MBM D65

MEETING OF THE UNIVERSITY SENATE
Thursday, June 5, 1975
3:15 p.m.
Nicholson Auditorium – Twin Cities Campus
Regents Room (520 Administration Building) – Duluth Campus
13 Camden Hall – Morris Campus
305 Selvig Hall – Crookston Campus

The voting membership of the University Senate totals 234, including the president, 160 members of the faculty and faculty Consultative Committee, 73 students and student Consultative Committee. For a quorum, a majoriy of the voting membership (117) must be present. Amendments to the constitution require advance notice and 156 affirmative votes at one meeting or 117 affirmative votes at each of two meetings, the second of which must be the next regular meeting. Amendments to the Bylaws require advance publication and 117 affirmative votes. Other actions require only a simple majority of the members present and voting. The members of the all University Administrative Committee are ex officio non-voting members of the University Senate.

Any member of the faculty and any student eligible to vote for senators may be admitted to meetings of the University Senate and shall be entitled to speak at the discretion of the University Senate. Only elected members of the University Senate, the members of the Senate Consultative Committee, and, in case of a tie, the chairman shall be entitled to vote.

Any representative may designate any elected alternate from his institute, college, school, or student constituency as the alternate to serve in his/her place and stead by written notice to the clerk of the Senate prior to the commencement of any meeting of the University Senate. In accordance with a newly enacted constitutional amendment, each institute, college or school may either elect a pool of alternate representatives or define the pool to be those eligible to vote for senators.

Documents to be handed out at the Senate meeting should be given to the Clerk of the Senate by 1:00 p.m., two days before the meeting, to allow them to be sent to the coordinate campuses. A document that is less than one page long can be accepted by the Clerk before 10 a.m. the day of the meeting for transmission by computer; however, this practice is discouraged if the earlier deadline can be met. If any coordinate campus is linked to the meeting by telephone and the document is not in its hands, the Senate will not consider the document.

ATTENDANCE RECORD

A roll of elected members will be posted at each door of the auditorium. Members, please check your name to indicate your presence. An attendance sheet for nonmembers will also be posted.

A summary of the attendance of members elected for the current academic year will be included in the minutes for the last meeting of the year.

RULES GOVERNING THE UNIVERSITY SENATE

(These may be changed by a majority vote at any meeting.)

A. Any member of the Senate, upon being recognized by the chair, may yield time in debate to a nonmember of the senate.

B. Senators and non-Senators will be limited to a maximum of 3 minutes time on each occasion they are recognized for participation in debate.
Interpretations and Understandings

1. The traditional practice of alternating speakers pro and con a proposal will continue.
2. The traditional practice of not recognizing members who have already participated so long as there are would-be speakers who have not will also continue.
3. The usual rules of germaneness and decorum will apply both to Senators and non-Senators.
4. In the event a Senator yields time in debate to a non-Senator, both shall be considered to have participated in the debate.

C. Time limits (as specified on the agenda) will govern the maximum amount of time for debate of items for action.

1. The time limits set only a maximum time for debate; a call for the question is in order before the expiration of the time limit.
2. At the expiration of the maximum time for debate, the chairman will put the question to a vote.

D. No amendment of an item on the printed docket shall be in order unless it has been submitted in writing to the Clerk of the Senate and to the chairperson of the committee submitting the report at least 48 hours in advance of the meeting at which the report is to be considered. This rule may be suspended by majority vote.

MINUTES FOR NOVEMBER 21, 1974, DECEMBER 5, 1974, JANUARY 9, 1975, and JANUARY 23, 1975

Reported for Action

I. SENATE AND UNIVERSITY COMMITTEES 1975-76

Reported for Action (10 minutes)

SENATE COMMITTEE ON ACADEMIC STANDING AND RELATIONS: Students: Carl Grimsby, Lenora Roth, Charles Shreffler. (Two additional students to be appointed.)

SENATE COMMITTEE ON EDUCATIONAL POLICY: Students: Gary Engstrand, Enrique Serra, Michele Parent, Myron Engebretson. (One additional student to be appointed.)

UNIVERSITY COMMITTEE ON EXTENSION AND COMMUNITY PROGRAMS: Students: James Elder, Duane Gallas, Tracy Engstrand, Randall Nipper. (One additional student to be appointed.)

UNIVERSITY COMMITTEE ON INSTRUCTIONAL MATERIALS AND MEDIA: Richard Blue replaces Donald Gillmor who has resigned.

UNIVERSITY COMMITTEE ON EDUCATIONAL DEVELOPMENT: Students: Charles Ledder, Roger Hagedorn, Sharon Allerson. (Two additional students to be appointed.)

UNIVERSITY COMMITTEE ON UNIVERSITY-ROTC RELATIONSHIPS: George Stenehjem (ex officio) replaces Lawrence Bulawsky who is retiring. Add E. Jean Beske as a new member. Students: Barbara White, Joe LaJeunesse, Stephen Kemmerer.

COUNCIL ON INTERNATIONAL EDUCATION: Students: Antoinette Kassim, Louise Koste, Becky Kroll, Yousef Makoifi, Michael Malter, Moez Manji, M. Tayo Poroye, Larry Wendinger.

UNIVERSITY COMMITTEE ON TENURE: Students: Gary Engstrand, Greg Barbe.

UNIVERSITY APPEALS COMMITTEE ON ACADEMIC FREEDOM AND RESPONSIBILITY: Students: James Elder, John Wenker, Fane Opperman, Mark King.

SENATE JUDICIAL COMMITTEE: New member: Peter French replaces Laird Barber who has resigned.

SENATE COMMITTEE ON RESEARCH: Ronald Wiegel (ex officio) to replace James Lawver who has resigned. Students: Candy Abramson, Julie Will, John Bulger.

UNIVERSITY COMMITTEE ON ANIMAL CARE: Student: Daniel Peterson.

SENATE COMMITTEE ON RESOURCES AND PLANNING: New member: Add Elwood Caldwell. Students: Dennis Cooper, Frank Seidel, John Wenker, Don Mitchell.

II. SENATE COMMITTEE ON EDUCATIONAL POLICY

Reported for Action (15 minutes)

Resolution on Cable Television

WHEREAS

...cable television holds promise of providing a new and effective means of delivering educational programming to the citizens of Minnesota,
...the development of a plan for appropriate involvement of the University in cable television is complicated by numerous legal, technical financial, and educational problems,
...some coordinate campuses of the University are already negotiating with cable television systems in their respective localities,
...Continuing Education and Extension has requested funding for a cable television development project,

BE IT RESOLVED

...that the University, through established and appropriate channels, support experimentation and development activities with a view toward adding cable television capabilities to the educational delivery systems of all University campuses; and furthermore, that these activities be considered initial steps in the possible development of a statewide educational network in which the University would participate with other educational institutions.

WILLARD W. HARTUP
Chairman

III. ANNUAL REPORT OF THE SENATE COMMITTEE ON RESEARCH

Reported for Information

The Senate Committee on Research has considered five major issues this year. (1) A new patent policy was approved and reported to the Senate. The policy was approved by the Senate in the Fall of 1974.

(2) A new method of accounting for faculty time spent on research received interim approval. As required by the federal auditors, the allocation of faculty time is now reported monthly. An automatic tabulation of the percentage of time spent on sponsored research and instruction is reported with the source of faculty salaries for that month. Department chairmen review, correct, and approve the report for each faculty member. Final approval of the system awaits a review of its accuracy and implications for research and instructional budgets.

(3) The reorganization of research management within the University was given interim approval. An Office of Research Administration integrated the two units, the Office of Sponsored Programs and the research accounting. The reorganization included the establishment of a Council of Research Officers from the various colleges and Duluth. Since the Council has only recently begun to function, no final review has been started. The Committee will examine the functioning of ORA and the Research Council next year.

(4) The distribution of indirect cost recoveries within the University was reviewed by a subcommittee headed by Professor W. B. Sundquist. The subcommittee and later the full Senate Committee on Research investigated the use of funds generated by sponsored research. After months of discussion among committee members and with administrative officers, a policy to redistribute about 10 percent of the funds was proposed. The major goals of the proposal are to cover more of the costs of research administration and to provide greater incentives for departments and colleges to encourage sponsored research by returning a portion of the indirect cost recoveries directly to the departments and colleges that generate them. A resolution on the redistribution of indirect cost recoveries will be presented to the University Senate on May 22, 1975.

(5) The basis of indirect cost recovery has been extensively discussed. The current method of assessment is a percentage of the salaries and wages funded by research grants and contracts. In the Spring of 1974, the administration requested approval to change the basis of indirect cost assessment to a percentage of total direct costs. The Committee reviewed the implications of such a change for departments and colleges throughout the University and its coordinate campuses. Because major increases in the indirect costs of some departments may result from a change to a total direct cost basis, a detailed impact statement and alternate proposal is currently being formulated by the Committee and the Administration.

The Committee reviewed several other matters, such as a case of secrecy in a proposed research contract which was subsequently resolved and a change in the method of appointing members to the Human Subjects Committee. The major work of the Committee, however, has been to review and propose changes in research management, the patent policy, and the assessment and distribution of indirect costs.

The University Committee on the Use of Human Subjects in Research has reviewed more than 350 research proposals in the last year. The 60-member committee has functioned in panels to process nearly all research proposals by faculty and students that involve human volunteers. All of the members, and particularly the chairman, Professor William Charlesworth, deserve our deepest gratitude for managing a nearly unmanageable task — a problem that many other universities have yet failed to solve.

The University Committee on Animal Care has run smoothly this year under the chairmanship of Professor Robert Touchberry. Under DHEW guidelines, a veterinarian was appointed to coordinate the review of research proposals using warm-blooded animals and to supervise their care. The University is now in compliance with federal regulations. Our thanks to Professor Touchberry and his committee.

The hardworking members of the Senate Committee on Research also deserve our gratitude. They are:

Professors: Paul Alkon
John Darley
Phyllis Freier
Stephen Hedman
Leonard Heston
Thomas Post
Sandra Scarr-Salapatek
W. B. Sundquist

Ex officio: Mr. James Brinkerhoff
Dr. William Hueg
Mr. C. T. Johnson
Mr. Stanley Kegler
Dean Kenneth Keller
Professor James Lawver
Mr. Albert Linck
Mr. A. R. Potami

Students: Mr. Tom Arndt
Ms. Kathleen Dwyer
Ms. Linda Strand

SANDRA SCARR-SALAPATEK
Chairman

IV. QUESTIONS TO ADMINISTRATORS

V. OLD BUSINESS

VI. NEW BUSINESS

VII. DECEASED FACULTY MEMBER

JAN OTTO MARIUS BROEK
1904-1974

VIII. ADJOURNMENT OF THE UNIVERSITY SENATE AND CONVENING OF THE FACULTY SENATE TO TAKE UP THE FOLLOWING ANNUAL REPORT

IX. ANNUAL REPORT OF THE SENATE COMMITTEE ON FACULTY AFFAIRS, 1974-75

General Comments:

The Annual Report is divided into two parts: Part A is reported for action by the Faculty Senate; Part B is reported for information only.

In order to carry out the business of the SCFA on such issues as 1) Fringe Benefits for Part-Time Faculty; 2) Faculty Retirement Plans; 3) Performance of Faculty Retirement Funds; 4) Health Insurance Coverage; 5) Sabbatical Leaves; and 6) Tuition Grants for Dependents of Faculty, a Sub-Committee on Faculty Benefits was appointed; it consists of Professors Robert H. Beck (Chairman), Paul Cartwright, Edward Coen, Stephen Hoenack, Hugh Kabat, Mr. William Weiler, and Professors Andrew Whitman and Mahmood A. Zaidi, Ex-Officio. Membership on this sub-committee consists both of faculty members with experience and expertise in a specific problem area and members of SCFA. The Committee is very grateful for the time and dedicated assistance it has received from Non-SCFA members of the Sub-Committee, and from Ms. Mary Golden, who did invaluable service in processing the SCFA Opinion Survey on Faculty Retirement Benefits. The assistance of many others is hereby acknowledged and failure to mention them by name does not indicate ingratitude.

PART A

Reported for Action

I. *Fringe Benefits for Part-Time Faculty*

This report begins with a reminder of the following general comments and recommendations made to the Senate the past year:

(1) 1974 SCFA Recommendations and Comments

General Comments — On November 16, 1972 the Faculty Senate instructed the Senate Committee on Faculty Affairs to study and make recommendations to the Senate on the fringe benefit status of all part-time members of the faculty. In January, 1973, SCFA initiated the compilation of information to be used in the study and made a progress report to the Senate in May, 1973. In its report, SCFA 1) suggested priorities for extending benefit eligibility, 2) sought guidance from the Senate concerning the suggested directions in fringe benefit coverages, 3) asked for support to generate the refined cost data needed for the study, and 4) promised to make specific recommendations on benefit coverages to the Senate sometime during the 1973-74 academic year. Accordingly, below are presented recommendations for Senate deliberation and action.

Recommendation 1 — Social Security coverage be extended to all *nonstudent* academic appointments.

Comment: Most workers in American society are covered compulsorily by Social Security; at other universities part-time academic personnel are covered. All part-time civil service workers at the University of Minnesota are covered. It might be argued that Social Security coverage is not properly an occupational fringe benefit at all; rather, in this country it is a worker's right.

Recommendation 2 — Seek the views of student academics and others *not* covered under Recommendation 1 regarding Social Security coverage.

Comment: Teaching assistants and associates, research assistants and administrative fellows, etc. are appointed almost entirely on a part-time basis and therefore are not eligible for Social Security coverage. Since many persons in this category are only in *temporary* employment at the University and since there are some employee contributions involved, it may be that the majority of those individuals prefer to postpone coverage until they have found relatively permanent positions.

Recommendation 3 — Health insurance be extended to all *nonstudent* academic employees.

Comment: Part-time academic personnel whose major career commitment is to the University would expect the University to be a natural source of such a benefit, and it would provide added incentive for such personnel to remain in University service. The committee is aware that an extension of this kind of benefit would require legislative action.

These recommendations were approved by the Faculty Senate on May 30, 1974, and forwarded to the Central Administration for its study and action. On May 9, 1975, the SCFA received the following response from the President:

(2) Central Administration's Response

Section 1, Recommendation 1 — The extension of Social Security coverage to *all* non-student academic appointees could prove to be an attractive benefit to many of our part-time colleagues. However, as I noted in my earlier letter, it could also be viewed by some as a disadvantage inasmuch as it must involve a personal contribution, and expectations are that this percentage contribution will continue to escalate.

SCFA stated in its comments relative to Recommendation 1 that, "it might be argued that Social Security coverage is not properly an occupational fringe benefit at all; rather, in this country it is a worker's right." Congress, in developing the F.I.C.A. statutes, has seen fit to grant to charitable organizations the discretion to exclude certain classes of employees. Hopefully, the right to make such exceptions was granted only after a careful study of the situation, and clearly it has proved to be of value, most particularly in the area of student employment.

Since any decision to include an additional class of employees under social security will, of necessity, require that all members of that class make personal contributions equivalent to 5.85% of their salary, I find little to recommend a course of action which constitutes a benefit to some members of the group, but at the same time represents a significant monetary disadvantage to all — even those who are fully satisfied with the exception.

In any event, I believe we should seek a solution which grants more flexibility. Accordingly, I have directed that steps be taken to secure guidance from outside tax counsel as to the possibility of developing different classes within this group of part-time academic personnel. The question has been posed informally to Mr. Burton G. Ross of the firm of Doherty, Rumble and Butler, and we will proceed immediately to refine the question and secure his opinion. I am confident that Mr. Ross' opinion will provide better guidance in this area, and I would be pleased to arrange for him to meet with SCFA to discuss this opinion, if that should prove desirable.

Section I, Recommendation 2 — The process of exploring further delineation within part-time academic classes will provide guidance in this area as well. I support the concept of surveying the group, but suggest that any such process be carefully coordinated with the work of the Graduate Assistant Task Force chaired by Acting Dean Kenneth H. Keller of the Graduate School. Here again, the proper balance must be found between those who wish to be included, those who wish to be excluded, and the cost to the institution of adding this group to the covered classes.

Section I, Recommendation 3 — The Committee itself has noted that the extension of Health Insurance coverage to non-student, part-time academics would require legislative action. To this I would add the suggestion that such a modification ought to address itself to a reduction of the *employer* contribution.

(3) 1975 SCFA Recommendation

RECOMMENDATION A:

That after it has had an opportunity to study the President's response, SCFA be requested to report on discussions with the Central Administration as well as on possible steps toward implementation in areas of consensus and any further research that seems necessary.

II. *Faculty Retirement Plans:*

The Committee made the following general comments and recommendations last year to the Senate:

(1) 1974 SCFA Recommendations and Comments

General Comments — Expanded opportunities for *voluntary* early retirement enlarges the set *viable* employment choices available to faculty members. A faculty member may, for a variety of reasons, appreciate the opportunity for additional leisure or for alternative forms of work.

It is understood that all faculty members with tenure at the adoption date of the following recommendations would continue to be governed on regular appointment, if they so choose, by the current regulations.

Recommendation 1 — Resetting the "ceiling" in the Transitional Retirement System by substituting a single ceiling of $8,000 or more for the present ceilings of $6,976, $6,476 and $5,976.

Comment: The present practice of three different ceilings for the three professorial ranks should be discontinued and replaced by a retirement income which is a function of the number of years of service and the size of preretirement salary. This will prevent all of the anomalies which the present system has created. The proposed increase in the ceiling would still buy 20 percent less today than did $6,976 in 1967. There should be a minor redefinition of the term "preretirement salary" from the average salary during the last five years of service to the average of the three consecutive highest annual salaries.

Recommendation 2 — Allow persons who have reached the age of 65 to retire with Annuity plus Supplement to which they would be entitled at age 68, *and* allow persons who have reached the age of 62 to retire with the Annuity plus Supplement to which they would have been entitled at 65.

Comment: The recommendation makes no attempt to compensate for the diminution in Social Security income caused by early retirement. This loss could run nearly $2,000 per annum for a married couple electing the "joint and survivor" option.

Recommendation 3 — Partial early retirement to enable a person to retire gradually rather than abruptly.

Comment: The recommendation has several benefits for the faculty member. It fully protects his retirement income, may improve his health and productivity, and protects him against adverse financial contingencies since the following term he can resume 100 percent work load if he so wishes. This option has been available to faculty but its availability has not been publicized, and many are unaware of its availability. From the University's viewpoint, nothing about the arrangement adversely affects its cash flow situation.

Recommendation 4 — A cost of living adjustment for retirement incomes.

Comment: The implementation of this recommendation should remove a negative factor instigating against early retirement; namely, the eroding effects of inflation on retirement incomes. A cost of living system is expensive, but it is necessary if an early, voluntary retirement option is to be viable.

These recommendations were unanimously approved by the Faculty Senate and were forwarded to the Central Administration for consideration and action.[1]

(2) Central Administration's Response

In October, 1974, Acting Vice-President Linck requested SCFA to elicit faculty opinion on the above recommendations. The Committee agreed to conduct such a survey during the Winter and Spring Quarters of 1975 and assigned the responsibility of preparing the questionnaire and of making the arrangements necessary to carry out the survey to the Sub-Committee on Faculty Benefits. The final questionnaire administered to the faculty was carefully prepared by your colleagues, Professors Robert Beck (Social and Philosophic Foundations of Education), Paul Cartwright (Electrical Engineering), Edward Coen (Economics), Stephen Hoenack (Public Affairs), Leonid Hurwicz (Economics) and Mr. William Weiler (Assistant Director, Management Information Division), with *continuous* reviews by both the Senate Committee on Faculty Affairs, and its Sub-Committee on Faculty Benefits. SCFA is very grateful to all the faculty members who took time off from their busy schedules to fill in the questionnaire and return it promptly.

Below are the *preliminary* results of the survey. Section I describes the preparation of the questionnaire and the assumptions used in computing the expected costs to the University of the various options and proposals included in the survey. Section II reports the preliminary results of the survey in relation to the SCFA recommendations listed above and discusses additional issues raised by faculty responses to the survey.

A. *Preparation of the Questionnaire*

The survey questionnaire was divided into four parts.[2] The first part, consisting of four questions, was designed to solicit faculty opinion on proposals regarding cost-of-living protection for retirement incomes. Three proposals providing varying degrees of cost-of-living protection were devised, each with five alternative "floor" levels for retirement income. This part of the questionnaire was expected to provide information bearing on the *first* and *fourth* SCFA recommendations mentioned above.

The second part of the questionnaire contained four proposals for voluntary early retirement, including the two options in the *second* SCFA recommendation. In addition, the option to vote against any incentive for voluntary early retirement was also available.

The third part of the questionnaire consisted of three proposals for phased or gradual retirement. The opportunity to vote against the concept of phased retirement was also included as an option. This question was designed to provide information regarding the *third* SCFA recommendation.

The fourth part of the questionnaire solicited opinion on the desirability of allowing a retiring faculty member to take 10 percent of his total accumulation in the faculty retirement plan as a lump sum at the date of retirement. This option is available at most universities whose retirement plans are managed by TIAA. SCFA thought it worthwhile to examine faculty opinion on this option even though it was not specifically recommended by the Senate.

The next two parts of this Section will discuss the methods of calculation of the costs of the various cost-of-living adjustment proposals and the calculation of the costs of the voluntary early retirement proposals. No cost calculations were made for the phased retirement options because there are a number of additional assumptions needed to compute these costs even beyond the rather large number needed for computing costs of the early retirement proposals. The calculations would very probably be subject to a rather large error.

[1] The incidence of the availability of these types of options at other universities is summarized in Appendix I. This information was collected as part of a study conducted for the Office of the Vice President for Academic Affairs by Dean Paul Cartwright of the Institute of Technology.

[2] A description of each of the following proposals as they were presented in the instructions to the questionnaire is shown at the top of Tables 1-7. The lower part of each table shows the survey results which will be discussed in more detail in Section III.

a. *Cost Calculations for Proposals to Provide Cost-of-Living Adjustments for Retirement Incomes.*

As noted earlier the questionnaire included three basic proposals offering varying degrees of cost-of-living protection for retirement incomes. Within each of these proposals five alternative floor levels — initial base levels for yearly retirement incomes — were offered.

The total costs of each proposal were then computed for each initial floor level for the years 1975, 1980, 1985 and 1990. A number of basic assumptions were made in computing these costs:

1. Only Mills I accumulations were considered.

2. Faculty were assumed to have participated in the faculty retirement plan since 1963; however, no account was taken of accumulations prior to 1963.

3. All faculty would retire at age 68.

4. An average salary of full, associate, and assistant professors between the ages of 60 and 65 each year between 1963 and 1974 was used to estimate the retirement plan accumulations as of 1975.

5. The rate of return on accumulations in the retirement plan prior to retirement was assumed to be 7 percent beyond 1975.

6. Annuity costs assumed male only annuitants, a load charge of 2.5 percent, and a rate of return of the annuity accumulations of 5 percent.

7. The rate of inflation and the rate of increase of faculty salaries was assumed to be 5 percent beyond 1975.

8. The age distribution of retirees was based on a liberalized version of the 1951 Group Annuity Table. It should be noted that this Table was supplied by Dr. Franklin C. Smith of George V. Stennes and Associates. Incidentally, a total faculty roster with no hires and resignations in the applicable age range was assumed.

9. All faculty retired prior to 1975 were assumed to be covered by the proposals. An average annuity income for this group was computed from data on current supplements.

From these assumptions three factors which determine total costs in each year for each initial floor level can be calculated. These are:

1. The number of retirees living at each age (assumptions 3, 8 and 9);

2. The annuity income of retirees at each age in the absence of an annuity income floor (assumptions 1, 2, 4, 5, 6, 7, and 9);

3. The floor level in the simulated year (assumption 6).

For Proposal I the cost to the University in a given year for a given initial floor is the sum of the supplements paid to eligible retirees to raise their retirement incomes to the floor level prevailing at the date of retirement of each retiree. There is no cost associated with retirees whose annuity incomes are above the floor level prevailing at the date of their retirement.

The costs of Proposal II in a given year for a given initial floor are calculated in much the same manner. The only difference is that the supplement paid to each eligible retiree is based on the floor prevailing in the given year rather than at the initial date of retirement. There is no cost to the university for retirees whose annuity incomes are above the floor prevailing in the given year.

The costs of Proposal III are exactly the same as those for Proposal II except that there is also a supplement paid to retirees whose annuity incomes are above the floor in the given year. These retirees are paid at cost-of-living adjustment equal to the change between the floor level in the given year and the floor level the previous year.

These total costs for each proposal in each year were divided by the estimated total faculty compensation for that year. The total compensation for 1975 will be about $60 million. Consistent with assumption 6, it was assumed that total compensation will increase at the rate of 5 percent per year.

No doubt these dollar cost estimates are subject to large errors, particularly in later years. However, the error in the costs as a percentage of faculty compensation will not be large, if the relative relationships among the rate of return on invested contributions, the rate of inflation, and the rate of faculty salary improvement are not too different from the relationships assumed.

b. *Cost Calculations for Voluntary Early Retirement Proposals*

The options presented for faculty choice in the survey were proposals to both supplement and provide cost-of-living protection for retirement incomes available at an age earlier than the mandatory age of 68. The costs of these proposals were quite difficult to estimate. In addition to assumptions about the rate of inflation, rate of salary growth, rate of return on retirement plan accumulations, etc., assumptions also had to be made regarding the percentage of eligible faculty who would select early retirement and at what salary these faculty would be replaced. In addition, assumptions were made about the level of retirement income which would be provided at the mandatory retirement date and any cost-of-living adjustment which might also be provided. The following assumptions were used to compute the costs of each early retirement proposal for the years 1975, 1980, 1985, and 1990.

1. All assumptions except number 3 were made from the proposals on cost-of-living adjustments.

2. 50 percent of all eligible faculty would choose to retire early. In addition, each would begin participation at the youngest available age; i.e., either age 62 or 65 depending on the option.

3. Each faculty member electing early retirement would be replaced by an assistant professor paid the minimum rate for a 9-month appointment.

4. No retiree would receive less than $8,000 in retirement income. This floor would increase each year at the rate of the cost-of-living.

For each faculty member selecting one of the first three options, the gross cost per retiring faculty member in a given year is the sum of 1) salary and fringe benefits paid to the replacement assistant professor; 2) the University's continuing contribution to the faculty member's retirement accumulations for the three or six years he would otherwise have worked; and 3) the difference between the retirement income floor and the faculty member's expected annuity income. For the fourth option the gross cost is the sum of (1) and (2) plus 75 percent of the retiree's salary at age 65. This gross cost for all options is then reduced by the faculty member's total cash salary to arrive at the University's net cost per faculty member opting for early retirement. The total cost for any option for a given year is then the cost per retiring faculty member multiplied by the assumed number of faculty selecting the option. Finally, the total cost is divided by total faculty compensation to arrive at cost as a percentage of faculty compensation. It should be noted that these costs are subject to the same types of errors discussed in conjunction with cost-of-living adjustments, but, in addition, also are subject to further error with regard to the assumptions about the number of participants and the salaries paid to the newly hired replacements. This last is crucial. For example, total cost would approximately double for the first and second options, if each participant were replaced at his current salary.

B. *Results of the Survey*

The survey was mailed during the week of April 7 to all faculty holding the rank of instructor and above and to all Civil Service eligible for the faculty retirement plan. The group included about 4,400 persons.

Of this number, 655 were randomly selected (according to nine age-income stratifications) as a sample group, whose responses were to be analyzed in more detail and who were to be personally contacted by telephone in order to maximize the response rate for the questionnaire. The response to the questionnaire was as follows for the random sample:

1. 65 had left the University, were on leave or sabbatical, or were otherwise not available during the months of April and May.

2. 31 returned incomplete answer sheets which were not usable for analysis.

3. 117 had not responded to the survey as of May 19, 1975.

4. 442 returned usable answer sheets.

The first group was dropped from the sample leaving a total sample size of 590. The responses totaled 473 or 80 percent of the adjusted sample size. The number of responses usable for analysis of the various proposals was 442 or 75 percent of the adjusted sample. SCFA would have preferred a higher response rate, but realizes that the questionnaire was long and difficult and considers this response rate acceptable.

An analysis of the responses of the sample group is shown in Tables 1-7. The Table numbers correspond to the question numbers as they appeared in the survey. For each Table the relevant passage from the instructions for completing the questionnaire is reproduced at the top and then followed by the percentage response for each option.[3]

Eighty-seven percent of the respondents felt that any proposal regarding a cost-of-living adjustment for retirement benefits should have a "floor" of 7,600 or more.[4] There was also an indication that respondents took the estimated costs of these proposals into account. Over half of them wanted floors of $9,100 or $10,000 for the least costly Proposal I, but only about 40 percent of the respondents wanted floors that high in conjunction with the more costly Proposals II and III (see Tables 1-3).

Perhaps the most significant result with respect to the rankings requested in question four (Table 4) was that more than three-fourths of the respondents considered continuation of the current plan to be the least desirable alternative. Approximately 85 percent of the respondents favored some type of automatic cost-of-living adjustment in the supplement floor. The preferred adjustment mechanism was Proposal I.I, which provides an immediate measure of cost-of-living protection for all retirees whatever their annuity income.

On the question of early retirement (Table 5) only 6 percent of the respondents were opposed to options to facilitate voluntary early retirement. Among the four options the low preference for the first was not surprising since the same option, with additional flexibility, was available in option two. Among options two, three, and four we suspect that the vote really reflects the respondents' preferences between early retirement at 62 or 65. These respondents voting for early retirement at 62 voted for option three and those favoring early retirement at 65 voted for either two or four depending on their salary.[5]

[3] The fourth table shows the percentages for the ranking of each option. Thus, for proposal I, 4.4 percent of the respondents ranked proposal I as best, 12.0 percent ranked it second, 68.4 percent ranked it third, etc.

[4] In questionnaire instructions, it was noted that $7,600 has the same purchasing power today as the existing floor of $5,300 had when it was established in 1968.

With regard to the phased retirement options (Table 6) some flexibility seems preferred. The majority of respondents preferred the availability of both of the first two options. Only 7 percent thought that none of the options were desirable, which may provide further evidence that the concept of early retirement is acceptable.

Clearly, most respondents were in favor of the option of having the right to take 10 percent of the annuity accumulations in a lump sum at retirement (Table 7). This was to be expected. However, a number of respondents indicated that they thought this option was already available or that they could remove the entire sum at retirement. Some who voted against the proposal indicated that they did not object to the concept, but felt 10% was too low. Others confused this option with the right to remove their accumulations from the plan on leaving the University before retirement. Several appeared not to be fully aware of the nature of a fully vested retirement plan.

This confusion serves to underline the need for faculty to be better informed about their rights as participants in the Faculty Retirement Plan.

In addition to the analysis of all respondents in total, a similar analysis was made of each of nine strata of respondents, namely all combinations of the three age groups 20-39, 40-49, and 50-68 and the salary groups of $17,000 or less, $17,001 to $23,000, and more than $23,000. The numerical results are not included in this report, but the significant differences among the groups will be summarized.

There was some distinct variation in the desired floors for Proposals I, II, and III. Basically, the older and more highly paid faculty were inclined to choose higher floors, especially for Proposals II and III. There also seemed to be a propensity for more highly paid faculty within each age group to choose high floors. The reasons why older faculty desire higher floors are fairly obvious. More highly paid people probably choose higher floors because they are more likely to have relatively higher annuity incomes, possibly above the first three floors. Thus, their expected benefits are greater with higher floors.

Variations in the responses to question four were concentrated within age groups. People having higher salaries within a group were more likely to favor Proposal III and those with lower salaries more likely to favor Proposal II. This tendency was particularly pronounced among respondents 50 or older.

The explanation probably flows from the following considerations. Proposal II costs less and offers basically the same cost-of-living protection to people with low annuity incomes as Proposal III. Those with high expected annuity incomes, on the other hand, will only receive benefits immediately upon retirement from Proposal III.

In question five the most interesting variation was again across the salary groups for respondents 50 and over. Those with high salaries were much more likely than their colleagues to favor the fourth option to retire at age 65 with 75 percent of their salary at that age and with their regular annuity incomes commencing at 68. Those people over 50 with salaries in the middle range were evenly divided between the second and third options, and those with lower salaries were strongly in favor of the second option.

The respondents with lower salaries appeared to want the flexibility to retire at either 62 or 65 with their "accelerated" annuity incomes rather than the alternative of 75 percent of their salary at age 65. Those in the middle salary bracket appear to want the same flexibility to retire at either 62 or 65, but were more divided on which option they preferred for retirement at 65. Those in the high salary range were equally divided between the options of retirement at 62 with the annuity due at 68, or retirement at 65 with 75 percent of their final salary. The relatively high income these persons would receive at 65 makes the flexibility inherent in option two relatively unattractive.

With regard to the phased retirement options in question six, there appeared to be no systematic variation in responses among the various strata of respondents. All preferred the third option by a wide margin. It was unlikely *a priori* that a significant number of respondents would prefer either option one or two so strongly as to be opposed to the flexibility of having both.

There was no systematic variation across the strata in response to question seven regarding the option of being able to take 10 percent of annuity accumulations as a lump sum at retirement. As was pointed out earlier, the interesting responses to this question were not the yes or no votes, but the additional comments which indicated some confusion about the respondent's rights under the Faculty Retirement Plan.

All survey respondents (whether or not they were members of the random sample) were encouraged to make further written comments on the survey, the questionnaire, or the retirement system in general. About one-fifth of the respondents made such comments. These comments are summarizd in Appendix II. Those which relate to the Senate recommendations are listed under headings 1-3. The comment made most often was that years of service should be considered in the computation of floor retirement incomes for individual retirees. Presumably, these faculty are interested in a defined benefit plan where an individual's retirement income is a function of his pre-retirement salary, age and years of service as opposed to the University's money purchase plan where annuity incomes depend on the rate of return to invested contributions and the length of time over these contributions earn interest.

Many respondents made additional comments on the principle of cost-of-living adjustments. A large majority of the faculty regarded this protection for retirement incomes favorably. Relatively few held the opposite opinion.

[5] The current average salary of faculty between 60 and 65 is about $22,000. 75 percent of that is $16,000, which is then the approximate retirement income available in option four between the ages of 65 and 68 for the average faculty member now over 60. An older faculty member now making $15,000, however, could retire at 65 with an income of only $11,250 with this option. Thus, the latter person is more likely to be indifferent between the option to retire at 65 with his annuity income or at 75 percent of his salary, particularly if his annuity were to be adjusted for yearly changes in the cost-of-living.

In total, more comments were made relative to early and phased retirement than any other topic. Most were general comments that early and/or phased retirement were appealing options. The most prevalent specific comment was that an option for early retirement should be available before age 62.

Most respondents approved of the option that 10 percent of retirement plan accumulations should be available as a lump sum at retirement. Several felt that this lump sum should not be limited to 10 percent.

Additional comments regarding the survey have been grouped under five broad categories numbered 4 through 8 in Appendix II. Many comments related to information about the University's current plan. A number of respondents indicated that this questionnaire was one of the better sources of information they had received. *Most of the comments expressed some discontent regarding the lack of information the respondents had received relative to various aspects of the current plan.*

In addition, comments made during the telephone follow-up of non-respondents revealed other problems regarding faculty members' understanding of the plan. Several persons were not aware of their rights if they left the University before retirement. Others were not aware that the University had no formal early retirement plan. One person, currently participating in the plan, thought that Mills I and Mills II were complete substitutes and that election to participate in Mills II forfeited the option of Mills I. SCFA feels that faculty should receive more complete information regarding the nature of the plan and their options under it at the time of first employment and that participants should receive periodic information relative to the performance of retirement funds.

A few respondents felt that a lowering of the mandatory retirement age was a policy that should be considered. A number of persons were concerned about the level of health insurance coverage available after retirement.

The proposals in the survey generated a wide variety of general comments not specifically related to the Senate recommendations. A majority of the comments regarding the changes were favorable, although a small subset of the people providing written comments felt that the proposals were either inadequate or too costly. The latter people were probably younger and the former older. The same is likely true of those who felt that improvements in the plan were of low priority or vital, respectively.

A few respondents commented on the administration of the plan. Most of those who did were uniformly suspicious of outside administrators and felt the University should play a larger role in the administration of the plan.

(3) *1975 SCFA Recommendation*

RECOMMENDATION B:

That results of the survey concerning retirement benefit levels and options be forwarded to the Central Administration for its perusal and development of proposals for appropriate action.

*Appendix I: Retirement Features Available at Other Universities**

1. *University of California*

   Cost-of-living protection: Yearly benefit increases up to 2 percent with changes in the cost-of-living.

   Early retirement: No formal plan; income at retirement is a function of age and years of service. Faculty members over age 62 or faculty between 55 and 62 with five years of service are eligible to retire at any time.

   Phased retirement: No.

2. *University of Illinois*

   Cost-of-living protection: Automatic increase of 2 percent of the initial retirement income each year irrespective of cost-of-living changes.

   Early (and phased) retirement: Retirement at age 65 with re-employment at some percentage of time in order to yield a total income double the annuity income at age 60. The retirement income due at the mandatory age of 65 is unaffected.

3. *Indiana University*

   Cost-of-living protection: No

   Early retirement: Retirement after 20 years of service at age 65 with income expected at the normal retirement age of 70.

   Phased retirement: No

4. *University of Iowa*

   Cost-of-living protection: No.

   Early retirement: No formal plan; faculty members can retire at 65 (normal age is 68) but receive only the annuity income due at 65.

   Phased retirement: No.

5. *University of Michigan*

   Cost-of-living protection: No.

   Early (and phased) retirement: Faculty age 62 or over (normal age is 70) with 10 years of service can retire early by gradually accumulating three quarters of leave with full pay over a period of between one and three years and then retiring with the annuity as of the date of retirement.

*The universities included in this Appendix are a subset of the ones used by the University AAUP Chapter in its annual salary comparisons.

6. *Michigan State University*
Cost-of-living protection: No.
Early retirement: No formal plan; a faculty member with 15 years of service can retire at 62 or after (normal age is 68) with the annuity due at the age he retires.
Phased retirement: No.

7. *Ohio State University*
Cost-of-living protection: Yearly retirement income increases of up to 1.5 percent based on changes in the cost-of-living.
Early retirement: Under study.
Phased retirement: No.

8. *Purdue University*
Cost-of-living protection: No.
Early retirement: No formal plan; faculty may retire at age 62 (normal age is 65) with annuity due at 62.
Phased retirement: No.

9. *University of Wisconsin*
Cost-of-living protection: Under study.
Early (and phased) retirement: Faculty may retire at 65 (normal age is 70) with a part-time appointment such that annuity plus salary until age 70 equals highest annual salary prior to retirement.

10. *Harvard University*
Cost-of-living protection: No.
Early retirement: No formal plan; may retire at 60 (normal is 65) with annuity due at 60.
Phased retirement: No.

11. *Massachusetts Institute of Technology*
Cost-of-living protection: No.
Early retirement: Under study.
Phased retirement: No.

12. *Stanford University*
Cost-of-living protection: No.
Early retirement: Yes, faculty age 60 or older (normal retirement age is 65) with 15 years of service may retire at a percentage of their salary until annuity commences at 65; the percentage is inversely proportional to the salary and is such that the allowance is actually higher the lower the faculty member's salary.
Phased retirement: No.

13. *University of Texas at Austin*
Cost-of-living protection: No.
Early (and phased) retirement: Faculty over 60 (mandatory age is 70) may retire with the annuity due at the age of retirement and be re-employed at up to one-third time.
Additional phased retirement: May teach up to 50 percent time after retirement at 70 with no reduction of annuity income.

14. *University of Washington*
Cost-of-living protection: No.
Early (and phased) retirement: Faculty over 62 (normal retirement age is 70) may retire with annuity due at the age of retirement and be re-employed at up to 40 percent time.

Appendix II. Additional Comments by Respondents to the Questionnaire

1. Floors for retirement incomes*
   a. Years of service should also be considered
   b. Retirement income should be based on individual's contribution to the University
   c. Retirement income should be based on salaries of current faculty
   d. Retirement income should be based on individual's last salary

2. Cost-of-living protection
   a. Adjustment should also go down if the cost-of-living declines
   b. Social Security system already provides cost-of-living protection

3. Early and phased retirement
   a. Early retirement is appealing
   b. Like the idea of being able to gradually reduce teaching loads
   c. Eligible age could be even lower (55, 60)
   d. Like the chance to bring in younger faculty; good for the vigor of the institution
   e. Early retirement should be at the discretion of the department rather than the individual
   f. Opposed to encouraging early retirement

4. Need for better information on the retirement plan
   a. The questionnaire is a good source of information
   b. The present system has never been adequately explained to me
   c. Who is paying for the retirement plan?
   d. What options are available upon leaving the University?
   e. How does our plan compare to those in other schools, in private industry, or in government?
   f. What is the effect of Social Security on our plan?
   g. Are summer session or night school salaries used in computing contributions to our accumulations in the plan?
   h. How are interest rates on annuities doing?

5. Additional retirement options which should be considered
   a. The retirement age should be lower (60, 62, or 65)
   b. Retirement plan should provide opportunity for purchasing health insurance at group rates.
   c. Options to provide additional help (beyond the survey proposals) for those about to retire or already retired should be considered
   d. Waiting period for participation in the faculty retirement plan should be abolished.
   e. Other managers of invested contribution should be considered, e.g., TIAA-CREF

6. General comments on the proposed changes
   a. Much better than the current plan
   b. Working faculty should not have to support retired faculty
   c. I would rather provide for my own retirement
   d. Attitude of the Legislature is more important than faculty opinion
   e. Proposed changes are inadequate
   f. Issues are too complicated for the faculty; expert opinion is needed
   g. There should be a ceiling on the contributions of current faculty
   h. Faculty size will be declining, so that fewer faculty will be footing the bill for an increasing number of retirees

7. Priority of changes in the retirement plan
   a. Improvement is vital
   b. Low priority
   c. Current cash salaries are more important right now
   d. Health insurance coverage improvements are of far greater importance

8. Administration of retirement plans
   a. Suspicious of outside administrators
   b. Curious about how our plan is administered; who gets the load charges?
   c. Suspicious of Minnesota Mutual

*Comments within each category are ordered by the frequency they were made.

Table 1: Proposal I: Most Conservative Cost-of-Living Adjustment Proposal
A. Instructions

It is convenient for expository reasons, though obviously unrealistic, to suppose that Proposal I is activated in 1975.

To activate it an initial decision is required: namely, the choice of an initial floor to apply to those retiring in 1975. One conceivable choice is to stay with the existing floor of $5,300. Four other possible floors are listed in the table below under heading: *Alternative Initial Floor Levels for 1975.* Among these the floor of $7,600 in row 3 possesses some intuitive appeal as a middle-of-the-road candidate, because $7,600 today has no more purchasing power than was possessed by the existing floor of $5,300 when it was established in 1968.

Alternative Initial Floor Levels for 1975	*Total Cost to the Retirement System of Proposal I as a Percentage of Total Faculty Compensation Budget*			
	1975	*1980*	*1985*	*1990*
1. $ 5,300	1.7%	1.2%	0.7%	0.3%
2. $ 6,100	2.1	1.5	1.1	0.5
3. $ 7,600	2.9	2.3	2.0	1.4
4. $ 9,100	3.7	3.0	3.0	2.6
5. $10,600	4.5	3.7	3.9	3.8

Imagine that we activate Proposal I in 1975 at a new initial floor of $7,600. Then every faculty member retiring in 1975 with a *"pure" Annuity* entitlement of less than $7,600 would receive out of current revenues the *Supplement* required to make the Annuity-plus-Supplement equal to $7,600.

That would be his income in his first year of retirement. It would also be the amount of his income in each later year of his retirement. He would receive no further cost-of-living assistance no matter how high the rate of inflation might become.

There is one more feature of Proposal I. Suppose that, during the 12 months following the imaginary activation date of July 1, 1975, the Consumer Price Index climbs by 8 per cent. Then those faculty members retiring on July 1, 1976, would receive an Annuity-plus-Supplement equal to the initial floor of $7,600 plus 8 percent of itself. That is, the floor for faculty retiring in 1976 would be $7,600 + $608, or $8,208.

In summary, the initial floor of $7,600 would increase each year in step with the Consumer Price Index in order to protect its initial purchasing power, but this constant purchasing power would only ensure that each faculty member *starts* his retirement with that much purchasing power. It would do nothing to protect him from inflation *after* the *first* year of his retirement. This may not satisfy you, but it is better than the present system where faculty *begin* their retirement each year with less and less purchasing power.

Finally, Proposal I offers no cost-of-living assistance to those who will retire with a pure Annuity income in excess of the floor prevailing at the date of their retirement.

Obviously, if you get no cost-of-living assistance *after* you retire, you would, other things being equal, prefer to *start* your retirement at a higher floor rather than a lower one. Thus looking back at the table, activating the system with an initial floor in 1975 of $10,600 will be better than activating it at an initial floor of $5,300. However, higher floors involve higher costs. The percentage figures in each row of the table provide you with an estimate of the annual cost of each alternative initial floor. The cost is expressed as a percentage of the total faculty compensation budget.

B. *Response*

Preferred Initial Floor Level for Proposal I

Option 1.	$ 5,300	5.6%
Option 2.	$ 6,100	2.5
Option 3.	$ 7,600	34.8
Option 4.	$ 9,100	22.3
Option 5.	$10,600	31.1
No Response		3.7

Table 2: Proposal II; Middle Ground Cost-of-Living Adjustment Proposal
A. Instructions

This proposal offers more protection than Proposal I but at a higher cost.

Again we activate Propasal II in 1975 assuming an initial floor of $7,600. As in Proposal I the dollar level of this floor would rise each year in step with the Consumer Price Index. Therefore, as in Propoosal I everyone could count on *starting* his retirement with this known amount of purchasing power.

But Proposal II also offers cost-of-living protection *beyond* the first year of retirement. Consider a person who retires in 1975 with an Annuity-plus-Supplement equal to $7,600. This is his income in his first year of retirement. If the rate of inflation were 8 percent during that year, he receives in his second year an Annuity-plus-Supplement of $7,600 plus 8 percent of that amount. His second year income is $7,600 + $608, or $8,208. In the third year and later his income is similarly adjusted. He is assured of a constant amount of purchasing power during his life and that of his spouse.

For faculty whose pure Annuity income exceeds the floor prevailing when they retire, Proposal II works as follows. Imagine a person retiring in 1975 and entitled to a pure Annuity income of $10,000. If the rate of inflation happened to be a steady 8 percent per annum, our floor which we set at $7,600 in 1975 would become $9,575 by 1978 and $10,340 by 1979. The faculty member who started with $10,000 in 1975 would get no cost-of-living help until the floor caught up with him in 1979, when he would receive $10,340. At this point he would, as it were, join the rest of the faculty who had started in 1975 with $7,600. The purchasing power of his Annuity declines between 1975 and 1979 but is not allowed to fall below the constant purchasing power level of the floor.

The choice of an initial floor of $7,600 was purely expository. The basic mechanism of Proposal II can be activated at any initial floor level. The higher the initial floor, the higher is the purchasing power floor which is being guaranteed, but the cost also increases with the benefit level. The table below presents estimates for selected years of the cost of maintaining each purchasing power floor, expressed as a percentage of the total faculty compensation budget.

Alternative Initial Floor Levels for 1975	*Total Cost to the Retirement System of Proposal II as a Percentage of Total Faculty Compensation Budget*				
	1975	*1980*	*1985*	*1990*	*1995*
1. $5,300	1.7%	1.6%	1.5%	1.3%	1.1%
2. $6,100	2.1	2.1	2.1	1.8	1.6
3. $7,600	2.9	2.9	3.2	3.1	2.8
4. $9,100	3.7	3.8	4.4	4.6	4.5
5. $10,600	4.5	4.6	5.5	6.2	6.4

B. *Response*

Preferred Initial Floor Level for Proposal II

Option 1.	$5,300	6.9%
Option 2.	$6,100	5.4
Option 3.	$7,600	43.4
Option 4.	$9,100	20.8
Option 5.	$10,600	20.3
No Response		3.2

Table 3: Proposal III: Most Liberal Cost-of-Living Adjustment Proposal
A. Instructions

Proposal III is absolutely identical with Proposal II for those faculty members who will retire with a pure Annuity income which is less than the selected floor. They would as in Proposal II receive a Supplement and an annual cost-of-living adjustment which keeps them exactly at the floor as it rises each year in step with the cost-of-living.

However, the two proposals are different in that Proposal III, unlike Proposal II, provides immediate cost-of-living protection for faculty who will retire with a pure Annuity income *in excess* of the floor prevailing at the date of retirement. An example will clarify this point.

A person retires in 1975 with a pure Annuity income of $10,000. The 1975 floor is, we suppose, $7,600. During the next 12 months we assume again an 8 percent rise in the Consumer Price Index. Our imaginary retiree will receive in his *second* year of retirement an income equal to his $10,000 annuity *plus* 8 percent of the floor amount of $7,600. His second year's income will be $10,000 + $608, or $10,608. A similar principle would apply to later years.

Stated more generally, he receives in each year a cost-of-living adjustment on that part of his pure Annuity income which matches the size of the current floor, but he receives no cost-of-living assistance with respect to the residual part of his pure Annuity income which is in excess of the current floor.

In other words, he receives each year a cost-of-living adjustment which is in dollars exactly the same as the dollar adjustment or add-on awarded to those faculty members whose Annuity-plus-Supplement *exactly* matches the prevailing floor.

Proposal III is a basic adjustment mechanism, which, like Proposal II, can be activated at any selected initial floor level. The higher the floor the higher the cost. The table below shows the estimated cost in selected years for each of five alternative floor levels.

Alternative Initial Floor Levels for 1975	*Total Cost to the Retirement System of Proposal III as a Percentage of Total Faculty Compensation Budget.*				
	1975	*1980*	*1985*	*1990*	*1995*
1. $5,300	1.7%	1.6%	1.5%	1.4%	1.3%
2. $6,100	2.1	2.1	2.1	1.9	1.8
3. $7,600	2.9	2.9	3.2	3.1	2.9
4. $9,100	3.7	3.8	4.4	4.6	4.6
5. $10,600	4.5	4.6	5.5	6.2	6.4

You will notice that for any given floor the costs prior to 1990 are not perceptibly greater than for Proposal II, because the number of high annuity retirees will remain small until that date. However, beyond the year 1990 Proposal III could cost substantially more than Proposal II, because the number of high annuity retirees will then become much larger.

B. *Response*

Preferred Initial Floor Level for Proposal III

Option 1.	$5,300	7.1%
Option 2.	$6,100	6.1
Option 3.	$7,600	45.6
Option 4.	$9,100	17.2
Option 5.	$10,000	21.8
No response		2.2

Table 4: Ranking of the Cost-of-Living Adjustment Proposals
A. Instructions

After reading this section you will be asked to rank the basic Proposals, I, II and III in order of their desirability, with the opportunity also to vote for simply continuing the retirement system in its present form. This is really the most important issue before you. The benefits provided by Proposals I, II and III successively increase either in magnitude or in the number of persons covered. The cost also increases if, looking at a *given* initial floor, you move from Proposal I to II to III.

The task of making a choice is complicated by the fact that the five alternate floors represent competing variants *within* each basic proposal. To circumvent this difficulty you should compare your preferred variant of each basic proposal.

Continuation of the Retirement System in its Present Form

For those of you who want *no cost-of-living adjustment at all*, the option is provided of voting simply to continue the present system, where the floor is currently fixed at $5,300 with no cost-of-living adjustment at all, except that which will occur *incidentally* to occasional *discretionary* changes in the dollar level of the floor.

B. *Response*

	Ranking				
	First	*Second*	*Third*	*Fourth*	*No Response*
1. Proposal I	4.4%	12.0%	68.4%	2.7%	12.5%
2. Proposal II	32.1	51.0	6.1	0.2	10.5
3. Proposal III	54.7	22.5	11.0	4.7	7.1
4. Continuation of the Present System	5.4	2.0	2.0	79.7	11.0

Table 5: Voluntary Early Retirement Opportunities
A. Instruction

In the table below you will find descriptions of four alternative policies for facilitating early retirement, together with the estimated cost of each. The fifth option is an opportunity to vote against the provision of any special incentive to early retirement. To some degree your choice among these options may properly be influenced by the consideration that, if in Question IV you favored some form of cost-of-living protection, you are already facilitating early retirement by reducing the risk of erosion of retirement incomes during the *longer* period of retirement that results from retiring *sooner.*

The low cost of most of the options in the table flows from the assumptions that a faculty member retiring early would be replaced by an *assistant* professor, and that not more than 50 percent of retiring faculty would retire early. It should be emphasized that all the early retirement opportunities are *voluntary.* They enlarge faculty choices: they do not limit them.

OPTIONS	*COST AS A PERCENTAGE OF TOTAL FACULTY COMPENSATION*			
1. Retire at 65 or 66 or 67 and then receive the Annuity or Annuity-plus-Supplement normally due at 68	zero	zero	0.1%	0.8%
2. Two-step option: Retire at 62 or 63 or 64 receiving Annuity or Annuity-plus-Supplement normally due at 65; or retire at 65 or 66 or 67 receiving Annuity or Annuity-plus-Supplement normally due at 68	zero	zero	0.1%	0.8%
3. Retire at 62 (or later) receiving Annuity or Annuity-plus-Supplement normally due at 68	zero	zero	0.8%	3.0%
4. Retire at 65 with 75% of age 65 salary until 68 when regular Annuity-plus-Supplement commences	0.8%	1.2%	1.0%	1.1%
5. None of the above	zero	zero	zero	zero

B. Response

Preferred Early Retirement Proposal

1.	Retire at 65 with retirement normally due at 68	7.6%
2.	Retire at 62 with retirement income norammly due at 65, or retire at 65 with retirement income normally due at 68	35.3
3.	Retire at 62 with retirement income normally due at 68	35.8
4.	Retire at 65 with 75% of age 65 salary until 68, when regular Annuity-plus-Supplement commences	14.2
5.	I do not favor any of the 4 options above	5.9
6.	No response	1.2

Table 6: Phased Retirement or Gradual Retirement
A. Instructions

1. Some universities encourage early retirement with an option resembling one of those listed in Table 5, and *additionally* (with no impairment of the retirement income) they offer the opportunity (after retirement) to teach (or provide other service) with normal compensation for some specified fraction of full time. Within the cost assumptions of this questionnaire the incremental cost of providing this teaching opportunity would be the amount by which the salary paid to this faculty member would exceed that of a substitute *assistant* professor.

2. Some universities, as part of their retirement plans, make available to the faculty member the option of a reduced time appointment *prior* to actual retirement, with fringe benefits kept on the full (100%) time base. This allows the faculty member anticipating retirement to begin to phase or step down his work load. This results in a reduced salary income *prior* to actual retirement, but since fringe benefits are kept on the 100% base, it does not impair the retirement income when the faculty member finally chooses to retire. The fraction by which the faculty member reduces his time would be wholly at his discretion. In particular, a reduction of time *this* year, would not preclude resumption of full time *next* year.

   There would be no adverse effect of this option on the *cash-flow* position of the University, *if* only the fraction of salary released by the reduced time appointment were used to hire substitute teaching resources at the senior or junior faculty level.

3. You might favor making available both of the above options.

4. You might not want either of these two options to be available.

B. Response

Preferred Phased Retirement Proposal

1.	Opporunity to teach on part-time basis *after retirement* (simultaneously retaining retirement income unimpaired)	10.8%
2.	Opportunity (prior to retirement) to teach a fraction of full-time to be selected by the faculty member, with no impairment of fringe benefits or retirement benefits	16.2
3.	The availability of *both* (1) and (2) above	63.7
4.	None of these options are desireable	6.9
5.	No response	2.5

Table 7: Cash Benefit at Date of Retirement
A. Instructions

The University of Indiana allows the following option: At the date of retirement up to 10 percent of the total annuity accumulation may be taken, at the annuitant's choice, as a lump sum payment.

While the exercise of this option by an individual would naturally involve a corresponding reduction in his own annual income after retiring, no cost at all would be imposed on the retirement system or on other faculty.

B. Response

At the retirement date, should 10 percent of the total annuity accumulation be available as a lump sum payment?

1.	Yes	80.4%
2.	No	14.0
3.	No response	5.6

III. *Performance of Faculty Retirement Funds:*

The Committee made the following general comments and recommendations last year on this subject:

(1) *1974 SCFA Recommendations and Comments*

GENERAL COMMENTS

Since 1963, the University's faculty retirement income program has been based on the principle of "full and immediate vesting," (i.e., funds invested and the return on them are fully and immediately owned by the faculty member). There are a number of advantages to retirement plans based on "full and immediate vesting." Not the least of these is that by owning the funds invested, the faculty member will receive retirement benefits upon resignation or layoff preceding the normal retirement age. Also, if the member dies before reaching retirement age, then the beneficiary will receive all accumulated benefits. As a faculty member ages under the University's plan, his potential annuity income increases more rapidly, not necessarily because of his and the University's current retirement contributions, but because of the ever growing yields on the sum he previously accumulated.

Obviously the success of a retirement plan based on the principle of "full and immediate vesting" depends not only on the size of the investments made by the faculty member and the University, but also on the return on these investments. If investment returns are poor, the many advantages of "full and immediate vesting" can be partially offset. If these returns are good, these advantages are enhanced. High returns over long peroids of time can give faculty members who have been in the plan for a long time desirable options including relatively high income during early or partial retirement if chosen, relatively small needs for life insurance, and substantial full retirement income. It is therefore most important for a faculty committee, like SCFA, to monitor investment returns on retirement accumulations very carefully. Accordingly, it is the unanimous decision of SCFA to review the performance of faculty plans each year and report the results of its investigation to the Senate.

RECOMMENDATION 1:

Faculty members should be allowed to have additional options for the investment of their own and the University's contributions to the Minnesota Mutual's relatively low return-low risk fixed income and equity portfolios.

COMMENT:

Insurance companies in effect charge for the service of guaranteeing interest rates and principal, and some faculty members may want to absorb the risk and avoid the charges.

RECOMMENDATION 2:

Minnesota Mutual should be required to justify its charges, and if these charges exceed costs demonstrably attributable to managing funds belonging to the University of Minnesota faculty, they should be lowered. Otherwise, the faculty should seriously consider contracting alternative fund managers.

COMMENT:

Self explanatory.

RECOMMENDATION 3:

Substantial improvements should be made in the information provided to faculty members on investment of their own and the University's contributions.

COMMENT

Reports should be issued providing information which will help faculty make decisions among the options which now exist and which have been proposed above. These should contain thoughtful and illustrative discussions of the many types of risks involved with each option.

SCFA received the following response on May 9, 1975 from President Magrath:

(2) *Central Administration's Response*

SECTION III, RECOMMENDATION 1

My earlier letter indicated support for the concept of additional investment options, and it is my understanding that a subcommittee of SCFA, under the chairmanship of Associate Professor Stephen A. Hoenack, is continuing the process of examining alternative programs. Clearly, one option that should receive careful study is TIAA-CREF, particularly in the light of the faculty mobility issues.

SECTION III, RECOMMENDATION 2

It is my understanding that Minnesota Mutual and SCFA are currently engaged in an extensive review of administrative costs.

SECTION III, RECOMMENDATION 3

I support fully the suggestion that better information ought to be provided relative to investment performance. However, the scope and appropriate source of such improved reporting should be developed out of the continuing dialogue between SCFA and Minnesota Mutual. Mr. Harold Bernard has been instructed to seek and distribute a mutually satisfactory set of reports prior to December 31, 1975. I should point out, as my considered opinion, that written reports will never be a completely satisfactory answer, and we must somehow provide for much improved personal counseling for all participants.

As promised in the general comments of the 1974 SCFA recommendations to the Senate last year, below is a preliminary report on the performance of the faculty retirement funds. This report was prepared by Professor Stephen A. Hoenack, Mr. William C. Weiler and Mr. Ronald A. Zillgitt, with continuous reviews by the Senate Committee on Faculty Affairs:

Returns on Faculty Retirement Funds
in calendar year 1974

A. *Fixed Investments*

The rate of return actually credited by Minnesota Mutual and Northwestern National Life (MM-NWNL) to each faculty member's fixed income accumulations during the calendar year 1974 was 7.25 percent, which represents a crediting rate of 7.44 percent minus a charge of .19 percent as an addition to MM-NWNL's reserves. The crediting rate in 1974 or any given year is dependent upon MM-NWNL's earnings on the total amounts of fixed income accumulations invested in each year since the inception of the Faculty Retirement Plan. It is determined by the interest rates earned on funds initially invested in each year weighted by the amounts of such funds plus earnings on such funds. MM-NWNL places most of the funds in long-term investments; because long-term interest rates have risen over much of the period from 1963, the date the Faculty Retirement Plan came into existence, the gross rate of interest on the total fund is somewhat less than current long-term interest rates. Thus, for example, the interest rate for 1974 in the calculation of the weighted average crediting rate of 7.44 percent is 8.06 percent.

The figures mentioned above are referred to as net rates of return, after taxes[1] and management fee, which is a payment for current staff expenses. These two charges amounted to .16 percent each for a total of .32 percent in 1974. That is, gross interest earned by MM-NWNL on the fixed income assets actually purchased with the total fixed income accumulations in our Faculty Retirement Plan was 8.38 percent, from which .32 percent was subtracted to yield a crediting rate of 8.06 percent before the charge for an addition to reserves.

B. *Variable Investments*

Tables I-IV provide a comparison of the performance over the past ten years of: Variable Fund "A" (VFA) managed by MM-NWNL for our faculty retirement fund; College Retirement Equities Fund (CREF), the most popular faculty retirement fund; T. Rowe Price Growth Stock Fund (TRP-Growth), the largest no-load mutual fund in the United States; and the Dow Jones Industrial Average,[2] a broad index of listed common stocks. Table I shows the value of $1.00 initially invested on 10/31/64 as of December 31st of each succeeding year. Table II shows the cumulative rate of return in each fund for a given dollar amount invested on 1/1/65. Thus, an investment in VFA on 1/1/65 would have returned an average of 3.96 percent as of the end of 1973 and 1.54 percent as of the end of 1974.

Table III shows the performance of the funds in each of the years from 1965 through 1974. As expected, the unit value of VFA declined during 1974, but the corresponding declines for CREF, TRP-Growth, and the Dow were much larger. Also shown in this table are the mean values of the rates of return and the standard deviation around these means for each fund. VFA has a modest average rate of 2.51 percent over the last 10 years, but its return is greater than that of CREF and the Dow. Its rate of return is lower than that of TRP-Growth but the standard deviation of the rate of return, which is considered a measure of risk, is lower than that of TRP. We also note that the standard deviation of VFA is lower than that of CREF and the Dow as well.

[1] Although the University's plan is in theory completely tax-deferred, the tax law governing the plan permits Minnesota Mutual a deduction only on the corporate tax due on the average rate of return earned by all of their investments. Since the Univesity plan's earnings exceed this average rate, there is a tax liability (at ordinary corporate rates) on the amount credited in excess of this average rate. Minnesota Mutual informs us that a committee of the insurance industry is currently lobbying with Congress to change this law to permit a deduction of the corporate tax on the full amount credited to each tax-deferred pension plan.

[2] Ordinarily, we would prefer to use a compaable index based on Standard and Poor's 500, but the Dow-Jones averages were more readily available at this time. In the future, however, we plan to use Standard and Poor.

Table IV shows the rate of return earned as of the end of 1974 on money invested each year between 1964 and 1973. For VFA, only money invested before 1967 earned a positive rate of return through 1974. For CREF, only money invested before 1965 earned a positive rate of return through 1974.

Stock prices fluctuate widely and during 1974 were considerably below their long-term trend of growth of the last century. It is impossible to predict if the trend itself is changing. Ironically, if stocks return to the long-term trend, faculty members will have benefited from the 1974 bear market. This is because their steady dollar purchases have purchased considerably more ownership of stocks than if stock prices had stayed near their long-term trend.

(3) *1975 SCFA Recommendation*

RECOMMENDATION C:

That SCFA be requested to continue exploration with the Insurance Companies and the Central Administration of the possibilities for improving the performance of the faculty retirement fund, and to report to the Senate the results of this exploration sometime next year.

TABLE I

Accumulation Unit Values at Year End[1]
(*Assuming* Capital Gains and Dividends Reinvested)

	VFA[2]	*CREF*	*TRP-GROWTH*	*DJ*[3]
10/31/64	1.000000	1.000000	1.0000	—
1964	1.005813	1.009011	1.0057	1.0058
1965	1.095960	1.188145	1.2649	1.1561
1966	.987047	1.132771	1.2537	.9751
1967	1.253170	1.398019	1.5911	1.1689
1968	1.355620	1.483545	1.7247	1.2593
1969	1.194038	1.401754	1.7848	1.1035
1970	1.253365	1.356615	1.6456	1.2060
1971	1.368523	1.631358	2.1700	1.3279
1972	1.625528	1.909809	2.5083	1.5752
1973	1.426261	1.563283	1.8765	1.3555
1974	1.171319	1.078665	1.2565	1.0224

TABLE II[4]

Cumulative Rate of Return[5] *on Money Invested on 1/1/65*
(*Assuming* Capital Gains and Dividends Reinvested)

	VFA	*CREF*	*TRP-GROWTH*	*DJ*
1965	8.96	17.75	25.77	14.94
1966	—0.94	5.96	11.65	—1.54
1967	7.60	11.48	16.52	5.14
1968	7.75	10.12	14.44	5.78
1969	3.49	6.80	12.16	1.87
1970	3.74	5.06	8.55	3.07
1971	4.50	7.10	11.61	4.05
1972	6.18	8.30	12.10	5.77
1973	3.96	4.98	7.18	3.37
1974	1.54	0.67	2.25	0.16

TABLE III

Current Rate of Return in Year Shown
(*Assuming* Capital Gains and Dividends Reinvested)

	VFA	*CREF*	*TRP-GROWTH*	*DJ*
1965	8.96	17.75	25.77	14.94
1966	— 9.94	— 4.66	— 0.89	—15.66
1967	26.96	23.42	26.91	19.87
1968	8.18	6.12	8.40	7.73
1969	—11.92	— 5.52	3.48	—12.37
1970	4.97	— 3.23	— 7.80	9.29
1971	9.19	20.25	31.87	10.11
1972	18.78	17.07	15.59	18.62
1973	—12.26	—18.15	—25.19	—13.95
1974	—17.87	—31.00	—33.04	—24.57
MEAN	2.51	2.21	4.51	1.40
STANDARD DEVIATION	14.85	17.97	21.89	16.30

TABLE IV[6]

Rate of Return on Money Invested at the End of Year n
As of December 31, 1974
(*Assuming* Capital Gains and Dividends Reinvested)

Year Invested n	VFA	CREF	TRP-GROWTH	DJ
1964	1.54	0.67	2.25	0.16
1965	0.74	− 1.07	− 0.07	− 1.36
1966	2.16	− 0.61	− 0.01	0.06
1967	− 0.96	− 3.64	− 3.32	− 1.89
1968	− 2.41	− 5.17	− 5.14	− 3.41
1969	− 0.38	− 5.11	− 6.78	− 1.52
1970	− 1.68	− 5.57	− 6.52	− 4.04
1971	− 5.05	−12.88	−16.65	− 8.35
1972	−15.11	−24.85	−29.22	−19.44
1973	−17.87	−31.00	−33.04	−24.57

Footnotes for Tables I-IV

[1] Table I shows the value, as of Dec. 31 of each year, of $1.00 initially invested on 10/31/64.

[2] VFA is the *variable* investment portion (Managed by MM-NWNL) of the faculty retirement plan.

[3] We computed an index (denoted in Tables by DJ and in this footnote by I_n) based on the Dow-Jones Industrial Average, calculated as follows:

Let D_n = Dow Jones Industrial Average on last trading day of year n.
Y_n = Average dividend rate on Dow Jones stocks on last trading day of year n.
I_n = index, year n.
Then

$$I_n+1 = I_n(1+Y_n) \left(\frac{D_n+1}{D_n}\right)$$

I_{1964} was normalized so as to equal VFA accumulation unit value as of 12/31/64. (The value of the index as of 10/31/64 might have been slightly different from 1.000.)

[4] Table II was calculated as follows:

If A = accumulation unit value on 1/31/64 and
If B_a = accumulation unit value at the end of year 1964 ÷ n, then the rate of return (r_n) is given by $r_n = (B_n/A)^{1/n} - 1$.

[5] As of the end of the year indicated in the first column.

[6] The figures in Table IV were calculated as follows:
If A = accumulation unit value on 12/31/74 and
B_a = accumulation unit value in year 1974 − n, then the rate of return (r_a) is given by $r_n = (A/B_n)^{1/n} - 1$.

IV. Faculty Health Insurance:

Current (1975) Legislative Status: Many bills designed to impove health insurance were introduced during the 1975 Minnesota Legislative Session; however, only two minor bills were enacted.

The first enacted bill liberalized the 1974 statute which permits a terminating employee to elect to continue the group health insurance coverage by paying the premium for a maximum period of six months. The enacted second bill requires that health insurance policies provide certain coverage for emotionally disturbed children. Other bills relating to some aspect of the health insurance recommendations approved by the University Senate will be considered during the 1976 Legislative Session:

1. S.F. 60 — Provides guaranteed access to health insurance at standard individual rates irrespective of health condition.

   — Insurers must offer, and insureds must refuse in writing catastrophe coverage up to $250,000 maximum lifetime limit.

   — Specifies uniform minimum benefits required under group insurance contracts in order for the employer to continue the income tax deductibility of premiums.

2. S.F. 1208 — Would upon employment termination grant employees an option to convert to an individual health policy with benefits equal to the group insurance coverage.

The following recommendations of the SCFA were approved last year by the Faculty Senate and forwarded to the Central Administration for its response to the recommendations:

(1) 1974 SCFA Recommendation

General Command

SCFA believes that both University faculty and employees of the state of Minnesota have the same needs and interests with regard to the health insurance plans, and it fully recognizes that all are placed under a common insurance umbrella. However, it is important to observe that the master Blue Cross-Blue Shield policy covering state and University employees can be modified at the direction of the state legislature, and any such changes will not affect master contracts between the Blues and other groups. In contrast, the "HMO" (Health Maintenance Organization) plans like Group Health of St. Paul offer the same benefit plan to each covered group including state employees, so changes in an HMO plan may require changes in contracts with other HMO members. In fact there is no master contract between the state and the Group Health Plan.

Recommendation 1 — After five years of service any retiring employee be permitted to elect to continue without time limit as an insured person under the state plan and pay the group insurance premium rate with the entire group absorbing the cost of adverse selection.

Comment: During the 1974 session the Minnesota legislature enacted Chapter 101 which permits any employee under a group health insurance contract to elect upon termination of employment to retain the group insurance coverage for a maximum of six months and pay his former employer on a monthly basis at the group insurance premium rate. Because of the six month limitation, this legislation effective August 1, 1974, is only a first step in the direction of resolving the problem.

Recommendation 2 — An insured person with five years of service should have the right to elect continuation of coverage under the state program with premiums at group rates paid by the insured. Any increased costs of adverse selection would be absorbed by the entire group.

Comment: The recommendation complies with or exceeds the requirements of Minnesota law enacted in 1973 and 1974.

Recommendation 3 — Until Recommendation 2 is implemented, the following steps should be taken:

a) The conversion right should be defined more explicitly and the benefits specified:

b) The contractual statement of the conversion privilege should specify or incorporate at least a minimum level and scope of benefits;

c) The group health plan conversion privilege provision should be redrafted to apply to dependents as well as employees. The term *member* should be substituted for *employee.*

Recommendation 4 — Unlimited major medical expense coverage.

Comment: SCFA viewed with approval the recent increase in Blue Cross-Blue Shield major medical benefits from $15,000 to $50,000 and the application of any unused portion of the $50,000 to provide hospital benefits after the 365 day limit is exhausted. However, HMO's including Group Health of St. Paul typically provide unlimited medical expense benefits as do workmen's compensation laws in 46 states and no-fault automobile laws in at least 2 states.

Recommendation 5 — That coverage for tuberculosis, chemical addiction, and mental health be expanded to at least 120 days with incentives to utilize outpatient facilities.

Comment: For Blue Cross inpatient hospitalization resulting from tuberculosis and mental or nervous conditions, the plan only pays for 100 percent of covered charges for up to 70 days of inpatient care in a participating hospital (73 days in cases involving chemical dependency).

Recommendation 6 — An open enrollment period during each academic year.

Comment: Five years have elapsed between the last open enrollment and the current open enrollment.

Recommendation 7 — Establishment of a formal complaint procedure.

Comment: The faculty is not aware of such a procedure available to them.

Recommendation 8 — Periodic reports to faculty on benefits and procedures.

Comment: Because of frequent changes in plans and in Minnesota insurance laws at least annual reports to state employees summarizing current benefits and procedures would be very helpful.

Recommendation 9 — The University consider making additional HMO plans available to the faculty as and when they become available.

Comment: Equity among all state employees and possible federal law will require the state to provide more than one HMO option in the future.

Recommendation 10 — Efforts be made to eliminate gaps that now exist in the coverage of such categories as Surgical Benefits (Blue Shield), Hospital, Office, and Home Physician Visits (Blue Shield), Outpatient Diagnostic and Laboratory Services (Blue Shield), and Maternity Benefits (Blue Shield).

Comment: With respect to Surgical Benefits, there is no indication that the assistant surgeon's services are covered. With respect to Hospital, Office and Home Physician Visits, there is no coverage for home or office visits, and coverage for physician hospital visits is inadequate. With respect to Outpatient Diagnostic and Laboratory Services, the maximum limit should be increased to $150-$200 per calendar year per person. The maternity benefits provided by the Minnesota Blue Cross-Blue Shield Plan are out-of-line with the benefits provided by the more progressive health insurance plans.

SCFA received the following response to these recommendations from President Magrath on May 9, 1975:

(2) Central Administration's Response

Section IV, Recommendations 1, 2, 3b, 3c, 4, 5, 6, and 10 — Responsibility for the negotiation of Health Insurance plans for State employees rests with the State of Minnesota's Commissioner of Personnel. Primary input to the Commissioner comes from an Advisory Committee (of his selection) which is composed of representatives of management-level State employees and representatives of unionized State employees. It is my understanding that the State's Director of Employee Insurance (who reports to the Commissioner) has suggested in the past that University involvement on this Committee be expanded to include a faculty or administration representative. To date this has not been done, and our only representation is a University employee who is a member of Council 6 of the American Federation of State, County and Municipal Employees.

I have asked Vice President Kegler to explore this matter with the Commissioner (and, if need be, with the Governor) and to report the results of his conversations to me no later than June 30. Hopefully, we will be able to secure institutional representation on the advisory unit, thereby providing a satisfactory channel through which to forward specific recommendations for changes in the Health Insurance coverages.

Section IV, Recommendation 3a and 7 — I have asked Mr. Bernard to prepare a specific memorandum on the conversion privileges provided under our current contract and on complaint procedures open to those who feel that their claims have been improperly handled. This analysis will be distributed to all participants in the plan.

Section IV, Recommendation 8 — I have asked Mr. Bernard to secure periodic summaries of current insurance coverages and to arrange for their dissemination to all participants.

Section IV, Recommendation 9 — As additional HMO plans become available in Minnesota, each will be carefully evaluated to determine its suitability for inclusion in our program. As such plans become available, Mr. Bernard will provide the Committee with details for their review.

After a thorough analysis and discussion of the President's response by members of both the Sub-Committee on Faculty Benefits and the SCFA, it was agreed that the affirmative direction from President Magrath to explore means of providing University input at the State Government level is welcome. However, it would also be desirable to have a statement of position from the Central Administration regarding each of the recommendations 1, 2, 3b, 3c, 4, 5, 6, and 10. This would permit the University to work more effectively with organizations such as Council 6 (AFL-CIO) State Employee Union, the legislature, and government agencies in striving to implement the recommendations. Any University endorsements of recommendations could also be communicated to the parties responsible for negotiating the terms of the health plans.

President Magrath's responses to recommendations 3a, 7, 8, and 9 are welcome first steps toward implementation of those recommendations. We would value the opportunity to communicate with responsible parties as the process of implementation proceeds.

(3) 1975 SCFA Recommendations

RECOMMENDATION D[1]

That the SCFA be requested to further explore possible steps toward implementation of its 1974 recommendations, including faculty representation on advisory bodies, and to continue to assist the Central Administration in the review of faculty health coverage.

RECOMMENDATION D[2]:

That SCFA be requested to conduct an in-depth study of the Faculty Disability Income Coverage and to develop proposals aimed at remedying the existing deficiencies.

COMMENT:

There is sufficient evidence of serious deficiencies in the faculty disability income insurance program to warrant a full review of the program during the 1975-76 academic year. Areas for investigation will include the following: (1) Present relatively maximum level of payments of $1,000 per month including social security benefits is low for any faculty member with a salary of more than $12,000. (2) In order to receive benefits, the contract definition of "total disability" must be satisfied. In some cases, what is literally only partial disability may satisfy the contract definition of "total disability." However, this leaves the right to payments in cases of partial disability subject to administrative or judicial interpretation. Examples of other apparent problems include the following: (a) loss of sight or the loss of two limbs is explicitly defined as compensable total disability. However, loss of hearing or loss of verbal capacity is not explicitly defined as total disability; (b) the $20,000 lump sum disability benefit under the group life program is subject to different and more restrictive definition of disability.

In sum, the SCFA concludes that the contractual definition of total disability may not be adequately designed to reflect actual inability to perform professional duties. Furthermore, partial disability coverage should be investigated.

V. Sabbatical Leaves:

Last year the committee made the following general comments and recommendations to the Senate on this subject:

(1) 1974 SCFA Recommendations

GENERAL COMMENTS

In an era of very low turnover the sabbatical leave program should provide one of the best methods of keeping new ideas and points of view moving through the University community. It is so because the chief purpose for sabbatical leaves is for research, writing, and study at the level of trained active scholars furbishing (sometimes refurbishing) the research and teaching tools of his or her craft. If the University intends to try and recover a position of intellectual eminence, it is absolutely essential that all possible means to achieve such a ferment should be used. Sabbatical leave programs should be intellectually enriching and should improve the teaching and scholarship of the person who takes leave.

RECOMMENDATION 1:

Departments initiate contracts with a view to arranging faculty exchanges.

COMMENT:

The University can usefully act as a broker for official exchanges, particularly with the CIC institutions. Departments should be canvassed for potential exchanges. The details of such exchanges are likely to vary a great deal from one department to another, so that a highly structured, University-wide program is unlikely to succeed. This is not a substitute for sabbaticals, but might facilitate them.

RECOMMENDATION 2:

Sabbatical leaves should be extended to long-term, non-regular appointees when their duties are principally in teaching and research.

COMMENT:

This would correct a situation which at the moment is anomalous.

RECOMMENDATION 3:

The departments should be encouraged to use the unused half of the salary of a person on sabbatical leave toward bringing to our University someone at faculty rank, where possible, in the same general areas as the leavetaker.

COMMENT:

This should enable a fresh point of view to be brought into the department.

RECOMMENDATION 4:

The Academic Vice President generate $200,000 per year to finance twenty Regents Sabbatical Fellowships.

These fellowships should be awarded on the following criteria:

a. The outstanding nature of the work to be undertaken on leave, its potential for scholarly success, and evidence of well-planned arrangements for carrying it forward.

b. Evidence that the applicant has made serious, timely applications to other appropriate fund-granting bodies and has not been able to receive any or sufficient help.

COMMENT:

This should help remove some of the financial burden of taking a sabbatical, and as financial reasons appear to be the major factor in the decision not to take a leave, the removal of the financial burden should be instrumental in facilitating an improvement of the program. It will also encourage leaves for lower income faculty members.

RECOMMENDATION 5:

When a faculty member goes on sabbatical leave, the half-salary should remain with the department, and the department should be allowed to accumulate sabbatical funds through encumbrances permitting it to develop funds necessary to enhance the quality of that department's program through such means as inviting visiting professors of outstanding stature.

These recommendations were approved by the Faculty Senate on May 30, 1974, and forwarded to the Central Administration for its perusal and action.

SCFA received the following response on May 9, 1975, from President Magrath:

(2) Central Administration's Response

SECTION V. RECOMMENDATION 1

I agree with the suggestion that faculty exchanges might serve to facilitate sabbatical leaves. The Council on International Education has been charged with recommending policies for structures which would promote faculty exchange. It is my understanding that the Deans of Liberal Arts colleges in the CIC met recently and reaffirmed their intention to facilitate faculty exchanges among their respective colleges. I am asking Dr. Henry Koffler to address himself to this question after his arrival this summer.

SECTION V, RECOMMENDATION 2

I disagree with the proposal that long-term, non-regular appointees be granted sabbatical leaves. The investment which the institution makes in sabbatical leaves is intended to strengthen those faculty to whom we have a long-term commitment. A condition of the sabbatical leave is that the individual faculty member agrees to return for one full year following the sabbatical. Since continued funding for non-regular academic appointees typically is not assured, there can be no such "quid pro quo" commitments on the part of the leave-taker.

It is my opinion that this institution should not, as a matter of course, extend large numbers of long-term, non-regular faculty appointments.

SECTION V, RECOMMENDATIONS 3 AND 5

Very little action would seem to be required from my office or elsewhere in the administration to allow for the implementation of these two recommendations — which seem to be somewhat repetitive. I agree, of course, with the suggestion that departments are strengthened by the involvement of visiting faculty of stature and will endeavor to encourage departments to pursue such appointments where feasible. It is unfortunately all too apparent that, in most instances, the need to cover the teaching load is such that instructors must be brought in and paid from the unused half salary.

SECTION V, RECOMMENDATION 4

I sympathize fully with the problems faced by a faculty member who wishes to take a sabbatical leave but is unable to sustain a reasonable standard of living on half salary. I do not believe, however, that it is realistic at this time to attain state funding for sabbatical supplements. When the opportunity presents itself, I will discuss this matter with the Trustees of the University of Minnesota Foundation to solicit their judgment as to the feasibility of private support for this purpose.

It has been suggested by some individuals that a possible alternate would be six-month sabbaticals at full pay. I believe it would be appropriate for SCFA to consider the financial feasibility of this approach.

(3) 1975 SCFA Recommendations

RECOMMENDATION E:

That SCFA be requested to continue discussions with the Central Administration and press for improvement of the sabbatical leave program at the University.

VI. *Tuition Grants for Dependents of Faculty:*

SCFA was asked to consider an added fringe benefit, namely, making University courses and programs tuition-free to faculty dependents who qualitfy for admission to the University. Early in Winter Quarter, two members of the Committee, Professors Thomas Boman and Hugh Kabat, began studying the issue of tuition grants for dependents of faculty. A comprehensive survey of 500 colleges and universities revealed that almost 45 percent of respondents offered this benefit to faculty. The range of the benefit was from full tuition and fees at the school of dependent's choice to waiver of the out of state tuition differential for new faculty. Colleges or universities similar to Minnesota offering the benefit generally waive half or more of the regular tuition or up to a certain number of credits or dollar value per year. Although the number of faculty utilizing this benefit in any given year ranges from 5 to 75 percent, almost 95 percent utilize the benefit at some time.

1975 SCFA Recommendation

RECOMMENDATION F:

That SCFA continue an in-depth study of the financial and equity implications of tuition grants for faculty dependents and report its finding to the Senate during the academic year 1975-76.

PART B

Reported for Information

1. *Membership of the Committee*

The full Senate Committee on Faculty Affairs met regularly (May, October, November (2), January (2), February, March, April, May (2), and June) during the academic year while the Sub-Committee on Faculty Benefits met biweekly. The 1974-75 membership consisted of: Mahmood A. Zaidi (chairperson), Robert H. Beck, Thomas Boman (Duluth), Leona Classen (Morris), Leonid Hurwicz, Hugh F. Kabat, William Kennedy, Virginia Kivits, William Robbins, Clare K. Woodward and Albert J. Linck (ex-officio).

2. *SCFA Newsletter*

Two issues of the SCFA Newsletters were published—one each at the end of Fall and Winter quarters to appraise the faculty of Committee activities and considerations.

3. *Discussion of 1975-77 legislative request for faculty salaries*

Meetings were held and testimony presented to Vice Presidents Kegler, Chase, Linck, and President Magrath relative to the University's legislative request and to its ultimate disposition. The SCFA supported the administration's request for a cost-of-living clause, distribution of cost of living on the basis of income rather than rank, equal treatment of cost of living monies for all colleges and departments.

4. *Other Committee Reports*

The SCFA received reports from the Task Force on Academic Salaries and the Ad-Hoc Committee on Faculty Accountability.

Because of the concern expressed to SCFA by many faculty members on the issues discussed in the Darley Report, the Committee spent considerable time in its evaluation and proposed a number of amendments to the Report. By proposing these amendments, the SCFA identified the issues warranting the special attention of the Senate and Faculty.

The Committee has not yet had an opportunity to study the *Final* Report of the Task Force on Academic Salaries. SCFA plans to review it very carefully as soon as possible and report its reactions to it to the Senate and faculty sometime next year.

5. *President's Mission Statement*

The SCFA reviewed both drafts of the President's proposed Mission Statement for the University, prepared written comments on the first draft, and participated in the discussion of the second draft in a special meeting called by the President.

6. *Handbook for Graduate Assistants*

The SCFA received for its information a copy of the Handbook for Graduate Assistants prepared by Academic Affairs Staff of the University.

7. *Search for Administrative Positions*

SCFA has been invited to respond to the proposed guidelines for Search Committees for Administrative Positions at the University of Minnesota. The Committee plans to review these guidelines and respond to the proposed draft in the near future.

8. *Individual Concerns*

Many letters were received from faculty members expressing concern on a wide variety of issues including complaints in salary adjustments, the temporary policy on faculty employee grievances, the nature of the Cease and Desist Order, faculty parking and Athletic Participation Fee. These issues were acted upon or referred to appropriate committees or authorities by SCFA.

9. *Meeting with Vice-President for Administrative Operations*

Vice President Walter Bruning was a guest of the SCFA and expressed his support of Committee activities. This conversation led to a consensus that there is a need for a series of meetings between a small group from the President's office and a small group from the SCFA to discuss the specific changes in the policies governing sabbatical leaves and fringe benefits where there is consensus, the nature of disagreements and opportunities for resolving them. These meetings would be in the nature of an informative exchange.

10. *North Central Association Decennial Accreditation Review*

The North Central Association of Colleges and Secondary Schools has indicated that the University of Minnesota is to have its decennial accreditation review in 1976. SCFA will be participating in compiling information, writing reports, etc. in anticipation of the visit of the North Central Association Accreditation Review Team.

11. *Ongoing Issues 1975-76*

a. Review of Task Force on Academic Salaries.

b. Preparation of material for North Central Association Accreditation Review.

c. Preparation of reports for the Senate on the six issues discussed in Section A of the Annual Report.

d. Discussion and the development of Long Range Objectives of the University's *Overall* Compensation Plan.

Mahmood A. Zaidi
Chairperson, Senate
Committee on
Faculty Affairs