The University Senate Of Michigan Technological University

Minutes of Meeting 301
4 November 1998

Synopsis: The Senate

(1) heard that the CICC would like all Senators to query their constituents regarding the duration of Thanksgiving break under the semester system.

(2) heard that the Administration plans to phase out the MPSERS retirement severance payment and is seeking the advice of the Senate on the phase-out plan.

(3) elected Charlie Kerfoot (Biological Sciences) to the University Inquiry Committee (Scientific Misconduct) and elected Barry Solomon (Social Sciences) as alternate.

(4) elected Kim Hoagland (Social Sciences) to the Presidential Commission for Women.

(5) announced that Gopal Jayaraman (ME-EM), Paul Nelson (School of Business and Economics), and Jim Wood (Geological Engineering and Sciences) had been nominated for the Sabbatical Leave Committee.

(6) passed Proposal 6-99, University Web Page Policy.

(7) heard from Les Leifer (Chair, Fringe Benefits Committee) regarding Transition to Full Co-pay of Health Care Premiums for Retirees (Proposal 11-98).

(8) heard a presentation on an alternative Transition to Full Co-pay of Health Care Premiums for Retirees from Jim Pickens (Finance Committee).

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1. CALL TO ORDER AND ROLL CALL
President Seely called University Senate Meeting 301 to order at 5:32 p.m. on Wednesday, 4 November 1998, in Room B45 EERC.

Secretary Glime called roll. Absent were At-large Senator Pete Tampas and representatives from Army/Air Force ROTC, Metallurgical and Materials Engineering, and Student Affairs and Educational Opportunities. Liaisons in attendance were Ted Soldan (Staff Council) and Anthony Moretti (USG).

2. RECOGNITION OF VISITORS
Guests included Fred Dobney (Provost), Marcia Goodrich (*Tech Topics*), Richard Blanning (Fine Arts) and Les Leifer (Chemistry).

3. APPROVAL OF AGENDA
D. Reed MOVED and Watwood seconded the motion to move items 7B (Proposal 10-98, Emeritus Professor Policy) and 7C (Proposal 6-99, University Web Page Policy) before item 7A (Proposal 11-98, Revision of Transition to Full Co-pay of Health Care Premiums for Retirees).

President Seely pointed out that the fate of Proposal 11-98 needs to be decided by 16 December so that it can be presented to the Board of Control in January.

Senator D. Reed supported his motion by stating that Proposal 11-98 will consume all the time we allow it to consume.

Senator Pickens stated that he, on behalf of the Finance Committee, has a major amendment to Proposal 11-98, depending on the format presented by the Fringe Benefits Committee tonight, and that we need to see that amendment tonight so that we can satisfy the 10-day wait period before voting.

Senator Watwood stated that B & C probably need little discussion.

The motion to amend the agenda by moving items 7B and 7C up before 7A PASSED on voice vote with dissent.

Joyce MOVED and Richter seconded the motion to approve the agenda as amended. The motion PASSED on voice vote with no dissent. **[Appendix A.** NOTE: Only official Senate and Library archival copies of the minutes will contain a full complement of appendices.**]**

4. APPROVAL OF MINUTES FROM MEETING 300
President Seely pointed out that reference to the "ABA degree" on page 7717, column 1, should be "ABD."

Senator Nordberg stated that it was his understanding that the Provost had initially indicated that the 2+2 TIAA/CREF benefit was intended to offset the premium of health care because the University was phasing out their share of co-pay.

President Seely indicated that he understood that it was never intended to cover health care premiums fully. While Nordberg's statement may be correct, the minutes accurately reflect the Provost's statement at Meeting 300. [The Provost had not arrived yet and thus could not comment.]

Williams MOVED and B. Reed seconded the motion to approve the minutes of meeting 301 as corrected regarding ABD. The motion PASSED on voice vote with no dissent.

5. REPORT FROM SENATE PRESIDENT
President Seely reported that in a communication from Patty Lins she had indicated that it was possible to set up the Senate Broadcast so that it could be viewed on a computer monitor live through the computer network. The cost would be that of personnel to set up the system and to run it during the meetings.

No one in the Senate indicated any interest in doing this.

In response to a query from Vice President Soldan regarding archiving, Senator Nordberg stated that the Senate minutes are kept as a permanent record, but that the video and audio tapes are not.

President Seely reported that the Calendar Issues Clarification Committee requests that Senators pose a question to their constituents regarding the length of the Thanksgiving break. Classes will begin on the Monday before Labor Day. If there is a complete week for Thanksgiving break, the last day of exams can be as late as 21 December. The alternative is to have classes Monday and Tuesday of Thanksgiving week and get out two days earlier for the Christmas semester break.

Senator Lutzke commented that he knows of no semester schools with a week break for Thanksgiving.

Seely responded that there are no schools in Michigan with a week-long break at Thanksgiving.

Senator Leifer stated that many schools have a semester in the summer; if we push the academic year back into August, we will run into the summer term.

Seely added that most schools shorten the term when on the semester system; we expect our term to be 73 days - we have an extra week compared to most Michigan schools.

Liaison Moretti (USG) stated that other schools have a 3-week Christmas break. Seely responded that we will have at least a 3-week break.

Senator Suryanarayana stated that to talk to constituents we need to know the whole picture. Seely responded that we can contact Helene Hiner for that information.

Vice President Soldan suggested that we email a 1-page calendar to Senators. Seely responded that he (or the CICC) will try to send something with the calendar laid out.

6. COMMITTEE BUSINESS/REPORTS

A. MPSERS Severance Payment Plan -- Provost Dobney

Provost Dobney presented a phase-out plan for the MPSERS retirement severance payment. The current retirement package went into effect in 1992 and provides for a one-time severance payment equal to current salary X 2% X years of service. The program will continue to be expensive. Since TIAA/CREF employees no longer have health care benefits, there is no longer any justification for continuing this expensive MPSERS severance benefit.

The number of employees covered by MPSERS is going down, but in FY98 the payout reached its maximum, totalling nearly $300,000 for 15 retiring employees.

Dobney summarized the estimated payout costs at 2% per year for the next three years, depending on which year the eligible employees retire:

1999: $762,000

2000: $971,053

2001: $1,314,798

later: $412,649

total: $1,727,447

The "later" category is for those who have 80 points but are not eligible to retire yet. The total includes the cost for these people and the cost if everyone waits until 2001 to retire.

The Provost is asking how we should make this severance payment plan go away and over what time period. He offered three alternatives:

1. End it in 1999.

2. Have a phased stepdown, continuing with 2% for 30 June 1998, 1.5% for 30 June 1999, 1% for 30 June 2000, and .5% for 30 June 2001.

3. By 30 June 1999 the employee must make a commitment to retire by 30 June 2001 in order to receive the severance pay (at current rate).

The reason for the delay until 2001 is that many of the eligible people are staff with a long history with the University and their expertise will be particularly valuable during our changeover to semesters. We don't want to encourage them to leave during that critical time.

Senator Nordberg asked if individuals will be informed of the amount of money they would receive for each choice. Dobney responded that they would.

Vice President Soldan asked if these employees could still buy years for MPSERS. Dobney responded that if MPSERS allows a person to retire, MTU will allow it, so, yes, that would still be possible.

Senator Lutzke asked the cost of buying a year of eligibility. Dobney responded that there is not a simple answer because there are about 6 options. There is good news in that the buyout cost now is pre-tax dollars, not post-tax as in the past. The cost would probably average about $5000.

Dobney plans to talk to the Board of Control Finance Committee about the MPSERS severance pay issue. He is certain that the payout will end, but the University and Board must decide how.

B. University Committee Elections
President Seely presented the slate of nominees for the University Inquiry Committee (Scientific Misconduct): Vernon Dorweiler (School of Business and Economics), Charlie Kerfoot (Biological Sciences), Karol Pelc (School of Business and Economics), and Barry Solomon (Social Sciences).

Williams MOVED and Nordberg seconded the motion to close nominations. Seely ruled that the full Senate would vote on nominees. The second highest vote-getter would serve as alternate.

Kerfoot was elected by secret ballot and Solomon was elected as alternate.

Seely announced that the nominees for the Presidential Commission for Women are Marilyn Cooper (Humanities) and Kim Hoagland (Social Sciences).

Sloan MOVED and Pickens seconded the motion to close nominations.

Kim Hoagland was elected by secret ballot.

Seely made the official announcement of the election results (from Meeting 300) for Sabbatical Leave Committee nominees: Gopal Jayaraman (ME-EM), Paul Nelson (School of Business and Economics), and Jim Wood (Geological Engineering and Sciences).

7. OLD BUSINESS
A. Proposal 10-98, Emeritus Professor Policy [Appendix B]
Senator Nadgorny (Chair, Academic Policy Committee) announced that the committee had an editorial amendment to present.

Nordberg MOVED and Watwood seconded the motion to amend item 2 of Proposal 10-98 by inserting after the first sentence "This procedure should include approval by department faculty, an appeal system, and should be initiated by the retiree."

Senator Shapton asked why it had to be initiated by the retiree.

Nordberg responded that one need not depend on someone else to nominate; some faculty have felt they can't start the process and that politics in the department may prevent them from gaining emeritus status.

Pegg added that the language requires approval by the department.

Lutzke MOVED to alter the amendment to change the word "should" to "may" and to add the words "or department" at the end of the sentence of the amendment.

Pegg stated that if there is a choice between the department and self nomination, it would make it awkward for an individual to nominate oneself.

Nadgorny responded that it is just a precaution.

Watwood seconded the motion to amend the amendment.

President Seely announced that only academic departments were eligible to vote on this issue. The amendment to the amendment PASSED on voice vote with no opposition.

The amendment, now worded "This procedure should include approval by department faculty, an appeal system, and may be initiated by the retiree or department," PASSED on voice vote with no opposition.

Senator D. Reed questioned why items 4i and 4j were at the discretion of the department.

Dobney commented that all grant proposals have to be approved at the university level and agreed that those items should be under 3.

Nadgorny responded that it is Sung Lee who decides if someone can submit a proposal or serve on the graduate faculty; however, the language regarding those decisions is vague. He cited an example where a faculty member was awarded three grants after he was forced to retire, and this created problems.

Provost Dobney offered the opinion that these decisions can't be made at the department level; they require university-level approval.

Reed MOVED and Sutter seconded the motion to put items 4i and 4j under 3, granting the privileges to all emeritus faculty.

Senator Watwood countered that there can be situations when "the department would like to get rid of them." While he agrees that these people deserve respect and need privileges extended to them, the department needs some say in how much participation that individual may have within the department.

Soldan agreed that by moving these items to 3 makes the privileges university wide, but it grants emeriti these privileges without any sort of review.

Senator Snyder suggested that we could change the "right" in 4i to "eligibility" to administer grants...

Seely ruled Snyder's suggestion to be an editorial change, which was accepted by consensus.

Secretary Glime pointed out that departments must provide the space for the research; therefore if they have no say whether a proposal is submitted, who will resolve the space problem? Secondly, if there is no review procedure, this person can accept and advise graduate students *ad infinitum* and may do the department a great disservice if there is no mechanism by which that person can be reviewed when that person is no longer performing satisfactorily as an advisor.

Nordberg asked if it is possible that someone could get a grant that was outside the department.

Dobney responded "hopefully not," but that someone could get a grant that was interdisciplinary and work with another department. The department signs off on a proposal before it is submitted.

Dobney suggested a change of wording in item 4 that might solve this problem. Emeriti are recommended to be eligible for the following privileges, subject to approval by the department. The key is that these are things the department is recommending to the Central Administration.

Dobney agreed that if these items are moved into 3 they become a right.

Senator Suryanarayana stated that it seemed appropriate to follow normal departmental procedures for 4i and 4j.

Seely rephrased the Provost's suggestion: "Emeriti are eligible to be recommended by their department for the following activities."

D. Reed withdrew his motion to amend so that the floor could entertain a motion on the Provost's suggestion.

Watwood MOVED and Shapton seconded the motion to amend as phrased by Seely.

The motion to amend with the wording "Emeriti are eligible to be recommended by their department for the following activities:" PASSED on voice vote with no dissent.

Pegg questioned the use of the word "activities" because not all items in 4 are activities.

Nordberg MOVED and Vanden Avond seconded the motion to table Proposal 10-98. The motion to table PASSED on voice vote with no opposition.

B. Proposal 6-99, University Web Page Policy [See minutes, page 7721, for a copy of this proposal.]
Jim Gale has been meeting with the University Web Page Committee and minor changes have been incorporated to their proposal.

Senator Carr asked to what degree University Relations will review departmental web pages.

Senator Pollins responded that this proposal was not set to make them a watch dog, but rather that it provides guidelines for things that should be included.

Dobney stated that the intent was to encourage consistency. He added that if you don't use the new university logo they may become police like. He stated that the lawyers have been very clear that MTU is liable for anything on the university server.

Senator Nordberg stated that he found it interesting that there is no requirement to send web pages to the university committee, but that persons are required to include the bulleted items.

Senator D. Reed asked if adjuncts or others can link to a business homepage.

Senator Lutzke responded "no," that web pages cannot be used for personal purposes.

President Seely stated that this is the same as the ruling that a consultant cannot use university stationery; thus they cannot use a page to imply that the university endorses their endeavors. It would be a problem of conflict of interest. However, adjunct faculty fall under a different set of circumstances; their presentation of a web page must insure that there is no personal benefit for the individual.

Senator Pegg questioned the policy in regard to links with outside web pages. What if he makes a link to an offensive web page. No one could answer the ramifications of that.

Senator Watwood suggested that since the committee has spent considerable time on this and it is brand new, why nit pick? Why not try it and change it as new problems arise.

Proposal 6-99 PASSED on voice vote with one dissent.

Since there was no motion on the floor regarding Proposal 6-99, President Seely ruled that it was the clear intent of the body to approve Proposal 6-99.

C. Proposal 11-98, Revision of Transition to Full Co-pay of Health Care Premiums for Retirees
Williams MOVED and Beckwith seconded the motion to bring Proposal 11-98 back to the floor from committee. Leifer (Chair, Fringe Benefits Committee) began with editorial changes in the draft labeled 11-A98. **[Appendix C]** On page 2, line 2, "retirees" should be "retirees" and in line 13 initally should be initially. In the table TYPICAL PRUDENT ANNUAL INSURANCE EXPENSES IN RETIREMENT, the two figures labeled TOTAL should be lined up under the columns.

Leifer reviewed the recent history of declining health care benefits. He asked the Senate to consider two points:

1. The Benefits Committee *initiated* the discussion of whether come employees are "adversely affected" by the 10-ramp in retirement health insurance co-pays.

2. The Benefits Committee has been consistent in its advocacy of redress for *ALL* affected employees.

Leifer reviewed with the Senate a table presented in Meeting 285 showing accumulated units based on 1-25 years of accumulation and a spread of 1-10%. The formula used to calculate the table is

$F = A((1+r)^n-1)/r$

where F = a fixed number (the money you need), A = annuitization, r = spread (difference in percent between what your investment earns and what the health care inflation costs are).

To accumulate $30,000 in ten years would require an accumulation of $2617 yearly for ten years. Based on these calculations, the university would be paying the equivalent of full health care costs only for those who are earning over $130,000. Using a computer program it is possible to generate graphs for all affected employees. Those affected are those with low salaries and those for whom time is not on their side. Scenarios were run with $30, 50, and 100,000 annual salaries.

The Fringe Benefits calculated based on an in perpetuity model, whereas Institutional Analysis used a sinking fund.

There are 67 people with salaries under $50,000, designated group A. It would cost $314,000 to cover the lost health care benefits for these people. This represents a 0.1% raise per year for 6 years from the salary pool.

The 0.45% contribution to TIAA/CREF is not a one-time expense and totals an additional $166,000. The Fringe Benefits Committee agrees with the plan to raise the TIAA/CREF contribution to 15%.

Employees can be divided into three groups:

people category cost

A: 67 <$50,000 $314,000

B: 61 65 & under $202,000

C: 27 all others $100,000

affected

It seems that we have a choice of either 0.3% of salaries as a cost forever for and addition of 0.45% into the TIAA/CREFF retirement plus 0.1% for six years to take care of low paid employees

OR

0.2% for six years to take care of ALL adversely affected employees.

Leifer reviewed total insurance costs that he termed "typical prudent annual insurance expenses in retirement." For a single person, these costs were estimated at $7,752 and for a couple $12,404 per year. The current health premium is likely to go up. Based on these figures, the Fringe Benefits Committee estimates that a couple would need $50,000 per year to be able to retire.

"The Senate Fringe Benefits Committee advises the Senate and the Administration to take account of all adversely affected employees, regardless of age or income, in their policy regarding one-time payments into TIAA-CREF accounts to help pay for increased Retirement Health Benefit Premium co-pays. To do otherwise is potentially illegal and may generate a class-action lawsuit."

Senator Joyce stated that faculty in his department see this proposal as a tax on faculty salaries and fear that it will become an entitlement that will never go away. If $50,000 is used as the dividing line, what happens to two income families who together earn more than $50,000. This proposal taxes the higher salary to take care of the lower.

President Seely stated that the University can't pay attention to the marital status of any individual.

Leifer stated that the Fringe Benefits Committee is recommending a one-time payment, which would go on for only six years. The 0.3% goes on forever to make a 15% TIAA/CREF contribution.

Seely asked how the Committee arrived at the cost of group C.

Leifer responded that they were not able to get all the information that they needed, although they had requested it. Instead they had used average salaries of the group near $65,000, with a $3551 infusion per person and 20 people, so the cost would be $70,000. There were 7 people with salaries $75-100,000; they figured $100,000 would take care of the spread, giving a total of $7,000. Together these would total $77,000.

Pickens MOVED and Snyder seconded the motion to amend Proposal 11-98 based on a recommendation from the Finance Committee to endorse the Provost's proposal. **[Appendix D]**

Pickens stated that the Finance Committee was concerned primarily with the people who are poorly compensated, those with low salaries. They have been developing their recommendations along with those of the Provost.

Leifer stated that he has a proposal also. "We have been accused of only taking care of the senior faculty at the expense of the junior faculty. I won't be as big a hero as the Provost who last year told the Board how he saved $150 million by wiping out the health care benefits." If we were only taking care of the older people, I could say take 5% and put it in TIAA/CREF until you are 55 years old; then take 21% and put it into TIAA/CREF and then I can assure you that you're going to save approximately $370,000 X 4 because your average is going to be about 9% from the numbers in the different age brackets; it can't even increase even if you are putting in 50% and [the university] 50% - you are going to average 13% [from the University], which is what the University is putting in now. Based on the Provost's comment, everyone would be actuarially dead by 68 years so you would save them $1.5 million, so I would be about 2/3 the hero that he was.

Pickens stated that his presentation would be informational so that we would be ready to discuss the merits of the two alternative proposals at the next meeting. Nordberg stated that he would be very interested to hear the information and asked if there is any way the two committees could get together to draft a single proposal. If we are going to have two proposals, let's get both of them before us so we can choose.

Seely explained that in effect that is what the amendment to replace the original proposal does. A vote for the amendment would be considered a vote against the original proposal.

Those faculty retiring around 2006 would experience the biggest deficit. The issue concerning the inclusion of groups B and C (from the Fringe Benefits Committee presentation) is how badly the extra compensation is needed by these groups. The Finance Committee has a strong majority that believe any additional funds, if available, should be used for payments to the group of individuals who are making less than $50,000. The reasons for this decision were:

1. There are many assumptions used in calculation of the amount needed, and violation of these assumptions would leave this group severely stressed to pay their co-pay.

10% return until retirement

6.5% return after retirement

3% annual increase in insurance costs

payout period of 20 years for health care costs

2. These people will have lower retirement incomes, and deviations from assumptions could cause severe hardships.

Pickens stated that the Finance Committee had not been directly involved in either the Provost's or Fringe Benefits Committee proposal development and therefore were responding to them. Leifer disagreed, stating that he and Barna (former chair of the Finance Committee) had been in frequent contact.

Pickens read a statement from the Finance Committee that "The Finance Committee feels strongly that, when possible, absolute limits such as the $50,000 salary level for this proposal should be avoided when determining who should and should not be eligible for any program or initiative. We believe that it is generally better to establish a transition range where eligibility is phased out. This eliminates the chance of two employees who have very similar situations being treated totally differently because one is barely eligible, while the other is barely ineligible. Situations like this tend to cause animosity between the employees and the Administration, and can foster feelings that the limits have been set to punish certain individuals. Furthermore, when these cases occur it tends to erode faith in the compensation system and its fundamental premise: If you work hard and do exceptionally well at your duties, you will be rewarded and will be better off financially. By having a phase-out of any benefit or program (where possible), these potential problems can be largely avoided."

The Finance Committee has asked the Provost for two additional analyses. They asked for the cost of the phase out of those in the $50-100,000 category and for those in the $50-70,000 category. The Provost provided an analysis for a phase out between $45,000 and $55,000, which was presented. Pickens presented a graph that illustrated the reasons for the $50,000 cutoff level named by the Provost; this salary is just over the median, just below the mean, and there is a cluster of people just below the cutoff line with few people just above it.

Pickens presented budgetary ramifications of the Provost's proposal:

1. The Provost has stated in a budget oversight meeting that the $314,000 for his program would come from his program realignment funds, or possibly, one-time funds.

2. The Provost has stated in a meeting with the Fringe Benefits Committee, Senate President, and Finance Committee representatives that he will not fund, present to the Board of Control, or support before the Board of Control the Fringe Benefit Committee proposal that TIAA/CREF employees at all pay levels would receive the cash infusion.

3. The Fringe Benefits Committee proposes that the $516,000 cost of the program would come from pay raises (the "compensation pool").

8. ADJOURNMENT
Watwood MOVED and Joyce seconded the motion to adjourn. The meeting adjourned at 7:40 p.m. with the motion to amend Proposal 11-98 on the floor.

Respectfully Submitted by Janice M. Glime
Secretary of the University Senate