

JOURNAL OF THE FACULTY SENATE

The University of Oklahoma (Norman campus)
 Regular session - February 8, 1993 - 3:30 p.m.
 Jacobson Faculty Hall 102

The Faculty Senate was called to order by Professor Susan C. Vehik, Chair.

PRESENT: Ahern, Anderson, Barman, Bennett, Boyd, Breipohl, Carr, Cornelius, Dillon, Fonteneau, Gordon, Graf, Harris, Havener, Hill, Hilliard, Hinson, Johnson, Jordan, Kidd, Kincade, Koger, Kukreti, Kuriger, Kutner, Landes, Lakshmivarahan, Latrobe, Livesey, Miller, Mock, D. Morgan, Mouser, Nelson, Norwood, O'Halloran, St. John, Sankowski, Smith, Sullivan, Sutton, Tiab, Vehik, Watson, Wedel, Whitecotton, Whitmore, Wiegand

PSA representatives: Barth, Spencer

UOSA representatives: Bratten, Dietert, Huang, Parmley

ABSENT: R.C. Davis, London, Stanhouse

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APPROVAL OF JOURNAL

The Senate Journal for the regular session of January 11, 1993, was approved with the following change (deletions/additions):

On page 5 the third sentence of the last paragraph should be changed to, "He suggested that ~~"determining teaching assignments"~~ in the contents of item (2) should be moved down to (4) ..."

Accordingly, on the third page of Appendix II--Responsibilities of the Chair--Specific Responsibilities should read, "... ~~(2) determining teaching assignments and class schedules for the department~~ (32) establishing policy for expenditures from departmental budget; and (43) in concert with Committee A (or such other faculty committee as the voting members of the unit may establish and elect), determining teaching assignments and class schedules for the department, preparing annual ..."

ANNOUNCEMENTS

The Senate Committee on Committees nominated Professor Ken Wedel (Social Work), a member of the Senate Committee on Faculty Welfare, for the faculty position on a planning committee to recommend a retirement plan for hourly employees. Assistant Personnel Director Ruth McKinnis will chair the committee.

Prof. R. Con Davis (English) was elected to complete the 1990-93 term of Prof. Bedford Vestal on the Faculty Senate, representing the College of Liberal Studies. Prof. David Morgan (Political Science) was elected to complete the 1992-95 term of Prof. David Gross (English) on the Faculty Senate, representing the Graduate College. The newly-elected UOSA liaisons to the Faculty Senate are Leanne Bratten and Patrick Huang.

As noted in the November 18, 1992 memo from Avraham Scherman to Susan Vehik, the Academic Regulations Committee reviewed the new College of Continuing Education guidelines for intersession enrollment (available from the Senate office). The committee recommended one change: with Dean's permission, the maximum credit limit for a four week intersession is ~~five~~ six credit hours.

On file in the Senate office are copies of the following reports from the State Higher Education Executive Officers (Oklahoma State Regents for Higher Education -- OSRHE):

- 1) Faculty Work and the Cost/Quality/Access Collision;
- 2) A Case Study of Faculty Workload Issues in Arizona:
Implications for State Higher Education Policy; and
- 3) An Agenda for Reshaping Faculty Productivity

On file also is a copy of legislative bills having potential impact on higher education. Several bills relate to OTRS, tuition and fee maximums, use of lottery monies, placing higher priority on education in the appropriation process, anti-alternative lifestyles legislation, and placing a constitutional limit on the number of FTE state employees.

The Faculty Senate office is receiving a new publication (newsletter) from AAUP: College and University Fiscal Crisis Update. The newsletter covers various disasters in state funding of higher education.

Chronicle of Higher Education, January 6th issue, pp. A26, A28-38 has several discussions regarding the future, financial and otherwise, of higher education.

Administrative Disposition of Senate Actions:

1988-1989 #26: added faculty (1) appointed by Senate to Student Code Revision Committee (the Senate's original recommendation was for four faculty so that faculty would have some input on changes). Other aspects of the Senate recommendations are still being discussed.

1990-1991 #8: Revised Ethics in Research Policy — Provost and Ad Hoc Faculty Senate Committee are working on final implementation, wording, and process.

1991-1992 #7: Extended Care Leave Proposal -- recommendation is pending from administrative committee trying to accommodate Norman and HSC Senate proposals. Some revision should be recommended in the near future.

#11: Program Discontinuance Policy — Provost is reviewing the Program Review Process and will examine this issue concurrently.

#14: Admissions Standards — President supports standards, but there remains an argument over the best way to set standards.

#17: TIAA/CREF Age Threshold and Vesting Period (age 25 and 3 years) -- HSC recommended age 27. Further discussion and review is needed prior to action.

#20: Definition of Faculty — resolution from 5-4-92 provided foundation for the Ad Hoc Library Committee's action this year. A second committee, to be implemented next year will define rights, duties, etc. of temporary faculty as presently defined in the Faculty Handbook.

#22: Sexual Orientation -- President declined to implement; the Presidential Statement of 3-27-90 covers these issues, and no further action is planned.

Status of faculty issues and concerns from fall (see 10/92 Journal, Appendix III):

#3: Temporary faculty — see 1991-1992 #20 above.

#9: Redistribution of funds based on credit hours will encourage departments to maximize returns — this may be addressed in Strategic Planning process; such a strategy of allocating resources is recommended in the Arizona workload study mentioned above.

#13: 25% limit on overload teaching and #23 emphasis on grants as a measure of research productivity may be addressed in the Strategic Planning process.

#14: Increasing demands on faculty — seem likely to increase; see reports noted above. Strategic Planning may have some relevance.

#18: Night classes and CART -- limited service 9-11 p.m. Monday-Thursday on Yorkshire/Parkview/Dewey route.

#28: Student Code -- see 1988-1989 #26 above.

Associates Funds Commitments 10-1-92 to 12-31-92 (over \$5,000):

Norman Campus Provost Development	\$100,000
HSC Provost Development	\$100,000
1992-93 National Merit Scholarship Corporation	\$151,444
Associates Dinner	\$ 36,993

Associates Funds Cash Position:

Total Cash and Investments, 11-30-92	\$1,189,444
Disbursements, July through November, 1992	(562,895)
Outstanding Commitments, 11-30-92	(604,681)
Total Uncommitted Funds, 11-30-92	\$21,868

Central administrative costs for the Norman campus were 5.8% of total expenditures in 1982 and are at 4.6% in 1992 (from January '93 OU Regents' Agenda).

OU Board of Regents agreed to begin the process of selecting architectural and engineering (A & E) consultants for renovation of the Oklahoma Memorial Union and to begin transferring the Union to the University. Regents authorized an A & E contract and selection of an acoustical consultant for Catlett Phase Two. Also authorized a contract for Botany-Microbiology greenhouse and an A & E contract for Whitehand Hall renovation.

The remaining meetings of the Faculty Senate for the Spring 1993 semester will be held at 3:30 p.m. in Jacobson Faculty Hall 102 on the following Mondays: March 15, April 12, and May 3.

SENATE CHAIR'S REPORT, by Prof. Susan Vehik

"Funding is a major topic again. The Governor has proposed an 8.9% decrease in higher education funding for FY94. At the request of the Chair of the House Education Subcommittee on Appropriations, the State Regents have been looking at three scenarios. In the first, the one-time money awarded last year is removed. What is left forms an FY93 base. Then a 10% reduction in funding is applied. The total cut is 14.2%. In the second, the same thing happens, but a 5% salary increase must also be added (mostly through internal reallocation). In the third, the one-time money is lost, and the projected FY93 carryover of funds resulting from the hiring and purchasing freeze is to be considered.

"The first scenario is an \$81.6 million loss from the FY93 allocation. In order to maintain a standstill position for FY94, there needs to be \$12 million in new funds to cover fixed costs, not including inflation. The State Regents' agenda for February provides several pages on projected impacts. The State Regents argue cuts should not be made across the board but should be made following their Academic Planning/Resource Allocation (APRA) guidelines. Although not completely formulated, the basic principle is that resources should be concentrated on areas most vital to an institution's mission.

"As it is early in the appropriation season, there is disagreement on how likely these or any other reductions are. Speculation has ranged from a flat budget to the State Regents' belief that the magnitude of reduction will be great. The State Equalization Board meets this Friday and will provide at least part of the answer.

"The State Regents are proposing a tuition increase plan as well. Students presently pay about 23% of their higher education costs, while the national average is about 33%. A proposal to raise Oklahoma tuition costs to that level over several years is presently being formulated.

"Regarding other matters, the President has requested the Provost to form a committee to formulate regulations for implementing the Academic Reprieve Policy. The State Regents' staff last month told me that the guidelines proposed in the policy were neither fixed nor 'take-it or leave-it.' Changes or regulations can be made that strengthen the policy but cannot be made whereby they weaken the policy.

"The last topic relates to strategic planning. The Executive Committee had an extensive discussion with the Provost regarding this topic. Three issues are seen as crucial. The first is that the state will probably not fund higher education to any greater extent than it has in the past (a major assumption behind APRA as well). Second, federal money invested in scholarly research has not paid off. As a result, greater emphasis will be placed on solving large problems that serve societal needs and which require multiple investigators. Third, there will be a push to increase the accessibility of higher education. Strategic planning needs to be directed toward those issues. The budgeting process must reflect progress on goals related to those issues. Planning must therefore be a continual activity. With that said, the present round of planning is progressing more slowly than originally anticipated."

ELECTION, COUNCILS/COMMITTEES/BOARDS

The Senate approved the following Senate Committee on Committees' nominations to fill vacancies on University and Campus Councils, Committees and Boards.

Environmental Concerns Committee:

to replace Georgia Muenzler, 1991-93 term
Walter Kelley (Mathematics)

Faculty Appeals Board:

to replace Elizabeth Yamashita, 1991-93 term
Ralph Doty (Classics)

Student Discrimination Grievance Committee:

to replace Elizabeth Yamashita, 1992-94 term
Sandra Bennett (Educational Psychology)

Student Code Revision Committee:

new Senate appointment, 1-year term [can be reappointed up to 3 years]
Mack Palmer (Journalism and Mass Communication)

University Scholars Selection Committee: [if restructuring is approved]
to replace Hillel Kumin [on restructured committee as a dean], 1990-93 term
Ann Cavallo (Instructional Leadership)

RETIREMENT

Prof. Vehik provided the following background information:

"As a result of Senate Bill 568 last year, the legislature created a plan whereby, over the course of 20-some years, the Oklahoma Teachers' Retirement System (OTRS) would become fully funded. The plan requires increased contributions from faculty and very large increases from institutions. Potentially, rather large amounts of money will be needed from institutions to make the plan solvent. The administration and Board of Regents are extremely concerned about the budgetary impacts.

"For over a year the administration and various employee groups have been discussing the extent of the problem as well as possible solutions. The Retirement Task Force made two main recommendations (see Appendix I). One was to have membership in OTRS be optional for all employees, future as well as current. The second was an alternative retirement plan option that would allow conversion of some portion of the university's contribution to income.

"Extensive discussions have been held on the possibility of removing OU employees from OTRS (see Appendix II - February 1 memo from President Van Horn). The easiest and therefore most likely possibility is to remove future employees. There is some belief that this is politically feasible. It will be more difficult and less politically feasible to remove employees who are already in the system, especially vested employees.

"The Executive Committee had a long discussion last week with the President regarding possible solutions. To that end, you have a copy of a memo to the President confirming several points of discussion (see Appendix III).

"The first point agrees to the removal of future employees. The University contribution to future employee retirement will essentially be capped. The amount going to retirement is the maximum available to current employees. There is a provision for modifying that cap to maintain benefits comparable to those of existing employees should those increase. It is not guaranteed.

"The second point is pretty much self-explanatory. A number of current employees would like to be out of OTRS. This includes some faculty who are vested and are willing to give up not only the University's contribution but everything they have contributed. The possibility and 'costs' of so doing need to be explored."

Prof. Whitmore asked whether this would be voluntary or involuntary removal of existing employees from OTRS. Prof. Vehik said it would simply be a matter of exploring the options and then discussing those options with the Faculty Senate. For instance, Louisiana got new employees out of its state retirement system but is having to pay 2% forever. Prof. Whitmore said it sounded as if this would leave open the option of unilaterally removing everyone. Prof. Vehik answered that there would not be any involuntary removal, and it appears unlikely that existing employees could be removed anyway. Prof. Whitmore said that should be made explicit.

Prof. Kutner asked whether this second point would include involuntarily cutting off contributions for those who are in the plan. Prof. Vehik said there is no intent to penalize people who stay in OTRS. Prof. Kutner questioned whether the University intended to cease contributions to OTRS, which would result in employees not receiving credit for the number of years they had served. Prof. Vehik said that was not the intent. Prof. Whitmore said that should be made explicit also.

Referring back to her memo, Prof. Vehik said, "The third point is simply to insure that as many people as possible be informed about how much it will cost to get out of OTRS relative to the benefits of getting out. Prof. Breipohl asked that 'or' be changed to 'and' between 'Executive Committee' and 'Welfare Committee.' For that matter, the Faculty Senate and entire faculty could be consulted."

"In my original draft to the President for the fourth point, I tried to get him to agree that the contribution to TIAA/CREF would not change from what it presently is. However, the Regents will not go along with that. They proposed what is in point 4 (of Appendix III). As much as a month ago, there were discussions that all future increases in OTRS would be funded from contributions to TIAA-CREF. The institution is not going to pick up the bill for the costs of OTRS and fund TIAA/CREF both."

Prof. Wiegand commented that the University seems willing to put more money into a program that is risky and take it out of one that is not. Prof. Vehik said that is why some people want out of OTRS. The costs of any increases in OTRS benefits may be taken from funds for TIAA-CREF. Prof. Wedel asked for an example of a benefit going up. Prof. Vehik said that could be a "Rule of 70." Prof. Trent Gabert, Chair of the Senate's Faculty Welfare Committee, said another example would be removing the salary cap so that the amount the state pays back will increase. Prof. Sutton asked who controls this whole thing. Prof. Vehik answered that OTRS is controlled by the legislature. Prof. Sutton asked whether the problems were caused because the state could take money out of the retirement fund. Prof. Vehik said it is against the law for the state to dip into retirement funds. The problem is OTRS' unfunded liabilities are greater than its assets because the legislature did not fund benefits that were increased in the mid 1980s. Prof. Mouser said it is possible that the University contribution will not go up, since the University gets a credit against its contribution from the natural gas wellhead tax. Prof. Vehik explained that the tax currently provides a 5% offset to employer contributions and agreed that the cost to the University could be less if natural gas goes up. It is also possible

that the legislature will provide the funds to cover the increase. The intent of the legislature was to fund OTRS after House Bill 1017 was funded, but now they are talking about delaying H.B. 1017. Also, common education may ask for additional funding. Furthermore, one state legislature cannot obligate future legislatures. Prof. Mouser asked whether the experts had any good estimates about natural gas. Prof. Vehik said the actuaries think it will not go up. She noted that the \$175 million cap on natural gas had been removed.

Prof. Whitmore pointed out that OTRS has a large constituency: public school teachers. If OU cuts itself out of that constituency, it will lose its political clout. Prof. Vehik said OU had political clout only as long as the interests of OU and common schools coincided. Prof. Whitmore reasoned that this large constituency would make it more likely that OTRS would be funded in the future. Prof. Vehik explained that opinion of legislators on the likelihood of funding OTRS varies. She asked, "Do you bank on a solution that may not occur or try to take some steps now? We have argued for a year and a half that contributions to TIAA-CREF will not be removed. Maybe this is a good time to look at getting whoever we can out of OTRS."

Prof. Ahern said additional language should be added to point 4 of Prof. Vehik's memo to stipulate that any decrease in contribution to TIAA-CREF will be offset by increased benefits from OTRS. Prof. Kutner said that would endorse something that the Faculty Senate should be opposed to, that is, a reduction in TIAA-CREF. Under no circumstances should the 15% of \$9000 be lowered, because that reduces retirement benefits more than any escalations in OTRS benefits. Reducing TIAA-CREF may mean a small savings to the University, but will mean a huge loss to employees, more so than cutting back in salaries. Under no circumstances should TIAA-CREF be touched. A lifting of the cap on OTRS really should not be considered an increase in benefits. Prof. Vehik said she has been conveying that message to the President, but the President's response has been that the Regents want what is in point 4. Prof. Kutner observed that it is not a one-to-one tradeoff between what the University would save and what the employees would lose, because TIAA-CREF is tax sheltered and an investment over a long period of time. Prof. Breipohl said he agreed with Prof. Kutner but he would not like to see OTRS given up either. Prof. Vehik commented that OTRS is not optional at this point, and its demands for increased funds is not optional either. Unless the legislature has a change of heart, something has to be done to fund OTRS' liabilities. She asked, "Do you want me to tell the President that in no way is he to touch TIAA-CREF?" The general consensus of the Senate was yes. Prof. Kutner remarked that last year the President said he would not touch TIAA-CREF.

Prof. Vehik commented that point 5 would allow employees to decide whether they would want to trade retirement for current income. Some people say they are not going to live to see age 55, so they want their money now.

Prof. Vehik asked for the Senate's opinion of point 1. She explained that this would mean that, if the cap is removed on OTRS, new employees would not get the 2% above \$40,000. Prof. Kutner contended that if the University is not willing to have the \$40,000 cap rise, then this seems more like a scheme to freeze retirement benefits than it is a scheme to get out of the OTRS problems specifically. Prof. Vehik answered that it is partially intended to limit the amount of money going into retirement relative to wages. There is the argument that as the amount going into retirement escalates, there is less available for wages. Prof. Breipohl contended that calling for an

increase in the \$40,000 OTRS cap could jeopardize the \$9000 threshold for TIAA-CREF. He pointed out that the 15% of salary above \$9000 is far more important than the 2% of salary. Prof. Gordon added that all of the contribution will be going into TIAA-CREF, which is solvent and tax sheltered. It is not clear, however, whether a new employee coming in next year would be better or worse off than someone hired this year and stuck in OTRS. Prof. Vehik reported that it takes a 22% increase in contribution to OTRS to get 7% funded. Prof. Gabert remarked that the 2% contribution on \$40,000 and 15% above \$9000 equals about 14% of total salary. Prof. Vehik noted that the recommended average, industry wide, is about 10%. Prof. Carr asked whether the defined contribution plan would be TIAA-CREF. Prof. Vehik said it could be any of the four plans that have been defined, including TIAA-CREF. Prof. Dillon asked about the vesting requirements of TIAA-CREF. Prof. Gabert said the current plan is age 30 and three years of service. Prof. Vehik mentioned that TIAA-CREF vesting is still under discussion. Prof. Dillon pointed out that vesting in OTRS is ten years. Prof. Vehik observed that if an employee left OU before ten years, s/he could take only his/her contribution; the University contribution and any interest earned would be lost.

Prof. Mouser said the President proposed, in his February 1 memo, that the University would pay 2% of the first \$40,000 in income for employees who withdraw from OTRS, if it becomes optional, regardless of whether individuals had elected to cap their OTRS at \$25,000. He asked, "Is this his carrot to get people to withdraw?" Prof. Vehik answered no. Prof. Gabert said this is just the amount the President is willing to contribute to a new plan. Prof. Mouser questioned whether the President could get the legislature to allow current employees to withdraw. Prof. Vehik explained that that sentence related to the previous sentence referring to options at a later date. When asked about the President's comment about moving forward with the legislature this session on making OTRS optional, Prof. Vehik said that is something she does not agree with and that she wrote her February 5 memo to respond to that.

Prof. Havener said he liked point 1. Prof. Breipohl said after hearing discussions, he believes this is the best we can do. There is some advantage to getting a statement that benefits will not go down and that TIAA-CREF will not be touched. Prof. O'Halloran claimed it is possible that benefits will go down if three times as much money is being put into OTRS to get the same benefit as TIAA-CREF. Prof. Livesey said it was not clear what the effect will be if new employees are removed from OTRS. If fewer people are contributing to the system, how can that make the system healthy? Prof. Vehik answered that OU represented a small number of the OTRS participants. New employees would be given a system that is portable. Prof. Livesey asked what would happen if OTRS agreed to let everyone out who wants out, and it becomes a landslide. Prof. Gabert explained that OTRS could require the University to pay something for the people who get out. Prof. Livesey asked whether the University would be asked to pay an amount equal to the projected increases that are scheduled to go up to 18%. Prof. Vehik said the administration thinks the University would only pay whatever it takes to cover the existing employees in OTRS. Prof. Gordon suggested that the Senate look at this as two separate problems: what options should be allowed for new employees and how to maintain current benefits for existing employees. OTRS consists primarily of public school teachers, so employees of OU and OSU will not affect the solvency of OTRS. Letting new employees out will make recruiting easier, because they will be in a portable, solvent plan. As to the problem of benefits for current employees, we must maintain contributions to TIAA-CREF.

Prof. Whitmore asked if any comparison of outcomes had been done concerning future employees. OTRS is a defined benefit, whereas TIAA-CREF is a defined contribution. He said he was worried about selling out future employees. Prof. Gordon said that would depend on the assumptions made. That is why various sentences are included in the memo to the President to guarantee that new employees will not be harmed if OTRS' funding improves. Prof. Vehik said it is difficult to make forecasts for a defined contribution plan because there are so many options.

Prof. Havener moved to adopt point 1. Prof. Vehik said the administration would like to operate on this point as soon as possible and start the legislative wheels that will get new employees out of OTRS. Prof. Gabert announced that the HSC voted last year to get new employees out without any guarantee of benefits. Prof. Carr commented that the Senate was making an important decision for people who were not even in the room, based on limited information. He said there should be more information such as scenarios, outcomes, benefits and losses. He asked whether this would come back to the faculty later. Prof. Vehik said a "no" vote would probably mean the administration will do this de facto. Points 1 and 4 are what the Regents told the President to do. Prof. Vehik said she is willing to tell them no to both points, but she cannot guarantee the results. Prof. Breipohl said anyone who was planning to leave the University would be better off to get out of OTRS. Prof. O'Halloran pointed out that a 14% contribution for new employees is not a shabby deal, but it is hard to predict whether they would do better or worse in OTRS. If OTRS is the only retirement system, though, it will be difficult to recruit new employees. Prof. Whitmore said he was not willing to accept the concept that there is no way to project the alternatives. He said, according to projections made about his economic future, most of his retirement income will come from OTRS. Prof. Vehik explained that existing employees bought OTRS cheaply, but new employees will pay more for less. Prof. Whitmore added that the institution will have to pay more, too, and that should come from the state. Prof. Vehik said there is no guarantee that the state will fund it. Prof. Whitmore said he is convinced that we will have to sacrifice OTRS to pay for TIAA-CREF. The Regents can force it on us, but we do not have to assent. Prof. Kutner observed that it used to be a great deal, but the rate of contribution is vastly higher than it used to be. Now, the retirement benefits will remain constant, but more will have to be paid in. Ms. Jan Jackson, Budget Director, noted that the OTRS benefit is greater than TIAA-CREF now because TIAA-CREF has not been in existence as long as OTRS. Answering Prof. Landes' question as to whether or not incoming employees could choose to participate in OTRS on a voluntary basis if the University withdraws from the system, Prof. Vehik said there would be no possibility of participating in OTRS in that circumstance.

The Senate voted 29 to 4 to approve point 1. The Senate voted unanimously to oppose the wording on point 4. Prof. Vehik said she will deliver the message.

[Note: Prof. Vehik met with President Van Horn on February 11 to relate the Senate's concerns about retirement. The results of their discussion will be presented in the March Chair's report.]

Prof. Vehik explained that a request had come from Mr. E. Z. Million to speak at the next meeting (a copy of his request is available from the Senate office). The Senate voted unanimously to deny his request.

Due to time constraints the Senate had to postpone discussion of the following items of business:

PUBLICATION OF FACULTY/COURSE EVALUATIONS (see UOSA resolution attached to January agenda; proposed questions for the College of Fine Arts, missing from the previous document, were attached to the agenda for this meeting).

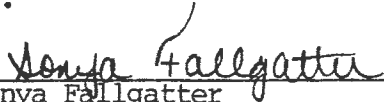
PRE-FINALS WEEK (see UOSA resolution attached to January agenda).

PROPOSED REVISIONS IN FACULTY DISCRIMINATION PROCEDURE (attached to the agenda for this meeting).


PRESIDENT'S PROPOSAL FOR A SMOKE-FREE CAMPUS (attached to the agenda for this meeting).

ADJOURNMENT

The meeting adjourned at 5:10 p.m. The next regular session of the Senate will be held at 3:30 p.m. on Monday, March 15, 1993, in Jacobson Faculty Hall 102.



Sonya Fallgatter
Administrative Coordinator



Betty Harris
Secretary

Norman Campus Faculty Senate
Jacobson Faculty Hall 206
phone: 325-6789 FAX: 325-6782
e-mail: WA0236@uokmvs.bitnet

OFFICE OF PERSONNEL SERVICES

JAN 28 '93

UNIVERSITY OF OKLAHOMA

PRESIDENT

MEMORANDUM

TO: Richard L. Van Horn
President

FROM: Don Flegal
Director of Personnel, Norman Campus

Gerry Moore
Director of Personnel, Health Sciences Center

Tom Coury
Chair and Associate Professor, College of Dentistry
Chair, Employment Benefits Committee

Theta Dempsey
Assistant Administrator, Parking and Transit
Chair, EEC Personnel Policy Committee

Trent Gabert
Chair and Professor, HSS
Chair, Norman Campus Faculty Senate Welfare Committee

David Lingo
Senior Administrative Manager, Obstetrics & Gynecology
Chair, ELC Policy Review Committee

Charles Seifert
Associate Professor, College of Pharmacy
Chair, HSC Faculty Senate, Faculty Affairs Committee

SUBJECT: Retirement Task Force Recommendations

DATE: January 27, 1993

The charge given to the task force was as follows:

"The committee is charged with reviewing all pertinent state Teachers' Retirement System issues affecting faculty and staff at the University, and recommending to the President a position for the University to take with the State Legislature with regard to University participation in TRS. The position taken by the University should be consistent with the goal of providing an attractive, cost-effective retirement plan for faculty and staff."

The task force was fortunate that most of its members had prior knowledge of the retirement issues facing the University. The task force received a great deal of cooperation from the budget offices on both campuses when questions arose regarding the cost to the University or employees for the Teachers' Retirement System changes as a result of Senate Bill 568 (see Attachment 1). Knowing the cost to the University of the TRS changes and reviewing input from faculty and staff governance groups, the task

force feels the majority of OU's employees desire to preserve TRS membership for those people currently enrolled who wish to maintain their TRS membership. The task force also recognizes the desire to preserve the flexibility currently enjoyed with the Defined Contribution Plan.

It came to our attention that Oklahoma State University had engaged the consulting firm of A. Foster Higgins and Company of New York to look at the value of TRS and work with them on the development of a retirement plan approach. Therefore, we asked a Dallas office representative of A. Foster Higgins to spend a couple of hours with the task force reviewing their findings. What we learned regarding the value of TRS was almost startling. Their analysis of the actuarial reports on the Teachers' Retirement System shows the required contributions to make the plan actuarially sound would be in excess of 22%. The alarming part is, if it were not for the huge unfunded liability of approximately 3.3 billion dollars, the real cost to fund the value of this system would be 7.59% (see Attachment 2).

The task force members reviewed options for the University, and while considering these options, reached an overall conclusion about the University's retirement system.

The Oklahoma Teachers' Retirement System provides an excellent benefit to long-term employees upon their retirement. However, even without the current funding problems, it was designed for and best serves those who spend the majority of their working life in the system.

Oklahoma comprehensive universities compete in a national market place for faculty and many staff positions. Given the high mobility of employees in comprehensive universities and the competitive nature of recruiting and retaining those employees, it is in the best interest of both the universities and their employees to have a retirement package which offers maximum flexibility.

The obvious best choice for the comprehensive universities would be to have membership in TRS be optional with all current employees, whether vested or not, being able to withdraw from TRS and the University offering a comprehensive defined contribution plan. While a case can be made that the University contributed to the funding problems TRS is experiencing and should, therefore, participate in the expense of resolving this problem, it appears there are other options available for accomplishing this. In a discussion at the December budget council meeting, State Senator Cal Hobson and Senate Fiscal Analyst Bob Jones told council members that every TRS employer increase has been funded by the State. They said new dollars given to the State Regents took into consideration fixed costs to the University and specifically the increased cost for Teachers' Retirement. A case could then be made that if the expense for funding TRS were lowered, dollars would be freed up for other purposes.

The other considerations of the task force included the need for the University to continually test its retirement plan starting in 1995 to ensure it meets the Internal Revenue Service non-discrimination requirements. A large number of hourly employees have no retirement plan, but there is also an advantage to the University and to these employees for this optional group not to join TRS even if no changes are made in the plan.

The task force learned that a retirement committee was being established to address these non-participating employees and recommends before the University finalizes its position on TRS this new committee should conclude its review. If that is not possible, the committee should be instructed to develop plans that have TRS optional or eliminated. Additionally, because of the complexities of this issue and the need to comply with IRS codes, we would recommend this new committee or the University work with a retirement consultant like A. Foster Higgins so that their recommendations comply with federal laws. We reviewed a retirement plan option which we would like to suggest the new committee consider. This retirement plan would simply have a mandatory contribution of 2% on the

* (an equivalent benefit that is provided today,
i.e. 6% individual, 18% university)

part of employees with a 6% University contribution towards retirement. For each additional 1% voluntary employee contribution, there would be a 3% University contribution up to a reasonable maximum.* Employees who elected less than the maximum University contribution would receive 50% of the difference between that maximum and the amount they elected in income. The plan should also include vesting requirements.

While this type of plan could have a slightly higher cost than the cost the University is experiencing today, it would undoubtedly be less than the future costs of Teachers' Retirement by itself to the employees, the University, and the State. While for some future employees this would present a reduction from today's benefits, if the University were able to have Teachers' Retirement optional or totally opt out of Teachers' Retirement, the retirement benefits these people could ultimately receive would be approximately the same as those enjoyed by University employees in the past.

This option has the following advantages:

1. It could apply to all current and future employees and therefore, would appear to meet federal non-discrimination requirements.
2. It would provide the choice for each person to elect the amount of retirement coverage they felt necessary for their specific situation.
3. For those persons who did not need or were unable to afford the maximum benefit, a portion of the University's contribution would be returned to them in salary.
4. For those persons electing the Teachers' Retirement System, the contributions should be designed to be enough to fund that system.

If the University were unable to make Teachers' Retirement optional, a second position should be that all future employees not be able to join Teachers' Retirement, and perhaps all non-vested current employees or even all current employees, be allowed to withdraw from Teachers' Retirement. (The task force received some recommendations for accomplishing this from the consultant and would be happy to discuss them if this approach becomes necessary.)

While the task force feels these changes should be made with urgency, we recognize it may be necessary to take the upcoming legislative session to work with Oklahoma State University to develop a common approach to inform the legislators of the problems the comprehensive universities will experience with Teachers' Retirement in the future. Additionally, this time may be necessary to develop a comprehensive alternate retirement plan for the University which the task force strongly feels must be designed prior to changing the current retirement plan.

skp
Attachments

(Attachments available from Faculty Senate office)

OFFICE OF THE PRESIDENT*UNIVERSITY OF OKLAHOMA***MEMORANDUM**

TO: Susan Vehik
Chair, Faculty Senate, Norman Campus

FROM: Richard L. Van Horn
President



SUBJECT: Retirement

DATE: February 1, 1993

As you know, the Retirement Task Force has recommended that the University pursue options allowing employees to withdraw from the Oklahoma Teachers' Retirement System (TRS). While they have also recommended that an alternate retirement plan be put in place first, I believe that if we do not move forward with the legislature this session on making TRS optional, or at least removing future employees, we may very well lose the momentum we have built with our legislators and the consensus with Oklahoma State University to make this change. We may at some later date want to mutually agree to change the overall retirement system for faculty and staff, and I have appointed a committee to develop a retirement system for non-participating hourly employees. We would not change the contribution currently made by the University should TRS become optional or unavailable. That is, the University's payment to a Defined Contribution Plan would remain 15% above \$9000 in income and 2% of the first \$40,000 in income. This 2% payment would be made regardless of whether the individual had elected to cap their TRS at \$25,000. Therefore, in some cases a slightly larger contribution than is currently provided would be made by the University.

It is my intention that a retirement program for non-participating employees be put in place before July 1 of this year. It will provide as close as possible the same retirement benefits for all University employees.

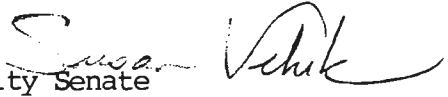
RLVH:skp

cc: Art Elbert, Vice President for Administrative Affairs, NC
Jerry Varley, Vice President for Administrative Affairs, HSC
Mike Newkham, Chair, Employee Executive Council, NC
Vivian Mitchell, Chair, Employee Liaison Council, HSC
Robert C. Miller, Chair, Faculty Senate, HSC
Don Flegal, Director of Personnel, NC
Gerry Moore, Director of Personnel, HSC
Ruth McKinnis, Asst. Director of Personnel, NC

FACULTY SENATE
The University of Oklahoma
Norman Campus

M E M O R A N D U M

TO: President Richard Van Horn

FROM: Susan Vehik, Chair 
 Norman Campus Faculty Senate

DATE: February 5, 1993

SUBJECT: Proposed retirement changes

From the Small Executive Committee's discussion with you regarding retirement, we would like to confirm the following. If you agree to the following, it will be submitted as a proposal to the Faculty Senate Monday afternoon with a recommendation from the Small Executive Committee for passage. I would like to know your opinion as soon as possible.

- 1). New employees will not participate in OTRS. They will have a defined contribution plan consisting of a minimum of 15% above \$9000 and 2% of the first \$40,000 in income. The contribution may be increased to maintain retirement benefits comparable to those of existing faculty given certain conditions. One of those conditions includes legislative funding of OTRS' unfunded liability.
- 2). In addition to removing new employees, the University, including a faculty representative, will discuss with OTRS the possibility of optional participation by existing employees.
- 3). Since the "costs" and "benefits" of removing faculty from OTRS are presently unknown, the University will consult the Faculty Senate, either in whole or through the Executive Committee ~~or~~ Welfare Committee, regarding potential solutions. and
- 4). For existing employees in OTRS, the University will provide contributions to OTRS above current level as required to maintain existing benefit levels. As benefits go up, contribution to TIAA/CREF may go down.
- 5). The University, following the Retirement Task Force's recommendation, should explore arrangements that take into consideration level of retirement with reciprocal salary benefits.