

7

**PERALTA COMMUNITY COLLEGE DISTRICT
Board of Trustees Agenda Report**

For the Trustee Meeting Date of April 7, 2009

ITEM TITLE: Approval of Memorandum of Understanding for Portability of Post Retirement Medical Benefits for Peralta Community College District Managers.

SPECIFIC BOARD ACTION REQUESTED:

Approval of MOU, which would establish a consortium of at least four (4) community college districts

ITEM SUMMARY:

This Memorandum of Understanding ("MOU") serves as a contractual agreement among participating California community colleges that provide post-retirement medical benefits to their employees. It also serves as a facilitating document toward establishing a consortium of California community colleges, which recognizes a transfer of vested medical retirement benefits for employees who transition from one California community college to another California community college in a leadership administrative role.

The Peralta Federation of Teachers has stated that it is not interested in going forward with the MOU, and has therefore elected not to have faculty members participate in this MOU.

Nevertheless, Peralta Community College District would like to confer this benefit to its administrators, and welcomes faculty, classified, and confidential employees from other community college districts to serve as administrators at Peralta. Therefore, each member of the consortium may elect to allow "Employees" as defined under this MOU to include faculty, classified, and confidential employees, and not exclusively to administrators.

The MOU will only apply to members in the consortium, and the MOU shall terminate by its own terms if less than four (4) college districts that offer Benefits participate as signatories.

BACKGROUND:

Peralta Community College District initiated this MOU, in collaboration with the Community College League of California to address a need to address the growing leadership gap in California community colleges.

A 2006 report finds that nationwide, community colleges are experiencing an ongoing leadership shortage due to the retirements of significant numbers of community college administrators, particularly senior executives. It has been projected that 45 percent of the U.S. community college chief executives will retire within seven years.

Movement of potential leaders between Colleges is severely curtailed because vested retirement medical benefits ("Benefits") are not transferable. Employees of Colleges earn

Benefits at their respective colleges and, when vested, do not presently transfer with the Employee if the Employee accepts an administrator's role at a different College or District. That loss of Benefits weighs heavily on the decision of potential new leaders. Many vested Employees from one College do not apply for leadership positions at other sister Colleges, or if they apply, ultimately do not accept such administrative positions at other Colleges because they will lose their long-earned Benefits. This limitation propagates the leadership shortage.

Peralta recently experienced this problem, when at least one of its hired administrators declined an appointment as an administrator at another College because he/she would be required to forgo post-retirement medical benefits from Peralta. This is not to mention the possibility that many administrators, faculty, classified, and confidential employees may not consider applying to Peralta due to the possibility of losing post-retirement medical benefits from their current institutions.

EVALUATION AND RECOMMENDED ACTION:

Chancellor recommends approval.

SOURCE OF FUNDS (AND FISCAL/BUDGETARY IMPACT):

Minimal or no budgetary impact. Administrators must have already vested with their post-retirement medical benefits before transferring to other community college districts, and the transfer of "Benefits" will most likely be offset over time as administrators move in relatively similar numbers between districts.

OTHER DEPARTMENTS IMPACTED BY THIS ACTION

YES X No
District-wide (all departments and all colleges)

CONTRIBUTION TO PERALTA MISSION AND/OR BOARD GOALS:

Improve the leadership gap in management positions at community colleges, state-wide.

GENERAL COUNSEL (Legality and Format/adherence to Education Codes):

 X Legal review conducted Legal review not required

Signature: _____ Date: _____

Finance Department

Finance Review Conducted Review not required

Signature: _____ Date: _____

Prepared by: Thuy Thi Nguyen Date: _____

Chancellor: _____ Date: _____



**CONSORTIUM OF CALIFORNIA COMMUNITY COLLEGES
"PORTABILITY OF VESTED RETIREMENT MEDICAL BENEFITS"**

**MEMORANDUM OF UNDERSTANDING
AMONG PARTICIPATING CALIFORNIA COMMUNITY COLLEGES**

**SPONSORED BY:
COMMUNITY COLLEGE LEAGUE OF CALIFORNIA**

This Memorandum of Understanding ("MOU") serves as a contractual agreement among participating California community colleges that provide post-retirement medical benefits to their employees. It also serves as a facilitating document toward establishing a consortium of California community colleges, which recognizes a transfer of vested medical retirement benefits for employees who transition from one California community college to another California community college in a leadership administrative role.

All of the provisions of this MOU are subject to mutual agreement of the parties, and to review by the respective community colleges, community college districts, and the Community College League of California.

Recital

Whereas, nationwide, community colleges are experiencing an ongoing leadership shortage due to the retirements of significant numbers of community college administrators, particularly senior executives. It has been projected that within seven years, 45 percent of the U.S. community college chief executives will retire.¹

Whereas, California community colleges are profoundly affected by a leadership shortage. In California, 15 percent of community college chancellors and presidents assumed their positions in 2006; another 15 percent are interim appointees.² While vice-presidents and vice-chancellors are likely candidates to fill those vacancies, who, then, will fill the subsequent leadership vacancies?

Whereas, it is common practice for administrators ("Employee(s)") from California community colleges to apply for positions at other sister California community colleges ("College") or be actively recruited by such sister Colleges to fill vacant administrative positions, especially senior executive positions.

Whereas, movement of potential leaders between Colleges is severely curtailed because vested retirement medical benefits ("Benefits") are not transferable. Employees of Colleges earn Benefits at their respective colleges. Those Benefits, when vested, do not presently transfer with the Employee if the Employee accepts an administrator's role at a different College or District. That loss of Benefits weighs heavily on the decision of potential new leaders. Many vested Employees from one College do not apply for leadership positions at other sister Colleges, or if they apply, ultimately do not accept

¹ "Grow Your Own" Leadership Programs, *Community College Leadership Development Initiatives*, November 2006, 2.

² "Grow Your Own" Leadership Programs, *Community College Leadership Development Initiatives*, November 2006, 2.

CONSORTIUM OF CALIFORNIA COMMUNITY COLLEGES
“PORTABILITY OF VESTED RETIREMENT MEDICAL BENEFITS”

such administrative positions at other Colleges because they will lose their long-earned Benefits. This limitation propagates the leadership shortage.

Whereas, all Colleges stand to gain easier access to new leaders when said leaders are not worried about losing Benefits from a former post at another College.

Whereas, all Colleges have an interest in encouraging talented Employees to consider administrator positions at sister Colleges and Districts, and all Colleges have an interest in encouraging talented Employees to consider administrative positions at their Colleges.

Whereas, although Colleges may lose Employees to other sister Colleges, these same Colleges may also gain from receiving talented Employees from other sister Colleges – resulting in an overall benefit to the state-wide Community College system.

Be It Resolved, the Community College League of California (“League”) advances the formation of a Consortium of California community colleges to act state-wide and systematically to curtail the leadership shortage at community colleges, and calls upon all California community colleges that provide post-retirement medical benefits to participate in the Consortium.

Resolution and Mutual Agreement

The undersigned community colleges and the California Community College System’s Office therefore resolve as follows:

- I. The Consortium members shall allow the Benefits of an Employee from the original College (“Original College”) to transfer or be portable to another California community college (“Receiving College”) if that Employee accepts an administrative role at the Receiving College subsequent to vesting in Benefits at the Original College. In other words, the Employee must already have vested Benefits at the Original College, and had the Employee remained and retired at the Original College, the Employee would receive Benefits. The Employee does not need to be qualified to receive Benefits at the Original College upon moving to the Receiving College; in other words, the Employee must have vested Benefits, but may not necessarily qualify since the Employee may not be at retirement age when Employee transfers to another College or District. However, the Employee must retire from the Receiving College in order to receive full Benefits from the Original College.
 - a. An administrative role is an Employee hired under Education Code Section 72411.
 - b. Administrative titles include Chancellors, Presidents, Vice Chancellors, Vice Presidents, Associate and Assistant Vice Chancellors, Deans, Associate and Assistant Deans, Directors, Associate and Assistant

CONSORTIUM OF CALIFORNIA COMMUNITY COLLEGES
"PORTABILITY OF VESTED RETIREMENT MEDICAL BENEFITS"

- Directors, and Business Managers, among other recognized leadership and administrative ranks.
- c. Vested means that the Employee has met the requirements for him or her to accrue Benefits.
 - d. Qualified means that the Employee has reached the age of retirement and may receive pension and vested Benefits.
- II. The Benefits of the Employee shall be portable only between participating members of the Consortium: one participating California community college to another participating California community college.
- III. Transfer of Benefits only pertains to post-retirement medical benefits. Transfer of Benefits does not apply to any other benefits, such as reassignment rights³ and employee pensions (STRS/CalPERS).
- IV. Retention of the Benefits from the Original College for a vested Employee is limited to only administrative Employee who serves an immediately subsequent administrative appointment at the Receiving College that is a member of the Consortium.
- a. Immediately subsequent administrative appointments may include promotions, lateral appointments, and demotions in title and responsibilities.
 - b. There shall only be one Original College and one Receiving College for any Employee who retires from a Receiving College under this MOU.
- V. An Employee who also vests in the Receiving College's Benefits shall then receive Benefits under the Receiving College's Benefits program. The Employee may also exercise the retention and portability of Benefits, again, by accepting a leadership position at a third college. Those Benefits will be based on the vested Benefits at the second college, not the first Original College. This applies even if the Employee moves back to the first Original College, unless otherwise negotiated by the Employee and the first Original College.
- a. This MOU does not dictate that the Original College must honor Benefits vested at the Original College if the Employee accepts an administrative appointment at the Receiving College, then returns to the Original College. If the Employee vests in Benefits at the Receiving College, then the Employee is eligible for Benefits as vested at the Receiving College; the Original College is no longer obligated to provide Benefits, even though the Original College's Benefits may be more valuable than the Receiving College's Benefits.

³ See California Education Code § 87458

**CONSORTIUM OF CALIFORNIA COMMUNITY COLLEGES
"PORTABILITY OF VESTED RETIREMENT MEDICAL BENEFITS"**

- VI. When the Employee retires from the Receiving College, the Employee shall report to the Original College to claim his/her Benefits, and all costs related to Benefits for that Employee shall be borne by the Original College.
- VII. An Employee terminated for cause or without cause at a Receiving College shall still receive Benefits at the Original College under this MOU.
- VIII. This MOU does not apply to otherwise qualified persons, who have formerly retired from a Consortium college, who are subsequently hired into administrative positions at other Consortium colleges
- IX. The Community College League of California shall facilitate the administration of this Consortium.

Effective Date

This MOU shall be effective for all administrative Employees hired at participating Receiving Colleges on or after July 1, 2009.

Termination

This MOU shall terminate by its own terms if less than 4 (four) college districts that offer Benefits participate as signatories.⁴ This MOU shall no longer be effective after June 30, 2013, unless renewed in writing by each participating College or District member. Consortium members have the right to terminate their involvement in future application of this MOU, including any future addendum, by notifying in writing the California Community College System Office no later than six (6) months before the effective date of termination.

⁴ As of the drafting of this MOU, there are 72 community college districts in California. Of the 72, it is not clear the number of districts with post-retirement medical benefits.

**CONSORTIUM OF CALIFORNIA COMMUNITY COLLEGES
"PORTABILITY OF VESTED RETIREMENT MEDICAL BENEFITS"**

By formalizing this relationship, the Community College League of California hopes to establish a more permanent basis for this Consortium as administered through the Community College League of California.

Signatures

This MOU is being signed by authorizing agents from the represented California community colleges. Only the authorized agents listed below may make changes to this MOU and future addendum provided that all parties mutually agree upon such changes in writing.

Each member of the consortium may elect to allow "Employees" as defined under this MOU to include faculty, classified, and confidential employees (and not just administrators).

Institution's Name: *Peralta Community College District*

"Employees" applies to Administrators ONLY

"Employees" applies to All Employees (administrators, faculty, classified, and confidential employees)

Chancellor/President's signature

Date

Institution's Name: _____

"Employees" applies to Administrators ONLY

"Employees" applies to All Employees (administrators, faculty, classified, and confidential employees)

Chancellor/President's signature

Date

**CONSORTIUM OF CALIFORNIA COMMUNITY COLLEGES
"PORTABILITY OF VESTED RETIREMENT MEDICAL BENEFITS"**

Institution's Name: _____

_____ "Employees" applies to Administrators ONLY

_____ "Employees" applies to All Employees (administrators, faculty, classified, and confidential employees)

Chancellor/President's signature

Date

Institution's Name: _____

_____ "Employees" applies to Administrators ONLY

_____ "Employees" applies to All Employees (administrators, faculty, classified, and confidential employees)

Chancellor/President's signature

Date