

FACULTY SENATE

There will be a meeting of the Faculty Senate on Tuesday, January 25, 1972, at 3:00 P.M. in Room 102B Social Science Building.

AGENDA

1. Call to Order
2. Approval of the Minutes
3. Special Order of the Day
4. Unfinished Business
5. Report of Committees
 - a. Continuing Education
 - b. Faculty Welfare "Report of Recommendation of the Optional Retirement Committee of the Board of Higher Education" (See attached).
 - c. University Curriculum Committee - Policy Statement
6. New Business

OPTIONAL RETIREMENT COMMITTEE

REPORT AND RECOMMENDATIONS TO PRESIDENTS AND BOARDS OF TRUSTEES

Background

For a number of years North Carolina administrators, institutions and the State Board of Higher Education have worked individually and collectively to make it possible for faculty members to have a choice between the state's retirement system and an optional retirement program designed specifically to meet the particular needs of faculty. The outstanding organization of this type is the Teachers Insurance and Annuity Association, a limited eligibility, nonprofit service organization through which colleges and universities have been providing retirement and insurance benefits for their staff members since 1918.

The 1971 General Assembly enacted legislation to make possible an optional program for certain faculty and administrators (see G.S. 135-5.1 for the new law).

Fringe Benefit Study Commission Created by 1969 General Assembly

The work of the Teachers' and State Employees' Fringe Benefits Study Commission, created by the 1969 General Assembly and chaired by Dr. A. C. Barefoot, led to the authorization of an optional program. The Commission, in November 1970, made 24 recommendations for the improvement of state employee benefits, one of which related uniquely to higher education:

The General Assembly Should Amend The Teachers' And State Employees' Retirement Act To Provide The Teachers Insurance and Annuity Association as An Optional Retirement System After July 1, 1971, For New Faculty Members And Current Faculty Members Who Have Been Members of the State Retirement System Less Than Five Years With Rank of Instructor Or Above At The State's Four-Year Colleges And Universities That Report To The Board of Higher Education.

Legislation creating the retirement option (SB 462) was sponsored by the study commission and won easy ratification on May 6, 1971. However, on July 19, 1971, a second bill was enacted (SB 824) which altered the program slightly on two points: 1) making administrators with faculty rank eligible to participate and 2) making it possible for more than one company to be designated.

Optional Retirement Committee

In September 1971, at the suggestion of the State Board of Higher Education, a 16-member Optional Retirement Committee was formed to plan for the new program. The committee was composed of representatives appointed by each president or chancellor and was charged with developing for the administrations and their board of trustees recommendations for the implementation of the optional retirement program.

A five-member subcommittee was appointed from the larger committee to gather data on optional retirement programs and to develop a basis for the committee's recommendations. The subcommittee, after conferring with the Attorney General, decided that, although the law made no such requirement, an invitation to submit

proposals would be extended to all companies that had expressed an interest in providing an optional retirement program to the public senior institutions in North Carolina.

The letter from the Attorney General stated in part:

"There are no specific statutory provisions which are mandatory outside of those contained in Chapter 338 itself. As for invitations for bids, that is primarily a policy matter. I would assume that you would not want to limit requests for bids to any one company nor on the other hand would not needlessly extend invitations to every insurance company licensed to do business in this State when you had knowledge that many would not be interested or would not be qualified to furnish the program contemplated by the new law.

The spirit of the State laws relating to obtaining goods and services would be complied with, as a matter of policy, if you notified interested companies which meet the statutory qualifications to implement the program and invited them to submit offers."*

After a survey of the public senior institutions to determine which companies had made such requests, "Specifications for Proposal" forms developed by the subcommittee were sent to 16 companies. Twelve proposals were returned. A tabulation of the major features of the proposals was made and used as the basis for the evaluation and recommendations.

CRITERIA USED BY COMMITTEE

The committee, in inviting insurance companies to submit proposals for an optional retirement program, cited the controlling legislation and stated that "to qualify for the desired optional retirement program, proposals must provide at least the following in order to meet the needs of the universities:

- transferability (capability of continuing participation in the annuity program at a wide range of institutions and availability in as many states as possible, ideally all 50);
- both fixed and variable annuities in flexible combination;
- repurchase of the individual's contract in the event the participant leaves the employ of the participating institution with less than five years' service."

In evaluating the proposals which were submitted the committee considered the ability of each company to meet these three stated objectives and in addition considered the ability of each company to meet the four criteria set out in the law, to wit: "1) the nature and extent of the rights and benefits to be provided by such contracts for participants and their beneficiaries; 2) the relation of such rights and benefits to the amount of contributions to be made; 3) the suitability of such rights and benefits to the needs of the participants and the interests of the institutions in recruiting and retaining faculty in a national market; and 4) the ability of the designated company or companies to provide such suitable rights and benefits under such contracts for these purposes."

*Letter of October 12, 1971, from Chief Deputy Attorney General Harry W. McCalliard to Dr. Cameron West, Director of Higher Education, in response to the latter's request for a ruling on obtaining bids from insurance companies.