Minutes*

Senate Committee on Faculty Affairs
Tuesday, April 28, 2009
2:30 – 4:15
238A Morrill Hall

Present: Kathryn Hanna (chair), Ben Bornsztein, Marilyn Bruin, Arlene Carney, Carol Carrier, Dann Chapman, Vladimir Cherkassky, Tom Clayton, Randy Croce, Jayne Fulkerson, Holly Littlefield, Theodor Litman, George Sheets, Roderick Squires, Elizabeth Stallman, James Wojtaszek

Absent: Luis Ramos-Garcia, Jessica Reinitz, Joe Ritter

Guests: Professor Dan Feeney (chair, Retirement Subcommittee), Jackie Singer (Director, Retirement Benefits); Nan Wilhelmson (Human Resources); Gavin Watt (Chair, Benefits Advisory Committee)

[In these minutes: (1) report from the retirement subcommittee; (2) academic salary plan memo; (3) review of policy: faculty emeriti; (4) review of policy: granting faculty development leaves; (5) report from the Benefits Advisory Committee; (6) faculty-expertise database]

1. Report from the Retirement Subcommittee

Professor Hanna convened the meeting at 2:30 and welcomed Professor Feeney to provide a report from the Retirement Subcommittee.

Professor Feeney reported that the Retirement Subcommittee has been preoccupied with the market and has spent a lot of time with Securian. They have met regularly with representatives of Securian, who have been very cooperative, and the University's Office of Investments and Banking will visit Securian four times per year. In addition, at the request of the Committee on Social Concerns, they are selecting a new socially-responsible investment option. When the University left TIAA, people had money in the socially-responsible investment fund; the University identified a Vanguard fund as equivalent—but the Vanguard fund is all equities, unlike the TIAA fund, which included both equities and fixed income investments. The new investment fund should be available in the near future.

The topic du jour is the Roth 403(b), Professor Feeney related. They go back on forth on the benefits versus the costs of creating the Roth 403(b) option for University employees. A Roth 403(b) is a contribution made to a 403(b) plan on an after-tax basis, rather than a pre-tax basis, like our current 403(b) contributions. Once these contributions are made to the plan, they accumulate earnings like a regular 403(b), but are not taxed when withdrawn, subject to certain restrictions. As a result, the earnings on Roth 403(b) contributions essentially accumulate on a tax-free basis. A question has arisen lately on the effect of a Roth 403(b) account on the taxability of Social Security benefits. If someone has been in the Faculty Retirement Plan for 20 or 40 years, the Roth 403(b) option may not add much to a retiree's

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income so there is a question about whether there is much of a benefit to adding it. The Roth utilization rate in the private sector is 6-10%.

When the University discontinued contributions to TIAA-CREF, it lost one of two "guaranteed" annuity plans, Professor Feeney said, but they have been unable to find many alternatives. (He noted that the income is "guaranteed" by Securian, so the guarantee is only as good as the company.) They even asked Securian about another option; they thought it unlikely many would change to a new offering. The University did issue an RFP when it left TIAA and received no bids.

There are or will be calculators on the Securian website for individuals to calculate what they will need for retirement income, and includes options such as Social Security, if one wants to leave a legacy, and so on. The revisions to the calculator allow more assumptions but they do reduce the default options for predicted interest rates (of return).

The default fund for individuals who do not complete fund elections for Faculty Retirement Plan contributions changed this year from a money market fund to a Target Retirement Fund, which is a blended fund, the mix of which is based on an individual's targeted date of retirement.

The Retirement Subcommittee conducts quarterly investment review—something they don't relish right now because there is nothing good in them—but they do monitor fund performance against benchmarks and can consider changes if the funds do not meet the benchmarks. The reviews start in the Retirement Subcommittee and then go to the Retirement Plan Fiduciary Advisory Committee (on which some Retirement Subcommittee members sit). The Retirement Plan Fiduciary Advisory Committee (RPFAC) was created to advise the Trustee of the Faculty Retirement Plan and 457 Deferred Compensation Plan on financial issues, much in the way the Retirement Subcommittee and SCFA provide input to Human Resources on retirement plan design issues. It is chaired by the Chief Investment Officer of the University (currently Stuart Mason) and is composed of an at-large member from the faculty, P&A and civil service groups, as well as the chair of the Retirement Subcommittee. Current members include Gordon Alexander, Andrew Hill, Barry Melcher and Dan Feeney in his role as Retirement Subcommittee Chair. Dr. Murray Frank will replace Dr. Feeney on the committee next year when he assumes his role as chair of the Retirement Subcommittee. There are joint meetings of the two groups so that everyone knows what is going on. Next year's task will be to tighten the charges to the two groups; any revised charge to the Retirement Subcommittee will be brought to this Committee for approval.

They met last week with representatives from TIAA, including the CEO, Professor Feeney reported. It was a respectful meeting. They are now admitting that they have a problem. The Retirement Subcommittee members said the University will wait and see what happens, but it will take a long time to recover confidence in them. They will receive another report in two or three years. Ms. Singer is monitoring TIAA's performance and has not seen any dramatic improvement, he said, and they remain convinced that the University made the right decision to withdraw.

Professor Hanna noted that she has also served on the Retirement Subcommittee for the last two years and commended Professor Feeney for the job he does as Subcommittee chair. She thanked him for the report.

2. Academic Salary Plan Memo

Professor Hanna asked Vice President Carrier to review the elements of the academic salary plan memo.

The memo covers all faculty, P&A staff, and graduate assistants. As everyone knows, Dr. Carrier said, there will be no recurring salary increases next year, but faculty promotional increases will be delivered, as will increases for P&A staff promoted in channels set by the units. The amount of the promotional increases will be geared to the Higher Education Price Index. If there are to be any lump-sum increases, they must be approved by the unit. Certain away programs (e.g., Morse-Alumni, Graduate-Professional teaching awards) will continue as usual. Retention offers can be made and there is an approval mechanism for offering them. Dr. Carrier said she did not know what would happen the second year of the biennium; the University will have to see if funds are available for recurring increases. Vice President Pfutzenreuter has modeled 2% increases, but it is uncertain if the funding will be available to pay for them.

If a unit has the funds, may it give one-time salary increases, Professor Hanna asked. It would need approval to do so, Dr. Carrier said, and such payments will happen primarily in programs that have a long-term plan to offer them (e.g., outstanding achievement awards are often merit-based and lump-sum payments). They do not anticipate that units generally will provide such payments.

Professor Hanna asked about the number of retention offers that were made last year; she said she thought it was 111 and inquired if Dr. Carrier had any idea of the number that would be made this year. Dr. Carrier said she did not. There are always some, she said.

Performance reviews will go forward, Dr. Carrier said. So if there is a raise next year, colleges will do a two-year review, Professor Hanna asked? That is what happened last time, Dr. Carrier said.

Mr. Croce asked if the administration has done any modeling on what will happen after the federal stimulus funds are no longer available and the University receives the same state allocation that it received in 2006. Dr. Carrier said the administration has done every form of modeling possible. Vice President Pfutzenreuter's office has done a tremendous job and the projections could be an agenda item for the Committee if it wished. How bad could it look in three years, Mr. Croce asked. Dr. Carrier said the worst outcome would be base state appropriation of $512 million per year (it is $709 million this year). The likely level is $627 million, but there will be a big state budget problem in 2012. No matter how one looks at the numbers, one gets the feeling the University will be smaller, Dr. Carrier commented.

Professor Hanna thanked Dr. Carrier for her report.

3. Review of Policy: Faculty Emeriti

Ms. Wilhelmson brought two policy changes to the Committee for review, "Holding the Title of Faculty Emeriti" and "Granting Faculty Development Leaves." Both have been converted to the new format for the online policy-library website. There were Senate and Human Resources versions of the policies; the two have been melded into one policy. The ad hoc subcommittee (of FCC and this Committee) that reviewed all human-resources policies to determine who should consult on them also examined these two policies to be sure that the intent of the Senate policies was incorporated in the revised versions (and concluded that it was).

The revised policy contained the following language:

"UNIVERSITY SERVICES AND PRIVILEGES

"Faculty who are granted emeritus status are provided the following privileges and services equal to those provided to regular faculty:

1. E-mail accounts (including internet access);
2. Library privileges;
3. Listing in the University directory and mail service;
4. Faculty discounts for computer software, recreation facilities, athletic events, and other performances and exhibitions;
5. Continued parking privileges at faculty rates-subject to space limitations (in such case, the next best alternative space should be offered);
6. Permission to audit graduate or undergraduate level courses, subject to the instructor's approval and relevant University policies and procedures;
7. Access to University and state policies governing the continuation of health and dental insurance, but at the employee's own expense;
8. Participation in academic processions (graduations, convocations, etc.) in a position of honor; and
9. Upon appointment by the president, represent the University at academic ceremonies of other institutions."

Professor Hanna inquired why #4 did not include hardware. Vice President Carrier said she would check. It may be that the University offers no discount for anyone.

Professor Hanna also noted the policy provides for an informal dispute-resolution process. Have there been disputes with emeriti faculty? There have been, Dr. Carrier said. She did not recall the subjects of the disputes.

Mr. Chapman explained, with respect to #7, that there are no state policies but that retirees have access to insurance per administrative policy. He also confirmed that the provision applies to P&A staff as well—the pertinent status for this purpose is retiree, not emeritus/a.

Another part of the policy contained the following provisions:

"ACADEMIC UNIT SERVICES AND PRIVILEGES

"Subject to cost and availability, academic unit administrators are encouraged to provide active emeritus faculty the following privileges, services, and facilities as are warranted by the nature of the continuing relationship with the University, but not to exceed those provided to regular faculty:

1. Office space;
2. Access to laboratories, computer, or comparable facilities requisite to the continued engagement in scholarly work or mutually agreed upon task whether on a contractual or volunteer basis;
3. Access to mail, telephone, and other routine office services (e.g. copying, secretarial); and
4. Privilege to submit proposals for sponsored research and to advise graduate students or postdoctoral research associates, subject to University rules and policies.

Professor Cherkassky asked why it is considered a privilege to be able to submit proposals. Because a retiree is not a University employee, Dr. Carney responded, so it is a privilege that the University allows one to continue to do so. Others outside the University can submit grant proposals with current employees, Professor Cherkassky noted. The key word there is "current," Dr. Carney pointed out. Emeriti faculty may not submit proposals with outsiders.

The policy lays down precise guidelines, Professor Squires commented, and it is not friendly wording. A summary of the policy creates a warm and fuzzy feeling but that does not come across in reading it and it seems rather harsh treatment of people who have been at the University for 30-40 years in some cases. Dr. Carrier said that typically deans write a warmer letter; she agreed that the policy sounds cold—but said that they all read that way.

Professor Clayton suggested that the terminology be cleaned up: "Holding the Title of Faculty Emeritus/Emerita" and referring to emeriti and emeritae in the text of the policy.

The Committee approved the policy changes unanimously.

4. Review of Policy: Granting Faculty Development Leaves

Ms. Wilhelmson turned next to the faculty-development-leaves policy and said there were two questions that arose. First, her office had a discussion with several faculty members about an individual who takes a single-semester leave and who works with an organization that has no provision for providing reimbursements but want to cover the costs. They concluded that the organization could provide additional compensation in lieu of reimbursement, although the compensation would be taxed while reimbursements would not. Second, individuals do accrue vacation while on a leave.

Dr. Carney said it would help her office if an item were added to the FAQs. What is the relationship between the timing of single-semester leave and a sabbatical? The language about when one can take a single-semester leave is clear, as is that governing sabbaticals. The question is whether one can take a single-semester leave abutting a sabbatical. She said she has approved such proposals, but a question then is what the return requirement should be. If one must wait four years between single-semester leaves, what happens if one takes a sabbatical during those four years? There is nothing in the policy about that situation; she would prefer that there is so that she doesn't have to make an interpretation. Ms. Wilhelmson said that the associated procedures determine years of service and service credit; service toward leaves is not earned during a sabbatical or on personal leave. Dr. Carney said that has been her interpretation: one can have a sabbatical between two single-semester leaves, but the sabbatical year does not count toward the four years that must elapse between single-semester leaves. But there is nothing in the policy about adding a semester leave to a sabbatical, and it would be helpful if there were.

Professor Bruin noted that she is on a 12-month appointment and said she has been told she can take a sabbatical—but that it is only for two semesters, not for the year. That is not what the policy says. Dr. Carney said Professor Bruin was correct. Ms. Wilhelmson said the question has sometimes come up when someone wishes to take a sabbatical spring semester and then fall semester. That would cross fiscal years, Dr. Carney said, but the policy does not bar the practice. She has approved spring-fall sabbaticals and the policy does not require they be treated like nine-month sabbaticals nor, if one is on a 12-month appointment, does it require that he or she must come back during the summer.

But if one is a 12-month employee, that does not mean one can take a six-month "single-semester" leave, Professor Bruin said.

The Committee approved the proposed changes to the "Granting Development Leaves" policy.

5. Report from the Benefits Advisory Committee

Professor Hanna now welcomed Gavin Watt for a report from the Benefits Advisory Committee (BAC).

Mr. Watt distributed copies of a memo he sent on behalf of the BAC to Mr. Chapman and began by explaining that the BAC has focused for the last two months on the administration's plan to cut $3.7 million from the UPlan. BAC will, however, continue its annual plan review (HealthPartners, Medica, RxAmerica, Healthways), in which they meet with plan representatives, submit feedback from employees, and consider the plan responses.

Last February the administration proposed to cut $3.7 million from UPlan spending and provided a list of items that totaled $3.7 million. In April the BAC sent a memo to Mr. Chapman, the Director of Employee Benefits, saying that the net result of the proposal was an increase in out-of-pocket expenses for employees. The BAC indicated a general discomfort with the administration trying to balance the budget out of the health plan because it is not the reason the University's budget is constrained or threatened. The answer from the administration was that that is true—but health-care plans cost the University money and those costs have been increasing.

The $3.7 million represents less than 2% of the University's total health-care expenditures, which are going up faster than inflation. The BAC insisted that the balance between University and employee payments remain the same. There are a number of fixed costs in health care: co-pays have not been indexed to inflation but premiums have, so there has developed a spread between what the employee and the University pays. One argument is that the balance should be returned to where it was five years ago when the University separated from the state plan.

The biggest cost-saving will be $1.4 million, achieved by changing the way specialty drugs administered in doctor's offices are adjudicated. Currently these drugs are covered under the medical benefit. The savings comes by having them covered under the pharmacy benefit. Other changes will include changing low-dose Lipitor to a non-formulary drug and using a single preferred brand of diabetic supplies. They will also examine the results of various components of the Wellness program. (The number of participants has been declining in the one area which some members think is unpopular, so costs for that wellness component are self-regulating.) Administration also proposed modest increases in pharmacy co-pays (from $8/20/35 to $8/25/50 for generic/non-formulary/brand-name prescriptions).

BAC opposed other changes, including increasing the out-of-pocket maximum individuals must incur before 100% coverage takes over. The maximum could be indexed, Mr. Watt said, but BAC has a guiding principle: this is insurance, everyone is in this together, and costs should not be shifted to the sickest.

Professor Fulkerson inquired about the change for Lipitor. It is the prescription the University spends the most money on, Mr. Watt said. Diabetes supplies are mostly at the $8 level; the pharmacy benefits manager believes they can get a good deal on the supplies from one vendor and keep the price at $8. Professor Cherkassky objected that the doctor prescribes the drug, not the patient. "Yes and no," Mr. Watt said. Physicians tend to over-prescribe expensive drugs. Professor Cherkassky said he has had prescriptions for generic drugs that did not work; it is a question of the doctor's perception of what works. They wrestle with that in public health, Mr. Watt said, the perception of public health versus individual health. The UPlan has a class of drugs with brand names that have no generic equivalent; they are covered as though they were generic, so the same $8 copay applies. When the low-cost drug does not work for a patient, he or she can get the more-expensive drug at the low-cost price if the doctor documents that it is medically necessary. The plan is structured so no one is financially disadvantaged. Several Committee members said they did not know of the option Mr. Watt described; he suggested that employees look at the pamphlet they receive and look at the website. The process needs to be simple, Professor Cherkassky said, and not require two hours' work. Mr. Chapman encouraged people to call Employee Benefits for assistance. They have tried to get this information to employees, but he noted that the doctor is required to say that the more-expensive drug is a medically necessary and that the generic version does not work for this patient. It cannot be simply a matter of preference.

Professor Bornsztein asked how the $1.4 million savings in pharmacy prescriptions is to be achieved. Mr. Watt explained by an analogy with auto-repair work. If one needs a new alternator, one can either bring the vehicle in and have it replaced or one can bring in the vehicle and a new alternator and have the mechanic install it. Doctors, like mechanics with auto parts, mark up drug prices at a different rate than the pharmacy if the drugs are administered in the doctor's office. The physician prescribes a drug and benefits from the margin, Professor Bornsztein asked? Mr. Watt said it is usually the clinic that benefits, not the doctor personally. Professor Bornsztein said it was hard to understand how a clinic benefitted. Mr. Chapman explained that when drugs are purchased under the pharmacy benefit, the University obtains them at average wholesale price minus a discount. When the drug is purchased and administered through a clinic, the clinic pays average wholesale and adds a mark-up and an administrative fee. That practice is one reason why the pharmacy benefit was separated from the medical plans. Before drug costs were a black box; now they are transparent and the University can negotiate what it pays for drugs. This one practice snuck through and is now being corrected.

Does this mean one must now get drugs online or at the pharmacy, Dr. Littlefield asked? This has nothing to do with where one gets drugs usually obtained at a pharmacy, Mr. Chapman responded. It only pertains to specific drugs administered in doctors' offices. Generally these drugs tend to be very expensive. Professor Fulkerson asked for examples. Mr. Chapman mentioned drugs for hemophiliacs as an example. These are drugs that most often have to be administered intravenously, are dangerous, and require monitoring of the patient. There will be no change in how the drugs are obtained for patients, he said; this is all about behind-the-scenes transactions in claims processing.

Professor Hanna noted that the BAC has endorsed savings that total just over $2 million while the administration asked for $3.7 million. Will the administration accept this plan? Mr. Chapman said the President charged his office to go to BAC with proposals of $3.7 million in savings, a small ask of less than 2% of health-care expenditures given the current budget constraints. They need to get to that number. Employee Benefits was willing to talk to the BAC about where savings might be found; they did not receive advice on obtaining the full $3.7 million, so will go back to the President with the BAC proposals for his consideration.

Professor Litman noted that there were a set of principles on how the plans work that went into the considerations. Mr. Chapman agreed and summarized them. Look first for places where it would be possible to wring more efficiency out of the system. Second, make changes to add to the incentives (e.g., using generics versus brand-name drugs saves a lot of money both for the UPlan and the employees). Third, recognize frankly that some changes are cost shifts to employees, but in these cases look for changes that have an infrequent impact on only a few employees. The fourth, Mr. Watt added, was to protect low-income employees.

Mr. Croce said he thought the memo from the Mr. Watt on behalf of BAC to Mr. Chapman was well written and reflected the principles that were established when the BAC was created. He said he hoped the administration would follow the BAC advice, and added that if more money must come from the UPlan, he would rather pay a little more than take money from the lowest-paid employees. Mr. Watt said the memo was co-authored with Professors McGehee and Morrison and endorsed by the BAC; he said that the UPlan benefited greatly from having faculty member Dr. Steve Schondelmeyer consulting with the UPlan; the $1.4 million savings in the pharmacy benefit was his idea.

Mr. Chapman said that with this change (which will be complex to implement), they have probably captured all the currently available efficiencies they can from the system (except for drugs administered in a hospital, which is a saving impossible to get at). They will continue to seek savings with no impact on plan participants, he assured the Committee.

Professor Hanna thanked Mr. Watt for his report.

6. Faculty Expertise Database

Professor Hanna turned last to Vice Provost Carney to provide a report on the faculty-expertise database. She noted that there was a joint subcommittee of this Committee and the Senate Research Committee that had recommended to the Senate that the University move ahead in implementing a faculty expertise database; the Senate endorsed the recommendation. (See http://www1.umn.edu/usenate/usen/080403sen.html, item 20.)

Vice Provost Carney reported that she and Vice President Carrier sit on a committee with other central administrators, the Strategic Technology Assessment Team, that meets monthly to look at priorities for funding for technology that affects the entire University. The faculty-expertise database is a project that is large in scope but not in budget. She also recalled that the Senate had endorsed a report that called for an enterprise-level system to keep track of what faculty do. Some colleges have their own systems but those systems do not talk to each other. There is also a public/private issue, because only a certain amount of information can be public.

One of the benefits of a system would be that faculty could find collaborators in writing grants, Dr. Carney said, but there are other reasons that such a system might be desirable. The system could generate faculty-activity reports and documents for the promotion-and-tenure process.

The committee looked at the options available, as did she and staff in the Office of Information Technology (OIT). The focus turned to a couple of the available options. It is clear that no system will satisfy every faculty member—she said she is not searching for that Holy Grail. She said they wanted to find a system that OIT could support, that would interface with PeopleSoft, and that would be affordable. They have identified a product from Digital Measures that appears promising. They have assembled groups of faculty to look at demos of the Digital Measures system. It allows a report for everyone and also allows colleges to develop their own reports at no additional cost per year. Some elements of the database would cut across the University; it is her goal, she said, that information in promotion-and-tenure documents be consistent. People have also liked Digital Measures because it allows individuals to print out their CVs any way they want them, but it also has templates for NIH and NSF biosketches and for responding to ABET accreditation, and institutions can add other reports that they need.

A number of demos have been scheduled, Dr. Carney said, and a wide variety of faculty have been invited to participate, including from the Faculty Consultative Committee, the Academic Health Center, Law, Management, CFANS, CLA, the Academy of Distinguished Teachers, the Council on Liberal Education. Vice presidential offices, faculty associate deans, and the coordinate campuses have also been included. They do not propose to start the project on a University-wide basis, but some colleges have volunteered to begin in order to help work out any bugs.

Another reason she likes the Digital Measures tool is that it allows the University to keep track of Student Learning Outcomes evidence.

The Academic Health Center is looking at another system for its curricula and for accreditation but would not buy that system's faculty module and would use the Digital Measures system.

The adoption of the Digital Measures system would not mean units would have to give up their favorite reports, Dr. Carney said. For example, colleges can keep their own forms. But the system would, for example, allow faculty to find each other and would allow printing of promotion-and-tenure documents. Some of the University's peers have recently purchased the Digital Measures system and there is a CIC users group that has great potential. The system, in addition to helping with faculty activity reports, can also track courses taught, independent studies supervised, etc. She said she believed it would cut down on the work faculty are now doing—she said she would love to have a program that would generate her NIH biosketch as well as those of her collaborators.

This is a big plan that they are approaching college by college and trying to do so in as consultative a fashion as they can, Dr. Carney concluded. She invited all Committee members to join the next demonstration of the system.

Dr. Carrier asked if the University would buy the software or a license. A license, Dr. Carney said, and would pay a fixed amount no matter what it added to the system. The data would be stored in multiple secure and guarded sites and is not sold. Several hundred institutions are using Digital Measures. One of the biggest advantages is pasting in a CV—but the most difficult part for most faculty members is simply keeping their CV up to date.

Professor Cherkassky suggested soliciting the views of research administrators in each department because they are the ones who actually submit proposals. Dr. Carney said they have invited individuals in those positions to the demonstrations.

Do they plan to communicate about the system once it is in place, Dr. Littlefield asked. Dr. Carney said one exemplar is the new student-rating-of-teaching form, which is part of her portfolio. She lets faculty know about the form every semester and spent a lot of time on the communication effort for the new form. She would do the same with the new database. The effort would be college by college, but she is also working with the faculty associate deans to assess specific issues that might arise in individual colleges. This is a large enterprise that will not be completed in six months but it will help with a lot of activities. Faculty are asked to do the same thing so many times in different ways; if the information can be stored in one place and drawn on as needed, that should cut down the work required. But she agreed that a good communication plan would be needed.

Professor Hanna said she assumes people have been impressed with the Digital Measures system; if the University goes ahead with it, what is the timeline? Dr. Carney said the project spent a year in the Senate and now a year in evaluation; she said she is ready to recommend purchase this summer unless someone sees something devastating that she has missed. She said she would like to see implementation start this fall in several colleges.

Professor Wojtaszek asked if the system would be available to the coordinate campuses. It will, Dr. Carney said, because the University would buy it for all campuses. She would work to get it set up for the other campuses as soon as possible.

Professor Hanna thanked Dr. Carney for the report and adjourned the meeting at 4:30.

-- Gary Engstrand

University of Minnesota