

UNIVERSITY OF MINNESOTA

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Memo To: Ettore Infante, Provost and
Senior Vice President for Academic Affairs

From: Ad Hoc Committee on Facilitating Transitions for
Maturing Faculty*

Subject: Recommendations

Last summer inquiries from several faculty and the changes required by Federal law related to mandatory retirement triggered the Senate Committee on Faculty Affairs (SCFA) to approach the Associate Vice President for Human Resources to join in forming a small working group to make some practical suggestions to address the difficulties encountered by our faculty and P & A staff as they need to make important transitions near the end of their careers. This effort was initiated in the summer and included representatives of SCFA (including a P & A person) and the Human Resources Office. While some new information was sought and reviewed, the primary effort was to review past studies (e.g. the Scallen Committee Report, April 11, 1990) and the programs of other universities and to develop a set of simple recommendations that might precipitate fairly quick and effective response.

Elimination of the mandatory retirement at age 70 policy provides an opportunity for creative responses that will serve with equal value older faculty, younger faculty, students, and the University itself. It can become a win-win opportunity. The hope of the Ad Hoc Committee is that some good things can be done quickly and with relatively little fanfare.

The Committee's review suggested three categories of possible change: income, health care, and connection to the University. In addition, it seemed useful to divide our recommendations regarding these concerns into two groups: items relevant to those about to retire and items relevant to those with significant time to prepare for retirement. Since there are no recommendations for the category of connections to the University for those with time to prepare for retirement, the Committee's five major recommendations are outlined below:

For Those Nearing Retirement:

1. The University should take actions that increase the flexibility to maintain an adequate income in retirement and to provide concrete encouragement to the faculty to take the risks associated with retirement. The following specific changes are recommended:

- a) Generally the present phased retirement plan, is excellent, but some slight modifications could make it more attractive.

- Individuals in phased retirement should continue to have access to their basic as well as optional retirement funds. The current University restriction on faculty retirement plan distribution (10% per year) should be reviewed with the thought of at least allowing withdrawals to maintain a current income level. The optional retirement plan should be amended to allow withdrawals before age 59 1/2 for persons on phased retirement.
 - Trial phased-retirement agreements should be permitted in which the individual can change his or her mind, up to 15 March following the initiation of the agreement. For example, if the individual enters phased retirement on 16 June 1995, until 15 March 1996 he or she should have the option to rescind the agreement.
 - An understanding should be reached between the individual and the appropriate administrator (department chair?) defining the part-time load of the individual during the term of the phased retirement.
 - Leave credit (e.g. quarter leave, sabbatical) would be earned proportional to the time of appointment.
 - The University should be willing to renegotiate the Agreement if the employee requests a decreased percentage of appointment without changing the end-date.
 - The Office of Human Resources will increase the availability of good descriptive material that communicates the features of the phased retirement program.
- b) In terms of regular retirement, the committee recommends reinstating an earlier option for faculty members and P & A staff age 60 or greater who also have a number of years of service such that age plus service add up to 80 or greater. This would entitle a (full) retiree to university-paid (as for regular faculty) normal individual and/or family health insurance up until the age when Medicare can be initiated.
- With provision for phased and partial retirements (especially for faculty and P & A staff older than 70, when earned income no longer counts against social security benefits), persons will be able to choose, in consultation with their chairperson and dean, to reduce teaching and other obligations and, thereby, to focus their energies on courses and seminars in which they have the most to contribute.
- Undergraduate and graduate students will benefit from having continued access to mature scholars in their fields.
- University budgets for salary can be reduced, the savings credited to financial savings, and/or staff lines will be opened for the hiring of new persons, whose presence is essential to keeping the academy open to new ideas, new methods of inquiry, and new pedagogical strategies.

The concept of partial retirement below 67% (with indefinite tenure) and the present policy of terminal leave are not seen as sufficiently beneficial to the University to be offered as retirement incentives.

2. The University should take actions that manage the major risks in health care cost.

For the past several decades health care costs have risen much faster than general inflation. In addition, cultural changes have resulted in the need to consider arranging for long term care. These past cost increases are interpreted as a significant risk by retirees. Currently, for example, some University retirees are experiencing premium increases of up to 32% for 1994. This was not anticipated at the time of their retirement. Such reality is potentially seen as a major risk and therefore an impediment to retirement.

This risk of course, is a national problem and is a major consideration in the proposed national health care programs. A key feature in that proposal is to ensure that health care inflation does not exceed the general rate of inflation and that some long term care safety net exists. While hoping for the best in terms of national policy, the University should:

- a) consider what can be done immediately to ensure that a retiree need not incur health care inflation in excess of general inflation. This might be done in the form of a one-time premium that causes an insurance company to assume the risk or it could be handled on an ongoing claim/reimbursement basis by the University.
- b) the University should, if practical, address the immediate long-term care concern by arranging for a group plan at favorable rates for appropriate coverage. It is probably the case that even if national policy mandates some level of long-term care, a supplementary group policy would be seen as desirable by the retirees to cover the level of care that they would desire.

3. The University should take actions that ensure significant connection opportunities for retirees. This might take the form of the following policy position.

The University of Minnesota encourages departments whenever possible to continue actions that ensure significant connection opportunities for faculty on phased retirement and faculty who have retired but who want to remain active in a limited capacity. Retired faculty particularly may serve as an invaluable resource to a department in return for the opportunity to maintain professional ties to the department and to the University. Actions should be commensurate with the level of professional activities of the individual faculty member and comparable to other faculty in the department. These actions could include but are not limited to office space, mailing privileges, secretarial support, copying, access to computer facilities, travel funds, library privileges, opportunity to serve on departmental and university committees, and access to such benefits as the mortgage program, credit union and athletic and cultural events. As new benefits may be developed for current faculty and staff, it is important to continue to include retired faculty as potential beneficiaries of these programs.

For Those With Significant Time To Prepare:

4. The University should take actions that assist the faculty and P & A staff in managing their health care risks. The following three actions are recommended:

- a) There is a need for long-term care coverage (e.g. nursing home) that can possibly be met by gradual purchase of long-term care coverage which can be less costly on an annual basis if purchased early in life. The aspect of this that needs attention from the U-MN Administration is to negotiate a group policy with an insurance provider that will allow faculty to purchase this type of insurance at the most reasonable price. The variances in what can be obtained individually makes this potentially money down the drain if the wrong choices are made. Employee Benefits could use their experience and contacts to obtain proposals and bids for such insurance and make it available as an optional benefit for faculty in much the same manner as the supplemental life insurance is available now. Despite what is going on in health care reform, we must be vigilant that future expenses not covered by "National Health Insurance" (if it actually comes to pass) cannot wipe out ones lifetime savings.
- b) The general health and "well being" of faculty and P & A staff is a legitimate concern of the University. Individual health maintenance and disease prevention is a life long endeavor and to achieve a desired quality of health during retirement requires attention early on. Consultation with professional staff at Boynton Health Service resulted in recommendation of initiative(s) which would include health screening and health education/information for academic staff. If a voluntary, "user friendly" approach, were easily available to Twin Cities staff (as for example at Boynton), it appears that an effective "wellness" program for at least the Twin Cities campus could be developed and promoted at a reasonable cost per participant. The possibility of reduced insurance/medical costs might well offset the "start-up" and recurring costs if University support were involved.
- c) A different emphasis could be developed from the field of "occupational medicine" should be given some thought. Such an emphasis might include planned, intentional efforts to create and maintain a safe, healthy working environment for employees. With leadership from Human Resources and cooperation among faculty, staff, and administrators in relevant academic and support departments, there is reason to believe that the University "worksheets" could become a "demonstration project" for other employers to follow.

5. The University should expand its efforts to aid faculty in providing for sufficient retirement income.

The following actions are recommended:

- a) A pre-screened list (according to expectations & cost to U-MN personnel) of financial planning services could be made available to department chairs and individual faculty or groups. This would make organized financial planning more cost-effective and limit some of the uncertainty individual U-MN employees have dealing with "planners" out of the phone book.
- b) There should be an annual department/academic unit meeting to discuss retirement. This would be a forced reminder that planning is necessary. It would also provide a group forum in which information could be made available on facets of the Basic & Optional Retirement Plans as well as the retirement options (e.g. phased, partial (reduction to 67% appointment), trial, severance/terminal leave) that are available from the U-MN. These seminars could be provided by the employee benefits staff on a scheduled basis. In addition, mailings and individualized lectures available from prescreened vendors might be suitable for informal retirement/financial counseling and discussions. Many companies have good literature that explains concepts better than textbooks and having such information available to faculty would be a distinct advantage.

The above recommendations are not specifically intended to be cost neutral but there are obvious potential financial advantages for the University in managing faculty retirement. The Senate Committee on Faculty Affairs has indicated that it would welcome a discussion of cost/benefit tradeoffs to include the allocation of increased compensation funds to support these needed initiatives.

The success of our effort to assist faculty nearing retirement will depend on a flexible climate of goodwill on the part of department, college, and University administrators. It is hoped that extended conversations among concerned persons will precede the making and implementation of arrangements and agreements for retirement, phased retirement, or part-time employment after retirement. We would be happy to discuss the recommendations with you or your representative if that would be helpful. Thank you in advance for your prompt attention to this important area of faculty concern.

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cc: Senate Committee on Faculty Affairs
Academic Staff Advisory Committee