

**REPORT TO THE GENERAL ASSEMBLY
ON WHETHER OR NOT PERSONS
EMPLOYED BY COMMUNITY COLLEGES AS
ADJUNCT INSTRUCTORS
SHOULD BE ELIGIBLE FOR IPERS' COVERAGE**

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1998 Legislative Mandate for the Study

The 1998 General Assembly asked IPERS to investigate whether or not adjunct instructors should be covered employees of IPERS. IPERS was to solicit input from employees and employers alike on this issue.¹

Background

Scope of IPERS' Coverage – Mandatory & Elective

IPERS is a multiple-employer plan, with over 2,300 participating public employers. The greatest number of IPERS' covered employees work for schools (50%), while 32% work for cities and counties, 16% for the state, and the remainder for a variety of smaller employers (such as community action agencies or local utilities). In keeping with the long history of Iowa's General Assembly providing the opportunity for adequate retirement income for public servants, most public employees in the State of Iowa are covered by IPERS.²

We have 151,000 active members. For the overwhelming majority of IPERS' eligible employees, participation is mandatory and begins with the employee's first day of employment. For a minority, coverage rights are elective. Even these individuals begin their employment covered by IPERS, but have 60 days within which they may elect *out* of IPERS.³

Special Class of Non-Covered Public Employees: *Temporary Employees*

The Legislature has long recognized, however, that some persons come into public employment for relatively short periods of time. These are designated *temporary employees* in Iowa Code Chapter 97B. As non-permanent employees, their need for and, indeed, *right* to pension coverage is of a significantly different order than that of permanent employees. As a consequence, it has been a long-time feature of IPERS' law that persons with *less than six months of employment with a public employer* are not eligible for IPERS' coverage.

There are occasions when persons are legitimately hired by an employer as a "temporary" employee, but who either end up working longer than was initially intended or, alternatively, succeed in being promoted into a permanent position. There have been some instances as well when we have discovered persons who have clearly been with an employer for some time on an on-going basis but are still classified as temporary. On such occasions, we have required the

¹ House File 2496, Section 85, 1998 Acts of the General Assembly.

² The broad exceptions are: Judges who are members of the *Judicial Retirement System*; highway patrol officers who are members of the *Peace Officer Retirement System*, police and fire personnel in cities and towns above 8,000 population who are members of the *Municipal Fire and Police Retirement System*, and employees of community colleges and the state's public universities who have elected out of IPERS into another retirement system.

³ Most of these persons are either *elected officials*, including legislators, or *employees of the community colleges or state universities*. The latter may specifically elect into another retirement system, which is usually TIAA-CREF.

employer to file the appropriate wage related documents necessary to give that person requisite service credits.

For these reasons, and to protect persons whose employment transitioned from “temporary” to “permanent”, IPERS has further defined the nature of “temporary” in its administrative rules. The relevant portion of Iowa Administrative Code 581 Chapter 21.5 (1) (a) reads:

(13) Persons hired for temporary employment are excluded from IPERS’ coverage providing that they have not established an ongoing relationship with an IPERS-covered employer. Effective January 1, 1993, an ongoing relationship with an IPERS-covered employer is established when the employee is paid covered wages of \$300 or more per quarter in two consecutive quarters, or if the employee is employed by a covered employer for 1,040 or more hours in a calendar year. Coverage will begin when the permanency of the relationship is established, and shall continue until the employee’s relationship with the covered employer is severed. If there is no formal severance, coverage for a person hired for temporary employment who has established an ongoing relationship with a covered employer will continue until that person completes four consecutive calendar quarters in which no services are performed for that employer after the last covered calendar quarter. Notwithstanding the foregoing sentence, no service credit will be granted to a temporary employee who has become a covered employee under this rule for any calendar quarter in which no covered wages are reported unless the employee is on an approved leave of absence. Contributions shall be paid, and service credit accrued, when wages are paid in the quarter after the ongoing relationship has been established.

The status of temporary employees is not *position-specific*, except in the case of **adjunct instructors**.

How did this significant exception come about? In the early 1990s, the community colleges approached the Legislature with the request that this exemption from IPERS’ coverage for adjunct instructors be made part of the law. They argued that covering these part-time persons, for whom contracts were made on a semester by semester basis, and most of whom had full-time employment elsewhere, was an unnecessary financial burden on the colleges. The Legislature responded by making the existing exemption part of the law.

The relevant section of the Iowa Code, section 97B.1A (8) reads:

b. “Employee” does not mean the following individuals:

(3) Employees hired for temporary employment of less than six months or one thousand forty hours in a calendar year. An employee who works for an employer for six or more months in a calendar year or who works for an employer for more than one thousand forty hours in a calendar year is not a temporary employee under this subparagraph. **Adjunct instructors are temporary employees for the purposes of this chapter. As used in this section, unless the context otherwise requires, "adjunct instructors" means instructors employed by a community college or a university governed by the state board of regents without a continuing contract, whose teaching load does not exceed one-half time for two full semesters or three full quarters per calendar year. [Emphasis added]**

As long as people are hired as *adjunct instructors* and continue to meet the Code definition of *adjunct instructors*, they are classified as “temporary” and, therefore, permanently excluded from IPERS’ coverage.

Approach to This Study

We recognized that it was desirable to achieve a result which would enjoy the support of the community colleges and IPERS if the Legislature were to subsequently seriously consider our eventual recommendations. Accordingly, I asked Dr. Gene Gardner, the representative of the Iowa Association of Community College Trustees, and also Vice Chair of the IPERS' Constituent Group, to work closely with us in this study in order to ensure that the interests and concerns of the community colleges were addressed. I wish to acknowledge here his supportive participation throughout this effort.⁴

We asked Ann Selzer, of Selzer & Company, Inc., to assist us in surveying adjunct instructors employed by the community colleges.⁵ The community colleges provided Ms. Selzer with lists of adjunct instructors. IPERS reviewed the lists to determine which of these instructors had *active*⁶, *inactive*⁷, or *no* accounts with us. With this information Selzer & Company contacted "an accurate cross section"⁸ of adjunct instructors via a telephone survey in the week of July 7, 1999.

1999 Survey of Adjunct Instructors

As we worked both to clarify the issues and resolve the questions which were to be asked of the instructors, it was clear that the community colleges were very concerned that adjunct instructors polled in the survey not be misled into believing that this was "free money". That is, should community colleges be charged with extending IPERS' coverage to all or some of the adjunct instructors, they would be unable to meet this additional cost without either an adjusted appropriation from the Legislature or cuts elsewhere in their budgets. Therefore, one of the questions posed to the instructors who initially responded indicating an interest in having their time as an adjunct instructor covered under IPERS was:

So, the dollar amount paid per credit or non-credit hour would likely be reduced by 5.75 percent, the same amount that the community college would contribute to your IPERS retirement plan. In addition, you would have 3.7 percent of your salary withheld from your paycheck as your contribution to your IPERS plan. In effect, the total take home pay for adjuncts would go down, offsetting the contribution made to IPERS. With this additional information, how interested would you be in participating in IPERS retirement plan?

⁴ I also wish to thank Lowell Dauenbaugh, Chair of the Constituent Group, and Jennifer Dixon, IPERS' general counsel, for their close involvement in helping successfully launch this study.

⁵ We have utilized Ms. Selzer's firm twice within the past year. Last winter she surveyed our members preparatory to our completing the legislatively-mandated study on the desirability of IPERS offering a statewide supplemental deferred compensation plan. In May of 1999 she surveyed our membership to both measure their assessment of many of the services we offer and to learn their wishes with respect to the location of a future IPERS' headquarters building.

⁶ Members that are currently making contributions to IPERS through public employment, presumably elsewhere.

⁷ Persons who made contributions in the past, have not taken a refund, , and are not presently making contributions to IPERS, presumably because they are not in covered employment.

⁸ Adjunct Instructor Survey, Selzer & Company, Inc., p. 1.

Not surprisingly, the degree of interest dropped significantly. The number of adjunct instructors who are “very interested” drops from 35% to 28%, while those who initially expressed themselves to be “fairly interested” declines from 22% to 13%.⁹ I note this not because asking the question was misleading, for we recognize that without additional dollars community colleges would have to cut their budgets somewhere, but because it did reduce the *appearance* of interest among the adjunct instructors.

Actually, even after learning of the possible reduction in take-home pay, 41% remain interested in securing IPERS’ coverage (down from 57% who initially expressed interest).¹⁰

Thirty-five percent (35%) of all adjuncts are not interested in IPERS coverage, either initially or after learning how it might affect take-home pay.¹¹ Twenty-five percent (25%) “constitute that gray area between those who are interested and those who are not; they need more information or don’t feel strongly either way.”¹²

What I found to be most puzzling about the data in the report was that “Member status has little affect on interest”.¹³ Ms. Selzer writes:

We hypothesized active IPERS members might spark to the idea more than non-members since they would be adding to their current accounts. This theory does not, in fact, play out in these data; member status has no impact on interest.¹⁴

This is surprising because it is persons who already have an account with IPERS, and are currently either active or inactive, for whom coverage as an adjunct instructor would have the greatest value. People without an account, especially those who have full-time employment elsewhere and whose adjunct instructor position is very part-time at most, would gain little value from IPERS’ coverage.

We *expected* the survey to show that persons who were already IPERS members would be most interested in additional coverage. For *active* members – persons who were currently having contributions made to IPERS from another (presumably full-time) covered position – the value gain would come from adding to their annual salary base. For *inactive* members – persons who had accrued service value in the past but who are not currently in IPERS’ covered employment – the principal value would be in adding additional quarters of service. An adjunct instructor’s salary and additional quarters of service could well benefit many of these members at the time they wished to retire.¹⁵

⁹ Adjunct Instructor Survey, Selzer & Company, Inc., p. 3.

¹⁰ Adjunct Instructor Survey, Selzer & Company, Inc., p. 3. When those who were “just somewhat interested” are also included, those expressing *some to strong* interest totals 72%!

¹¹ Adjunct Instructor Survey, Selzer & Company, Inc., p. 3.

¹² Adjunct Instructor Survey, Selzer & Company, Inc., p. 1.

¹³ Adjunct Instructor Survey, Selzer & Company, Inc., p. 3.

¹⁴ Adjunct Instructor Survey, Selzer & Company, Inc., p. 4.

¹⁵ IPERS’ basic retirement formula is actually simple. I cite it here because it clearly illustrates how IPERS’ coverage for certain adjuncts would clearly add value. The formula has three elements (for clarity, the following applies to regular service members - 96% of our total membership): 1) a service year factor – years of service through 35 can be used in the formula; 2) a percentage multiplier factor – each year of service through 30 is worth

We also *expected* that those adjunct instructors whose principal occupations were in non-covered IPERS positions would express the least desire or need for coverage. The reason for this expectation was two-fold: first, without any previous account, coverage for an adjunct instructor – salary and service credit wise – would have little retirement value; and second, such persons were more likely to already have a retirement account with their principal employer.

The study affirms the expected fact that “non-members are more likely to have other retirement plans (42%, compared to the average of 35%)”.¹⁶ However, it also reports that “inactive members are more likely to feel they work so little the money accumulated in the account would be nil (33%, versus the average of 21%).”¹⁷ This reveals that many inactives do not understand that the greatest value to them of additional coverage is not the relatively slight salary amount, but the additional *service credit*. Clearly, we at IPERS need to work harder at communicating to members how our retirement formulas work and how the various elements of it can have value added to them through additional or extended coverage.

Conclusions

Whether one chooses to focus on the 41% who are still quite interested after they are told that any IPERS’ coverage would have to be deducted from their current salary level, or the 57% who initially expressed either strong or some interest in having their employment as an adjunct instructor covered by IPERS, the number wishing coverage is significant.

Coupled with the fact that adjunct instructors are the only position-specific class of temporary employees, we believe there is a strong case to be made for a change in the current law.

Policy Options

The following discussion applies only to those adjunct instructors who, absent the current Code language, would otherwise come to qualify for IPERS’ coverage under the regular temporary rules. That is, they would be given the *elective* right to IPERS’ coverage once they attained “permanent” status with their employer in the same manner as other persons who are temporary attain this status. In essence, this would mean that only those adjunct instructors who earned \$300 or more in two successive calendar quarters would be “permanent” and eligible for IPERS’ coverage.

Accordingly, the policy options appear to be:

2%, each year of service from 31 through 35 is worth an additional 1%; and a salary base factor – we use the average of the member’s highest three years of salary. The three work together as follows: 2% X yrs. of service X average of highest three years’ salary. The result is the maximum annual retirement benefit which that member can receive at normal retirement. [Please note that for the 4% of our membership who are in special service (e.g., public safety) occupations, different factor values apply.]

¹⁶ Adjunct Instructor Survey, Selzer & Company, Inc., p. 4.

¹⁷ Adjunct Instructor Survey, Selzer & Company, Inc., p. 4.

Regarding the Scope of Coverage:

1. No change – things would remain as they are. Employees of community colleges meeting the definition of adjunct instructors would remain ineligible for coverage.
2. Offer the option of coverage to all adjunct instructors who qualify for “permanent” status (ongoing employment with a community college beyond just one school semester or two quarters). **All adjuncts.**
3. Offer the option of coverage to only those adjunct instructors who not only qualify for “permanent” status but who also have an existing account with IPERS. **Between 1/3 and ½ of all adjuncts.**
4. Offer the option of coverage to only those adjunct instructors who not only qualify for “permanent” status but who also are currently contributing to an existing account with IPERS through other covered employment. **Between ¼ and 1/3 of all adjuncts.**

Regarding the Implementation of Coverage:

1. Automatically cover all eligible adjunct instructors.
2. Offer eligible adjunct instructors the same *choice of coverage* as enjoyed by other IPERS’ members who have the right to elect out of coverage¹⁸.
3. Offer eligible adjunct instructors the *right to elect coverage* if they wish. However, unlike other IPERS’ members with an election option, they would not be covered until they chose coverage.

Regarding the Cost of Coverage:

1. Although it would take a separate action by the General Assembly, the Legislature could appropriate the additional amount needed by community colleges to allow them to extend IPERS’ coverage (and the accompanying contributions on wages) without any reduction in the salaries received by adjunct instructors.
2. Without additional revenue sources, it is our understanding that the community colleges would implement coverage through salary reductions equivalent to the cost of contributions to IPERS.

Recommendations

Because IPERS has consistently favored *inclusion* over *exclusion*, the best option from our perspective is allowing each eligible¹⁹ adjunct instructor to be covered from the first day of eligibility unless he or she elected out of coverage.²⁰

¹⁸ That is, covered from the first day of qualifying but with the option to elect out of IPERS within 60 days. If such an election is made, all monies contributed are refunded to the employee and employer.

¹⁹ Eligible according to the same temporary and permanent employment rules as apply to all other IPERS’ members.

²⁰ The data from the Selzer survey which indicate interest in IPERS’ coverage across the board among adjuncts, even among those who have no current account with IPERS, supports this more inclusive approach.

On the other hand, as this would be the most expensive option, and because we recognize that IPERS' coverage for persons without a current IPERS' account has comparatively little value,

Accordingly, our recommendations are:

- 1. Extend elective coverage only to those adjunct instructors who already have an IPERS' account²¹; and,**
- 2. Consider additional revenue for the community colleges in order for them to cover their increased salary-related costs so that adjunct instructors do not have to see their take home salary reduced.**

Ultimately, the favorable resolution of this issue will require the support of the community colleges as well as the Legislature. We look forward to working with all interested parties in the successful resolution of this issue.

²¹ Including those with both an *inactive* and *active* account. Note that under current law, it would appear that such adjuncts – extended the right to elect IPERS' coverage – would thereby also gain the right to choose TIAA-CREF as an alternative plan.