UNIVERSITY OF MINNESOTA

University Senate Consultative Committee
411 Borlaug Hall
1991 Buford Circle
St. Paul, Minnesota 55108
Telephone: (612)376-2479

FACULTY CONSULTATIVE COMMITTEE MEETING
AND
DISCUSSION WITH THE PRESIDENT

March 6, 1986
300 Morrill Hall
10:15 - 11:30

AGENDA

Approx. time		
10:15	1.	Minutes of February 20 (to be sent separately)
	2.	Report of the Chair.
10:30	3.	Senate Research Committee action regarding the Indirect Cost Recovery Fund: a. Policy on distribution; b. Position at the legislature. (Enclosure to members).
10:45	4.	Semester issue: Which body or bodies to consider survey results? What schedule for governance consideration?

DISCUSSION WITH PRESIDENT KELLER

11:00	5.	Pending federal legislation which would affect faculty pensions (enclosure to members).
11:30	Adjourn.	

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MINUTES

FACULTY CONSULTATIVE COMMITTEE MEETING
AND
DISCUSSION WITH PRESIDENT KELLER

March 6, 1986
10:20 - 12:05
300 Morrill Hall

Members present: Ellen Berscheid, Richard Goldstein, David Hamilton, Joseph Latterell, Cleon Melsa, Jack Merwin, Paul Murphy, Irwin Rubenstein, Frank Sorauf, Deon Stuthman (Chair).

Guests: Harold Bernard, William Boylan, Richard Caldecott, Paul Gassman, President Kenneth Keller, Vice President David Lilly, Marsha Riebe.

1. Minutes of February 20, 1986. No corrections were reported in the meeting. Any needed corrections should be reported by March 10, after which minutes will be considered approved.

2. Report of the Chair.

A. FCC dinner meeting with the Regents will be Thursday, March 13, 5:00 p.m., in the Dale Sheppard Room.

B. Agenda and time for FCC's March 20 meeting:

- preparing a written response to the draft report of the C_tF Special Committee on Preparation Standards;
- examining the report of the Special Committee to evaluate the experiment of civil service non-voting representation on certain Senate and Assembly committees;
- 1:00-3:00 p.m.

C. Professor Merwin volunteered to attend the March 14 meetings of the Regents' Committee of the Whole and the Board of Regents.

D. C_tF Special Committees. FCC members received copies of the Student SCC's reactions sheets to the Preparation Standards and the Coordinating Lower Division draft reports.

3. Distribution of Recovered Indirect Costs (ICR). Guest: Professor Paul Gassman, Chair, Senate Committee on Research.

FCC members had received in advance the text of the two motions approved by the Senate Committee on Research (SCR) in its January 16, 1986 meeting.

> Motion 1: "The Senate Committee on Research recommends that Indirect Cost Recovery Funds retained by the University should be distributed as follows: up to 50% will be retained by central administration to support research activities, to be allocated by the Graduate School and by Central Administration, and the remainder should be distributed on a proportionate basis to the collegiate units that generated these funds. The individual units' faculty should decide, in consultation with the units' administration, how to utilize or distribute the latter funds for the purpose of maintaining and supporting the research capability of the faculty in the unit. The purpose of this recommendation is to provide flexibility for collegiate units in the use of this money, recognizing the unique differences and needs which exist among them. The distribution of these funds should recognize the contribution by the principal investigators who generated the ICR funds."
>
> (SCR approved this motion 8-yes, 1-no.)
>
> Motion 2: "The Senate Research Committee strongly recommends to the Central Administration that every effort possible be made to eliminate the 'legislative offset' of indirect cost recovery funds in negotiations for the next biennial budget."

(SCR approved this motion unanimously.) No controversy in any quarter seems to attach to this second motion.

Professor Gassman reminded the FCC that the 1984-85 Senate Committee on Research had approved by a 5-1 vote a markedly different motion: it recommended that 50% be retained centrally, but that of the other 50% one-third would go to the colleges, one-third to the departments, and one-third to the principal investigators (all in proportion to their generation of the funds).

Professor Hamilton (a member of SCR as well as of the Consultative Committee) and Professor Gassman acknowledged the differences in their views as to the preferred system of distribution, but Professor Hamilton added that he regarded the ends of the two motions as being the same. Discussion within FCC was lively.

Professor Hamilton regarded the earlier SCR position as too rigid in its formulaic distribution and prefers the current proposal for its flexibility. He alleged that the one-third/one-third/one-third division of the 50% would fritter away the funds, with each PI getting about $300.

It was noted that the SCR minutes indicated a friendly amendment by Acting Academic Affairs Vice President Murthy; however, the SCR members present did not know whether Dr. Murthy's support was shared by central administration generally.

Professor Sorauf did not find it plain that the principal investigator has a claim on indirect cost funds. Professor Gassman made the argument that without the PI the money would not have come to the University. Central administration agrees research needs to be encouraged at the University and that there must be some formula for distribution. The question, he said, is <u>who</u> should determine how the ICR is used. Acquaintances of his who bring in large grants believe PI's should receive some funds back. Those monies are especially valued because they are unrestricted. While a researcher can apply to the Graduate School for further assistance, sometimes the Graduate School committee reasons that the people with the large grants are precisely the people who don't need more.

Professor Berscheid added that because in the social sciences the investigators seem never to get grant support large enough to carry out their projects, whatever share of ICR's they got they would likely plow right back into the project.

Professor Goldstein said people considering the question need to know the exact calculation for the ICR. He too cited the valuable unrestricted nature of returned ICR's, saying the University needs a system whereby a PI can legitimately spend for initiating new research. He added that a small amount of discretionary money has a very big impact on the researcher.

In discussing where the $21 million annual ICRF goes, Professor Gassman commented that presumably the amount the legislature offsets in the appropriation is being used to pay real indirect costs. (See FCC minutes of 10/31/85 for a broad break-down of where overhead money goes.)

Professor Merwin inquired whether SCR had considered as a compromise asking that some portion be sent to department heads. Professor Gassman said it had not; some faculty are vehement about wanting a share returned to PI's and some are vehement about wanting the deans to control the disposition.

Professor Sorauf said one concern is that colleges are not reimbursing the departments for their indirect costs. If the PI's got the dollars back they would plow them into their projects, one effect of which would be to increase the indirect cost to the department. Professor Goldstein then said that stimulating more research is precisely the point of distributing ICR's. He fears that the colleges will soon see even less of the ICRF coming from central administration because of the budget retrenchment.

Professor Stuthman pointed out the difference between returning some ICR's directly to the person who holds a grant and using them for seed money to help someone else get started. He said there is a fear people are going to want both opportunities to exist, and there is not enough money to have it both ways.

Professor Rubenstein added that the University community also needs to appreciate the concept of pooled resources to provide the $100,000 set-ups for new faculty.

Although faculty members hold strong and differing convictions on the optimum distribution policy, Professor Sorauf suggested committee consensus is not needed before taking the question to the Senate. If there are differences on a mature issue like this, he advised, the Senate should be allowed to thrash them out.

4. <u>Semester issue: Next steps in the governance structure.</u> Guest: Professor William Boylan, Chair, Senate Committee on Faculty Affairs.

Professor Stuthman recalled that the question of a changeover to semesters was dealt with last winter and spring in many parts of the governance structure. Ultimately the Senate Committee on Faculty Affairs chose to introduce to the Faculty Assembly the motion to survey the Twin Cities Campus faculty (amended to extend the courtesy of a survey to the coordinate campuses as well). Since the Twin Cities Campus Faculty Assembly ordered the survey, he finds it appropriate for the results of the survey to be reported back by the SCFA to that body. The Faculty Assembly could then forward its clearly expressed position to the full Campus Assembly. Professor Stuthman proposed requesting the Business and Rules Committee to advise FCC on whether that is an appropriate approach.

Professor Sorauf contended that the substantive matter was one of educational policy rather than of faculty affairs and should be addressed by SCEP. Regarding it as not a faculty decision, he would see the Faculty Assembly's dealing with it as just adding one more step to the proceedings.

Professor Latterell was uncertain that the coordinate campuses had any clear go-ahead to conduct a survey. Professor Stuthman promised to look into any apparent delay and make sure those surveys can happen. Professor Boylan mentioned that it had been his understanding the coordinate campuses were to be given the opportunity (but not the obligation) to take the survey. (Professor Stuthman had seen a letter to the four chancellors inviting them to survey their faculty.)

Professor Rubenstein asked that both the Faculty Affairs Committee and the Educational Policy Committee look at the semester question and take the survey into advisement. Professor Merwin asked whether FCC would want some group, probably SCFA, to analyze the survey returns before reporting to SCEP.

Professor Sorauf recommended a lean route: Let both SCEP and SCFA consider the faculty survey (and any student survey) and then take the question directly to the Campus Assembly. To do otherwise would require Faculty Assembly debate to be repeated in the Campus Assembly. Professor Stuthman referred to the suggestion made to the Senate last year and subsequently submitted in writing to the Consultative Committee to record the faculty vote on certain issues separately from the student vote. Professor Sorauf declared that the decision had been made last winter not to exclude students from the Senate.

Professor Rubenstein echoed the advice to take up the issue only in the Campus Assembly.

Professor Boylan asked for direction on how SCFA should proceed after it analyzes the survey results. Professor Berscheid recommended that (1) SCFA present its conclusions to SCEP, (2) both committees report to the Steering Committee, and (3) the Steering Committee report to the Assembly.

Professor Stuthman said he and the executive assistant would within a few days draft a set of instructions and ask the committees concerned to react to them.

Professor Goldstein inquired why the Robinett Committee (the Semester Working Group) would not be the body to review the educational implications of a changeover, since it has already done that job; Professor Stuthman answered that it was because the Robinett Committee was an administrative committee in which the governance structure had no part.

DISCUSSION WITH PRESIDENT KELLER AND OTHER GUESTS

5. Pending federal tax reform provisions affecting faculty pension plans.

(An AAUP summary of the relevant portions of the Congressional bills had been sent in advance to the members.)

President Keller credited Mr. Harold Bernard's eagle eye with detecting the portion of the tax legislation which would wreck the University of Minnesota faculty's retirement plans. Academic groups had lobbied on many other parts of the tax bill but completely missed this portion.

Certain tax bill provisions on deferrment would affect current retirement plans:

- If one had an IRA and contributed to Mills II, the amount one deposited in the IRA would be subtracted from the amount one could contribute to Mills II;

- Deferred income invested in Mills II would be limited to 25% of compensation.

However, the most critical problem is that the legislation would disallow the faculty plan on grounds it is discriminatory. Plans would be prohibited if they did not provide their benefits to at least 90% of the employees. Civil Service employees do not qualify for the present faculty plan. Faculty would be taxed on the University's contribution.

December 1988 is the effective date this phase of the tax bill. President Keller said the University intends to continue to fight the issue but must at the same time explore alternatives. The most obvious options to consider are these:

Option 1: Put all civil service employees on the faculty plan. Disadvantages: (a) enormously expensive; (b) might damage the state retirement plan substantially by removing a large number of participants.

Option 2: Put the faculty into the state plan.

Option 3: Allow the faculty to vest retirement contributions but only up to the level of the state retirement plan.

President Keller reported that Mr. Bernard and Associate Vice President William Thomas have assembled a staff committee including Professor C. Arthur Williams, University Associate Attorney Karen Schanfield, and Associate Vice President Betty Robinett, to report by September what options the faculty can consider for the future. They have also hired a tax lawyer. Dr. Caldecott will continue his lobbying efforts in Washington. President Keller said he intended to send the faculty an informational letter on the matter.

He commented that universities are concerned about a great many sections in the tax legislation and have ordered their priorities. Since many institutions have faculty retirement plans that would not be heavily affected by the provisions the president described, there was for a long time no organized action against those parts of the bill.

At FCC's request Mr. Bernard identified the three categories of discrimination: (1) plan design, (2) eligibility, and (3) participation. Even if the University devised a plan which would satisfy (1) and (2) it could still be discriminatory under the law if voluntary participation did not include 90% of the employees. However, President Keller suggested, the University need not have the same plan for everyone if benefits of its several plans are equal.

The administrators said Congress is taking this tack out of a genuine desire for equity. Professor Sorauf added that Congress is also seeking new revenue sources since an object of tax reform is to lower overall tax rates.

6. The McKnight grant.

President Keller responded to the FCC's advance inquiry by confirming that the University had just received an unrestricted grant of $10 million from the McKnight Foundation. The University had submitted proposals for four specific purposes, but the Binger family particularly likes the Commitment to Focus and wanted to give discretionary funds to help make C_tF work best. The University's first use of the funds, said the president, will be for the career development plan for junior faculty which was at the top of its request list to McKnight and is consistent with C_tF.

President Keller remarked that receipt of the McKnight grant has had the additional very positive effect of generating a show of real interest from other foundations.

7. Graduation rates.

President Keller told FCC that when the press, in the wake of this winter's basketball program crisis, gave quick and simplistic reports on University graduation rates, he organized a task force to assemble extensive data on the subject. The report of that task force will be before the Regents on March 13-14. The task force made a cohort analysis starting with the 1977 freshman and transfer entrants to the University. Not included are data on the outcomes of students who transferred to other institutions of higher education in the state.

The data show that of the University's full-time students (those taking a minimum of 12 credits per quarter) four of five finish at the University. Of part-time students, three of four do not finish. The president said this latter pattern is something we want to look at.

Eighteen percent of entrants (not counting General College) drop out by the end of their first year.

Professor Stuthman announced that if the relevant supporting documents are available, they would be sent out to the FCC members.

The meeting adjourned at 12:05.

Meredith Poppele, Recorder

UNIVERSITY OF MINNESOTA

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1991 Buford Circle
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February 27, 1986

President Kenneth H. Keller
202 Morrill Hall

Re: March 6 Faculty Consultative Committee meeting

Dear Ken:

Glad as the Faculty Consultative Committee is for our regular conversations with you, we will cut down our schedule for the morning of March 6th to run from 11:00 to 11:30, knowing that you will be spending time later that day with the Finance Committee, after you talk with the Senate Consultative Committee. It's my hope that nearly all of the FCC will be able to remain for that Finance Committee meeting.

Could we use the morning time for a briefing on the rather drastic sounding provisions in pending federal tax reform legislation which would seriously affect faculty pension plans? An AAUP bulletin, recently copied to me, reports that the House passed its bill in December and that the Senate is likely to approve something along similar lines. It's time to rally the troops. I most heartily encourage you to bring along other staff members who have been monitoring this legislation.

You may possibly also want to use this occasion to say something about the McKnight grant.

Cordially,

Deon

Deon D. Stuthman, Chair,
Faculty Consultative Committee

DDS:mp

c: FCC
V. Rama Murthy
Rick Heydinger

Encl.: agenda
AAUP Legislative Alert of Feb. 10, 1986

Cu'c FCC

UNIVERSITY OF MINNESOTA

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February 24, 1986

Honorable Charles F. McGuiggan
Chairman, Board of Regents
University of Minnesota
104 West Redwood Street
Marshall, Minnesota 56258

Dear Regent McGuiggan:

Based on our discussion on the 14th and the talks in FCC meetings, I think the FCC-Regents discussion topic for our March 13 dinner meeting is shaping up well. The general area we hope the gathering will discuss is, as you know, the faculty's role in University governance. Two very different events from recent University history bring home to me the value of this topic as a focus for our combined groups.

In November of 1984 faculty senators Patricia Swan and John Turner introduced a motion to the Senate to remove most student members from that body. The motion would also have ended student membership on the Consultative Committee. Professors Swan and Turner are not anti-student, but they are profoundly pro-faculty as regards participation in decision-making which affects the University's educational climate. When the vote was taken in February 1985 senators on the whole were not persuaded that this particular change would, on balance, strengthen the faculty voice in governance. The controversy, however, did stimulate new ways of thinking and brought to the fore the faculty members' desire for a greater voice in the highest levels of decision-making.

When Regents and FCC members met last November, there occurred a searching and candid discussion on Commitment to Focus. Unquestionably that forthright interchange contributed significantly to the successful and unanimous resolution of a broad plan for General College. That sequence of events tells me that good communication between faculty and the regents, as well as good communication between faculty and administration, is essential to good academic decision-making.

I look forward with real pleasure to continuing in March a conversation in the tone of partnership and joint interest which we began in November.

Cordially,

Deon

Deon D. Stuthman, Chair,
Faculty Consultative Committee

DDS:mbp

c: Kenneth H. Keller
Barbara Muesing

UNIVERSITY OF MINNESOTA

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Telephone: (612)376-2479

March 7, 1986

President Kenneth H. Keller
202 Morrill Hall

Dear Ken:

I was glad to hear you mention in yesterday's FCC meeting that you would be sending the faculty a topical letter on the pending federal legislation which would affect our pension plans. Both FCC and the Faculty Affairs Committee, I know, believe it's very important for all the faculty to be made aware of this legislative thrust and its consequences.

Cordially,

Deon

Deon D. Stuthman, Chair,
Faculty Consultative Committee

DDS:mp

bc: Irwin Rubenstein

UNIVERSITY OF MINNESOTA
TWIN CITIES

School of Physics and Astronomy
Tate Laboratory of Physics
116 Church Street S.E.
Minneapolis, Minnesota 55455

February 20, 1986

To: William Boylan, Chairman, Senate Committee on Faculty Affairs
Jack Merwin, Chairman, Senate Finance Committee
Harold Bernard, Director, Employee Benefits

From: Charles E. Campbell, Head, CEC
School of Physics and Astronomy

Subject: Faculty Pension Plans and Tax Reforms

After the brief discussions in several committees about current Congressional action affecting faculty pension plans, I asked Walter Johnson, President of th UMn Chapter of AAUP, to look into the AAUP response to this issue. He provided me with the national AAUP Legislative Alert dated February 10, which is attached. It should be of interest to you.

I am concerned that the promised letter to faculty members from Central Administration has not yet materialized. It seems to me that dealing with this issue should be on a fast track.

CEC/are

Attachment

cc: President Kenneth Keller
Vice President V. Rama Murthy
Associate Vice President Betty Robinett
Dean E. F. Infante
Professor Deon Stuthman✓
Professor Richard Goldstein
Professor Pat Swan

AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

LEGISLATIVE ALERT

February 10, 1986

TO: Members of the AAUP Congressional Network and AAUP Chapter and State Conference Officers
FROM: Alfred D. Sumberg, Director of Government Relations
SUBJECT: Faculty Pension Plans, Tax Reform, and the Senate Finance Committee

H.R. 3838, the Tax Reform Act of 1985, passed the House of Representatives on December 17, 1985 on a voice vote. Our efforts now shift to the Senate, particularly the Senate Finance Committee, which has asked its chairman, Senator Bob Packwood (R-Oregon), to draft a new tax reform bill. The committee has held hearings over the past two weeks on those issues it believed required further clarification.

Without rejecting the House bill, members of the Senate Finance Committee have expressed serious reservations about its philosophy, goals, and some specific provisions. Indeed, committee members, reflecting the views of many of their Senate colleagues, would prefer not to consider a tax reform bill but rather work on issues related to deficit reduction and the growing international trade deficit.

Despite the Senate's reluctance, Senator Packwood believes there will be a tax reform bill approved by Congress this year. He has begun the process of drafting a new bill, using the President's Tax Proposals to the Congress for Fairness, Growth, and Simplicity (also known as Treasury II), which was sent to Congress on May 29, 1985, as his primary document. Obviously, he cannot ignore H.R. 3838, but in keeping with past practice the Senate Finance Committee would prefer to develop its own bill and to negotiate with the House Ways and Means Committee on the basis of a Senate bill that reflected its own philosophy and compromises. In addition, the committee's reluctance to deal with tax reform and its desire for a bill that perhaps aims in a different direction than H.R. 3838 are limited by two factors: (1) the momentum created by H.R. 3838, and (2) the President's strong determination to lower marginal tax rates. Therefore, we can expect the Senate Finance Committee to markup a tax reform bill and for the Senate to approve such a bill over the next four months.

The primary focus of our concern in the tax reform bill remains faculty pension plans. We are concerned about other issues and are working closely with a number of coalitions that address those issues. We will be glad to respond to any inquiries you may have about other provisions in H.R. 3838.

AAUP'S POSITION ON THE TAX REFORM BILL IN THE SENATE

Our purpose is to encourage Senator Packwood and the Senate Finance Committee to eliminate consideration of three provisions that appear in H.R. 3838:

(1) Sec. 1113 (the requirements for tax sheltered annuities)
(2) Sec. 1101 (restrictions on coordinated contributions to Individual Retirement Accounts and tax sheltered annuities)
(3) Sec. 1012 (removal of the tax-exempt status of TIAA-CREF).

<u>Sec. 1113 (Requirements affecting the flexibility of Sec. 403(b) tax sheltered annuities)</u>

The requirements imposed by Sec. 1113 on tax sheltered annuities (e.g., TIAA-CREF and similar Sec. 403(b) programs) would eliminate the flexibility of current institutional pension programs and would force major restructuring of institutional pension plan and retirement policies. Sec. 1113 disregards the unique patterns of employment, compensation, and retirement in colleges and universities.

Sec. 403(b) was introduced into the Tax Code in 1958 for the purpose of encouraging the portability of pensions for faculty who move from one institution to another either temporarily or permanently. Portability is unique among pension plans and higher education is one of the relatively few areas in the American economy that has had a successful portable pension program in effect for over 65 years. Portability is important to new faculty, to faculty who participate in international exchange programs and visiting professorships, and faculty who make mid-career changes in their institutions. As a result of the portability feature available under Sec. 403(b), it has been possible for faculty to build strong retirement accounts based on long-term participation.

Under the requirements imposed by Sec. 1113, faculty who are at institutions with two or more pension plans would be required to participate in a single plan that is available to at least 70% of all institutional employees. In most instances, this would mean that institutions would eliminate optional or alternative pension plans and require faculty to participate in a single defined benefit plan rather than the defined contribution plan in which they participate currently.

While the bill would permit institutions to maintain comparable defined benefit and defined contribution plans, it imposes a complex statistical formula for defining comparability that makes it virtually impossible for an institution to comply. The purpose of a defined benefit plan is to provide adequate coverage for those institutional employees who compete for employment opportunities in a local market; the purpose of a portable defined contribution plan is to provide similar coverage to those employees who compete in a national market.

Sec. 1113 would require other changes in current institutional pension plans:

1. It would eliminate immediate or early vesting for faculty.
2. It would eliminate early retirement programs and may force mid-career faculty to delay their retirement past the normal retirement age of 65.
3. It would severely restrict catch-up contributions for those

4. It would eliminate the availability of supplemental retirement plans.
5. It would impose penalties for early withdrawals and require minimum distributions, which are not required under Sec. 403(b).

We are opposed to Sec. 1113 because, by imposing rigid requirements on Sec. 403(b) tax deferred annuities it would destroy the flexibility of institutional pension plans.

<u>Sec. 1101 (Restrictions on coordinated contributions to IRAs and tax sheltered annuities)</u>

It is difficult for us to know the average annual contribution of faculty to their Sec. 403(b) tax deferred annuity plan. The reduction of the maximum amount from $25,000 to $7,000 may or may not be a detriment to faculty. If it is, we encourage faculty to recommend a higher amount when writing to members of the Senate.

What is clear, however, is that a very substantial percentage of faculty contribute the maximum to Individual Retirement Accounts under individual or spousal accounts. As a result of this expression of support for IRAs, we contacted a number of the financial institution organizations (banks, credit unions, savings and loan associations, and mutual funds) and we are now working together to decouple the IRAs from 403(b) and 401(k) plans.

Sec. 1101 is particularly unacceptable because of the first-dollar deduction that it imposes on IRAs and 403(b) plans. Under this provision, a person may have only one tax deferred plan. If you contribute $2,000 or more to your Sec. 403(b) plan, you may not contribute to an IRA. If you contribute $2,000 to your IRA, you may not contribute to your Sec. 403(b) plan. Thus, it is clear that the purpose of the provision is to stop the escalating accumulation of funds in IRAs.

Currently, there is $200 billion in IRA accounts, accumulated over the past four years. IRAs are held by <u>23 million</u> households with an average income of $25,000. One can understand why faculty who contribute less than $7,000 to their 403(b) plans find the $2,000 IRA so attractive. On January 28, testimony was presented to the Senate Finance Subcommittee on Savings, Pensions and Investment Policy in support of decoupling IRAs from 403(b) and 401(k) plans. <u>We ask you to encourage your Senators to request that the Senate Finance Committee decouple contributions to IRAs from Sec. 403(b) and Sec. 401(k) plans.</u>

<u>Sec. 1012 (Removal of the tax-exempt status of TIAA-CREF)</u>

The taxation of TIAA-CREF would reverse a ruling adopted by the Internal Revenue Service in 1920 and renewed periodically. TIAA-CREF is a non-profit educational organization exempt from federal taxes under Sec. 501(c)(3).

H.R. 3838 would remove the tax-exempt status of TIAA-CREF for two

(1) TIAA-CREF is similar to a mutual service company because most of its operating expenses are now covered by premium payments rather than grants from other tax-exempt organizations (Carnegie and Ford Foundations); and (2) TIAA-CREF's activities no longer benefit a distressed class of individuals. In effect, the House bill requires that the private interest served by TIAA-CREF be superseded by a public interest in order for TIAA-CREF to maintain its tax-exempt status. TIAA-CREF would not be subject to taxation before January 1, 1988. But it is clear that TIAA-CREF would be taxed on its reserves. TIAA-CREF is a New York State corporation with assets of $45 billion.

TIAA-CREF did not have an opportunity to testify on its tax-exempt status before the House Ways and Means Committee. At a Senate Finance Committee hearing on February 4, TIAA-CREF's chairman, Jim MacDonald, said that taxation of TIAA-CREF, estimated to be $80 million annually, would reduce benefits to policyholders by 1/2% per year. Thus, if a policyholder has been a participant in TIAA-CREF for ten years, there would be a 5% reduction in benefits at the time of the distribution of annuities.

Since the Congress has a well-established policy of not taxing pension funds, it appears to be unnecessary to single out TIAA-CREF for special treatment. We believe that Sec. 1012 should not be included in a tax reform bill.

WHAT CAN YOU DO TO HELP?

1. Request that your administration prepare a summary of pension plans currently in effect at your institution. It should include average faculty contributions, average salaries, and length of service of participants. Review the data and present a summary statement to your Representative and Senators.

2. Plan to meet with your Senators before they return to Washington on February 18.

3. Meet with your Representative and ask him or her to contact your Senators about this important issue.

4. Write to Senator Bob Packwood, U.S. Senate, Washington, D.C. 20510, with a copy to your Senators.

5. Urge your faculty/administrative/nonfaculty colleagues to write to Senator Packwood and your Senators.

CONCLUSION

I suggest that you request a copy of the TIAA-CREF testimony of February 4 from Mr. James MacDonald, TIAA-CREF, 730 Third Avenue, New York, NY 10017. Please contact us if you have any questions about information included in this AAUP LEGISLATIVE ALERT. Also, please call the AAUP LEGISLATIVE HOTLINE (800-424-2973) nightly (6:00 p.m.-

UNIVERSITY OF MINNESOTA
TWIN CITIES

Department of Animal Science
120 Peters Hall
1404 Gortner Avenue
St. Paul, Minnesota 55108

May 15, 1986

TO: Deon Stuthman, Chair, SCC & Assembly Steering Committee

FROM: Bill Boylan, Chair, SCFA WJB

SUBJECT: Academic Calendar

In response to your letter of April 1 to me (and Professor Hanson, SCEP) regarding the role of SCFA in the academic calendar survey and a recommendation on the calendar question, the following items are noted.

1. SCFA has conducted the academic calendar survey. All regular regular faculty were surveyed at the five campuses. A total of 3255 questionnaires were distributed to faculty. A total of 2000 questionnaires were completed and returned. This represents a return rate of about 61%. We feel the survey was well conducted and the return rate was very good. A detailed summary of the results will be forwarded soon. A copy of a summary to be presented at the Twin Cities Faculty Assembly meeting on May 15th is enclosed.

2. The Senate Committee on Faculty Affairs approved a statement of our recommendations on the question of the academic calendar at a meeting on May 9th. That recommendation is attached. While I conferred with SCEP on this item, we are forwarding our recommendation separately. However, I believe our recommendation is consistent and in agreement with a recommendation from SCEP.

WJB:lda

cc: SCFA members
W. Hanson, Chair, SCEP

Senate Committee on Faculty Affairs Meeting, May 9, 1986

RECOMMENDATION TO THE FACULTY CONSULTATIVE COMMITTEE
RE: ACADEMIC CALENDAR

Action

SCFA conducted a survey of faculty regarding a possible change from the quarter to a semester system. The survey was conducted at five campuses and 2000 faculty responded. This represented a 61.4% return rate. The results of the survey showed that the majority of faculty did not prefer to change to a semester system from the quarter system (53% vs 41%). The percentage of faculty who preferred the quarter system was larger than that which preferred the semester system (49% vs 37%). It was noted that in some colleges and units there was a wide range of percentage preference for one or the other system. In some cases a majority preferred the semester system and in others a very high percentage preferred the quarter system.

In view of the substantial number of faculty who preferred the quarter system and voted against a change to the semester system, SCFA recommends continuation of the quarter system. Further, SCFA recommends that this policy be consistent in the University as now in practice. This recommendation is consistent with the results of the student survey conducted in 1985 and supports similar recommendation by SCEP.

NCR—NO CARBON REQUIRED

University of Minnesota
memo

Date: March 7, 1986

To: Senate Consultative Committee

From: Deon Stuthman

Subject: Enclosure: graduation rates info

Enclosed are the data on U of M Twin Cities graduation rates very recently reported to President Keller at his request, together with a copy of his cover letter to the Regents. The subject is on the Regents' agenda for their March meetings.

ALSO ENCLOSED TO SSCC: Excerpts from February 6 FCC minutes giving the reactions to draft report from C$_t$F Special Committee on Coordinating Lower Division Education on the Twin Cities Campus.

UNIVERSITY OF MINNESOTA

Office of the President
202 Morrill Hall
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Minneapolis, Minnesota 55455

March 5, 1986

TO: The Honorable Wendell R. Anderson
The Honorable Charles H. Casey
The Honorable Willis K. Drake
The Honorable Erwin L. Goldfine
The Honorable Wally Hilke
The Honorable David M. Lebedoff, Vice Chair
The Honorable Verne Long
The Honorable Charles F. McGuiggan, Chair
The Honorable Wenda W. Moore
The Honorable David K. Roe
The Honorable Stanley D. Sahlstrom
The Honorable Mary T. Schertler

Dear Ladies and Gentlemen:

The issue of graduation rates for undergraduates at the University of Minnesota was raised several weeks ago on the basis of a somewhat limited set of data. Generally, data of this sort are useful in helping us to understand the nature of our university and to sort out how we might make improvements or changes. However, the complexity of the subject is such that incomplete data can lead to serious misinterpretation. For this reason, I asked that a comprehensive report be assembled to form the basis for a discussion at the Committee of the Whole at our March meeting. I have enclosed the key tables and graphs from that report to give you an opportunity to review them before the meeting.

The data that form the basis for this information came from several sources. Most of it resulted from a cohort analysis; a tracing of the history of a large sample of students (size=1543) who entered the University in Fall, 1977. We recorded their patterns of registration, their persistence at the University, and their year of graduation. We obtained less complete, but still useful data from other universities on graduation rates for their students entering in most cases in Fall, 1977 to use for comparison. We then drew on other sources to compare the characteristics of our student body with those of the other Big Ten schools and to examine the "flow" of students entering and leaving the University in a given year; where they come from or where they go. These latter data were either averaged over several years or taken from a recent year for which they were available. While they are not exactly applicable to the 1977 entering class, the evidence suggests that the characteristics of our students do not vary that much from year to year, so they should be sufficiently representative.

Let me make some comments about the enclosed data. Figures 1 and 2 depict the graduation rates of entering freshman (those who enter with less than 39 credits) and entering transfer students (those with 39 or more credits at entrance) year by year after entry in 1977 and up to 1985. You will note that relatively few of the students who start here as freshmen finish in four years and, indeed, a substantial number take more than five years. In Table 1, those figures are compared with other Big Ten schools. It is clear that our students tend to take longer to complete their degrees. We believe that the large number of part-time students at the University accounts for this finding.

Table 1 also suggests, however, that the percentage of freshmen who ultimately graduate (without regard for how long it takes them) is lower than that for other Big Ten schools. To study that phenomenon more closely, we divided students into part-time (those averaging less than 12 credits per quarter) and full-time (those averaging 12 or more credits per quarter) and studied their patterns of completion. Those are shown in Figures 3 and 4. You see there that 79 percent of our full-time students finish their degrees, but 75 percent of our part-time students leave the University before completing. Thus, it seems clear that the overall completion rate is heavily driven by the number of part-time students.

This appears to be a pattern at other universities as well. In Figure 5, we present graduation rates as a function of percent of students who are full-time and one can see a clear correlation. Minnesota, of course, has the most part-time students since the Twin Cities campus is an urban university.

There are other differences in the student body characteristics at various Big Ten schools, as shown in Table 2. Indeed, Table 2, perhaps more than any other comparison, shows the trade-off between access and graduation rates. The average ability level of our entering students as measured by number of high-ability students, ACT scores, or high school rank, is low compared with many of the Big Ten schools. Our traditional emphasis on access has implicitly recognized and accepted that fact. On the other hand, as shown in Figure 6, almost 18 percent of our students drop out in their first year. For many of them, it may well be that better counseling could have led to a better school selection. Those who stay beyond the first year or those who transfer in (Figure 7) do significantly better in completing. I should note that many of the directions suggested in the Commitment to Focus allow us to improve on this record without altering access in any significant way through emphasis on better high school preparation, smaller class sizes that allow better counseling, and increased recognition of the transfer route into the University.

While graduation rates are important, one has to look more deeply to understand how the University of Minnesota actually functions in the context of higher education in the state. Figure 8 presents a flow model that describes the number of undergraduates who enter and leave the institution on average in a single year. It shows that the number of freshmen entering is about equal to the number of students graduating. However, a very large number also transfer in from other state institutions and transfer out to those institutions. Moreover, a large number "stop out" for one or several quarters and then return. From the graph, one can determine that only 45 percent of those who leave the institution actually drop out of the educational system, a point which must be kept in mind as one interprets the graduation rate data. Thus, while only 50 percent overall of the students who enter the University as freshmen complete a degree at the University, 55 percent of those who leave go to another education institution. If those students finish degrees at the other institutions, the completion rate would jump to 77.5 percent.

In summary, I believe that these data offer a good deal of food for thought and I look forward to our discussion at the March meeting.

Sincerely yours,

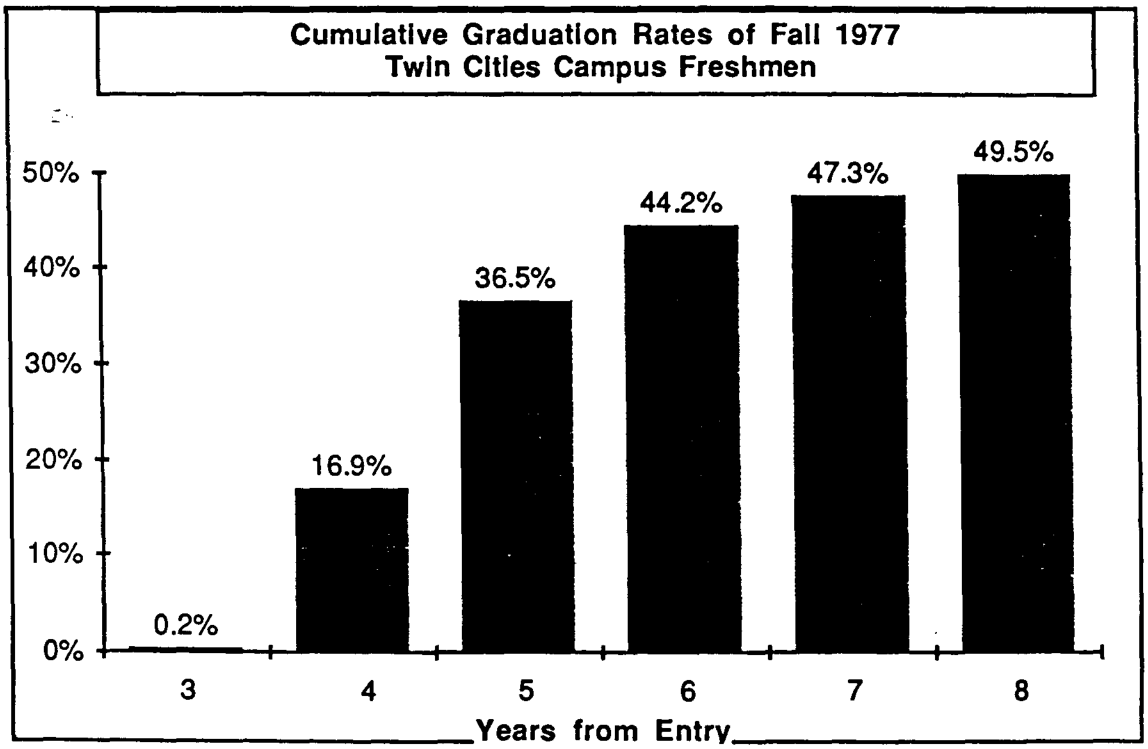
Kenneth Keller

Kenneth H. Keller

KHK:kb

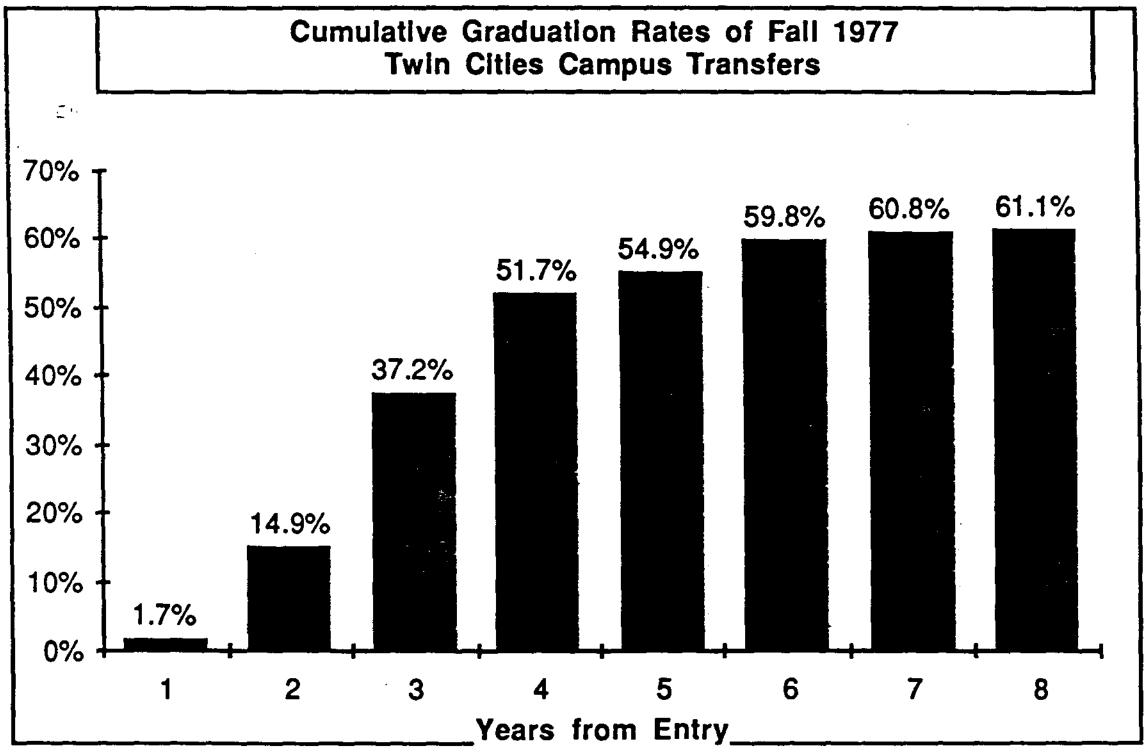
c: University Vice Presidents
University Chancellors
Student Representatives to the Board of Regents
Ms. Barbara J. Muesing, Secretary of the Board of Regents
Professor Deon Stuthman, Chair, Senate Consultative Committee

Enclosure



Based on sample of 887, General College not included.

Figure 2



Based on sample of 656; General College not included.

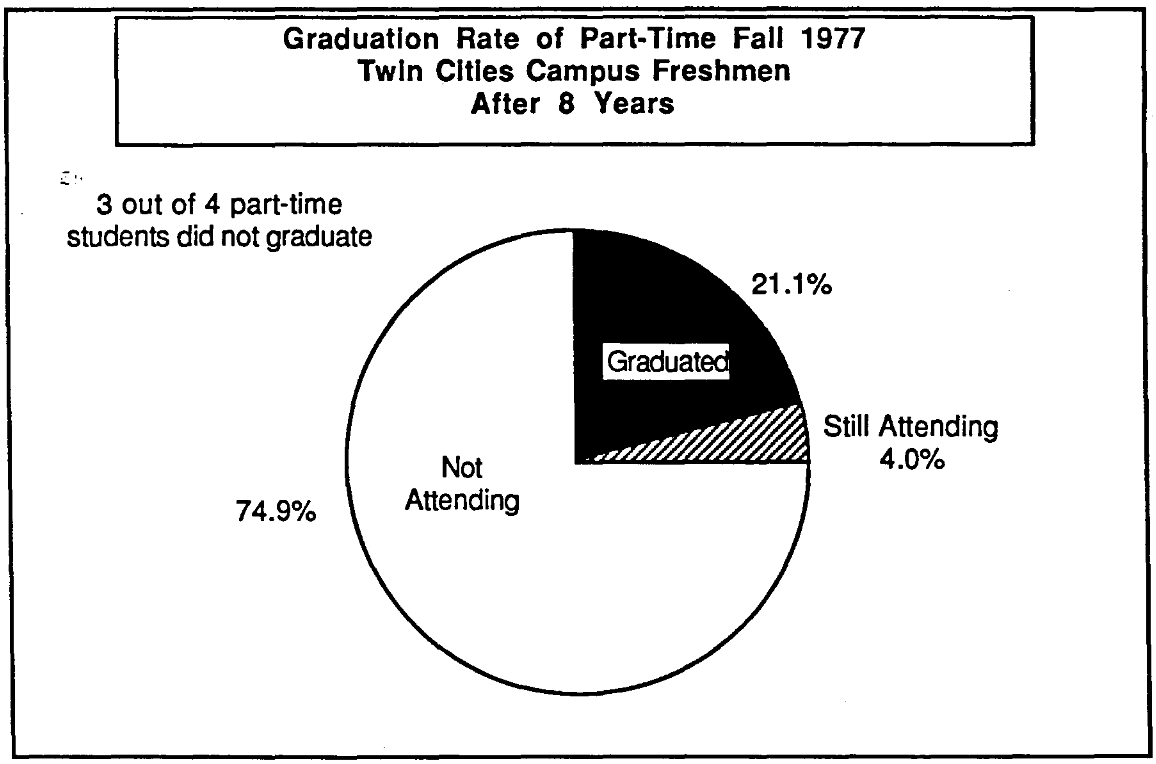
Big Ten Graduation Rates of Students by Number of Years Since Entry
Fall 1977 Entering Freshmen

University	5-Yr Rank	N	4 Yrs	5 Yrs	6 Yrs	7 Yrs	8 Yrs
Illinois	3	5901	45.9%	65.1%	70.1%	No data	No data
Indiana				No data			
Iowa	7	2677	30.7%	50.6%	55.7%	No data	No data
Michigan	2	4376	48.9%	66.3%	69.9%	No data	No data
Michigan State	5	7025	33.7%	56.2%	61.0%	62.8%	63.9%
Minnesota[a,c]	9	4434	16.9%	36.5%	44.2%	47.3%	49.5%
Northwestern	1			78.0%[b]	80.0%[b]		
Ohio State	8	7290	26.7%	43.9%	48.5%	50.3%	51.1%
Purdue	4	5525	42.0%	63.0%	No data	No data	No data
Wisconsin	6			54.2%[b]	60.8%[b]		

a Excludes General College, Adult Specials, professional masters in Agriculture and Education.

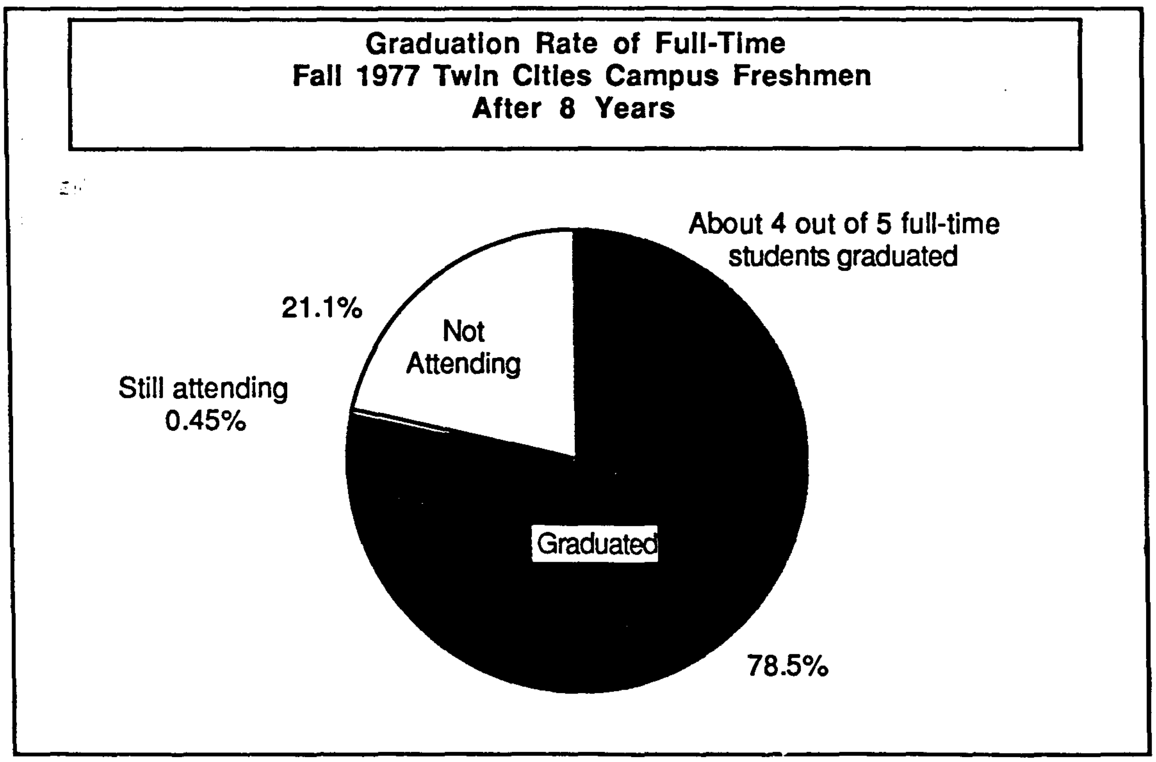
b Fall 1979 data; Fall 1977 data not available.

c Based on sample of 887 entering freshmen.

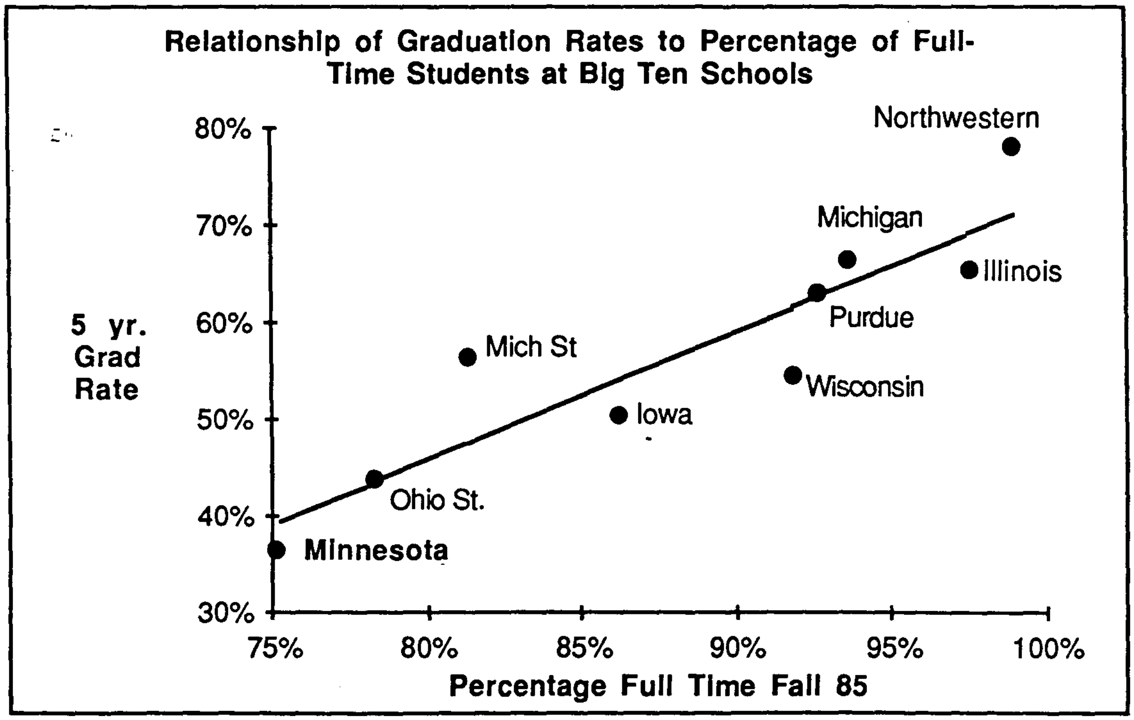


Part time defined as averaging 11 or fewer completed credits per term for terms enrolled. Data are based on sample of 887; General College not included.

Figure 4



Full Time defined as averaging 12 or more completed credits per term for terms enrolled.
Data are based on sample of 887; General College not included.

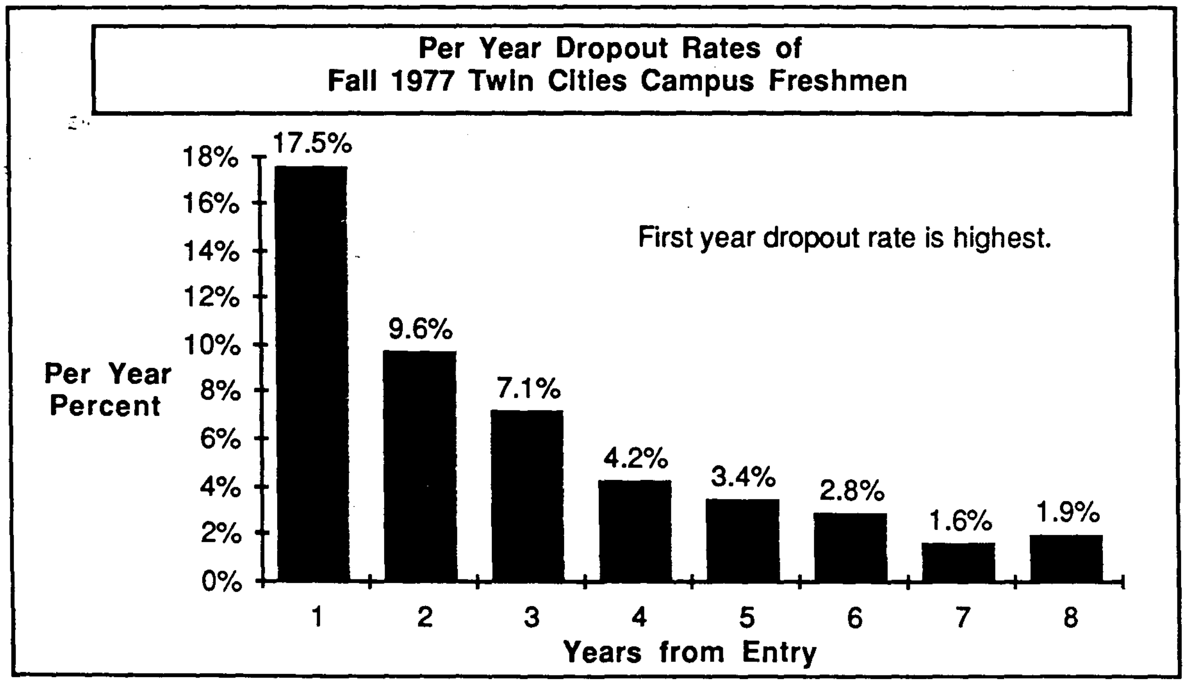


All grad data are for 77 freshmen except Wis & NW are 79. Full-time data are 85.
All but MN & NW include CEE in full-time data; MN full-time % with CEE is 50%.
MN General College not included. Indiana not included. Line is regression line. (r=.91)

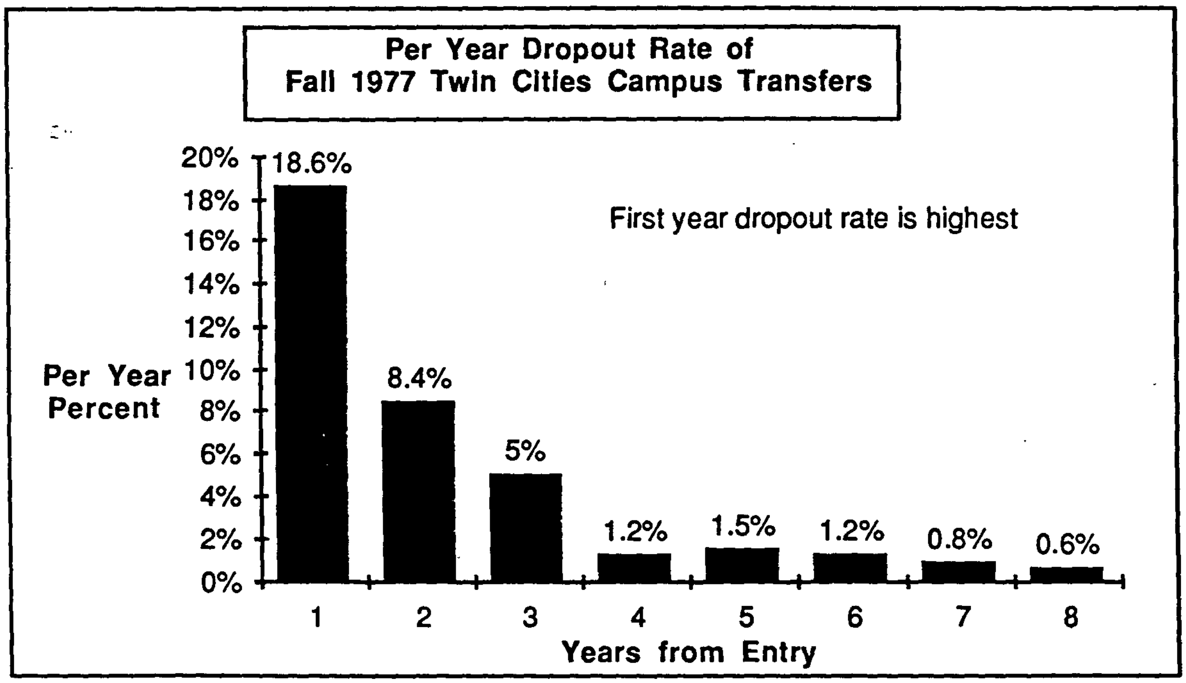
Big Ten Institutions Compared on Retention-Related Factors

	Full-Time Ugrads	Freshmen Living in Dorms	Non-Commuter Ugrads	Freshmen in H S Top 10%	Mean Freshman HSR	Mean Freshman ACT-Comp
U. of Illinois	98%	70%	34%	57%	87%	26[f]
Indiana U.	93%	88%	44%	27%	N/A	24[e]
U. of Iowa	86%	90%	N/A	24%[e]	75%[e]	23[f]
U. of Michigan	94%	98%	38%	65%[e]	93%	24-29[e,g]
Michigan State	81%	88%	49%	30%[e]	80%[e]	23[f]
U. of Minnesota	75%[a]	30%	10%	30%[b]	77%[b]	23[f,b]
Northwestern U.	99%[e]	96%	54%	69%	91%	26-32[e,g]
Ohio State U.	78%	53%	24%	26%	N/A	21[f]
Purdue U.	93%	70%	44%	36%	79%	N/A
U. of Wisconsin	92%	76%	21%	31%	80%	24[e]
Sources	HEGIS[d]	CEEB F '84	BIG 10 HOUSING SURVEY	(c)	(c)	

a Excluding Continuing Education and Extension
b Excluding General College
c University of Minnesota, Admissions Office, fall 1985 data
d HEGIS fall 1985 figures, excluding adult specials
e College Entrance Examination Board, fall 1984 figures
f University of Minnesota, Admissions Office, fall 1984 data
g Average ACT Composite score not available; range is for middle 50% of freshmen



Figures are percentages of 887 sample of total freshman entrants;
General College not included



Figures are percentages of 656 sample of total transfer entrants.
General College not included.

University of Minnesota, Twin Cities Campus
Average Annual Flow of Undergraduate Students
1978~79 through 1984~85

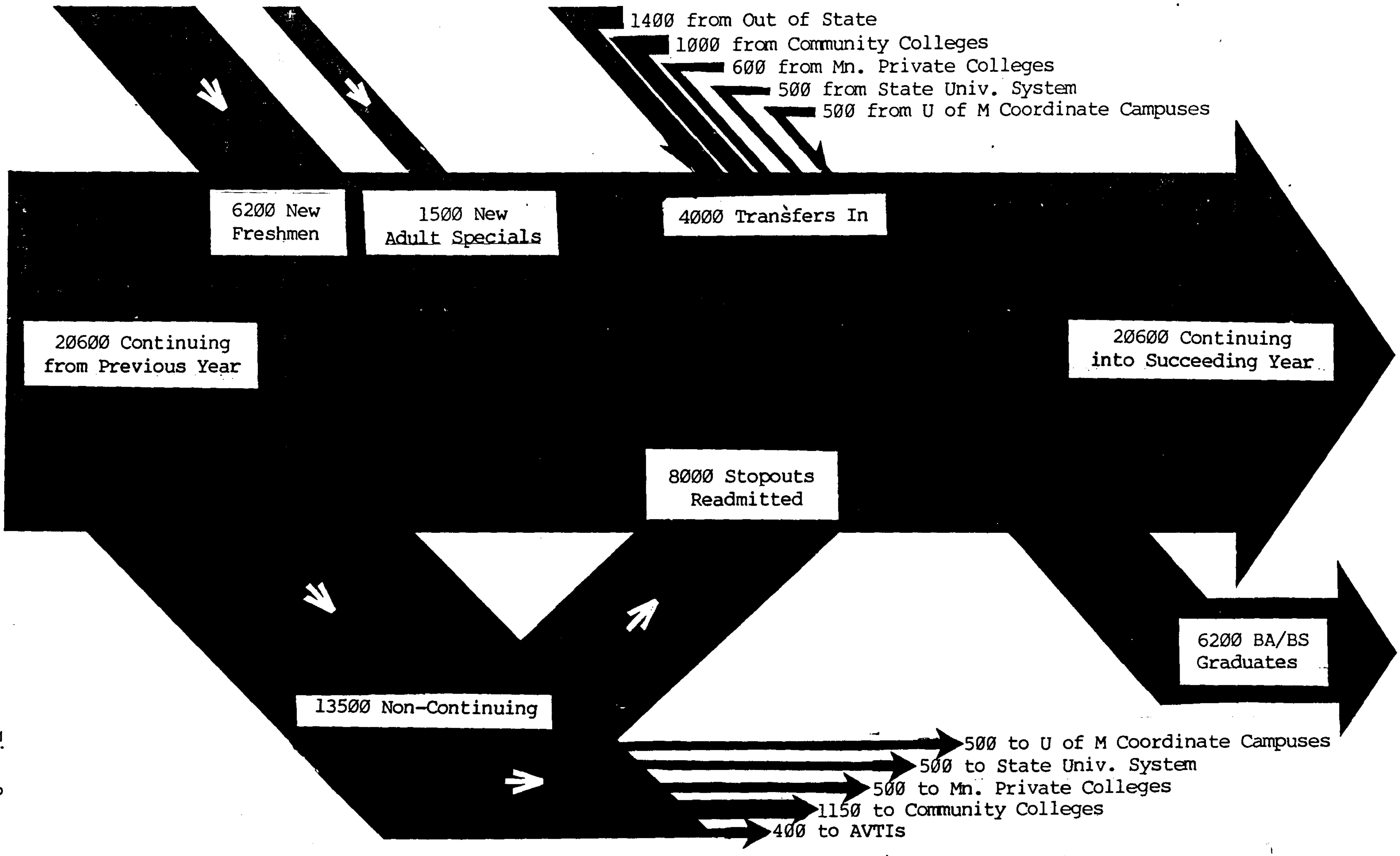


Fig. 8