

THE UNIVERSITY OF MICHIGAN

SENATE ASSEMBLY

Minutes of Regular Meeting, March 17, 1980

ATTENDANCE Present: Barnett, Bowker, Berg, Bishop, D.B. Brown, M. Brown, Browne, Cooper, Dixon, Eckert, Fearn, Fowler, Friedman, Frost, Gay, George, Gordon, Groves, Hinerman, Holland, Hungerman, Juvinal, Kirkpatrick, Koran, Lindberg, Rinne, Lynch-Sauer, McClendon, Millard, Nagy, Naylor, Parkinson, Porter, Portman, Bacon, W.T. Carter, Sinsheimer, N. White, Wynne.

Absent: Abdel-Massih, Ackley, D.R. Brown, Burdi, Carpenter, Cohen, Dabich, DeKornfeld, Dingle, Flener, Meisler, Gray, Gull, Hilbert, Edwards, Morley, Nisbett, L. Powers, Tek, Romani, Rowe, Searse, Senior, Tilly, Outcalt, Trojan, Verhey, Vinter, J. White.

Guests: Harvey Brazer, James F. Brinkerhoff, Richard A. English, Norman Herbert.

MINUTES The minutes of the Senate Assembly meeting of February 18, 1980 were approved.

REMARKS Professor Brazer reviewed the main points of a memorandum from CESF to Alfred Sussman, Acting Vice President E. BRAZER, for Academic Affairs, on the subject of faculty salary CHAIRMAN increases for 1980-81 (March 3, 1980), which was distributed COMMITTEE to the Assembly members in attendance. He stated that as ON THE CESF chairman, he desired comments from the representative ECONOMIC members of the faculty.

STATUS OF THE FACULTY (CESF) Professor Brazer related how that in the past, faculty salary increases have been treated as a residual item in the budget - that the amount available for salaries was determined by the funds left over after "commitments" had been met plus the proceeds of a tuition increase. Also, an increase in the General Fund of 9-10% has resulted in a faculty salary increase of only 6%. He pointed out that since 1973, the Consumer Price Index (CPI) has increased 57% and the per capita personal income in Michigan has risen by 68% while faculty salaries have increased only 40%.

Professor Brazer explained that CESF feels strongly that faculty salary increases should no longer be considered

a residual or low priority item, but, faculty salary increases must be the priority item. CESF requested a salary increase of 15% in October, 1979, and Professor Brazer explained how economic events since that time have strengthened the case for that position.

CESF takes the position that the executive officers of the University should not continue to tie faculty salary increases to increases in tuition. Professor Brazer presented figures to support CESF's contention that tuition at the U-M is an "outstanding bargain". If a tuition increase is needed, CESF feels that it should be made clear that it is not being used for the purpose of financing faculty salary increases but might as well be said to finance increased utility costs.

In response to Professor Brazer's comments, Professor Friedman asked if CESF had suggested a maximum tuition increase for the 1980-81 school year.

Professor Brazer said that an increase up to 13% would still have little effect on enrollment. Referring to the memorandum, he pointed out that it would take a 15% increase in tuition to bring in-state tuition to the same proportion of per capita Michigan personal income as it was in 1973.

Professor Nagy expressed his support for the CESF position. Professor Naylor said that from his personal understanding, it is clear that the subject of faculty salaries is prevalent among his colleagues, and that Senate Assembly should support the position of CESF. He then proposed the following resolution:

"That Senate Assembly supports CESF in the current consultative negotiations on faculty salaries."

Professor Portman asked if CESF was interested only in faculty salaries. Professor Brazer said that the committee is not unconcerned about salaries of all groups but the charge of the committee relates only to faculty salaries. Professor Brazer agreed that the CESF memorandum should be amended to read:

"CESF's charge relates exclusively to faculty compensation but CESF is by no means unconcerned with the rest of the University."

The resolution was approved unanimously.

THE INVESTMENT PROGRAM OF THE UNIVERSITY OF MICHIGAN - VICE PRESIDENT AND CHIEF FINANCIAL OFFICER JAMES F. BRINKERHOFF AND NORMAN HERBERT, DIRECTOR, INVESTMENT OFFICE

Vice President Brinkerhoff introduced the topic of University investments. A year ago, his office obtained authorization from the Regents to have the Financial Control Systems Division (F.C.S.) of First of Michigan Corporation evaluate the investment programs of the University's endowment funds. The National Bank of Detroit (NBD) is the University's Investment Advisor for the endowment funds. F.C.S. thoroughly evaluates the University's investment advisor on their long term and near term performance as it applies to the University objectives. In addition, the analysis rates the University manager's performance in comparison to their peers with a similar style. Mr. Brinkerhoff reported that the F.C.S. evaluation indicates that NBD, for the 9½ year period reviewed, has equalled or exceeded the averages and has performed as well as other managers with a similar philosophy. A review of our investment strategy or philosophy is in order if our objective is to preserve the principal of endowment in a real dollar sense (inflation adjusted) and improve the total return. (Total return is defined as the combination of both yield of ordinary income, stock dividends and bond interest, and appreciation.)

Vice President Brinkerhoff then introduced Mr. Norman Herbert, Director of the Investment office for further comments.

Mr. Herbert explained that the University contracted in 1952 with the National Bank of Detroit to act as the University's investment advisor so that the expertise of the bank could be used and the University's investment staff would not have to be expanded to handle economic, industry and individual company analysis.

Referring to a series of tables which were distributed to the Assembly members, Mr. Herbert briefly discussed the three endowment funds: (1) Consolidated Endowment; (2) the Rackham Endowment; and (3) Fund Functioning As Endowment.

The tables compared the performance of the University endowment funds to NBD's pooled fund, described as the bank's "showcase fund", and the appropriate market index. For equity funds, the reports include a style analysis based on the following characteristics: (1) price earnings ratio; (2) yield, and (3) the quality of the funds.

The University currently distributes all income received from the endowment funds. Because of the effects of rapidly rising inflation, a shift from the emphasis on income to one of protecting the principal purchasing power from inflation is being considered. For example, in the equity portion of the portfolio a shift might involve a use of lower yielding, growth securities. Mr. Herbert told the Assembly that the objectives of the endowment fund could be expressed by the following:

$$\text{Spending rate} + \text{Inflation rate} = \text{Total Return} + \text{Contributions.}$$

There are many factors which should be taken into account in choosing the most favorable investment policy. Rapid increases in interest rates means that prices of fixed income securities are decreasing. Lower yielding equity securities have experienced higher appreciation rates. These and other factors must be taken into account. Therefore, the University is contemplating a shift to the concept of total return, rather than emphasizing income, to protect the purchasing power of the endowment funds.

Professor Gordon asked if it is wise to shift to investments with growth potential instead of high yield securities. Mr. Brinkerhoff responded that due to inflation, the University endowment principal value (inflation adjusted) is declining; therefore, we are suggesting that less emphasis be placed on income. The emphasis on income came from the Regents in 1975 to meet anticipated budgetary pressures.

Professor Nagy asked that if we now spend all the income from investments, what will happen when we start to "reinvest" some of the income to build up principal? Mr. Brinkerhoff acknowledged the potential problem, and stated that that was the purpose of the study which is under way now. The study is to analyze the impact on University operating budgets of an investment policy which would tend to place less emphasis on ordinary income and more on protection of the purchasing power of the endowment principal.

Professor Carter felt that it is simplistic to view the acquisition of low yield stocks as desirable. He said that when looking for quality investments, one doesn't just buy low yielding stocks, but seeks investments in those companies which have a promise for increased productivity. Mr. Herbert said that they were not suggesting specific types of stocks, but just used the high yielding vs. growth stocks as an example to explain their point.

Professor Cooper asked about the possibility of purchasing short term, high yield securities, such as money certificates. It was explained that the University is taking advantage of these opportunities, and has some that are yielding up to 16%%.

Professor Corpron asked if the recent increases in mortgage rates has affected the University mortgage loan program. Vice President Brinkerhoff noted that the University mortgage rate has just been increased to 16%.

COMMENTS ON
THE MINORITY
STUDENT
REPORT BY
ASSOCIATE
VICE PRES-
IDENT
RICHARD A.
ENGLISH

Professor Richard A. English, Associate Vice President for Academic Affairs, Office of the Vice President for Academic Affairs, presented some highlights of the Report to the Regents on Minority Recruitment, Enrollment, Retention and Graduation at The University of Michigan, Fall, 1979, prepared by The Office of Academic Affairs in February, 1980. A copy of the report had been distributed to each member prior to the meeting of the Senate Assembly.

Professor English made three observations about minority enrollment on the Ann Arbor Campus. He noted that minority enrollment has nearly doubled since 1970. In the last three years, however, there has been a decrease in total minority enrollment (2.1%), but this nearly parallels the decline in total enrollment during that period. He also noted that there has been a change in the mix of minority students, that is, a decrease of 311 Black students and an increase of 260 Asian and American Indian students.

Speaking on minority undergraduate enrollment on the Ann Arbor Campus, Professor English pointed out that the extremes of minority enrollment in undergraduate units ranging from Dental Hygiene at 2.8% to Education at 10.6%. The percentage of all minorities is nearly constant but the change of mix includes a decrease in the number of Black students.

At the graduate level, most of the schools and colleges experienced an increase in the percentage of minority enrollment in 1979, compared to the previous year, but the change in mix meant that there was a decrease in Black student enrollment in Education, Law, LSA, Medicine and Public Health.

Concerning attrition and retention of minority students, Professor English focused on two classes of

freshman, the Fall class of 1975 and 1976. Although the percentage of degree recipients was least for American Indian students, the highest attrition in actual numbers was experienced by Black students. Although 50% of the total number of students who enrolled in the Fall of 1975 received degrees in 1979, only 32% of the minorities were degree recipients.

When comparing minority enrollment at The University of Michigan with those enrolled at other (selected) Big Ten Institutions, the report shows that the Ann Arbor campus has the highest number of enrolled minorities, Northwestern University has the highest percentage of minority students, followed by the Ann Arbor Campus. Michigan State University and The University of Michigan have showed modest declines in minority enrollment since the Fall of 1977. The University of Michigan has granted the greatest number of degrees to minorities (when compared to sister Big Ten universities) in 1976-77 and 1978-79.

Professor English then reported on special efforts by the University to recruit and retain minority students. The Undergraduate Admissions Office and the Opportunity Program have a major role in assisting schools and colleges in recruiting qualified minority students. He pointed out that all schools and colleges have made efforts to recruit minority students, but there have been uneven results. He explained that these efforts exist in many forms and serve different purposes. The common goal is to locate potential minority students and to provide motivation for applying for enrollment and orienting them to the University. A lengthy section in the formal report details the many programs now in operation by all schools and colleges to recruit minority students.

In summarizing his comments, Professor English reiterated that although minority enrollment has stabilized over the last three years, there has been a decrease in Black enrollment. Minorities are underrepresented in several areas, such as at the graduate level and in the professional schools. He said that the lack of persistence of minorities to graduate is a national trend and is not just occurring at The University of Michigan. Private schools are doing better than public institutions in enrolling and graduating minority students.

Professor English doesn't believe that ours is a problem of just numbers of minority enrolling, but that we have a responsibility to recruit and retain qualified students. Once these students are on campus, we have

active programs to place them in competitive programs and to monitor their academic progress.

Professor Cooper asked what the University's original goal was for minority student enrollment. Professor English said that in the early 1970's, the Regents agreed to a goal that 10% of the total enrollment be Black students. Professor Cooper then inquired as to the attrition of minorities as compared with the total student body. He was referred to Table 8 (pg. 19) of the report, which showed that 50% of the total number of students enrolled in the Fall of 1975 received degrees, whereas only 33% of the minorities did so.

Professor Freidman asked if the pool of qualified Black applicants had decreased, or are these students being more widely distributed. Professor English answered that for the highly qualified minorities, the pool of applicants has not diminished, but competition for these students is great with private institutions. We are not as competitive with other public institutions for the entire pool of university students because we select from the most highly qualified.

Professor N. White asked if there was any available data that could be used to predict the success rate of minority students based on the experience of previous students. He was informed that there are attempts being made by some units (i.e. LSA) to develop a composite picture of students who will predictably succeed, but this is not being done university wide.

Professor R. Browne noted that the Music School has had some success in increasing retention of minority students by motivating individuals early in their schooling. Professor English recognized the success that some units such as Music and Engineering have had in motivating or socializing the potential students in their younger years.

OLD AND
NEW BUSINESS There was neither old nor new business.

ADJOURNMENT The Assembly adjourned at 5:10 p.m.

Charles C. Kelsey
Senate Secretary

