Minutes[*]

Senate Committee on Faculty Affairs
Tuesday, November 14, 2000
3:07 – 5:00
The Morrill Room
Morrill Hall

Present: Richard Goldstein (chair), Josef Altholz, Avner Ben-Ner, Carole Bland, Carol Carrier, Robert Fahnhorst, Daniel Feeney, John Fossum, Darwin Hendel, Joan Howland, Charlene Mason, Cleon Melsa, Carol Wells

Regrets: Dwight Purdy, Wade Savage, George Seltzer, Tom Walsh, Lisa Wersal

Absent: Robert Jones, Larry Miller, Theodore Oegema, James Perry, Sheila Warness

Guests: Associate Vice President Richard Pfutzenreuter, Julie Tonneson (Office of Budget and Finance); Professor Richard McGehee (Health Plan Task Force); Professors Kent Bales and Fred Morrison (academic appointments)

[In these minutes: (attempted) clarification of salary and health care cost data in the biennial request; report from the health plan task force; academic appointments]

<u>1. Biennial Request Salary and Health Care Data</u>

Professor Goldstein convened the meeting at 3:13 and welcomed Associate Vice President Pfutzenreuter and Ms. Tonneson to discuss the biennial request amounts for health care and for salaries.

Mr. Pfutzenreuter distributed a two-page handout which attempted to describe why the University's request to the state to cover increased health care costs is $58 million and not something less than that. [The handout is appended to these minutes.] He emphasized that it is important to keep in mind that when the University requests funds for health care from the state, the amount is based on an estimate of costs only for O&M and State Special funds, so the $58 million is NOT the full cost of health care at the University.

Ms. Tonneson then reviewed the handout. She tried to explain to the Committee how cost numbers are derived, what assumptions are used, what the expected cost increases will be, how the data relate to the University's salary data and costs to departments, what expected costs will be for the next three years, and how fluctuations in costs lead to over- or under-recoveries. Under-recoveries must then be made up by including them in calculation of costs in following years; over-recoveries cause a reduction in costs in the following years.

Mr. Pfutzenreuter described the impact of using a fringe benefit pool, rather than direct charges to units, said that use of a pool requires estimates (which must be made before rates are actually known)

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[*] 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 represent the views of, nor are they binding on, the Senate or Assembly, the Administration, or the Board of Regents.

which in turn causes the fluctuations in recoveries and that therefore the costs jump around from year to year. He noted that the state does not use a fringe pool and said he would welcome a recommendation to abandon it. One consequence of changing to a direct charge would be elimination of cross-subsidies that currently exist, in which units with higher-salaried individuals subsidize units with lower-salaried individuals. A change would create budget problems, he said, but he would prefer to have the budget problems on the table and deal with them rather than face these volatile fringe benefit pool costs each biennium. One alternative would be to change rates in mid-year, to avoid over- and under-recoveries, but that would wreak havoc with PIs who have grants and with department budgets, so he does not recommend that option.

The Committee discussed the data at length, with various Committee members expressing considerable confusion and frustration at what they meant and how they were derived; the upshot of the discussion was that Professor Goldstein insisted the Committee needed a breakdown of the data; Mr. Pfutzenreuter said his office would be glad to provide the data but he, in turn, insisted that it be clear exactly what data the Committee wished to have. After some amused contentiousness between the two, it was agreed that the Committee would take up the issue again at a meeting in the near future. To be reported are the actual costs of certain items: medical insurance, dental, administrative costs, and life insurance.

Mr. Pfutzenreuter assured the Committee, at one point, that the numbers in the biennial request are NOT padded; they reflect the costs the University will face and what departments will be charged in order to cover those costs. If the legislature requests detail about the expenses, he said, the information will be provided; the University is certainly not trying to hide anything.

The Committee then turned to salaries; the discussion went about the same way as the discussion of health care costs. There was a lack of clarity about how many faculty there are at the University, who is and is not included in the count, and how salary increase costs are related to the sources of funding for faculty salaries, especially for faculty whose salary is paid in part by practice plans.

It was again agreed that the Committee would be provided additional data, including salary costs to the state as well as total salary costs. Professors Bland and Feeney made it clear that the question of salary increases (said to be lower in the health sciences than in the rest of the University) and cross-subsidization through the fringe benefit pool is a topic of great interest in the Academic Health Center. The point of the Committee's request, Professor Goldstein said, is to identify exactly how much FACULTY salary increases cost the state; the actual amount of money going directly for faculty salary increases appears to be on the order of two and one-half million dollars per percentage of increase, a relatively small amount. Professor Bland maintained that the non-state costs cannot be hidden and must be included in data the Committee is to review.

Professor Goldstein thanked Mr. Pfutzenreuter and Ms. Tonneson for their presentation.

2. Health Plan Task Force

Professor Goldstein now turned to Professor McGehee for a report from the Health Plan Task Force.

Professor McGehee said the final report is on the web; he provided copies of the executive summary, the recommendations, and the proposal for a Benefits Advisory Committee (BAC). He said he would not review the recommendations and summary because there was nothing new in them. He said that it is the view of the Task Force that its work is now done and that ongoing work is to be done by the new Benefits Advisory committee.

The Committee then discussed the BAC and, more specifically, what benefits would be included in its charge. The draft language prepared by the Task Force explicitly excluded from the responsibilities of the BAC the Faculty Retirement Plan, the Optional Retirement Plan, MSRS, faculty group disability, and faculty group life insurance. Professor McGehee said the intent of the Task Force was that the BAC have responsibility for all health and related benefits, with pension benefits excluded, and that further definition of BAC responsibilities could be determined in the future.

What would be included besides health, Professor Bland asked? Dental coverage and long-term care, for example, Professor McGehee said. The Committee discussed for some while how to define what should and should not included in the charge to the BAC. It also discussed whether BAC should be a Senate committee; the general view appeared to be that it should not because it would also include, in addition to faculty, representation from the civil service and the professional/administrative employees (and from graduate assistants if their health benefits are rolled into the general institutional health care options for employees).

The proposed voting membership of the BAC includes four faculty, four P&A staff, four civil service staff, and two retirees. Graduate assistants would also have four members if they receive benefits through the University's group plan and would have voting rights only on issues that affect graduate assistants. Non-voting members would include two representatives from employees who are in collective bargaining groups and two representatives from the Council of Graduate Students (as long as graduate assistants are insured in a separate plan). There would also be the appropriate ex officio members and provision for the voting members to meet separately, and for the voting and non-voting members to meet together but separately from all others. There is also a provision in the membership language intended to ensure that there will be representatives from the coordinate campuses.

The only power of the BAC is to advise the administration. The provision for voting members to meet separately is to ensure that only those people who are affected by the plans have the opportunity to offer advice to the administration and not be required to justify it to those who are not affected.

The next step is that all four of the recommendations from the Task Force go to the Senate on November 16 for action.

A number of points were touched upon in the ensuing discussion.

-- The BAC is intended to be an umbrella committee that would include representatives of other committees (the Civil Service Committee, the Academic Staff Advisory Committee, and the Senate, perhaps in part through the Senate Committee on Faculty Affairs); the idea is not that the Benefits Subcommittee of this Committee be replaced but that the BAC serve as a forum to bring all employee groups together.

-- The BAC would be accountable to the President; it is not clear who would charge the BAC. The real question, Professor McGehee said, is if there is a confrontation, who has the authority to say the committee is dissolved? There was concern about how information on BAC recommendations would be transmitted to the Senate, ASAC, and the Civil Service Committee, and what actions those groups might take if they opposed recommendations from the BAC.

-- It is assumed that the three groups--faculty, civil service staff, P&A staff--would appoint their own members to the BAC in whatever way they normally make appointments to committees. So also with the two retirees.

-- Whether the BAC would be chartered by the Senate or other groups was not decided. It will be an administrative committee to advise the Vice President for Human Resources. Professor McGehee said he would be happy to have it established any way that people wished; most important is that it be appointed and start working because the administrative response to the Task Force report is already being developed. There is a group working with the state to determine if the Task Force recommendations can be implemented. If the BAC is not set up, the alternative is an administrative group will do everything, which is a worse outcome than setting up the BAC with some uncertainties remaining.

-- The Civil Service Committee and ASAC must support the BAC or it will not work; if the BAC is to report to the Senate, that arrangement would not be viewed positively, Professor McGehee said. The four members from the Senate should be constituted as a faculty committee, Professor Altholz suggested, so it would be part of the larger group but also part of the Faculty Senate.

-- The BAC should have a sunset provision and not be renewed unless the Senate approves. One concern is that the faculty are outnumbered--which could be good or could be bad, Professor Bland maintained. The civil service and P&A staff could take the same view, Professor McGehee observed. There appeared to be general agreement that a sunset provision should be included.

Professor Morrison agreed on the urgency of the need to create the BAC and said that technical issues could be settled later if the Senate approves the motion to establish the BAC. Up to now, he said, the University has had NO voice in health plans--they have been run entirely by the state Department of Employee Relations. For the last two years faculty and staff have had the Task Force to add their voice to the process; that voice must be kept. The idea that each subgroup reports back to its constituents is a good idea but unless one wants a benefit system that excludes civil service and P&A staff (which is highly unlikely), one cannot insist that the faculty control benefits (that is why the Faculty Retirement Plan, among other things, has been carved out of the responsibilities of the BAC).

-- There was considerable discussion about what should and should not be in the charge to the BAC and how that charge might be described. One suggestion was that it should have responsibility only for benefits that go across all employee classes, but even that gets very complicated, especially if graduate assistants are included. (For example, the optional retirement plan crosses all groups but it would difficult to separate it from the Faculty Retirement Plan.) It was never intended, for example, Professor McGehee said, that the BAC would have any say in sabbaticals. Professor Ben-Ner summarized the views of the Task Force by saying there was one group that wanted an expansive charge to the BAC so it had responsibility for benefits in their totality and another group that wanted it more narrowly focused on the health plan; the proposal that has been made is a hybrid with things not said left to the BAC to work out. It does, however, have a larger responsibility than simply looking at the money that goes into health plans. Professor Goldstein said his concern is that anything that is not specifically EXCLUDED will later be seen to be INCLUDED in the purview of the BAC. He said he wished the charge to be more specific about what it includes and does not include in order to avoid jurisdictional disputes in the future.

There are many issues the BAC might want to address in the future, Professor McGehee said; the civil service staff, for instance, have pushed for a cafeteria benefits plan so that people could move their benefit dollars around.

Professor Feeney took the position that the proposal for the BAC is in front of the Committee only because of the health plan. There have been attempts at joint efforts with civil service, faculty, and P&A staff in the past and they tend to run into trouble. The common ground is health care and other issues should not be tagged on to it. The BAC should deal only with the health plan.

-- The critical time will be the next three months, Professor Morrison said; it is then that the arguments about health care will take place. There must be a BAC up and running during that time; the jurisdictional questions can be addressed later. December/January/February will be the period when "it is time fish or cut bait" and that is when consultation will be required; this is not the time to argue about the constitution of the consultative body. For now, it should deal only with health care. Perhaps the BAC should be established informally right now and a proper charge and constitution can be prepared before the summer. The Senate could be asked to vote to set up the committee, with the general framework as recommended by the Task Force (e.g., the 4-4-4-2 membership), and final action on the details held over to later in the spring.

Professor McGehee said he agreed with Professor Morrison. He said he had no problem with a sunset clause and no problem with limiting the charge to health care but that he had a big problem with not getting the group in place immediately. "Take it to the Senate any way you want to," he urged the Committee. Professor Goldstein agreed that if the Committee were not voting on the exact form of the BAC, it should be moved ahead; the Committee could take up form later.

Asked how the Senate acts on committees, Professor Morrison said that if a Senate committee is to be created, it amends the bylaws. If a different committee, there is no known mechanism; presumably a resolution would be sufficient. He agreed that the Senate should be asked to approve creation of an interim committee immediately and with the suggestion that for the short term it should be called the health benefits committee.

Professor Goldstein thanked Professors McGehee and Morrison for their assistance.

3. Academic Appointments

Professor Goldstein now welcomed Professor Bales to the meeting, who joined Professor Morrison for a discussion of the academic appointments documents. Committee members were provided a revised copy of the draft administrative policy and a revised draft of the statement of principles.

Professor Morrison recalled for the Committee that the Bales committee had done a magnificent job of identifying the problems with academic appointments and suggesting ways in which they might be addressed; the Brandl committee tackled the problems as well and arrived at slightly different recommendations. The draft proposal that was later prepared was intended to create a set of rules--where there were none before--to control academic appointments, and to provide a mechanism to find out what is going on. As the discussion evolved, he related, there were horror stories that came to the surface. As a result of the deliberations a two-track approach is being recommended.

One, there will be an academic appointments policy, an administrative document, in which the central administration says to departments that they must have conscious plans for the use of non-regular faculty and that those plans must be consistent with the rules. The policy also says that if there is a substantial number of non-regular faculty in a department (more than 25% of the FTEs), there must be a written plan that is sent forward to be reviewed by the Executive Vice President and by the Tenure Subcommittee to determine if it is appropriate.

Two, does the Senate support some kind of limit or restriction on non-regular appointments? He has drafted a set of principles, built on the Bales committee report and on the knowledge acquired since that report was issued, that takes the position the regular (tenured and tenure-track) faculty are the core of the instructional activities of the University and that instruction should generally be provided by regular faculty. The principles allow for the appointment of non-regular faculty and recognize that there are places where they are appropriate.

The statement of principles has gone through several revisions as a result of comments from FCC and the Committee on Educational Policy, Professor Morrison told the Committee. The principles, if adopted by the Senate, are to provide the context for the administrative policy and to set some limits on what have up to now been "freewheeling department decisions." The principles declare that educational policy should drive decisions, not finances.

It is possible to make further revisions to the documents, Professor Morrison concluded, but if the discussion is spun out, every year there is a bigger problem to deal with. This needs resolution, even if the documents are not perfect. Professor Goldstein noted that only the one-page statement of principles is going to the Senate for action; the Committee, he said, can urge further modifications to the administrative policy in the future. He also pointed out that the administrative policy is tougher in some ways than the tenure code. Professor Bland inquired if the administrative policy were going to the Senate as well; she suggested that it should because it changes policy, such as calling for a plan from units where there are more than 25% FTE non-regular faculty. Professor Morrison said he thought it did not represent a change in policy but rather enforcing existing policy and that the Senate should adopt the principles but that the policy should go for information but not action. He said he did believe the Senate could or should get into the language of a 22-page policy: "that would be like doing the tenure code over again and I do not want to do that again."

Professor Goldstein inquired of Professor Bales his reaction to the revised documents. Professor Bales distributed a one-page summary of his views, noted that two other members of the Joint Committee (the Bales Committee) are members of this Committee (Professors Bland and Melsa), and remarked that his name is only a shorthand reference to the a committee whose members stuck to the task for more than two years. He summarized the intentions of the Joint Committee and compared them with the current proposals. He said the principles being proposed to the Senate were a large step in the right direction and applauded the addition of language that courses in the major and at the graduate level should be taught by regular faculty. He later said he wished he had written the principles and endorsed them.

One concern has been that establishment of the 25% FTE threshold for non-regular appointments would provide not only a brake on such appointments but also an opening for departments that WANT to go up to 25%. Interviews conducted by the Joint Committee, however, convinced him that departments that do not now use non-regular faculty do not want to start doing so.

The proposals do not reform the classification system, as the Joint Committee recommended, but uses what is already in place, except that it removes Education Specialists from teaching. The policy "goes a long way toward the honest use of secondary titles, although it leaves ungoverned secondary titles for non-instructional faculty-like employees, such as Research Associates." In other words, the policy does not touch people who are hired to do research, who must obtain their own funding, who represent themselves (for understandable reasons) to funding agencies with professorial titles, and who are replacing faculty but often doing different (applied) research. Professor Bales urged that action be taken soon to regulate these titles as well.

Professor Bales also asked that the language requiring "broad consultation" in development of supplemental plan be toughened because it requires only consultation on the part of deans.

The people most left out are the P&A employees, Professor Bales concluded. They will receive retirement benefits (after a delay) but they will not have as much to do with governance as the Joint Committee had recommended.

With respect to people who are doing research, Professor Morrison said the organizing theme of the policy and the principles was instruction and instructional personnel. Those with exclusively research or service titles were left out. That problem can be addressed later.

Professor Wells warned that the term teaching is subject to abuse. Some whose responsibilities are almost exclusively in research have 1 or 2 lectures per year (lectures, not courses), say that they teach, and thus justify being appointed to a tenure-track position. The regular faculty, in term, are offended because they must do much more teaching but are judged on their research. Teaching is an avenue for abuse; it can be next to nothing.

Professor Bland said that she wished it in the record that after three years of complaining about the issue she believes the current documents "are wonderful." She did raise a couple of questions. First, if secondary working titles (adjunct, teaching, research, clinical, etc.) can be combined with a professorial title (assistant professor, associate professor, professor), what are the criteria by which one can move up the ladder with these titles? Professor Morrison said the decision should rest on the same criteria (those related to teaching) that appear in a department's 7.12 statement.

Professor Bland's second question had to do with the mandated five-year review of the policy and the call for the review to determine the success of the policy in meeting its goals: what are the goals, she asked? To accomplish what is set forth in the principles, Professor Morrison said. It was suggested that Vice President Carrier draft a set of goals that the administrative policy would be intended to accomplish.

Does the document say that those individuals with major teaching responsibilities at the senior level MUST be regular faculty with professorial titles, Professor Wells asked? It does not say so directly but it implies it, Professor Morrison. But there are very different practices in very different departments; it cannot be said that a person responsible for the development and teaching of a course must be a regular faculty member, but one can say that responsibility for the curriculum rests with the regular faculty. It may be that a specialized course needs to be taught by a practitioner, Professor Wells said; Vice President Carrier agreed that such individuals are needed. The document tries to address that issue, Professor Morrison responded, by use of the academic staff or adjunct titles.

There are a number of people who hold civil service appointments who teach, Professor Wells observed. That must be looked at, Dr. Carrier said; there are conversion issues that must be addressed.

Professor Melsa requested one minor clarification in the policy to which Professor Morrison agreed. He also asked whether someone in an academic staff position could transfer to a tenure-track appointment; are people cast in the academic staff or contract faculty position forever or would they be given time to change? Or would there have to be a new search altogether? Professor Morrison said he believed there would have to be a new search.

Professor Bland asked if it would be appropriate to include the principle of the 25% limit in the principles as well as the administrative policy. Professor Morrison responded that that is not a principle and starts being a detail. If it is a principle, then presumably any number of non-regular appointments up to 25% of the FTEs would be OK; "we do not want that to be OK," he said, and said he would prefer to stay with the existing language. Would anyone understand, reading the principles for the first time, that by far the majority of faculty should be regular faculty, Professor Bland asked? There is a good document behind the principles (the administrative policy), Professor Feeney said, and the principles make it clear the majority of faculty are to be regular faculty. If one takes seriously the responsibilities of the regular faculty identified in the principles, Dr. Mason said, she does not see how a department perform them without a substantial majority of regular faculty.

Professor Bland moved that the Committee endorse the statement of principles. The motion was adopted without dissent. Professor Goldstein told Committee members to identify any suggested changes in the administrative policy and email them to the Committee staff; they will be compiled for the next meeting.

Professor Goldstein adjourned the meeting at 5:20.

-- Gary Engstrand

University of Minnesota

Analysis – Health Related Fringe Benefit Cost Increases
2001-03 Biennium

The estimated increase in health related fringe benefit costs to University departments (in O&M and State Special funds only) is $58 million for the 2001 – 2003 biennium. This amount is included in the University's Biennial Budget Request to the state, referenced as "Health Care Cost Increases". Two primary questions have been raised as to the magnitude of this estimate:

1) How could the cost estimate be $58 million, when the University's health care costs are expected to go up about 20% annually on a $67 million annual cost? Shouldn't the annual increase be $13 - $14 million?

Response:
The University's system for paying the employer share of fringe benefit costs is a "pooled" system. A "fringe benefit rate" is calculated for each fiscal year, and that rate is applied to all eligible salaries in every department, including those funded with sponsored grants. The proceeds of this charge then get pooled together in a central account, and the fringe benefit costs of the University are subsequently paid from this account. This fringe rate generates the cost to the departments.

The health related costs are increasing more than 20% on a higher annual cost base between fiscal year 2000-01 and 2001-02. The following factors have been built into the estimated fringe rates:

Summary Table – All Funds

Estimated Costs	**FY01**	**FY02**	**% change**	**FY03**	**% Change**
Health Premiums	$88 million	$109 million	24%	$128 million	17%
(Over)/Under Recovery	($3) million	$11 million	--	$12 million	9%
Totals	$85 million	$120 million	41%	$140 million	17%
Biennial Cost Increases		$35 million	+	$35 million	
			+	$20 million	
Total					$90 million
Estimated O&M/State Special Recoveries					$58 million
% of Total Estimated Cost Increase				64%	

- The $67 million cost figure was calculated by multiplying the recoveries for health insurance alone from one pay period in fiscal year 1999-2000 by 26. The actual cost figure for fiscal year 1999-2000 used in calculating the fringe benefit rates was $78 million, which included dental insurance and the administrative costs charged to the health related fringe benefit accounts. This expanded definition of health related costs is used consistently in cost figures for calculation of the fringe benefit rates.
- The cost of health related insurance premiums between 2000-01 and 2001-02 is estimated to increase from $88 million to $109 million or 24%.
- Additionally, each year a factor is included in the rate development calculations for over or under recovery of costs from two years ago. In other words, the 2000-01 rates include an over recovery of health related costs during fiscal year 1998-99 of $3 million. This $3 million over recovery effectively reduces the total amount of costs that must be recouped via the 2000-01 fringe rates. The 2001-02 rates, on the other hand, include an under recovery of health related costs for 1999-2000 of $11 million, which effectively increases the total amount of costs that must be recouped via the 2001-02 fringe rates. The resulting cost increase between the two years for this factor is then $13 million.*
- **The 24% increase in premium costs, plus the $13 million spread in over vs. under recovery costs leads to an estimated annual cost increase of more than 20% between 2000-01 and 2001-02.**
- Reflecting recurring cost increases in biennial terms necessitates multiplying the first year's increase by two (for both years of the biennium) and then adding the second year's increase. Therefore, a large increase the first year leads to a larger than expected increase over the biennium.

* Note: the large under recovery in health related fringe benefits during fiscal year 1999-2000 occurred because the estimated increase in health costs factored into the development of the rates was 12% when the actual cost increase turned out to be 23%.

2) How could the cost estimate be $58 million, when the biennial request only includes estimated increases on O&M and State Special funds, and these two funds only represent roughly 55% of the University's all-funds salary base? Shouldn't the cost to these funds be closer to $7 million annually (55% of $13 million)?

Response:
The estimated $58 million cost increase to departments in O&M and State Special funds represents approximately 64% (compared to the anticipated 55%) of the total recovery from all funds during the biennium. This level of contribution results from a combination of two factors:

1. The O&M and State Special salary base used to estimate departmental costs averages at 69% of the total salary base used in the calculation of the fringe benefit rate. The total (all funds) salary base used in calculation of the fringe benefit rate is reduced by deducting salaries that are ineligible for health benefits – (the salaries of part time employees are subtracted for example). This same reduction of the salary base does not occur when estimating the impact on O&M and State Specials in the departments. Therefore, while O&M and State Specials salaries represent roughly 50-55% of the total all funds salary base in any given year, they represent closer to 70% of the salary base used in the calculation of the fringe benefit rates.

2. While their percentage of the relevant salary base is closer to 70%, as stated above, O&M and State Specials are estimated to recover only 64% of the total cost increase. This is because the salaries built into the two estimating procedures are increasing at different rates. Salaries used in estimating the fringe benefit rates are increasing at 7.7% and 4.25% for the two years of the biennium, and salaries used in the model estimating O&M and State Specials costs in the departments are increasing at 3% each year. This lower rate of increase means that when applying these models, O&M and State Special funds will contribute less toward the cost increase than their proportional share of the relevant salary base would indicate.