4 indebtedness at the rate established by regulation from the date of
5 reemployment until the member is appointed to retirement and accepts
6 an actuarial adjustment to the member's future benefits or until the
7 amount is paid in full.

8 * Sec. 8. If an Act is enacted by the First Session of the Sixteenth
9 Alaska State Legislature that authorizes establishment of a retirement
10 incentive program for employees of the University of Alaska and if the
11 retirement incentive program includes a provision imposing an indebtedness
12 if a participant in the retirement incentive program is reemployed, after
13 retirement under the program, as a member of AS 39.35 (public employees'
14 retirement system) or AS 14.25 (teachers' retirement system), positions
15 that become part of the optional university retirement program under
16 AS 14.40.661 - 14.40.799, enacted by sec. 4 of this Act, shall be treated,
17 for purposes of the retirement incentive program, as being positions under
18 AS 14.25 or AS 39.35, as appropriate.

19 * Sec. 9. (a) Notwithstanding AS 14.40.671, added by sec. 4 of this
20 Act, an employee of the University of Alaska holding a permanent faculty
21 appointment that is at least a .5 full-time appointment on the date the
22 Board of Regents of the university establishes an optional university
23 retirement program may elect to participate in the program by filing an
24 election form with the board within 120 days after the date the program is
25 established.

26 (b) Notwithstanding AS 14.40.671, added by sec. 4 of this Act, an
27 employee of the University of Alaska holding, on the date the Board of
28 Regents establishes an optional university retirement program, an adminis-
29 trative appointment that has been designated by the Board of Regents for

1 inclusion in the optional university retirement program may elect to par-
2 ticipate in the program by filing an election form with the board within
3 120 days after the date the program is established or the date the position
4 is designated as a participating position, whichever comes later.

5 * Sec. 10. This Act takes effect July 1, 1989.
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adopted
4/18/89

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 216 (HESS)

Page 8, after line 18:

Insert new bill sections to read:

"* Sec. 7. Section 7, ch. 26, SLA 1986 is amended to read:

Sec. 7. INDEBTEDNESS ON REEMPLOYMENT. If a participant in the retirement incentive program is reemployed as a member of the Public Employees' Retirement System under AS 39.35, the optional university retirement program under AS 14.40.661 - 14.40.799, or the Teachers' Retirement System under AS 14.25 after appointment to retirement under the program, the participant loses the incentive credit received under sec. 5 (c) of this Act and is indebted to the system. The amount of the indebtedness is equal to 110 percent of the amount the participant received as a result of participation in the program for which the participant was not otherwise entitled, including the cost of health insurance. The participant is entitled to a credit to be applied against the reemployment indebtedness in the amount the participant has paid under sec. 5 (d) of this Act. Interest accrues on the indebtedness at the rate established by regulation from the date of reemployment until the member is appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid in full.

* Sec. 8. If an Act is enacted by the First Session of the Sixteenth Alaska State Legislature that authorizes establishment of a retirement

incentive program for employees of the University of Alaska and if the retirement incentive program includes a provision imposing an indebtedness if a participant in the retirement incentive program is reemployed, after retirement under the program, as a member of AS 39.35 (Public Employees' Retirement System) or AS 14.25 (Teachers' Retirement System), positions that become part of the optional university retirement program under AS 14.-40.661 - 14.40.799, enacted by sec. 4 of this Act, shall be treated, for purposes of the retirement incentive program, as being positions under AS 14.25 or AS 39.35, as appropriate."

Renumber the following bill sections accordingly.



NEA-ALASKA

AFFILIATED WITH THE NATIONAL EDUCATION ASSOCIATION

ANCHORAGE REGIONAL OFFICE

1411 W. 33RD AVENUE
ANCHORAGE, ALASKA 99503
(907) 274-0536

JUNEAU OFFICE

105 MUNICIPAL WAY, SUITE 302
JUNEAU, ALASKA 99801
(907) 586-3090

FAIRBANKS REGIONAL OFFICE

2118 CUSHMAN STREET
FAIRBANKS, ALASKA 99701
(907) 456-4435

March 27, 1989

To: Representative Johnny Ellis, Chair
Members, House HESS Committee

Re: House Bill No. 216: "An Act establishing an optional university retirement program for certain employees of the University of Alaska and certain community colleges; and providing for an effective date."

NEA-Alaska supports the basic concepts and purposes of HB 216 and encourages favorable consideration by the Committee.

This legislation would be valuable to the University as it seeks to recruit and attract faculty in that it gives faculty the option to have greater mobility within higher education vis a vis their retirement programs and planning.

Presently a person is not vested in the Teachers' Retirement System until after eight years of membership service. In the event a faculty person does not receive tenure within the University system they have no vested retirement benefit.

The relatively modest and low pay scales of the University of Alaska combined with the fact of no raises in recent years makes recruitment and retention of faculty more difficult each year.

The implementation of HB 216 would provide faculty with the option to utilize other retirement systems such as the TIAA/CREFF which is generally available to them in other institutions of higher education through-out the country. Therefore, service at the University of Alaska would not be a deterrent to their retirement planning.

Thank you for your consideration of our position.

Respectfully submitted,

B. Manners

Bob Manners
Executive Secretary

Judy Salo

Judy Salo
President

cc: Representative Niilo Koponen

Alaska State Legislature
Representative Niilo Koponen

Pouch V
Juneau, Alaska 99811
(907) 465-4992

House District 21

119 N. Cushman, Suite 207
Fairbanks, Alaska 99701
(907) 456-8172

SPONSOR STATEMENT FOR HB 216

House Bill 216 provides for an effective means for the University of Alaska to compete in the national academic market to attract and retain qualified professionals, with no additional cost to the State.

House Bill 216 would allow the Board of Regents to adopt an optional defined contribution retirement plan for its faculty and a small number of administrative officers. A choice of retirement plans is currently available to faculty and administrative officers in publicly supported institutions in thirty-six states and the District of Columbia, and in over 1,000 private colleges and universities.

In a defined contribution retirement plan the retirement benefits provided by the plan are fully and immediately vested in individual participants. Faculty and administrative officers would not then be constrained by pension considerations from moving within institutions of higher education within the country. Because an optional defined contribution plan eliminates the concern for future funding liability the University's pension obligation is discharged concurrently with the termination of employment.

Uncertainty Is Rampant as Colleges Begin to Brace for Faculty Shortage Expected to Begin in 1990's

Some institutions stockpile professors, while many worry about the supply of high-quality candidates

By CAROLYN J. MOONEY

At a gathering of deans from across the country, an administrator from the University of Rhode Island was describing his futile attempts to persuade a top student to consider an academic career.

With private industry offering jobs with starting salaries of \$34,000, higher education never stood a chance, Richard J. Gelles, the university's dean of arts and sciences, told the group.

"Without a doubt, this student had the potential to become a world-class economist," he said. "I kept whispering in her ear. 'Things will change. You'll want something more in your life.'"

Such whispers may become louder and more frequent in the coming years, as colleges and universities brace for a faculty shortage that is expected to occur as a large proportion of the professoriate nears retirement age. By most estimates, more than one third of the nation's faculty members are older than 50, and many are expected to retire over the next 10 to 15 years. Most were hired during the 1950's and 1960's, when American higher education expanded rapidly to meet the needs of the baby-boom generation.

The expected wave of retirements will come at a time when many institutions are concerned about a decline in the number of American doctoral-degree recipients, a drop in many disciplines in the proportion of recipients planning academic careers, heavy pressure to increase the number of minority faculty members, and waning faculty morale compounded by tight budgets.

Hiring Before Openings Occur

Colleges and universities that can afford to do so are stockpiling young faculty members—hiring them before openings actually occur—while others are using a variety of creative ploys to lure the strongest candidates. But even after years of little momentum in the faculty job market, some observers of hiring trends are questioning whether there will be enough high-quality candidates to fill the vacancies.

"It's a daunting challenge," says Calvin C. Moore, associate vice-president for academic affairs at the University of California system, whose nine campuses expect to hire more than 10,000 new faculty members over the next 17 years. "It's going to be an increasingly competitive environment."

Mr. Moore and his counterparts elsewhere say that higher-education institutions need to make a major effort to publicize the advantages of an academic career. At the same time, many will be scrutinizing the academic culture to try to determine why potential faculty members are turning away.

Mooney, it appears, is not the only issue. As more and more institutions are facing the prospect of a widespread faculty shortage has implications that go far beyond the economic principles

of supply and demand. Already it is causing many of those involved in faculty recruiting to re-examine a broad range of issues—from personnel benefits to tenure and promotion criteria to the public's perception of academic life.

Among the concerns:

■ The quality of future faculty members may not be as high, since all but the most elite institutions will be forced to compete more fiercely for a shrinking pool of American scholars. Some report that they are already seeing weaker and shallower applicant pools.

■ The hard-to-hire disciplines that must compete most intensely with private indus-

try for job candidates—such as business, engineering, mathematics, and the sciences—simply won't have enough full-time faculty members to fill their needs if current trends continue. Some departments may be forced to pay significantly higher salaries and rely even more heavily on adjunct professors and foreign scholars.

■ Not enough minority scholars are in the graduate-school pipeline to meet the ambitious affirmative-action goals outlined by many institutions, and there is little indication that the situation is improving. Consequently, some universities may decide to hire their own minority graduate students as faculty members—something considered taboo by many in the past—or prepare for lengthy searches.

■ Besides making salaries more competitive, institutions will have to do more to address quality-of-life issues such as affordable housing, day care, and jobs for spouses, which have become increasingly important to young faculty members. Those that do so will have an enormous advantage in recruiting.

■ Colleges and universities are not making a sufficient effort to promote the advantages of academe, or to encourage potential scholars to seek academic careers early on.

An Early Warning

One of the earliest and strongest warnings about a future faculty shortage was issued in *American Professors: A National Resource Imperiled*, a book published in 1986 by Howard R. Bowen and Jack H. Schuster. It concluded that half a million new faculty members would be needed over the next 25 years—most of the nation's approximately 700,000-member professoriate. It also cited studies projecting that the mean age of the professoriate would continue to rise between 1980 and 2000—from 48 to 55 for tenured professors, and from 45 to 49 for all faculty members.

For many institutions, though, the heightened interest in faculty planning has been building only recently—for several reasons. First, planning has been complicated by the fact that colleges and universities don't yet know what will happen when the mandatory-retirement age for professors is eliminated, as expected, in 1994. At that time, professors can no longer be required to retire at age 70. A few states have already dropped the cap.

Until recently, the impending end of the mandatory-retirement age raised concerns that colleges would face not a shortage of faculty members but a surplus of elderly scholars who would stay on after they were no longer productive, delaying promotion opportunities for younger professors. Those fears led to a proliferation of early-retirement plans at many institutions.

Another complicating factor is uncer-



U. of Rhode Island's Richard J. Gelles: "You can't do a doctorate at age 27; you have to do it at age 12."



U. of California's Calvin C. Moore: "It's a daunting challenge. It's going to be an increasingly competitive environment."

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tainly over future enrollment. Institutions don't yet know whether enrollment will drop over the next few years, reflecting a decline in the traditional college-age population, or grow because of rising participation rates by that group and by older and part-time students, the case during the current academic year.

And many colleges simply cannot afford to hire more faculty members to protect themselves against a shortage that has not yet hit.

Yet another unknown is the elasticity of the job market. After years of hearing about Ph.D. recipients who worked as janitors because they couldn't get academic jobs, many institutions are concerned that it will take time to spread the message that the situation is improving. So far, the faculty job market hasn't opened up dramatically, and when it does the improvement is expected to come only gradually.

Meanwhile, although the number of doctorates earned at American universities appears to be rising slightly after a decade of stability, the proportion of degrees earned by U.S. citizens has been declining—from 85.6 per cent in 1962 to 72.3 per cent in 1986, according to the National Research Council. The proportion of foreign students receiving doctoral degrees is especially high in some fields, such as mathematics, computer science, and engineering, in which only half or fewer of the doctoral degrees earned in 1986 went to U.S. citizens.

"People are only now realizing the possibility of a shortage," says G. Gregory Lozier, executive director of the office of planning and analysis at the Pennsylvania State University. A year ago, Mr. Lozier helped conduct a study of 24 research universities, which concluded that certain academic disciplines could face acute faculty shortages in the future.

Another study, completed a year ago by the Consortium on Financing Higher Education, found that most institutions had done little planning on the issue. It concluded that making retirement more attractive to all faculty members by offering fringe benefits and perquisites would help institutions either way: In the event of a shortage, retired faculty members could teach part time; in case of a glut, professors could be better eased into retirement if they could keep strong ties to their institutions.

Some new studies that higher-education officials hope will improve planning are now in the works. The

U.S. Department of Education and the National Endowment for the Humanities are collecting information for a national comprehensive faculty survey. With the help of higher education's largest pension companies, the Teachers Insurance and Annuity Association and the College Retirement Equities Fund, Mr. Lozier and several colleagues are expanding their earlier survey on the age distribution and retirement patterns of faculty members. And the Association of American Universities has commissioned a national research project to examine the condition of doctoral education in the United States.

More and more institutions, meanwhile, are doing their own analyses and looking at ways to address a potential faculty shortage.

Some, particularly two-year colleges, expect to rely more heavily on part-time instructors, while others anticipate hiring more foreigners.

Another potential pool of schol-

ars—people who received doctoral degrees in the 1970's but never got into the crowded academic pipeline—is not expected to be a significant source of future professors, say most of those interviewed on the subject. Many members of this "lost generation" of scholars, they say, have not remained active enough in their disciplines to be strong candidates at four-year institutions, but some might be absorbed by two-year colleges.

Offers to Two-Career Couples

At the State University of New York at Binghamton, where enrollment jumped from 1,500 to 7,500 during the 1960's, officials are trying to be as creative as possible when it comes to recruiting. The decade of

rapid growth led to a flurry of faculty hiring at that time. As a result, a university survey found that 42 per cent of Binghamton's 511 faculty members—and 61 per cent of tenured professors—were older than 50 in the fall of 1987.

Sidonie A. Smith, dean of Binghamton's college of arts and sciences, says a tight state budget has made advanced planning difficult. However, she says the university tries to be creative in other ways, such as negotiating with two-career couples, and, in one recent case, with a homosexual scholar and the scholar's companion. The candidate ended up going elsewhere.

"We've just tried to be as aggressive as we can," Ms. Smith says. "I would have loved to think carefully

about planning in departments where the supply of faculty is becoming critical, but now I just don't have the [financial] flexibility."

Other institutions are also bracing:

■ Rensselaer Polytechnic Institute expects to replace up to 160 of its 394 faculty members by 1994, and add an additional 20 professors.

■ At Michigan State University, nearly 40 per cent of all faculty members—and nearly half of those in the humanities—will be 65 years old by the turn of the century.

■ The University of Rhode Island expects nearly a fourth of its 322 tenure-track faculty members to retire by the year 2000. However, some departments, like English—where nearly a third of the faculty members will be retiring in the next five years—will be hit much harder, officials there say. Administrators are permitting some departments to hire

promising scholars—especially minority scholars—before positions actually open up.

■ Purdue University also expects 25 per cent of its faculty members to retire by 2000, with the crunch coming between 1992 and 1996, says Varro E. Tyler, vice-president for academic affairs. Like many institutions, Purdue is concerned about finding enough minority-group members. "We prefer not to hire our own Ph.D.'s, but we will if we have to," Mr. Tyler says.

Hard-to-Hire Disciplines

They may. Nationwide, only 820 blacks earned doctoral degrees in 1986, according to the research council. The proportion fell from 4.2 per cent of all doctorates in 1976 to 3.6 per cent in 1986. The problem is especially acute in hard-to-hire disciplines: Of the 804 doctorates in math-

ematics that were awarded by American institutions in 1987-88, for example, only four went to blacks, according to the American Mathematical Society's annual survey.

To increase the flow of minority-group members into the academic pipeline, some institutions are taking part in state and federal programs aimed at giving minority youngsters an early taste of campus life. In what may prove to be the ultimate recruiting tool, for example, minority high-school students attend special state-financed summer programs in the sciences at Binghamton and other New York institutions.

Some historically black colleges, which expect that larger institutions may come knocking on their doors for scholars more often than they already do, have taken the "grow your own" approach. Benedict College and Johnson C. Smith University pay

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for professors already on the faculty to earn doctoral degrees. In return, they agree to return to teach for a certain period.

So far, however, efforts like those haven't been enough.

Says Mr. Gelles of the University of Rhode Island: "There's a lot of networking and stealing going on. We're in the first stages of building up minority enrollment at the undergraduate level . . . and we're hoping everyone else will do the same, with a net increase.

"You can't clone a doctorate at age 27; you have to do it at age 12."

Negative Messages to Students

Indeed, the need to inspire potential scholars of all races at an early age is rapidly becoming clear.

Says Mr. Schuster, the co-author of the 1986 book on faculty members and a professor of education and pub-

lic policy at the Claremont Graduate School: "The real challenge is, are we doing what we should to encourage high-quality undergraduates to be thinking about academic careers?" That is difficult to accomplish, he adds, when "the evidence suggests that there are a lot of faculty members who are disturbed about their circumstances."

Professors who are bitter about earning less than they might elsewhere or who feel under heavy pressure or think their jobs aren't respected send negative messages to undergraduates, agrees Jules B. LaPidus, president of the Council of Graduate Schools in the United States. "It's more than a public-relations problem," he says. "You really have to change the culture."

One young faculty member at a comprehensive university, who decided against going to a more elite

institution because it expected tenure candidates to publish two books, puts it this way: "We have the anxiety of job pressure to get tenure as well as financial anxiety. That kind of dual anxiety makes you want to say, Forget academe."

"I don't think anybody expects to live as you would in the corporate world, but money should not be such a source of anxiety for people who have gone to school as long as we have," the faculty member adds.

Most administrators agree that faculty salaries must continue to increase. Faculty members of all ranks earned an average of \$37,000 in academic 1987-88, while assistant professors earned an average of \$29,200, according to an annual survey conducted by the American Association of Professors.

They also agree that institutions must do more to help young faculty

members find affordable housing and day care, and to make graduate school less of a financial burden. The University of California system, for example, thinks its new "stop-the-clock" policy, which allows new parents to stop the tenure clock for up to a year, will be helpful.

Research institutions will need to help their young professors find better ways to balance research and teaching. A few observers have suggested that some may even revise their tenure criteria to stress quality rather than quantity by limiting the scholarship to be considered during tenure review.

Less publicized are the rewards of academic life—the chance, as Provost David Giltitz of the University of Rhode Island puts it, "to follow your own marching orders."

"A lot of it has to happen on a one-on-one basis," Mr. Giltitz says. "Professors have to identify really bright undergraduates before they get sidetracked and infect them with the enthusiasm of academic life."

Involving undergraduates in research and letting them know just what faculty members' jobs involve can help, says Mr. LaPidus of the graduate-schools council. "For the most part, people just don't know what scholars do," he says. "They have the opportunity to pursue an interest as far as it can be pursued, but that message isn't being put across fast enough."

David W. Breneman, president of Kalamazoo College, now tries to deliver that message when he lectures Kalamazoo's Phi Beta Kappa members. "I began to realize that we weren't as a college promoting graduate school," he says.

More Long-Term Planning

Despite their concerns about a faculty shortage, some administrators say it could also spawn positive change.

A shortage, they say, could give colleges and universities a chance to reshape overly specialized academic departments and hire more faculty members on an interdisciplinary basis. And predictions about a shortage are already forcing two-year and four-year institutions to do more long-term planning.

Some institutions are exploiting unlikely strengths more aggressively than ever. Mohave Community College, concerned about recruiting faculty members from its sparsely populated surroundings, is hoping that its location near the Grand Canyon will be a major attraction.

"We push the quality of life, the recreational opportunities," says Roland J. Chapdelaine, the college's vice-president. The college, which expects to lose a fourth of its faculty to retirement over the next 10 years, also has become more aggressive about recruiting professionals to teach on a part-time basis and training them, he says. But he acknowledges that two-year colleges must retain a balance between part-time and full-time instructors.

Ms. Smith, the Binghamton dean, suggests that a faculty shortage might mean that academic departments could become less important in the future. "Much of the interesting work is being done at the intersections of disciplines," she says. "Each appointment may have to serve two or three areas intellectually. Is that going to have an impact on the way scholarship is organized?"

She isn't sure. This much she knows, however: "The shortage hasn't hit yet. But I've spent a lot of time thinking about it."

"I think we're all worried."

For Washington Policymakers, a Host of Problems

The nation's pressing health problems are now on the political agenda of President Bush and the 101st Congress. What is likely to be accomplished this year?

The Bush Administration

A starting point for Bush's people is the budget that President Reagan delivered on Jan. 9 for the fiscal year that starts in October.

Reagan proposed cutting \$5.6 billion from projected Medicare outlays—what outlays would be if continued at current levels—by reducing payments to hospitals and doctors. He proposed cutting \$1.4 billion from projected Medicaid grants to the states for care of some 22 million poor people. The cuts, said Reagan Administration budget officials, would not affect care. But Dr. Otis Bowen, Reagan secretary of Health and Human Services, called it "unrealistic" to expect the states to absorb the Medicaid reductions.

Bush's responses are not known and are in fact still incomplete. He may go along with the Medicare cuts as part of his proposed "flexible freeze," and also try to steer more Medicare patients into "managed care" organizations that limit choice of doctors and otherwise seek to control costs.

He is expected to reject any cuts in Medicaid. And, according to campaign and transition-period plans, he could recommend something like a \$200 million fund to expand coverage for pregnant women and young children, as well as another \$200 million, perhaps, this year or next, to begin letting low-income adults "buy in" to Medicaid, adding their own modest contributions.

As part of his campaign promise of "access to health care for all Americans," he might recommend tax benefits to encourage people to buy long-term care insurance, though most such insurance plans now go only part of the way toward financing the years of care that some of the aged ultimately need.

The Congress

There will be (read all this as reasonable prediction, not certainty) much talk this year of two subjects: expanding health coverage for the uninsured, probably by mandating more employer coverage, and finding ways to pay for long-term care of the aged.

Legislative action is at least possible on health coverage, but highly unlikely on the huge expense of long-term care.

However, Congress' first priority will not be health care, say many Congressional sources, but "deficit reduc-

tion, deficit reduction, deficit reduction." Any increased expenditures may depend on deficit reduction and on some signal, however muted, from the Bush lips on new taxes.

Congress will inevitably do some squeezing of Medicare payments to doctors and hospitals, though probably not to the Reagan budget's extent. Any Medicaid cuts are probably "dead on arrival," in the unobtrusive words of Chairman Leon Panetta (D-Calif.) of the House Budget Committee.

Rep. Fortney (Pete) Stark (D-Calif.), chairman of the House Ways and Means health subcommittee, wants to tie payments for hospital building or equipment to hospital occupancy, now only 60 to 75 percent in many hospitals. "Why should we waste money keeping inefficient or underutilized hospitals open?" he repeatedly asks.

A cut is likely, as in the Reagan budget, in payment to hospitals for "education"—meaning salaries—of the interns and residents who give most of the

Runaway Medicare costs are likely to result in a Congress that will continue cutting hospital payments "until they see blood on the floor."

Ron Kovener
Healthcare Financial Management Association

care in major medical centers. These hospitals have been making too much money, it's said. If applied with a meat ax, such cuts could mean fewer doctors at patients' bedsides. But such are runaway Medicare bills, predicted Ron Kovener, vice president of the Healthcare Financial Management Association, that Congress will continue cutting hospital payments "until they see blood on the floor."

Doctors' fees will get much discussion. A Physician Payment Review Commission is required to suggest reforms to Congress early this year. Key members like Stark and Rep. Henry Waxman, still another California Democrat who heads another House health subcommittee, as well as Rep. Dan Rostenkowski (D-Ill.), House Ways and Means chairman, have called physician payment reform a priority.

But serious reform may not come easily, since there is no agreed method on the horizon, except for cuts—or

further cuts—in some heavily used services that many observers consider overpriced, including heart surgery, cataract surgery, radiology, anesthesiology, EKGs and colonoscopy, the exploration of the colon to look for cancer.

Stark also will be pushing for a law to limit doctors' investments in profit-making medical equipment or other endeavors where they give the care. This is a complex issue. Every doctor who collects a fee has a conflict of interest, for the more he or she does, the more the profit. But doctors' investments have been on the increase, there are stories of cases of resulting overuse, and Stark wants to get a vote on a bill.

Sen. Edward Kennedy (D-Mass.), chairman of the Senate Labor and Human Resources Committee, Waxman and Stark are backing "mandated benefits" proposals to require employers to cover uninsured workers, just as Massachusetts has started to do on Gov. Michael Dukakis' initiative. Several members have talked about tax benefits to encourage employers to cover workers. Another heavy hitter on health issues, Senate Finance Committee Chairman Lloyd Bentsen (D-Tex.), wants to use the tax code to encourage more health insurance for care of children.

Any extensive congressional action to expand coverage of the uninsured could carry a huge price tag, if the government as well as employers share the financial burden. Watch Bush's lips.

Congress meanwhile may have to deal with a growing backlash by unhappy seniors against the new Medicare expansion to cover "catastrophic" hospital, doctor and drug bills, all to be phased in over the next four years. The cause of what Republican Senator Robert Dole (Kan.) has called a "near revolt" of the elderly—an exaggeration, so far—is the fact that those over 65 must bear nearly all of the cost. They will do so partly in annual premiums and partly in an income-based income tax surcharge that together will reach a \$1,561 maximum for the most affluent by 1993.

About 60 percent of the aged will pay only an extra \$122 a year by 1993. But all those covered will also be required to pay considerable "deductibles" before the new insurance pays the rest of the bills, and some members are calling for delay or reconsideration of the 1988 legislation.

The 30-million-member American Association of Retired Persons supported the bill, though reluctantly swallowing the charges on the elderly. A new poll this month indicated that two-thirds of those over 65 favor the law as it. Bentsen vows that there will be no change.

—Victor Cohen