

SCFA REPORTS

All University Senate Committee on Faculty Affairs

Fall Quarter, 1975

Volume 3, Number 1

Dear Colleague:

In this edition of the SCFA Newsletter we present a brief report on the matters considered by the Committee during the Summer and Fall Quarter, 1975. You can find the complete details of the SCFA Report to the Senate on some of the issues discussed below in the forthcoming minutes of the Senate meeting of November 20, 1975.

A. SCFA's Evaluation of the Final Report of the Task Force on Academic Salaries

As the Committee promised in its annual report to the Senate last year, SCFA evaluated, on October 24, 1975, the Final Report of the Task Force and transmitted a letter to the Chairperson of the Task Force on Academic Salaries and to the Senate, reflecting SCFA's thinking. SCFA commended the Task Force for its work. The Committee made suggestions to the Task Force which were made from a position of agreement with the main ideas of the Task Force Report. The thrust of SCFA's suggestions was for alternative emphasis in the Report, to avoid misunderstanding. Thus SCFA recommended the Report begin with a statement of basic principles with three principles of coordinate importance governing the setting of salary levels. They involve:

1. Recognition of the fact that faculty members who want to retain, or bring in, typically have financially attractive alternatives to employment by the University of Minnesota. They cannot (and should not) be expected to pay for their loyalty to the state and the University by unreasonable financial sacrifice to themselves and their families.

These considerations (which underlie the notion of the marketplace) impose constraints on salary policy that could only be ignored under penalty of impairing our ability to fulfill the departmental, collegiate, and University missions.

At the same time, the importance of non-pecuniary dimensions (academic freedom and other aspects of institutional and community climate conducive to high faculty morale) in the comparative attractiveness of various institutions can hardly be overrated.

2. Recognition that there are imperfections in the operation of the marketplace, i.e., that the market often does not (and cannot) reflect a number of academic activities (including teaching and a variety of services on campus and in the community at large) and characteristics important for the efficient and effective attainment of declared objectives. The qualitative attributes of such activities may not be observable from the perspective of the outside market.

3. Recognition of the importance of equity considerations as well as of the need for sustaining minimum standards. In periods of inflationary pressures, the average salary should reflect the changes in the cost-of-living index. Individual cost-of-living increases are warranted when minimum standards are endangered. (This may be referred to as the cost-of-living principle.) When charting these standards, as well as in other comparisons, one needs to be aware of "fringe benefits," simply because the salary figure alone is not a complete index of the adequacy of total compensation.

The issues of equity and of gross inequalities in salary levels bear an obvious relationship to those of faculty morale and esprit de corps. Those on the low end of the compensation scale well may feel that their efforts and field of study have been slighted. Feelings such as these cannot have a positive effect on morale.

In its letter, SCFA also elaborated upon the implementation of principles as well as some points as stated in the Final Report of the Task Force.

B. SCFA's Recommendations on Disclosure of Contents of Faculty and Student Personnel Files Under the New "Open Files" State and Federal Regulations

In communications to the Chairperson of the Consultative Committee and to the Central Administration, SCFA

1. endorsed the position of the Senate Judicial Committee on the disclosure of contents of faculty personnel files
2. went on record as undertaking study of faculty professional liability insurance and requested that other appropriate Senate Committees study issues relating to faculty liability in pursuing their professional duties
3. proposed clarification and explanation to Senate Committees and to faculty of the question of apparent legality of destruction of letters concerning promotion decisions after the decision is made, and of administrative policy regarding thinning of files.

C. Progress Report on SCFA's 1974-75 Recommendations

The minutes of the Senate meeting of June 5, 1975 contain background information and a complete update on the SCFA Recommendations. If you do not have a copy of these minutes, you may call the Clerk of the Senate at 373-2125 to request one.

The President and his administrative colleagues met with SCFA several times in the Summer and Fall of 1975 for consideration of the Committee's 1974-75 Recommendations. The SCFA Progress Report to the Senate on November 20, 1975, consisted of President Magrath's assessment of SCFA's Recommendations in his memorandum of October 23, 1975 to the Committee, and the Committee's reactions to the President's response.

The following is a summary of the two parts of the Progress Report on the five issues.

1. Fringe Benefits for Part-Time Faculty. The administration consulted an attorney about the possibilities and procedures for extending Social Security benefits to nonstudent academic appointments. SCFA accepted the President's charge to study and prepare comments relative to an appropriate break point and will submit its comments to the President before May 1976. SCFA agreed with the President's response that the question of Social Security coverage of student academics be referred to the Graduate Assistant Task Force. SCFA requested further classification on the issue of extension of health insurance coverage to all non-student academic employees.

2. Faculty Retirement Plans. The President appointed an internal working group under Acting Assistant Vice President Shirley Clark. The group will pursue the questions raised by the three SCFA recommendations concerning (a) resetting the "ceiling" in the Transitional Retirement System, (b) early retirement and (c) cost-of-living adjustment for retirement income, as well as additional questions presented by the President. The internal working group is to report to the President by April 1, 1976.
 SCFA's response was that it assumed that the group under Dr. Clark would also take into account the results of the 1975 SCFA Faculty Opinion Survey which related to the three 1974 recommendations as well as the analysis contained in it regarding cost and funding possibilities of such programs. SCFA also hoped that the working group is analyzing the financial implications of the retirement proposals, and will bear in mind the likely concomitant changes in the University salary levels and in state revenues with the assumption of continued inflationary trends.

3. Performance of Faculty Retirement Funds. The SCFA and its Sub-Committee on Faculty Benefits now are in the process of studying (a) insurance companies charges for managing faculty retirement funds, (b) improvement in information provided to the faculty on the investment of their own and the University's contributions, and (c) developing and implementing a survey of faculty opinions and preferences concerning additional investment options for their retirement funds and related matters. The questionnaire for this survey is now being developed and will carry with it readily available information about the nature of investment, including information about the concepts of investment "risks" and investment "returns" and how such risks and returns can be traded off against each other. An Ad-Hoc Committee of the SCFA consisting of Professor Gordon Alexander, Ms. Mary Golden, Professor Leonid Hurwicz, Professor Hugh Kabat, Professor Marcel Richter, Professor Craig Swan (Chairperson), and Professor Mahmood Zaidi, is now working on the questionnaire with continuous reviews by both the Senate Committee on Faculty Affairs and its Sub-Committee on Faculty Benefits. In the preparation of the questionnaire, the Ad-Hoc Committee will be considering the report prepared for the SCFA by Dr. Stephen Hoenack and Mr. William Weiler, Memoranda to SCFA from Minnesota Mutual and Northwestern National Life Insurance companies, material supplied by faculty members and Messrs Harold Bernard and Don Brown, etc. SCFA will, in the near future, put copies of the Hoenack-Weiler Report, MM-NWNL Memoranda, and various other materials in the reserve sections of Wilson and Walter libraries for your perusal. Please look for it in the catalog under Senate Committee on Faculty Affairs. The Ad-Hoc Committee encourages you to read this material and send your reactions as well as any suggestions concerning the survey and questionnaire to Professor Craig Swan, 1147 BA Tower (W), Minneapolis Campus; Telephone 373-3584.

On the basis of past discussions carried out between the representatives

of SCFA and Minnesota Mutual and Northwestern National Life Insurance companies, we have found that the negotiations with the insurance carriers and the tasks associated with ensuring that the faculty members receive adequate information when requested, are extremely time-consuming. Neither the SCFA members nor any other faculty group have the time to do a good job of monitoring the management of retirement funds and still carry out their regular duties. Therefore, SCFA has recommended that a full time administrative person be identified who would be directly responsible for monitoring management of the faculty retirement funds, is knowledgeable about investment, and is willing and able to represent faculty views and interests in negotiations with insurance carriers. It is our understanding that the President and his administrative colleagues are now in the process of identifying such a person.

4. Faculty Health Insurance. The President appointed Assistant Vice President Shirley Clark as University representative for faculty and other staff members on the Advisory Committee to the Commissioner of Personnel. She attended the Committee's first 1975-76 meeting in which certain benefit improvements were announced and subsequently communicated to faculty in a memorandum of August 14, 1975. Blue Cross/Blue Shield has also significantly increased the cost of its Plan. The President asked SCFA to consider a mechanism for evaluating faculty interest in various benefit improvements and to devise a method to aid Assistant Vice President Clark in developing an effective presentation of these issues to the Advisory Committee. SCFA was delighted with Assistant Vice President Clark's appointment and in consultation with her will develop methods to facilitate two-way information flow between the Advisory Committee and SCFA. Progress is anticipated by SCFA concerning other of its Faculty Health Insurance recommendations.
5. Sabbatical Leaves. The President responded to the SCFA recommendation that departments initiate contracts with a view to arranging faculty exchanges by referring to his comments on this matter in his letter of May 9, 1975, and further advised that Dr. Koffler has initiated discussions with peer institutions aimed at facilitating such exchanges. The President disagreed, in his May 9, 1975 letter with the SCFA recommendations that Sabbatical Leaves should be extended to long term non-regular appointees when their duties are principally in teaching and research. One of the reasons advanced by President Magrath was that "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."

Concerning the SCFA recommendation that when a faculty member goes on leave, the half salary should remain with the department and the department should be allowed to accumulate sabbatical funds necessary to enhance the quality of that department's program through such means as inviting visiting professors of outstanding stature, the President gave his reactions to this recommendation in his letter of May 9, 1975. In this letter he stated there is little action required from his office for the implementation of this particular recommendation. SCFA's reaction to this response was that the President's reply implies

no problems in the implementation of this recommendation and said it would welcome administrative confirmation and/or clarification.

Concerning SCFA's recommendation for the establishment of twenty annual Regents Sabbatical Fellowships, the President's response was that Vice President Koffler and his colleagues in Academic Affairs are considering relatively minor procedural modifications which should permit more attractive sabbatical leaves. The administration is endeavoring to prepare its report by January 1. SCFA's reaction is one of anticipation of Vice President Koffler's report, expected by January 1, 1976.

The President wrote that he and his colleagues in Central Administration look forward to continuing dialogue with the SCFA on its recommendations and on matters of faculty interest and concern. SCFA appreciates the President's and his administrative colleagues' response and their offer of willingness for continued dialogue with the Committee.

II. New Faculty Handbook.

The Central Administration and the SCFA have been discussing the possibility of bringing out a new handbook which would contain a description of all the benefits and will be written in a clear and understandable manner. So far, two steps have been taken by the Central Administration and the SCFA to increase the flow of information to the Faculty.

A. Summary of Mr. Harold Bernard's Report entitled "Proposal for Expansion of Services to Employees by Employee Benefits Department."

At the request of the Central Administration, Mr. Harold Bernard, Assistant Director Employee Benefits, has prepared a report in which he has made some specific recommendations concerning the flow of information about various fringe benefits to the faculty. A brief summary of this report is reproduced below.

Faculty Retirement Plan-Financial Reports

Two types of financial reports should be utilized. Each quarter, a one-page summary of activity over the previous quarter should be prepared and distributed to each faculty member who is either participating in the retirement plan or who is in the waiting period. A comprehensive report should be prepared and distributed annually along with the "Personal Statement of Benefits."

"State Plan" Personal Reports

Initially, each participant should receive an annual report showing all coverages available under the "State Plan" and identifying those which the employee has in effect. At such time as the proper data base can be developed, the report should be expanded to include all insurance and retirement coverages plus Social Security on one annual report.

Faculty Booklet

It is recommended that a booklet be prepared with a comprehensive explanation of all insurance and retirement (including Social Security) programs. This should be updated periodically (approximately every other year) and new copies provided for each faculty member.

Benefacts, Inc., a firm which specializes in employee benefit communications, should be retained to prepare the booklet. A small faculty committee should be appointed to work with Benefacts on the design and language of the booklet. All work should be coordinated through the Employee Benefits Department.

Counseling

Individual counseling should be available to any employee at any time. A member of the counseling staff should also be available to any department or group of employees who wish to discuss any part of the insurance or retirement programs.

A systematic pre-retirement planning program should be developed using group sessions. The program should cover a wide range of topics and encompass a series of six to eight two hour sessions. These should be available to all employees (and their spouses) beginning not later than age 50.

If you are interested in reading the entire report, SCFA suggests that you obtain a copy of it from Mr. Harold Bernard.

B. SCFA Recommendations on a New Faculty Handbook.

SCFA has spent considerable time in studying the various possibilities of providing information to the faculty on health insurance, retirement plans, retirement funds, etc. and has decided that a new faculty handbook, carefully written, will be a useful way to inform faculty about the various fringe benefits. Accordingly, the Committee has made the following recommendations to the President:

1. Publication of a general information faculty benefit booklet which outlines all benefits and options. It is hoped that this booklet will be prepared in consultation and cooperation with the prospective users, i.e., the faculty, and in particular with the SCFA.
2. Preparation of a readily understandable periodic statement for individual faculty participants summarizing the status of their specific benefits. It is hoped that this statement will be prepared in consultation and cooperation with the prospective users, i.e., the faculty, and in particular with the SCFA.
3. Inclusion in the faculty benefit handbook of wording sufficiently clear to permit intelligent selection of retirement fund options.

It is SCFA's understanding that the Central Administration is now in the process of implementing these recommendations.

III. SCFA Sub-Committee on Faculty Benefits.

The new Sub-Committee of the SCFA for the 1975-76 academic year consists of the following members:

- Professor Robert Beck, Chairperson
- Professor Tom Boman
- Professor Ed Coen
- Professor Hugh Kabat
- Professor Marcel Richter
- Professor Craig Swan
- Professor Andrew Whitman
- Professor Mahmood A. Zaidi, Ex-officio

The SCFA has authorized the Sub-Committee to augment its numbers by the addition of "Consultants" with specific competence in an area under review. The persons who are currently serving as consultants to the sub-committee are:

- Mr. Harold Bernard, Assistant Director Employee Benefits
- Mr. Donald Brown, Assistant Vice President Finance and Administration
- Dean Paul Cartwright, Assistant Dean, Institute of Technology

The charge of this sub-committee is to concentrate on the design of a plan comprehending total faculty compensation without stopping its work on the five issues studied by the SCFA during 1973-75.

IV. University Committee on Tenure and University Appeals Committee on Academic Freedom and Responsibility.

To strengthen the existing working relationship between the SCFA and the University Committee on Tenure and University Appeals Committee on Academic Freedom and Responsibility, this Newsletter will continue to carry news items on the activities of the above mentioned Committees.

A. University Committee on Tenure (Chaired by Professor Charles H. McLaughlin, Department of Political Science, 1431 Social Science, Minneapolis Campus)

The Committee devoted its first meetings this year to the drafting of proposed revisions requested by Vice President Koffler in the memorandum that Vice President William G. Shepherd sent on January 28, 1971, to deans, directors, and department heads. This memorandum was an attempt to clarify the procedures which departments need to observe, in order to avoid difficulties and embarrassments, when they make recommendations concerning promotion, grant of indefinite tenure, and reappointment or non-reappointment of probationary members of the faculty. It was evident in 1971 that many departments were insufficiently informed of or insensitive to procedures which would assure compliance with the Regulations concerning Faculty Tenure and the requirements of State and national law, including standards of due process. The Shepherd memorandum, which was not intended to create standards but only to explain those which existed, proved useful in improving departmental procedures, but it now needs some revision to take account of legal changes such as open files legislation and the due process standards discussed in judicial opinions, as well as of conclusions reached in particular cases by the Senate Judicial Committee and the Vice President's staff. The Tenure Committee in consultation with the Judicial Committee and others has completed a suggested revision and submitted it to the Vice President. It has been discussed by the Academic Council and presumably will be issued shortly as a vice-presidential memorandum.

In the course of its work on the Shepherd memorandum, the Tenure Committee considered the possibility of expanding its coverage to include procedures in cases of removal for cause of tenured faculty or of non-tenured faculty prior to the termination of their terms of employment. It was decided, however, that this subject required more detailed study than could be given to it if the revised Shepherd memorandum were to be issued in time to assist departments in their November personnel decisions; therefore removal for cause has been reserved for further consideration. Vice President Koffler has asked the Committee to formulate a suggested draft for a separate memorandum on that subject, and this will accordingly be its next order of business.

Beyond that, the Committee has not fixed its agenda for the year, although a number of possible topics for its consideration have been proposed.

B. University Appeals Committee on Academic Freedom and Responsibility
(Chaired by Professor Marcia Eaton, 106 Johnston Hall)

The Appeals Committee is currently considering two important items which include: (1) descriptions of grievance procedures sent to the Committee by various units and (2) procedures for appeals.

The SCFA wants and needs your feedback to your Committee on any of the subjects discussed in this Newsletter. Please contact the Chairperson or any of the SCFA members whose addresses and phone numbers are listed below with your ideas, comments, and suggestions.

Cordially yours,

Mahmood A. Zaidi, Chairperson
Professor and Director of Graduate Studies, Industrial Relations
537 B A, College of Business Administration
Minneapolis Campus 373-3827

Robert H. Beck
Professor, History & Philosophy
College of Education
203 Burton Hall
Minneapolis Campus 373-2286

Hugh Kabat
Assistant Dean for Administration
College of Pharmacy
318 Harvard Street
Minneapolis Campus 373-4385

Thomas Boman
Assoc. Professor & Head Secondary Education
218 Bohannon Hall
Duluth Campus (218) 726-1464

Bill Kennedy
Professor, Plant Pathology, Col. Ag.
225 Plant Sciences
St. Paul Campus 373-1351

Leona Classen
Assistant Professor of Education
200 B Education
Morris Campus 1-589-1464

Henry Koffler, Ex-officio
Vice President, Academic Affairs
213 Morrill Hall
Minneapolis Campus 373-2033

Victoria Coifman
Assis. Professor, Afro-American Dept., CLA
214 Social Science
Minneapolis Campus 376-3230

William Robbins
Assis. Professor, Electrical Eng., IT
356 Electrical Engineering
Minneapolis Campus 373-9719

Leonid Hurwicz
Regents Professor, Economics, CLA
1060 Business Administration
Minneapolis Campus 373-3690

Clare K. Woodward
Assis. Professor, Biochem. Dept., CBS
358 Gortner Lab
St. Paul Campus 373-1766

SCFA REPORTS

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UNIVERSITY OF MINNESOTA SENATE COMMITTEE ON FACULTY AFFAIRS
Spring Quarter 1976, Special edition Volume 3 Number 2

Dear Colleague:

Since we were not able to present our Annual Report to the Senate this year, we are presenting in this special edition of the SCFA Newsletter, a brief report on the material considered by the Committee during the 1975-76 academic year.

ANNUAL REPORT OF THE ALL UNIVERSITY SENATE COMMITTEE ON FACULTY AFFAIRS

General Comments: The All University Senate Committee on Faculty Affairs met 14 times during the 1975-76 academic year. The membership consisted of the following: Professors Robert Beck, Thomas Boman, Leona Classen, Victoria Coifman, Leonid Hurwicz, Hugh Kabat, William Kennedy, Henry Koffler, William Robbins, Clare Woodward, and Mahmood Zaidi (Chairperson).

REPORTED FOR INFORMATION

PART I

SCFA Sub-Committee on Faculty Benefits

The Sub-Committee on Faculty Benefits had its mission and organization reconstructed at the October 11, 1975 meeting of the SCFA. Previously the Sub-Committee was charged with studying the several components of faculty compensation. The Sub-Committee for this academic year consisted of Professors Robert Beck (Chairperson), Thomas Boman, Edward Coen, Hugh Kabat, Craig Swan, Andrew Whitman, and Mahmood Zaidi (Ex-officio).

The Sub-Committee has met throughout the year concentrating on three elements of the charge given it in October, 1975 by the SCFA. The first priority assigned was the development of an over-all compensation philosophy. The responsibility for preparing various drafts of a document presently entitled "A Philosophy for Faculty Compensation," for consideration by both the Sub-Committee on Faculty Benefits and the SCFA, was shouldered by Professor Hugh Kabat. The SCFA, in consultation with the members of the Sub-Committee, worked out a final draft of this document at its meeting of May 25, 1976.

The second priority assigned the Sub-Committee on Faculty Benefits by the SCFA, concerned the implementation of recommendations passed by the University of Minnesota Senate re Health Insurance on June 5, 1975. Under the guidance of Professor Whitman, the Sub-Committee prepared the material for the SCFA that has been used by University of Minnesota officials in interacting with the then Acting Commissioner of Personnel of Minnesota, Mr. Michael O'Donnell. SCFA and the Central Administration are hopeful that some progress will be made toward improving the health insurance program for all the employees in the state of Minnesota and the faculty and staff of the University. Collective bargaining aspects of the health insurance plan are to be borne in mind and appear to bear heavily on progress toward implementing the June 5, 1975 University Faculty Senate-passed resolutions to which reference has been made.

The item accorded third priority in the Sub-Committee, has been the evolution of a statement on the subject of 'Educational Privilege' which is defined as a waiver of tuition for University of Minnesota dependents enrolled in undergraduate programs at any of the University of Minnesota campuses. This aspect of the Sub-Committee's deliberations has been shepherded by Professors Boman and Kabat. Drafts of a statement have been circulated among members of the Sub-Committee, but it is not possible to speculate on the approximate date for the preparation of a draft to be reviewed by the SCFA. It has not been possible to develop recommendations on this subject during the current academic year. This item will be an on-going issue for the SCFA during the 1976-77 academic year.

PART II

A Philosophy for Faculty Compensation

The following is the draft of "A Philosophy for Faculty Compensation" which was approved by the SCFA at its May 25, 1976 meeting:

A Philosophy for Faculty Compensation

On February 28, 1974, in response to the destructive effect that significant sustained inflation was producing on the faculty quality of life, the University Senate established a Task Force on Academic Salaries to develop general principles and appropriate guidelines for establishing and maintaining an equitable system of academic salaries. While this Task Force considered only salary improvement factors, its report identified fringe benefits as a related issue and recommended that the SCFA should consider a fringe benefit system permitting appropriate individual adaptation. At the June 5, 1975 Senate meeting, Chairperson Zaidi identified the discussion and development of Long Range Objectives of the University's Overall Compensation Plan as an ongoing issue for 1975-76.

Introduction

The primary objective of an Overall Compensation Plan is to aid in the attraction and retention of highly qualified faculty in an atmosphere conducive to both productivity and creativity. The initial appointment and subsequent compensation are to be governed by the principles of equal opportunity.

Since government and other institutions compete for these same individuals, the University must offer terms of employment that are competitive. Competitiveness is a function of many factors, such as the usual academic prerequisites, the opportunity for stimulating interactions with colleagues and students, the adequacy of support facilities and services, the ethos of the institution, and the general quality of life.

An Overall Compensation Plan is concerned primarily with the first two aspects of the above list, salary and fringe benefits. Dollars are the basic resources used to provide salaries and fringe benefits. These dollars also could be used to aid some of the other factors, specifically, support facilities and services. There may in fact be times when it would be preferable to spend additional dollars on the latter instead of the former. Faculty productivity and morale are maximized, when the faculty has the opportunity to do pleasing and useful work under conditions that make it effective, without the faculty incurring undue economic hardship for themselves or their families.

In addition to competitiveness, there are equity considerations that deserve some recognition. Faculty with long professional experience and seasoning, who have insights and wisdom that make them especially valuable to their students and colleagues, should receive appropriate recognition.

Salary is an excellent way to compensate faculty. It maximizes the freedom and flexibility of individuals to use their compensation in any way they wish. Each faculty member can set personal priorities for the use of his/her salary. However, salary alone does not provide the most effective compensation; some fringe benefits give the faculty more value than the equivalent cost paid in salary. This results in savings to the faculty due to group purchases or because of the institution's purchasing power. Tax regulations also enter into the value of the compensation program since employer purchased benefits are purchased with pre-tax dollars. Some benefits such as research leaves, travel expenses and secretarial assistance are in part conditions of work and in part faculty benefits. Other benefits such as access to athletic facilities may be of minor pecuniary importance but can afford convenience or privilege.

A good case can be made that it would be foolish to design a compensation plan which only lists specific salary levels and benefits. The primary objective of the plan is to attract and retain highly qualified faculty. That is, if it is to fulfill its mission, the University must be able to compete for highly qualified faculty. Thus any plan must be expected to, and be able to, change from time to time as external factors impinge on the competitiveness of the University's current plan. Examples of such factors would be cost of living increases in periods of inflationary pressures, widespread adoption of specific benefits elsewhere and the introduction of new government programs.

While one does not want to commit a compensation plan to a particular list of items, one can formulate a set of principles or guidelines to use in evaluating the desirability of specific items.

Principle #1

Highest priority shall be for competitive salaries which will attract and retain highly qualified faculty.

The Task Force on Academic Salaries recommended this approach for the University to achieve its mission at least cost to the taxpayers. They recommend a peer group salary structure, which reflects the reality that faculty members in some fields command salaries higher than faculty members in other fields because of differences in the supply and demand for academics. Further, faculty members in demand by nonacademic employers generally receive higher salaries than their counterparts, whose disciplines are limited to the academic setting.

Principle #2

The second highest priority should be given to financial insulation against unanticipated, unexpected, uncontrollable events which impair the faculty members employability or threaten the well-being of his/her dependents.

Principle #3

Retirement, while anticipated and expected, has an economic impact that is so great that a retirement benefit requires a similar high priority if retired persons are to have a measure of economic security.

Adequate provisions for retirement are worth special note. The year 1963 was a watershed in the retirement program. Those whose participation in the University retirement program was largely before 1963 constitute a distinct and disadvantaged group. While this document prescribes no remedies, the issue is noted because equity is involved.

Principle #4

Of lesser priority are benefits that may ease extraordinary burdens at particular times, such as housing for new faculty, family educational privileges, and low interest personal loans.

In contrast to the high priority benefits which are utilized by virtually all faculty, these latter elements are most often provided on an elective basis and are designed to meet individual needs. The priority for this type of benefit is more a factor of timeliness than universal utilization. A mechanism to minimize the impact of potential unemployment of untenured faculty would be to provide

the option of health insurance coverage conversion at group rates. The Task Force on Academic Salaries recommended a "cafeteria" design for these benefits that provides a variety of optional (up to a limit) fringe benefits which would be flexible enough to be adaptable for individual needs.

Benefits Resources

It should be understood that the choice and pattern of benefits offered by the University depend upon their cost in institutional resources and the alternative uses of these resources. Hence, consideration such as the advantages derived from group institutional action and the tax advantages of one use of funds compared with another use must be taken into account. There are many lesser or less frequent considerations, falling into the convenience or privileges category, whose sum often is major and whose importance varies from campus to campus. Moreover, some campuses have resources - such as land, houses, or special gifts - whose purpose is restricted. These may sometimes be used to provide the faculty with resources that have few, if any, alternate uses.

Factors Affecting the Quality of Faculty Service

The following elaboration of benefits beyond salary is not intended to be exhaustive but represents what has been described elsewhere. It also should be noted that the effect of the recent inflation which has had such an impact on purchasing power makes any benefits provided from pretaxed dollars even more important.

As observed previously, the chief purpose of a compensation program is to enhance the University's educational service by increasing the productivity and morale of the faculty. Thus, the choice of benefits depends on how directly and how greatly those benefits affect the work and spirit of the faculty. Among this partial list of factors, benefits which affect the productivity and morale of the faculty are: (a) education, (b) range of continuing intellectual contacts, (c) freedom, (d) the absence of interfering worries or obligations, (e) health and vigor, and, of course, (f) native ability and character.

(a) Many schools make leaves of absence for the completion of graduate work a primary benefit. Others make special arrangements for attendance of faculty members at neighboring universities or at their own institution and arrange the teaching schedules to facilitate such attendance. Still others make loans to faculty members in order that additional academic work may be possible.

(b) Reimbursement for travel to meetings as well as regular availability of both short and long term leaves, research assignments, post-doctoral fellowships, and cultural events on campus serve to promote the intellectual life of a faculty.

(c) Academic freedom is protected by tenure, and the liberty to develop one's own intellectual interests should be accorded faculty members. Adequate numbers of leaves and leave compensation can afford faculty the opportunity to choose their own activities outside the academic world.

(d) Salary, insurance, provisions for retirement, and other benefits that make a direct financial contribution to an individual's well-being not only lead to peace of mind but reduce the temptation to participate for pay in non-academic activities. A second subset of benefits might be called aids to work - administrative, secretarial, and even mechanical aids reduce the waste of time of highly trained scholars. These aids contribute substantially to both productivity and morale.

(e) Inclusion of programs of medical services and medical insurance for the faculty hardly need more mention. Similarly programs to provide support to the aged and disabled faculty who may have lost their effectiveness on account of age or loss of health are important. Retirement benefits, disability insurance, as well as sick leaves, serve this purpose.

(f) A high-minded faculty of native ability is secured only through a combination of the competitive attractiveness of an institution and the insight and judgement in selection of such individuals. It is important to reemphasize that competition is not only with other educational institutions but with industry and government. In this competition plays a part. While educational institutions may not offer stock bonuses or participate in the galaxy of privileges provided by private industry, they can create, through benefits appropriate to their nature, a community where talent thrives.

Summary

Listed by degree of importance and the frequency of this importance, some of the more valuable staff benefits other than salary are outlined below. Within the categories, the more important tend to come first, but this ordering is open to question. It should be emphasized that priorities change as needs are met. Moreover, the variations of human judgment enter into any such listing.

I. In the first category (unexpected, unanticipated, uncontrollable or major impact):

1. A reasonable retirement policy fair to all and with several options and provisions for post-retirement annuities including Social Security benefits.
2. Major medical insurance.
3. Group disability insurance.
4. Group life and travel insurance.
5. Continued benefits and privileges for retired faculty members and widows. These include major medical insurance. Work facilities for retired faculty members are of special importance.

II. In the second category (timeless burdens):

1. Secretarial assistance.
2. Housing - especially for new members.
3. Comprehensive basic group health insurance.
4. Provision for income during disability caused by sickness or accident. This may be approached during a short-term disability by an informal or formal policy for salary continuation, and at a later time by disability insurance.

4.

5. Time for continued scholarly activities. This involves leaves of absence for research or individual education, research assignments, or a combination of the two, as well as aid for scholarly work in the summer.
6. Educational privilege. An effective plan is a combination of tuition waiver and grants to go elsewhere.

III. In the third category (convenience or privilege):

1. Faculty club and social facilities.
2. Travel expenses to meetings (especially to equalize departmental opportunities).
3. Parking.
4. Moving expenses.

IV. And a fourth level (privilege):

1. Credit union.
2. Athletic facilities.
3. Campus events.

Any comments or questions you might have on the draft reproduced above will be welcome.

PART III

SCFA Ad-Hoc Committee on Faculty Retirement Funds

At its October 11, 1975 meeting, the SCFA received and discussed a report entitled "The University of Minnesota Faculty Retirement Funds: Investments, Risks, and Investment Options" which was previously prepared for the committee. The report centered on 1) the possibilities of increasing investment flexibility under the U of M Retirement Program, 2) the analysis of expenses incurred by insurers in administering the University Retirement Funds, and 3) the needs for administrative staffing to carry out improved investment and annuity options.

It was recommended that an edited version of the report be distributed to the faculty with a questionnaire to determine the level of faculty interest in additional investment options for their retirement funds. An Ad-Hoc Committee composed of Professor Gordon Alexander, Ms. Mary Golden, Professor Leonid Hurwicz, Professors Hugh Kabat, Marcel Richter, Craig Swan (Chairperson), and Mahmood Zaidi, (Ex-officio), was appointed to do the editing and questionnaire preparation. The Survey of faculty interest in new options was distributed during the spring quarter. The Ad-Hoc Committee appreciates the time and effort taken by the members of the faculty to fill out and return the questionnaire. Many faculty members commented very favorably on the work the Ad-Hoc Committee had done in preparing the survey: "...let me congratulate you on a beautifully and clearly presented exposition...", "well written, unbiased, the contrasting points of view on the questions or options were well done... and even I, loathing this kind of material, had the feeling that I could understand it." Some faculty, however, indicated considerable difficulties in responding.

The Ad-Hoc Committee selected a 20% random sample of the total faculty to analyze in more detail. Persons in the sample were subsequently contacted in order to maximize the response rate for the survey. All comments on all questionnaires have been examined. The Ad-Hoc Committee will do a detailed analysis of the responses over the summer and submit a complete report in time for presentation to the University Senate in the Fall. Preliminary results, with a 60% response rate, indicate strong interest in all new options.

Implementation of each new option will require substantial additional work. Thus, the Ad-Hoc Committee will recommend working for implementation according to a priority ranking of options in line with the survey results. The first priority group includes the post retirement options: the escalating annuity, a partial cash settlement, the ability to leave accumulations in the retirement system, and the ability to buy annuities from other companies. 60-75% of respondents expressed interest in the establishment of these options. Only 9-15% of respondents were opposed to these options.

The next priority group includes new options for variable income accumulations and the establishment of a borrowing option. The third priority group includes the creation of retirement funds that allow for the transfer of retirement accumulations between funds, a fixed income annuity fund that credits contributions based on an individual's actual participation in the retirement program, and the option of receiving a fixed income annuity from variable income accumulations that reflects interest rates at the time of retirement.

PART IV

APEX System

The SCFA conducted discussions with the Central Administration concerning possible changes in the University version of the APEX System to allow for direct deposit of faculty paychecks into private savings accounts. Vice-President Brinkerhoff reported that it would cost the University about \$3250.00 for computer reprogramming to add this service. Because most faculty put their money into checking accounts, it seemed to be an unnecessary expense, especially in view of other more basic improvements to be made. He further reported that such a service could be added within two years or so. The SCFA accepted this explanation of the situation.

PART V

North Central Accreditation Review

The Senate Steering Committee charged the SCFA to respond to the following questions for the North Central Accreditation Review which took place in April, 1976. The questions were:

1. What are the strengths and weaknesses in our policies and support for sabbatical and single-quarter leaves?

2. Is the institution's salary and fringe benefit structure adequate for retaining personnel?

Professor William Robbins assisted the SCFA in the preparation of its response to these questions which was incorporated into the North Central Accreditation Report by the Steering Committee.

PART VI

SCFA Recommendations of Distribution of Salary Adjustment Funds for 1976-77

The SCFA made the following two recommendations to the President concerning the distribution of funds:

1. SCFA recommends that the 5% faculty salary adjustment for the second year of the biennium be distributed as follows:

3.0%	Cost of living
1.5%	Merit
0.5%	Equity
2. SCFA also recommends that the cost of living adjustment be tipped towards the lower income levels.

PART VII

Preparation and Presentation of the University Budget before the Legislature

Professors Boman and Hurwicz were nominated to serve on an Ad Hoc Committee on Faculty-Student Input in Budgeting. The charge of this Committee was to find ways to have systematic faculty and student input into the University budget process which will have credibility with faculty and students. More specifically, this Committee was charged with (1) proposing a structure of a standing Committee including membership and length of terms, and (2) preparing the charge of the Committee. The University Committee on Biennial Request and Budget Review was created at the May 20, 1976 meeting of the University Faculty Senate to carry out this charge and includes the following members; Professors Kenneth Keller (Chairperson), Carl Adams, Oswald Brownlee, Willard Hartup, Fred Lukermann, and Sandra Scarr-Salapatek. A member of the SCFA will be nominated to serve on this Committee for the 1976-77 academic year.

PART VIII

Report of the Task Force on Academic Salaries

The SCFA discussed the final report of the Task Force on Academic Salaries at its October 24, 1975 meeting and forwarded its evaluation of the report to the Chairman of the Task Force and the Senate. The text of the SCFA evaluation is contained in the SCFA Report to the Senate on November 20, 1975. (See Senate Minutes).

PART IX

Study Group on Continuing Education

At its March 15, 1976 meeting, the SCFA members discussed Associate Vice President Linck's memo of February 20, 1976 concerning the formation of a study group on continuing education, and decided to recommend that the formation of this group be handled by the Senate Committee on Continuing Education. It was further agreed by the Committee that the report of such a group should be presented to both President Magrath and the University Senate.

PART X

Academic Personnel Record Procedures and Policies

After discussing the document concerning Academic Personnel Record Procedures and Policies prepared by Vice President Koffler, the SCFA made the following two resolutions:

1. No material should be destroyed earlier than one year following retirement without the informed consent of the faculty person.
2. It is understood that nothing contained in Dr. Koffler's memo of March 8, 1976 would supersede any existing rules contained in the Tenure Code or the rules and regulations governing academic freedom.

Further, the Committee offered the following general comments:

1. A concern was expressed by the members about adoption/encouragement of class visitation as a major personnel policy.
2. Some members felt that if class visitations are made it should be required that a written evaluation of the visit be put in the faculty person's file.

PART XI

Five Issues

In its 1974-75 Annual Report to the Senate, the SCFA reported a series of recommendations for action in five general areas. These areas include: (1) fringe benefits for part time faculty, (2) faculty retirement

plans, (3) sabbatical leaves, (4) faculty health insurance, and (5) performance of faculty retirement funds.

During the 1975-76 academic year, the SCFA and the Central Administration have had an active and continuing dialogue on all the issues. Summaries of the Central Administration's responses and SCFA's evaluation of them are contained in the SCFA's Progress Report to the Senate on November 20, 1975, and March 4, 1976.

The SCFA met on May 19, 1976 in the Regents Room with President Magrath and his administrative colleagues.

President Magrath addressed himself to the five on-going SCFA recommendations. He reported that he assumed that these recommendations were intended for resolution of the questions they contained, though not necessarily in the precise form presented.

FRINGE BENEFITS FOR PART TIME FACULTY

President Magrath said that the Administration will seek a Supplement to the Faculty Salary Proposal in the 1977-79 Biennial Request. He unequivocally accepts the SCFA's recommendations for the extension of OASDI coverage to part-time faculty. The Administration will use twenty-five percent time as the cut off level.

FACULTY RETIREMENT PLANS

Much of the rest of the meeting was devoted to the discussion of the Report of the Ad Hoc Committee on Retirement chaired by Assistant Vice President Clark and the cost calculations independently made by Professors Hurwicz and Swan. The Committee agreed to hold a series of meetings between a number of persons whom the President would select and a small number of faculty members to be designated by the SCFA to resolve the issues dealing with the faculty retirement plans, new options in the faculty retirement system, and the performance measurement for faculty retirement funds.

SABBATICAL LEAVES

Since there was not much time remaining, Vice President Koffler agreed to mail the Administration's proposals on Sabbatical Leaves to the SCFA members. On June 9, 1976, SCFA received the following response to its recommendations on sabbatical leaves. SCFA met on June 10, 1976 to study the proposal, and felt that the proposed changes should help remove some of the financial burden of taking a sabbatical, and as financial reasons appeared to be the major factor in the decision not to take a leave, some flexibility provided in Dr. Koffler's proposal should be instrumental in facilitating an improvement in the sabbatical leave program. The Committee further agreed to submit these proposals for your consideration and comments:

Proposal for Changes in Policy Regarding Sabbatical Furloughs

It is proposed to recommend the following for approval by the Board of Regents:

- (1) That the following schedule be used to determine the length of sabbatical furloughs and the percentage salary paid during such furloughs.

After continuous service of number of quarters	Leave is possible at percentage salary for number of quarters			After continuous service - of number of quarters (Cont.)	Leave is possible at percentage Salary for number of quarters (Cont.)		
	2	3	4		2	3	4
				31	100.0	86.1	64.6
				32	100.0	88.9	66.7
12	50.0	-	-	33	100.0	91.7	68.8
13	54.2	-	-	34	100.0	94.4	70.8
14	58.3	-	-	35	100.0	97.2	72.9
15	62.5	-	-	36	100.0	100.0	75.0
16	66.7	-	-	37	100.0	100.0	77.1
17	70.8	-	-	38	100.0	100.0	79.2
18	75.0	50.0	-	39	100.0	100.0	81.3
19	79.2	52.8	-	40	100.0	100.0	83.3
20	83.3	55.6	-	41	100.0	100.0	85.4
21	87.5	58.3	-	42	100.0	100.0	87.5
22	91.7	61.1	-	43	100.0	100.0	89.6
23	95.8	63.9	-	44	100.0	100.0	91.7
24	100.0	66.7	50.0	45	100.0	100.0	93.8
25	100.0	69.4	52.1	46	100.0	100.0	95.8
26	100.0	72.2	54.2	47	100.0	100.0	97.9
27	100.0	75.0	56.3	48	100.0	100.0	100.0
28	100.0	77.8	58.3				
29	100.0	80.6	60.4				
30	100.0	83.3	62.5				

For example, a faculty member would be able to request a sabbatical furlough at half pay for two quarters after continuous service of 12 quarters, at 66.7% salary for two quarters after 16 quarters of service, or at 75% salary for two quarters or at half pay for three quarters after 18 quarters of service, etc.

(2) That the following restrictions would prevail:

- A. That the sabbatical furlough would not be for less than two quarters
- B. That requests cannot exceed full pay for four quarters (i.e. that credits applicable towards sabbatical furloughs cannot be carried forward beyond 12 academic years for faculty members on B appointments and 12 calendar years for faculty members on A appointments)
- C. That, as holds true presently, approval would depend upon the ability of departments, colleges, or other appropriate functional units to make arrangements for carrying on the work of the unit. //

If you have any comments on these proposed changes in the policy concerning sabbatical leaves, please do let us know.

FACULTY HEALTH INSURANCE

Due to lack of time, discussion of issues relating to Faculty Health Insurance was postponed. However, since our meeting with the President, SCFA has learned with great dismay that Mr. Richard W. Session, newly appointed Commissioner of Personnel of the state of Minnesota, has decided to discontinue the Insurance Advisory Committee which had functioned for the past two years and on which Dr. Shirley Clark represented the interests of the University of Minnesota's employees. It is our understanding that Commissioner Session considers the health benefits as bargainable items and, therefore, should be discussed at the bargaining table. Since the University faculty has no collective bargaining arrangements at this time, we have no way to discuss these matters with the Commissioner of Personnel. On the contrary, it is possible that those employees of the state of Minnesota who are organized and are authorized to bargain collectively could negotiate for fringes which might have adverse affects on the faculty health benefits.

SCFA plans to take up this matter of faculty representation with the Central Administration. We hope that we will have something concrete to report on this subject during the Fall of 1976.

MEASUREMENT OF THE PERFORMANCE OF THE FACULTY RETIREMENT FUNDS

As promised in the SCFA's Annual Report to the Senate on June 5, 1975, below is a preliminary report on the performance measurement of faculty retirement funds. SCFA is very grateful to Mr. Daniel Benda, Investment Manager, for providing this information to us. The information reproduced below is from his memo of June 10, 1976 addressed to the Chairperson of the SCFA:

"We are progressing as time allows toward the goal of providing a very basic comparison regarding the relative performance of faculty pension funds over a period of time, hopefully on a continuing basis.

At this time we are able to provide a first set of comparisons, related to what is know as Separate Account "A". Separate Account "A" is the variable annuity portion of the basic pension plan and these comparisons can be relatively more straightforward than many others we may attempt because (a) the account is separately invested, (b) we have reasonable assurances that the unit calculations necessary for performance measurement have been subject to audit, and (c) market values are readily available on the account back to 1964.

As Separate Account "A" is designated primarily as a "stock" account, our comparisons are made directly with two of the most popular stock averages, the Dow Jones Industrials and the Standard and Poor 500, including adjustments for dividends. This is done with full knowledge that the managers have used minor percentages of cash and cash equivalents occasionally. No attempt has been made in these comparisons to factor out such non-stock amounts and transactions.

It should also be stated that the performance figures are "net" - after provisions for management, custodial and incidental fees and charges, to which the stock indexes of course are not subject.

The discussion of various other items regarding performance measurement for faculty retirement funds will continue as we agreed, and hopefully future reports will contain additional information."

Faculty Pension Funds Separate Account "A" Total Return Performance, December 31, 1975

	Separate Account "A"	S & P 500	DJIA
1 Year Ending:			
12/31/75	+ 30.66%	+ 37.20%	+ 44.80%
12/31/74	- 17.88%	- 26.51%	- 23.77%
12/31/73	- 12.25%	- 14.71%	- 13.32%
12/31/72	+ 18.76%	+ 19.02%	+ 18.54%
12/31/71	+ 9.20%	+ 14.34%	+ 9.90%
12/31/70	+ 4.97%	+ 3.95%	+ 9.30%
12/31/69	- 11.92%	- 8.45%	- 11.85%
12/31/68	+ 8.17%	+ 11.20%	+ 7.95%
12/31/67	+ 27.88%	+ 23.94%	+ 19.25%
12/31/66	- 10.58%	- 10.09%	- 15.87%

	Separate Account "A"	S & P 500	DJIA
Last 5 Years (1971 - 1975):			
Cumulative	+ 22.10%	+ 17.03%	+ 24.65%
Compounded Annually	+ 4.08%	+ 3.20%	+ 4.50%
Last 10 Years (1966 - 1975)			
Cumulative	+ 39.64%	+ 38.01%	+ 30.06%
Compounded Annually	+ 3.40%	+ 3.27%	+ 2.66%

PART XII

SCFA Recommendations for the 1977-79 Biennial Budget Request

The SCFA made the following recommendations to the President concerning the Faculty Compensation Request for the 1977-79 Biennial Request:

For 1977-78

Cost of living	6.0%
Merit	5.0%
Equity	1.0%
Total	<u>12.0%</u>

For 1978-79

Cost of living	5.0%
Merit	4.0%
Equity	1.0%
Total	<u>10.0%</u>

Total for the Biennium 22.0%

These figures differ from the figures stated in the President's proposal of May 12, 1976; the reasons for this difference can be summarized as follows: (1) the Committee believes that the inflation rate is likely to be from 6% to 8%, (2) make up for the loss in real purchasing power for the faculty salaries over the past years is needed, (3) sharing in future increases in real income is necessary, (4) larger than normal increases for faculty members whose efforts could not be rewarded sufficiently in the past due to shortages of money available for distribution, and (5) adjustments for well documented cases of inequity are likely to be more than anticipated in the President's proposal.

A Final Note

At its last meeting of the academic year, the SCFA members joined the Chairperson in thanking the outgoing members of the SCFA, the members of the Sub-Committee on Faculty Benefits, and the members of the SCFA Ad-Hoc Committee on Retirement Funds for the time and dedicated assistance the Committee has received from them.

The SCFA wants and needs your feedback to your Committee on any of the subjects discussed in this special edition of the Newsletter. Please address all your comments and questions at the following address:

Mahmood A. Zaidi, Chairperson SCFA
 Professor and Director of Graduate Study, Industrial Relations
 537 Business Administration Tower
 Minneapolis, MN 55455
 Telephone (612) 373-3827