

SENATE COMMITTEE ON FACULTY AFFAIRS (SCFA)

May 12, 2015

Minutes of the meeting

These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; none of the comments, conclusions or actions reported in these minutes represent the views of, nor are they binding on, the Senate, the Administration or the Board of Regents.

[In these minutes: Benchmarking Data on Health Care Benefit Levels, Miscellaneous Committee Business, Retirement Subcommittee Update, Funding for Graduate Education]

PRESENT: Joseph Konstan (chair), Joe Price, Kenneth Horstman, Allen Levine, Theodor Litman, Sophia Gladding, Tabitha Grier-Reed, Robert Kudrle, Scott Lanyon, Monica Luciana, Peh Ng, Lori Rhudy, Daniel Skaar, Brett Colson, Leah Reinert

REGRETS: Christina Bourland, Phil Buhlmann, Teri Caraway, Frank Kulacki, Amira Masri

ABSENT: Kathy Brown, Teresa Kimberley, George Sell

GUESTS: Professor Dan Feeney, chair, Retirement Subcommittee; Ken Horstman, director, Employee Benefits; Jackie Singer, director, Retirement Programs

GRADUATE EDUCATION FUNDING GUESTS: Kathleen Harder, PhD, director, Center for Design in Health and director of Graduate Studies Human Factors Program; Professor Susan Jones, director of History of Science and Technology Program; Professor Ruth Mazo Karras, chair, Department of History; Professor Karen Oberhauser, director of Graduate Studies, Conservation Biology

1. Benchmarking data on health care benefit levels for various covered services:

Professor Konstan welcomed Ken Horstman, director, Employee Benefits, who was invited to provide benchmarking data on health care benefit levels for various covered services. Before going over the data, Mr. Horstman noted that it is difficult to represent an entire benefit package in a brief summary. He requested members bear in mind the data he will share is just a snapshot of the University's benefits as compared to the institutions the University benchmarks itself against. With that said, he turned members' attention to a handout containing benchmarking data. It is important to remember, said Mr. Horstman, that benefits are just one component of an employer's strategy for attracting employees. He then walked members through the data. At the end of his presentation he commented that in looking at salary-graded premium structures, the data indicates the University of Minnesota's benefit levels are competitive with the institutions it benchmarks itself against. In Mr. Horstman's opinion, the University has a rich benefit package that it should be proud of, and reiterated that the differences in

benefit packages from school to school are because every school has their own benefit strategy.

In response to a question from Professor Konstan about utilization and claim expenses, Mr. Horstman explained that in a typical large employer plan, approximately 70% - 75% of employees have plan costs under \$1,500 per year. However, on average 2% - 3% of employees have high claims, which can cost the plan as much as 60%. Case management is one way to give high and moderate claim users extra support to help them make good health care decisions. Generally speaking, the cost of an average family on a national health plan (Kaiser Family Foundation research data - <http://kff.org/>) is approximately \$17,000 per year, and single coverage would be roughly \$9,000 per year. While the University's family and single premiums are probably slightly higher than these figures, its plan design has higher levels of coverage. The University has a well-managed plan and operates under the philosophy that everyone contributes to help support those when they need the plan the most.

Additional member questions/comments included:

- Do any institutions of higher education offer cafeteria-style plans? Ms. Singer, director, Retirement Programs, replied she does not see many cafeteria style plans.
- Are institutions that have defined benefit retirement plans eliminating them in favor of defined contribution plans? Mr. Horstman said the private sector certainly has more defined contribution plans than defined benefit plans. He said he has not seen any movement in this direction for universities with defined benefit plans that are well managed and funded. Ms. Singer added that most institutions that offer defined benefit plans do so in conjunction with a state plan.
- Do faculty on 9-month appointments at other institutions earn vacation? Ms. Singer replied that she has not come across institutions that offer vacation to their 9-month faculty, but this is not to say it does not exist rather that she just has not seen it.
- Without knowing who (administration versus employees) is contributing to an institution's retirement plan(s), for example, it is difficult to know if the University's benefits are comparable to that of other institutions. Getting at this information would be difficult to do on a benefit-by-benefit basis, said Ms. Singer. It would probably be more relevant to look at the University's total contribution to benefits as a whole. Mr. Horstman and Ms. Singer said looking at the fringe rate would likely be the best approach for calculating the value of a person's benefit package.
- Are the institutions the University benchmarks itself against self-insured or not? Mr. Horstman said he is not sure but would assume that the larger institution's medical plans are self-insured. He added that increasingly there are a lot of small employers that are deciding to self-insure because it can reduce the volatility of their renewal rates and give them a better sense of what is happening in their plan.
- Is anything being done to help people figure out before they go to the doctor how much of the bill they will be responsible for? Mr. Horstman said this is a complex problem that lacks transparency. There are providers in the Twin Cities

that are trying to do a form of bundling of services so they can quote a fee for a particular service, e.g., total joint replacement; however, this is a slow process that will not happen quickly. The University is working on putting services in place so when people have questions about how much they will owe, etc. that they can talk to someone who knows or who can find out.

Professor Konstan thanked Mr. Horstman and Ms. Singer for the information they shared.

2. **Other business:** Professor Konstan provided the following updates:

- The SCFA Subcommittee on Faculty Sabbatical and Development Leaves, which is chaired by Professor Ng, provided an update to the Faculty Senate on April 30, 2015 about the work of the subcommittee. For more information, please go to page 18 of the April 30 Faculty Senate minutes - <http://www1.umn.edu/usenate/usenate/minutes/150430sen.pdf>.
- Professor Konstan thanked members who were rotating off the committee this year for their service, and informed continuing members that Professor Lanyon will be chairing the committee for the 2015 – 2016 academic year.

3. **Retirement Subcommittee Update:** Professor Konstan welcomed Professor Feeney, chair, Retirement Subcommittee, who was invited to provide the committee with an update on what that committee has been working on this past year. Professor Feeney highlighted the following and said a few words about each:

- Discussed offering a tiered retirement plan.
- Brainstormed ideas for how to engage employees around planning for their retirement.
- Worked with Securian to develop additional online retirement planning tools/resources.
- Met with Securian to review the Faculty Retirement Plan and its holdings.
- Met with Vanguard, Fidelity, Deutsche Asset Management and Securian about their retirement planning software.
- Continued discussions about offering a Roth.
- Discussed offering target age funds in addition to the target date funds that are already available in the plan.
- Talked about the possibility of moving to a common recordkeeper.

For more details about the specifics of each item the committee discussed, Professor Feeney encouraged members to read the Retirement Subcommittee minutes, which can be found at <http://www1.umn.edu/usenate/committees/retirement.html>. Upon concluding his remarks, he solicited members' questions and comments, which included:

- Is the Retirement Subcommittee looking into tools that could help individuals determine their level of risk tolerance, for example, and also offering socially responsible investment options? Professor Feeney said the FRP includes a socially responsible fund already, which is a blended fund. Regarding the question about risk tolerance, Professor Feeney explained that these types of questions are nested in the retirement planning tools that are available online to

University employees -

<https://umnplans.securian.com/UofMWebDyn/faces/jsp/public/calculators.jsp>.

- Does the University conduct a retrospective analysis to look at whether its retirees were actually ready and prepared to retire? Professor Feeney reported that Securian offers free in-person retirement planning meetings to those who are interested to help them plan for their retirement to make sure they are adequately prepared. While the University does not follow-up with individual retirees, it monitors how the retiree's cohort of funds are performing.
- Without an elaborate outreach scheme, what would be the subcommittee's preferred approach for getting people to understand their retirement planning choices and why it is so important to plan for retirement? Professor Feeney said the subcommittee spent a great deal of time this past year talking about employee education and engagement around planning for retirement and these efforts will continue next year as well. With that in mind, Professor Feeney said to stay tuned because beginning next year employees will be getting more information on retirement planning via mailings, mini webinars, online tools, etc.

Hearing no further questions, Professor Konstan thanked Professor Feeney for the update.

4. Funding for graduate education: Professor Konstan welcomed Kathleen Harder, PhD, director, Center for Design in Health and director of Graduate Studies Human Factors Program; Professor Susan Jones, director of History of Science and Technology Program; Professor Ruth Mazo Karras, chair, Department of History; Professor Karen Oberhauser, director of Graduate Studies, Conservation Biology and began by providing some context for the discussion on funding for graduate education. He said the intent of the discussion is to hear from four programs from across the University to get a sense of the issues facing graduate education at the University. Before beginning, however, he called for a round of introductions.

Each of the four guests took turns sharing information about their respective graduate program and the challenges they face. The issues that bubbled up to the top included:

- When the graduate education funding strategies changed, the number slots for GSFs and DDFs dropped dramatically in light of the reduced funding support from the University.
- The availability of teaching assistantships has dropped for a number of interdisciplinary programs because students are no longer eligible for them. In many cases, it is no longer an option for a faculty member to take on a graduate student unless the student has his/her own funding.
- There was a preponderance of PhD students but now that has changed to a preponderance of Master's Degree students because faculty are nervous about making a five to six year commitment to fund a PhD student.
- A number of interdisciplinary programs are becoming less interdisciplinary over time because it is easier for faculty who have TAs in their own departments to take in their own students and guarantee the funding. Additionally, with the reduced number of interdisciplinary programs means fewer programs are eligible to apply for interdisciplinary funding.

- Because faculty in interdisciplinary programs have an allegiance to their home departments poses a problem in finding funding for graduate students who have been admitted into these programs. Many interdisciplinary programs are not privy to a funding stream.
- Ideally, it would be great if interdisciplinary programs were given funding that they could use as a recruiting tool.
- For even non-interdisciplinary programs, many graduate students are supported with teaching assistantships, which have declined significantly over the years.
- At the University of Minnesota in general, graduate student stipends are on the low end as compared to many other CIC institutions.
- Cuts in instructional budgets make it not only difficult to fund existing graduate students but discourages programs from admitting new students.
- Reduced numbers of graduate students can make it difficult to recruit and retain faculty if they know they will not be advising graduate students.
- The University is losing bright, talented graduate students due to the lack of guaranteed funding.
- Cooperation between departmental programs will be crucial if interdisciplinary programs are to succeed.
- Besides low stipends, another issue is the teaching assistantship workload, which, depending on the course, can make it difficult for graduate students to get their work done in the allotted 20 hours/week.
- The absence of a Graduate School as a home for interdisciplinary programs is a problem.

Professor Konstan thanked the guests for sharing their perspectives on this issue. Before opening up the meeting for comments from members, he asked about the degree to which program capacity (as it relates to the research and advising needs of faculty), and the job market opportunities for graduate students are discussed with the deans. There is likely an appropriate academic target that may be different from the financial target that is being set. The guests concurred their programs all had solid placement records.

Leah Reinert, a graduate student in the College of Education and Human Development and a member of the committee, said she is glad people are finally talking about graduate education funding because it is a big problem. Hopefully, solutions can be found sooner rather than later.

Professor Lanyon asked if any of the guests were aware of faculty who actually left the University explicitly due to graduate student funding issues and access to graduate students. The panel agreed that not only is graduate student funding an issue for retention but also recruiting new faculty.

In response to a question about how other institutions are able to fund their graduate students at a higher level, Professor Konstan commented that budget models differ from institution to institution, and the University's model where funding is decentralized to the colleges is a model that does not generate revenue for having a graduate student. The tuition for having a graduate student is irrelevant compared to undergraduate student

tuition revenue. There are universities where the institution determines the wage for graduate students and where graduate studies are more directly subsidized. Some universities have made the bold decision that graduate education is a public good and have subsidized it accordingly. Professor Lanyon added that when the colleges are faced with budget cuts, the University's decentralized funding model makes the funding earmarked for graduate students an easy target. He suspects the graduate support at the University of Minnesota has been hit harder than at other institutions because of its decentralized funding model. Another factor to consider, said Professor Konstan, is that within the University's model, teaching assistantships are not thought of as financial support to graduate students, but a teaching expense. Yet another piece to this problem, added Professor Lanyon, is the fact it is cheaper to hire a post-doc than a RA.

Given the obvious that graduate student funding is fundamentally tied to undergraduate enrollment, the committee agreed that in order to improve the graduate education funding problem, undergraduate enrollment should be increased and/or fundraising specifically for graduate education needs to occur. The group also concluded that the University needs a Graduate School with more financial responsibility given the University's siloed budget and departmental structure.

Professor Konstan thanked the guests and members for a good discussion. Hearing no other business, he adjourned the meeting.

Renee Dempsey
University Senate