

**THE UNIVERSITY SENATE OF
MICHIGAN TECHNOLOGICAL UNIVERSITY**

Minutes of Meeting 449
28 February 2007

Synopsis:

The Senate

- (1) heard from Pat Joyce regarding intercollegiate athletics at MTU
 - (2) heard from Ingrid Cheney regarding changes in the retirement health care plan
 - (3) learned that Judi Smigowski is the new Senate Assistant
 - (4) learned that the Administration has approved proposals 16-07, Transfer of Tenure and Rank Between Academic Units; 17-07, Amendment to Proposal 12-01, Search Procedures for Dean of the Graduate School; 18-07, Name Change from Department of Education to Department of Cognitive and Learning Sciences; and 19-07, Amendment to Proposal 19-01, Search Procedures for College Deans
 - (5) learned that nominees are needed for the Faculty Distinguished Service Award
 - (6) introduced Proposal 21-07, Amendment to Proposal 16-97, Minors in Degree Programs, and Proposal 22-07, Academic and Provisional Calendar 2008-09 and 2009-10.
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1. CALL TO ORDER AND ROLL CALL

President Sloan called the University Senate Meeting 449 to order at 5:30 pm on Wednesday, 28 February 2007, in Room B45 EERC.

Secretary Glime called roll. Absent were At-large Senator Craig Waddell and representatives from Army/Air Force ROTC, Physics, and Academic Services A. Liaison in attendance was Nick Nanninga (GSC). Academic Services C, Advancement, and Auxiliaries currently have no elected representatives.

2. RECOGNITION OF VISITORS

Guests included Ingrid Cheney (Human Resources), Ellen Horsch (Administration), Debbie Lassila (Budget), Amy Hughes (Internal Audit), Dave Chesney (Chemistry), Tony Rogers (BLG/Chem. Eng.), Marilyn Cooper (MTU-AAUP), Michael Hendricks (Acctg. Services), Alex Tisco (Student Athlete Advisory Committee), Patrick Joyce (SBE), Dave Reed (Provost), Celine Grace (Chemistry/UAW).

3. APPROVAL OF AGENDA

President Sloan announced that the minutes would be postponed until after the two reports.

Helminen MOVED and Pierce seconded the motion to approve the agenda as modified. The motion to approve PASSED on voice vote with no dissent.

4. PRESENTATION: INTERCOLLEGIATE ATHLETICS AT MICHIGAN TECH, Pat Joyce

Joyce stated that he is the faculty athletic representative for the university. His role is to provide an interface between the faculty and the athletic department, providing academic oversight. He proudly reported that MTU does not have trouble with academic integrity or administrative control.

MTU is in NCAA division II. There are 6 women's sports, 7 men's sports, 320 student athletes, and 170 scholarships spread among 185 athletes. They hope to add women's soccer and both men's and women's alpine skiing. Percentage participation of women is higher than that of men, so if we add more women's sports we must also add a sport for men.

MTU is second in the state in athlete graduation rate, barely behind the U of M. We offer free admission to all sports except hockey.

MTU hockey is in the Western Collegiate Division. Nine hockey players are on the all-academic team, four scholar athletes have a 3.5 or higher GPA. There are 95 athletes on all-academic GLIAC teams.

5. PRESENTATION: CHANGES IN RETIREMENT HEALTH CARE, Ingrid Cheney

Cheney explained that the Government Accounting Standards Board Statement 45 (GASB 45) has set a standard on other post retirement benefits that has a major impact on governmental units, including state universities. The new standard affects the liability that must be recorded to cover the health care subsidy for all our current and future TIAA/CREF retirees.

The MTU Benefits Liaison Group started in 2001 and includes the Senate president, chair of the Senate benefits committee, chair of the Senate finance committee, Director of Benefits, representative from accounting, budget office, and audit. The BLG is an advisory group with the mission "to provide the best possible fringe benefit package within the University's available resources."

The new ruling requires that the accounting practice for other post-employment benefits – specifically retiree health insurance – will change from a "pay-as-you-go" practice to a "recognize the expense as earned" practice. Furthermore, retiree health care expenses cannot be pooled with those of active employees. There must be separate poolings for the active employees, the pre-65 retirees and the post-65 retirees. Assuming there are no plan changes, this new accounting and budgeting requirement would currently (as of December 31, 2005) create an actuarial liability of \$47 million: \$25 million of which is for active employees, \$4.5 million for the 83/84 retirees, and \$17.5 million for other current retirees. Using the GASB approved amortization period, the cost is \$4.3 million per year, or a net increase of \$3.3 million per year in expenses that must be accrued for future retiree health care costs. (\$200,000 for 83/84 retirees and \$800,000 for current retirees is already budgeted.)

The BLG was charged with providing at least two, but no more than four, options to address the liability. The options, analysis, and recommendations had to be completed by 28 February 2007.

The GASB 45 requires MTU to recognize the expense and liability of other post-employment benefits. Its liability affects MTU's bond rating and audit opinion. The Executive Team directed the BLG to reduce the GASB 45 annual expense and liability, since the current and future budgets will focus on the Goals of the Strategic Plan.

Cheney reported that RSVP retirements since 1 July 2007 include 37 faculty, 28 staff, 11 AFSCME, and 8 UAW. The Employee Severance Program (retired 31 August 2003) included 9 faculty, 3 staff, 3 AFSCME, and 1 UAW.

The average ages at retirement from 1995-2005 are ages 62 for faculty and age 60 for staff in MPERS and age 64 for faculty and age 60 for staff in TIAA/CREF. The current health contract includes 90 post-65 TIAA/CREF retirees, 14 pre-65 TIAA/CREF retirees, 3 dental-only TIAA-CREF retirees, 36 83/84 health/dental retirees, and 38 83/84 dental-only retirees.

The 2006 retiree health care costs were approximately \$1,200,000, whereas premiums paid by retirees were only \$492,000. Therefore, there was an implicit subsidy of \$708,000. The goal was to eliminate the implicit subsidy and therefore eliminate the GASB 45 liability.

The BLG developed five options to address the GASB 45 annual required contribution and liability: 1) make no changes; 2) cancel all current retiree health insurance and discontinue current employee access to retiree health insurance; 3) provide an alternative option for retiree health care; 4) continue current retiree health insurance but discontinue current employee access to retiree health insurance; 5) continue current retiree health insurance and continue current employees' access to retiree health insurance.

MTU has been very successful at keeping the cost of health care insurance down. The national yearly rate of increase has been 12% per year, whereas for MTU it has been only 6% [Cheney later sent us a change, correcting this to 4.5%]. The BLG considered employee concerns to be pre-Medicare (pre-65) coverage, cost of retiree coverage, access to affordable and quality coverage, predictability, and choices. The University realities include uncertain state funding, escalating subsidized health care costs for retirees and current employees, and faculty and staff recruitment and retention.

The GASB 45 philosophy of the BLG includes maintaining access to MTU's health insurance plan for current retirees and active employees, smooth transition from a subsidized health plan to an unsubsidized health plan, expansion of health plan choices, and providing assistance in making well-informed health plan choices.

Option 1, to make no changes, was not recommended; the Executive Team has directed the reduction of the liability.

Option 2, to cancel all current retiree health insurance and discontinue current employee's access to retiree health insurance, was not recommended because it is against the BLG philosophy.

Option 3 was to contract with Emeriti to set up employee VEBA accounts and begin to offer AETNA health insurance to Tech's current and future post-65 retirees. In this plan, the University must contribute 0.5% of the TIAA/CREF salaries and wages. Annual costs would range from \$450,000 for 25% funding to \$900,000 for 50% funding. This option was also rejected because the company is new and the plan is too expensive.

Option 4 was to continue with health insurance premium subsidy for current retirees. This was also rejected because it does not reduce the \$962,000 ARC (Annual Required Contribution) liability, as reported by AON (the University's actuaries) on December 2005 and because it favors current retirees over future retirees and active employees.

Option 5, to eliminate slowly the subsidy (using a 7-year premium ramp) for retiree health insurance for employees beginning 1 January 2008, is one of two proposals being recommended. It reduces the \$3.3 million net annual required contribution/liability to \$670,000 and allows a gradual increase in retiree health premiums that permits employees to plan for their future retirement, and permits MTU to continue to offer retiree health insurance.

Option 6, to eliminate slowly the premium subsidy (by using a 7-year premium ramp) for retiree health insurance for current retirees beginning 1 January 2008. This plan would reduce the \$962,000 ARC liability reported on December 2005. This plan is recommended because it reduces the GASB 45 ARC liability by \$120,000, allows a gradual increase in health premiums for current retirees, allows MTU to continue to offer retiree health insurance, and treats retirees and active employees consistently.

New retiree rates will increase most during the 7-year phase-in for the pre-65 group:

	subsidized	unsubsidized
2007 current premium	\$385	
2008 (yr 1)	\$431	\$482
2009 (yr 2)	\$479	\$599
2010 (yr 3)	\$526	\$737
2011 (yr 4)	\$574	\$898
2012 (yr 5)	\$620	\$1085
2013 (yr 6)	\$663	\$1299
2014 (yr 7)	\$703	\$1541

The increase for post-65 retirees will be considerably less:

	subsidized	unsubsidized
2007 (current premium)	\$300	\$345
2008 (yr 1)	\$336	\$393
2009 (yr 2)	\$373	\$443
2010 (yr 3)	\$410	\$495
2011 (yr 4)	\$447	\$495
2012 (yr 5)	\$483	\$549
2013 (yr 6)	\$517	\$602
2014 (yr 7)	\$548	\$655

Under the proposed plan, the accrued actuarial liability is reduced to \$24.3 million, of which \$5.3 million is from active employees, \$4.5 million from 83/84 retirees, and \$14.5 million from current retirees. The annual required contribution (ARC) is \$1.5 million, with \$670,000 from active employees, \$200,000 from 83/84 retirees, and \$636,000 from current retirees. Because of future costs, the number of active employees make them the biggest liability.

Having completed this report and their recommendations to remove the liability, the BLG will now work on health plan options. In September, the BLG will present the cost containment ideas to the University community and retirees and gather their input. In October, they will hold informational sessions for employees to prepare them for the November TechSelect enrollment. Enrollment will be available in paper form and online.

Cheney reminded those present of the benefits that will continue:

- 2% + 2% matching TIAA/CREF retirement contribution
- Retirement Supplemental Voluntary Program (RSVP) for those fulfilling the rule of "80" who are eligible for 50% of salary at time of retirement up to \$50,000
- Access to retiree health insurance benefits
- access to retiree life insurance up to \$50,000

Vable (MEEM) asked what is meant by pay as we go. Hendricks (Accounting Services) responded that this is the cash-out-the-door, which includes the \$1.2 million for retirees. However, there would also be an additional (non-cash) \$3.3 million per year to reflect the GASB 45 liability.

Senator Miller asked if this was a one-time payment. Hendricks responded, "no." It must include future benefits, so employees add to the debt each year.

Rogers (BLG; Chem. Eng.) surmised that this is not a real increase in cost; it is an accounting issue.

Hendricks confirmed that and stated that GASB requires that we recognize total employee compensation, which would include what we are paid plus our future health care subsidy. Joyce (SBE) explained that it is like buying a house and not paying on the mortgage for ten years, but you must still earn the money needed to pay for it later. Hendricks added that the liability would be \$24 million, but that we can amortize it over a long time.

Rogers asked why, if Medicare pays, must we pay so much. Rogers noted that if Medicare is primary insurer (payer) for the over-65 group, then why does MTU charge 78% of the contract cost to these retirees? To contrast the MTU situation, he also observed that, as a national average, Medicare pays about 50-55% of retiree expenses and medigap plans pay the balance.

Luck asked if MTU can legally remove the co-pay for those already retired. Hendricks responded "no," but that MTU must pay 50% of the current premium; the recommendation would increase the size of that premium.

Miller asked why they chose 0% subsidy. Why not provide at least some subsidy? Hendricks responded that it would reduce the liability and make it cost neutral.

Cooper (Pres. AAUP) asked, if the mission of the BLG is to provide the best health care package we can, why did they not suggest something above zero? Horsch (Administration) responded that the BLG is looking at other options. Rogers added that one of the considerations is providing some sort of medigap. Cheney added that the BLG hopes to provide more choices before January of 2008. She also reminded us that retirees could pick up other BCBS options even if they are not part of the MTU plan.

Vable stated his interpretation was that the BLG mission statement says 'the best possible fringe benefit package within the University available resources.' But University available resources are decided by the Administration's spending priority. Horsch responded that they are looking for cost-neutral. Vable asked how other universities are responding. Cheney stated that some have done nothing. Hendricks added that the U of M has a \$1 billion liability; MSU has a \$0.5 billion liability.

Chesney (Chemistry) asked if we are now paying \$4.3 million for our retirees. Cheney responded that we are not; that is our projected GASB 45 ARC/liability, including the \$3.3 million liability for the total actives and the \$1 million that we currently pay for retiree costs. Hendricks added that MTU paid \$12.5 million last year, the employees (withholding) and retirees (payments) contributed \$1.1 million, so MTU had a net cost of approximately \$11.15 million.

Chesney asked about the cost to MTU after the proposed reductions. Hendricks responded that it would add \$670,000 to our costs. Chesney repeated the earlier question by Miller, asking why the BLG had chosen zero. Cheney responded that it isn't zero; MTU still has to subsidize the current retirees at the percent promised at retirement.

Luck asked if the BLG had considered raising the premium of existing employees to cover the cost for the retirees. Cheney responded that their objective had been cost containment.

Cooper made a statement as President of the AAUP. She wanted it to be clear to all constituents and the Administration that such decisions regarding benefits affect all active employees and therefore must be negotiated. If this does not happen, the AAUP will be forced to file an unfair labor practice charge, which they would prefer to avoid.

Hendricks explained that we cannot predict future behavioral changes due to the proposed ramp. One likely situation is adverse selection. If we provide choices, the less healthy retirees will stay in the MTU plan, but the healthy retirees will move to the cheaper plan.

Cooper added that the AAUP would be happy to negotiate instead of having the Administration impose a unilateral decision.

6. APPROVAL OF MINUTES FROM MEETING 448

Givens stated that Ron Roblee had been present to represent Mathematical Sciences. Drelich stated that he had been present to represent Materials Science.

Velat MOVED and Clancey seconded the motion to approve the minutes of Meeting 448 as corrected. The motion PASSED on voice vote with no dissent.

7. PRESIDENT'S REPORT

Senate Assistant: President Sloan introduced new Senate Assistant Judi Smigowski, whom the Senate officers selected from 14 applicants. Judi worked for the Michigan Tech Fund and retired for a time but decided to help us. She can be reached by phone at 7-3331 or by e-mail at jjsmigow.

Proposal Approvals: Since our last meeting the Administration has approved proposals 16-07, Transfer of Tenure and Rank Between Academic Units; 17-07, Amendment to Proposal 12-01, Search Procedures for Dean of the Graduate School; 18-07, Name Change from Department of Education to Department of Cognitive and Learning Sciences; and 19-07, Amendment to Proposal 19-01, Search Procedures for College Deans.

Faculty Distinguished Service Award: Terry Monson, chair of the Faculty Distinguished Service Award committee, reports that the committee has received no nominees this year. He encourages nominations. A form may be downloaded from the Senate website or contact Terry (tmonson, 7-3174).

Elections: The spring election cycle is underway. We are now looking for candidates for senators-at-large—both faculty and professional staff—for an election to be held in late March; interested candidates should send their names to me or to Judi.

The following units need to nominate senators and alternates for 2007-2010: Civil and Environmental Engineering, Forestry, Geology, Humanities, Mathematics (alternate only), Technology, Visual and Performing Arts, Unit 3: Academic Services C, Unit 4: Auxiliaries and Cultural Enrichment, Unit 7: Advancement, Communications, and Unit 8: IT, ETS, Facilities Group.

In addition, several senators or alternates have served five years and are term limited to six and their units are scheduled for elections. Those units need to think about their strategies. Affected units are Computer Science, Materials, and Unit 5: Enrollment, OSRR, Fin. Aid, Career Center.

Details and the full election schedule can be obtained from Judi, who will be reminding affected units again and asking for the names of their new senators and alternates.

Searches: The search for the dean of the College of Engineering is nearing conclusion. Five candidates—two internal and three external—interviewed on campus for two days apiece. The search committee is reviewing comments and will meet with the provost on 12 March to present its recommendations.

The search committee for the dean of the College of Sciences and Arts is nearly complete. Departmental representatives are Tom Snyder, Biological Sciences; Haiying Liu, Chemistry; Chuck Wallace, Computer Science; Susan Amato-Henderson, Education; Jason Carter, Exercise Science, Health and Physical Education; Craig Waddell, Humanities; Mark Gockenbach, Mathematical Sciences; David Nitz, Physics; Dallas Eubanks, ROTC; Kathy Halvorsen, Social Sciences; and Roger Held, Visual and Performing Arts. Undergraduate Student Government representative is Robert Niffenberger with alternate Kristen Semlow. Graduate Student Council representative is Rebecca Targove with alternate Kris Nitz. Karen Salo is the Staff Council representative; Marilyn Haapapuro is ex-officio from Human Resources. At-large representatives are Chung-Jui Tsai and another to be named. The first committee meeting is being scheduled.

The provost search committee has announced the names of four candidates, selected from seven who interviewed near campus recently and from 40 initial applicants. These candidates who will be scheduled to interview for two days on campus late this semester are

- David Bejou, Dean School of Business and Tenured Professor of Marketing, Virginia State University
- Alexander King, Professor and Head, School of Materials Engineering, Purdue University
- Lesley Lovett-Doust, Dean, Science and Environmental Studies and Professor of Biology, Lakehead University
- Robert M. Marley, Dean and Director, College of Engineering and Montana Engineering Experiment Station, Montana State University

Vable asked for verification that the policy proposal on transfer of faculty had been approved, but that the procedures had been rejected. He asked the status of revising the procedures.

Reed responded that he wanted more experience with procedures in actual cases. There were problems with application of the proposed procedures for the transfers made this year. He invited Vable to come and talk to him about the procedures.

8. NEW BUSINESS

a. Proposal 21-07, Amendment to Proposal 16-97, Minors in Degree Programs

Vitton presented the proposal and stated that someone could presently transfer 16 credits and satisfy the requirements of a minor without taking any credits for that minor at MTU. The proposal is to require that six credits toward the minor be taken in residency at MTU.

b. Proposal 22-07, Academic and Provisional Calendar 2008-09 and 2009-10

Senator Kern presented the two proposed calendars, as required by Senate policy. She stated that the development of the calendars followed all the rules set by the Senate. She pointed out that the attached copy of the 2008-09 calendar needed a label added for week 2.

8. ADJOURNMENT

The meeting adjourned at 6:58 pm.

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