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ABSTRACT

This case study examines the impact of Early Retirement Incentive Programs (ERIP) on Ohio's two-year public colleges through a single case study analysis at Monticello Community College. Data came from interviews and an examination of college documents. This study specifically sought to address: (1) the financial impact (savings versus costs) of ERIP at the college; (2) the perceived impacts of ERIP on academic matters in the institution; (3) the impact of ERIP on the structure and composition of faculty members; and (4) the problems caused from ERIP implementation. Findings showed that: (1) early retirement has a net present value, indicating that the program is financially feasible; (2) there is no evidence that any savings generated by ERIPs were invested in classroom facilities or equipment; however, college programs have been maintained and class size has not risen significantly; (3) there has been no substantial change to the structure and composition of the faculty, primarily due to restrictions on the administration from the faculty's collective bargaining agreement; and (4) administrators experienced reduced flexibility in regards to staffing due to restrictions imposed by the State Teachers Retirement System (STRS). (Contains 17 tables, 15 appendices [including the interview questions], and 92 references.) (KP)

Impact of an Early Retirement Program: A Case Analysis of a Community College.

Lawrence Allen Roman

ROMAN, LAWRENCE ALLEN, Ph.D., August 1999 TEACHING LEADERSHIP AND CURRICULUM STUDIES

IMPACT OF AN EARLY RETIREMENT PROGRAM: A CASE ANALYSIS OF A COMMUNITY COLLEGE (262 pp.)

Co-Directors of Dissertation: Gary M. Padak
Steve O. Michael

This was a case study to determine the impact of Early Retirement Incentive Programs (ERIP) on Ohio's two-year public colleges through a single case study analysis at Monticello Community College. Data come from interviews using a semi-structured method and an examination of available college documents.

There has been published research involving Ohio's universities and public schools, but nothing has been published on this subject to date on Ohio two-year colleges. The results of this study may have a significant impact in financial and non-financial matters (i.e., number course offerings, curriculum, and faculty revitalization). The following research questions were addressed in the study:

What is the financial impact (savings versus costs) of ERIP at the college?

What are the perceived impacts of ERIP on academic matters in the institution?

What is the impact of ERIP on the structure and composition of faculty members?

What problems are anticipated from ERIP implementation, and what solutions are recommended to respond to these problems?

American education was not immune from the rest of the economy. In the 1970s educational institutions found there were fewer students and higher operating costs. School systems and four-year universities realizing that payroll and fringe benefits comprised a significant part of the operating budget needed to reduce the number of employees. Education administrators used ERIP as a vehicle to lower the number of faculty and staff.

In addressing the research questions, it was found that: (a) the net present value of early retirement resulted in a positive number indicating that the program is financially feasible; (b) the college has shown a lack of planning but has been able to maintain course offerings and programs; (c) there has been no substantial change to the structure and composition due primarily to restrictions on the administration from the collective bargaining agreement with the faculty, and (d) the most pronounced problem is the restriction by STRS not allowing the institution to have control over the prospective retirees.

IMPACT OF AN EARLY RETIREMENT PROGRAM:
A CASE ANALYSIS OF A COMMUNITY COLLEGE

A dissertation submitted to the
Kent State University Graduate School of Education
in partial fulfillment of the requirements
for the degree of Doctor of Philosophy

by

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DEDICATION

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I am not a spiritual person. However someone up there has been watching over me when I really thought I was beside myself.

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CHAPTER I

INTRODUCTION

The purpose of this study was to examine the impact of an Early Retirement Incentive Program (ERIP) on financial and academic matters at Monticello Community College. The limited amount of research in this area, coupled with the unique method by which ERIPs are administered through the State Teachers Retirement System (STRS) for public educational institutions in Ohio, dictate the need to investigate the impact of these programs at Ohio two-year colleges. To date, there is no published literature on the implementation of ERIPs at Ohio's two-year colleges. The limited research in this area has addressed Ohio public school systems and four-year universities.

In the late 19th century, beginning with American Express and the railroad industry, businesses started to offer a financial reward to retiring employees for their years of dedicated service (Edwards, 1981; Kieso & Weygandt, 1998; Morris, 1976). This payment, which became known as pension benefits, was discretionary and had no legal basis. In 1881, President Grover Cleveland studied the implications of pensions for Federal employees (Nevins, 1933; Welch, 1988). Pension policies also were endorsed by President Theodore Roosevelt in the early 1900s in keeping with his liberal views on social issues. This endorsement put him in jeopardy with his own Republican Party, which often looked conservatively on social programs. But the true watershed event in pension legislation was the Social Security Act of 1935 which, driven by the Great Depression, provided old age benefits in the form of a pension to citizens in financial need as a result of poverty, homelessness, disability, and ill health.

During the post-World War II period, organized labor demanded increased and improved pension benefits in collective bargaining agreements rather than larger wage increases (Dulles & Dubofsky, 1984). In the early 1960s most pension plans required employer consent for employees to retire early. Early retirement meant that retirement took place before age 65. Because unreduced Social Security benefits were paid only at age 65, employer sponsored pension plans were seen as supplements to Social Security (National Education Association, 1994). Employers frequently used a system of mandatory retirement. This usually resulted in the forced retirement of older employees from the workforce. The factors largely responsible for the proliferation of early retirement provisions were: (a) the enactment of the Age Discrimination in Employment Act (ADEA) of 1967 and the Employee Retirement Income Security Act (ERISA) of 1974, aimed at the removal of mandatory retirement policies; (b) personnel goals requiring the movement out of older employees in a mutually agreeable fashion in order to avoid layoffs; (c) changing public attitudes making early retirement more socially acceptable in the 1960s; and (d) employers feeling the need to cut costs (National Education Association, 1994).

Today, due to organized labor's efforts, pension benefits have become common for large and medium size companies and are gaining acceptance with small businesses (Kieso & Weygandt, 1998). The number of employees covered and the dollar amount of pensions illustrate the growing popularity of these plans. In 1975, for example, private pension plans covered 27.7 million workers, paid benefits of $16 billion, and registered asset values of $211 billion. By 1995, however, similar pensions covered 44.5 million workers, paid benefits of $106 billion, and contained assets of $2.5 trillion (Kieso & Weygandt, 1998).

When the Vietnam War ended, large U.S. defense corporations suddenly lost their markets for military equipment and systems. In addition, Japan and West Germany increased international competition in the high-technology areas (Dulles & Dubofsky, 1984). As a result, American companies were forced to "restructure," that is, severely scale back, their costs and production. America's dominance in the automobile, aircraft, and steel industries ended. Japanese automobiles and steel were often of superior quality and less expensive. To meet this historical and competitive challenge American businesses were quickly forced to downsize, merge with other companies, and lay off workers on an unparalleled scale (Zieger, 1986).

Many companies, in an effort to achieve humane personnel reductions, offered various incentives for employees to accept early retirement (National Education Association, 1994). These offers included (a) lump sum payments; (b) additional years of service added to pension benefits; and (c) increased benefits by some fixed amount or percentage.

The Federal Reserve Bank of Boston had addressed early retirement in conjunction with the cost of Social Security (Burtless & Munnell, 1990). Politicians and editorial writers have become critical of early retirement. The trend of early retirement began after World War II and became more pronounced in the 1960s and 1970s, leading to a decline in work productivity and elderly earnings. "Opponents of earlier retirement believe that keeping people in the workforce longer will raise the nation's output, reduce the costs of Social Security, and improve the well-being of older Americans" (Burtless & Munnell, 1990, p. 17). Groups such as employers, labor unions, and older workers wish the continuance of early retirement programs. Personnel practices in large companies appear to encourage early retirement programs.

At issue over the trend toward early retirement has been the slow growth of the labor force in the 1990s and a significant increase in the elderly population when the baby boomers retire in the next century. Opponents of early retirement are concerned over supporting a large retired population after the year 2010. In evaluating retirement issues related to economic factors, the concern over early retirement appears to be exaggerated. The trend towards early retirement has been focused primarily on men. Women are more apt to work longer between ages 50 and 64 than previously. The employment gains of women have offset much of the loss of men in the workforce. It is true that "the U.S. population is aging, and this must eventually raise the proportion of national consumption going to retired elderly, regardless of retirement plans" (Burtless & Munnell, 1990, p. 31). With an aging population, burdens are placed on present workers. Because of present U.S. demographics, consumption by the retired elderly will increase irrespective of early retirement programs. The crucial point is whether a propensity toward early retirement will place heavier burdens on future workers than they would have experienced anyway. The answer is in the cost/benefit and management of social programs that are being considered (Burtless & Munnell, 1990).

American higher education, like American business, was also reformulating its policies toward hiring and retirement during this period. Such policy decisions required taking into account economic and political conditions such as (a) student growth; (b) cost indices; (c) demographics; (d) programs of growth; (e) federal and state legislation; and (f) patterns of behavior (Schuster, 1990).

In the 1970s, public school enrollments dropped 9.8% nationwide (Grant & Eiden, 1981). The depressed economic climate, accompanied by stiff competition for jobs, caused families to relocate in areas where employment was favorable for both parents. The number of children per family dropped from 3.7 children in 1959 to 1.8 children in 1978. There were 18 births per 1000 population in 1971 and 14.7 per 1000 in 1976. These reductions have been attributed in part to improved birth control, liberal legislation of abortion, and an increase in divorces.

American education, like other sectors of society, was also affected by these historical and demographic trends. School systems adjusted to decreasing student enrollments by offering faculty early retirement incentive programs. An Early Retirement Incentive Program (ERIP) is a business arrangement between the employer and employee providing a reward or inducement for an earlier than anticipated departure (Kepple, 1984). The implementation of ERIPs in education was designed to encourage the retirement of faculty "through a special compensation package" before their normal retirement age (Chronister & Kepple, 1988). These inducements typically include enhanced pension benefits, phased retirement, health benefits after retirement, or a cash payment. The program is nonmandatory for the employee, and the incentives are structured to meet criteria established by the individual institution. It is a formal contract, requiring an offer from the employer and acceptance by the employee. Depending upon the reason for establishment, ERIPs should benefit both retiree and institution (Chronister & Trainer, 1985).

In the 1970s and 1980s ERIPs were very popular in higher education (Casper, 1990; Mooney, 1993). They were viewed as a means of reducing faculty size and avoiding the termination of younger, untenured faculty. During this period, institutions evaluated ERIPs by looking at their impact on direct cost as well as indirect cost factors such as the growth and maturity of younger faculty members, who typically had not actively participated in departmental and governance matters. New faculty, it was thought, would introduce fresh ideas, provide much needed diversity, and eliminate stagnation of older faculty who were experiencing "burn out" and lacked their original dedication to education (Kreisman, 1996).

During the past decade ERIPs in higher education have become "increasingly popular" (Chronister & Kepple, 1988). ERIPs have evolved into a form of fringe benefit closely tied to the modification and change of existing pension plans. Today ERIPs are widely used in public higher education and their use is expected to continue into the future. Governing boards, seeking to reduce costs, will continue to offer ERIPs in an effort to downsize the workforce. For the foreseeable future demographic and economic factors will encourage the use of ERIPs as a tool for cost containment and educational improvement. However, there may be differences in the success and impact of ERIP implementation based on type of higher education institution; hence the need for the current investigation.

Purpose of the Study

The primary purpose of this study was to examine perceptions of the impact of an Early Retirement Incentive Program (ERIP) at Monticello Community College implemented through the State Teachers Retirement System (STRS) in Ohio. This study focused on how the adoption of an ERIP affected institutional revitalization and cost containment. Particular attention in this study was devoted to interviews with key administrative personnel and faculty, and an examination of documents. To date, dissertations written on this subject have only addressed Ohio public school systems and the traditional four-year university (Koroloff, 1985; Tang, 1993). These studies found that implementing ERIPs have been financially advantageous.

ERIPs have been enacted in public schools primarily due to cost constraints resulting from declining enrollments. Where feasible, ERIP retirees can be replaced by younger, motivated, and highly skilled personnel who can offer the most current state of the art in the classroom. When considering the implementation of ERIPs, school administrators generally take into account four factors: (a) methods of funding; (b) potential changes in staffing levels; (c) state regulations; and (d) demographic patterns (Koroloff, 1985).

Public schools in Ohio receive an average of 51.2% of their revenues from local taxes, usually in the form of property taxes, and 42.5% from state subsidies. The remaining funds come from the Federal Government (Ohio Department of Education, 1996). In the more affluent suburbs property tax revenues comprise 85% of school system funding (Ohio Department of Education, 1996). Recently school systems such as Cleveland Heights/University Heights have used an income tax in addition to property tax in providing funding. Thus if ERIPs are implemented in the public schools, they prove beneficial in staff reduction, faculty replacement, cost reduction, and improving employee morale (State Teachers Retirement System, 1987).

As in public schools, ERIPs in four-year Ohio public universities have been implemented primarily to reduce cost (Tang, 1993). Ohio public universities receive funding from state instructional subsidies (35%), tuition and fees (35%), and other sources (30%). The state subsidy is determined by using a formula for the total of summer and fall term enrollments (Ohio University, 1997). In its budget process the university is required to calculate enrollment by using Full Time Equivalent (FTE) student enrollment. This ratio is determined by dividing the total enrolled credit hours by the number of credit hours required for a full-time student. Annual state subsidy granted to the institution is determined by the FTE in a course times the state allotted dollar per FTE for that course. This is different from the subsidy awarded to the public schools. They receive an amount of $3,500 per student times a district-calculated factor (Ohio Department of Education, 1996). Thus, the cost savings of implementing an ERIP for four-year universities will usually be greater than for the public school. This is caused by the greater amount of subsidy per student, the greater number of courses and programs, and the greater number of students at four-year schools which all impact the state instructional subsidy.

The community college is unique (Ohio Revised Code, 1965). It is a hybrid of elements of both the university and public school. It receives funding from tax levies on real property, from state subsidies, and from tuition and fees. In relation to the Ohio Board of Regents, the community college is as autonomous as universities, but it has a strong responsibility to constituents in its community. A community college is created by a vote of the people, and its respective county charters it. Demographics are as important to the community college as they are to the local public school system. But the community college has the autonomy to create and modify programs like a university. Its primary focus is on teaching with only a minimal emphasis on research and on community service. Many programs are established as result of community need. The number of academic programs is less than in the university because, in addition to college transfer programs, the emphasis is also on technical programs, retraining, displaced homemakers, and the college dropout. Because of its hybrid nature, the benefit or detriment of an ERIP to the community college is unclear. The purpose of this study is to clarify this issue.

Statement of the Problem

Currently little is known about the impact of ERIP on Ohio community colleges. Existing literature has primarily addressed the issue of financial feasibility of instituting such plans at public schools and traditional four-year universities. Usually faculty members nearing their normal retirement age have been offered incentives to retire early. The intention of early retirement programs is to replace faculty generally near or at the top of their salary range (usually higher salary) with a younger faculty member at a lower salary. In some cases there may be no replacement. Thus, it is anticipated that an ERIP will create a financial gain (savings exceeding costs) for the institution.

However, the early retirement of experienced faculty may hinder an institution's ability to deliver quality instruction as well as affect other academic matters. Educational institutions attempt to maintain a balance of veteran faculty while at the same time hire new and often younger faculty. This balance assures program integrity and the continuation of quality instruction while simultaneously integrating new faculty into the institution. In some cases, retired faculty members are not replaced creating a potentially negative impact on program integrity.

The composition and structure of the faculty resulting from an ERIP should offer new challenges to faculty who may never have had a strong voice in departmental affairs and governance. With this faculty turnover, courses and programs previously judged stale might be regenerated by this new blood. These fresh thoughts and new ideas may very well increase enrollment and reduce attrition.

Unfortunately, there may be problems associated with enacting of ERIP programs. These problems involve such issues as: collective bargaining, employee morale, management and faculty cooperation, and existing legislation.

This case study is important because the central mission of the community college is teaching and the lifelong learning of its students. Although community colleges have implemented ERIPs, the true impact of these programs is currently unresearched. The present study is based on information gathered from Monticello Community

College's administration and faculty, and relevant documents.

Research Questions

In order to explore the impact of ERIP at a public community college, the following research questions guided this study:

1. What is the financial impact (costs and savings) of ERIP at Monticello Community College?
2. What are the perceived impacts of ERIP on academic matters in the institution under investigation?
3. What is the impact of ERIP on the structure and composition of faculty members at Monticello Community College?
4. What problems are anticipated from ERIP implementation, and what solutions are recommended to respond to these problems?

Significance

The present study should provide a better understanding of the impact of ERIP on public two-year colleges in Ohio. It should not only benefit the participating institution and its constituent bodies but also afford a source of information for other Ohio two-year colleges as they consider whether or not to implement an

ERIP. This study's outcomes can provide a database for decision-making by the Ohio Board of Regents. The results could challenge boards of trustees and legislators into refocusing their efforts toward serious cost-containment plans, without jeopardizing the educational mission of the two-year college. Finally, this study benefits Monticello Community College by providing the institution with relevant information to assess the impact of past and subsequent ERIPs.

Limitations of the Study

This research was conducted using a case study format and was limited to Monticello Community College in the state of Ohio. It focused on the impact of ERIP on the institution and ignored post-retirement benefits of the early retirees. Whereas the results, conclusions, and recommendations of this study may have broad application to the Ohio community college system, they are most applicable to Monticello.

A second limitation involves potential risk arising from the interview methodology. It is important to realize that when interviewing staff members there is a risk of biased responses.

Assumptions

There were two major assumptions behind this study:

1. The institution is always looking to create new and better programs. Community involvement in the institution assures an institutional commitment to provide relevant programs and services to the community. The institution must be aware of social, economic, and political changes. Therefore, it is assumed that the institution under investigation would have enacted an ERIP in a manner that best responds to the needs of the institution and the community.

2. Academic integrity is accomplished by having full-time tenure track faculty in the classrooms. The primary mission of faculty members is to teach and be available to students for follow-up with material required in class such as homework and outside projects. In addition to providing students with confidence and reassurance, faculty also serve as role models for the class and the community, not only as master teachers but also as experts in their related fields.

Definition of Terms

Academic workload--The obligations of the faculty member to provide teaching, professional expertise, and academic advising in meeting contractual responsibilities. The policies and procedures governing workload are contained in board of trustee policies and the collective bargaining contract. The components of the workload involve direct teaching assignments, committee assignments, program coordination, and reassigned time out of the classroom.

Academic rank--The professional position of a faculty member in the college, that is, lecturer, instructor, assistant professor, associate professor, or professor. The rank of the tenure track faculty member is delineated by board of trustee policies. The procedures for advancement in rank are determined by academic achievement of graduate credit hours, length of service to the institution, length of service at particular rank, and involvement in activities outside the institution.

Cost--The use of resources or assets to purchase service credit for prospective retirees as a result of an ERIP through STRS.

Early retirement--The process of allowing faculty and staff to retire before reaching a normal retirement age through the purchase of additional years of service in the State Teachers Retirement System (STRS). This plan is known as an Early Retirement Incentive Plan (ERIP). The procedures are defined by STRS and are made available by the board of trustees. Early retirement is often made available via collective bargaining. STRS is the teacher retirement program enacted by the legislature and funded by employees with matching funds by boards of trustees. ERIP is a contractual obligation offered by the board of trustees to the eligible faculty.

Mandatory retirement--A personnel policy established by the employer requiring retirement by age 70. This policy was abolished by the federal statutes of the Age Discrimination Act and the Employee Retirement Income Security Act. This legislation uncapped the age limit and allowed faculty to teach until they are ready to retire voluntarily.

Normal Retirement--A voluntary personnel policy identifying an age range when typical retirement occurs, usually between ages 62 and 65 or after a number of years of service. The retirement of a faculty member is solely his or her choice. No statute or policy mandates such action.

Non-eligible faculty--Faculty members not meeting age and length of service requirements for ERIP.

Eligible faculty--Faculty members desiring to retire early and meeting the conditions of age and years of service with the employer. STRS rules state that the minimum age for ERIP is 50 and a minimum of 5% of its membership must be offered the program. The years of service are determined by the years at the participant institution.

Fringe benefits--Compensation beyond salary such as medical insurance, life insurance, and leave that is by college policy assigned to an employee. This varies by institution and by state.

Premium--The cost paid by the college to STRS for the early retirement of its full-time faculty.

Savings--The calculated difference between the cost of purchasing the premiums for employees retiring through ERIP and reduced cost for staffing after the enactment of the plan.

Window--A time period in an ERIP where participation is offered to eligible members. It must be for a minimum of one year, but it may be extended for any number of years. In some institutions it is continuous. The window is selected by the board of trustees based on criteria set forth by STRS.

Summary

This chapter outlines a research study examining the impact of an ERIP on Monticello Community College. The case study inquiry posed four research questions. Data collection involved conducting interviews and reviewing documents to determine the impact of the application of an ERIP on a typical Ohio two-year community college, Monticello Community College.

CHAPTER II

OVERVIEW OF RELATED LITERATURE

The purpose of this study was to examine the impact of Early Retirement Incentive Programs (ERIPs) at Monticello Community College. Even though there is no published research on the impact of ERIPs on Ohio's two-year community and technical colleges, related studies have directed the present research. This overview of related literature covers three areas. The first section presents an overview of general literature related to early retirement. This area will review pensions and ERIPs in industry and government and provide some historical perspective. Because ERIP is connected with pension planning, this information is relevant to this inquiry. The second section examines student enrollment trends and the costs of education. There has been substantial research on four-year universities and public school systems. These studies show that declining enrollments along with the costs of education are primary reasons why ERIPs are being offered. The last section examines the positive and negative aspects of early retirement. Some of the research shows that the instructional delivery to students may be adversely affected. Also, the Financial Accounting Standards Board (FASB), by issuing FASB No. 87 (see Appendix A) and FASB No. 106 (see Appendix B), involving the accounting treatment of pension and post-retirement benefits, impacts the use of an ERIP by the educational institution.

Overview

A pension is a contractual obligation between an employer and an employee, often involving a collective bargaining agent (Pensions, 1996). Under the terms of a pension, the employer (i.e., board of trustees or board or directors) will direct management to contribute a certain sum of money to a fund, often managed by a fiduciary, while the employee is working. In some plans there is also an obligation by the employee to provide a contribution. When the employee retires, he or she receives monthly retirement checks in an amount determined by the number of years of service and age at retirement. Retirement plans are either defined benefit plans or defined contribution plans (TIA-CREF, 1996). A defined benefit plan provides a fixed level of benefits which is determined in advance. The benefits are paid using a formula based on the retiree's years of service, salary, and age at retirement. The benefits are distributed to the plan participants from an account representing its accumulation through contributions made by the plan sponsor, or by both the employee and plan sponsor, plus interest on asset values. Under a defined benefit plan the responsibility for adequate funding and the cost to maintain the plan fall upon the plan sponsor. In a defined contribution plan the employer promises to make specified contributions to the retirement fund but does not specify the benefits to be paid to the retired employees. This type of plan directs a percentage of the employee's salary to be withheld by the employer, as a fiduciary, and remitted to the participant's account. The benefits at the time of retirement will be based on the accumulation of all contributions plus any investment earnings. The risk and performance of the plan is the employee's responsibility.

An early retirement incentive program is intended to satisfy the personnel and financial goals of an organization while at the same time creating a climate of voluntary workforce reductions (National Education Association, 1994). This goal is accomplished by offering a short-term increase in organization retirements. Often early retirement is not a component feature in a retirement plan, but is a "special event, well-defined in time" (National Education Association, 1994, p. 3). Early retirement incentives proposed by both private industry and public service, during the 1980s, resulted from economic constraints and the necessity for reductions in the workforce.

Early retirement programs as a human resource tool are increasingly used as an economic long-run vehicle to variations in business conditions (Davidson, 1996). The slow economic period of 1982-1992 provided evidence that an ERIP was a valuable management tool. This was due in part to organizations explaining the need for the action, the timing of the announcement, the firm's size, the impact on white-collar workers, and the magnitude of the program. Dramatic changes in the workforce and society show greater numbers of women employed, structural changes in the economy, changes in employer-employee relations, and the use of ERIPs (Stelluto & Klein, 1990). These trends point to changes in pay, paid leave, and retirement. It has become common practice for companies to downsize and restructure (Strong, 1992). This trend involves workforce reductions, product line efficiency, business reorganizations, and plant closings. Higher management and boards of directors are concerned about maintaining the company's mission statement and wish to avoid displacement of workers. It is also their feeling that human resource problems in connection with downsizing can best be addressed by improved management actions.

The traditional 40-hour workweek is becoming obsolete (Curnow, 1994). By eliminating many of the essential staff through ERIPs, corporations seek to utilize the talent of these retirees by rehiring them as consultants at reduced compensation with no fringe benefits.

A Department of Labor Study in 1989 examined issues concerning the U.S. aging labor force. Its findings are that (a) tomorrow's workers will have a higher median age; (b) older people will live longer, will be healthier, and will have longer productivity on the job; and (c) older people may choose early retirement as opposed to continued employment.

Surveys of public and private employers indicate that employees in private industry accept early retirement offers more often than public service employees (Government Finance Review, 1996). Also, the organizational policies and practices regarding early retirement show the benefits and plan options are of equal value (Schreeve, 1988). It would appear that corporations offer fewer opportunities for a gradual or phased-in ending of one's career.

Industry

Businesses faced with increased costs of operations and reduced "real" revenues have offered a variety of early retirement programs. These have been offered as an alternative to involuntary layoffs (Crooker, 1995) and as part of a more comprehensive termination program. The offers have included enhanced severance pay and transition assistance, compensation for community service, incentives for self-employment opportunities, and internships with non-competing companies (Kraus, 1996). Several examples follow.

The Bank of Boston, faced with excess costs because of a merger with Bay Banks Inc., offered early retirement to 1,500 of its 25,000 employees to trim its workforce by 5% (Kraus, 1996). This action was recognized as an example of corporate responsibility. In addition to liberal severance pay, the bank assisted displaced workers with temporary assignments with non-competing companies, aided in networking them to bank customers, and initiated Small Business Administration (SBA) loans to help in starting their own businesses.

Southern New England Telephone (SNET) began to downsize employees from their collective bargaining unit in 1995 (Employee Benefit Plan Review, 1996). During a three-month window from May 1, 1995, through July 31, 1995, the company received ERIP applications from 42% of the eligible personnel. This was significantly more applications than anticipated. The offer of ERIP included six additional years of service credit which was not precluded by age requirements of the normal retirement policies. The employees had a choice of either accepting the retirement benefits in a normal monthly check or receiving a lump sum distribution, using a present value of annuity factor. Those employees not choosing the ERIP each received a bonus check of $750 and became participants in a new pension plan.

Delta Airlines offered an ERIP in 1993 to 3,000 of its employees in order to return the airline to "sustained profitability." The company would take a nonrecurring charge against current earnings and profits of $70,000 for each retiree or an aggregate amount of $210 million. The airline anticipated that this cost would be regained through employee cost savings and increased worker productivity over the following two years. The company reduced its staffing levels by 6,200 jobs or 7.7% of its workforce. The chairman of the board, Ronald Allen, stated that "early retirement will allow the airline to more closely match staffing and business needs" (Thurston, 1993, p. 1).

General Motor's Electro-Motive division planned to cut more than 20% of its 1,339 hourly employees by the end of 1997 utilizing an ERIP (Phillips, 1996). The cutbacks followed the closing two small plants in Florida and California. This action was taken as part of nationwide labor agreement.

Other companies such as Aluminum Company of America, Texas Instruments, Pathmark Stores, and Levi Strauss & Co. also offered ERIPs to their employees over their concerns that excess costs would require involuntary job displacement (Alcoa offers, 1996; Foderaro, 1997; Levi's retirement, 1995; TI posts, 1996). The companies used combinations of severance pay and additional years of service in the plans.

It has been found that many pension and post-retirement plans have the largest compensation value as employees approach retirement or early retirement age (Woodbury, 1991). Economic research shows that a sharp decrease of compensation at a particular date is a deliberate attempt by business to reduce worker compensation or to encourage retirement of older workers being paid more than their productive worth. Even with policies encouraging retirement, the retirement incentives are not a motivation in the design of retirement plans. The important factors affecting these policies are that (a) companies want to be competitive on retirement policies, and (b) companies want to adequately provide for the retirement needs of their employees.

Because of the extended period of rising stock values companies' pension assets are increasing in size, allowing them to increase earnings, offer early retirement, and free up needed cash (Woolley, 1996).

Government

Federal

Buyouts in the Federal government provide employees in non-defense agencies the equivalent of 15% of salary in addition to the buy-out price of up to $25,000 per employee (Causey, 1997). This cost is considered high, and department heads have wide discretion whether to offer the plans. In addition, a voluntary ERIP is available to departments and agencies. In order to qualify, workers need to be at least 50 years old with 20 years of credited service or any age with 25 years of credited service. To take advantage of this voluntary plan the employee must reduce his or her annual annuity by 2% for each year the worker is under 55 years old.

For fiscal year 1997, the Department of Defense (DOD) budgeted $26.1 million to continue Special Separation Benefit Programs (Barrett, 1996). This incentive provides lump-sum payments to service members who have 6 to 19 years of service and who voluntarily separate. It is anticipated that 450 armed services personnel will take advantage of this plan. Over 106,000 service personnel have used the program since 1992. In addition, DOD has offered a Variable Separation Program which is available to all branches of military service. In the first year under the variable plan, 6,300 elected to retire.

State and Local

The state of Michigan has reduced its workforce 15% by enacting legislation offering an early retirement plan to its 7,000 employees (Hornbeck, 1996). The plan gave additional years' service credit and increased benefits to state employees. They were allowed a two-month window to apply for the program. The eligibility fell into the following categories: (a) age 50 with at least 25 years of service; (b) age 55 with at least 15 years of service; and (c) age 60 with at least 10 years of service. The incentive plan reduced the age and years of service to retire. The benefits (a) improved the economy and efficiency of the state's operations through restructuring; (b) saved the state $25 million a year; and (c) moved the state to a defined contribution pension plan which eliminated having unfunded pension liabilities.

Minnesota has offered a variety of early retirement incentives for public employees, including state, city, county, and school districts (Early Retirement Incentives, 1995). These ERIPs have been designed to reduce salaries, avoid layoffs, and increase employee productivity. Proponents of the plan contend that the public will save money by inducing older, higher paid workers to retire and either replacing them with lower paid employees or not filling those vacant positions.

Two types of early retirement incentives in the Minnesota Plan are: (a) employer-paid health insurance until age 65 (when the retiree becomes eligible for Medicare), and (b) higher pension benefits. In the years 1990, 1991, and 1992 the employer-paid health insurance plan was available to those employees who retired between the ages of 55 to 65. Eligible state employees, members of the General State Employees Retirement Plan (GSERP), could elect either the health insurance to age 65 or the higher pension. Selecting the higher pension option would increase their pension benefits approximately 15%. Eligible county, city, and school district employees covered by the Public Employees Retirement Plan (PERP) could select either plan, provided they were both offered. The impact of the retirement incentives were as follows: (a) about one-half of the employees who participated in the program would have retired at the same time irrespective of the incentives; (b) participants retired from .5 to 1.7 years earlier than expected; (c) the cost of these incentives was between $101 million and $132 million; and (d) the cost to retire each school teacher ranged from $29,800 to $39,900, each state employee from $28,600 to $35,000, and each local employee from $21,800 to $29,700. The overall cost of the ERIP is greater than the savings. But when there was staff reduction followed by new hires at lower pay there was a significant saving.

In Lakewood, Ohio, the Department of Public Works faced escalating costs because of Federal regulations regarding waste disposal and increased costs of landfill (Slavik, 1995). To reduce labor costs, Lakewood employed an ERIP. Staffing was reduced from 70 to 56, while the department improved its operation and became more involved with the taxpayers.

Legislation

Federal legislation in 1994 uncapping the retirement age has implications for tenure, retirement, and potential age discrimination (Morrell, 1993). Projections for the year 2000 see (a) senior faculty being reduced by at least 40% because of retirements, and (b) not all the retirees will be replaced (Moore & Amey, 1994). It is of great concern that these educational institutions preserve their mission and direction through practices of hiring and compensation.

The passage of the Earned Retirement Income Security Act (ERISA) does not require that institution pension plans offer early retirement (SPRY Foundation, 1994). The legislation gives employees more portability of pension benefits when changing jobs and a more liberalized vesting period for accrued pension benefits. However, the pension plans have formulas clarifying early retirement benefits.

The U.S. Congress in passing Title X of the Higher Education Act had an impact on retirement incentives (Flower, 1998). When mandatory retirement was ended with the passage of the Age Discrimination in Employment Act (ADEA) in 1986, questions still remained for choices available to tenured faculty. Because of the administrations' uncertainty over the potential retirement choices that would be offered to full-time faculty, higher education received an exemption to December, 31, 1993, to phase in this new piece of legislation. In preparation for the uncapping of the maximum retirement age, colleges and universities used retirement incentives to make retirement more attractive. To encourage these incentives, many colleges and universities also placed a maximum age at which these extra benefits would be available. This became a matter of controversy. It was argued that these age limits violated the ADEA and the Older Worker Benefits Protection Act (OWBPA) which had been adopted in 1990 to insure that early retirement incentives would not be in conflict with the ADEA. So in 1993, many educational institutions sought legislation to end this controversy. The bill (Flower, 1998) that has been passed includes the following:

- Higher education institutions will be permitted to offer voluntary retirement incentive plans to tenured faculty.
- Institutions will be prohibited from reducing or terminating any other benefits on the basis of age.
- The benefits offered under the new law will have to be in addition to any retirement or severance benefits.

This bill will allow every employee to qualify for the top benefit offered because those faculty who qualify for the retirement incentives but who have already gone past the age window when a new retirement plan is adopted will have the right to consider for six months whether they want to retire. In addition, faculty who are not eligible when a new plan is adopted because of not working the required number of years will have six months to consider the plan when they do become eligible (Flower, 1998).

Case Law

Employers are facing the prospect of litigation (Caudron, 1996). The number of workers suing their former employers is at an all-time high. This is happening because of the large number of people out of work and unable to find employment as a result of widespread corporate downsizing. The number of lawsuits is likely to increase as companies continue to restructure (Caudron, 1996). Companies can not be immune from these actions, but there are steps to follow:

1. Be ready to justify a reduction in workforce;
2. Evaluate alternatives to involuntary layoffs;
3. Consider voluntary separation programs;
4. Investigate the use of employee separation agreements;
5. Prepare for a reduction in force;
6. Keep in mind post-reduction considerations.

The U.S. Supreme Court has ruled that employers can make employees promise they will not file future employment discrimination claims such as age discrimination as a condition for getting early retirement benefits (Lissey, 1996). The court upheld the legality of company practices using early retirement incentives in reducing payroll costs without being liable for age discrimination suits. One case involved Lockheed Corporation, which implemented an ERIP to reduce its workforce. The court opinion, rendered by Justice Thomas, held that "Lockheed and its board of directors, as plan sponsors, were not acting as fiduciaries when they amended the pension plan. Under the plan's provisions, eligible employees were offered increased pension benefits paid out of surplus plan assets" (P. M. Barrett, 1996, p. 1).

This overview has shown the concern over excessive costs in private industry and the Federal government. Most companies have attempted to ease the transition of workforce changes by offering some type of voluntary separation plan. In addition legislation and case law have addressed the issues covering pensions and early retirement.

Non Ohio

Public Schools

The development of ERIP saves jobs and money (Polansky, 1990). Older and more expensive staff gain benefits and school systems can eliminate positions without having to lay off people. Some school systems that have experienced ERIPs are discussed as follows.

Declining enrollments have necessitated a decrease in the size of many suburban school systems' faculty throughout New York, New Jersey, and Connecticut (Auriemma, 1990). The result is that teachers with 15 years of service or less are losing their jobs because of decreasing student population. The "last hired-first fired" provision in school board policies and collective bargaining agreements has created a faculty of primarily senior teachers. This development has caused districts to begin offering a variety of early retirement incentive plans. The plans were designated as liberal, moderate, and conservative through the use of a percentage ratio, representing the incentive payoff divided by the school districts' maximum salary (Auriemma, 1990). Districts having a high ratio were considered to be liberal, whereas districts with lower ratios were classified as moderate or conservative. The success of any plan was determined by the plan's cost effectiveness, that is, the amount saved divided by the amount paid out for incentives. The results show that the payment of a high incentive does not necessarily provide a high cost-effectiveness. School districts capable of formulating cost-effective plans, according to Auriemma, should continue to do so and revitalize their organizations while realizing gains in personnel and finance.

In Delaware, over half the eligible educators took advantage of the state's early retirement option (Cannon, 1994). The plan was not intended for educators, but every school district became involved. Aging teachers and the need to induce them to retire early are significant human resource problems. Financial concerns are the most important factors influencing the early retirement of educators. The impact on school systems appears to be the need to save money and to restructure the organization. School systems should be cautious when reducing expenses or cutting the workforce.

In examining the attitudes of Mississippi school superintendents toward early retirement plans (Burchfield, 1995), it was found that the majority of school superintendents were supportive of retirement programs. Such programs provided an opportunity for superintendents to start a second career. Age was the main predictor of early retirement. The mean age of superintendents at their retirement was 54.1. It appeared that older superintendents were more satisfied with their jobs and less interested in early retirement. The more experienced the individual the greater was the propensity to retire early.

The New York Legislature has approved a measure allowing thousands of New York State's teachers to retire. This measure was heavily endorsed by the American Federation of Teachers (AFT). New York City Mayor Rudolph

Giuliani and Schools Chancellor Rudy Crew opposed the bill. One element of the bill was that teachers could retire at age 55 with only 10 years of service and receive full pension benefits. The Board of Education estimates that the system would need to hire 6,000 new teachers during the next 12 months, which is near 10% of their present 65,000 workforce (Steinberg, 1996).

Higher Education

University officials must reexamine their institution's mission and purpose (Butterfield & Wolfe, 1994) by reviewing budgetary constraints and program evaluations. They must recognize that downsizing may be necessary. Early retirement is considered the best vehicle to meet the budget goals of reducing costs. Colleges and universities are trying to turn over faculty more quickly and to introduce greater diversity through hiring younger professors. This turnover will reduce the net cost, as lower paid faculty will replace higher paid ones. College faculty with the right incentive will retire early (Daniels & Daniels, 1990). With the elimination of mandatory retirement, institutions will have to revamp pension plans and introduce voluntary incentive options. During the 1960s and into the 1970s there was a significant growth in faculty size. These hires are now the aging faculty in higher educational institutions. More than one third of the nation's colleges and universities have offered early retirement benefits. The trend is likely to continue for years. This may include phased or full retirement programs. Factors affecting the college faculty labor market now and in the future are (a) difficulties in forecasting teacher demand via enrollments and faculty turnover; (b) political conditions; (c) immigration issues; (d) need for staffing flexibility; and (e) new technology. Some examples of ERIPs in four-year non-Ohio universities follow.

The Virginia Legislature, by enactment of House Bill 1499, established an ERIP for state employees reaching the age of 50 and having 25 years of service. Not all vacant positions were filled. Over 800 college and university staff and administrators and 750 faculty were eligible for the program. A statewide savings of $37.1 million was estimated (State Council for Higher Education for Virginia, 1991).

California colleges and universities have faced severe budget problems in the early 1990s (Huggett, 1994). Community colleges expected to lose $60 million because of a shortfall of property taxes caused by a recent earthquake and a 9% drop in student enrollment. The state universities experienced a 13,000 student decline in enrollment. Consequently, university students had to pay $620 more in fees annually. Lower enrollment allowed more than 900 university professors to take advantage of an ERIP in 1994-1995. Over 2,000 faculty opted for early retirement over the past three years.

Stanford University offered bonuses to professors who chose early retirement under a new incentive program (Stanford offers, 1994). Professors 60 years of age or older with at least 15 years of service were eligible for bonuses equal to double their salary, and upon retirement received their full benefits. About 200 of the 1,400 faculty were eligible for the bonus. The average salary for full-time professors was $95,200. Early retirement was being offered to "strengthen the desire for faculty turnover for financial, but also for nonfinancial, reasons from the point of view of new blood and new faculty initiatives" (Stanford offers, 1994, p. 6).

A case study was conducted to examine the effects on academic departments after the adoption of an early retirement incentive program at Auburn University in 1995. It enabled the university to adequately handle its fiscal affairs with the Governor proposing a 12% cut in their budget. Eighty faculty members who were on nine-month contracts accepted the offer and retired early. As a result faculty members became overloaded with student advisees, departments lost institutional identity with the loss of senior faculty, research and scholarship were negatively affected, senior faculty who were adept at writing proposals and securing financing retired, and departments needed to use part-time faculty who often lacked expertise and experience. Administrators cannot predict who may elect the program. The criterion for eligibility is factored using length of service and chronological age (Yates, 1998).

An analysis of the two-year college system in Maryland showed that the revenue enhancement measures were most popular and staffing measures least popular in community college budget reductions (Clagget, 1993). This was due to mandated Medicaid and welfare expenditures by Maryland. Prince George's Community College, in an effort to mitigate the funding shortfall, implemented cost-containment measures. They included hiring freezes, suspension of purchases of non-essential equipment, and elimination of travel expenses for professional development. The college also instituted a furlough plan requiring mandated unpaid service depending on the type of employment contract and created a voluntary resignation program for employees with at least 20 years of service. In addition, they employed a downsizing strategy by eliminating vacant positions and reducing the hours of operation.

Ohio

Ohio's educators including teachers and college professors in public education are members of the State Teachers Retirement System (STRS). This retirement system serves more than 300,000 active, inactive, and retired Ohio's public educators. It has assets of 48 billion and is the second largest pension fund in Ohio and the 18^{th} largest in the United States. Since its beginning in 1920, the goal has been to manage the fund and to improve benefits to Ohio educators. It paid benefits in 1996-1997 of 1.9 billion dollars to its recipients. Employees and employers fund the system through contributions. Educators contribute 9.3% of their gross salary via payroll deduction. Employers are required to pay 14% of the employees' payroll into a trust fund. The 859 employers include public schools, county education centers, exempted village schools, vocational and technical schools, county boards of mental retardation, and Ohio public higher education (STRS, 1998).

Public Schools

An analysis of Ohio school systems was conducted to examine the effects of declining enrollments on school administrators' decisions (Tighe, 1985). The administrators took into account (a) size of the school district, (b) philosophy of the administration, and (c) percent decline in enrollments. Their review found that the enrollments were as predicted, that use of personnel and resources was important at this time, that seniority in the system determined the basis of workforce reductions, and that increased age and experience affected the salaries and benefits. The system employed the use of an ERIP to combat the effects of enrollment decline. The hiring of less experienced teachers and the elimination of staff positions proved to be a financial benefit and had no negative effect on educational programs.

The Mentor Exempted Village School District showed in a report issued to the Ohio School Boards Association, dated March 28, 1996, that they had enacted an early retirement incentive program in conjunction with STRS (Ohio School Board Association, 1996). In deciding the most appropriate plan the district evaluated the number of years the district would purchase, which could range between one and five years of additional years of service. They also examined whether to use the minimum of 5% of the eligible membership or to increase it to 10% of the membership. In making the decision, they attempted to measure the cash flow and break-even points. After this review, the recommendation was to offer both a one year and two year purchase. The two year purchase was deemed acceptable and would break even after three years. The first year cash flow in the 5% capped plan would cost $254,048, much of this non-recurring severance salary. However, over five years, the district estimated a savings on a 5% capped plan of $3,057,266, on a 10% capped plan of $4,835,200, and an uncapped plan of $7,244,707. The estimated results of a one-year purchase would break even after two years. The cost in year one would be $636,828. The savings under a 5% capped plan was estimated to be $3,748,861, under a 10% capped plan $6,949,839, and under an uncapped plan $9,006,040.

Finally, in an internal report the Kenston School District analyzed their offering of a two-year early retirement incentive program. Their projected cost of premiums to STRS was $341,723 and the annual savings was $310,232. This results in the program being paid off in 1.1 years. The district considered this to be cost effective and recommended adoption.

Higher Education

Ohio State University in 1994-1995 offered an ERIP, and as a result 330 professors retired under the program. The university saved between $8 to $12 million a year in salary and benefits. Most of the retiring professors will not be replaced for the next several years. According to Kevin Sheriff, President of the Undergraduate Student Government, "I think in the end the goal is to bring new talent and new professors to Ohio State" (Ohio State University, 1994, p. 3). The average age of the retired faculty is 60 with 25 years of service at the university, and an average salary of $69,300 a year.

The University of Akron in Ohio implemented an ERIP in 1989. It was done primarily to ease tension between the faculty and administration. In addition, the university wanted flexibility for staffing to save money and to fulfill the affirmative action goal to diversify faculty (Tang, 1993). The factors contributing to this were the following:

1. It was done successfully at other Ohio universities;

2. Faculty resented many changes made by the administration;

3. There was a movement toward collective bargaining;

4. The administration realized that an ERIP would be beneficial financially and could aid in reallocating resources;

5. They induced senior, higher paid faculty to retire prior to their normal retirement age;

6. They created a large turnover and moneys from vacant positions were allocated elsewhere.

The implementation of an ERIP in education is primarily to reduce costs and reenergize existing programs. It is also intended to allow younger faculty to assume roles in governance and department leadership from which they might otherwise be excluded. The institution then has the ability to reallocate surplus resources, as it deems appropriate.

Lakeland Community College, located in Kirtland, Ohio, offered an early retirement incentive program to its 120 full-time faculty as a result of the collective bargaining agreement with the Lakeland Faculty Association. It was anticipated that 14% of the faculty would take advantage of the offer. It allowed a window period of three years to all eligible faculty and the college could purchase up to five years of additional service. According to President Ralph R. Doty, the worst case scenario is that the college would at a minimum break even. He expected a gain of approximately $200,000. He said that all faculty who retire under ERIP will be replaced (McClellan-Copeland, 1998).

Summary

The application and use of ERIP is relatively new and was designed by organizations to reduce cost in a humane manner without having to lay off workers. This movement has been affected by legislation and court cases addressing the issues of age discrimination and liberalized pension benefits. There has been much research on this topic in business, government, and four-year institutions in higher education but very little written on its impact on two-year colleges.

CHAPTER III

RESEARCH METHODOLOGY

This chapter describes the research design utilized in this study addressing the development of the instrument, the site under study, and data gathering procedures.

The purpose of the study was to examine the perceived impact of ERIPs at Monticello Community College. The inquiry was based on the following research questions:

1. What is the financial impact (costs and savings) of ERIP at Monticello Community College?
2. What are the perceived impacts of ERIP on academic matters in the institution under investigation?
3. What is the impact of ERIP on the structure and composition of faculty members at Monticello Community College?
4. What problems are anticipated from ERIP implementation, and what solutions are recommended in response to these problems?

Since financial and nonfinancial consequences of early retirement at one institution were examined, a descriptive case study research design was utilized. Descriptive research methods are nonexperimental since they involve relationships with nonmanipulated variables (Merriam, 1988). The events or conditions under study have already taken place. Descriptive research is intended to find answers to questions by an analysis of the variables (Best & Kahn, 1993).

The case study approach is a method to "organize social data for the purpose of examining some social phenomenon" (Best & Kahn, 1993, p. 193). In descriptive studies, the unit under investigation may be any entity such as a person, a family, a social group, an institution, or a community. Case studies attempt to understand an important part of this unit. The case study is intended to "probe deeply and analyze the interactions of factors in order to explain its present status or that influence growth" (Best & Kahn, 1993, p. 193). The selection of the subject in the case study needs to be done carefully in order to ensure the ability to generalize its results.

The case study involves an examiner who is attempting to perform research on a subject or phenomenon (Borg & Gall, 1989). Not all education researchers favor the use of this method because of an apparent lack of research controls. The increased frequency of qualitative research "such as educational ethnography and the use of participant observers, has revived the case study approach" (p. 402). Many researchers consider the use of "case study, participant observations, and ethnography as synonymous" (p. 402). Case studies are based on the assumption that the case/phenomenon selected may be typical of other groups or events. Only in-depth observations and collection of other data during the study will determine the extent to which this is true. There is no way to know in advance how typical the selected case study is, and because of this it is suggested that several replications of the single case study be conducted (Borg & Gall, 1989).

Teachers, students, and other professionals in education have utilized case study research (Merriam, 1988). Whereas this research method is widely known, there is no significant consensus on the components and application of the case study. Much of the confusion is caused from researchers equating "case study research with fieldwork, ethnography, participant observation, qualitative research, naturalistic inquiry, grounded theory, exploratory research, phenomenology, and hypothesis generation" (Merriam, 1988, p. 5). To compound the confusion, case history, case record, and case method are often referenced as case study.

Academic discovery relies on research in order to constantly update its database (Merriam, 1988). The various disciplines of education place a premium on research "as a means of understanding, informing, and improving practice" (p. 6). In addressing a problem, the researcher should use a systematic approach. The case study is one which is intended "to study a phenomenon systematically" (p. 6).

The case study design may be experimental or non-experimental (Merriam, 1988). The experimental design assumes the researcher has control over the variables, and its intent is to investigate cause-and-effect relationships. Experimental studies require randomness of the variables. The nonexperimental, or descriptive, research is conducted "when description and explanation are sought," and it is not possible to control the potential causes of behavior and the variables (p. 7). Descriptive research is intended to study "events or phenomena" (p.7).

Glesne and Peshkin (1992) stated that researchers adopt a research methodology that is most congruent with their understanding of the world. The methodology must also be appropriate to the research questions posed. Given these realities, the case study methodology is most appropriate for this study.

An important aspect of the present study was interaction with key administrative personnel in order to measure accurately changes in costs and revenues. Particular attention was devoted to what administrators did upon the adoption and implementation of the ERIP. Reviewing relevant documents and workpapers provided additional data to answer the research questions.

Site of the Study

History of the Institution

Monticello Community College is located in the Ohio Valley region (Ohio Board of Regents, 1997). The Battelle Memorial Institute of Columbus, Ohio, conducted a study for the Monticello County Commissioners to determine area needs for training and education. The study found a definite need for post-secondary higher education that resulted in the formation of the college, Monticello County Technical Institute District. The college was chartered September 16, 1966, as a public two-year institute by the Ohio Board of Regents in conformity with the Ohio Revised Code, and a Board of Trustees was subsequently appointed. The county taxpayers showed acceptance of the college by approving a

10-year, one mil levy. The college went through remarkable growth and expansion to become a full service community college in 1995. This growth was accomplished in a number of stages:

Phase 1: The college district acquired an 84.7-acre tract of land within the Ohio Valley, for its campus site. The construction began in October 1967 and the first academic term began September 23, 1968.

Phase 2: This included building a second floor on the library, providing a nursing skills laboratory, student lounges, classrooms, and expanded parking lots. The construction was completed in early 1972.

Phase 3: Additional construction doubled the space in the lecture hall and increased its seating capacity to over 300.

Phase 4: Improvements completed in 1978 provided students with three outdoor tennis courts and two outdoor basketball courts.

Phase 5: During the Winter of 1983, the college constructed a health wing addition and a room renovation provided three new labs, two classrooms, six faculty offices, and a remodeled computer center. In addition, an office and a classroom were converted to service the individualized engineering lab.

Phase 6: In early 1989 three more computer labs, a business/industry conference room, and computer service facilities were built.

Phase 7: Renovations to existing offices, construction of new offices and workspace, and a conversion of a large open court area into a fully enclosed year-around student lounge was completed in the Fall of 1993.

Phase 8: In August 1996, the first floor of the health wing was repaired and a second floor was added which included one classroom and nine faculty offices.

Other Historical Events

In 1976 and again in 1986 voters of Monticello County approved a 10-year renewal of the one mill levy (Ohio Board of Regents, 1997). During 1977, the Ohio Board of Regents approved the change of name from Monticello County Technical Institute District to Monticello Technical College. Then in 1992, the Board of Trustees created a Blue Ribbon Panel to study the idea of converting the technical college to a full service community college. In September 1994, the Ohio Board of Regents approved the request from Monticello Technical College to modify its charter to become Monticello Community College. In February 1995, the Ohio Board of Regents approved a five-year operating plan that allowed Monticello Community College to offer Associate degrees in Arts and in Sciences.

Constituency

Monticello Community College serves residents and employers from surrounding counties in Ohio, West Virginia, and Pennsylvania. The population of the service district has declined significantly during the last decade because of out-migration associated with the loss of manufacturing jobs, especially in the steel industry. The present population in the service district can be characterized as older, less educated, and poorer than the population of the 1960s and 1970s. Currently, in Ohio and the nation, 11.7% of the population is above age 65. In Monticello County, that group accounts for 17.2% of the population.

It would appear that the general lack of education among the college's service district population would bode well for future enrollment at the college. However, factors such as poverty and traditional anti-education attitudes inhibit the enrollment of these individuals. In addition, a large percentage of the population must overcome substantial academic deficiencies in reading, writing, and mathematics before they can successfully complete the college credit programs offered by the college. Unfortunately, remedial and developmental education programs at Monticello lack the funds to meet the high level of need.

Community attitudes regarding women also contributed to the lower educational development of many women in the service district. Counselors reported that husbands and other family members are not supportive of women entering school largely because of the "women's place is in the home" attitude (Ohio Board of Regents, 1997).

College programs are determined primarily through surveys of local businesses and industries within Monticello County and the contiguous five county area of northern West Virginia. The college works closely with the state of Ohio labor market information system to obtain data that guides program planning. A college advisory committee monitors each program offered.

The college has developed several plans to assess expectations and requirements. Among them are the North Central Association Assessment Plan, Perkins Strategic Plan, OBR Service Expectations Self-Study, and the Evaluative Criteria draft. The college periodically surveys employees, students, and selected community groups to assess educational expectations. The alumni also provide feedback to the college about the performance of students and graduates.

Mission of the Institution

Monticello Community College serves as a "portal entry" into the higher education system for the citizens of Monticello County and the Upper Ohio Valley. The college provides students with a point of entry into technical occupations, assists local business and industry by providing a trained and educated workforce, and supports existing businesses and industries by retraining employees.

Basic academic skills (reading, writing, and mathematics) are provided to citizens lacking adequate preparation for college success. Opportunities are also offered for personal enrichment of community residents as well as credit and non-credit continuing education units to meet the community's needs.

The college has maintained working relationships with the local regional planning commission, the Ohio Bureau of Employment Services, Monticello County Community Action Council, Monticello County Schools superintendent and staff, local mental health agencies, NAACP, Monticello

County Chamber of Commerce, Monticello County Human Services Agency, the Convention and Visitors Bureau, and county and city officials. The college has a long, established relationship with local manufacturers, building trades, and steelworkers unions to provide credit and non-credit educational services.

Among the regional needs met by the college are the two-year programs in radiology, respiratory therapy, medical laboratory, robotics, building/construction trades, and instrumentation and control programs.

Functional Emphases

Monticello Community College emphasizes teaching and learning as the primary functions of the institution. Departmental research helps to develop quality instructional programs. The college provides technological and constructive public service information when the community needs and requests it.

The academic year for teaching members of the bargaining unit consists of two semesters. A full-time instructional assignment is 15-credit hour teaching load per semester or an average of 22 contact hours per week.

Disciplinary Emphases

The college offers 40 degree and certificate programs in business, engineering, allied health careers, and public service technologies (Ohio Board of Regents, 1997). Each program has particular strengths indicated by highly technical and hands-on learning applications as well as the money spent to maintain labs with state-of-the-art equipment and facilities. Innovation and program updates are the rule, not the exception at Monticello Community College.

The college offers many transfer and technical programs in the areas of liberal arts, business, fine arts, health careers, and continuing education. Included in the technical programs is service to business and industry in the form of non-credit, off-campus, and special needs education and training. The college is building a repertoire of courses and programs which award Continuing Education Units (CEUs) to participants to obtain and/or maintain licensing and certification.

Examples of public service include the Monticello Community College Basic Peace Officer Training and the Ohio Peace Officers Training Academy. For the past three years, an average of 19 individuals graduated from these two academies annually.

The increasing average age of the local population has supported growth in several areas of the health field. In addition, the Department of Business/Industrial Training and Community Education is exploring the market for combining currently offered courses with especially designed medical records courses to address the career objectives of a Certified Coding Specialist.

The college has engaged in worker training and retraining since the mid-1970s. During the last three years, an average of 242 people per year enrolled in credit-level instruction to upgrade/update job skills. Last year, 23% of the companies served had never previously approached the college for training. Participants in non-credit training programs have averaged 460 students annually over the past three years.

In the area of public service, the college demonstrates three major strengths:

1. It is involved with a wide range of community groups;
2. The faculty and staff provide a ready source of intellectual resources;

3. The college is not perceived by the community as aligned with any vested interest groups.

Emphasis on Baccalaureate Instruction and General Education

Monticello Community College's student body is composed exclusively of undergraduates. Students enroll in credit courses to earn degrees or certificates, which prepare them for transfer into baccalaureate level programs at upper division colleges and universities. Included in the enrollment are individuals possessing a bachelor's or advanced degree who are seeking education and training and technical hands-on experience in order to improve their value to the employer or to prepare for a career change.

Graduate teaching associates and teaching assistants are not part of the faculty. One hundred percent of the regular faculty time is spent in undergraduate teaching. As an ancillary to teaching, research in methods, media, and content is an expected function of the full-time faculty.

The college relies very heavily on faculty research in each course and program to maintain a current knowledge base and an awareness of current and developing technical innovations to maintain a quality, state-of-the-art program.

The college commits $60,000 a year to faculty and staff so they may enroll in graduate course work related to the courses they teach. This sum of money can accumulate year to year with a maximum not to exceed $120,000 in any two-year period. This averages approximately $666 per faculty and staff member.

Sponsored research is not a formal part of the college's mission. However, in the day to day routine of doing business with local industries, smaller subcontractors, and other economic concerns, the college and its faculty members are often called upon to research and solve local entrepreneurial problems.

Monticello Community College recently implemented an ERIP but had not conducted impact studies to determine the effectiveness of the program or the willingness of the college to initiate the program again. The board of trustees had operational and strategic goals it hoped to meet by offering the ERIP to its employees. In addition, the administration may have been mandated by the board of trustees to adopt procedures in line with STRS regulations while implementing the ERIP. As stated earlier, there is little or no research on Ohio public two-year colleges who have implemented an ERIP. The present research could be valuable in assessing the extent to which the employment of ERIP was a financial success or failure, whether the school's planned goals were achieved, and if the likelihood of the institution's offering another ERIP would be considered.

Monticello Community College is located in a typical Midwest suburban area in terms of both residents and businesses. In addition, its demographics and student profiles are similar to other Ohio two-year public community colleges in age, employment, student status, and reasons for attending. Other community colleges in northern Ohio have initiated ERIPs recently. The conclusions and recommendations gleaned from this case study may well be applicable for those institutions as well.

Data Collection

Data for this study was collected on the college campus over a two-month period. This fieldwork began when the college president met with the faculty leadership to inform them that a doctoral student from the Kent State University Graduate School of Education planned to conduct a case study on ERIP in order to complete degree requirements. Faculty members at the college were asked to participate in this study through a letter written to them by the college president (see Appendix O) urging them to allocate time either in their respective offices or at another designated location for their participation in interviews. This researcher met with the president of the college to obtain approval for estimated timelines to conduct the study on campus and for use of appropriate college facilities. At that meeting the president spoke of campus difficulties between the local chapter of the Ohio Education Association and the college administration. These difficulties have apparently resulted in a distinct atmosphere of mistrust, and he was concerned that the presence of the researcher on the campus would prove counterproductive for new labor negotiations that were to commence during the time of data collection. A better understanding of the college and its personnel was gained at that first meeting.

Data collection proceeded in the following ways: (a) interviews with members of top management, academic deans and directors, and present faculty; and (b) review of documents including: (a) composite listing of employees, (b) relevant salary and wage information, (c) schedules of early retirees and their replacements, (d) schedules of pertinent STRS information, (e) departmental reports involving staffing and enrollment, and (f) college accreditation and planning documents.

The following groups of academic and administrative personnel were interviewed: (a) college administrators, that is, vice-president for academic affairs, vice-president for student affairs, research and institutional development, vice-president for administrative services, and the vice-president for business services; (b) the academic deans and directors; and (c) selected faculty.

The informants were selected based upon the likelihood of their unique knowledge of relevant information. After the initial meeting with the president, but prior to the commencement of data collection, it was necessary to meet again with the president and his cabinet of vice presidents. The cabinet provided information about the overall college, and the departments and programs they felt were impacted by the ERIP. In addition, the cabinet members were skeptical of the proposed case study since they viewed the three prior early retirement programs as excessively expensive. The various deans could provide only a limited amount of information because their positions were only formed two years previously and none of them had been involved with the college when ERIP had been in effect. The faculty members to be interviewed were recommended by the president based upon his judgement of who could provide the best sources of information. This was often predicated on their relative longevity. Faculty offered perspectives on how their roles had changed and provided information on methodologies used to improve teaching delivery. Lastly, they provided information about their relations with colleagues, higher management, and their deans.

Semi-structured interviews of respondents were considered most appropriate by the researcher. Although questions followed a general guideline (see Appendix C), the interviewer was not bound by any fixed format allowing the informant response flexibility. Consequently the researcher received many unexpected answers that generated additional areas of inquiry. This format gave the researcher opportunities for follow-up questions while preserving the order of the interview. It also allowed the interviewee the opportunity to expand and develop his or her thoughts to give a more realistic and honest recital of the facts (Merriam, 1988).

Interviews

The informants for this study were top management, deans and directors, and faculty. In order for the researcher to better understand the culture of the institution, the subjects were asked to cooperate in a variety of semi-structured interviews. This approach was necessary because the impact of implementing ERIPs cannot be observed, and because this study required knowledge about the informant's feelings, thoughts, and intentions (Merriam, 1988).

The initial interviews and any subsequent interviews were designed to extrapolate data and information for database development. Dexter (1970) stated that there are three variables in every interview situation that determine the nature of the interaction:(a) the personality and skill of the interviewer, (b) the attitudes and orientation of the interviewee, and (c) the definition of the situation by both. The interview questions were intended to transfer research objectives into measurable language and to motivate the interviewee to share knowledge of the study's issues. The types of questions most successful in eliciting good responses were hypothetical questions (e.g., "Suppose it is my first day in this training program. What would it be like?"), devil's advocate questions (e.g., "Some people would say that employees who lose their jobs did something to bring it about. What would you say to them?"), ideal position questions (e.g., "What do you think the ideal training program would be like?"), and interpretive questions (e.g., "Would you say that returning to school as an adult is different from what you expected?") (Strauss, Schatzman, Bucher, & Sabshin, 1981). The interviews were audiotaped, transcribed, and stored in a database. Because the researcher is a college professor at another community college, his understanding of community college operations facilitated the acquisition of relevant information. The administrators and faculty received verbal and written explanations of the purpose of this case study and their role in the process. They were assured that the data gathered in the study is confidential and solely intended for research.

Nineteen faculty members selected from the list generated by the advice of the president were contacted by e-mail and by phone to solicit their participation in the study. Follow-up phone calls were made to the faculty who either did not respond to the e-mail message or were unavailable when the initial phone call was made. Interviews were scheduled with faculty who self-selected. Each academic dean who chose to participate was interviewed.

For each interviewing category, the researcher developed a cover letter (see Appendix D) and interview guide, according to the characteristics of the group. The guide consisted of a number of open-ended questions, each directly related to the study. These questions were primarily of the interpretive type, but also included some hypothetical and ideal situation types.

The open-ended questions reflected the respondent's "world view" (Merriam, 1988, p. 79). It was important that the interviewee understand what was being asked. Also, Patton suggested that the interviewer presuppose that the respondent has something to contribute, that he or she has had experiences worth talking about, and he or she has an opinion of interest to the researcher (Patton, 1980).

At the start of each interview, the investigator:

1. provided the motive and reason for the case study;
2. assured the confidentiality of the interviewee's responses;
3. reviewed the scheduled time, place, and number of subsequent interviews.

Document Analysis

A review of documents initiated the data collection. The researcher photocopied and examined documents and other written memoranda. These documents not only provided essential information but also aided in developing questions that could be pursued through interviews.

Data Analysis

Data reduction and analysis was on-going during the study. A synthesis of categories emerged after interviews had been transcribed, documents examined, and field notes reviewed. The ideas, speculations, and hypotheses developed by the researcher were informally placed on a large bulletin board framed by the research questions. A review of the bulletin board helped the researcher generate questions and identify other documents to review which led to other productive questions. Throughout this examination, it was necessary to be aware of new qualitative information and the importance of being flexible.

By using both interviews and document analyses, the researcher was able to maximize the strengths and minimize the shortcomings of any one method (Patton, 1980).

Interview analyses and document reviews provided a basis for addressing the research questions. Synthesizing these data allowed the researcher to better understand the institution and the underlying issues addressed in chapter 4. In addition, it also provided a mechanism for analyzing the case study's findings and forming subsequent conclusions and recommendations.

Summary

This study employed a case study/descriptive research design to address a number of key research questions. The data was collected during a period of two months. A combination of interviews and document analysis resulted in the formation of the research data base that was used to ensure the findings fairly represent the phenomenon represented by the case study, the impact of ERIPs at Monticello Community College.

CHAPTER IV

ANALYSIS OF THE DATA

The purpose of this study was to examine the impact of an Early Retirement Incentive Program (ERIP) at an Ohio community college. This chapter presents the results of the data analysis. Four research questions were the basis for the discussion of the study's major findings regarding: (a) the financial impact of an ERIP, (b) the perceived impacts of an ERIP on academic matters in the institution under investigation, (c) the impact of ERIP on the structure and composition of faculty members, and (d) problems anticipated from ERIP implementation as well as solutions to these problems.

Framework for ERIP Implementation

In 1983, the Ohio Legislature passed a law allowing teachers in Ohio public education to retire earlier than planned through early retirement programs. This legislation allowed Ohio's state colleges, universities, and public schools to encourage early faculty retirement by giving the educational institutions the option to purchase additional years of service credit, provided the faculty members had contributed to the STRS. If an early retirement program is initiated, it must be offered to a minimum of 5% of its employees who were members of STRS. However, the number of years purchased for any one participant can not exceed 1/5 of the individual's accumulated service credit prior to that purchase, in accordance with STRS guidelines, and assuming that participant meets the STRS employee eligibility requirements (see Appendix E).

Local school boards or boards of trustees of public educational institutions because of their general powers (Ohio Revised Code, 1973, 1995) may choose and design their own early retirement plans. This legislation permitted local boards of education and/or boards of trustees to offer bonuses or lump-sum cash payments based on an institutionally developed algorithm for years of service.

Since its enactment and continuing through June 1994, a total of 432 of Ohio's 876 public K-12 and higher educational institutions adopted an ERIP. Of these participating institutions, 226 had adopted two or more ERIPs. Approximately 10,793 teachers at these institutions have applied for early retirement since this legislation went into effect. Monticello Community College was among these institutions (State Teachers Retirement System of Ohio, 1994).

The offering of an ERIP often is initiated through a collective bargaining agreement between the faculty and the college administration/board of trustees, but it also can be initiated by the unilateral action of the college administration. When ERIP occurs through collective bargaining, it often requires an exchange of similarly valued contract provisions. For example, an ERIP having a one year window and requiring the college board of trustees to purchase three years of additional service credit from STRS may be included in the contract in exchange for the faculty giving up existing, fully compensated medical benefits for cost sharing, co-pays, and increased deductibles.

The character of collective bargaining in negotiating a contract involves the interaction of people and is frequently more complex than simple quid pro quo. The process is often skewed towards a political and economic comparative advantage for either side rather than what is in the best interest of the educational institution. As a result, job actions including strikes take place. The potential to authorize a strike is relatively new in the State of Ohio. Previously it was illegal for public employees, including educators, to engage in any type of work stoppage. Senate Bill 133, passed April 1, 1984, allowed public employees to join and participate in employee organizations that have collective bargaining as their primary purpose (Ohio Revised Code, 1984).

In those instances when the parties in a collective bargaining process can not agree to a proposed contract, the State Employee Relations Board (SERB) has the authority to act either as a mediator or arbitrator to bring resolution in the contract dispute. This process may involve: (a) conventional arbitration, (b) arbitration to choose the last offer of either party, (c) creation of a citizen's council, or (d) any other procedure that is mutually agreed upon by the parties. Should it be clear by 45 days prior to the contract expiration date that the parties are at an impasse, SERB would appoint a mediator to assist the negotiations. Should this process still result in an impasse, and it is no later than 31 days prior to the expiration of the contract, SERB would appoint a three-member fact-finding panel. This panel would act as a mediator or arbitrator. If mediation fails, it then would issue a fact-finder's report, which addresses all the unresolved issues of the proposed contract. The panel's report is binding on both parties unless one side turns the report down by 60% of its membership in which case the fact-finder's report is no longer binding. If the faculty union membership turns this report down, they then have the right to strike after submitting this intent 10 days in advance to the employer and to SERB (Ohio Revised Code, 1995).

The financial officer operating under the auspices of the college president implements an ERIP initiated by administrative action. The college or university, usually through the office of planning and budget, may conduct an internal needs assessment to ascertain the restructuring of programs, courses, and departments. As a result, the institution may decide that it can reduce a portion of the full-time faculty. Often this can be accomplished by offering the faculty an incentive to retire early. Such offerings have occurred at Kent State University and The Ohio State University (Ohio State University, 1994; Casper, 1990).

Early Retirement at Monticello

The first ERIP implemented at Monticello Community College was the result of a collective bargaining agreement. Dr. Edward Starbuck was appointed President of Monticello Community College in 1985 succeeding Dr. Fozdik, who retired. During Dr. Fozdik's term as president, according to faculty union personnel, great mistrust had developed between the administration and faculty. Over the years Monticello faculty had become increasingly frustrated with Fozdik's authoritarian manner and with their inability to provide any input into decisions that affected the college. Fozdik also "played favorites," and the inequities in his dealings with his colleagues became increasingly apparent. Again, according to faculty leadership, his distrust of people stemmed from his background as a former FBI agent, who found it natural to keep a close watch on everyone. This was a major reason why in 1986 the faculty elected the Ohio Education Association (OEA) to represent them in collective bargaining.

In the first collective bargaining agreement, ERIP was implemented and continued for two additional agreements ending December 31, 1994. The first collective bargaining agreement offered eligible faculty a three-year maximum of purchased credit (see Appendix F). The next two agreements allowed for a maximum of two years purchased credit for eligible faculty (see Appendix G). College administrative personnel stated that the rationale for the inclusion of an early retirement program in that first agreement was primarily due to the fact finder's mediating influence, and the administration's desire for a contract settlement. During that contract negotiation, a severe breakdown of communication resulted in a 96-day work stoppage which caused the cancellation of Winter Quarter, 1986. In the estimation of some current administrators and faculty, the aftermath of that strike is felt at Monticello to this day.

ERIP was eliminated from the contract commencing January 1, 1995, and ending December 31, 1997. The college administration argued successfully with the faculty union leadership that the cost of the ERIP was greater than its benefits. However, they failed to provide adequate evidence of this.

During the fall of 1997, the Monticello Community College President approved the present study and allowed this researcher to conduct interviews and have access of some college prepared data. It was anticipated that the results of this study would offer some guidance to college personnel in ascertaining the viability of the ERIP at the college.

Cost Analysis of Implementing ERIP at Monticello

In addressing the economic concerns of the college administration regarding ERIPs at Monticello Community

College, one portion of this study was directed to preparing a cost analysis for the period beginning July 20, 1986, and continuing through December 31, 1994, using economic data provided primarily by the office of the Vice-President for Business Services. In the course of this examination, employee information was requested for those individuals who retired on an ERIP. This information included: (a) retiree name, (b) year of retirement, (c) salary at the year of retirement, (d) salaries of these same employees had they not retired, (e) name of replacement personnel, and (f) replacement personnel's salary.

In order to examine economic issues many finance officers of public schools and colleges use cost/benefit analyses and payback ratios. It is limited in that it ignores the time value of money. An internal document at Monticello drafted by the office of financial services revealed that most faculty and staff retire with 30 years of service in either STRS or PERS (see Appendix H). Therefore projected savings can only be calculated using no more than the expected number of years the retiree would have otherwise remained at the college. Consequently, the net present value method of analysis was deemed most appropriate in this case study as the time value of money is included.

Computations for these analyses involved the preparation of: (a) a cost analysis calculating the present values of the early retirees on the assumption they had stayed and not retired (see Appendix I); (b) a cost analysis calculating the present values of the replacement faculty (see Appendix J); (c) an analysis showing the college premium cost (see Appendix K); and (d) a summary analysis showing the net present value of the ERIP (see Table 1).

Table 1

Summary of the Net Present Value of the Early Retirement Program

Present Value of the Retired Faculty	$900,700
Present Value of the Replacement Faculty	443,766
Premium Costs	402,541
Net Present Value	54,393

The present values of the early retirees were calculated by: (a) acquiring from the office of business services a listing of each person's salary who retired under ERIP through STRS or the college's Retirement Income plan; (b) their likelihood of continued service had early retirement not been an option (see Appendix L); and (c) calculating the college portion of the STRS cost of 14% of salaries. In this examination, a careful attempt was made to ascertain the number of years of service the retiree would have worked had they not otherwise retired. The amount of the salary plus the college portion of STRS cost was then totaled for each year and that sum was then multiplied by that respective year's present value factor in arriving at the yearly present value amount for each retiree. The present value factor was determined using the Higher Education Price Index, in which annual interest rates and present value factors were subsequently computed (see Appendix M), and applying the present factor algorithm [1/(1+I)^n]. For each retiree all of his present value amounts were totaled. This data was then totaled and the sum for each retiree was added together to produce a grand total of the present values of all retirees. In the analysis shown in Appendix I, 12 faculty members retired earlier than the normal retirement date. Of these retirees, 10 retired early under ERIP through STRS and two under the college's Retirement Income plan. This analysis shows that after applying the principles of present value, the total present value of the retired faculty is $900,770 from 1988 through 1996.

The calculation of the present value for the replacement faculty was determined by acquiring those salaries from the office of business services for each year paralleling that of their respective predecessors. However, of the 12 faculty members who did participate in ERIP or the college Retirement Incentive Plan, only nine were replaced. From these salaries the calculation for the college's 14% share of STRS and their share of Medicare cost at 1.45% was computed. Medicare is a relatively new cost for Ohio's public employees and was created by the Congress in reaching a budget compromise (Public workers are in Medicare limbo, 1985). It became effective for all newly hired Ohio public employees in 1986. Employees having continual employment prior to 1986 would not be subject to Medicare.

Upon the calculation of the annual amount of STRS and Medicare, these costs were added to the salary for a total annual college cost. The same present value factors calculated for the retired faculty were also used in this analysis in yielding the present value amount per year for each replacement faculty member. The present value amounts for each replacement faculty was totaled and a grand total for the present values of all replacement faculty members was calculated. In the analysis shown in Appendix J, the total present value of the replacement faculty is $443,766.

A schedule showing the premium cost to participate in the early retirement program was compiled from data supplied by the office of business services. This schedule (see Appendix K) shows that the cost of premiums to either STRS or the college Retirement Income programs amounted to $402,541.

The premium cost to STRS is based on an algorithm using three factors: (a) number of additional years of service the college is purchasing, (b) age of the faculty member at the time of retirement, and (c) the years of service the faculty member had in the system. In the STRS guidelines for ERIP, the tables for the calculation of premium show that with the purchasing of more years of service, the cost increases (see Appendix E). As the prospective retiree's age and the years of service in the system increases, the cost to purchase years of service credits becomes proportionally less expensive. In offering

ERIP through STRS, the college was not permitted by Ohio statute to select prospective faculty to participate in the program. This analysis shows that some faculty did leave under ERIP with years of service significantly less than 30 years because they met the eligibility requirement of STRS.

In summary, as shown in Table 1, the net present value of the entire program offering early retirement to the full-time faculty was $54,393. This was determined by the difference between the present value of the retired faculty, and the sum of the present value of the replacement faculty and the combined cost of the last years' salary of the retirees, including the buy out premium. The positive net present value of the program is generally indicative of the feasibility of the institution of the program.

Results of Interviewing Active Faculty

When this study was conducted, 40 full-time teaching faculty members were employed at Monticello. Of this group, 19 were interviewed to determine their views regarding the impact of ERIP on the institution. The interviewees were selected through the recommendation of the college president as was stated in chapter 3. These faculty members displayed demographic characteristics as illustrated in Table 2.

Table 2

Faculty Demographic Characteristics (N=19; 100%)

	n	%
Academic Rank		
Professor	5	26%
Associate Professor	7	36%
Assistant Professor	6	32%
Instructor	1	5%
Years of Service at College		
25-29 years	7	37%
20-24 years	5	21%
15-19 years	4	26%
10-14 years	2	11%
Not Known	1	5%
Gender		
Female	14	74%
Male	5	26%
Highest Level of Education		
Less than Bachelor's	1	5%
Bachelor's	1	5%
Master's	16	85%
Ph.D.	1	5%

The full-time faculty interviewees' academic rank displayed in Table 2 indicates that 26% were professors, 36% associate professors, 32% assistant professors, and 5% instructors at the time of this study. Table 2 also indicates that 37% have 25 to 29 years of service as full-time faculty members, 21% have 20 to 24 years of service, 26% have 15 to 19 years of service, 11% have 10 to 14 years of service, and 5% did not respond. The majority of full-time faculty in this study were females (74%), and the terminal degree for the majority was a master's Degree.

There is no college policy for the offering of tenure nor does the collective bargaining agreement with the Monticello Education Association have any contract provision awarding it. All faculty members are hired as full-time. All the faculty members interviewed reported they did not view the lack of tenure as any apparent disadvantage. They were comfortable with the contract language of the collective bargaining agreement towards job protection and retrenchment.

Thirteen open-ended questions were addressed (see Appendix C) to full-time faculty interviewees and the results of those interviews are presented in the following sections.

Interview Questions and Results

Faculty Views on Relationships With Colleagues, Deans and Top Management and Affect on Employee Morale

Full-time faculty views about relationships with colleagues, deans, and top management are summarized in Table 3. Responses varied little in addressing faculty relationships among themselves or with their academic dean. In both those categories, 78% felt they got along well as a group, and by the same percentage they also felt they got along well with their dean. Most faculty (67%) had very strong negative feelings regarding their relationship with top management, however. The faculty also perceived that institutional morale was low with 78% perceiving morale as poor and the remaining 22% choosing not to comment on morale.

Table 3

Faculty Views on Relationships With Colleagues, Deans, Higher Management

	Good	Fair	Poor	No Comment	Total
With Colleagues	78%	0%	0%	22%	100%
With Deans	78%	6%	0%	16%	100%
With Higher Management	11%	16%	67%	6%	100%

One faculty member summarized the relationship of faculty to administration in this way:

> We don't believe that the faculty has primary input, nor do we feel that academia is stressed here in our college. We feel that we are excluded from a lot of decisions that seem to be important to the faculty, and should be important.

This faculty member further stated that,

> We should be the number one priority here in the college, and yet we're not, which assumes that, in my opinion, they don't take into consideration what we think to be changes, improvements, things that should happen here at the college.

In showing a most serious concern about relationships a faculty member with 26 years of service in Health Technologies stated that the relationships are

> Poor to non-existent with the exception of the deans. I think the faculty has a pretty decent working relationship with the deans, but anything above that is poor. Very adversely. I think there's a great deal of distrust, apathy. Probably those are the two biggest things that are a result.

In noting the poor relations with the administration and low morale, another Health Technologies faculty member noted that,

> Faculty relationships are pretty good with colleagues. With deans and department heads we have a good relationship, but when you get to higher administration, I think they've forgotten we're here. Then, the morale right now is at an all-time low. I've been here 20 years and there's been a big change.

Finally a faculty member with 25 years of service in Business Technologies observed,

> I am in the business department and our relationship with our dean has always been good; with our present dean it has been excellent. He is a very good person to work for--even the three deans before this were very good people to work with. We have been very fortunate in our department. I can't speak for the other departments. They seem like good people but I don't have to work for them. With the higher administration we have some definite problems. You have five people--I call them the fab five. You have five people who are on major power trips--every

decision has to be made by them even if it's something they know nothing about.

These problems may have had their root in labor negotiations as witnessed by one long-term faculty member.

As far as the higher administration is concerned, the faculty overall has very little trust of the administration, but this has to be qualified. Those that were here during the strike, which was the longest strike in the history of Ohio among two-year or four-year colleges, tend to have very little trust. The new faculty that has come on board since, have a much higher trust or have not indicated distrust, at least publicly. A lot of the older faculty don't care; they just say what they think. Lot of the newer people are more likely to, perhaps, be more diplomatic, perhaps not being as sure of their job being as secure as some of the older ones--they might not be speaking their mind as blatantly . . . . One, I think a lot of people are unhappy at having done what they have done, but they have done it because, hey, you don't get paid any more or any less, that's what you get paid no matter what you do. And in other cases, morale is affected because they see other people not doing what they are doing.

It would appear that faculty members have a reasonable respect for each other, are supportive, and generally respect their deans, but have an apparent perceived negative impression of higher management.

Benefits for Faculty and Administration From the ERIP?

The respondents overwhelmingly felt that both the faculty and administration benefited from the prior ERIPs and would continue to benefit should a new plan be offered, as shown in Table 4. Whether the interview responses favored one group or another, the answers and the rationale were all the same. The main reasons for this were: (a) the college will benefit economically due to reduced cost of faculty, and (b) new and invigorated employees will introduce a fresh approach. In addition, employees viewed the contract provision for ERIP as a fringe benefit, with little thought to the adverse reaction should that provision no longer be in the collective bargaining agreement. With the subsequent loss of ERIP in the January 1, 1995, agreement, faculty are questioning the rationale of not only the administration but also their colleagues.

Table 4

Faculty Perceptions on Who Benefited Most From ERIP

Faculty Only	12%
Administration Only	6%
Both Faculty and Administration	70%
No Opinion	12%
Total	100%

As in events leading to the job action in 1986, resulting in a strike for nearly 90 days caused primarily by issues of fringe benefits and working conditions, some faculty sensed a betrayal on the part of leadership. There is a feeling by the faculty that when the plan was in effect, those who could have benefited most from it were unable to apply for an ERIP, and those who least needed to use the program were able to take advantage of it. The faculty in general also questioned how the administration justified not offering an ERIP, when in their view college monies are not being spent in the most judicious fashion.

During the interview process, faculty also raised the topics of tenure, pro-rata summer school, and job protection. For the most part the faculty of Monticello Community College did not favor tenure. It is an issue that they often put on the table for negotiation purposes, but it has a low priority for serious consideration. They felt that tenure leads to mediocrity in the classroom and gives the instructor an excuse to not meet with students outside of class. Also, most faculty have little desire to teach summer school. Presently, the remuneration in a summer school contract is at the part-time faculty rate. But even if contract provisions allowed for a pro-rata salary formula, most faculty would rather not teach, preferring instead to spend time with their families and go on vacations.

Job protection is important to the Monticello Community College faculty. In the collective bargaining agreement strong language protects the full-time faculty. Before there can be a reduction in force of full-time faculty, all part-time faculty must be terminated.
As one faculty member observed, "[The ERIP must be a benefit] because Dr. Starbuck (college president) is looking at retiring, and I heard they're talking about early retirement incentive again for the college in this contract." (Starbuck had been an outspoken opponent of ERIP.) A faculty member with 15 years of service stated, "I think in terms of the faculty . . . . I guess it's a little

bit of a perk--it's a little bit of a bonus to be able to take an early retirement." Also,

> I think that when we had ERIP, people were happier. I think we worked with a better attitude, to tell you the truth, because they sort of felt that there was some sort of reward at the end of the road for all the years.

A 20-year faculty member saw benefits to both groups:

> I think it's probably both, on both sides, I would think that the administration would be just as involved in it and be thinking in the same way. It's a matter of whether you're going to retire early and what you're going to do in the future, so I think that it would be just as important to them as it is to us. It's interesting, I used to be really actively involved in bargaining, and it's interesting that most other schools that we have contact with, the administration would be bringing up, that they would be bringing that to the table, an early retirement incentive.

Finally, a faculty member of 25 years depicted an outright hostile environment between faculty and administration:

> Our administration . . . will spend money on anything rather than give it to the faculty. So their reasons for not wanting ERIP isn't because it isn't beneficial to the college; it's because they don't want to do anything to make some faculty member pleased or benefit that faculty member. There is almost a hatred there, particularly since the strike in 1986.

Availability of New Technologies Due to ERIP

In previous studies on the implementation of ERIP in educational institutions, savings have been used to improve technology. Monticello has recently added additional computers and other classroom improved technologies. This has taken place mainly in the Engineering area primarily funded through state grants. However, these improvements and classroom enhancements have not occurred as a result of ERIP.

The recent arrival and assignment of computers for faculty use has, according to the faculty, been done without sufficient planning. In many cases there has been no college plan for hardware and software support, leading to costly viruses and incompatibility of equipment. In addition, there is no network or central coordination function. With the monies spent on hardware originating from non-budget funds, the software lacks current state of the art upgrades, that is, Microsoft Office 97, Internet access, and electronic mail.

Impact of ERIP on Other Academic Matters

The respondents believe that better planning is needed by the administration. The respondents observed that many other educational institutions have ERIPs, yet at Monticello it is always an argumentative issue. Also, as employees plan for their futures, 5 years, 10 year, and 15 years hence, it is important that they plan strategies for their retirement relating to Social Security, STRS, and ERIP. It has been suggested that members of the administration need to become more educated about ERIP and its potential benefits. ERIP is an easy way to release stagnant faculty and bring new people with fresh ideas to the classroom.

Members of the faculty also agree that a potential disadvantage to ERIP at the college is the loss of retiring faculty members' experience and expertise. In addition, it should not be overlooked that a faculty member not only works as a teacher in the classroom but also serves on committees and participates in faculty governance.

Changes in Academic Rank, Contractual Responsibilities Associated With the Recent ERIP and Contract Language Providing for ERIP

All 19 full-time faculty interviewed stated either that their academic rank was unchanged or they had been promoted in rank. Promotions were not attributed in any way to ERIP. There is an internal process through the college-wide governance system for faculty to apply for promotion in rank. It is based on a point system using the criteria of years of service, further education, and faculty evaluation. There has been no change in contractual responsibilities as result of ERIP. The faculty workload, clock hours in the classroom, and reassigned time for outside projects or research are unchanged.

In describing how ERIP became an integral part of the collective bargaining agreement, a 14-year Health Services Technology faculty member stated,

> Yes, . . . we had surveyed our faculty members, and the faculty members indicated that this was something that they really wanted. So we went diligently to get them put into position in the contract or agreement and then subsequently there were individuals that utilized this.

Similarly, a 20-year faculty member from Health Technology commented,

> I would say that it [ERIP] was a very important part. It concerns people my age and over, and I think you see a definite level of difference between younger people just starting here who aren't worried about retirement, compared to someone like myself, who looked at it, thought that all of my colleagues got benefits from it and then now, I don't think I will; I don't think that will happen for me.

ERIP was initiated at the college through the collective bargaining agreement. It appears that there are promotions in rank based upon a merit system in the college governance process, but this system is mutually exclusive of ERIP. Faculty members perceive ERIP to be a way to get new and younger faculty into the classroom and deliver improved instruction. However, there is little evidence to support any significant changes in academic rank or changes in contractual responsibilities resulting from ERIP.

Perceived Changes in Departmental Philosophy With Replacements of Retirees With New Faculty

There appear to be no significant alterations to the full-time faculty teaching schedule or evidence that faculty taught new and different classes as a result of ERIP. A majority of faculty members (89%) reported no significant changes in schedule or scope of teaching responsibilities. Only 11% noted changes in schedule, usually a shift of day and evening classes, as a result of enrollment trends.

Whereas some faculty suggested that replacements in their respective departments have resulted in the use of more part-time faculty, a review of 6 of the 12 faculty who retired under either ERIP or the Monticello's Retirement Incentive plans showed that none were replaced by part-time faculty members. This will be discussed in greater depth in the results of interviews of higher management who address the rationale for replacing retired full-time faculty.

In some departments, for example, engineering, there has been a shift in hiring policy from practical to theoretical education. In the past this department was concerned with hiring individuals with hands-on experience, who were able to relate to realistic situations, and was less concerned with the individual's number or type of educational degrees. As a result of hiring new faculty, the administration is now more concerned with the individual's academic credentials and not so interested in the candidate's ability to teach and student-teacher skills.

In the college as a whole, the full-time faculty turnover has been low, and any result of adding new personnel, although positive, has not been dramatic. Lastly, the collective bargaining agreement calls for a minimum of 42 full-time faculty. However, there is no guarantee when the staffing will be completed to replace retirements, nor is it guaranteed that the department losing faculty to ERIP will necessarily receive the approval to hire new faculty. Overall, the majority of faculty members felt that there have been no significant changes in departmental policy resulting from ERIP as indicated in Table 5.

Table 5

Faculty Perceptions of Changes in College Hiring Practices

	Percentage of Faculty Responding
Positive changes	0%
Negative changes	17%
Some positive and negative	11%
No changes	72%

A faculty member who chose to be anonymous painted a relatively pessimistic picture on the hiring philosophy,

> So what we now have in the nursing department is we have part-time people teaching. We have no orientation; we have no affiliation with the college. We have no dedication--all they are here for is to teach a class and get out of here and do the minimum possible. They have no vested interest in the students.

In contrast, a faculty member with 14 years of service observed,

> One of the things that really made us cheer is that we're having more and more part-time replacements. . . . But all faculty members have to be fortunate enough to have good part-time persons, to have very good students that are carried on to them, or if you have a weak part-time person, and that person persists, then you have those problems that are also carried forward.

A faculty member with 15 years of service felt academic credentials had been over-emphasized,

> In getting the degrees we sacrificed some people skills, we sacrificed some teaching skills and interests, and we

> certainly sacrificed some industry experience because we started going for just degrees.

But most responses reflected that of a faculty member of 28 years who believed that faculty turnover and hiring did not represent radical change, "Turnover at this school is historically relatively low, and new people that come in represent new blood, but not dramatic change."

Perceived Financial Impact of ERIP on the Faculty

To various degrees, faculty respondents felt that the college benefits financially by implementing such a program. In addition, it is a convenient way of reducing cost by creating an incentive for older and more expensive faculty to retire. The faculty leadership has been told by the administration that such a program is too expensive to run. However, no substantive evidence or documentation has been shown to the faculty by the administration in support of the administration's position. This lack of full disclosure by the college administration has created an atmosphere of mistrust and a situation where many are asking what the administration has to hide.

The administration concluded that it was not feasible to continue the ERIP due to high costs. This was shown by the method of financing the ERIP—one year versus two, three, or four years. By paying for the ERIP in a single year, the college incurs a significant cash outflow.

As stated by one faculty member, "I think it's a great service for the college. Then on the other hand, it's a very nice incentive to the faculty members. I mean, it's not like a faculty member's getting ripped off." A 26-year faculty member saw a benefit to the college in making ERIP available: "From everything that I understand, early retirement would eliminate higher paid faculty, so that should free up money for you to be able to do other things like replace equipment."

An anonymous faculty member called the administration's figures into question,

> The college does creative accounting and they chose to pay all of our buyouts in one year, and they have never, in anything I have seen in their projections in years after the buyout, shown the savings in the high salaries they were paying and the savings for the replacements.

<u>The Effect of ERIP on the College and the Department</u>

Faculty members in this study perceive that early retirement has an impact on departments and the college primarily in the form of replacement faculty and cost savings. However, given the recent loss of the early retirement program in the collective bargaining agreement, faculty members admit that it was a fringe benefit they had anticipated receiving. Interviewees felt that there had been significant erosion of employee morale with this loss.

Interviewees supported the continuance of ERIP for they generally felt that older faculty, some of whom really had little left to offer the institution and who were also at the high point on the salary schedule, could be replaced by newer and younger faculty at a significantly reduced salary. New faculty could provide leadership, newer ideas, and improved knowledge in technology. Specifically, in the Natural Science and Health Department it was found that most faculty are women, most are married, and most of them would definitely accept such an offer should ERIP be re-instituted. This same group of faculty can also rely on a spouse's income. It was felt that ERIP would provide college personnel a humane way of leaving present positions and at the same time enable the college to grow, as stated by one faculty member.

> Change in people is vital to the organization; so, I think that in offering an early retirement incentive you get people out of their positions happily sooner and get new people in to provide new growth.

Another faculty member echoed this sentiment, "I'm a 'new blood advocate,' so to the extent that we brought in some younger people, so much the better."

Faculty members who perceived a cost savings from the college's perspective included one who offered this analysis, "That cost them some money but the money they are going to save by bringing in a younger person to replace them far outweighs the money they spent on the older one. So it has to benefit the college." A faculty member with 25 years of service expressed a common viewpoint:

> It allows faculty to leave earlier than they had originally planned, giving them more retirement time or time to pursue some other interest. From the point of view of the college it's going to benefit them when they are able to bring in a cheaper person.

Whatever the intentions behind instituting the ERIP, the actual results were sometimes unexpected, as one interviewee noted,

> When we actually put the ERIP into place . . . individuals who were eligible weren't taking it. We seem to have this particular group of individuals that I don't really know are ever going to leave, and I don't mean that to be negative and I don't mean it to be in

> terms of their personality, but they have had the opportunity. The opportunity has passed for some of them because we no longer have ERIP in an equal way.

A primary negative effect of this diminished opportunity on the overall climate of the college was noted by one faculty member with 26 years of service who stated flatly, "The loss of ERIP has affected the morale and attitudes of faculty members as a whole."

Factors Influencing Faculty Decisions to Participate in ERIP

Responses about faculty decisions to participate in ERIP were equally divided into three categories: (a) economics, (b) lifestyle, and (c) working conditions as shown in Table 6. There was no faculty consensus on one category or specific reason within a category as the major influence on ERIP participation.

Table 6

Categories Influencing Faculty Decision on ERIP Participation

Category	Economics	Lifestyle	Working Conditions
Percentage of Responses	33.3%	33.3%	33.3%

Economic motivation is a primary force for choosing ERIP as indicated by a faculty member with 26 years of service, "Well, if I had the number of years involved, and my age, I would have taken it in a heartbeat. . . . I think I would probably say just the money." A faculty member with 27 years of service stated that his motivation would have been "primarily, economics." Finally, a faculty member with 25 years of service stated, "Probably the most important factor was that at the time that I became eligible for early retirement, I had a job offer to go to Europe and do consulting work."

In the lifestyle category, one faculty member with 14 years of service stated, "My thought is that there are other things that I can do. There are other things that I would like to do." A 20 year veteran admitted,

> If I had been offered early retirement through the system that those people had in 1995, the last time some of them took this, there's no doubt--I would have jumped at it, heart and soul, I'd be gone. I'd be in Florida right now.

In the working conditions category, this faculty member's comment was typical, "I've enjoyed teaching, but I have a lot of trouble with morale because of the continual confrontations and difficulties with administration."

Some faculty, however, said they would not be interested in the program. For example, a faculty member with 19 years of service stated that, "I probably wouldn't have been interested. I don't plan to retire until I have to." Another faculty member cited domestic responsibilities, "I have a young child. I wouldn't feel I was ready to do that. I need to keep working as long as my child is in school."

The response categories in Table 7 may vary. However, a significant number of faculty may be precluded from ERIP by the statutory minimum of 5% of the membership. With only 40 faculty eligible for ERIP, the college would be required to offer ERIP to only two faculty members a year. Thus, some faculty, because of their relatively low seniority, may have to wait many years just to become eligible. It is extremely likely that for some, the participation in early retirement after waiting so long could become a moot issue.

As indicated in Table 7, 94% of full-time faculty members would accept the offer of ERIP if it were extended again. It is important to note that of that number, 31% would accept ERIP conditionally giving (1) timing of the offer, (2) length of time to retirement, and (3) financial considerations as primary reasons for accepting with reservation.

Table 7

Faculty Willingness to Accept ERIP If Offered Again

	Percentage of Faculty
Accept without reservations	63%
Accept with reservations	31%
Do not accept	6%

Faculty members without reservations generally made comments like "Oh, I would accept it without question," and "Put me in Europe, let me walk down some canal, let me hum away, you know, I'll be happy." A typical response of faculty who would accept ERIP with reservations was this one emphasizing the economic aspect: "Again, it would be based on financial. If I could swing it financially, I would accept it."

Summary

In summary, faculty perspectives on ERIP were varied and included the following:

- ERIP benefits the college and allows it to replace higher paid faculty with younger faculty at a lower starting salary.
- ERIP allows faculty who are experiencing burn-out to humanely leave teaching positions.
- Other colleges and universities are employing ERIP with great success.
- The cost of risk management associated with ERIP reduces as older personnel requiring more costly medical and life insurance provided by the college retire.
- ERIP affords the participant a chance to do something else while still in his or her productive years.
- ERIP allows retirees to make contributions to the community through voluntarism.
- A disadvantage of ERIP is that the college loses the retiring faculty members' experience and expertise.

The faculty members are very dedicated instructors who strive for excellence in their classrooms. They are very aware of their responsibilities both in and out of class. Their primary concern is teaching for a nine-month academic year; they have little concern for tenure as they have strong job protection in their contract. Since the 96-day strike that occurred in 1986, there has been a pronounced atmosphere of mistrust and dislike between the administration and the faculty. The tone of faculty responses to the interviews was revealing as their answers. This tone is difficult to describe, and for that reason it was extremely important that sufficient comments from the faculty were elicited and documented. The faculty considered ERIP a valuable fringe benefit and are most dismayed that that provision was lost in the contract which began January 1, 1995.

The results of interviews clearly show that the faculty considers this program to be cost-effective to the institution and also serves to bring new, young faculty to the institution. It is also significant that in the ERIP from 1986 through the end of 1994 there were no additional resources to provide for new equipment and campus facilities as result of ERIP, and that the program caused minimal if any changes in teaching schedules.

Results of Interviews With Members of Top Management

With the support and approval of the President, interviews were conducted with the Vice President of

Academic Affairs, the Vice President of Business Services, the Vice President for Student Affairs, Research and Institutional Development, the Vice President for Administrative Services, and the Controller. The President voluntarily chose not to participate. He wanted to assure his independence and distance from the issues of early retirement that would be addressed in upcoming contract negotiations with the faculty. Table 8 describes the characteristics of the top management interviewees.

Table 8

Top Management Demographics

Position	Highest Education	Years at Monticello
Vice President Academic Affairs	Doctorate Lehigh University	12 years
Vice President for Student Affairs-- Research and Institutional Development	Master's of Education University of Dayton	10 years
Vice President for Administrative Services	Bachelor of Science West Virginia University	1 year
Vice President for Business Services	Bachelor of Science West Virginia University	18 years
Controller	Master of Business Administration Franciscan University of Steubenville	11 years

Interview Questions and Results

A 13-question interview guide was created and addressed to members of the college's top management (see Appendix C). The results of those interviews are discussed in this section.

Ability to Maintain Course Offerings and Program Integrity

The Vice President of Academic Affairs and the Vice President of Business Services felt that the offering of an early retirement program to the faculty did not adversely affect course offerings and maintain program integrity. The Vice President of Academic Affairs stated,

> I don't (think) it had much bearing on course offerings; on program integrity, to some extent because in a small community college many of your programs are only one or two faculty deep and if you have the single faculty member leave and you bring a young or a replacement person they don't have the background that your experienced person had.

The Vice President for Student Affairs, Research and Institutional Development was more optimistic:

> So, I think part of what you always needed to do with technical education is kind of bringing in--either doing one of two things--either bringing new people to

the campus that are kind of a little more aware of the current state of the technology or making sure that the faculty that were here were upgrading and updating themselves. So, I have not seen any problems--as a matter of fact, in some areas, I think the programs have definitely improved.

The Vice President of Business Services said, "In most cases for most people who have retired I think what the documents will show that most who retired were replaced. So our ability to continue to offer the courses and the program integrity were maintained."

It should be noted, though, that because Monticello is a small rural community college, some programs involve only one or two faculty. A retiring faculty member in these circumstances could have an adverse effect on the program. But because the college has maintained a cadre of experienced part-time faculty these problems have been minimal.

It appears that there have been no adverse affects on course offerings and program integrity resulting from early retirement incentive programs. Tables comparing the enrollment and workload data for early retirees and the subsequent years after retirement are shown in the section titled, Assuming Replacement Faculty, What Has Been the Effect.

Factors/Rationale to Recommend the ERIP Program

Overall, Monticello administrators agreed that House Bill 410 has merit. However, their main concern is that the administration, in choosing ERIP through STRS, has no choice in the selection of its potential retirees. This could, according to the administration, make the program non cost-effective. The college's position has been to be fair to all of its employees. Should this program be used there is no guarantee of its costs or benefits, and in the long run it could affect dollars presently earmarked for current salaries and benefits.

As the Vice President for Academic Affairs stated,

> The idea behind it is positive. It is probably useful at certain times. I think the one thing I see as a fallacy in terms of the employer is that since it's built to be so fair across the board . . . it creates problems for the employer in that depending on who retires, who selects the option when other people turn them down, it creates problems for the employer.

This administrator continued,

> I think it's probably a good bill. I'm generally in favor of allowing local entities as much autonomy as possible. I think there's some cases where ERIP is a good solution to any number of local problems. The negative aspect of any kind of legislation is that when it is an optional kind of thing it builds an expectation, sometimes, on the part of people.

The Vice President for Business Services noted,

> But I think the methodology of a lump-sum amount given to a retiring faculty member--we probably had the authority to do that. But all that aside I don't care for the legislation from the simple standpoint of requiring us to purchase those years of service through the retirement system. We can't control which faculty members retire; we can't even control the dollar amount. If I could select a program, the faculty members by predetermining the dollar amounts then I could probably construct a scenario where the college would want to phase out a program.

In recommending this program the administration was interested primarily in financial advantages and at the same time in allowing people to leave the college and pursue other interests. The financial gain could be accomplished by hiring at lower starting pay than the ending salary of the retiree or not replacing the retiree at all. Also as a result of the 96-day strike in 1986 and the subsequent fact finder's report, the administration agreed to capitulate on the ERIP issue.

However, the Vice President of Academic Affairs and the Vice President of Business Services had concerns with early retirement programs. The Vice President of Academic Affairs stated,

> I think we looked at it as a way of providing some financial advantages to the college and at the same time helping out faculty or other people who might be in a position to leave the institution. Because it wasn't just faculty, it was both sides of the house choosing to leave the institution and go on with other things in their lives.
>
> I believe, when the college looked at it, we didn't go deep enough in realizing that people who you thought were going to use it did not elect not to use the program and it left openings for other people further down the ladder who were younger; you actually were providing them an excellent incentive to leave. Good people leave the organization early before they

really reached the age to retire and it ended up costing us money almost every time we applied after the first couple of years.

The Vice President for Student Affairs, Research and Institutional Development stated,

Well, we did have an early retirement program pursuant to this act early on in our contract history, and it became very, very expensive in two regards. It works if you do not have to replace the individual, and it works in an area where the person who's being replaced is not as expensive to replace. People in general education don't like to hear this, but the fact of the matter is that there are lots of people out there with doctorates or advanced degrees in English and History and some of those areas so the salary level that you need to offer is relatively low. So if you have a long-term faculty member who is at the higher end of the scale and you're bringing in someone whose salary is substantially less, then it makes some sense economically.

The collective bargaining agreement requires a minimum of 42 faculty. Because of this clause, according to the Vice President of Business Services, the possibility of not replacing full-time faculty members became more difficult. When the administration delayed in replacing full-time faculty, the Monticello Education Association considered this a violation of their collective bargaining agreement and as a result would often file grievances or Unfair Labor Practice lawsuits with the State Employee Relations Board (SERB).

Also, the STRS premiums became costly. It was found that faculty members with less that 30 years of service in STRS and who were also in their low to middle 50s often cost the college an average premium of approximately 120% to 185% of the retiree's average three-year salary. In my first meeting with the college president and later during interviews with the Vice President of Business Services and the Vice President of Student Affairs, all indicated skepticism of ERIP by members of the Board of Trustees.

The Vice President for Business Services stated,

> The brief history is that in 1986 our faculty elected to form a bargaining unit. And in 1986 occurred the start of the bargaining for the first agreement with the college's board of trustees. I was not involved in that directly as at that time I was the controller for the college. My predecessor was the treasurer and the

> vice president of business services. In that initial agreement was ERIP. What rationale was used to explain it to the trustees, I'll be honest with you I really don't know. I do know there was a 96-day strike before we were able to get an agreement that both parties found satisfactory. There was also a fact-finder's report issued.

Concerning the Board of Trustees, the Vice President for Student Affairs, Research and Institutional Development further said,

> The Board of Trustees was never real comfortable with the concept of early retirement. You know, people coming from business and industry, their view is that those of us that can legitimately retire at thirty years, they consider that early retirement, and they're not, you know, because many of them can't do that. For example, the chairman of our board retired two or three years ago from Nationwide, I think he had forty-some years there, and could not understand why anyone would want to leave their job at thirty years, let alone early retirement.

Earlier in this chapter a cost analysis was prepared using the method present values. That analysis shows the number of retirees, who were replaced and the savings or loss of the early retirement program.

Assuming Replacement Faculty, What Has Been the Effect?

The apparent theme as stated by the Vice President of Academic Affairs and the Vice President for Student Affairs, Research and Institutional Development was the inability of selecting who should retire, a concern stated earlier in this chapter in the introduction and also in Chapter 2. This is one reason, according to the Vice President for Business Services, why the college opted to institute their own Retirement Incentive (RI) program and avoid the apparent statutory limitations that STRS places on educational institutions.

Also, these two vice presidents were of the opinion that when eligible faculty members accept offers in an early retirement program, there is a great propensity of college loss toward faculty who are probably at height of their academic careers. This loss cannot be measured monetarily but in their ability to efficiently and effectively deliver high quality instruction, which cannot be measured at this time. Much time and effort was expended by the administration to enable the faculty to improve delivery skills that often included reimbursing faculty taking additional courses at colleges and universities in order to improve their disciplinary skills.

In assessing the replacement of faculty, which was initially discussed in the results of interviews of faculty in the section Perceived Changes in Departmental Philosophy with Replacements of New Faculty, a review of 6 of the 12 early retirees was conducted. Faculty workload statistics and accompanying enrollment data from the Communications and Engineering Departments were reviewed. In examining this data, some conclusions could be drawn with the early retirement of the respective full-time faculty member. To accomplish this, comparisons were made using this data during the retiree's last year at the college and a later period after retirement. This process involved using Engineering and Communications overall department data, program area data where available, and individual faculty member data. Tables 9-16 illustrate these points.

In comparing the affects of Japczynski retiring, the enrollment in the Communications Department has increased as shown by in the increased comparative student-faculty ratios. The three full-time faculty has remained unchanged.

Table 9

Communications Department Workload Data for AY 1987-1988

Retired Faculty--Japczynski Final Year

	# of courses	Prepara-tions	# of students	Faculty credit hours	Student contact hours	Student/ Faculty Ratios
Full-time faculty (n=3)	42	21	824	126	2472	17.21
Part-time faculty	41	37	694	128	2136	15.63
Professor Japczynski	15	8	327	45	981	NA

Table 10

Communications Department Workload Data for AY 1990-1991

Replacement Faculty--Schaffner for Japczynski

	# of courses	Prepara-tions	# of students	Faculty credit hours	Student contact hours	Student/ Faculty Ratios
Full-time faculty (n=3)	42	25	921	126	2763	21.93
Part-time faculty	57	49	974	187	3226	18.51
Professor Schaffner	15	10	337	45	1011	NA

Table 11

Engineering Department Workload Data for AY 1986-1987

Replacement Faculty--Warnock Final Year

	# of courses	Prepara-tions	# of students	Faculty credit hours	Student contact hours	Student/ Faculty Ratios
Full-time faculty	137	107	1614	516	6496	11.78
Part-time faculty	28	29	285	111	1367	10.18
Professor Warnock	11	8	115	42	481	NA

Table 12

Engineering Department Workload Data for AY 1987-1988

Replacement Faculty--None

	# of courses	Prepara-tions	# of students	Faculty credit hours	Student contact hours	Student/ Faculty Ratios
Full-time faculty	118	96	1577	445	6287	13.36
Part-time faculty	37	37	454	154	2159	12.27
No Re-placement	--	--	--	--	--	--

The replacement for the retiree is teaching the same number of classes as his predecessor, has maintained the same credit hours, and sees more students. It would appear that there is a greater use of part-time faculty for the enrollment increases and no indication there is a lack of service to students.

Warnock was not replaced. His primary area of teaching was in Mathematics and Physics. Other faculty members within his department assumed his workload. The number of students between these two respective years increased 6.8% and overall number of course offerings decreased significantly. In concert with Ohio Board of Regents there was curriculum revision, changing the number and types of courses. The student faculty ratios have increased and it appears that whereas there has been a reduction of one full-time faculty member, the students are adequately served.

The program of Metallurgy and Non Destructive Testing was taught primarily by Norman Howells. This program in FY 1986-87 comprised 6.8% of the Engineering Department, in FY 1987-88, 6.3%; in FY 1988-89, 5.6%; and in FY 1989-90, 2.4%. With Howells retiring and this program experiencing a consistent reduction of enrollment, the program was dropped as of FY 1990-91 and Howells' position was not filled.

Table 13

Engineering Department Workload Data for AY 1992-1993; Retirement Faculty--Smith Final Year

	# of courses	Prepara-tions	# of students	Faculty credit hours	Student contact hours	Student/ Faculty Ratios
Full-time faculty	90	68	1154	385	4152	12.82
Part-time faculty	90	83	1378	374	57	15.31
Professor Smith	6	5	51	33	273	--

Table 14

Engineering Department Workload Data for AY 1993-1994; Replacement Faculty--None

	# of courses	Prepara-tions	# of students	Faculty credit hours	Student contact hours	Student/ Faculty Ratios
Full-time faculty	88	69	1120	338	4595	12.73
Part-time faculty	92	88	1142	382	5098	12.41
No re-placement	--	--	--	--	--	--

Smith was not replaced upon his retirement. His major area of teaching was in Mechanical Engineering. Three other existing full-time faculty were able to absorb his primary teaching responsibilities into their faculty workload. There have been significant reductions in enrollment in the Engineering programs between these two respective years. Even with the reduction of one full-time faculty member and a reduction in student enrollment, the student faculty ratios have remained constant for the full-time faculty. It would appear that as a result of Smith's retirement that the Engineering programs are still adequately servicing the students.

With O'Donnell retiring, a new faculty member, Exley, was hired to replace him in the Drafting/Design Program that was in need of a replacement full-time faculty member due to the program's specialized expertise. However, when Chadwick retired, he was not replaced. His main area of teaching involved the Electrical Program where two existing faculty members could absorb those courses in their present workload. Also of concern was the continued decline in enrollment. Between these two respective years overall Engineering enrollment fell by 372 students. Even with the

Table 15

Engineering Department Workload Data for AY 1993-1994

Retired Faculty--O'Donnell and Chadwick Final Year

	# of courses	Prepara -tions	# of student s	Faculty credit hours	Student contact hours	Student / Faculty Ratios
Full-time faculty	88	69	1120	338	4595	12.73
Part-time faculty	92	88	1142	382	5098	12.41
Professor O'Donnell	12	8	120	36	360	--
Professor Chadwick	8	5	116	34	580	--

Table 16

Engineering Department Workload Data for AY 1994-1995

Replacement Faculty--Exley

	# of courses	Prepara -tions	# of student s	Faculty credit hours	Student contact hours	Student / Faculty Ratios
Full-time faculty	85	69	938	312	3692	11.04
Part-time faculty	75	74	849	315	3939	11.32
Professor Exley	13	10	138	43	460	--
No re-placement	--	--	--	--	--	--

reduction in enrollment the student-faculty ratios were only minimally affected.

The Vice President of Academic Affairs stated, in part,

> You're getting rid of your base of knowledge, you're getting rid of your expertise, you're getting rid of the mentors for the younger people, you're really losing part of your base that you really spent time nurturing, educating, bringing them along so that they will become better teachers, better educators and you are letting them go at one the prime times of their life.
>
> I think you are getting rid of your quality teachers at a time when you spent a lot a time and effort with them. I mean you don't spend the time, they spend the time and effort improving their skills, going back to college, getting better educated in their discipline, they have seen the problems, all the things that happen in the classroom. They are the experts and you pay them to leave early.

The college is concerned with the effects of early retirement programs. By the comments from administrative personnel and through an analysis of the early retirees' workload and subsequent changes, it can be inferred that students are well serviced. In addition, even with the reduction of enrollments and a reduction of full-time faculty in the Engineering Department it appears there is a sufficient number of full-time faculty available to handle in-class and out-of-class responsibilities.

Use of the Expertise of Early Retirees

There is no formal college policy mandating the continued service of retired faculty. It is only out of courtesy that invitations to attend graduation and the annual employee are extended to those retirees. Two retired full-time faculty according to the Controller have intermittently done some part-time teaching. This is due in part to keep them busy and for the college to use their expertise. According to Vice President of Academic Affairs,

> I don't think you plan on using it, but I think oftentimes in a community college setting we use a lot of part-time faculty. So generally after the employee has been out of the system, even those employees who have left and said I'm done with teaching and I want to do something different with my life, in three or four years they come back because the classroom is really what they love.

The Vice President for Student Affairs, Research and Institutional Development agreed, "We have a good percentage of the people taking early retirement come back and teach as an adjunct."

The Vice President of Business Services added,

> The college, to the best of my knowledge, has not had a planned use of early retirees. We have as a matter of politeness invited all retirees whether faculty or non-faculty back to serve college functions.

According to him, the cost of the using the retiree' in a part-time role is minimal.

There has been some use of former full-time faculty members. Even though there is no policy governing this treatment of retirees, it occurs because of their concern for the college. The costs involved to hire them back intermittently are extremely low and as a result the college has not prepared any documents to measure these costs.

<u>How Many Faculty Would Have Retired Irrespective of ERIP?</u>

Clearly the consensus of the administration is that these faculty members would have retired anyway. The cost analysis done for this study (see Appendix L) addresses how long faculty would have stayed had they not retired. In a few cases some would have stayed one year longer. As was clear from the answers to earlier questions, this program allowed the college to purchase years of service credit and allow the better faculty to retire prior to their normal time of retirement. It was found that employees count their years of service and when the 30^{th} year is reached, it is time to retire. Employees at this college have little to no interest in working beyond 30 years of service.

In the opinion of the Vice President of Academic Affairs, "I think those that were eligible for retirement who had reached retirement age might have stayed on one more year. Most of them would have gone irrespective of the ERIP." He went on to say, "We basically, I think, paid them to retire early, which in retrospect was probably not a good action to take because we lost some good people who still had good years to provide the college and the students."

The Vice President of Business Services said,

> I would have to say if we had not offered ERIP and had the luxury of looking back who truly did retire from 1986 to today you would have still found the same group of people retiring. I will honestly say in some

of their cases they would have had to wait a few more years. But they would have retired anyway.

Effect on Morale as a Result of ERIP

The general impression by the administration is that morale at Monticello has been adversely affected. There are several reasons for this. Some argue that this has been caused in part by the collective bargaining agreement beginning January 1, 1995, in which ERIP was given up as a provision in the contract. People who are one, two, or three years away from normal retirement are jealous of those having retired under ERIP, since they must work until their normal retirement. ERIP was considered a fringe benefit in the minds of the faculty and something they came to expect.

Other administrators felt that there is a morale problem at the college, but that it goes much deeper than the contract provision of ERIP. Some feel that the whole management philosophy should be examined, dating back to 1986 period when collective bargaining was voted on by the faculty and the current president was installed.

However, some administrators believe that the cost of offering an ERIP only benefits the retirees and not the faculty presently employed. In effect the money spent on an

ERIP could have been earmarked for such things as salary increases and to offset the cost of medical insurance. They say that the budget for salaries and fringe benefits has its limits, as it is constrained by the available money from the public.

It is believed that no one really knows nor has fully analyzed the reasons for poor morale; all parties, however, agree that it exists.

According to the Vice President of Academic Affairs,

> I think its been affected negatively. I think people when they saw the ERIP package out there had it never been offered would not have expected it. Once it was offered, the expectation is there that it will be there for me.
>
> So, I think it's been a negative impact on morale. Any faculty member, whether they are one year short of retiring or they are 20 years short of retiring, when you take it away, once the perception is that it should be there for me and you take it away, there is a negative impact on morale. You've taken away something that whether they have earned it or not, because you really earn early retirement; it is something that the employer offers for various

> number of reasons. I think it is just a perception that it should be there for me and when it isn't the morale goes down.

The Controller stated, "I know it's been a sore point in negotiations. I get the feeling that faculty believes that--they don't understand why administration won't offer it."

Financial Impact of ERIP

The administration believed ERIP has had a negative financial impact on the College. As stated earlier, it is the feeling of the administration that in following STRS guidelines, there can be no cost justification for offering ERIP (see Appendix E). They believe that if a faculty position is going to be replaced or even delayed one year, there is no way for it to be fiscally advantageous. Also, the STRS rule requiring the plan to be offered to a minimum of 5% of the eligible faculty also places constraints on the college by not allowing flexibility (STRS, 1994). The administration believes that it would be more fiscally sound to take the same monies earmarked for ERIP and redirect them to salaries and other benefits.

It is further suggested that STRS and SERS in and of themselves are liberal retirement plans, having strong growth and a fixed monthly annuity for each recipient. In addition, the plan has other excellent features, including medical coverage and long term care insurance. With such superior plans, the administration wonders why it is necessary to further liberalize the program with an expensive ERIP.

According to Vice President for Student Affairs, Research and Institutional Development,

> I think it was a tremendous waste of money in looking at it in retrospect and I have to say that [Starbuck] and I kid all the time. I could retire in 2001, that's when I'll have my 30 years in.

The Vice President of Business Services stated,

> I think it's had--the impact has been we have put money into ERIP that could have gone into salary increases across the board if that money had been redirected to that purpose.
>
> I personally feel that STRS and SERS are excellent retirement systems, excellent benefits. I don't see where the state has gained anything.

The Controller stated,

> For several years that we offered it, I don't believe there was a positive or negative impact on it. But, other years, definitely, it has cost us--I think,

significant dollars. Because as I said before, I think this faculty would retire anyway. And certainly if you offer a two-year or three-year ERIP and those faculty persons are going to be replaced, and they would have retired anyway within that two- or three-year period, there's definitely, in my opinion, not only a cost savings, but a cost burden to the college.

Comments or Suggestions Regarding ERIP

Should a program of incentives be offered to employees, it must be controlled. Employers must have the right to select who may be eligible for these programs. The only way that the ERIP can have any major cost benefit is if there is an assurance of no replacements. Therefore it would be more prudent to offer a retirement incentive plan through the college and not STRS, as the guidelines and procedures can be decided by college personnel.

Overall the ERIP as legislated in 1983 under STRS has limiting features creating constraints on the institution and so making it not fiscally advantageous. The plan in essence requires the college to pay for personnel to leave. Those dollars used to pay the premiums for ERIP, if redirected, could be used for salaries and other fringe benefits. The college also has to absorb an initial upfront dollar cost in the way of a premium invoiced to the college by STRS. It is the administration's position that after they have analyzed the data from 1986 through 1994, the program's cost exceeded its benefits. They contend that the only reason it was instituted in the first place was to avoid any further labor strife such as they had already gone through during the 96-day strike in 1986. It was in later collective bargaining agreements that the administration insisted on the provision being removed from the labor agreement.

Summary

The overall consensus of the administration can be summarized in five points. First, the administration contends that there is no clear benefit to either the administration or the faculty. Second, the cost to the institution far exceeds any potential benefits. Third, the STRS and SERS are extremely liberal systems, and prospective retirees should be satisfied with the normal pension system. Fourth, ERIPs may be more relevant and practical for private industry where there is profit motive. Lastly, the administration clearly believes that the ERIP cannot be cost-effective.

In addition, there were some responses to follow-up questions. The administration offers the same fringe benefits and wage increases to all employees of the college. Should ERIP be offered, not only is it available to the faculty but to all other employees, also. There have been no changes in enrollment patterns, student growth, or in the Full Time Equivalent or Instructional Full Time Equivalent ratios resulting from ERIP. However there have been several enrollment reductions in the Engineering area, which were addressed in the interview question, Assuming Replacement Faculty, What Has Been the Effect, earlier in this section.

Interview Results of Deans and Directors

Interviews were also conducted with the Dean of Health Technologies, the Dean of Business Technologies, and the Director of Transfer. Table 17 illustrates the characteristics of the interviewees.

Results of Interviews With Deans and Directors

A 15-question interview guide was prepared and addressed to the various academic deans and college directors (see Appendix C). The results of these interviews are discussed in this section.

Table 17

Deans and Directors Demographics

Title	Highest Education	Years of Service
Dean of Health Careers	Ph.D. Virginia Tech	Less than two years
Dean of Business Technologies	Master of Business Administration Anna Maria College	Less than two years
Director of Transfer	Master of Business Administration Youngstown State University	3 years

Effect on Teaching by the Replacement With New Faculty

The effect on teaching resulting from an ERIP has not been significant. However, interviewee response to that question did discuss the need for faculty to become more professional. The college is experiencing a transition from a technical school to a full service community college. As a result there are more transfer programs and paraprofessional courses of study. Many faculty who joined the college at its inception when it was a technical school no longer have the skills needed in their field of endeavor. It was felt that an ERIP would benefit the college if this cadre of faculty could be humanely retired.

According to an academic dean,

> I've seen us clash heads on the value of education and the type of education. In my personal opinion, I think some of the older people, to be honest, need to go. Not that they're not necessarily skilled individuals--I don't know now that we're a community college--we're not a comprehensive community college by any means, but we're now beginning to offer humanities, arts and literature, more mathematics, more transfer courses as opposed to just the strictly technical, and I think that that change has been very, very difficult for a lot of people and I think that some of those people that have been here since we opened the doors and were a technical school to technical institute to technical college to community college have not weathered that change.

Evaluate the Contribution of the Retired Faculty

The retired faculty often participate in college activities, as has already been addressed in the interview question to top management, Use of the Expertise of Early Retirees. No formal college policy mandates the use of retirees as part-time faculty. Their willingness to be involved in part-time teaching, serve on committees, aid in the preparation of the North Central Accreditation on-site visits, and support college efforts for the levy campaign is based on their desire to keep occupied and offer their expertise. As has already been stated, they only teach intermittently and the Vice President of Business Services considers that cost to be minimal.

Reaction of Deans and Directors to College's Offer of the ERIP

Since it was decided through collective bargaining, it was hoped that an ERIP would be offered to other staff as well. It was felt to be a positive benefit and it was hoped that it would be in the contract for quite some time so other constituents could take advantage of the program. As the Director of Transfer stated,

> My reaction is that it was something the faculty was provided through negotiations and benefits which the faculty would achieve through collective bargaining would be passed along to people in administration, staff and support. As far as my opinion, it's probably a pretty good thing, and if I was eligible, I probably would consider taking it.
>
> Well, I really didn't have a real big reaction at that time, but personally, I looked at it, "Oh, gee,

if this is still in effect when I retire . . ." then I started mentally calculating how many more years that would be. I looked at it as, gee, this is something I may be interested in.

Effect on Faculty Morale as a Result of ERIP

The offering of an ERIP would be a step in the right direction. However, according to the Dean of Business, there appears to be a less than harmonious relationship between the faculty and administration.

> In my opinion, there are such negative, adversarial relationships between faculty and administration that in some cases, it's looked at--it was meant to be a positive, but now, it's like why are they doing this now and why are they giving us this and in some cases it might have backfired with some of the people.

As already stated in this chapter's introduction, many of the present day problems date back to the strike in 1986.

The Dean of Business also noted,

> There's a general impression of a lack of autonomy that even though if you look on paper, you may have fifty committees, you know, and we only have thirty full-time employees, we have committees to do this, we

> have committees to do Total Quality Management (TQM), we have committees for this and that, employee development, that their hands are tied by a few people of the upper administration and that it's kind of a curtain of autonomy that is really there, so that people say why should I even try because a lot of this stuff, it's not going to make a difference, whether I'm on 50 committees, if I make a suggestion and it's always overridden by what your agenda was to begin with.

While the comments from this dean appear to cast a strong negative tone, there did not appear to be any unusual adversarial relationship between the faculty and administration during the course of this study. Because the researcher is a professor at another Ohio community college and is well acquainted with its working environment, he has the ability to more accurately review and evaluate comments of this dean.

Overall Perspective of ERIP

From an overall standpoint, the deans and directors were only concerned with themselves. They only hoped that ERIP would be still available when they were approaching retirement. They also felt if ERIP was negotiated, that it occur via some quid pro quo. As a result it would be a win-win situation for all involved.

As an academic dean concluded,

> Personally, if it were me, I would think that when I get to that, as I said earlier, I would be one of those people that would be counting the days, going wow, this is great, you're going to be buying out how many years, let me do it, because I like money and I think I would love retirement.

Benefit to Whom

The results of these responses did not clearly indicate who benefited most.

The overall results of interviews from deans and directors yielded only a limited amount of information. All the academic deans had been hired within the last two years and were unable to provide complete and accurate information during the interview. At the time of this writing two of those deans have left the institution. There is a consensus on the need to be more professional so as to ensure that those students coming to the college for purposes of transferring elsewhere at the same time receive a meaningful and relevant technical program. The college has gone through a growth and maturation period and there is a need to have a faculty who not only possesses the technical skills in their areas, but also possesses the required educational background, that is, a master's degree and professional certification.

Summary

The dean position is only two years old at the college. They were not employed at the time the early retirement programs were adopted and the results of their interviews can be viewed as only marginally significant. The faculty and top management's interviews were more substantive due to their relative longevity.

As this has been the first study to include a financial analysis along with the results interviews, it should provide a more balanced and objective treatment of the data.

Chapter Summary

The results of the cost analysis, and the results of interviewing faculty, top management, and deans and directors have been presented in this chapter. Issues concerning the faculty, administration, program integrity, and cost justification have been addressed. The interview results from the three groups show that there is a difference of opinion on the cost of early retirement programs. The program had been instituted by the college but dropped as of January 1, 1995, as a result of collective bargaining. There has not been a financial analysis, according to members of the faculty and the administration, to show the cost of the program. This researcher did such an analysis (see Appendices I - K and Table 1) using the present value method and it was shown to be a feasible program.

CHAPTER V

OVERVIEW, FINDINGS, AND RECOMMENDATIONS

Introduction

This chapter provides an overview of the study and a summary of the research design employed in the investigation. In addition, the major findings from the study are presented and discussed in relation to each of the research questions. Lastly, implications and recommendations resulting from the study are presented.

Overview of the Study

The purpose of this study was to examine the impact of an early retirement incentive program (ERIP) at Monticello Community College. Early retirement programs have been widely used since the 1970s and 1980s (Casper, 1990; Mooney, 1993). However, most of the research on this issue has been primarily confined to public schools and the traditional four-year universities with very little evidence of studies at community colleges.

In this study, two plans were offered to the full-time faculty: (a) ERIP through STRS, and (b) Retirement Incentive (RI) programs sponsored by the college. ERIP under the auspices of STRS requires specific guidelines that must be adhered to by the college administration and the full-time faculty (see Appendix E). At the time of first implementation, ERIP through STRS was the only option plan available to Monticello by law. By following the STRS guidelines, the college administration had minimal control over retirements. This exposed the administration to potentially greater premium costs than were anticipated.

The Ohio Legislature had authorized boards of trustees through House Bill 200, passed in 1973, which gave broad general powers to educational institutions. This included their right to enact their own retirement incentive (RI) program outside the purview of STRS (Ohio Revised Code, 1973). An RI plan allows the administration to determine how many retirements will be offered and more flexibly target particular faculty of their choosing. The RI usually involves a cash payment, based on the number of years of service multiplied by a dollar amount for each year of service. Monticello Community College offered early retirement programs for an eight-year period beginning in 1986 and ending in 1994. During that period, 12 faculty retired through an early retirement program, 10 under ERIP and 2 under RI.

Description of the Research Design

A qualitative research design employing the use of a single case study methodology was used for this study. The data collection involved interviews of college personnel on the campus of Monticello Community College and the examination of relevant available documents. The interview format involved the use of semi-structured interviews in order to allow the participants flexibility in their answers and to allow the opportunity for unsolicited answers generating other potential areas of inquiry.

The study was conducted over a two-month period, which ended December 31, 1997, and required 18 trips to the research site. A total of five interviews were conducted with college administrators including the Vice-President for Academic Affairs, Vice-President for Student Affairs, Research and Institutional Development, Vice-President for Administrative Services, the Vice-President for Business Services, and the Controller; three interviews were conducted with deans and directors including the Dean of Health Technologies, Public Services and Natural Sciences, Dean of Business Technologies, Humanities and Social Sciences, and the Director of Transfer. Also, 19 of 40 total full-time faculty members were selected and interviewed from the list generated by the advice of the president. The president declined to be formally interviewed for this study.

A review of documents initiated the data collection. The researcher photocopied and examined documents and other written memoranda. These documents not only provided essential information but also aided in developing questions during the interviews.

Data reduction and analysis was on-going during the study. A synthesis of categories emerged after interviews had been transcribed, documents examined, and field notes reviewed. The ideas, speculations, and hypotheses developed by the researcher were informally placed on a large bulletin board framed by the research questions. A review of the bulletin board helped the researcher generate questions, identify other documents to review, and develop other productive questions.

Summarized Findings and Discussion

To summarize the findings of this study, this section will be divided into four parts, each discussing one of the four research questions. In discussing the findings, it will be necessary to reflect on the personal knowledge of the researcher, extract excerpts from the literature, and the analysis of the data itself.

Research Question 1: What is the financial impact (costs and savings) of ERIP at Monticello Community College?

On the basis of the findings of this study the early retirement program under review proved to be financially feasible and as a result this conclusion implies that adoption of an early retirement is acceptable. A net present value analysis was prepared, as described in chapter 4 (Appendices I - K and Table 1), to evaluate the feasibility of early retirement programs at Monticello Community College. The present value analysis revealed a positive amount of $54,393. The present value of $54,393 is the result of opportunity savings of $900,700, less the opportunity costs of replacement faculty of $443,766, less the premium costs of $402,541. The concept of using present value reflects the time value of money to any base period, so as to put all dollars in any given base year on the same relative basis with different yearly cash flows to that base period. Accepted capital budgeting practices state that when the economic project results in a present value of zero or greater, the undertaking is considered to be acceptable.

There are differences of opinion in cost analyses in use of present value. Many accountants and financiers will argue that present value is unnecessary in that it will only change the magnitude of any savings or losses but not the overall thrust of economic endeavor. There is no universal agreement on how to best ascertain the amount of savings (loss) resulting from the adoption of these programs in Ohio public education as there is no type of uniform prescribed analysis. It can be argued that just aggregating the accumulated savings (losses) without placing a time value of money over these dollars is sufficient. This analysis, often termed Cost Benefit Analysis, and using a Payback formula can be computed using a three-, five-, or ten- year period. At Monticello Community College, the Cost Benefit Analysis was prepared for three-year and five-year intervals and revealed savings of $273,815 and $720,397 respectively and a Payback Ratio of 1.9 years (see Appendix N). These types of analyses are most common and have been used by Mentor Public Schools, Kenston Public Schools, and Lakeland Community College in the State of Ohio. These calculations have been for internal use only and are not intended to be part of any published financial statement of the institution.

In using this approach, financial officers in public education are able to keep the analyses very simple and easy for the non-financial reader to understand. Alternatively, factoring in an interest cost uses another type of an analysis, present value. The focus of this approach is not necessarily to compute the aggregate savings (loss) but to evaluate the feasibility of undertaking the plan. In its methodology, all costs and savings are converted back to the base year of the economic plan so as to keep the dollars consistent and uniform. Managers often prefer this method because they can choose an optimal business plan based on the annual savings and the rate of return of the investment. In attempting this, managers must be able to project cash flows incrementally and also to identify and calculate interest rates reflecting the entity's rate of return. However, this type of an analysis is more complex than the cost/benefit method and requires a more educated reader who has a minimal knowledge of economic and the finance concepts of risk and rate of return.

A central problem in these types of studies is the determination of savings. Unlike an income statement of any going concern which simply lists the revenues and expenses in the determination of income, there in no mechanism in place which will provide the framework for calculating the savings (loss) in an analysis of early retirement programs. The internal studies have shown a variety of methods. Some have aggregated the savings less costs for arbitrary periods, for example, 3-year, 5-year, and 10-year intervals on the assumption that the savings achieved through early retirement programs will continue indefinitely.

Other studies use similar aggregate data and compute payback ratios and break-even points, as shown in the Mentor School District study. The pay-back ratio shows the length of time it will take for an economic plan to pay for itself and the break-even point attempts to ascertain the activity level required for the plan to show a zero cost. However, in the preparation of the break-even point, the professional must be able to disseminate the costs by their respective behavior, that is, fixed cost, variable cost, and mixed costs (Garrison & Noreen, 1997). If mixed costs are a significant cost component, it is essential that they be split into their fixed and variable components using relevant and reliable procedures which involve either the High-Low or Regression Analysis methods.

Finally, some studies have examined the data of early retirement and have been mainly concerned with the feasibility of adoption and only minimally concerned with when and how much savings have occurred, that is, present value. Therefore it is essential that a professional accountant, preferably a CPA or financier technically competent in Managerial Accounting, should prepare these analyses in a most conservative manner exercising due care and diligence.

Other factors need to be incorporated in any analysis. They include but are not limited to: (a) the number of years of service credit being purchased, (b) age of the faculty at the time of early retirement, (c) years of service at the institution and in the retirement system, (d) the cost of replacement faculty (if replaced), (e) use of part-time faculty and/or existing full-time faculty, and (f) whether or not the prospective early retirees would retire irrespective of the offering of early retirement programs.

The data does reflect a positive present value, which generally indicates that the early retirement program is acceptable. On further examination, the data shows that the savings were much more evident in the early years of the program where the differences between the prospective savings versus cost were more pronounced. Over the length of the program the savings became marginal and in one case there was an extreme cash drain to buy out one individual.

Also of major significance at Monticello Community College is that there are extreme differences of opinion on whether there have been savings and, if so, where they have occurred. For example, one 26 year faculty member saw the benefit of ERIP, "From everything that I understand, early retirement would eliminate higher paid faculty, so that should free up money for you to be able to do other things like replace equipment."

Another faculty member noted

> The college does creative accounting and they chose to pay all of our buyouts in one year, and they have never, in anything I have seen in their projections in years after the buyout, shown the savings in the high salaries they were paying and the savings for the replacements.

Administration comments were similarly ambivalent. As one administrator stated,

> I think we looked at it as a way of providing some financial advantages to the college and at the same time helping out faculty or other people who might be in a position to leave the institution. Because it wasn't just faculty, it was both sides of the house choosing to leave the institution and go on with other things in their lives.

> But the negative aspect was perceived by another administrator,

> I believe, when the college looked at it, we didn't go deep enough in realizing that people who you thought were going to use it elected not to use the program and it left openings for other people further down the ladder who were younger; you actually were providing them an excellent incentive to leave. Good people leave the organization early before they really reached the age to retire and it ended up costing us money almost every time we applied it after the first couple of years.

Not only do these comments reflect significant differences of opinion regarding the financial impact but also even more significant is the lack of a framework to establish a dialogue in discussing the financial impact of ERIP for the college. More profound is the lack of any one model or any one method to best illustrate the economic consequences of offering early retirement.

Because of this and the totally subjective view on how best to ascertain when savings have taken place, the financial impact can best be judged when there is an appropriate environment for this type of discussion. All involved constituent groups having a vested interest in the successful operations at Monticello Community College need to begin a meaningful discussion on the future direction of the college and what role ERIP might play in that future.

Research Question 2: What are the perceived impacts of ERIP on academic matters in the institution under investigation?

Apparently the college administration was inadequately prepared for labor negotiations in 1985. In part this was the result of the faculty electing for the first time a collective bargaining agent in the Ohio Education Association (OEA). The OEA's demand for an equitable contract led to a 96-day strike and the cancellation of the Winter Quarter in 1986. The resolution of the strike included terms for a faculty ERIP.

Administrative long-term planning was also lacking. When the administration agreed to a faculty ERIP they were not aware that the costs of an individual ERIP would vary according to age and years of service. Furthermore the administration expected to replace older full-time faculty with younger faculty at lower salaries. These plans were frustrated by the fact that the contractual agreements placed limits on the extent of faculty reductions and restricted the administration from selecting which faculty would retire. The administration also decided to pay the total cost for each ERIP in full at the time of retirement rather than spreading the costs over a four year period.

Whereas ERIPs have proven to be economically feasible for Monticello Community College, there is no evidence that any savings were invested in classroom facilities or equipment. It is true, however, that class size has not risen significantly and that college programs have been maintained. In summary, faculty perceived that ERIP should have provided financial savings. However, the administration perceived that ERIP was a financial cash drain on the college.

Early retirement programs became very popular in higher education and were used not only as a tool in reducing cost but also in improving and revitalizing programs (Casper, 1990). The traditional four-year state university with its numerous colleges and professional schools along with a full range of courses cannot be fairly compared with the community college. The community college's emphasis may be partially on the traditional aged student but also on other students having particular concerns with: (a) family, (b) current job, (c) job displacement, (d) single parenthood, and (e) off campus courses. The community college's emphasis is on teaching and meeting with students as opposed to the university's significant emphasis on research. In short, the community college is under constant pressure to make sure that its academic programs meet the various needs of the community which are not merely to provide two-year college transfers to a university.

Therefore, when early retirement programs are adopted, it is the opinion of this researcher that any significant changes or alterations of courses and programs will have only a minimal effect on the four-year university due primarily to an accumulated proliferation of its courses and programs. It would probably be advantageous for the university to reduce or eliminate low enrollment programs.

In addition the university is less sensitive to its local constituency, in contrast to the community college. The university is chartered by the state whereas the community college is not only chartered by the community, usually a county, but also significant funding for community colleges is done through the passage by the local taxpayers of a property tax levy.

Because of these differences, it is clear that the community college, when offering early retirement must be most sensitive to the continued needs of the community. In offering early retirement proponents hope the whole scope of delivery of instruction will be improved including not only the classroom professor, but also technology in the classroom and student support services. At this time, new technology might involve improved library facilities, student access to e-mail and the Internet, distance learning, interactive classrooms, and testing and tutoring centers.

Early retirement studies done at Mentor Schools, Kent State University, and Ohio State University showed effective long-term planning examining the effects of program offerings and the delivery of instruction (Ohio State University, 1994; Ohio School Board Association, 1996). Overriding concerns were program continuity and the assurance of high quality instruction. In many instances the implementation of early retirement programs has resulted in a loss of expertise and invaluable experience. This result has manifested itself in inadequate student advising and instruction in the classroom, and poor course scheduling.

Colleges and universities when using a collective bargaining agent negotiate wages, hours, and working conditions with specific contractual clauses covering those areas of employment. Salaries are usually predicated on years of service at the institution and educational attainment. Other contractual provisions include hours and working conditions (usually the required time in class and on campus), fringe benefits, professional improvement leave, travel, evaluation, and grievances, to name but a few sections. Fringe benefits usually include life insurance, medical insurance, disability payments, and early retirement incentive programs. At times there is difficulty in arriving at a contract agreement. With the assistance of State Employee Relations Board (SERB), administrations and unions have a mechanism in place to bring issues in dispute to a resolution (Ohio Revised Code, 1984). It is rare when negotiations need to result in a strike action. In the end, no one gains and often there are unnecessary bad feelings among employees and the administration.

In investigating the root causes of the strike at Monticello Community College in 1986, the researcher spoke with senior faculty and administrators. It became evident that this strike cost the college the loss of an academic quarter and resulted in residual bad feelings among employees. It is ironic that, despite the severe consequences of the strike, no one could explain satisfactorily to this researcher why the strike took place and the disputed issues at the time.

Academic planning is very important, not only for faculty and staff but more importantly for the students the college serves. Whereas Monticello Community College has not had any difficulty in maintaining program integrity as a result of early retirement programs, there are human resource issues that have created many problems and persist to this day.

Research Question 3: What is the impact of ERIP on the structure and composition of faculty members at Monticello Community College?

The present study indicates that the initiation of ERIP has led to no substantial change in the structure or the composition of the faculty. Matters such as faculty governance and promotion, for example, are clearly delineated and not subject to influence by retirements. Likewise course loads and numbers of preparations have been unaffected by retirements. In some instances, however, a faculty retiree in one department would be replaced with a new faculty member in a different department. In this way the administration was able to adjust faculty to changing student demands.

It would appear that there is a greater number of older faculty probably near or at the top of the salary schedule. This has occurred primarily because of the salary schedules in the collective bargaining agreement which usually guarantee wage increases each year, vertically (commonly known as step increases) until faculty members reach the top of their pay scale. This movement upward on the salary schedule varies by individual agreement but may range from 10 to 15 years on the average. In addition, faculty may advance in salary grade usually because they have attained more education or have become certified in an area of expertise. As a result, large numbers of faculty will often become fixed at the top step of the salary grade. In addition, fringe benefits that are usually calculated as a percentage of salaries will increase proportionately. As these salaries and fringe benefits increase each year they will take up a greater share of the operating budget.

The administration has no policy towards, nor does the collective bargaining agreement specify any special considerations for, retirees who may wish to teach on a part-time basis. A few retired faculty members have taught intermittently, but they receive no preferential treatment over other part-time faculty. Certainly the college has not tried to exploit the use of retired faculty as a source of inexpensive labor or draw upon their expertise.

A study at Kent State University (Casper, 1990) evaluating early retirement programs concluded that these programs were aimed at reducing the size of the faculty to avoid displacing younger, untenured faculty in a time of financial uncertainty at the university. The program was also designed to put new vigor in programs and encourage younger faculty to assume roles in leadership and governance they had not been able to assume previously. Therefore at Kent State University, early retirement programs were able to change the structure and composition of the faculty (Casper, 1990).

Also, the National Education Association in a 1994 publication stated that one of the objectives for offering an early retirement incentive program was to open career advancement channels for younger employees. These inducements for older employees to leave can create opportunities for organizations to bring in new staff and ideas and to change programs by changing staff (National Education Association, 1994).

The aim of an early retirement program is to change the structure of the faculty in such a way as to reduce cost, ensure program integrity, while bringing in younger and more aggressive faculty to revitalize present programs or to institute new and more relevant programs. Usually older faculty members, often in a rut, occupy positions in department leadership and faculty governance. This service may be in the faculty senate, or as union officers, and department chairpersons. In addition, these faculty members will have involvement in serving on important college-wide committees, such as hiring, grievance, and academic standards committees.

It would appear that early retirement programs have not affected all departments in the same way due in part to contractual language setting a minimum number of full-time faculty and also to changing enrollment patterns. The early retirement program only eliminated people and not the positions. As departments assessed their respective needs, the overall concern was the effective delivery of instruction. Where necessary, existing full-time faculty have absorbed the workload of retired faculty who are not being replaced. When it was necessary to replace the retiring faculty, these new faculty not only had excellent academic credentials but also were able to apply the newer technology in their teaching. This gives students a greater appreciation for learning and also makes them more marketable when finishing their studies.

Ohio State University, in offering early retirement, made use of early retirees, while at the same time the University hired younger full-time faculty. For one year after retirement, selected early retirees were paid a stipend as independent contractors for one half of their previous workload. In addition to their teaching they were also to serve as mentors to the new faculty. This program had success since the retirees were paid significantly less with no fringe benefit cost, while at the same time they were able to properly mentor the new faculty in their courses and programs.

There appears to have been no significant change to the structure and composition of the faculty at Monticello Community College. There has been some use of the retirees, but in the long run, it may be to the advantage of the college if they put in place a college policy giving flexibility to the college for a greater reliance on the retired faculty.

Research Question 4: What problems are anticipated from ERIP implementation, and what solutions are recommended to respond to these problems?

Contractual agreements limit administrative flexibility with regard to staffing. STRS guidelines require that ERIP incentives must be offered to at least 5% of the eligible faculty. Furthermore there is no obligation on the part of the eligible faculty to accept an ERIP. The collective bargaining agreement also specifies that there must be a minimum of 42 full-time faculty. Adhering to these agreements seriously limits administrative options (Ohio Revised Code, 1984).

At the time of the election of the OEA to be the collective bargaining agent, the Ohio Legislature had just passed the two major bills involving labor relations: (a) legislation allowing public employees to not only join a union but also have the right strike, and (b) legislation providing a framework for Ohio educational institutions to offer early retirement to its employees.

Because boards of trustees have empowerment legislation, it allows a college administration with the flexibility to enact individual retirement programs outside the regulations of STRS (Ohio Revised Code, 1973). The administration has taken advantage of this legislation by offering its own retirement incentive (RI) program. The RI program gives the administration more flexibility in staffing.

Human resource planning is essential to the effective running of any educational institution. When there is a collective bargaining agreement, this area of the college often takes a leadership role in future contract negotiations. The faculty appear to have a major advantage in having contract language mandating a minimum number of full-time faculty when compared to the American Association of University Professors (AAUP) Red Book suggesting that the composition of faculty have a ratio of 60% full-time to 40% part-time. This clause is unusual contract language and may actually prove disadvantageous to the faculty in the long run. In cyclical times of lower enrollment, it may be difficult for full-time faculty to attain a reasonable teaching schedule. This could require full-time faculty to teach not only in their primary area of expertise but also in related areas. This could also lead to faculty having to have more than the normal teaching preparations. A worse possibility could require full-time faculty to get further education to become proficient in new areas of study.

Institutions having offered early retirement incentive programs through STRS are aware of its restrictions. In addition to its major features of minimum age and seniority in the institution, it must be offered to a minimum of 5% of the eligible membership at that institution. But even more important is the requirement that it be offered to all eligible faculty members in an order beginning with the most senior faculty. Management cannot pre-select or determine the order (see Appendix E). This feature is often found objectionable by many colleges and universities. Usually there is little argument over who is the likely deadwood in the institution, but the offering of early retirement is no guarantee that unproductive faculty member(s) will retire. Additionally, faculty members whom the institution would like to keep may very well accept the offer of early retirement. Local school boards and boards of trustees have created their own early retirement programs outside the auspices of STRS. In this way the institution can more accurately target their potential retirees. In this program, the incentives are not the same as buying years of service credit through STRS and usually involve some type of cash payment program.

It is also apparent that there is no effective system of tracking the savings from the overall college to the dean's level as a result of offering an early retirement incentive programs. With faculty members being assigned to various departments it would only be reasonable that any prospective saving be shared at the department level to provide assurance that students benefit.

One down side for faculty when accepting early retirement through STRS is the cost of medical benefits. In recent legislation, it will be the obligation of the early retiree to pay for the full group cost of medical insurance until they reach their normal age of minimum normal retirement. This can prove to be very costly and may actually dissuade prospective early retirees from accepting the program.

When the college administration was confronted for the first time in 1986 with negotiating its first collective bargaining agreement with the faculty, they should have been better prepared for those negotiations. Because contract terms often have a life that is longer than the given contract, it is often difficult to renegotiate out contract clauses once they are in place. Often, human resource departments who handle labor affairs hire specialists, frequently attorneys specializing in labor-management contracts. In the long run the best contracts are negotiated when both parties are dealing from positions of equal strength.

Recommendations

1. It may be in the best long-term interest of the college to review their human resource policies with respect to collective bargaining and hiring policies. First, the college administration and the faculty should, in an atmosphere of collegiality, address ways to preclude large numbers of faculty remaining at the top of their pay scale. These initiatives may include: (a) offering of early retirement programs, not only limited to STRS, (b) the

revision of the salary scale to allow a continued progression of salary step increases at the top the salary scale without penalizing those at the lower end, and (c) initiating discussions about the determination of salary increases from a system merely predicated on longevity to a hybrid system combining longevity, merit, and outcomes assessment. Second, a review of hiring practices should include a pattern of staffing that will avoid the possibility of large groups of faculty becoming eligible to retire at the same time.

2. The college administration and the union should jointly create an ad hoc committee to oversee the planning and budget process for learning enhancements in and outside the classroom to promote student success. Part of the charge of this committee should be to ensure that there is a fair balance among the academic departments in the sharing of operating revenues designed for student achievement. It is important that the revenues received by the college be ultimately channeled to the particular department responsible for its origination. This information could be prepared and published through an official report of the college by a CPA or CFA employed by the college. Over time the college may choose to make this

committee one of its standing governance committees responsible for planning and budget recommendations.

3. With retirement of faculty having much experience and expertise, the college could make good use of these people relatively inexpensively. The college administration could offer an incentive to retirees by paying them as consultants, thereby avoiding employer taxes and fringe benefits while at the same time making good use of these people during a period when the department is in transition.

4. The college should consider hiring personnel possessing specific knowledge and technical expertise in labor relations or employing a law firm that specializes in labor relations for management. In considering this option, the college must determine which is the most cost-effective approach while at the same time providing the administration with timely information. Because of the ever-changing labor law not only in the legislature but also in the courts, arbitration, and SERB hearings, often medium and smaller colleges have retained the services of law firms to provide expert input.

Suggestions for Further Study

The findings of this study suggest areas in which further research would be appropriate. Whereas there are many public colleges and universities in Ohio, the needs and resources of each institution vary according to its type, locality, size, and student enrollment. To better understand ERIP and its effects, the following recommendations are suggested:

1. A follow-up study should be conducted at other Ohio two-year colleges that have adopted or re-adopted ERIPs. The research should attempt to ascertain the intentions, purposes, and goals for offering an ERIP and whether the institution achieved them.

2. This study did not involve personal considerations of the early retirees. Future studies need to examine why faculty chose to retire under ERIP and what contributions these faculty members made to the college after retirement. Another study could examine faculty retiree life styles after retirement, for example, economic, social, and health concerns.

3. Future studies should examine whether savings to the college justify paying a premium to STRS, thus giving prospective retirees credit for additional years of

service, and whether faculty would retire irrespective of ERIP. Institutions experiencing escalating faculty salaries might examine other ways to control costs in lieu of ERIP.

4. An investigation should be made to evaluate the impact of local board-designed RIs versus ERIPs designed by STRS.

5. Research could explore how ERIP implementation is primarily a product of collective bargaining and how this process occurs. Many colleges and universities have elected a collective bargaining agent, for example, the National Education Association, American Federation of Teachers, and American Association of University Professors, which sometimes negotiate ERIP as part of a contract.

6. Research should examine how improved college administration communication could impact institutional planning, and decision-making, college governance, and employee morale, which in turn could influence the decision on offering ERIPs.

Chapter Summary

This chapter has summarized perceptions of an early retirement program at Monticello Community College. Data for this study were obtained from personal interviews, and analysis of college documents. The conclusions presented in this chapter resulted from a synthesis of all the finding of this study. It is hoped that this research will provide a touchstone for further inquiry into ERIPs at community colleges.

APPENDICES

APPENDIX A

SUMMARY OF STATEMENT NO. 87

Employers' Accounting for Pensions

Summary of Statement No. 87 Employers' Accounting for Pensions (Issued 12/85)

This Statement supersedes previous standards for employers' accounting for pensions. The most significant changes to past practice affect an employer's accounting for a single-employer defined benefit pension plan, although some provisions also apply to an employer that participates in a multiemployer plan or sponsors a defined contribution plan.

Measuring cost and reporting liabilities resulting from defined benefit pension plans have been sources of accounting controversy for many years. Both the Committee on Accounting Procedure, in 1956, and the Accounting Principles Board (APB), in 1966, concluded that improvements in pension accounting were necessary beyond what was considered practical at those times.

After 1966, the importance of information about pensions grew with increases in the number of plans and amounts of pension assets and obligations. There were significant changes in both the legal environment (for example, the enactment of ERISA) and the economic environment (for example, higher inflation and interest rates). Critics of prior accounting requirements, including users of financial statements, became aware that reported pension cost was not comparable from one company to another and often was not consistent from period to period for the same company. They also became aware that significant pension-related obligations and assets were not recognized in financial statements.

Funding and Accrual Accounting

This Statement reaffirms the usefulness of information based on accrual accounting. Accrual accounting goes beyond cash transactions to provide information about assets, liabilities, and earnings. The Board has concluded, as did the APB in 1966, that net pension cost for a period is not necessarily determined by the amount the employer decides to contribute to the plan for that period. Many factors (including tax considerations and availability of both cash and alternative investment opportunities) that affect funding decisions should not be allowed to dictate accounting results if the accounting is to provide the most useful information.

The conclusion that accounting information on an accrual basis is needed does not mean that accounting information and funding decisions are unrelated. In pensions, as in other areas, managers may use accounting information along with other factors in making financial decisions. Some employers may decide to change their pension funding policies based in part on the new accounting information. Financial statements should provide information that is useful to those who make economic decisions, and the decision to fund a pension plan to a greater or lesser extent is an economic decision. The Board, however, does not have as an objective either an increase or a decrease in the funding level of any particular plan or plans. Neither does the Board believe that the information required by this Statement is the only information needed to make a funding decision or that net periodic pension cost, as defined, is necessarily the appropriate amount for any particular employer's periodic contribution.

Fundamentals of Pension Accounting

In applying accrual accounting to pensions, this Statement retains three fundamental aspects of past pension accounting: delaying recognition of certain events, reporting net cost, and offsetting liabilities and assets. Those three features of practice have shaped financial reporting for pensions for many years, although they have been neither explicitly addressed nor widely understood, and they conflict in some respects with accounting principles applied elsewhere.

The delayed recognition feature means that changes in the pension obligation (including those resulting from plan amendments) and changes in the value of assets set aside to meet those obligations are not recognized as they occur but are recognized systematically and gradually over subsequent periods. All changes are ultimately recognized except to the extent they may be offset by subsequent changes, but at any point changes that have been identified and quantified await subsequent accounting recognition as net cost components and as liabilities or assets.

The net cost feature means that the recognized consequences of events and transactions affecting a pension plan are reported as a single net amount of the employer's financial statements. That approach aggregates at least three items that might be reported separately for any other part of an employer's operations: the compensation cost of benefits promised, interest cost resulting from deferred payment of those benefits, and the results of investing what are often significant amounts of assets.

The offsetting feature means that recognized values of assets contributed to a plan and liabilities for pensions recognized as net pension cost of past periods are shown net in the employer's statement of financial position, even though the liability has not been settled, the assets may be still largely controlled, and substantial risks and rewards associated with both of those amounts are clearly borne by the employer.

Within those three features of practice that are retained by this Statement, the Board has sought to achieve more useful financial reporting through three changes:

a. This Statement requires a standardized method for measuring net periodic pension cost that is intended to improve comparability and understandability by recognizing the compensation cost of an employee's pension over that employee's approximate service period and by relating that cost more directly to the terms of the plan. b. This Statement requires immediate recognition of a liability (the minimum liability) when the accumulated benefit obligation exceeds the fair value of plan assets, although it continues to delay recognition of the offsetting amount as an increase in net periodic pension cost. c. This Statement requires expanded disclosures intended to provide more complete and more current information than can be practically incorporated in financial statements at the present time.

Cost Recognition and Measurement

A fundamental objective of this Statement is to recognize the compensation cost of an employee's pension benefits (including prior service cost) over that employee's approximate service period. Many respondents to Preliminary Views and the Exposure Draft on employers' accounting for pensions agreed with that objective, which conflicts with some aspects of past practice under APB Opinion No. 8, Accounting for the Cost of Pension Plans.

The Board believes that the understandability, comparability, and usefulness of pension information will be improved by narrowing the past range of methods for allocating or attributing the cost of an employee's pension to individual periods of service. The Board was unable to identify differences in circumstances that would make it appropriate for different employers to use fundamentally different accounting methods or for a single employer to use different methods for different plans.

The Board believes that the terms of the plan that define the benefits an employee will receive (the plan's benefit formula) provide the most relevant and reliable indication of how pension cost and pension obligations are incurred. In the absence of convincing evidence that the substance of an exchange is different from that indicated by the agreement between the parties, accounting has traditionally looked to the terms of the agreement as a basis for recording the exchange. Unlike some other methods previously used for pension accounting, the method required by this Statement focuses more directly on the plan's benefit formula as the basis for determining the benefit earned, and therefore the cost incurred, in each individual period.

Statement of Financial Position

The Board believes that this Statement represents an improvement in past practices for the reporting of financial position in two ways. First, recognition of the cost of pensions over employees' service periods will result in earlier (but still gradual) recognition of significant liabilities that were reflected more slowly in the past financial statements of some employers. Second, the requirement to recognize a minimum liability limits the extent to which the delayed recognition of plan amendments and losses in net periodic pension cost can result in omission of certain liabilities from statements of financial position.

Recognition of a measure of at least the minimum pension obligation as a liability is not a new idea. Accounting Research Bulletin No. 47, Accounting for Costs of Pension Plans, published in 1956, stated that "as a minimum, the accounts and financial statements should reflect accruals which equal the present worth, actuarially calculated, of pension commitments to employees to the extent that pension rights have vested in the employees, reduced, in the case of the balance sheet, by any accumulated trusteed funds or annuity contracts purchased." Opinion 8 required that "if the company has a legal obligation for pension cost in excess of amounts paid or accrued, the excess should be shown in the balance sheet as both a liability and a deferred charge."

The Board believes that an employer with an unfunded pension obligation has a liability and an employer with an overfunded pension obligation has an asset. The most relevant and reliable information available about that liability or asset is based on the fair value of plan assets and a measure of the present value of the obligation using current, explicit assumptions. The Board concluded, however, that recognition in financial statements of those amounts in their entirety would be too great a change from past practice. Some Board members were also influenced by concerns about the reliability of measures of the obligation.

The delayed recognition included in this Statement results in excluding the most current and most relevant information from the statement of financial position. That information, however, is included in the required disclosures.

Information Needed

The Board believes that users of financial reports need information beyond that previously disclosed to be able to assess the status of an employer's pension arrangements and their effects on the employer's financial position and results of operations. Most respondents agreed, and this Statement requires certain disclosures not previously required.

This Statement requires disclosure of the components of net pension cost and of the projected benefit obligation. One of the factors that has made pension information difficult to understand is that past practice and terminology combined elements that are different in substance and effect into net amounts. Although the Board agreed to retain from past pension accounting practice the basic features of reporting net cost and offsetting liabilities and assets, the Board believes that disclosure of the components will significantly assist users in understanding the economic events that have occurred. Those disclosures also make it easier to understand why reported amounts change from period to period, especially when a large cost or asset is offset by a large revenue or liability to produce a relatively small net reported amount.

* * * * *

After considering the range of comments on Preliminary Views and the Exposure Draft, the Board concluded that this Statement represents a worthwhile improvement in financial reporting. Opinion 8 noted in 1966 that "accounting for pension cost is in a transitional stage." The Board believes that is still true in 1985. FASB Concepts Statement No. 5, Recognition and Measurement in Financial Statements of Business

Enterprises, paragraph 2, indicates that "the Board intends future change [in practice] to occur in the gradual, evolutionary way that has characterized past change."

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APPENDIX B

STATEMENT NO. 106

Summary of Statement No. 106 Employers' Accounting for Postretirement Benefits Other Than Pensions (Issued 12/90)

This Statement establishes accounting standards for employers' accounting for postretirement benefits other than pensions (hereinafter referred to as postretirement benefits). Although it applies to all forms of postretirement benefits, this Statement focuses principally on postretirement health care benefits. It will significantly change the prevalent current practice of accounting for postretirement benefits on a pay-as-you-go (cash) basis by requiring accrual, during the years that the employee renders the necessary service, of the expected cost of providing those benefits to an employee and the employee's beneficiaries and covered dependents.

The Board's conclusions in this Statement result from the view that a defined postretirement benefit plan sets forth the terms of an exchange between the employer and the employee. In exchange for the current services provided by the employee, the employer promises to provide, in addition to current wages and other benefits, health and other welfare benefits after the employee retires. It follows from that view that postretirement benefits are not gratuities but are part of an employee's compensation for services rendered. Since payment is deferred, the benefits are a type of deferred compensation. The employer's obligation for that compensation is incurred as employees render the services necessary to earn their postretirement benefits.

The ability to measure the obligation for postretirement health care benefits and the recognition of that obligation have been the subject of controversy. The Board believes that measurement of the obligation and accrual of the cost based on best estimates are superior to implying, by a failure to accrue, that no obligation exists prior to the payment of benefits. The Board believes that failure to recognize an obligation prior to its payment impairs the usefulness and integrity of the employer's financial statements.

The Board's objectives in issuing this Statement are to improve employers' financial reporting for postretirement benefits in the following manner:

a. To enhance the relevance and representational faithfulness of the employer's reported results of operations by recognizing net periodic postretirement benefit cost as employees render the services necessary to earn their postretirement benefits

b. To enhance the relevance and representational faithfulness of the employer's statement of financial position by including a measure of the obligation to provide postretirement benefits based on a mutual understanding between the employer and its employees of the terms of the underlying plan

c. To enhance the ability of users of the employer's financial statements to understand the extent and effects of the employer's undertaking to provide postretirement benefits to its employees by disclosing relevant information about the obligation and cost of the postretirement benefit plan and how those amounts are measured

d. To improve the understandability and comparability of amounts reported by requiring employers with similar plans to use the same method to measure their accumulated postretirement benefit obligations and the related costs of the postretirement benefits.

Similarity to Pension Accounting

The provisions of this Statement are similar, in many respects, to those in FASB Statements No. 87, Employers' Accounting for Pensions, and No. 88, Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits. To the extent the promise to provide pension benefits and the promise to provide postretirement benefits are similar, the provisions of this Statement are similar to those prescribed by Statements 87 and 88; different accounting treatment is prescribed only when the Board has concluded that there is a compelling reason for different treatment. Appendix B identifies the major similarities and differences between this Statement and employers' accounting for pensions.

Basic Tenets

This Statement relies on a basic premise of generally accepted accounting principles that accrual accounting provides more relevant and useful information than does cash basis accounting. The importance of information about cash flows or the funding of the postretirement benefit plan is not ignored. Amounts funded or paid are given accounting recognition as uses of cash, but the Board believes that information about cash flows alone is insufficient. Accrual accounting goes beyond cash transactions and attempts to recognize the financial effects of noncash transactions and events as they occur. Recognition and measurement of the accrued obligation to provide postretirement benefits will provide users of financial statements with the opportunity to assess the financial consequences of employers' compensation decisions.

In applying accrual accounting to postretirement benefits, this Statement adopts three fundamental aspects of pension accounting: delayed recognition of certain events, reporting net cost, and offsetting liabilities and related assets.

Delayed recognition means that certain changes in the obligation for postretirement benefits, including those changes arising as a result of a plan initiation or amendment, and certain changes in the value of plan assets set aside to meet that obligation are not recognized as they occur. Rather, those changes are recognized systematically over future periods. All changes in the obligation and plan assets ultimately are recognized unless they are first reduced by other changes. The changes that have been identified and quantified but not yet recognized in the employer's financial statements as components of net periodic postretirement benefit cost and as a liability or asset are disclosed.

Net cost means that the recognized consequences of events and transactions affecting a postretirement benefit plan are reported as a single amount in the employer's financial statements. That single amount includes at least three types of events or transactions that might otherwise be reported separately. Those events or transactions-exchanging a promise of deferred compensation in the form of postretirement benefits for employee service, the interest cost arising from the passage of time until those benefits are paid, and the returns from the investment of plan assets-are disclosed separately as components of net periodic postretirement benefit cost.

Offsetting means that plan assets restricted for the payment of postretirement benefits offset the accumulated postretirement benefit obligation in determining amounts recognized in the employer's statement of financial position and that the return on those plan assets offsets postretirement benefit cost in the employer's statement of income. That offsetting is reflected even though the obligation has not been settled, the investment of the plan assets may be largely controlled by the employer, and substantial risks and rewards associated with both the obligation and the plan assets are borne by the employer.

Recognition and Measurement

The Board is sensitive to concerns about the reliability of measurements of the postretirement health care benefit obligation. The Board recognizes that limited historical data about per capita claims costs are available and that actuarial practice in this area is still developing. The Board has taken those factors into consideration in its decisions to delay the effective date for this Statement, to emphasize disclosure, and to permit employers to phase in recognition of the transition obligation in their statements of financial position. However, the Board believes that those factors are insufficient reason not to use accrual accounting for postretirement benefits in financial reporting. With increased experience, the reliability of measures of the obligation and cost should improve.

An objective of this Statement is that the accounting reflect the terms of the exchange transaction that takes place between an employer that provides postretirement benefits and the employees who render services in exchange for those benefits. Generally the extant written plan provides the best evidence of that exchange transaction. However, in some situations, an employer's cost-sharing policy, as evidenced by past practice or by communication of intended changes to a plan's cost-sharing provisions, or a past practice of regular increases in certain monetary benefits may indicate that the substantive plan-the plan as understood by the parties to the exchange transaction-differs from the extant written plan. The substantive plan is the basis for the accounting.

This Statement requires that an employer's obligation for postretirement benefits expected to be provided to or for an employee be fully accrued by the date that employee attains full eligibility for all of the benefits expected to be received by that employee, any beneficiaries, and covered dependents (the full eligibility date), even if the employee is expected to render additional service beyond that date. That accounting reflects the fact that at the full eligibility date the employee has provided all of the service necessary to earn the right to receive all of the benefits that employee is expected to receive under the plan.

The beginning of the attribution (accrual) period is the employee's date of hire unless the plan only grants credit for service from a later date, in which case benefits are generally attributed from the beginning of that credited service period. An equal amount of the expected postretirement benefit obligation is attributed to each year of service in the attribution period unless the plan attributes a disproportionate share of the expected benefits to employees' early years of service. The Board concluded that, like accounting for other deferred compensation agreements, accounting for postretirement benefits should reflect the explicit or implicit contract between the employer and its employees.

Single Method

The Board believes that understandability, comparability, and usefulness of financial information are improved by narrowing the use of alternative accounting methods that do not reflect different facts and circumstances. The Board has been unable to identify circumstances that would make it appropriate for different employers to use fundamentally different accounting methods or measurement techniques for similar postretirement benefit plans or for a single employer to use fundamentally different methods or measurement techniques for different plans. As a result, a single method is prescribed for measuring and recognizing an employer's accumulated postretirement benefit obligation.

Amendment to Opinion 12

An employer's practice of providing postretirement benefits to selected employees under individual contracts, with specific terms determined on an individual-by-individual basis, does not constitute a postretirement benefit plan under this Statement. This Statement amends APB Opinion No. 12, Omnibus Opinion-1967, to explicitly require that an employer's obligation under deferred compensation contracts be accrued following the terms of the individual contract over the required service periods to the date the employee is fully eligible for the benefits.

Transition

Unlike the effects of most other accounting changes, a transition obligation for postretirement benefits generally reflects, to a considerable extent, the failure to accrue the accumulated postretirement benefit obligation in earlier periods as it arose rather than the effects of a change from one acceptable accrual method of accounting to another. The Board believes that accounting for transition from one method of accounting to another is a practical matter and that a major objective of that accounting is to minimize the cost and mitigate the disruption to the extent possible without unduly compromising the ability of financial statements to provide useful information.

This Statement measures the transition obligation as the unfunded and unrecognized accumulated postretirement benefit obligation for all plan participants. Two options are provided for recognizing that transition obligation. An employer can choose to immediately recognize the transition obligation as the effect of an accounting change, subject to certain limitations. Alternatively, an employer can choose to recognize the transition obligation in the statement of financial position and statement of income on a delayed basis over the plan participants' future service periods, with disclosure of the unrecognized amount. However, that delayed recognition cannot result in less rapid recognition than accounting for the transition obligation on a pay-as-you-go basis.

Effective Dates

This Statement generally is effective for fiscal years beginning after December 15, 1992, except that the application of this Statement to plans outside the United States and certain small, nonpublic employers is delayed to fiscal years beginning after December 15, 1994. The amendment of Opinion 12 is effective for fiscal years beginning after March 15, 1991.

* * *

The Board appreciates the contributions of the many people and organizations that assisted the Board in its research on this project.

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APPENDIX C

INTERVIEW QUESTIONS

Interview Questions

Faculty

1. When did you become a full-time tenure track faculty member and what is your faculty rank at this time?
2. Has your academic rank changed since the end of recent 1995 ERIP? If it has changed, have your contractual responsibilities changed? Was the adoption of ERIP an integral part of a collective bargaining agreement?
3. How would you evaluate the faculty relationship with colleagues, deans/department heads, and the higher administration? How have these relationships affected employee morale?
4. Had you been eligible for the recent ERIP, what factors would have influenced your decision to participate in the program?
5. Should ERIP be offered again, and you are eligible, do you think you would be inclined to accept or reject the offer? Please explain.
6. How would you assess any changes in the determination of your teaching schedule since the adoption of the recent ERIP? To what extent are you able to teach classes

previously taught by senior faculty members who have taken ERIP?

7. If new faculty members have been hired to replace the early retirees in your department, to what extent, if any, has there been a change in departmental philosophy regarding subject matter and delivery?

8. In your opinion, what has been the effect of ERIP on the college and your department?

9. In your opinion, what has been the financial impact of ERIP on the faculty both from the aspect of the college and your department?

10. Since the conclusion of the recent ERIP, to what extent have new technologies and/or improved facilities became available for the classroom and students?

11. What is your overall perspective of the recent ERIP? Please explain your answer on a broad base and do not limit your answer to just Monticello Community College.

12. Do you feel that the program was beneficial to the college administration, the faculty, both, or neither? Please state your reasons.

13. Would you care to make any other comments or suggestions regarding this study?

Thank you very much for your time and the information you have shared with me.

Interview Questions

President and Key Member of Top Management

1. What is your opinion of House Bill 410 enacted in 1983, allowing educational institutions under STRS to offer ERIP to their employees?
2. What factors/rationale were used by the administration to recommend to the board of trustees the adoption of the current ERIP?
3. What was the window available and administration's rationale for the selection of that window?
4. What did the administration hope to achieve by offering ERIP?
5. Of the faculty hired to replace those retired, what has been the effect on teaching, community, and institutional service missions?
6. To what extent is the college able to maintain the continuity of course offerings and program integrity?
7. To what extent is the college planning to use the expertise of the early retirees?

8. To the best of your knowledge how many faculty would have retired during the period of this program irrespective of the offering of ERIP?

9. In your opinion, how has faculty morale been positively or negatively affected as a result of ERIP?

10. In your opinion, what has been the financial impact of ERIP on the college and departments?

11. In general, what is your overall perspective of the current ERIP (do not limit your answer just to Monticello)? Do you consider it more beneficial to the administration, faculty, both, or neither? Please explain.

12. Would you like to offer any other comments or suggestions on ERIP?

Thank you very much for your time and the information you have shared with me.

Interview Questions

Deans/Department Heads

1. When the top administration and the board of trustees chose to offer ERIP, what was your reaction? Did ERIP occur as a result of a collective bargaining agreement? If so, what is your opinion about that agreement?
2. Did any departments have any overstaffing or understaffing problems before the enactment of an ERIP? To what extent did these problems affect your FTE and IFTE? Please discuss.
3. Of the eligible faculty in your department or area, did you have any personal preference, in order to retain continuity, as to who should remain and who should retire? Please explain.
4. Actually ___ faculty members in your department participated in ERIP. In your opinion, what were their primary reasons in choosing to retire early?
5. How would you evaluate the contribution made by those retired faculty in terms of their teaching, community service, and institutional service?

6. To what extent is the department planning to use the expertise of the early retirees?
7. To the best of your knowledge, how many faculty would have retired during the period of this program irrespective of the offering of ERIP? Please discuss.
8. What has been the effect on teaching and meeting the institution's mission by replacing retirees with new faculty?
9. To what extent has enrollment changed as a result of the recent ERIP?
10. In your opinion, how has faculty morale been positively or negatively affected as a result of ERIP? How would you evaluate the institution's morale as a result of ERIP?
11. In your opinion, what has been the financial impact of ERIP on the college and your department or areas?
12. In what ways have the early retirements affected your department? Have more resources become available? To what extent has ERIP permitted you to fund technology and facilities designed to improve instructional delivery?
13. In general, what is your overall perspective of the ERIP? Please explain your answer on a broad base and do not limit it just to Monticello Community College.

14. Do you consider ERIP to have been more beneficial to the administration, faculty, both, or neither? Please explain.
15. Would you like to offer any other comments or suggestions on ERIP?

Thank you very much for your time and the information you have shared with me.

APPENDIX D

LETTERS

Teaching, Leadership & Curriculum Studies
Kent State University
P. O. Box 519,
Kent, OH 44242-0001
(330) 672-2580
Fax (330) 672-3246

October 17, 1997

To Monticello Community College Administrators:

I want to conduct research measuring the Impact of an Early Retirement Program: A Case Analysis of a Community College. I want to do this because there is no published research on early retirement as it relates to Ohio's public two-year colleges. In 1983, the Ohio Legislature passed House Bill 4 1 0, allowing educational institutions in Ohio to establish early retirement incentive programs (ERIP) or acceptable substitute programs for their employees under the State Teachers Retirement System (STRS). Monticello Community College has adopted ERIF-P's dating back to the middle 1980s. As a result, faculty members at the college have participated in the college's ERIP and retired.

I would like you to take part in this project. If you decide to do this, you will be asked a series of questions in an interview. The questions will encompass the following: (1) financial impact, (2) impact on academic matters, (3) impact on faculty, and (4) problems resulting from its implementation.

The only risk that may be involved are those normal risks encountered in everyday life. The names of the informants and their responses to questions, and the name of the institution will be kept confidential.

If you take part in this project the potential benefits will primarily aid in the strategic planning done both at Monticello Community College and Ohio's two-year colleges' system. Taking part in this project is entirely up to you, and no one will hold it against you if you decide not do it. If you do take part, you may stop at any time.

I will contact you to arrange for an appointment at a time of your convenience. It is anticipated that the interview will last approximately 45 minutes. If you want to know more about this research project, please call me at (440) 473-3332. You may also wish to contact either of my co-advisors, Dr. Steve Michael (330) 672-2580 or Dr. Gary Padak (330) 672-3190. This project has been approved by Kent State University. If you have any questions about Kent State University's rules for research, please call Dr. M. Thomas Jones, telephone (330)-672-2851.

Sincerely,

Lawrence A. Roman, CPA
Associate Professor of Accounting at Cuyahoga Community College

Teaching, Leadership & Curriculum Studies
Kent State University
P. O. Box 519,
Kent, OH 44242-0001
(330) 672-2580
Fax (330) 672-3246

October 17, 1997

To Monticello Community College Faculty:

I want to conduct research measuring the Impact of an Early Retirement Program: A Case Analysis of a Community College. I want to do this because there is no published research on early retirement as it relates to Ohio's public two-year colleges. In 1983, the Ohio Legislature passed House Bill 410, allowing educational institutions in Ohio to establish early retirement incentive programs (ERIP) or acceptable substitute programs for their employees under the State Teachers Retirement System (STRS). Monticello Community College has adopted ERIP's dating back to the middle 1980's. As a result, faculty members at the college have participated in the college's ERIP and retired.

I would like you to take part in this project. If you decide to do this, you will be asked a series of questions in an interview. The questions will encompass the following: (1) financial impact, (2) impact on academic matters, (3) impact on faculty, and (4) problems resulting from its implementation.

The only risk that may be involved are those normal risks encountered in everyday life. The names of the informants and their responses to questions, and the name of the institution will be kept confidential.

If you take part in this project the potential benefits will primarily aid in the strategic planning done both at Monticello Community College and Ohio's two-year colleges' system. Taking part in this project is entirely up to you, and no one will hold it against you if you decide not do it. If you do take part, you may stop at any time.

I will contact you to arrange for an appointment at a time of your convenience. It is anticipated that the interview will last approximately 45 minutes. If you want to know more about this research project, please call me at (440) 473-3332. You may also wish to contact either of my co-advisors, Dr. Steve Michael (330) 672-2580 or Dr. Gary Padak (330) 672-3190. This project has been approved by Kent State University. If you have any questions about Kent State University's rules for research, please call Dr. M. Thomas Jones, telephone (330)-672-2851.

Sincerely,

Lawrence A. Roman, CPA
Associate Professor of Accounting at Cuyahoga Community College

APPENDIX E

SECTION 3307.35 (Ohio Revised Code)

Section 3307.35

General Assembly: 122.

Bill Number: Amended Sub. House Bill 673

Effective Date: 12/08/98

An employer may establish a retirement incentive plan for its employees who are members of the state teachers retirement system. The plan shall provide for purchase by the employer of service credit for eligible employees who choose to participate in the plan and for payment by the employer of the entire cost of such service credit. A plan established under this section shall remain in effect until terminated by the employer, except that, once established, the plan must remain in effect for at least one year.

An employee who is a member of the state teachers retirement system shall be eligible to participate in a retirement incentive plan if the employee has attained age fifty and the employee agrees to retire and retires under section 3307.38 of the Revised Code effective within ninety days after receiving notice from the state teachers retirement system that service credit has been purchased for the member under this section.

Participation in the plan shall be available to all eligible employees except that the employer may limit the number of persons for whom it purchases credit in any calendar year to a specified percentage of its employees who are members of the state teachers retirement system on the first day of January of that year. The percentage shall not be less than five per cent of such employees. If participation is limited, employees with a greater length of service with the employer have the right to elect to have credit purchased before employees with a lesser length of service with the employer.

The amount of service credit purchased for any participant shall be uniformly determined but shall not exceed the lesser of the following:

(A) Five years of service credit;

(B) An amount of service credit equal to one-fifth of the total service credited to the participant under sections 3307.02, 3307.021, 3307.022, 3307.22, 3307.28, 3307.31, 3307.311, 3307.32, 3307.41, 3307.411, 3307.412, 3307.512, 3307.513, 3307.514, 3307.515, 3307.52, and 3307.73 of the Revised Code.

For each year of service credit purchased under this section, the employer shall pay an amount specified by the state teachers retirement board equal to the additional liability resulting from the purchase of that year of service credit as determined by an actuary employed by the board. Payments shall be made in accordance with rules adopted by the board, and the board shall notify each member when the member is credited with service purchased under this section.

No payment made to the state teachers retirement system under this section shall affect any payment required by section 3307.53 of the Revised Code.

Session Law from the 122nd from the General Assembly of the State of Ohio that references this section (this information may or may not be already included within this Revised Code section):

* House Bill 648

APPENDIX F

AGREEMENT BETWEEN THE MONTICELLO TECHNICAL COLLEGE

AND THE MONTICELLO TECHNICAL COLLEGE EDUCATION ASSOCIATION

1986-1988

AGREEMENT

BETWEEN THE

MONTICELLO TECHNICAL COLLEGE

UPPER VALLEY, OHIO

AND THE

MONTICELLO TECHNICAL COLLEGE EDUCATION ASSOCIATION

JULY 20, 1986
THROUGH
DECEMBER 31, 1988

ARTICLE XIII - RETIREMENT INCENTIVE PROGRAM

A. Employer Requirements

The Monticello Technical College Board will establish a plan to purchase additional service credit for eligible employees as an incentive to retire. The amount of service credit offered is 3 years and is offered uniformly to all eligible employees. However, the number of years' purchased for any participant may not exceed 1/5 of the individual's accumulated service credit prior to the purchase.

Once established, the plan will remain in effect for 1 year. Additionally, the Board will limit the number of employees for whom it purchases additional service credit in a calendar year to 5 percent of its employees who are members of STRS on January 1 of that year. Participation in a plan is at the option of the employee.

B. Employee Eligibility Requirements

1. To be eligible to participate, an employee must meet the following criteria,

    a. Be at least 50 years old;

    b. Be employed and currently contributing to STRS;

    c. Be eligible for service retirement after the purchase of ERI credit;

    d. Agree to retire within 90 days after receiving notice from STRS that an agreement to purchase the service credit has been made.

2. An employee is eligible to receive the total number of years of service credit included in the employer adopted plan, not just the minimal amount needed to qualify for retirement.

3. The employer must pay the cost of service credit purchased for all eligible employees who elect to participate.

4. The employer must pay an amount for each year of credit purchased in an amount determined by cost factor as specified by the STRS actuary.

5. When a limitation has been established, the employees with the greatest amount of service with the employer have priority.

6. STRS will notify the employee and employer when such early retirement credit has been established.

ARTICLE XXIV - SALARY SCHEDULE

Effective September 1, 1986, all bargaining unit members shall be placed on the attached salary schedule according to their level of education and years of service with Monticello Technical College. Such salary shall be for the academic year as defined herein.

Present bargaining unit members will be placed on the salary schedule according to their degrees, and post bachelor's graduate semester and post masters graduate semester credit hours which can be documented in the personnel files by August 15, 1986. Hereafter, bargaining unit members who possess the necessary credentials to be reclassified must present official documentation to the Department Chairperson or Division Administrator by January 31. If their classification meets the documentation requirement it will be noted in the member's next contract to be issued April 1 with the appropriate salary increase effective on the next date identified on the salary schedule. Satisfactory documentation shall mean that the degree or course work is in a field directly related to the member's assignment and was undertaken and successfully completed with a grade of "C" or better at an institution which holds full accreditation membership at one of the seven Regional Institutional Accrediting Bodies recognized by the Council on Post Secondary Accreditation.

Those members of the bargaining unit whose work year is 52 calendar weeks (the Director of Library Services and the Career Counselor) will receive an extended contract adjustment of their base salaries according to the following schedule.

Director of Library Services	$3,750
Career Counselor	$3,750

SALARY SCHEDULE FOR BARGAINING UNIT MEMBERS

YRS OF SERVICE	NO DEG. OR ASSOC.	BACHELOR'S	BACHELOR'S PLUS 15	MASTER'S	MASTER'S PLUS 30
0	0.8889	1.0000	1.0750	1.1500	1.2250
1	0.9333	1.0500	1.1278	1.2056	1.2861
2	0.9778	1.1000	1.1806	1.2612	1.3472
3	1.0222	1.1500	1.2334	1.3168	1.4083
4	1.0667	1.2000	1.2862	1.3724	1.4694
5	1.1111	1.2500	1.3390	1.4280	1.5305
6	1.1555	1.3000	1.3918	1.4836	1.5916
7	1.2000	1.3500	1.4446	1.5392	1.6527
8	1.2444	1.4000	1.4974	1.5948	1.7138
9	1.2889	1.4500	1.5502	1.6504	1.7749
10	1.3333	1.5000	1.6030	1.7060	1.8360

BACHELOR'S BASE - (September 1, 1986 - August 31, 1987) - $18,000
BACHELOR'S BASE - (September 1, 1987 - December 31, 1988) - $18,500

All current or new bargaining unit members with prior work/teaching experience will receive credit for up to two years work/teaching experience on the salary schedule upon submission of appropriate documentation.

APPENDIX G

AGREEMENT BETWEEN THE MONTICELLO TECHNICAL COLLEGE

AND THE MONTICELLO TECHNICAL COLLEGE EDUCATION ASSOCIATION

1989-1994

AGREEMENT

BETWEEN THE

MONTICELLO TECHNICAL COLLEGE

UPPER VALLEY, OHIO

AND

THE MONTICELLO TECHNICAL COLLEGE

EDUCATION ASSOCIATION

JANUARY 1, 1989
THROUGH
DECEMBER 31, 1991

RETIREMENT INCENTIVE PROGRAM
ARTICLE- XI

A.
The Monticello Technical College Board will establish a plan to purchase additional service credit for eligible employees as an incentive to retire. The amount of service credit offered is 3 years and is offered uniformly to all eligible employees. However, the number of years purchased for any participant may not exceed 1/5 of the individual's accumulated service credit prior to the purchase.

The plan will remain in effect for the following periods: January 1, 1989-March 31, 1989, January 1,1990-March 31, 1990, January 1, 1991-March 31, 1991 Subject to STRS approval and the conditions listed below.

Additionally, the Board will limit the number of employees for whom it purchases additional service credit in a calendar employees who are members of STRS and the year to 5 percent of its employees who are members of STRS and the bargaining unit on January 1 of that year, except that no more than one position may be rolled forward into each of the second and third years of this agreement subject to STRS approval. Participation in a plan is at the option of the employee.

B.

1. To be eligible to participate, an employee must meet the following criteria:

   a. Be at least 50 years old;
   b. Be employed and currently contributing to STRS;
   c. Be eligible for service retirement after the purchase of ERI credit;
   d. Agree to retire on the anticipated retirement date submitted on the Notice to Employer of Intent to Participate in Retirement Incentive Plan (Form 15-109 LERI - 23) and within 90 days after receiving notice from STRS that an agreement to purchase the service credit has been approved.

2. An employee is eligible to receive the total number of years of service credit included in the employer adopted plan, not just the minimal amount needed to qualify for retirement.

3. The employer must pay the cost of service credit purchased for all eligible employees who elect to participate.

4. The employer must pay an amount for each year of credit purchased in an amount determined by cost factor as specified by the STRS actuary.

5. When a limitation has been established, the employees with the greatest amount of service with the employer have priority.

6. STRS will notify the employee and employer when such early retirement credit has been established.

7. A letter of resignation indicating the anticipated retirement date must be submitted with the Notice to Employer of Intent to Participate in Retirement Incentive Plan (For7m 15-109 CERI - 21). In the event, approval is not received from STRS for any reason the letter of resignation is null and void. The anticipated retirement date must fall after the established date for final grade submission for the spring quarter of the retirement year and prior to or inclusive of August 31.

ARTICLE XXIV

Effective September 1, 1988, all bargaining unit members shall be placed on the attached salary schedule according to their current level of education as of September 1, 1988 and full years of service with Monticello Technical College. Such salary shall be for the contract year as defined herein.

Hereafter, bargaining unit members who possess the necessary credentials to be reclassified must present official documentation to the Dean or Division Administrator by January 31. If their classification meets the documentation requirement it will be noted in the member's next contract to be issued April 1 with the appropriate salary increase effective on the next date identified on the salary schedule. Satisfactory documentation shall mean that the degree or course work is in a field directly related to the member' s assignment and was undertaken and successfully completed with a grade of "C" or better- at an institution which holds full accreditation membership at one of the seven Regional Institutional Accrediting Bodies recognized by the Council on Post Secondary Accreditation.

If an individual anticipates completing course work prior to beginning date of the new contract which would lead to advancement on the salary schedule the individual should put the College on notice of the fact by submitting a letter to their Dean or Division Administrator by January 31 prior to the next contract year.

A new contract reflecting the satisfactory completion of course work will be issued to the bargaining unit member who has provided satisfactory documentation.

SALARY SCHEDULE FOR BARGAINING UNIT MEMBERS

YRS OF SERVICE	NO DEG. OR ASSOC.	BACHELOR'S	BACHELOR'S PLUS 15	MASTER'S	MASTER'S PLUS 30
0	0.8889	1.0000	1.0750	1.1500	1.2250
1	0.9333	1.0500	1.1278	1.2056	1.2861
2	0.9778	1.1000	1.1806	1.2612	1.3472
3	1.0222	1.1500	1.2334	1.3168	1.4063
4	1.0667	1.2000	1.2862	1.3724	1.4694
5	1.1111	1.2500	1.3390	1.4280	1.5305
6	1.1555	1.3000	1.3918	1.4836	1.5916
7	1.2000	1.3500	1.4446	1.5392	1.6527
8	1.2444	1.4000	1.4974	1.5948	1.7138
9	1.28B9	1.4500	1.5502	1.6504	1.7749
10	1.3333	1.5000	1.6030	1.7060	1.8360
11*	1.3778	1.5500	1.6558	1.7616	1.8971
16*	1.4222	1.6000	1.7086	1.8172	1.9582

BACHELOR'S BASE - (September 1, 1988 - August 31, 1989) - $18,750
BACHELOR'S BASE - (September 1, 1989 - August 31, 1990) - $19,250
BACHELOR'S BASE - (September 1, 1990 - August 31, 1991) - $20,000

All current bargaining unit members who received credit for prior teaching/work experience on the salary schedule under the agreement in effect from July 20, 1986 through December 31, 1988 shall retain that credit.

New bargaining unit members with prior work/teaching experience will receive credit for up to two years work/teaching experience on the salary schedule upon submission of appropriate documentation.

For positions where the current base does not attract qualified employees due to existing market value, the College may award up to an additional two years service credit on the salary schedule at the College discretion.

*The step on the salary schedule for bargaining unit members for 11 years of service will be effective 9/1/88 and the step on the salary schedule for bargaining unit members for 16 years of service will be effective 9/1/89.

AGREEMENT

BETWEEN THE

MONTICELLO TECHNICAL COLLEGE

UPPER VALLEY, OHIO

MONTICELLO TECHNICAL COLLEGE
EDUCATION ASSOCIATION

JANUARY 1, 1992
THROUGH
DECEMBER 31, 1994

ARTICLE XIII - RETIREMENT INCENTIVE PROGRAM

For the first, year of this agreement (January 1, 1992 through December 31, 1992), the College will not offer an early retirement incentive or retirement incentive program.

A. Early Retirement Incentive Program

1. The Monticello Technical College Board will establish a plan to purchase additional service Credit for eligible employees as an incentive to retire. The amount of service credit offered is 2 years and is offered uniformly to all eligible employees. However, the number of years purchased for any, participant may not exceed 1/5 of the individuals accumulated service credit prior to the purchase.

The plan will remain in effect for the following periods: January 1, 1993 - March 31, 1993, January 1, 1994 - March 31, 1994, subject to STRS approval and the conditions listed below. Additionally, the Board will limit the number- of employees for whom it purchases additional service credit in a calendar year -to —5 percent of its employees who are members of STRS and the bargaining unit on January 1 of that year. Participation in a plan is at the option of the employee. No early retirement positions rollover into a subsequent year.

2. Employee Eligibility Requirements

   a. To be eligible to participate, an employee must meet the following criteria:

      1. Be at least 50 years old; Be employed and currently contributing to STRS;

      3. Be eligible for service retirement after the purchase of ERI credit;

      4. Agree to retire on the anticipated retirement date submitted on the Notice to Employer of Intent to Participate in Retirement Incentive Plan and within 90 days after receiving notice from STRS that an agreement to purchase the service credit has been approved.

   b. An employee is eligible to receive the total number of years of service credit included in the employer adopted plan, not just the minimal amount needed to qualify for retirement.

   c. The employer must pay all the cost of service credit purchased for all eligible employees

d. The employer must pay an amount for each year of credit purchased in an amount determined by cost factor as specified by the STRS actuary.

e. When a limitation has been established, the employees with the greatest amount of service with the employer have priority.

f. STRS will notify the employee and employer when such early retirement credit has been established.

9. A letter of resignation indicating the anticipated retirement date must be submitted with the Notice to Employer of Intent to Participate in Retirement Incentive Plan (Form 15-109 [ERI - 2]). In the event, approval is not received from STRS for any reason the letter of resignation is null and void. The anticipated retirement date must fall after the established date for final grade submission for the spring quarter of the retirement year and prior to or inclusive of August 31.

B. Retirement Incentive Program

In addition to the above described early retirement incentive program, the College will offer a retirement incentive program. In order to be eligible for this retirement incentive program, bargaining unit employees must be already eligible for STRS retirement at the time they apply for this retirement incentive program. This plan will remain in effect for the following periods: January 1, 1993 through March 31, 1993 and January 1, 1994 through March 31, 1994. Additionally, the College will limit the number of bargaining unit employees eligible for this retirement incentive program to one bargaining unit employee in calendar year 1993 and one bargaining unit employee in calendar year 1994. If no employee opts for the retirement incentive program in a given year, there will not be any carryover of those retirement incentive positions to any subsequent year. Employees with the greatest amount of service with the College have priority to participate in this retirement incentive plan. An employee participating in the Early Retirement Incentive program under section A of this article cannot also participate in this Retirement Incentive Program. Under this retirement incentive plan, the College will pay approved employees one thousand dollars ($1,000-00) for each year of that employee's service at Monticello Technical College. Employees participating in this retirement incentive plan agree to retire within ninety (90) days of the College's receipt of confirmation from STRS that the employee is eligible for STRS retirement. The participating employee must submit a letter of resignation indicating a retirement date between final grade submission for the spring quarter of the retirement year and prior to or inclusive of August 31. The retirement incentive payment will be made on or before the employee's last scheduled work day.

C. Employee Replacement

The College agrees to replace an individual who retires pursuant to the article (Article XIII) of the agreement. This obligation does not apply to unit members who resign, retire, die or otherwise leave not pursuant to Article XX-I. Replacement pursuant to article XIII will occur within one (1) year of the effective date of the retirement. The replacement need not occur in the same technology vacated by the retiring employee.

AGREEMENT

BETWEEN THE

MONTICELLO TECHNICAL COLLEGE

UPPER VALLEY, OHIO

MONTICELLO TECHNICAL COLLEGE
EDUCATION ASSOCIATION

JANUARY 1, 1992
THROUGH
DECEMBER 31, 1994

A. Employer Requirements

The Monticello Technical College Board will establish a plan to purchase to additional service credit for eligible employees as an incentive to retire. The amount of service credit offered is 3 years and is offered uniformly to all eligible employees. However, the number of years purchased for any participant may not exceed 1/5 of the individual's accumulated service credit prior to the purchase.

The plan will remain in effect for the following periods: January 1,1989 - March 31, January 1, 1990 - March 31, 1990, January 1, 1991 - March 31, 1991, subject to STRS approval and the conditions listed below. Additionally, the Board willlimit the number of employees for whom it purchases additional service credit in a calendar year to 5 percent of its employees who are members of STRS and the bargaining unit on January I of that year, except that no more than one position may be rolled forward into each of the second and third years of this agreement subject to STRS approval. Participation in a plan is at the option of the employee.

B. Employee Eligibility Requirements

1. To be eligible to participate, an employee must meet the following criteria:

   a. Be at least 50 years old;
   b. Be employed and currently contributing to STRS;
   c. Be eligible for service retirement after the purchase of ERI credit;
   d. Agree to retire on the anticipated retirement date submitted on the Notice to Employer of
   e. Intent to Participate in Retirement Incentive Plan (Form 15-109 LERI - 21) and within 90 days after receiving notice from STRS that an agreement to purchase the service credit has been approved.

2. An employee is eligible to receive the total number of years of service credit included in the employer adopted plan, not just the minimal amount needed to qualify for retirement.

3. The employer must pay the cost of service credit purchased for all eligible employees who elect to participate.

4. The employer must pay an amount for each year of credit purchased in an amount determined by cost factor as specified by the STRS actuary.

5. When a limitation has been established, the employees with the greatest amount of service with the employer have priority.

6. STRS will notify the employee and employer when such early retirement credit has been established.

7. A letter of resignation indicating the anticipated retirement date must be submitted with the Notice to Employer of Intent to Participate in Retirement Incentive Plan (Form 15-109 CERI - 21). In the event, approval is not received from STRS for any reason the letter of resignation is null and void. The anticipated retirement date must fall after the established date for final grade submission for the spring quarter of the retirement year and prior to or inclusive of August 31.

ARTICLE XXIV - SALARY SCHEDULE

Effective September 1, 1988, all bargaining unit members shall be placed on the attached salary schedule according to their current level of education as of September 1, 1988 and full years of service with Monticello Technical College. Such salary shall be for the contract year as defined herein.

Hereafter, bargaining unit members who possess the necessary credentials to be reclassified must present official documentation to the Dean or Division Administrator by January 31. If their classification meets the documentation requirement it will be noted in the member's next contract to be issued April 1 with the appropriate salary increase effective on the next date identified on the salary schedule. Satisfactory documentation shall mean that the degree or course work is in a field directly related to the member's assignment and was undertaken and successfully completed with a grade of "C" or better at an institution which holds full accreditation membership at one of the seven Regional Institutional Accrediting Bodies recognized by the Council on Post Secondary Accreditation.

If an individual anticipates completing course work prior to the beginning date of the new contract which would lead to advancement on the salary schedule the individual should put the College on notice of the fact by submitting a letter to their Dean or Division Administrator by January 31 prior to the next contract year.

A new contract reflecting the satisfactory completion of course work will be issued to the bargaining unit member who has provided such notice after the unit member has provided satisfactory documentation.

SALARY SCHEDULE FOR BARGAINING UNIT MEMBERS

YRS OF SERVICE	NO DEG. OR ASSOC.	BACHELOR'S	BACHELOR'S PLUS 15	MASTER'S	MASTER'S PLUS 30
0	0.8889	1.0000	1.0750	1.1500	1.2250
1	0.9333	1.0500	1.1278	1.2056	1.2861
2	0.9778	1.1000	1.1306	1.2612	1.3472
3	1.0222	1.1500	1.2334	1.3168	1.4083
4	1.0667	1.2000	1.2862	1.3724	1.4694
5	1.1111	1.2500	1.3390	1.4280	1.5305
6	1.1555	1.3000	1.3918	1.4836	1.5916
7	1.2000	1.3500	1.4446	1.5392	1.6527
8	1.2444	1.4000	1.4974	1.5948	1.7138
9	1.2889	1.4500	1.5502	1.6504	1.7749
10	1.3333	1.5000	1.6030	1.7060	1.8360
11*	1.3778	1.5500	1.6558	1.7616	1.8971
16*	1.4222	1.6000	1.7086	1.8172	1.9582

BACHELOR'S BASE - (September 1, 1988 - August 31, 1989) - $18,750
BACHELOR'S BASE - (September 1, 1989 - August 31, 1990) - $19,250
BACHELOR'S BASE - (September 1, 1990 - August 31, 1991) - $20,000

All current bargaining unit members who received credit for prior teaching/work experience on the salary schedule under the agreement in effect from July 20, 1986 through December 31, 1986 shall retain that credit.

New bargaining unit members with prior work/teaching experience will receive credit for up to two years work/teaching experience on the salary schedule upon submission of appropriate documentation.

For positions where the current base does not attract qualified employees due to existing market value, the College may award up to an additional two years service credit on the salary schedule at the College discretion.

*The step on the salary schedule for bargaining unit members for 11 years of service will be effective 9/1/88 and the step on the salary schedule for bargaining unit members for 16 years of service will be effective 9/1/89.

APPENDIX H

LETTER

March 24, 1999

To: Larry Roman

From: Vice President of Business Services

Date: March 24, 1999

Subject: Current Trends of Faculty Retirements

Dear Sir,

To assist you to corroborate the data in your study with regard to the number of year faculty members work without the benefit any early retirement incentive program, I have provided current retiree information for the past three years:

1. As of December 31, 1996, two (2) faculty retired after just one semester in the academic year as they found they would reach 30 years after one semester.
2. As of December 31, 1998 one (1) faculty member retire after one semester in that academic year as he reached 30 years.
3. As of May 31,1999 two (2) faculty members retired and they both reached 30 years of service.

APPENDIX I

PRESENT VALUE OF THE RETIREES PRESUMING THEY DID NOT RETIRE

Present Value of the Retirees Presuming They Did Not Retire

HEPI		4.4%					Total
Retiree 1	1988						
Salary	$31,561						
STRS	$4,419						
Subtotal	$35,980						
Present Value		$34,463					$34,463
HEPI		6.1%					
Retiree 2	1990						
Salary	$34,981						
STRS	$4,897						
Subtotal	$39,878						
Present Value		$37,566					$37,566
HEPI		6.1%		5.3%			
Retiree 3	1990		1991				
Salary	$34,381		$36,344				
STRS	$4,897		5,088				
Subtotal	$39,878		$41,432				
Present Value		$37,566		$37,366			74,952

HEPI		5.3%		3.4%		3.1%		
Retiree 4	1991		1992		1993			
Salary	$39,164		$41,194		$42,607			
STRS	$5,483		5,767		5,965			
Subtotal	$44,647		$46,961		$48,572			
Present Value		$42,400		$43,924		$44,321	130,644	
HEPI		5.3%		3.4%				
Retiree 5	1991		1992					
Salary	$36,720		$38,701					
STRS	$5,141		$5,418					
Subtotal	$41,861		$44,119					
Present Value		$39,754		$41,265			81,019	
HEPI		3.4%		3.1%				
Retiree 6	1992		1993					
Salary	$41,194		$42,607					
STRS	$5,767		$5,965					
Subtotal	$46,961		$48,872					
Present Value		$45,417		$46,975			92,392	

HEPI		3.4%		2.9%			
Retiree 7	1994		1995				
Salary	$40,921		$41,605				
STRS	$5,729		$5,825				
Subtotal	$46,650		$47,430				
Present Value		$45,116		$44,794			89,910
HEPI		3.4%					
Retiree 8	1994						
Salary	$40,921						
STRS	$5,729						
Subtotal	$46,650						
Present Value		$45,116					45,116
HEPI		3.4%		2.9%			
Retiree 9	1994		1995				
Salary	$44,122		$44,913				
STRS	$6,177		$6,288				
Subtotal	$50,299		$51,201				
Present Value		$48,645		$48,356			97,001

HEPI		2.9%		2.8%			
Retiree 10	1995		1996				
Salary	$41,605		$42,955				
STRS	$5,825		$6,014				
Subtotal	$47,430		$48,969				
Present Value		$46,093		$46,337			92,430
HEPI		2.9%					
Retiree 11	1995						
Salary	$44,913						
STRS	$6,288						
Subtotal	$51,201						
Present Value		$49,758					49,758
HEPI		2.9%		2.8%			
Retiree 11	1995		1996				
Salary	$34,234		$34,826				
STRS	$4,793		$4,876				
Subtotal	$39,030		$39,702				
Present Value		$37,930		$37,568			75,499
Total							$900,770

APPENDIX J

PRESENT VALUE OF THE REPLACEMENT FACULTY

Present Value of the Replacement Faculty

HEPI		6.1%			Total
Replacement 1	1990				
Salary	$24,278				
STRS	$3,399				
Medicare	352				
Subtotal	$28,029				
Present Value		$26,417			$26,417
HEPI		5.3%			
Replacement 2	1991				
Salary	$22,000				
STRS	3,080				
Medicare	319				
Subtotal	$25,399				
Present Value		$24,121			24,121
HEPI		3.4%		3.1%	
Replacement 3	1992		1993		
Salary	$22,440		$24,265		
STRS	3,142		3,397		
Medicare	325		352		
Subtotal	$25,907		$28,014		
Present Value		$24,231		$25,562	49,793

HEPI		3.4%		3.1%	
Replacement 4	1992		1993		
Salary	$29,796		$32,294		
STRS	4,197		4,521		
Medicare	435		468		
Subtotal	$34,607		$37,283		
Present Value		$33,469		$35,075	68,544
HEPI		3.4%		2.9%	
Replacement 5	1994		1995		
Salary	$24,035		$25,179		
STRS	3,365		3,525		
Medicare	349		365		
Subtotal	$27,748		$29,069		
Present Value		$26,836		$27,454	54,290
HEPI		3.4%			
Replacement 6	1994				
Salary	$27,577				
STRS	3,861				
Medicare	400				
Subtotal	$31,838				
Present Value		$30,791			30,791

HEPI		3.4%			
Replacement 7	1994				
Salary	$27,577				
STRS	3,861				
Medicare	400				
Subtotal	$31,838				
Present Value		$30,791			30,791
HEPI		2.9%		2.8%	
Replacement 8	1995		1996		
Salary	$26,274		$27,844		
STRS	3,678		3,898		
Medicare	381		404		
Subtotal	$30,333		$32,148		
Present Value		$29,478		$30,419	58,897
HEPI		2.9%			
Replacement 9	1995				
Salary	$32,172				
STRS	4,504				
Medicare	466				
Subtotal	$37,143				
Present Value		$36,096			36,096

HEPI		2.9%		2.8%	
Replacement 10	1995		1996		
Salary	$27,614		$29,332		
STRS	3,866		4,106		
Medicare	400		425		
Subtotal	$31,880		$33,864		
Present Value		$30,982		$32,044	63,026
Total					$443,766

APPENDIX K

COST OF PREMIUM FOR RETIRING FACULTY

Cost of Premium for Retiring Faculty

Retiring Employee	Premium
Retiree 1	$21,189
Retiree 2	30,795
Retiree 3	52,086
Retiree 4	26,596
Retiree 5	15,789
Retiree 6	73,037
Retiree 7	23,000
Retiree 8	48,157
Retiree 9	24,902
Retiree 10	55,422
Retiree 11	20,568
Retiree 12	11,000
Total	$402,541

APPENDIX L

DEMOGRAPHICS

Retiree Name	Age at Retire-ment	Rationale	Years of Service in Ohio State Teachers Retirement System	Number of More Years of Service at the College without an Early Retirement Option	ERIP or RI Program
No. 1	63	Advanced Age, 3 years is in the contract, and 30 year also in the STRS	30.27	1	ERIP
No. 2	58	Buy 3, had 31, with being relatively young he may have stayed 1 more year	31	1	ERIP
No. 3	54	2 more years and over 30	28.82	2	
No. 4	66	File papers one year prior to retirement, Got bumped by Warnock, Japczynski, wanted to retire earlier than 30 years, hope to anywhere from 26-26 years of total service	25	3	ERIP
No. 5	66	Per conversation he would have stayed 2 more years	11.5	2	ERIP
No. 6	53	2 more to make 30	28	2	ERIP
No. 7	65	Per e-mail from him he would have stayed 2 more years	23	2	RI
No. 8	50	To make 30	29	1	ERIP
No. 9	57	Had enough years		2	ERIP
No. 10	51	To make 30	28	2	ERIP
No. 11	66	Advanced age, she would have stayed maybe 1 more year	26	1	ERIP
No. 12	63	11	11	2	RI

APPENDIX M

CPI AND HEPI INDICES USED IN OSSHE STUDIES

SCHEDULE CONVERTING INDICES TO ANNUAL INTEREST RATE AND COMPUTING PRESENT VALUE FACTORS

		PRESENT VALUE FACTORS		
ACADEMIC YEAR	INTEREST RATE	Year 1	Year 2	Year 3
1987-88	4.40%	0.957854	0.917485	0.878817
1988-89	5.20%	0.950570	0.903584	0.858920
1989-90	6.10%	0.942507	0.888320	0.837247
1990-91	5.30%	0.949668	0.901869	0.856475
1991-92	3.40%	0.967118	0.935317	0.904562
1992-93	3.10%	0.969932	0.940768	0.912481
1993-94	3.40%	0.967118	0.935317	0.904562
1994-95	2.90%	0.971817	0.944429	0.917812
1995-96	2.80%	0.972763	0.946267	0.920493

For Academic Year:	HEPI (fiscal year ending June year 2)
1975-76	57.8
1976-77	61.5
1977-78	65.7
1978-79	70.5
1979-80	77.5
1980-81	85.8
1981-82	93.9
1982-83	100.0
1983-84	104.8
1984-85	110.7
1985-86	116.3
1986-87	120.9
1987-88	126.1
1988-89	132.8
1989-90	140.8
1990-91	148.2
1991-92	153.4
1992-93	157.9
1993-94	163.3
1994-95	168.2
1995-96	173.3
1996-97	Not yet available

APPENDIX N

COST BENEFIT ANALYSIS

Financial Analysis of Early Retirement
Monticello Community College
Cost Benefit Analysis

Name	Replacement Salary	Premium	Savings/(Deficit)		Cummulative Savings
No. 1					
	0	21189	10372		10372
	0		33030		43402
	0		34984		78386
	0		36344		114730
	0		38205		152935
	Average Annual Savings-Excluding premium			34825	
	Payback Period			0.9	
No. 2					
	24278	30795	-20092		-20092
	26336		10008		-10084
	27997		10208		124
	32294		7222		7346
	34776		6145		13491
	Average Annual Savings-Excluding premium			8,857	
	Payback Period			3.5	
No. 3					
	0	52086	-17105		-17105
	0		36344		19239
	0		38205		57444
	0		39516		96960
	0		40921		137881
	Average Annual Savings-Excluding premium			37993	
	Payback Period			1.4	
No. 4					
	22000	26596	-9432		-9432
	22400		18794		9362
	24265		18342		27704
	26220		17902		45606
	27369		17544		63150
	Average Annual Savings-Excluding premium			17949	
	Payback Period			1.5	
No. 5					
	0	15789	20931		20931
	0		38700		59631
	0		40029		99660
	0		41452		141112
	0		42237		183349
	Average Annual Savings-Excluding premium			32088	
	Payback Period			0.5	

Name	Replacement Salary	Premium	Savings/(Deficit)		Cummulative Savings
No. 6					
	29976	73037	-61819		-61819
	32294		10313		-51506
	34776		9345		-42161
	36186		8727		-33434
	38175		8166		-25268
	Average Annual Savings-Excluding premium			9554	
	Payback Period			7.6	
No. 7					
	24035	23000	-6114		-6114
	25179		16426		10312
	26730		16225		26537
	30252		13916		40453
	31760		13740		54193
	Average Annual Savings-Excluding prem			15439	
	Payback Period			1.5	
No. 8					
	27557	48157	-34793		-34793
	28831		12774		-22019
	30570		12385		-9634
	32263		11905		2271
	33900		12400		14671
	Average Annual Savings-Excluding premiun			12566	
	Payback Period			3.8	
No. 9					
	27557	24902	-8338		-8338
	28831		16082		7744
	30570		15771		23515
	32263		15439		38954
	33900		15233		54187
	Average Annual Savings-Excluding premium			15818	
	Payback Period			1.6	
No. 10					
	26274	55422	-40091		-40091
	27844		15111		-24980
	29371		14797		-10183
	30840		14650		4467
	32382		14468		18935
	Average Annual Savings-Excluding premium			14871	
	Payback Period			3.7	

Name	Replacement Salary	Premium	Savings/(Deficit)		Cummulative Savings
No. 11					
	32173	20568	-7828		-7828
	34092		12249		4421
	35959		11743		16164
	37750		11140		27304
	39630		10470		37774
	Average Annual Savings-Excluding premium			11668	
	Payback Period			1.8	
No. 12					
	27614	11000	-4377		-4377
	29332		5494		1117
	31007		5142		6259
	32550		4680		10939
	34180		4160		15099
	Average Annual Savings-Excluding premium			5220	
	Payback Period			2.1	
	Program Average Annual Savings-Summation of all savings				18,070.6
	Payback Period				1.9
	Program Benefit	Five years		720397	
		Three years		273815	

APPENDIX O

LETTER TO STAFF

INTERNAL USE ONLY

MONTICELLO COMMUNITY COLLEGE

TO: All Full-Time Staff

FROM: President

DATE: October 28, 1997

SUBJECT: COLLEGE PARTICIPATION IN AN ERIP STUDY

Over the past couple of weeks, the College has been discussing the possibility of participating in a doctoral study of early retirement incentive programs (ERIP). This study is being conducted by Mr. Larry Roman who is a CPA and Associate Professor at Cuyahoga Community College--Eastern Campus. Mr. Roman was referred to the College by Dr. Cheryl Thompson-Stacy who thought that since the College had some experience with early retirement plans in the past that it would be a good subject for Mr. Roman's doctoral research. The process of the dissertation involves two phases: 1) and analysis of data, and 2) interviews of faculty and staff.

One purpose of this memorandum is to inform you that Mr. Roman would like to randomly select some faculty and staff to participate in a structured interview. His interview procedure has been reviewed and approved by the members of his dissertation committee. He will record the interviews and have transcripts prepared in order to analyze the information as part of the descriptive study.

Another purpose of writing this memo is to encourage you to participate if you are selected at random to be the subject of an interview. However, I acknowledge your right to refuse to participate so make your decision accordingly.

I hope that Mr. Roman's research, will provide the college with some insights into an issue which has been the subject of continued negotiations between the faculty and administration.

EF/mjd

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