Minutes*

Senate Committee on Faculty Affairs
Tuesday, November 16, 2004
2:15 – 4:00
238A Morrill Hall

Present: Morris Kleiner (chair), Matthew Bribitzer-Stull, Carol Carrier, Dann Chapman, A. Saari Csallany, Janet Ericksen, Patricia Frazier, Elizabeth Hjelman, Theodor Litman, Steven McLoon, Kathleen Sellew, Oriol Valls, Larry Wallace, Timothy Wiedmann

Absent: F. R. P. Akehurst, Bruce Brorson, Jesse Daniels, John Fossum, Richard Goldstein, Darwin Hendel, Kelly Risbey, Wade Savage, Aks Zaheer

Guests: Jackie Singer (Director of Retirement Benefits); Assistant Vice President Richard Bianco (Regulatory Affairs), Melinda Sewell (Office of the Vice President for Research)

[In these minutes: (1) report on retirement plans; (2) update on institutional conflict of interest policy; (3) faculty and administrative responsibilities in setting faculty workload; (4) retiree health care coverage]

1. Report on Retirement Plans

Professor Kleiner convened the meeting at 2:30 and welcomed Ms. Singer to discuss with the Committee her draft report on the retirement plans. She distributed copies of the draft report and summarized the achievements for the year:

-- The Board of Regents approved a new policy, *Faculty and Staff Retirement.* It supersedes several outdated policies and provides a broad, comprehensive goal statement for the University's retirement programs and formally lists and adopts those programs to which the University contributes or that the University sponsors. This policy was adopted after much consultation with and input from various faculty and staff constituencies.

-- The new policy also initiated a 415(m) Retirement Plan for certain faculty and staff, which will enhance the University's ability to attract and retain those individuals at Vice-Presidential level or above, or who earn in excess of $205,000 annually.

-- In coordination with the new Board of Regents Policy, new administrative policies were drafted for several of the University's programs, including the Phased Retirement Program, the Terminal Agreement Program, and the Supplemental Benefits Plan. All policies and corresponding forms were placed on the web for easy access and administrative simplicity.

-- The final retirements through the Retirement Incentive Option (RIO) program occurred in June of 2004. This program was a one-time program offered to encourage voluntary retirement through a medical and dental subsidy for up to 36 months following retirement. The RIO program resulted in over a 6%

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acceptance rate and ongoing cost savings of $6.4 million annually, after the end of the 3-year subsidy period. Cost savings during the subsidy period are estimated at $4.5 annually. Anecdotal evidence indicates that an acceptance rate of 5-6% in a retirement incentive is considered successful.

-- New consolidated participant statements were developed for the Faculty Retirement Plan (FRP) plan participants. These statements provided more user-friendly, consolidated, and attractive quarterly reporting to our participants at no additional cost to the University.

Professor Kleiner asked Ms. Singer if she keeps track of phased retirees going into academic or quasi-academic posts, perhaps at other institutions or think tanks. She said she has no formal mechanism to track retirees. The question is whether the phased retirement option is encouraging less productive employees to retire but not encouraging more productive employees to do so. Ms. Singer said she sees phased retirement as a way for people to try retirement; it allows them to ease into it and not cut ties to the University completely. She said she liked the plan. Professor Kleiner said he did also, but the question is what retirees are doing with the rest of their time—are they easing into retirement or into another job? Ms. Singer said she did not know; that is a private matter, up to the retirees. She said she hoped they were enjoying retirement.

Can one undo phased retirement, Professor McLoon asked? The "try it" language suggests one can decide not to retire. No, Ms. Singer said, the phased retirement cannot be reversed, although the plan can be amended during the phase if the department agrees, and there is nothing to bar the department from rehiring the individual after the phased retirement. Professor McLoon asked Ms. Singer if she disliked hiring retirees. Ms. Singer said she thought it was a good idea, but her concern is that they are hiring people who were given an incentive to retire, so the University is paying them twice, and she would not like to see a phased retirement program so rich that people feel they cannot pass it up even though they do not want to retire. The program needs to be for people who want to retire. More common, Dr. Carrier commented, is that people sign a phased retirement agreement for five years, and find they like retirement so much that they speed up the final retirement date. They do not track whether retirees are working or on the golf course, however.

Professor Wiedmann said if a senior faculty member retires, and new junior faculty are hired, who do not have to teach for two years, the senior faculty member can fill the hole. Ms. Singer said she was not arguing against hiring retirees, only that the retirement plan needs to have the right incentives.

Ms. Singer reported data for 2003-04.

	2003-2004 Retirements	2003-2004 Rehired Retirees
Regular Retirements (no incentives)	67	12
Phased Retirement	39	9
Terminal Agreement	10	0
Retirement Incentive Option	246	49
Layoff Severance	43	6
Non Renewals	9	1
Total	414	65

Her report included this language: "Employee age distribution at University of Minnesota mirrors that of the general United States population, based on 2000 Census data, with 36% of our full-time employee base at age 50 or older. Significantly, however, over 50% of our full-time faculty are age 50 or older. This fact, combined with the existence of the tenure code, indicates a need for additional programs to facilitate retirement in the faculty group. Towards that end, the University offers a phased retirement program and a terminal agreement program for tenured faculty and those professional and administrative staff on continuous appointment."

Professor Valls commented that if faculty members start their career at 30, 50 is half-way, so one-half should be above 50 and one-half below. Ms. Singer said that since the faculty population is older than the population in general, it is important to have the right benefits packages.

Ms. Singer reviewed information about the seminars provided to faculty and staff and noted the report provided additional information about the nature of the plans. Professor Kleiner said that Minnesota Life ratings dropped a bit; he asked Ms. Singer to provide a brief report. She noted that the Retirement Subcommittee meets with Minnesota Life twice per year, because there is a large amount of the University's retirement funds in Minnesota Life. Standard & Poor downgraded Minnesota Life, although it is still ranked as very strong; Minnesota Life said that S&P were re-grading all companies and that their rating is the same vis-à-vis their competitors and the holdings are still very good. Minnesota Life earnings were not quite as strong as S&P had expected, Ms. Singer said, but the University's Asset Management office is not overly concerned about Minnesota Life.

Ms. Singer then provided a list of future projects and planning that is underway.

-- In the spring of 2004, the Retirement Subcommittee of the Senate Committee on Faculty Affairs requested the addition of four investment funds to the Faculty Retirement Plan: the Fidelity Strategic Income Fund, Vanguard Mid-Cap Index Fund, Vanguard Small-Cap Index Fund and Vanguard Calvert Social Index Fund. These funds were chosen with the assistance of the Office of Asset Management and are intended to widen the breadth of fund offerings in the FRP. They were added to the FRP on October 1, 2004.

-- Employee Benefits is currently developing a comprehensive guide to retirement at the University of Minnesota, to include listings of retiree resources, information on post-retirement medical insurance and its coordination with Medicare, continuing education, and retiree advocacy groups. A draft document is scheduled for production by the end of the 2004-2005 fiscal year.

-- Corresponding with the move to self-service for open enrollment in the fall of 2004, Employee Benefits is pursuing the feasibility of self-service enrollment and contribution rate changes. It is anticipated that not only will employees be able to enroll and update the University's HRMS system, but will also be able to complete the information needed at the various investment providers online. This project is a significant endeavor and is scheduled to begin in late 2005.

-- In conjunction with the Office of Asset Management and the Retirement Subcommittee, Employee Benefits is working to draft a formal Investment Policy for presentation to and adoption by the Board of Regents in 2005. This policy will provide a framework for investment product management and review in the University's retirement programs and could not be drafted until the adoption of the *Board of Regents Policy: Faculty and Staff Retirement*, which occurred in May of 2004.

-- The Regents Faculty and Staff Retirement Policy stated that the University would provide such education and resources possible to assist faculty and staff with their investment decision-making. University staff, however, cannot provide investment advice to participants. As a result, Employee Benefits continues to pursue the viability of contracting with non-University investment planners to provide advice to University employees. Currently, there is no scheduled completion date for this project, as there are significant legal and contractual issues yet to explore. Investment advice is, however, being pursued on an ongoing basis.

-- Finally, in 2003, the Faculty Senate voted against pursuing a University-sponsored Post-Retirement Health Care Savings Plan. This plan would require employees to save a certain amount of money each pay period in an account that would only be used for approved medical expenses. With the rising costs of health care, the Retirement Subcommittee, in consultation with the Benefits Advisory Committee, continues to explore this option as well as other options that may help reduce the burden of health costs for the University's retiree population.

Professor Kleiner thanked Ms. Singer for her report.

2. Update on Institutional Conflict of Interest Policy

Professor Kleiner turned next to Assistant Vice President Bianco to provide an update on policies.

Mr. Bianco noted first that the academic misconduct policy was reviewed by the governance committees last year and has gone to the Board of Regents for action. The consulting policy is being revised but is not yet ready for consultation. The individual conflict of interest policy is going through slight revisions, primarily organizational.

Mr. Bianco noted the changes that are proposed. Of import for the Committee is the provision that a Report of External Professional Activities, or REPA, must be completed each year (as at present), when a potential conflict could arise, and when submitting a proposal. For those who have no outside professional activities, the form must be filled out once per year and should take about 30 seconds. They are also expanding the class of employees who must file a REPA (beyond all faculty and P&A staff) to include anyone listed as key personnel on sponsored projects, anyone listed as a principle investigator or co-investigator on a sponsored proposal or research subject protocol, and any employee with a "scientist" job classification (which will include Civil Service employees). They want to know in advance if there is a potential conflict of interest so that it can be managed; it is nearly impossible to manage a conflict after the fact, Mr. Bianco said.

They are also preparing a draft of an institutional conflict of interest policy that puts the institution on the same level as the faculty. It has been a very difficult policy to write, Mr. Bianco related, in part because it was hard to define institutional conflicts of interest. But they will bring a draft to the governance system for consultation, once it is prepared. Professor Csallany asked for an example of an institutional conflict of interest. If the University has holdings in a drug company that wants to conduct clinical trials at the University, that would be a potential institutional conflict of interest, Mr. Bianco said.

The policy applies to administrators from department chairs/heads on up, he said—to anyone who make decisions—and they must disclose under both the institutional and individual conflict of interest policies. The institutional conflict of interest policy will not affect faculty unless they happen also to hold an administrative appointment.

Committee members returned to the question of including people with "scientist" in their job title in the category of people who must file REPA forms. Professor Wiedmann asked who is included. These people are mostly junior/assistant scientists, Ms. Sewell said, and that was the easiest way to get at the possible conflicts, given hundreds of job titles. Professor Csallany said she did not understand how there could be a conflict of interest; people in these categories act at her direction and serve in her lab on projects where she is the PI. For the vast majority of people in the category, there will be no conflict of interest, Mr. Bianco said; in the Medical School, however, there are some who consult with companies and the PI might not even know. Professor McLoon said he did not see including these employees in the policy as a problem, but he thought it was stupid and a waste of effort. One can imagine an outrageous scenario that would include a "scientist" who needed to file a REPA form, but it would be so unlikely that this proposal is a waste of time. Professors Csallany and Valls agreed. The latter said that those with "scientist" positions have no responsibilities that involve conflicts of interest, but there are some titles (senior research associate) much higher up who do have potential conflicts of interest; this change, he said, will catch too many but the policy will not catch some people it should.

Professor Wallace inquired how honoraria will be treated in the revised policy, since they are being considered in the revision. They will not be included in the individual conflict of interest policy if they come from not-for-profit or scholarly organizations or from public service, Mr. Bianco said; consulting fee would probably be a more accurate term, in this context, and would apply if someone has more than $10,000 in equity in a company that funds research in the person's lab. They are not changing the definition of honoraria, only when they and similar payments need to be included in a REPA.

Professor Frazier noted that forms for the IRB require naming all co-investigators, which in her case might include students doing research in psychology classes. They all also receive conflict of interest forms, which she has been told must be filled out by the students. If they are involved in obtaining consent, she has been told, they must fill out the form. These are undergraduates, she pointed out. Mr. Bianco said he would check with Ms. Keane in the IRB office. Professor McLoon commented that there is a confusion of terms with respect to co-investigator, co-principal investigator, and the like. This requirement only comes from the University's IRB, Professor Frazier said.

With respect to the institutional conflict of interest policy, Ms. Sewell recalled that the Committee saw a framework document last May. The process has been slowed because of the change in the Vice President for Research, but work will now pick up again.

Professor Kleiner thanked Mr. Bianco and Ms. Sewell for reporting to the Committee.

3. Faculty and Administrative Responsibilities in Setting Faculty Workload

Professor Kleiner next turned to an item that has been referred to the Committee from the Faculty Consultative Committee: faculty and administrative roles in setting faculty workload. In the transition from quarters to semesters, at least in one college (CLA) the requirement of 4-5 quarter classes meant that faculty could usually have one quarter free to do research or administrative/service work. Now they do not. The issue is what role the faculty should have; was the decision about workload in the transition made in a way that still allows faculty to do research and service? In some colleges, the change was workload neutral. Professor Wiedmann recalled that one University principle for the conversion was that it would be workload-neutral. Professor Kleiner agreed but said the transition may not have been in some colleges; does the Committee wish to make a recommendation on the subject? Gather data?

Professor Carrier recalled that Dean Rosenstone and other deans brought their workload policies to the Committee last spring.

Professor Valls noted that the change to semesters was some years ago; why is this issue being brought up now, he asked? Because there has been teaching/workload creep, Professor Kleiner responded. Professor Valls argued there is no issue; the change was a long time ago they should have complained then; if there is workload creep, it has nothing to with the change to semesters and there is nothing the Committee can do about it. The question is consultation on the issue, Professor Kleiner said.

Professor McLoon said this is an issue to be concerned about in an era of tight budgets; the University is trying to get more out of faculty. If that is happening, it should be acknowledged. Professor Wiedmann suggested the Committee review the minutes from last year and decide what it might want to do. There was variation across colleges, Professor Litman recalled; the AHC added a requirement that faculty bring in grant funding to help pay their salaries, which affects workload. In most cases, he said, there was no faculty involvement; it was an administrative decision. That is the question, Professor Kleiner said; the Committee may wish to recommend parameters on faculty consultation for these types of issues.

<u>4. Retiree Health Care</u>

Professor Kleiner turned to Professor Litman for background information about the University vis-à-vis other Big Ten Schools in terms of retiree health care.

Professor Litman noted that Ms. Singer has comparative information. The issue was raised at the meeting of Big Ten retirees associations; some institution provide funds to help pay the cost of retiree health care, while at Minnesota the individual must pay the entire amount. He said that due in large part to the negotiating talent of Employee Benefits, the cost of health care for retirees rose only modestly last year and rose less than it did for the state. But it is costly, he said, and often a shock for retirees who go from the active plan to one where they must pay the full premium.

Professor Kleiner asked about the role of Medicare. One must have Medicare A and B as part of the retiree health coverage, Professor Litman said. It is revealing to look at the forms: the provider charge is reduced by Medicare, which then pays part of it, and the health plan pays the balance. It is the pharmaceuticals that are the driving force behind the expense, he said. If one has a spouse who is under 65, they are covered through the University but must pay the full cost, which can be $300 per month or more.

Professor Valls asked if the amount the retiree must pay is more or less than what the University pays for an active employee. It is less because of Medicare coverage, Professor Litman said, but the cost varies with the plan one selects. And one also pays for Medicare, he noted.

There is considerable variation across the Big Ten, Professor Kleiner commented. Wisconsin pays for full health coverage for retirees. Minnesota is about in the middle (because it provides access to group coverage, even though the retiree must pay). And if one drops or does not take the group coverage at the point of retirement, Professor Litman pointed out, one cannot get it back.

In dental coverage, the family rate is charged even if it is only a couple, Professor Litman reported. That has led to concern about the family rate. But if the costs are not spread over a group, the family rate will go up significantly. He said he hears about this issue all the time. Mr. Chapman noted that there is no retiree dental coverage and no Medicare equivalent; the retiree participates in the same plan as active employees so is offered the same options. There are only two coverage options: single or family. There has been discussion about whether to break the rate down into four cells: employee only, employee plus spouse/partner, employee plus child/children, and employee plus spouse/partner plus child/children. There is a lot of interest in this possibility; the Benefits Advisory Committee did a survey about it and received a lot of positive response. But the comments on the survey were illuminating: there is support for the option as long as the cost in the fourth cell (employee plus spouse/partner plus child/children) is no greater than the current family cost. That will not happen, he said; the family cost will be more expensive while the second and third cells will be less. That is a significant concern; Employee Benefits and Human Resources do not have a position on the issue because the decision will be cost-neutral to the University. The question is what the University wants to do. The question of fairness has been raised across the spectrum of couples, single parents, etc., as has the question of social conscience—because costs have already been shifted to families with reduction in the portion of the cost the University will pay from 90% to 85%. Should families be hit with an additional premium increase?

Professor Valls asked what the point of the retiree health coverage discussion; what is on the table? Whether there should be changes, Professor Kleiner said. Should the Committee look into the matter? Everyone would love to have retiree health care coverage, Professor Valls said, but the question is where the money would come from. If there are no ideas about that, the Committee should drop the subject.

There could be a two-tiered system for retirees, Professor Csallany suggested; they usually do not have children, so could not there be coverage for one or two people? That is already in place with Medicare when both individuals are 65 or older, Mr. Chapman said. Under age 65, the University offers the options available to active employees. If retirees were priced separately, in a different tier, that would mean a separate risk pool, appropriately rated—which would mean that costs would go up.

What are the options the Committee could look at, Professor McLoon asked? Something like what Wisconsin has, Professor Kleiner suggested, which pays for health care post-retirement. Does the Committee have the power to do anything, Professor McLoon asked? If it does, it should require the University to adopt the Wisconsin system. Professor Valls expressed doubt that would be possible if there is no money. Professor McLoon said that employees could pay for it. Mr. Chapman said that dividing the plan into four cells would be beneficial for retirees and could be discussed. That would not cost anything, Professor Kleiner observed. It would cost families with children, Professor Valls said; this is a group of senior faculty and it would be nice, he observed sarcastically, to say that the senior faculty should pay less and families pay more. It was agreed, however, that the Committee would look at the issue. Mr. Chapman said he can provide information on the new costs for each group if there were a four-celled structure; he noted that this change would not affect retirees who are 65 or older.

There is a strategic question to be asked, Professor Wiedmann said: what needs to be done to make the University stronger? Does this do that? Professor McLoon said that is not the only criterion that should be used. It would not do so if it increased the premiums for younger faculty, Professor Valls said. Professor Csallany asked that information from other universities be provided.

Vice President Carrier reminded the Committee that if a tenured faculty member signs up for phased retirement, he or she is provided subsidized health care for a minimum of 24 months and a maximum of 48 months after the phased retirement ends.

Professor Kleiner thanked everyone and adjourned the meeting at 3:45.

-- Gary Engstrand

University of Minnesota