

Minutes*

**Senate Committee on Faculty Affairs
Tuesday, April 12, 2011
2:30 – 4:30
238A Morrill Hall**

Present: George Sheets (chair), Ben Bornsztejn, Arlene Carney, Carol Carrier, Dann Chapman, Richard Cline, Randy Croce, Kathryn Hanna, Theodor Litman, Karen Miksch, Jason Shaw, Roderick Squires, Pamela Stenhjem, James Wojtaszek

Absent: Vladimir Cherkassky, Frank Kulacki, Geoffrey Sirc

Guests: Nan Wilhelmson (Human Resources), Molly Gage (Academic Health Center Human Resources), Margaret Yzaguirre (College of Liberal Arts), Sarah Waldemar (Chair, Council of Academic Professionals and Administrators); Jackie Singer (Employee Benefits)

[In these minutes: (1) proposed changes to the policy on non-renewal of P&A staff; (2) changes in health and retirement benefits]

1. Proposed Changes to the Policy on Non-Renewal of Appointment for P&A Employees

Professor Sheets convened the meeting at 2:30, welcomed Ms. Wilhelmson to the meeting, and recalled that at the end of the last meeting, the Committee ran out of time to discuss proposed changes to the administrative policy on Non-Renewal of Appointment for Academic Professional and Administrative Employees. He asked Ms. Wilhelmson to resume her review.

Ms. Wilhelmson began by introducing two of her colleagues from the Non-Renewal Policy Review Committee, Molly Gage, Human Resources Consultant for the Academic Health Center, and Margaret Yzaguirre, Human Resources Consultant for the College of Liberal Arts. Ms. Wilhelmson called attention again to the guiding principles the review committee adopted:

The Non-Renewal Policy Review Committee seeks to design and recommend:

A policy that adheres to sound business practice in recognizing the service and contributions of the employee while managing the business needs of the University.

An effective, administratively workable policy and procedure. [They have accumulated quite a bit of feedback over the years about the current policy, Ms. Wilhelmson reported.]

A policy that remains competitive with other higher education institutions in the effort to recruit and retain high quality staff.

* These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions, or actions reported in these minutes represents the views of, nor are they binding on, the Senate, the Administration, or the Board of Regents.

Ms. Wilhelmson turned next to a summary of the changes. She noted that the review of the policy is taking place as part of the normal comprehensive review of all administrative policies. The proposed change that has received the most attention is the reduction in the length of the notice period, especially that for employees who have worked at the University for more than ten years; the notice period would be reduced from 12 to 6 months. This proposal is related to the principle of adopting sound business practices: "For its purposes, the committee defined a sound business practice as a balance between recognizing the service and contribution of P&A employees while managing the business needs of the University, including judicious fiscal management and a practicable operational approach. In looking at this policy in terms of its operation, efforts were directed in seeking to mitigate effects of a more prolonged transition period of a non-renewed P&A employee that has often resulted in less productivity, a strained work environment and a delay in management's ability to move forward with revised operational plans." As is the case with policy reviews, they sought to streamline and make it simpler to follow the policy so that its application is more consistent.

As for the 12-month notice period, Ms. Wilhelmson said, the person whose appointment has not been renewed and who has not chosen to take the Non-Renewal Program either serves out the appointment in the department or in another department. This can be a difficult time, an uncomfortable period, and sometimes they are asked to have the individual moved to another area. The employee is often not as productive as he or she has been in the past and there can be a strained work environment. The long notice period also causes a delay in units moving forward with changes it wishes to make.

For those who have worked at the University for less than a year, they recommend the policy require "reasonable notice," which they defined as a minimum of two weeks, Ms. Wilhelmson said. Nothing precludes a department from providing a longer notice period.

Professor Sheets inquired about Ms. Wilhelmson's comment that it can be an uncomfortable period when the employee has been given notice. Would a six-month notice minimize that effect? It could make the discomfort greater because the employee will be in a more difficult position (for example, an academic let go in the middle of the year would face dim employment prospects for finding another job). He said he did not disagree that there might be discomfort.

Ms. Wilhelmson said that they were looking at a balance between the individuals staying in the department when their appointment has not been renewed and helping units be able to move forward. No matter the notice period, there will be angst. In her experience, during the first several months of the notice period the employee will do little about another job because they have a year's employment, so they don't rush to the job market. Ms. Gage said that they could provide a longer notice period if the non-renewal came in mid-semester; there is a way to give notice so that the person can start making plans. She agreed that they have found people do not take 12 months because they wait until later in the period to start looking for another position. Ms. Yzaguirre said that from a unit perspective, it is difficult to plan for work for someone for 12 months ahead of time, or there may not be work available, or another unit takes responsibility for the person and tries to find something for them to do.

Professor Sheets said that rationale is not noted in the materials: There is an economic incentive for the University to phase out the employee sooner. Ms. Yzaguirre said the shorter notice period allows flexibility and nimbleness that the University is looking for, but it is not the only factor in the recommendation.

Professor Sheets said he has heard from a number of people about this proposal and the Committee has a resolution from the Committee on Academic Freedom and Tenure urging that the notice period not be reduced from 12 to 6 months for reasons related to academic freedom: The shorter period steps up the sanction of non-renewal by making dismissal more readily available and effective in a shorter period of time. He has also heard from Ms. Waldemar, Chair of CAPA, that CAPA will adopt a statement objecting to the proposed change from a human resources and a human-interest perspective. When she talked to him, Professor Sheets related, she made the point that employees who have been at the University for more than ten years have made a long-term commitment and have removed themselves from opportunities to be employed elsewhere because of their age, and that a one-year notice is more equitable in terms of the service provided to the institution.

Ms. Wilhelmson next reviewed other proposed changes in the policy. She explained how years of service will be counted for determining the notice period; the provisions recognize civil service employment as well as P&A service.

Another change addresses the matter of reasons for non-renewal of an appointment. This question has come up consistently, Ms. Wilhelmson said, and at present non-renewal can be for no reason or for any reason that does not violate the legal rights of the employee. The change clarifies that non-renewal of an appointment is to be based on a reason---any reason that is not discriminatory and does not violate University Policy and that non-renewal is not dismissal for cause.

Mr. Croce inquired about the last provision—the policy says a reason must be given but that non-renewal is not dismissal for cause. He said that it appears that “for cause” has a specific legal or administrative meaning that is different from a "reason." Professor Miksch clarified that "for cause" refers to egregious acts. Ms. Wilhelmson said that in the case of dismissal for cause (e.g., embezzlement), a person is not entitled to the notice period. So one can be dismissed because of a lack of funding for a position or because of a change in the mission of the units, but that is not dismissal for cause, Mr. Croce observed. That is permissible, Professor Sheets said, as long as the reason is non-discriminatory.

Professor Miksch, noting that she was in the past an employment lawyer, said that most employment arrangements do not require a reason for dismissal (employment at will). Some employers do not provide any reason for non renewal and sometimes think they are not allowed to provide a reason. Other employee-employer relationships have contracts or bargaining agreements that allow dismissal only for "cause" (generally this requires misfeasance or malfeasance.) The current policy at the University of Minnesota allowing termination for cause (termination, for example, because of embezzlement) remains in effect. What the new policy proposes to do is require the employer to provide a reason for non renewal when the employee has done nothing wrong. This allows the employee to be given a bona fide reason for the non-renewal (for example, grant funding ran out); whereas the current policy does not require the employer to provide any reason for the non-renewal.

Ms. Wilhelmson moved on to a change in the appointment at time of notice: The current policy has no language about criteria for eligibility for the notice period; one could have a 25%-time appointment and receive a 12-month notice if one has been at the University for over 10 years. The proposed change that the review committee decided to recommend requires that one have at least a 75%-time appointment for a term of at least 9 months in order to qualify for the notice period. Again, she said, the policy does not preclude a department from giving additional notice.

The proposal also calls for changing the calculation for years of service, Ms. Wilhelmson said, because there is no language in the existing policy or procedures; the change indicates how to count them.

There is also a new provision for the timing of notice of non-renewal. The bottom line is that notice must be given before the start of a new contract year in order to end the current appointment without a commitment to a new contract year. This rule is basically the same as what is in place now, Ms. Wilhelmson said, but it is presented differently in the revised procedures. At minimum the notice must be given before the end of the employee's appointment year and the start of a new one. Otherwise the employee is given another appointment year. Notice periods may include both paid and unpaid time. Professor Sheets clarified: If one is a 9-month employee, and receives a notice of non-renewal one month before the end of the academic year, the notice period would cover the unpaid summer months (benefits would continue as usual) and that person would be employed for two months during fall semester. That is correct, Ms. Wilhelmson said.

Ms. Wilhelmson said the revised policy strongly discourages the use of a combined appointment/reappointment and non-renewal letter, often used when budgets are very uncertain. Such letters are becoming more and more common for employees who are due a 12-month notice, she said, where units use a single letter both to reappoint people and to give them notice. At the time a non-renewal notice is given, eligible P&A's are also given an opportunity to elect within 60 days the non-renewal severance package in place of working out the notice period. The benefits of the severance program are based on years of service. If someone repeatedly receives these combined letters, and is finally told that "this one is real," the person will not likely have chosen to seriously consider taking the severance program. The review committee believes that the 6-month notice period will help mitigate the need for such letters.

Ms. Gage said that these letters put the employee in a difficult position. If someone wishes to elect the severance package, they have to do so within 60 days of notice of non-renewal, but then they might get reappointed (e.g., grant funds came though), so they choose not to take the severance package.

Professor Hanna asked why the policy doesn't simply prohibit the letters, rather than strongly discouraging them. If a person is on soft funds, Ms. Gage said, the unit has to limit its liability so must give a notice of non-renewal at the time of reappointment. It would be possible to phrase the renewal of the appointment as contingent on funding, Professor Sheets suggested. This is typical on sponsored funds, Vice President Carrier said, because departments worry that if they run out of grant money, they will have to use department funds to complete the appointment.

The last change Ms. Wilhelmson highlighted was extending the appointment beyond the end date of the notice period. There is no policy language about this circumstance; the proposal would allow extension of the appointment beyond the end of appointment date specified in the written notice of non-renewal. The reasons allowed are completion of a project, because additional funding becomes available, to cover the gap between funding periods, or for other special circumstances. The extension would not allow for an additional notice period. The maximum extension allowed is 18 months from the date of the non-renewal communication; if the appointment is to be continued beyond 18 months, there must be a new appointment.

The last change is very helpful, Mr. Croce commented, especially in economically-difficult times. Several other changes in the policy make the language clearer and are good, and it now allows a change in classification/employee group (civil service to P&A) without penalty. But he said he is concerned about the change in the notice period from 12 to 6 months for long-term employees. The larger context, he said, is that when the P&A class was established in 1980, the idea was that employees in that class were like faculty, many had continuous appointments, and salary increases were tied to those of the faculty. By making the notice period shorter, it makes the P&A class even more different from faculty, makes P&A staff less secure, and may increase the reluctance of P&A staff to exercise their academic freedom. If someone has been at the University for 11 or more years, and is older, it is more difficult to find another job. He said he did not know about the proportion of non-renewals that cause tension in departments, but in his department, a non-renewal would be due to budget problems, and in other cases it might be due to program changes as well as a lack of funding. The 12-month notice period allows people to build savings as well as look for another position.

Professor Sheets called on Ms. Waldemar for comments. Ms. Waldemar referred to a handout Mr. Croce distributed and said that it will be a letter to Ms. Wilhelmson, Vice President Carrier, Senate committee chairs, and others in the University community, expressing concern about the reduction in the notice period; it has been approved by CAPA. They only object to that one change, she said, and they are asking that P&A staff hired under the rules that provided the 12-month notice period retain it. New P&A staff would be subject to the change, much like the proposal to change the Faculty Retirement Plan for new faculty and eligible P&A staff.

What they did not say in the memo is that when someone is repeatedly given an appointment and notice of non-renewal at the same time, they fall into a rut and when the appointment really is not renewed, they will have missed the 60-day period to opt for the severance program. If the decision is that units cannot continue to give appointment-and-termination letters, there must be a way to provide access to the severance program if and when the non-renewal notice "becomes real." The proposal does not address the use of these letters in a definitive fashion, Ms. Waldemar said, and they would prefer to see the practice prohibited, not just strongly discouraged. Professor Hanna agreed that the severance program should be extended beyond the 60-day period (perhaps to the end the appointment term) to employees in any department that uses the dual appointment-and-termination letter.

Professor Hanna commented that she has seen situations where someone with a Ph.D. and ten years (or more) of service to the University has given up other career opportunities, so a one-year notice period is not unreasonable. She is aware of a number of cases where it took that long for someone to find a comparable position, and she concurred with the concern about the chilling effect on the ability of P&A staff to exercise their academic freedom if the notice period is shortened.

Professor Sheets observed that the concern about academic freedom would apply in the case of all employees, present and future, and thus suggest the change should not be made for future employees, either.

Professor Miksch reported that the Committee on Academic Freedom and Tenure also had concern about the two-week notice period for anyone with an appointment of less than 75% time. What if someone has worked here for many years and decided to reduce his or her appointment to less than 75% time for a year to work on a project or write a book. Would that person lose the 12-month notice period? The committee talked about that, Ms. Wilhelmson said. If it were a permanent change, the person would

lose the 12-month notice period. If for only one year, however, the reduction in percent time could be arranged as an unpaid personal leave of absence and one would retain his or her full-time position. It will be important that supervisors and employees understand that, Professor Miksch said. The Committee on Academic Freedom and Tenure is concerned about the shortened notice period; it has already heard from P&A staff that they do not feel they have the same protections of academic freedom that faculty members with tenure do. If the notice period is shorter, they will be even more likely to censor themselves. While P&A staff can be dismissed for cause, and a reason must be given under the new policy proposal for non-renewal, they cannot be dismissed for exercising their academic freedom—but how will they know they are not being dismissed for that reason, even if they are given some other reason? Academic Freedom and Tenure recognized that giving a reason helps, but it remains concerned.

If the majority of non-renewals are based on lack of funding (e.g., a grant ends or funding is cut), Ms. Yzaguirre said, would that have changed any of the views? That depends on the trust level in the unit, Professor Hanna commented. They have had a number of budget cuts in CLA, Ms. Yzaguirre said, and they have been transparent about them, and they would be equally clear in the case of grant funding coming to an end.

Professor Sheets wondered if, after someone has been at the University for 11 years or more, the person would be let go because a grant ends. The person has been repeatedly reappointed, so has been a good employee, and presumably should be less vulnerable to the vicissitudes of funding. Ms. Yzaguirre said that in some areas of CLA they have seen a trend where funding has not been renewed or renewed to the same funding level as before, and the work is so specialized that the staff member cannot be placed elsewhere.

They are still consulting on the policy, Ms. Wilhelmson said, and they will review the comments they receive before making a recommendation to Vice President Carrier and Vice President Brown.

Ms. Stenhjem said that she agreed with Mr. Croce's comments. She reported that she has worked in a grant environment and been on soft funds for 16 years. The rationale that the change to the shorter notice period is a sound business practice that reflects the way the outside world operates is not valid; people are working at a university, with certain protections; this is not like a business. Long-term employees have earned the right to protection, and the P&A class already has very little protection. Many P&A staff are long-term employees who are very dedicated to the University, but they are very vulnerable and it is difficult to grieve. Many will not speak out on issues because they can be let go for no reason—and she supports the change in the policy requiring that a reason be given for non-renewal. Very few of her colleagues are willing to speak out because they do not feel protected. She said she was opposed to this change as a bad move that has upset a lot of P&A staff.

Professor Sheets inquired if the review committee had considered differentiating between current and new employees. They did, Ms. Wilhelmson said, and do not recommend it. Why not, Professor Litman asked? Because the distinction would exist for years and years, Ms. Wilhelmson said, and sometimes it makes sense to just make a change. Ms. Gage said they used the guiding principles in making their recommendation.

Mr. Croce agreed that the longer period should be retained for both current and new employees. However, whether the maximum notice period remains a year or is reduced to six months, he agreed with the non-renewal study committee that it should be consistent for current employees and future hires. He

said he worries about the next generation of employees at the University and the changing academic environment that makes it harder for those coming later; if the benefits are changed only for future hires. That will create tensions between senior and junior staff.

Ms. Gage noted the third principle, having a policy "that remains competitive with other higher education institutions in the effort to recruit and retain high quality staff," and said that they did benchmark studies and determined that institutions' policies ranged from 2 weeks to 12 months. Ms. Wilhelmson pointed out that about half of the 18 institutions looked at had less than twelve month notice periods. One can be competitive by being better than the competition, Professor Sheets observed.

Ms. Waldemar said she was at the presentation to the Board of Regents about competitive salaries for faculty and P&A staff. P&A staff were reported to be at about 86% of market. If the University is willing to consider changing the Faculty Retirement Plan so that different contributions will be required only of new faculty and eligible P&A staff, why not make a similar change in the notice period? Why are the P&A staff hired with a year's notice having it pulled out from under them? That does not seem equitable nor an appropriate way to deal with an employee group.

Professor Sheets said he did not know about the grievance mechanism for employees who believe they have been terminated for an impermissible reason, but it would be more difficult to invoke with 6 months' notice than it would be with 12. It is a time-consuming process if it is anything like an appeal to the Senate Judicial committee. Ms. Stenhjem said that it takes a long time; she said she was on a grievance panel and in her experience most employees were at a distinct disadvantage and never saw a positive outcome. So the practical implication of the shortened notice period could be elimination of the grievance option, Professor Sheets concluded.

Mr. Croce said that the longer notice period is better than what is provided in the private sector, but the benchmark is the faculty, and the farther away that P&A staff get from the faculty, the worse it is for the institution. He said he understands the budget situation, but, in answer to Ms. Yzaguirre's earlier question about budgetary reasons for non-renewals, he feels that the protections of longer notice periods are particularly important in a time of budget strain, when P&A, are the most vulnerable to losing their jobs, given the wide latitude for dismissal in even the revised renewal policy.

Professor Sheets thanked Ms. Wilhelmson for making her presentation over two meetings.

Professor Hanna moved that the Committee endorse the statement from the Committee on Academic Freedom and Tenure:

The Senate Committee on Academic Freedom and Tenure has taken note of the proposed reduction in the length of notice for non-renewal for Academic Professional and Administrative (P&A) employees. The current policy calls for a notice period of 12 months for employees with 11+ years of consecutive service, 6 months for those with 6-10 years of service, 3 months for those with 2-5 years, and 1 month for those with one year of service. The proposed policy calls for 6 months notice for those with 6+ years of consecutive service, 3 months for those with 3-5 years, 1 month for those with 1-2 years, and reasonable notice (2 weeks minimum) for those with less than 1 year of service. In addition, part-time P&A employees would only be entitled to two weeks' notice under the proposal.

We are very concerned about the implications of these proposed changes for the academic freedom of P&A staff. The Board of Regents' policy on Academic Freedom and Responsibility guarantees academic freedom to all members of the University community. We have discussed a number of times, however, the practical limit of this guarantee on staff members (and contract faculty members) who have annually-renewable appointments: Those whose continued employment at the University depends on the approbation of their superiors on a year-to-year basis could be at risk if, in fully exercising their academic freedom, they put themselves at odds with their superior. To shorten the notice period for P&A staff, and to reduce it to two weeks for part-time P&A staff, in our judgment, puts them at even greater risk. With a year's notice for long-term employees, they have at least some insurance (12 months' salary) against finding themselves unexpectedly on the job market as a result of exercising their academic freedom. To shorten that notice period will make P&A staff even more unlikely to exercise the academic freedom the Board of Regents has guaranteed.

We recommend that the University not change the notice provision for P&A staff. We recognize that P&A staff may be terminated for misfeasance or malfeasance and are subject to normal annual performance reviews. But we believe that this change, which may be motivated by the financial situation of the University, conflicts with the fundamental value of academic freedom and should not be adopted.

Professor Sheets noted that the statement confines itself to academic freedom (which, Professor Miksch observed, is the only part that was within the purview of the Academic Freedom and Tenure committee) and that this Committee may have other reservations, so there could be an alternative motion. Mr. Croce and Professor Hanna volunteered to draft a motion for the Committee. Professor Hanna said she believed it would be beneficial to add other reasons; they think about the evolution of the P&A group and the idea that it was to be faculty-like, the University seems to be moving more and more away from that idea, on a piecemeal basis.

The Committee voted unanimously to endorse the statement from the Committee on Academic Freedom and Tenure.

2. Changes in Health and Retirement Benefits

Professor Sheets next inquired if the Committee wished to make any statements about the proposals for changes to health and retirement benefits, following the discussion at the Committee and the report of discussions at the Faculty Consultative Committee and elsewhere. There are two sets of changes, health benefits and the Faculty Retirement Plan, and neither has attained final form.

One uncertainty in the case of health benefits is the degree to which higher costs should be delivered in premiums or copays, Professor Sheets observed. His reading of the trend of the discussion is that there is more sentiment in favor of increasing premiums than copays, and sentiment to increase the dental premium to mitigate increases in the medical coverage.

Mr. Croce said he supported the ideas advanced by Mr. Watt and Mr. Chapman at the last meeting, and to orient increases to premiums; he also said he preferred the flat dollar increase in premiums rather than the percentage increase because the flat dollar increase would have less of an effect on families.

One additional matter is the decision to make Medica the sole plan administrator, Professor Sheets recalled: It is not settled whether all the HealthPartners clinics will be in the new plan.

Mr. Chapman distributed copies of a handout that he used for a presentation given to the Twin Cities deans, very similar to the one that he used with the Faculty Consultative Committee. All the HealthPartners clinics are already available to UPlan participants in all the Medica plans, so the concern is not whether employees have access to HealthPartners; the real question is "at what cost?" At present most HealthPartners clinics copays are \$50, so they are more expensive. Medica and HealthPartners are negotiating where the HealthPartners clinics will fit; he is staying in touch with both parties, Mr. Chapman reported, to be sure they are looking after the University's best interests, not just their own. There are three parties at the table that share a common interest: That HealthPartners make its clinics as affordable as it can to retain UPlan members. Medica is also very motivated to make the University happy because the University just gave it a lot of new business (although there is no contract yet and the Board of Regents must approve the change). The University's interest is that it does not want HealthPartners clinics to cost more than is necessary for employees, for the sake of their happiness with the UPlan, so that the implications of the change to a single plan administrator would be less significant. But the University does not want events to play out in such a way that they create more costs for the University. The University's costs are based on the base plan (it pays the same amount of money for all employees), and if the cost of the base plan increases incrementally because of the higher cost of HealthPartners clinics, it is not just those employees who use HealthPartners who pay the increase cost, it is all employees. So they do not want to shoehorn HealthPartners into the base plan if doing so will cost more—that would only offset the other savings that the plan changes are intended to achieve. HealthPartners will not be in the base plan, but they want HealthPartners clinics available as affordably as possible. They are already significantly more expensive than the base plan. They are exploring a number of possibilities to achieve the goal.

Must the agreement be negotiated every year or would it be for the full period of the contract, Professor Litman asked? Mr. Chapman said it is his impression that all provider contracts are re-negotiated annually to deal with medical inflation, but the process is really a black box for the University—the plan administrator deals with the providers.

This is very complex, including all the auxiliary contracts that need to be worked out, Mr. Chapman said, but it should not take an unreasonable time to work out. They should have a clear idea of how things will work out within the next 12 weeks. The work will not all be done but there should be agreements in principle.

Professor Sheets asked if it would be helpful for the Committee to make a statement. Mr. Chapman thought it could help emphasize to both Medica and HealthPartners the importance of negotiating an acceptable agreement. Subsequent to the meeting, the Committee adopted the following statement:

The Senate Committee on Faculty Affairs (SCFA), a standing committee of the University of Minnesota Faculty Senate, urges: That HealthPartners negotiate in good faith to make its clinics available through Medica at the best possible price, keeping in mind the long term devotion of many University members to their HealthPartners clinics; that Medica negotiate in good faith to achieve the best possible outcome for the University and its employees; and that

Employee Benefits closely monitor these negotiations, giving particular consideration to the effect the outcome will have on current HealthPartners members, while exercising all necessary due diligence in looking out for the University's economic best interests.

COMMENT:

Given the current University budget situation, SCFA reluctantly recognizes the necessity of finding all reasonable cost savings in the UPlan. SCFA appreciates the value of savings available by going from two administrators to one for the UPlan Medical Program and also recognizes that moving to Medica as the UPlan's sole administrator for 2012 and beyond does not necessarily imply a loss of access to HealthPartners clinics.

At the same time, SCFA is deeply concerned for the third of University faculty and staff who currently obtain their health care through the HealthPartners Classic plan offering.

SCFA therefore expresses its strong desire that the expressed goal of retaining continued access to HealthPartners clinics, through Medica as the UPlan administrator, be achieved at the most affordable cost possible.

Mr. Chapman reported that the Benefits Advisory Committee is leaning toward recommending an even percentage increase in the employee portion of medical premium cost increases because it believes it could be very difficult to explain a more-than-doubling of the increase in the employee-only cost while the family cost would increase by about 30%.

Professor Sheets turned next to the proposals for changes to the Faculty Retirement Plan. The Committee has received copies of two resolutions, one from the Retirement Subcommittee urging that the total contribution (from employer and employee) remain at 15.5%, and one from the Academic Freedom and Tenure Committee expressing its view that if changes were only prospective, the provisions of the tenure code would not be implicated—and that if changes were to affect current employees, they would revisit the question. There was a sense that the if the change only affected new employees, the increased employee contribution being considered could be offset by higher salaries of new employees at the time they are hired.

Professor Hanna, who serves on the Retirement Subcommittee, said the philosophy is that 15.5% contributions should allow faculty members to retire in a timely manner with adequate income. The Retirement Subcommittee believes that anything less than 15.5% would not be in the best interest of the faculty or the University—because if there is not enough money saved in the retirement “pot,” faculty members would never retire.

Professor Litman asked about the retirement plans at other Big Ten universities. Ms. Singer reported that Michigan is at 5% employee/10% university and that Washington has a varying rate of 5-10% employee and 5-10% university. The Big Ten is mostly 5%/10%, she said. Have any other universities been making changes, Professor Litman asked? Ms. Singer reported that Purdue recently changed from a 0% employee contribution to 4%.

Professor Hanna moved that the Committee endorse the statement from the Retirement Subcommittee:

MOTION: The Retirement Subcommittee recommends to the President that the total contributions (employer and employee) to the FRP shall not go below 15.5%. The employer/employee contribution rate to the plan for existing employees will remain at 13%/2.5%, and the contribution rate for new employees hired after the implementation date will be 10%/5.5%, respectively.

COMMENT: Keeping the total contribution whole for the newly-hired FRP-eligible participants at 15.5% (employer contribution 10% and employee contribution 5.5%) is intended to help plan participants build a portfolio that will allow them to retire.

The motion passed unanimously.

Professor Hanna observed that there are a lot of changes to benefits being made in a piecemeal fashion and there should be thought about how they are packaged in a more coordinated manner. The Retirement Subcommittee has talked about adding a Roth 403(b) option, and it would be desirable to model new options with the changes in the retirement plan. The reason the option has not been offered is because of the programming cost to change PeopleSoft, but adding an option to encourage savings is something the University's counterparts have.

Ms. Singer noted the other options for saving for retirement beyond the Faculty Retirement Plan, which are the Optional Retirement Plan and the Section 457 Deferred Compensation Plan. They would implement a Roth 403(b) in the Optional Retirement Plan if they receive the funding to make the changes to PeopleSoft or if PeopleSoft offers an off-the-shelf option. Few have asked for the Roth 403(b) option and the primary benefit would be for higher-income earners who do not qualify for a Roth IRA.

Professor Sheets thanked Ms. Singer and Mr. Chapman for their comments and adjourned the meeting at 4:20.

-- Gary Engstrand

University of Minnesota