

FACULTY COUNCIL
Tuesday, June 24, 2008
3:30 – 5:15 pm
W401 Pappajohn Business Building

MINUTES

Councilors Present: M. Cohen, J. Cox, D. Hammond, B. Justman, A. Morris, L. Robertson, G. Russell, K. Tachau, J. Tomkovicz, R. Valentine, R. Williams, J. Woodhead.

Officers Present: D. Drake, M. O'Hara, S. Stromquist.

Officers Excused: V. Sharp.

Councilors Excused: D. D'Alessandro, T. Mangum, P. Mobily, J. Reist, L. Richman.

Guests: M. Beck (Anthropology), C. Berman (History/CLAS), S. Buckley (Human Resources), A. Campbell (Management Sciences), J. Carlson (President's Office), G. Johnson (Medicine), S. Johnson (Provost's Office), Patricia Kelley (Emeritus Faculty Council), M. Khandelwal (Anthropology, Women's Studies), S. Klatt (Budget Office), E. Lawrence (Psychology), L. Lopes (Provost's Office), A. Mendez (Spanish & Portuguese), J. Menninger (CLAS), B. Morelli, (*Press-Citizen*), F. Nothwehr (Community & Behavioral Health), B. Pelton (Health & Sport Studies), J. Pusack (German), D. Redlawsk (Political Science), R. Saunders (Benefits), B. Sorofman (Pharmacy), C. Squier (Oral Pathology), N. Street (Management Sciences), J. Tansey (Medicine), T. Vaughn (Health Management & Policy), D. Willard (Governmental Relations/Research), J. Wetlaufer (Law), S. Wilson (Medicine) and L. Zaper (Faculty Senate).

I. Call to Order – President O'Hara called the meeting to order at 3:33 pm.

II. Approvals

A. Meeting agenda. Professor Cohen moved and Professor Morris seconded that the agenda be approved. The motion was unanimously approved.

III. Fringe Benefits Changes Proposed by the Funded Retirement and Insurance Company (Susan Buckley, Human Resources; Richard Saunders, Human Resources; Sheldon Kurtz, FRIC)

Before opening discussion of the changes to the fringe benefits system proposed by the Funded Retirement and Insurance Committee (FRIC), President O'Hara indicated that he wished to say a few words about the recent flooding on campus. This has been a traumatic experience and we will be living with the consequences of the flooding for some time. He commended the university community on its efforts to preserve the university from damage. He especially noted the innovative, creative and efficient responses of Facilities Management staff to the difficult problems posed by the flood, and expressed appreciation for their efforts on behalf of the

Faculty Council. He reminded everyone that patience will be needed as we face the challenges that remain in the aftermath of the flood.

President O'Hara then invited Professor Kurtz, faculty co-chair of FRIC, to explain the proposed changes to the fringe benefits system. Professor Kurtz noted first of all that no changes were proposed for TIAA-CREF. He added that concern had been expressed regarding the process followed in the development of the proposal, and explained that FRIC is a University Charter Committee consisting of 14 members: 7 faculty and 7 Professional & Scientific (P&S) staff. The faculty members are chosen by the Faculty Senate Committee on Committees from a list of committee volunteers that are annually solicited by the Senate. Committee assignments are then confirmed by the Faculty Senate. The appointed faculty members represent the faculty on the committee. Staff Council follows a similar process for the appointment of staff committee members. FRIC is the only charter committee on which students do not serve. Professor Kurtz stated that shared governance has worked well in this instance; a university committee developed a proposal, presented it to the administration, the proposal was made public, and discussion of the proposal ensued. This is exactly the way governance ought to work.

Currently the university puts about 20 million dollars into the flex credit system that is used by employees, not to purchase health, life, dental and disability insurance, but to purchase additional life insurance, accidental death and dismemberment insurance, or to put into their health care and child care spending accounts. The amount of money put into the system by the university is escalating rapidly. The university administration was concerned about how this money was being spent and also about the ever-escalating costs of the current system. The administration approached FRIC because of these concerns. Over the years, FRIC has received many email messages from employees complaining about the unfairness of the current benefits system. The financial interest of the university and the concerns of employees both came into play in FRIC's deliberations.

Over the past ten months, FRIC considered a wide variety of proposals (offering the four insurance products on a "take-it or leave-it" basis, eliminating the "dual spouse benefit" to all or some extent, making adjustments to life and disability coverage, giving employees with children under the age of 13 a greater number of monthly credits than all other employees). Professor Kurtz directed the group to the handout for a description of the FRIC proposal. For health insurance, single employees would be able to choose either health plan with no out-of-pocket premium costs. For employees in the status categories employee/spouse/partner, employee/child(ren), or family, the university would contribute 80% of the UIChoice premium costs to apply to either health plan. For employees in the status categories employee/spouse/partner or family, where both spouses/partners are employed by the university, the university would contribute 100% of the premium cost for one employee/spouse/partner or family health plan. The dental plan would mirror the health plan. Currently there are two life insurance products, the group plan and the supplemental plan. No changes are proposed for the supplemental plan. For the group plan, the FRIC proposal limits life insurance to two times an employee's salary up to a maximum of \$400,000. This would be without cost to the employee. FRIC wants to make sure that in addition to this, employees would be able to buy the additional group life insurance as they have in the past. The final determination of whether this can be done would have to be worked out with our third-party life

insurance provider, Principal. For disability insurance, employees would be provided with a long term plan with 60% salary replacement coverage (the five-year “ramp-up” would be eliminated).

Every employee would receive a general credit of \$90/month. FRIC was of the opinion that every employee should receive the same amount of money – one employee’s childcare needs are not inherently more important than another employee’s medical needs. “Shared savings” credits would incentivize employees to decline or minimize university insurance offerings. A \$200/month shared savings credit would be given to employees who choose to remain on another employer’s health plan (through a spouse/partner). A \$25/month shared savings credit would be given to employees who waive dental insurance or choose to remain on another employer’s dental plan. And, a \$40/month shared savings credit would be given to employees who choose \$50,000 in group life insurance (where that is less than two times their salary).

Professor Kurtz concluded his presentation by noting that FRIC was aware that many employees would feel that they were being adversely affected by these proposed changes, but that there would be many more employees who would benefit from the proposed changes.

Professor Tachau requested clarification of the life and disability plans for spouses/partners who both work at the university; these plans apply individually to each spouse/partner. Professor Cox questioned the use of the phrase “revenue neutrality.” Professor Kurtz explained that the university would not experience immediate savings if the FRIC proposal were implemented, but that these savings would occur in the future in the form of reduced expenditures. Professor Cox suggested that in the short run this was a transfer of money from some faculty to other faculty and in the long run this was a pay cut. Professor Kurtz responded that he would not characterize it that way, although both agreed that benefits are a part of compensation. Professor Cox also expressed concern regarding the process by which the proposal was developed, pointing out that the president of Staff Council had resigned in protest of the procedure, and that the Faculty Council was discussing the proposal only a week before the deadline for a decision to be made on it by the president. Professor Kurtz reiterated that the proper procedure for university committees had been followed and the procedure had worked well. He reminded the group that he had mentioned several times over the past academic year to the Faculty Council that potential changes were coming to the benefits system. The Faculty Senate held a symposium on April 29 to discuss the proposal, and there have been several forums sponsored by the Shared Governance Council since that date.

Professor Hammond requested clarification of the implementation date. Professor Kurtz explained that the administration hoped to have a proposal to President Mason by July 1, so that if she decided to implement the proposal on January 1, 2009, there would be sufficient time for the Human Resources Information Technology staff to re-program the online benefit choice system by November, when employees choose their benefits. Professor Hammond pointed out that six months is still not enough time for employees to make preparations for these changes to their benefits, while a year and six months could be sufficient time. Could this change be postponed by one year? President O’Hara commented that following the meeting, he would work with the other officers to summarize the discussion and develop recommendations to the president on how to proceed. Professor Justman asked how many employees would be affected

by these changes. Sue Buckley responded that it would be roughly 30% who would be affected adversely.

Professor Hammond commented that many employees see this as a pay cut, as the benefits amount is included as part of the total compensation. While such pay cuts have occurred in other fields, is this the first for academia? Are our peer universities undergoing similar cuts? Professor Kurtz responded that he also views this as a pay cut. He noted that his class sizes have gone up recently because of fewer faculty members in his college. He looks not only at salary, but at work environment, which is also important. A trade-off for this pay cut could be that more faculty could be hired, thereby reducing his class sizes and improving his work environment. He voted for this proposal because he thought it was better for the university. Regarding our peer group, no peer university has this system. There are about two-four institutions in the entire country that have this. Professor Cox noted that this is not only a pay cut, but a pay cut pitting some faculty against other faculty. Although the number of faculty had fallen in recent years, there had been a good faith effort by the administration to make up for this in increased compensation. This had maintained faculty morale. But now we are pitting faculty against each other. It is a recipe for bitterness. Although the FRIC proposal is fairer than what we have now, employees' pay cannot be so abruptly slashed. This needs to be phased in over six to eight years. Professor Tachau stated that when she was a faculty senate officer, there was pressure to change the flex credit system; this is not the first time the system has been examined to make it more equitable. The urgency now comes from the need to change the trajectory of escalating costs. She advocated that a way be found to advantage the least-well-paid employees first.

Professor Justman noted that there is no provision in the FRIC proposal for the Dental III plan (which provides for lengthy, costly procedures), only I or II. This may have financial ramifications for the College of Dentistry's patients and therefore for the College of Dentistry. Many Dental III patients are in the middle of complex procedures, which will not be finished by January 1. If this proposal could be phased in over several years, it would ease the burden on these patients and provide for proper procedure and healing time. The College of Dentistry would also have time to plan for the change in income. Professor Kurtz commented that FRIC typically suggests dropping health plans when people stop using them. Richard Saunders added that fewer than 700 employees currently have Dental III.

Professor Hammond asked if the alternative plan, developed by Professor John Spencer, should be addressed at the meeting. President O'Hara responded that the Spencer plan has not yet gone through any outside analysis. He would prefer to focus now not just on the FRIC proposal, but on whether we need to do something to alter the trajectory of health care costs. Professor Cohen commented that the rising costs of health care have been widely reported. It is approaching 20% of gross domestic product. In the long run, this is not a sustainable model. There seems to be general support for change to the system, as well as for an extension of the time for implementation. If there are changes to the health care delivery system in the national arena, we will need to re-visit this issue. Vice President Drake also observed that our benefits system is not sustainable. Although the trajectory of costs needs to be modified, he expressed concern that the changes will impact lower-paid faculty and staff the most.

Professor Valentine asked if salaries would be raised to make up for these cuts. Professor Woodhead asked if these benefits changes would lead to a loss of faculty. President O'Hara expressed doubt that the changes would impact recruiting and retention. In his experience working with potential new faculty, salary is the driving force in recruitment. Professor Woodhead commented that his main concern was for those who are already here, who might go elsewhere. He added that staff spouses sometimes take jobs at the university in order to obtain the benefits. Professor Kurtz responded that employees who are inclined to leave the University of Iowa to get a higher salary elsewhere will do so regardless of the benefits package, while it is unlikely that employees will leave merely to get a better benefits package. Certainly they will be unable to find child care credits at other institutions. The issues for staff are more complicated, because they tend to stay in the area. He noted that the proposal passed within FRIC with only one dissenting vote, a faculty member who did not think that flex credits of any kind should be offered.

Professor Morris expressed concern regarding the differential effect on faculty, especially the effect on young faculty with children. These young faculty and staff are our future. She referred to UI faculty member Sasha Waters' letter to the editor on this issue in the *Press-Citizen*. She is in favor of delaying the changes. Although the Faculty Senate was told that changes were being considered to the benefits system, Professor Morris had not realized that the changes would be so profound. We must not lose our young faculty or their good will. The university depends a lot on the big hearts and good will of the faculty. Professor Williams commented that this has coincided with a rise in cost for daycare on campus. She appreciated the efforts of FRIC to make the benefits system as fair as possible. Secretary Stromquist observed that the flex benefits system is very adaptable to the different stages of the life cycle, which is a very good thing. He added that employees must still be persuaded that such an extensive change is really needed at this time. The timing of the appearance of the proposal is also not good, coming in the summer and just before the flood. He advocated urging President Mason to defer the changes and allow more time for discussion.

Professor Tachau questioned whether FRIC had considered making changes differentially by pay scale, since entry-level salaries vary between P&S staff and faculty, and among faculty of different colleges. The percentages of the perceived pay cuts will also vary. One option would be to have everyone take the same proportion of cuts. Also, we may be asking people to take these cuts when they may have lost their homes or offices to the flood. Professor Kurtz responded that this would be very difficult. Professor Cox commented that this is an issue of how we treat people who are already here. The History department has hired a number of couples; faculty couples may have limited mobility because they must find two faculty jobs when they move. This is a recruitment issue. If these couples are asked to take sweeping pay cuts in one year, it will undermine their trust in the university. Professor Morris questioned if Principal would make the final decision on whether people with serious illnesses would be able to maintain their current life insurance coverage, and if so, would a delay in implementation allow us to receive an answer from Principal. Richard Saunders responded that Principal would need to look at the proposed changes in their entirety. Professor Kurtz responded that he would not support the changes to the life insurance if Principal would not allow faculty and staff to maintain their life insurance at current levels.

President O'Hara opened the floor to comments and questions from the audience. Professor Menninger, a faculty senator from the College of Liberal Arts and Sciences, commented that there was a group versus individual sense of what's being proposed. He supported a delay in implementation. He commented that his colleagues were willing to make a sacrifice for the group benefit, but it would be easier for people to do this if they could see how the changes would affect them individually. Sue Buckley noted that a calculator has now been put on the Human Resources website to allow individuals to figure this out. Professor Pusack, immediate past president of the College of Liberal Arts and Sciences Faculty Assembly, commented that releasing the proposal in May was poor timing for the campus. He also questioned what the potential savings would be if these changes were implemented. Sue Buckley explained that we know that every year the university will spend more on benefits, and we are trying to decrease the rate of the increase as we go forward. The FRIC proposal helps hold down this increase in two ways. First, there is a control point in the flex credits in that they will be determined annually, unlike the current system which is highly formulaic and difficult to control. Also, there are approximately 1500 employees who are on a spouse/partner's health insurance policy outside the university. The health care contribution they receive through flex credits is currently \$622. In the FRIC proposal, the incentive for these employees to stay on the other health plans would be \$200. That reduction ends up reducing the health care base. That is where the big money is. The health care piece of the benefits plan this year cost about \$72 million. If the FRIC proposal had been implemented this year, the health care piece would have cost about \$60 million. There would have been a savings this year of \$12 million. That is predicated on \$200 being enough to keep 50% of those 1500 employees on other plans, with 50% migrating back to the UI health plans. The FRIC proposal re-deploys the same amount of money, but distributes it differently, thereby putting the university in a much better financial position in the future. Professor Pusack followed up by asking for clarification regarding the relationship between the flex credits used for child care, and the incentive for the above-mentioned 1500 employees to stay off the university health insurance. Susan Klatt, Office of Financial Management and Budget, said that with this proposal we would be shifting costs that we are currently incurring for medical expenses (about \$12 million) to other types of credits, causing a reduction in inflation, in that we would not be incurring the roughly ten percent of inflationary increase on that \$12 million of medical costs. There is a compound effect of this in future years.

Professor Kurtz commented that for many years the amount of flex credits for purchasing health insurance was static. Then FRIC suggested automatic increases in the credits for health insurance to equal the amount of a single policy. These increases were also received by those who did not buy the university health insurance; this amounted to a "hidden raise" for those employees. Professor Wetlaufer expressed appreciation for the work of both FRIC and the Fix Flex group. He is concerned about the regressivity of the proposal, specifically its effect on junior faculty and those in the less-well-compensated disciplines. He also mentioned the effect on life insurance. Those with serious or life-threatening diseases may not be able to pass the physical examinations required to buy the additional life insurance that they would now need to purchase. This would be cutting into the estates of those individuals. Professor Vaughn commented on the \$200 incentive for those covered by health insurance elsewhere to stay away; there is no way of knowing whether people with higher health costs will continue to stay away or will migrate back to the UI policies.

Interim Provost Lopes noted that so far no one had mentioned the plight of single parents, or those who cover their entire families because the spouse/partner has no access to health care coverage. These people pay child care costs out of pocket, in addition to paying part of their salary for health insurance. This is the situation in the current plan. The proposed plan would provide flex credits for these groups. Professor Spencer, of Fix Flex, commented that our current benefits system is rare, but this is an advantage and can be used as a recruitment and retention tool. Those who are already here have come to appreciate it highly. Can we delay the process and allow for broader discussion, in order to find ways to improve the equity of the system, save money, and still retain the uniqueness of our system? Professor Redlawsk, current chair of the CLAS Faculty Assembly, stated that going forward, if there is to be a delay in implementation, we need to make sure that the process is transparent. The numbers must be clear. Also, FRIC minutes need to be readily accessible. Professor Berman commented that too many things were linked together here. Life insurance must be looked at separately, and we must keep in mind the child care needs of junior faculty and staff. There is also the issue of the difference in benefits between dual couples and singles. All of these issues must be looked at separately. Professor Justman expressed concern about UI faculty who are out of town, for sabbaticals, etc. They may use flex credits to purchase additional health insurance. Professor Kurtz responded that the current UI health plans cover out-of-area providers.

President O'Hara stated his intention to put together a summary of the meeting. He indicated that he heard agreement among the Councilors that the FRIC proposal not be fully implemented by January 2009, although there is variability regarding exactly when the proposal should be implemented. It is also generally agreed that something needs to be done to modify the fringe benefits structure, although there is at least one dissenting voice. President O'Hara commented that FRIC had followed the normal procedures for university committees. If this had been a different sort of issue, the next steps would be for the proposal to come to the Faculty Council and Faculty Senate in the fall, with the proposal moving back into committee for further revision if necessary. Since this proposal has such a profound impact on some faculty and staff, we need to have extensive discussion of it. President O'Hara and Staff Council President Martha Greer will both shortly be making written and verbal reports to President Mason on this issue. Professor Tachau requested that the concern about the regressivity of the proposal be conveyed to the President. Secretary Stromquist suggested that other plans than the FRIC proposal be considered by the President. President O'Hara responded that FRIC is the proper conduit for alternate proposals. Professor Cox commented that another option would be to form an ad hoc committee to work on the issue.

IV. Adjournment – President O'Hara adjourned the meeting at 5:21 pm.