Minutes*

Faculty Consultative Committee
Thursday, November 21, 2002
1:15 – 3:00
238A Morrill Hall

Present: Dan Feeney (chair), Gary Balas, Tom Clayton, Marti Hope Gonzales, Mary Jo Kane, Candace Kruttschnitt, Marvin Marshak, Judith Martin, Jeff Ratliff-Crain, Martin Sampson

Absent: Muriel Bebeau, Susan Brorson, Gary Davis, Arthur Erdman, John Fossum, Marc Jenkins, Charles Speaks

Guests: Jackie Singer (Director of Retirement Benefits); Senior Vice President Frank Cerra, Associate Vice President Barbara Brandt (Academic Health Center), Dean Deborah Powell (Medical School)

Other: none

[In these minutes: (1) discussion with the director of retirement benefits; (2) stadium survey; (3) Medical School funding and governance issues]

1. Discussion with Jackie Singer, Director of Retirement Benefits

Professor Feeney convened the meeting at 1:15 and welcomed Jackie Singer, Director of Retirement Benefits. Ms. Singer works with the Retirement Subcommittee of the Committee on Faculty Affairs, he explained, but he thought that she should meet with the Committee in order to get acquainted.

Ms. Singer began by providing the Committee a short recap of her experience; she is in her 15th year of working in retirement planning and has worked in a number of areas in both the public and private sectors before joining the University of Minnesota. She then itemized some of the areas in which she is currently working.

-- Vendor management: where the University's funds are and are things happening the way they should. She has asked for the amount of money in the optional retirement plan (no one had asked) and where the money is being invested; she also is looking into whether transfers between vendors is accomplished as quickly as possible. She also is examining the fees and revenues they earn from the University's investments.

-- She is obtaining a breakdown of where money is invested, by fund, each quarter; she will be able to track movement, see if there appear to be panic decisions, and whether there is a need for education for a bear market for employees.

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

-- Determining revenues: in today's market, she wants to develop cost-sharing relationships with the University's investment partners.

-- Processing automation: the system has too much paper and she would like to develop an on-line enrollment option.

-- The post-retirement health care savings plan is being developed with the Retirement Subcommittee and has been presented once so far to the Committee on Faculty Affairs.

-- Education and investment advice and financial planning: with 270 optional funds in the plan, there are way too many for people to learn about, so they are looking at providing seminars. Many people are not comfortable asking questions about what a stock and a bond are so they would like to offer an open-door gathering at which there are no dumb questions. They receive a lot of questions about investment advice but they will not provide advice until the IRS rules that the University is not liable in the event people incur losses as a result of taking the advice. There could be legislation to allow the University to contract with a third party to provide unbiased advice; Ms. Singer said she would like to be able to offer that service.

Committee members discussed how Morningstar information could be provided to employees; the problem is how to get useful information to people without overwhelming them, Ms. Singer said. That is why she would like to be able to offer the financial planning service--which the University will pursue as soon as the lawyers are comfortable with the IRS's position on the topic.

Professor Feeney asked if there had been thought to consolidating the information from all the plans, life insurance, etc., on one report for employees. Ms. Singer said they would like to do that but the different levels of technological sophistication of the vendors is a problem. One of the vendors, for example, has essentially said that they may never offer on-line enrollment--so how hard should the University push Scudder and others for improved reporting options when the information cannot be consolidated? She added that she has spoken with Minnesota Life (though not Fidelity or Vanguard at this time) about doing all of the Faculty Retirement Plan recordkeeping, as it would simplify transfers and statements to not have this information at multiple vendors. This change is being examined and priced for feasibility. No changes to the other plans have been initiated at this time.

Minnesota Life finds the University's business very remunerative, Professor Marshak said; has that business ever been bid? Ms. Singer said she did not know--but that people got nervous when she asked for reports about what vendors are making from University investments. She said she would not rule out letting the contract out for bid but it is not something that is broken and she would want to examine the contracts closely before making any recommendation.

Minnesota Life is the oldest of the vendors but there is competition (there are a total of five vendors offering funds), but with the exception of a TIAA option, it is the only one offering a guaranteed asset value (the General Account/General Account Limited). The University pays a premium for that option, Professor Feeney said, but there has also been a big swing into the General Account/Limited given the state of the market the last couple of years. Presumably many insurance companies would be in a situation to provide such a product, Professor Marshak commented. Ms. Singer said they struggle with that; there are products from insurance companies that meet University needs but few are ready to put

money into the technology to keep up (such as on-line enrollment). At the same time, Minnesota Life is very responsive to the University, Professor Feeney said.

Have they thought about model portfolios, Professor Feeney asked? Or does that fall in the category of advice that they are reluctant to provide? Ms. Singer said that model portfolios are less of a problem. Professor Feeney noted that Morningstar has different model portfolios for aggressive investing, retention of capital, generation of income, and so on; those could be provided to employees. What would be most helpful for her, Professor Kane exclaimed, would the portfolios of the most successful investors! The University provides so much choice, in order to meet individual needs, but it provides so much choice that people cannot deal with it, Ms. Singer agreed. Professor Feeney said that he and Professor Goldstein fought to have a lot of choice in the optional retirement plans.

Ms. Singer said it would be possible to offer a plan that would only require University employees to look at 20-25 funds--and offer them a window on to the other 3000 that are possible. If they find what they like in the original 20-25 funds, fine; otherwise, they can look at the many other choices.

Are the plans in good shape generally, Professor Kane asked? They are doing pretty well, Ms. Singer said. The year-to-date numbers in the Faculty Retirement Plan make her a little nervous (they are down $200 million), she said, but Minnesota is very wealthy compared to other Big Ten institutions. Why, Professor Kane asked? Because of the larger University contribution, Professor Martin responded. And because the plan vests immediately, Ms. Singer added, and agreed that the University's contribution far surpasses that of its competitors.

Is there any way the University could back off that contribution, Professor Kane asked? It is just University policy, she observed. The possibility exists, Professor Feeney said, but the faculty would "fight like crazy." There might be a proposal to divert a small amount of the money into a post-retirement health care savings plan, he said, and that will be discussed at the Faculty Senate meeting on December 5.

Professor Feeney noted that there is a group of people from Asset Management and from Ms. Singer's office who meet twice per year with representatives from Minnesota Life to review all the assets and how they are being managed. The University has over $1 billion in the General Account/General Account Limited, and individuals are only guaranteed $100,000 if the company were to collapse, so they watch it "like a hawk." Ms. Singer reported that her office received a few calls after the Enron collapse but they have not seen a lot of money flowing out of equity investments.

Professor Feeney reported that the University has a new chief investment officer; he suggested the appropriate committee should hear from that individual. He thanked Ms. Singer for joining the meeting.

2. Stadium Survey

Professor Feeney reported that a working group on a stadium survey has been appointed and is developing a questionnaire that will go to all Senate governance groups (Senate plus all committees and subcommittees) as well as a random sample of students and employees. The results of the survey will be presented to the Board of Regents at their December meeting, when they are scheduled to take up the issue of the stadium. [NOTE: As these minutes were being prepared, the Vikings withdrew from the stadium negotiations so there will be no survey.]

3. Medical School Issues (Including Governance)

Professor Feeney now welcomed Senior Vice President Frank Cerra, Associate Vice President Barbara Brandt, and Medical School Dean Deborah Powell to the meeting to discuss Medical School issues. One of his goals, he related, is to get rid of "the Washington Avenue Syndrome," which can be accomplished by talking about issues. The Committee met with Senior Vice President Cerra last week to discuss Academic Health Center issues; now it will talk with Associate Vice President Brandt and Dean Powell about Medical School issues. The spirit behind these discussions is "no surprises": people must talk, especially when it appears the University may have a bad year at the legislature.

Dean Powell began by noting that she has been at the University for five weeks; she provided a brief précis of her experience before coming to Minnesota. In her 20 years at the University of Kentucky, she recalled, she had served in the Faculty Senate, on their equivalent to the Faculty Consultative Committee, and had served as a faculty representative to the Kentucky Board of Regents--so she has a history of involvement in faculty governance and believes deeply in it.

Dean Powell distributed a handout setting forth the responsibilities of full-time clinical faculty and full-time regular (tenured, tenure-track, or equivalent term appointment) faculty. The problem that medical schools have is that much of the education they provide is an apprenticeship. Of the four years, the first two are essentially basic science and the last two are the apprenticeship during which students rotate through major areas of medicine. Because of the way the Medical School is financed, it needs faculty with a more traditional orientation to teaching and research as well as a cadre of faculty who practice and translate practice to students. The latter group of faculty is not excused from scholarship but they are finding it more and more difficult to do at a level that receives peer-reviewed grant funding. Medical schools are trying to deal with the problem of playing its major role in physician education, an inability to sustain that role with traditional tenured faculty, and thus requiring a group of faculty who cannot get through the ranks using the traditional tenure standards.

Do the clinical faculty have annual appointments or do they have 3-5-year contracts, Professor Martin asked? It varies, Dean Powell said, as units grapple with the issue of retaining them. All of these clinical faculty could make more money if they only practiced medicine; they are at the University because of their love for education and teaching. Some use the clinical title, which creates second-class citizens.

In the 1980s there was a large group of T ("temporary" that were not temporary) appointments that were converted to tenured appointments because of the Rajender consent decree, Dr. Cerra pointed out. With that change, the number of faculty in the Medical School doubled. These faculty are doing teaching and research. With the shifting finances of the school, there has been a tendency to hire "clinical scholars" in increasing numbers. That phenomenon shows up on graphs that plot a declining number of tenured and tenure-track faculty and an increasing number of non-tenured/tenure-track faculty who are in many cases doing work that carries out all three parts of the mission (but usually with an emphasis on two of the missions).

Every institution is grappling with this problem, Dean Powell continued. At Minnesota, the faculty decided to emphasize the role of the clinical scholar (contract faculty who have 3-5-year appointments and to whom there is a commitment by the School, although it is not the same as to the

tenured faculty). Associate Dean Ann Taylor worked with a number of the AHC colleges to put together a document to better define the role and responsibilities of faculty in the clinical scholar track, which is the handout she earlier distributed to the Committee.

The Committee looked at the handout, with commentary from Dean Powell. The clinical scholars spend more time on teaching and scholarship related to applied medical science. They produce a different kind of scholarship that is focused on discovery (of science or education), integration (translational research across disciplines), application (technology development, patented discoveries, clinical trials), and studies of the transmission of knowledge. The tenured and tenure-track faculty, by comparison, spend a larger percentage of their time on discovery of new principles of science, medicine, or education that includes basic and translational research, outcomes research, and clinical research.

The clinical scholars need to be recognized for distinction in applied medical science, Dean Powell said. They are practicing medicine and instructing students and are part of the core faculty. The tenured and tenure-track faculty spend a smaller percentage of their time in clinical practice and are expected to participate in service and outreach activities in the University, the community, and professional organizations. The document, she cautioned, is a work in progress.

Must one obtain significant sponsored research in order to obtain tenure, Professor Kane asked? There are expectations about sponsored research, Dean Powell said. Why does the document not say so, Professor Kane inquired? There is nothing about funding in the descriptions of responsibilities. Nor is there anything in any (tenure-code-required) 7.12 statements, Dr. Cerra responded, or anywhere else in the University. The understanding, however, is that to be promoted to associate professor one must have peer and national recognition in the profession; to be promoted to full professor one must have national and international recognition. One must also demonstrate the ability to sustain career development. Then there are several criteria that come into play: funding from NIH, service on study sections, what one has published, where one has published, the meetings one is invited to. These are not specified in a 7.12 statement but they are what are in department and school reviews. Promotion and Tenure Committees tend to put a premium on NIH funding, as it represents a competitive, national, peer-reviewed process for scientific research. If a dossier has not history of obtaining NIH grants, it will probably not get out of the school for central review. Dossiers based on an emphasis in education and/or service, with some research, are unusual.

Some clinical scholars may get funded, Dean Powell said, but they are unlikely to receive major NIH funding. They do not have enough time to obtain such funding because they devote their time to education and teaching using their clinical base. The Medical School does, however, expect some contribution to the literature, and the clinical scholars do contribute. They are also expected to generate income from their clinical practice; the amount varies with the field of medicine (e.g., family practice does not generate the same amount as surgical subspecialties). Half of the Medical School's revenues come from clinical income.

Professor Sampson said he could not understand why one category of faculty was tenurable and one was not. If medical schools stopped producing doctors, society would be very upset; that is a crucial point about why there are medical schools. Why are the people designated clinical scholars not tenurable, he asked? Dean Powell agreed that they should be; it is primarily an economic issue, she said. Clinical physicians make high salaries (less than physicians in private practice but higher than the rest of the University); the Medical School could not guarantee the salary if the individuals were tenured. This is a

very challenging issue: if they try to recruit neurosurgeons, radiologists, and family practitioners, the last could have lower salaries but be most valuable in education. But people make their choices; those who choose family practice know they will make less money that a physician in another specialty. People make decisions with economic consequences.

They would like to have a level playing field, Dean Powell said, but with the state of public funding, clinical income, and research funding, they are taking the intermediate step of the clinical scholar appointments in order to give people meaningful recognition. It would not be possible to have a medical school without these people--they are essential to its work. Dr. Cerra said one sees this problem in every AHC college--and he suspects one sees it in other colleges as well. Endodontists make $400,000 - $500,000 per year; the University CANNOT pay that much, which is why it developed a practice plan.

Professor Martin said that what is needed is a mechanism to recognize the clinical scholar but it cannot be financial. She said she was not sure how it would be to have people doing essentially the same work as tenured faculty but not have the same guarantee that they do. "That is our culture," Dean Powell replied. That is the way the University operates, Professor Sampson added; one is not penalized because one is paid less.

Dean Powell said she was very concerned about freedom of inquiry; she wants all faculty to be able to teach as they wish. The clinical scholars are disadvantaged--they want them to be as complete a citizen as possible but they do not have the right to a sabbatical. Clinical scholars are highly regarded and the Medical School wants them to be as close to tenure as possible (they would not make decisions about the tenured and tenure-track faculty, which they understand, but they do participate in curricular planning).

The categories seem to go against the provisions of the proposed governance policy, Professor Balas said. Dean Powell had said that education is most important to clinical scholars, he recalled, while the tenured and tenure-track faculty teach as they have time. Dean Powell said that was not what she meant; the time committed by clinical scholars to education and research varies.

The average allocation of time of a tenured/tenure-track faculty member in a clinical department is about 40% teaching, about 25% research (NIH funded, competitive), and about 35-40% practicing medicine, Dr. Cerra told the Committee. While they are practicing, they may spend 90% of their time in practice with medical students, medical fellows, etc. (for perhaps 2-3 months). The categories in the handout do not explain this very well, Professor Balas observed.

If one is a tenured faculty member in the Medical School, how much of one's salary comes from the state, Professor Marshak asked? About 10%, Dr. Cerra said. The tenure guarantee is for the entire salary, Professor Marshak asked? Dr. Cerra said the average clinical faculty salary is about $200,000. Of that, $90,000 is the tenured base, about $20,000 comes from the state, and the rest is generally comprised of clinical revenue. Above the base, between the $90,000 and the $200,000 in this example, the dollars are on an "earn as you go" basis. The individual can earn up to the cap from practice income; the remainder is redistributed to support student and resident education and pay for research infrastructure. If one is a clinical faculty member, there is no guarantee from the state, Professor Marshak asked? Only the state dollars in the base, Dr. Cerra said.

But they cannot tenure more individuals because of the risk associated with fluctuating income, Professor Marshak observed. In the School of Public Health, 70% of the salaries are from research funding, Dr. Cerra said. In Epidemiology (in Public Health) most faculty are not tenured, they have contracts that run for the term of the grant. If there is no grant, the University does not guarantee the position. People take the positions knowing that, he said.

Not all clinical scholars receive the same amount of state money, Dean Powell said. If a department wants to hire a tenure-track faculty member, it goes through an exhaustive process to identify the funding committed to the position, which position the dean then approves. If a department wants to hire a clinical scholar, the department tells the dean it can provide a little money; the dean says that if the rest of the salary can be generated from clinical income or other sources, the position will be approved. If the Medical School tried to make a commitment to everyone to a certain base salary there would be an enormous financial problem.

When deciding whether or not to sell the hospital, Dr. Cerra told the Committee, they went through an analysis that considered closing the hospital and moving all the education into communities. The judgment was that the risk of losing the quality of education was so high, and the need of the faculty to have a teaching facility that was close to their research labs was so high, that the better option was to sell the hospital to a health system that valued the role of education and the performance of research by faculty. There are about 880 medical students and about 1100 residents and fellows; with about 2,000 students, they could not hire enough tenured and tenure-track faculty to teach them all. Nor did they want to; there is much students learn from practitioners in the community. A large percentage of health professional education has always occurred in communities with the private practice community. In addition, only about 10% of medical students go into academic medicine. They are afraid to reduce the number of medical students, however, because they believe there is already a physician shortage; the Medical School produces 70% of the state's physicians.

The Commonwealth Fund last year issued a report about the education of physicians, Dean Powell said, and the report concluded that clinical faculty are the most endangered group in medical education. They are under enormous pressure to do clinical work but they come to a university because they love to teach. If also required to do funded research, many will leave academic medicine. What is the answer, Professor Martin asked? Try to create a meaningful track allowing them to progress through the ranks, Dean Powell said, a track that recognizes their contributions and relieves them of the obligation to conduct major grant-funded research, a track that says the Medical School values their career because they perform teaching and clinical work--and scholarly work tied to the two. The track also allows them to be accorded respect by their peers because they are teaching and participating in the curriculum. At the same time, they understand they are not tenured/tenure-track faculty, but they do want to participate in curricular design, something they are VERY good at. They are worried that the draft governance policy will send a negative message.

Professor Martin said she could understand why the Medical School wants to have clinical scholars. But if the mechanism is set up so they can move through the ranks, does that not create a second-class citizenship category? They are like tenured faculty but they are not. They work with tenured faculty, who say the clinical scholars are valued. Is this a cultural problem rather than a structural problem? One can change the structure but not the culture. Both Dean Powell and Dr. Cerra agreed. Dean Powell related that the Medical School faculty had voted on the clinical scholar track and strongly support it. Dr. Cerra said they would welcome any ideas that this Committee has.

Professor Sampson said it was difficult to reconcile what has been said about the draft governance policy and what has been said at this meeting. He said he has no doubt the tenured faculty support what the clinical scholar faculty are doing but it would be possible to have a vote in which the clinical scholars could be disenfranchised, even with strong support for them. The distinctions in the draft policy are not the distinctions observed in the Medical School; they are not what the policy had in mind. He said he did not know what the answer is; he was not persuaded there is a problem with the policy but there is a significant problem that medical schools are trying to find a way to address.

The only problem they see with the draft policy, Dean Powell said, is that in the Medical School they are trying hard to make sure many people are involved in decisions (she clarified that this did not mean deans and other administrators). Some decisions are reserved for the tenured/tenure-track faculty. They are bothered by the voting requirements in the draft policy--units seldom vote on things because they act by consensus. The idea that only the tenured/tenure-track faculty can vote on the curriculum is troublesome for them, she said, because the clinical faculty are part of the core faculty of the Medical School and they do not want to change that part of the culture because they want to keep an important group at the University. She said she hoped the Committee had some understanding of the Medical School and that it does not want to create any sense that the clinical faculty are not involved in a major way. Professor Martin agreed with the point about voting; in her department, she said, they typically only vote on hiring, tenure and promotion, and sometimes on student awards.

Professor Feeney said this had been a very good discussion and that the points raised would be taken into account as the policy was redrafted. The Committee wants views from many people around the University so the document is something people can support. They know that there are some schools in trouble; the goal is to have a level playing field and to get things cleaned up, not to cause problems in units that are working well.

Professor Feeney thanked Drs. Brandt, Cerra, and Powell for joining the meeting and adjourned it at 3:15.

-- Gary Engstrand

University of Minnesota