Minutes*

SENATE COMMITTEE ON FACULTY AFFAIRS
Thursday, May 6, 1993
3:15 p.m.
238 Morrill Hall, Regents Room

Present: Carl Adams (chair), Carole Bland, Daniel Canafax, Carol Carrier, Mary Dempsey, Ann Erickson, Ann Fallon, Roger Feldman, Richard Goldstein, Audrey Grosch, Morris Kleiner, Steve Laursen, Richard McGehee, Dianne Mulvihill, George Seltzer, Bernard Selzler, W. Donald Spring, Michael Wade

Absent: Derek Jensen, Roger Paschke, Michael Sadowsky, Judith T. Younger

Guest: Robert Fahnhorst

Chair's Report

The meeting began at 3:15 p.m. with a short report by Professor Adams. He announced that Professor Ann Fallon had agreed to serve on the Grievance Advisory Committee established under the new University Grievance Policy. The Advisory Committee is responsible for advising the President regarding the selection of the University Grievance Officer (UGO), the UGO's performance, and the operation of the Grievance Policy. On behalf of the SCFA, he thanked Professor Fallon for her willingness to take on this responsibility.

Minutes

The April 8 minutes were approved.

Private Practice Plans

Professor Adams reported that he will be asking Associate Vice President Cherie Perlmutter to the May 27 meeting to discuss private practice plans with the SCFA. He said it is his understanding that health science units other than the Medical School have already been asked to give some thought to the development of private practice plans. Neither the Senate nor its committees has jurisdiction over individual units, but the SCFA should review the issue with the thought of ensuring some level of conformity across the University.

Faculty Retirement Subcommittee Report

Professor Goldstein's (chair of the subcommittee) report focused on possible changes in the way assets are held in the faculty retirement plan. The majority of the funds, he said, are currently in what is

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called the "general account" with a fixed interest rate that changes periodically. At present, there is well over $400 million in the general account, earning approximately 7 1/8 percent interest. This fund is shared equally by Minnesota Mutual and Northwestern National Life Insurance Companies (MM/NWNL). One major advantage of having two companies rather than one, he said, is that each completely guarantees the funds of the other in terms of the University's investment. The University has recently been notified that Northwestern National Life Insurance Company has decided, for various reasons, to discontinue managing large pension funds. Minnesota Mutual is willing to take over the NWNLs portion of the funds with the changes scheduled over a ten year period beginning July 1, 1993.

Subcommittee discussions have included identifying a number of key objectives for the transition, including: 1) maintain competitive crediting rates; 2) retain "joint guarantee" on June 30, 1993, assets; and 3) effect a smooth transition.

Ms. Mulvihill reviewed the actions to be taken:

General Account

- NWNL funds will be transferred to MM over 10 years
- assets in the General Account on 6/30/93 (plus future interest) will be covered by the joint guarantee for the 10-year period (while they remain in the General Account)
- current crediting rates will remain in effect through 9/30/93
- NWNL will guarantee an average annual interest rate of 6.5% for the 10 years on the remaining NWNL assets
- General Account contributions and transfers effective after 6/30/93 will be invested solely in MM's General Account
- MM/NWNL will give the University at least 30 days' notice of any restriction of transfers out of MM's General Account
- The University will continue to review alternative investment options for future contributions (recognizing that competitive options may not be available currently)
- NWNL will be de-emphasized in communications after 7/1/93

Annuities

- annuities purchased prior to 7/1/93 are the liability of the two insurers and will retain the joint guarantee (recent annuity purchases have been well under $100,000 so that lack of a joint guarantee should not present problems)

Separate Account A

- initially no asset transfer
- MM will become the asset manager/administrator on/after 7/1/93

One member inquired whether NWNL has a legal obligation to continue its relationship with the University? Ms. Mulvihill responded that there is an ongoing relationship, however, the contract with NWNL does not require them to hold 50 percent of the assets. Even if they held just one percent, they would still be within their legal rights. NWNL also has the ability to set a crediting rate which is affordable to them; if they were to do that, it would not be one that the University would be comfortable with.

Another asked who sets the crediting rate? If it appears NWNL cannot match the competitive crediting rate based on the earnings from their assets, it seems reasonable that the University would want to sever its relationship with them. Professor Goldstein said Minnesota Mutual has been able to set a higher crediting rate based on its earnings than NWNL has been able to.

Will there be a guarantee of the average crediting rate during the 10 year transition period, inquired one person? Ms. Mulvihill responded that NWNL has said it will give 6 1/2 percent averaged over the 10 years, with higher earnings in the early years.

What alternatives have been explored? Ms. Mulvihill said it was doubtful that the University would find another insurance carrier that would enter into a joint guarantee; however, she believes many companies would be interested in working with the University's pension plan. This is not a good time, however, for setting up an alternative plan because interest rates are so low. One of the action items listed above, she noted, is to continue review of alternative options so that if interest rates increase the University can contract with a company able to provide competitive interest rates.

One person encouraged looking not only at the rate of return but also at risk factors and the term of guaranteed payment, which is often a negotiable item.

In response to a question about the University's legal rights with respect to withdrawal, Ms Mulvihill said the contract does not spell out the method of withdrawal.

Due to a full agenda, the SCFA closed discussion of this issue and agreed that the Faculty Retirement Subcommittee would continue to work with the Administration, keeping the SCFA informed of developments.

Sabbatical Programs

Associate Vice President Carrier opened the discussion by reviewing the proposed sabbatical program in which faculty would earn credit based on years of employment. While the program has received strong support, implementation problems exist--approximately 1,400 faculty would be eligible for a full nine-month paid sabbatical. Needless to say, this would produce extreme administrative problems. At this time the Administration is looking to the SCFA for implementation suggestions.

The Faculty Benefits Subcommittee agreed to do a little creative thinking and bring some recommendations back to the full committee.

Faculty Salaries

The discussion next turned to faculty salaries and in particular a draft statement entitled "Senate Committee on Faculty Affairs Position on 1993-94 Faculty Salaries," prepared by Professor Adams. Committee members were supportive of the statement which outlines faculty concerns about a possible salary freeze, provides recommendations for obtaining additional funding through improved efficiency and effectiveness, and requests the Faculty Consultative Committee to work with the Administration on a compensation plan for 1993-94 and beyond.

The phrase "productivity increases" raised some discussion. Professor Adams said the general concept usually means more output for the same input or the same output for less input. Modifying teaching loads of faculty who are not as productive in research or service, increasing research activity without decreasing teaching or service, and raising class size through consolidation of courses without diminishing quality are all examples of productivity increases. Some units, he said, have so reduced their staff and graduate student resources that faculty are being forced to spend time in unproductive ways. The University must realize its faculty could be more productive with more support.

This, of course, could mean potential layoffs. However, it is also possible to increase services that generate revenue (e.g. offering additional classes through increased productivity). While many departments are already moving in that direction, the SCFA feels more could be done. A productivity study may be in order, suggested one person.

One member recommended including more alternatives in the statement, such as privatization of parts of the institution, collaboration of partnerships both outside the University and within, and more efficiency on all levels. It is important that effectiveness be addressed also. Introducing changes that lower costs but also lower quality is not considered a productivity increase.

The faculty also need to ask where the University is with regard to programmatic reductions and tuition, suggested another.

At this time, the following motion was presented and approved:

to authorize the SCFA chair to amend the statement as discussed and forward it to the Faculty Consultative Committee

Domestic Partners Recommendation

At its April 8 meeting, the SCFA approved in principle a recommendation that the University extend to same sex registered domestic partners the same benefits and privileges that are provided to married persons, and to authorize its Faculty Benefits Subcommittee to amend the language as directed by the committee. Professor Adams was concerned the amended language might not satisfy the concerns expressed by the SCFA on April 8 and, therefore, asked the committee for a final review. Subsequent to the April 8 meeting, Professor Adams also sent a letter to the General Counsel's Office asking for a legal opinion on the following: 1) whether the University can legally ask questions that attempt to establish the sexual orientation of an employee and his/her partner, and 2) does an affidavit signed by the employee and his/her domestic partner that indicates joint responsibility for each other in economic considerations have a legal status approximating that of a heterosexual married couple? A response is still pending.

Professor Adams also reported that the Senate Consultative Committee had approved the recommendation in principle pending the SCFA's final approval.

The discussion centered primarily on the issue of including language identifying an individual's sexual orientation in the Affidavit even though the legalities of it are unclear. Some argued that the document already requires more from domestic partners than it does from married couples and the language isn't either appropriate or necessary. Additionally, by definition "domestic partners" identifies an individual's sexual orientation. Others argued that the definition of domestic partners is somewhat ambiguous and that the language should be included to bring the recommendation and Affidavit into conformity. Moreover, absence of the language leaves the policy open for abuse.

The SCFA then approved a motion to reaffirm its approval of the recommendation and to add as item 4 in the Affidavit "have the sexual orientation of a homosexual."

The recommendation, including the Affidavit, will be moved onto the May 20 Senate agenda. It was noted, however, that answers to the legal questions are still pending.

The meeting was adjourned at 5:15 p.m.

-- Martha Kvanbeck

University of Minnesota