

Minutes of 7 October 2013 SACUA
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THE UNIVERSITY OF MICHIGAN
Senate Advisory Committee on University Affairs (SACUA)
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Present: Holland, Koopmann, Larsen, Masten, Mondro, Oey, Olsen, Staller (chair), Ziff, Lehman; Schneider

Absent: none

Guests: L. Thomas (associate vice president and chief human resource officer), E. MacDonagh-Dumler (associate director for strategic initiatives), M. Shapiro (chair, Benefits Committee), D. Muir (member, Benefits Committee); K. Kearfott, F. Askari; R. Franzblau (provost office); *Daily* reporter, *Record* reporter.

MATERIALS DISTRIBUTED

1. Draft agenda.
3. Memorandum to Faculty and Staff Community from O. H. Pescovitz, M. E. Pollack, T. P. Slottow and L. Thomas, 30 September 2013, regarding Committee to recommend changes to retirement savings and retiree health benefits.
4. Executive Summary Benefits Index-Faculty
5. Expanded Long-Term Disability Improvements (www.benefits.umich.edu/plans/ltd)
6. Draft Senate Assembly agenda
7. Discussion: Committee on Retirement Savings Plan and Retiree Health Benefits, dated 7 October 2013.
8. Senate Assembly ballot results prioritizing 2013-14 issues, dated 23 September 2013.
9. Your feedback on retirement savings benefits is requested. Memorandum from L. Thomas to the UM community.

Chair Staller convened the meeting at 3:15. The proposed agenda was approved.

CONSIDERATION OF MINUTES

Consideration of the minutes of 30 September 2013 was postponed.

Announcements-

1. The Civil Liberties Board is holding a forum this Thursday at Forum Hall, Palmer Commons at 3:30 P.M.
2. The chair and vice-chair will meet with the president this Wednesday. Future meetings will include additional members of SACUA on a rotational basis.

3. The president is hosting a leadership breakfast tomorrow (Tuesday, 8 Oct) at 8 A.M.
4. The SACUA meeting next Monday is cancelled. A brief extraordinary meeting may be scheduled in advance of the next Senate Assembly meeting.
5. The next meeting of Senate Assembly will be 21 October. That meeting will include the same guests that SACUA will host today.
6. Professor Mondro is assembling a summary about impediments to interdisciplinary teaching.
7. Professor Frier has recommended that SACUA and the Senate Assembly review in January or February the status of background checks now ongoing.
8. At 2:04 P.M. today L. Thomas sent out a survey about benefits. Its deadline for completion is 13 October 2013.

MANAGING RETIREMENT SAVINGS PLAN & RETIREMENT HEALTH BENEFITS

1. L. Thomas arrived at 3:28 P.M. The other guests joined her shortly thereafter. The meeting entered executive session at the request of Ms. Thomas. She explained that her request was because she wanted to share data (distributed item 7) that would not be made public until later in the week. She said there was no embargo on the content of the discussion, just the specific data contained in item 7. Chair Staller confirmed that even the data in item 7 would become open as soon as they were released publically later in the week.
2. Ms. Thomas expressed the hope that faculty governance would encourage people to enroll in the newly revised Long Term Disability (LTD) insurance plan. Members pointed out that the maximum duration of UM disability coverage (distributed item 5) varies with age and may be uneconomical after age 65. Ms. Thomas explained that beyond that age, the university will move LTD recipients to retirement. Professor Koopmann asked whether the LTD plan was portable. Ms. Thomas replied that she did not know, but expressed doubt because the UM is self-insured. Professor Askari stated that her office should benchmark peer institutions on that point.
3. Ms. Thomas explained that the benefits committee has been charged with a target savings amount that it must achieve and that it has been given the latitude to recommend different degrees of cuts for health system staff than for the rest of the university. She said that the goal was to maintain a competitive market position for the UM where the definition of competitive was to fall between 95% and 105% of average benefits provided by designated peer groups. She stated that the previous provost established that \$120 million would have to be trimmed from the General Fund by 2017 to support the research and teaching needs of the university, and that each aspect of university infrastructure, including benefits, has been taxed to achieve this goal. She said that the provost was the appropriate person to whom budget questions should be directed; her job was to contribute to the mandated savings.
4. Professor Askari pointed out that a dependent tuition benefit is weighted as only 1.3% of the total package, whereas its dollar value, if available, could exceed one hundred thousand dollars over a faculty career. Ms. Thomas replied that the weighting system for benefits is a proprietary product of the consultant, Aon Hewitt.
5. Professor Masten pointed out that the current benefits package is on average almost precisely at 100% within the target range as a result of low LTD benefits and zero tuition

benefits. He asked why the committee was being directed to focus on one or two individual elements that exceeded 105%. Ms. Thomas replied that her charge required such reductions, and that the final target did not have to be 100% of peers. She added that the health system peer group was different from the academic peer group, and that reductions in benefits within the health system would be applied to staff, not faculty. Further, she said, the administration has committed not to change retiree health benefits prior to 2016.

6. Professor Masten asked the committee chair (Professor Shapiro) why the committee does not propose cutting salaries directly rather than doing so indirectly through benefits. He pointed out that benefits enjoy favorable tax treatment. Professor Shapiro replied that his committee was aware of the tradeoffs, but that the committee is constrained by its charge. Professor Masten asked what constraints were placed on the committee to achieve its prescribed target. Ms. Thomas responded that the committee can't comment on the budget model that mandated them. Professor Shapiro remarked that the committee was confined to mainly technical issues.

7. Professor Askari suggested that if the committee is anticipating reduction of the UM contribution to retirement accounts from 10% to 9% it might want to point that out to avoid apprehension. Ms. Thomas remarked that the contribution might be cut to 8% within the health system. Professor Askari commented that affected personnel may not be able to push back against the benefit reductions if they are not mobile.

8. Professor Masten suggested that the peer group be separated into tiers if it is not possible to assign weights to the individual peer institutions. Professor Shapiro said that the committee already did some of that. Ms. Thomas said that the administration needs the committee to complete its before Christmas.

Guests Thomas and MacDonagh-Dumler left the meeting at 4:33 P.M.

9. Professor Lehman asked the remaining committee members how opaque the consultant's algorithms were that are being used to establish weightings by benefit category? Professor Muir replied that they were "completely" opaque. Professor Shapiro said that the committee understood that there were tradeoffs and consequences of benefit changes in terms of behavior. For example, he said that it was hard to get faculty to retire, so the committee has to consider carefully that it not squeeze retirement contributions and benefits to the degree that people cannot afford to retire or find that their benefits in retirement are poor.

10. Professor Koopmann asked why the staff should be required to subsidize the research and teaching mission of the university through reductions to their benefits. He also asked why the committee's timeline was so short. Professor Shapiro replied that the administration wants an answer quickly, but that the schedule is not a problem yet. He said that the mandate is clearly to take the UM below the 100% peer average. Professor Masten declared that the problem is not inside the committee, and that faculty governance needs to focus its attention and concerns at higher administrative levels and decision-making. Professor Shapiro left the meeting at 4:50 P.M.

11. Professor Askari pointed out that other schools are doing great this year owing to the surge in endowment investment income, and that reductions in UM benefits could prove problematic for recruitment and retention.

PLANNING FOR SENATE ASSEMBLY MEETING

SACUA members approved the draft Senate Assembly agenda (distributed item 6) unanimously.

The meeting was adjourned at 5:00 P.M.

Respectfully submitted,

John T. Lehman
Senate Secretary

University of Michigan Bylaws of the Board of Regents, Sec. 5.02:

Governing Bodies in Schools and Colleges

Sec. 4.01 The University Senate

"...[t]he Senate is authorized to consider any subject pertaining to the interests of the university, and to make recommendations to the Board of Regents in regard thereto. Decisions of the University Senate with respect to matters within its jurisdiction shall constitute the binding action of the university faculties. Jurisdiction over academic policies shall reside in the faculties of the various schools and colleges, but insofar as actions by the several faculties affect university policy as a whole, or schools and colleges other than the one in which they originate, they shall be brought before the University Senate."

Rules of the University Senate, the Senate Assembly and the Senate Advisory Committee on University Affairs:

Senate: "In all cases not covered by rules adopted by the Senate, the procedure in Robert's Rules of Order shall be followed."

Assembly: "The Assembly may adopt rules for the transaction of its business. In appropriate cases not covered by rules of the Assembly, the rules of the University Senate shall apply."

SACUA: "The committee may adopt rules for the transaction of its business."

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