

The Faculty Advocate

NEWSLETTER OF THE UMKC CHAPTER OF THE AMERICAN ASSOCIATION OF UNIVERSITY PROFESSORS

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Editor: Scott Baker

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Dear Colleagues,

It has been almost two years since the last issue of the Advocate. We on the executive committee of our UMKC chapter feel that this is because no administrative directives, either in the system or on our campus, have transgressed against the principles of academic freedom and faculty governance to such an extent as to prompt a significant response from faculty; I have certainly not seen an influx of articles, without which I cannot publish the newsletter. The situation has now changed.

President Forsee's sudden and hurried campaign to change retirement benefits for faculty and staff in the UM system rightfully met with clamorous criticism from campuses across the state. At issue is not necessarily the plan to change the retirement system—we still don't know enough about the pros and cons of such a switch to say with finality whether we will be better off with a "defined contribution" plan for incoming employees than we will be by retaining a "defined benefit" plan for everyone. The opposition by most faculty and staff has centered on the hastiness with which this reform was intended to be brought to the Board of Curators, without the opportunity to study the issues and engage in reasoned debate.

Fortunately it looks like we will have the chance to take up that debate with at least a somewhat more

reasonable timeline, although that timeline remains vague at this writing. Hence this issue of the Advocate, which is devoted entirely to the question of changing our retirement benefits. Contributors to this issue come from a variety of units and with myriad competencies regarding the problems involved with retirement plans. As you will see, these problems are quite complex and the potential consequences of changes are serious.

Neither our local chapter nor the national organization of the AAUP has an official stance on the subject. The articles published in this newsletter urge caution, and favor retention of our current plan. This is not an editorial decision on my part; I am printing all of the submissions I received. Everyone who has been keeping abreast of the proposed changes has advocated broad dissemination of information in order to encourage participation in the decision-making process, including attendance at the administration-sponsored forums. Elements of those forums can be found on the UM website at the following address: <http://www.umsystem.edu/ums/departments/hr/benefits/retirementplanproject/>

Finally, it goes without saying that the criticism expressed here is aimed at President Forsee's policy decisions and are not personal attacks. I know I speak for everyone in extending our sympathy and well wishes to Sherry Forsee and their family in her fight against cancer.

Collegially yours,
Scott Baker

UMKC AAUP Mission Statement

The AAUP promotes and defends:

- ACADEMIC FREEDOM AND TENURE
- PRIMARY FACULTY RESPONSIBILITY FOR CURRICULUM

- PRIMARY FACULTY RESPONSIBILITY FOR HIRING, PROMOTION, TENURE, AND DISMISSAL OF FACULTY
- SHARED RESPONSIBILITY FOR HIRING OF ADMINISTRATORS
- MAJOR FACULTY RESPONSIBILITY FOR INSTITUTIONAL GOVERNANCE AND BUDGETING
- DUE PROCESS
- THE RIGHTS OF ALL MEMBERS OF THE ACADEMIC COMMUNITY
- THE PUBLIC INTEREST IN HIGHER EDUCATION

The State of the AAUP at UMKC 2010

by Roger Alan Pick

Once a year, I receive a membership report listing all AAUP members affiliated with UMKC. My most recent report, from nearly a year ago, shows 57 members. This makes us the largest AAUP chapter in the state of Missouri even though we are not among the five largest universities in the state. The number of members is slowly declining. When I receive the 2010 numbers, I predict that they will show a membership count less than 57.

For most of my career, I was not a member of AAUP. For most of my career, I believed that the administrators I worked with were supportive, and their goals were similar to my goals. And then a time came when I lost that belief. I joined when Martha Gilliland was my Chancellor and Homer Erekson was my Dean. Although I do not have membership records from that era, I suspect that I was not the only person to join AAUP then. I believe our relatively large membership is due to events during that time. The Brodskys were terrific leaders for the chapter during that difficult time.

When Pat Brodsky decided to retire and leave the area, I agreed to serve as President of the chapter in a caretaker role. I thought the main threats to academe in Missouri were crackpot legislators who thought it inappropriate to teach evolution, to teach climate change, or to ban guns on campus. I didn't think those threats would amount to anything, and so I thought my leadership of the chapter would amount to running a biannual cocktail party.

The faculty of the UM System face a new threat from an unexpected direction. Our Board of Curators is considering a closure of our defined contribution retirement plan, and replacing that plan with some variety of defined contribution plan. Closure of the plan means that no new employees would be able to enter the plan. Our Vice President of Human Resources, Betsy Rodriguez, came to our campus earlier this semester and tried to assure us that we should not worry because we would be able to continue under the current plan. This caused me to sense a possible Divide and Conquer tactic. We are told not to stand up for the new employees (who by definition are not here yet to look out for themselves) because closure will not affect the existing employees. I become nervous that there is another shoe that will drop: could it be that the tactic will be to wait until the employees in the existing plan become a minority of total employees of the system, and then freeze the plan? Freezing of the plan, if it occurred, would involve shutting down any further accrual of benefits under the plan. Since the benefit formula for the plan involves the highest years' salary and those highest years' salary typically occur at the end of one's career, there is a negative impact upon the pension of existing employees when a defined benefit pension plan is frozen and replaced by a defined contribution plan.

I have no evidence that the University System plans to freeze our pensions, but I wonder because the initial cost of a defined contribution plan will be higher (assuming that the university calibrates the University contribution at a level to be competitive with peer institutions¹) than the cost of the current defined benefit plan. I wonder why the university would be willing to incur higher costs unless there is some intention to lower the costs in the future with a plan freeze.

Should the Board of Curators vote to close the current retirement plan without ample time for consideration and input, the AAUP chapter leadership intends to start a significant membership recruiting drive. I did not think the need for this would happen during my watch.

Definitions of DB and DC Retirement Plans

by Roger Alan Pick

¹ Karen Eilers Lahey; Stuart Michelson; Natalie Chieffe; Vickie Bajtelsmit, "Retirement plans for college faculty at public institutions," *Financial Services Review*; Winter 2008; 17, 4; ABI/INFORM Global

Employer-provided retirement plans are a form of deferred compensation. You are paid the money years after the time when you actually earn it. There are two basic types of retirement plans, defined benefit (DB) plans and defined contribution (DC) plans. Because of uncertainties about how investments will grow, it is not possible to contribute a certain amount of money at the time it is earned and receive an equally-certain amount of money at the time it is paid.

The difference between DB and DC plans is when the amount of money is certain. In the case of a DB plan, the certainty is when the money is paid. Your benefit is certain; it is defined by a formula based upon your pay and the number of years worked. In the DC plan, the certainty concerns the amount of money put into the plan at the time it is earned. That is, the contribution is defined by a formula based upon the amount you are paid. Usually, that formula is a certain percentage of pay; some of that percentage is paid by the employer, and some of the percentage is paid out of the employee's before-tax earnings. The amount you receive is based upon how well that contribution grows between the time it was earned and the time you actually collect it.

Since the growth of the contribution will depend upon how the money is invested and how well those investments do, you won't know until you actually retire how much money will be in your DC account. Thus, the DC plan exposes the employee to both market risk (the risk that the market does not perform as well as you expect) and to longevity risk (the risk that you will outlive your money). The employee bears all risks in the DC plan; once the employer has contributed the money, the employer has no further risk exposure.

In the case of a DB plan, if investments do not perform well or if employees start to live too long, the employer has to contribute additional money to the plan in order to make up enough funds to meet the plan's liabilities. A DB plan puts many retirement risks on the employer (but not all – for example, price inflation risk remains on the employee). Shifting that risk is, I believe, a major motivation for the University of Missouri to shift from DB retirement to DC retirement.

Any New Plan Requires Critical Discussion

by Edward P. Gogol

In my first fifteen years on the faculty of UM-KC, I hadn't really given much thought to the UM retirement plan (UMRP). Knowing of its existence and general structure was somewhat comforting, especially as the

modest savings in my 403b plan diminished during the repeated economic downturns of the past decade. In light of the repeated and very recent assurances of the fiscal health of the UMRP, the contractual promise of a defined pension has become ever more valuable to me.

Hence I find the UM administrations's aggressive and headlong pursuit of a change away from the UMRP particularly disturbing. The proposal that has been floated is to close the UMRP to any new faculty, and instead substitute a 401k-like plan, one in which both the university and faculty will make contributions to a mutual fund or other allowed investment. The all-important details of university (and required faculty) contributions and the associated costs have not been specified, and the administration apparently seeks an agreement in principal without committing to any numbers.

I have multiple objections to this rush to terminate the current plan, especially without guarantees on the future of the current plan, and specifying the costs of the proposed one.

1. The validity of the assumptions of cost projections for the current RP in the near and distant future, which is apparent motivation for the proposed change, have not been examined in detail by faculty, staff or even administration. If there is a reasonable risk of future fiscal problems, modifications to the UMRP have not been discussed.

2. The impact on the long-term health of the UMRP of losing new employees from the RP (in which current employees would remain enrolled) has not been assessed.

3. A recent UM study has estimated that the current RP is less costly than a 401k-like plan that would be competitive with comparator institutions – how will a new plan be funded?

4. Given the lower average faculty salaries UM offers than its comparator institutions, a required contribution to a proposed 401k-like plan for new faculty, and the threat of increased contributions to the RP by current faculty, amounts to a pay cut, on top of the recent 1-2% "payroll tax" initiated to support future RP costs.

5. The costs (and risks) inherent in individual investments are likely to be substantially higher than those of a well-managed fund the size of the UMRP, reducing the possibility of matching current RP benefits.

Without addressing the five issues above, and several related ones, a rush to abandon the future of a RP that appears to be fiscally sound, and has well served UM employees for many years, cannot be seen as in the best interests of the university and its faculty and staff.

Retirement Plan Reform: Recent Developments

by Gary L. Ebersole

At UMKC, we have used the Faculty Senate Budget Committee and a special Ad Hoc Committee on the Retirement Plan to critically review all presentations, studies, and assumptions in materials from the UM System or that were/are being used in the discussion and planning concerning the retirement system. Their questions and recommendations were then carried to the full Faculty Senate or, depending on timing, to me (and, at times, our other two Intercampus Faculty Campus representatives—Nancy Stancel and Carole maccarthur) or myself to carry into the deliberations of the Special Advisory Committee. This procedure is different than some of our sister campuses have used, but we felt that it would be more efficient and provide a sharper analysis than open meetings of faculty and staff would. I personally feel that it has allowed us to have significant influence in framing the issues at stake and not allowing this to happen from the top down, as it were.

The Retirement Plan Special Advisory Committee held two-all day meetings on November and another all-day meeting on December 13th in Columbia. The committee consists of fifteen faculty, staff, and UM retirees—from UMKC, Jill Reyes (HR Office), Jara Stewart (President, Staff Council), and myself, with Betsy Rodriguez (VP for HR) and her staff assisting, as well as the actuary, Howard Rog, and an outside consultant/specialist in retirement plans working on contract for the UM System. The meetings were grueling and exhausting, but we were able to reach a consensus on the type or shape of a retirement plan for new employees that we will recommend to the President and the BOC. For me, I went into the meetings with several primary goals: 1) to push back the President's initial deadline or goal of having a recommendation for the BOC in December; 2) to shift the focus of the discussion from mitigating risk to the university to designing a retirement plan that would continue to assure an adequate retirement for long-time UM employees, especially our hourly staff and lower paid employees; and 3) to understand and clarify for all involved the assumptions behind any proposed changes to the retirement plan. We have achieved, I believe, all of our primary goals. The Special Advisory Committee will meet again in early-to-mid-January to refine our final recommendations to President Forsee. Nothing will be carried to the Board of Curators for their action at the January meeting other than a report

on the work of the committee. I would expect any recommendation presented as a discussion item for the BOC no earlier than March and possibly later.

While the Special Advisory Committee by and large preferred maintaining the current Defined Benefit Plan and perhaps tweaking it, the political reality was/is that that was unacceptable to president Forsee and the new Chair of the BOC—Warren Erdman. So, knowing that politics is the art of compromise, we are recommending a hybrid plan, which will maintain a “light” Defined Benefits component, coupled with a Defined Contributions component. All new employees would continue to be in the current retirement plan, although their benefits would be less rich than the current plan. The details are to be worked out (and the devil is always in the details, so our work is by no means done, nor can we let our vigilance flag), but retirement benefits will most probably be less than the current formula of 2.2% of highest 5-year average pay. However, this number is to be determined along with projected Social Security benefits so that an employee can have an “adequate retirement.” My/our goal is to assure that the social contract with loyal employees is not breached and that they will know ahead of time that a specific amount of income will be there for them when they retire. Along with this DB component, there will be a Defined Contributions component, where the university will match contributions to the retirement plan beyond the required contribution up to a specified amount (e.g., a total of 9% of salary). All of the details will be spelled out in the coming months and shared with all UM employees. We will have a robust educational program for all employees—something I have called “Investment and Retirement 101,” so people will be able to make rational choices concerning their future. We also have agreement that all commitments by the President, the BOC, and Human Resources will be in writing and fully documented for future Boards and administrations.

What Happened at Sprint?

by Roger Alan Pick

Prior to his appointment as the 22nd President of the University of Missouri System, Gary D. Forsee was chairman and CEO of Sprint Nextel. Perhaps looking at what happened to pensions at Sprint will help us guess what might happen to pensions at the University of Missouri. According to the New York Times of January 24, 2006 (Section C, Column 1, Page 11, “Sprint Nextel Freezes Its Pension Plans”), Sprint Nextel workers vested in Sprint's pension plan stopped

earning credits. The employees were offered 401K plans instead.

Benefits and Collective Bargaining

by Judy Ancel

In 1945 Missouri wrote and passed a new state constitution which gave all employees in the state the right to collective bargaining. It said, “That employees shall have the right to organize and to bargain collectively through representatives of their own choosing.” Then in 1947, the state Supreme Court ruled that provision applied only to the private sector. For years afterward state law gave some public employees only the right to “meet and confer” with employers, a practice many public sector unions refer to as “collective begging.” However teachers, including higher ed, were even excluded from these pitiful rights. As a result Missouri fell far behind other states in the level of both unionization and compensation for its public sector workers.

Then in 2007 the Independence Missouri National Education Association filed suit against the Independence School District to overturn the 1947 decision and won. Chief Justice Michael Wolff said the constitution’s guarantee that workers have the right to bargain collectively “is clear and means what it says. . . . Agreements that the school district made with employee groups are to be afforded the same legal respect as contracts made between the district and individuals, although public employees—unlike their private-sector counterparts—are not permitted to strike.”

Since 2007 the state legislature has done nothing to implement the Supreme Court decision. Nonetheless, as employees of The University of Missouri, we now have a constitutional right to organize and bargain with our employer. As in the private sector, this right should apply to our compensation, including retirement plans, and our working conditions.

AAUP Member Workshop: How To Build the AAUP

February 5, 2011

Bloch 2

9:00 A.M. – Noon, followed by lunch

As we all know, higher education is facing a serious crisis brought on by the prolonged recession and the resulting budget cuts. The university faces serious competition for budget dollars while faculty and staff face benefit cuts and stagnant salaries. Within the university we are seeing fragmentation caused by the new budget model which stresses efficiency above educational quality.

Without a clear and unified voice, faculty will not be able to represent its own interests, both material and for excellence in education. It’s time for us to find that voice by building the only organization we have, the AAUP. On February 5th we will conduct a half-day interactive workshop for members. Topics will include:

- What are the possibilities? An overview of faculty organization and achievements around the country
- The legal context in which we operate
- Developing a strategic plan to expand the chapter
- Developing our message for recruitment

The workshop will be facilitated by Judy Ancel, Director of UMKC’s Institute for Labor Studies. Location will be Bloch Room 2 (bottom floor), 5110 Cherry Street. Contact Roger Pick (pickr@umkc.edu; 816-235-2336) if you are interested in attending so that he has approximate count for lunch. This workshop will serve as the AAUP Chapter meeting for the spring semester.

Save the Dates!

February 5: Our UMKC Chapter Meeting for spring will be in a workshop format, February 5, 2011 9 – noon, followed by lunch.

March 19: The AAUP Missouri State Convention will be held in Joplin.