

Major Points of Faculty Assembly, 04-07-06
John G. Cope, Assembly Delegate

Report by the President, Erskine Bowles (Executive Session): Highlights of are as follows:

- President Bowles requested, through Betsy Brown and Brenda Killingsworth, information regarding evidence of faculty who have been lost to other institutions based on salary issues. His plan is to be able to generate antidotal evidence when soliciting the legislature for faculty pay increases. He is also concerned that current information from exit interviews does not seem to be specific or helpful in this regard.
- When asked about his views on the "student credit hour plan" currently being considered at GA; he responded that financial/accounting issues were not what were driving the current interest. "What is currently on the table is a revenue neutral model". He indicated that he had recently been involved in a student discussion group on this topic at Chapel Hill, and that discussions in general were still on-going, and that no decisions have been made about moving to this plan at this time. [Yet it is obvious from this meeting and from discussions with Jeff Davies (as reviewed below) that this funding model is being seriously examined across several levels at GA].
- When asked about the topic of his upcoming inaugural address, he responded that it would involve ideas on leadership at the State level under conditions of adversity. He also mentioned the problem of teaching and nursing shortages that were to be a general theme of his administration, and that we could all prepare for some "rather controversial proposals in the near future".

Report by Jeff Davies (Chief of Staff): Reviewed progress on two fronts; A. 2006-2007 Budget Priorities as endorsed by the Board of Governors, and B. the current status of on-going discussions at GA regarding the student credit hour plan.

A. Budget Proposal to be made to the 2006 Session of the General Assembly (2006-2007 Budget priorities of the Board of Governors, The University of North Carolina, April 11, 2006 will be available at: <http://unconfacultyassembly.northcarolina.edu/>.) Highlights are as follows.

Academic Salary Increases (5%)	\$75,506,625
Expanding Teaching and K-12 Education	\$20,554,002
Expanding Nursing and Health Care	\$19,138,871
Enrollment Changes	\$79,233,129

Specifically, Mr. Davies mentioned that:

- Funds being requested for education have, in part, been based on frank discussions with the Deans about which programs were working and which that were not working.
- Nursing and Education both were allocated 19 and 21 million respectively (see above).
- The recruiting of outstanding graduate students was being made a priority across the system \$10,475,839 (ECU \$722,120)
- The total Capital Budget Priority requests were \$415,2002,801 (ECU \$4,409,600)

B. Discussion and review of the student credit hour plan:

- Idea is that tuition is charged per actual credit hour
- This is an old idea that resurfaced two years ago as a possible means of addressing barriers and cost inequities associated with distance education. A broadly populated subgroup was formed and recommended a change to a student credit hour plan. The plan has also been discussed with a panel comprised of the 16 Provosts). Thirteen of the provosts endorsed the plan; two were in disagreement; and one felt that the plan was not relevant to their facility.
- The issue that arises, due to modern technology, is that folks can take classes across a variety of institutions via on and off campus enrollment, but that the allocation of tuition and fees is a recurring problem past the 12 hour mark. Full-time enrollment will probably shift to 15 hours. The student credit hour plan allows flexibility and provides for a more equitable distribution of dollars across different units.
- Our motives here are "pure", and the goal is to be "financially neutral".

Based on a very limited review the Budget Committee offered the following concerns:

- May hinder graduation of those closely watching their budget,
- Will generate differential needs across AP students and regular students not arriving with prior credit for courses,
- May force really bright students who were planning to double major into being more consumer oriented.

Report by Kitty McCollum (AVP for Human Resources and University Benefits Officer).

Changes to the State Health Plan (PPO options), Optional Retirement Program (ORP), and updates on the Phased Retirement Plan were discussed.

PPO:

- Health Plan Choices will involve the traditional Indemnity Plan (Comprehensive Major Medical CMM), and three (Preferred Provider Options PPO). See <http://statehealthplan.state.nc.us/> for details.
- Details of new plans will be available via mailings on April 28, 2006.
- If you wish to continue with traditional CMM plan a waiver will need to be signed each year and returned during the annual enrollment period.
- List of Doctors that are participants of the PPOs is now available on the State Health Web site at: http://statehealthplan.state.nc.us/PPO/PPO_Overview.html

ORP:

- An ORP Investment Advisory Committee was established in June 2004 to advise the University Benefits Officer in the development of a proposed ORP Investment Policy Statement that describes how the UNC Board of Governors will carry out its fiduciary responsibilities for the program.

- The Advisory Committee, assisted by a national benefits consulting firm and a university attorney, is made up of employees in the University of North Carolina who have investments and/or benefits-related knowledge and/or experience.
- The purpose of the Investment Policy Statement is to strengthen the ORP in the selection and monitoring of the investment options under the program and to provide a basis for consistent decision making over time.
- With the proliferation of investment options and concerns about fiduciary responsibilities within the investment industry, the Advisory Committee believes that the Investment Policy Statement will serve as an effective communication tool for conveying investment goals and priorities to participants and other key stakeholders.
- The Investment Policy Statement serves as a roadmap for managing the plan's investments including roles and responsibilities, asset classes to be offered, performance objectives and criteria, and definition of peer groups and benchmarks to be used for each fund alternative.
- In addition to the development of the Investment Policy Statement, the Advisory Committee conducted a thorough review of the four ORP vendors including their funds, fees and services and made recommendations to the University Benefits Officer.
- The Advisory Committee made the following recommendations:
 - Adopt the proposed Investment Policy Statement as the investment protocol for the UNC
 - Retain the current ORP vendors--AIG VALIC, Fidelity, Lincoln Life, and TLAA-CREF.
 - Conduct annual reviews of vendors to ensure that they are continuing to meet the needs of participants.
- Implement MG VALIC's, Lincoln's and TIAA-CREF's new mutual fund platforms that provide a spectrum of strategically selected investment options.
- Allow each vendor to offer no more than 20 funds in their respective core fund line up. Note: Each vendor was asked to (1) propose up to 20 funds to be included in the core fund line up and (2) ensure that each fund was appropriately categorized in its class, and was among the best in its class. The Advisory Committee reviewed and approved each vendor's proposal based on performance, fees and other factors. This new core fund lineup will become effective July 1, 2006.
- Conduct quarterly reviews of core funds.
- Designate lifestyle funds (instead of money market funds) offered by each carrier as the default fund in a situation where a participant does not make a fund selection. (A lifestyle fund is an investment that features an asset mix determined by the level of risk and return that is appropriate for an individual investor. Factors that determine this mix include an investor's age, appropriate level of risk, the investment's purpose and the length of time until the principal will be withdrawn. Lifestyle funds can feature conservative, moderate or aggressive growth strategies. Aggressive growth lifestyle funds are targeted to investors in their late 20s, while conservative growth lifestyle funds are targeted to investors in their late 50s.)
- Allow an ORP participant to keep ORP money in "deselected funds" (funds previously available but not approved by the committee going forward) after June 30, 2006; however, in situations where an existing fund is not part of the core fund lineup, have each ORP vendor provide a mapping

strategy alternative so that a participant can direct future contributions and existing balances to an approved fund with a similar objective.

- Prohibit new contributions to deselected funds after December 31, 2006.
 - Provide a six-month window, beginning July 1, 2006, for ORP participants to reallocate (and map if they choose) their existing balances and contributions to approved funds that are part of the new core fund lineup. If no election is made during this period, have vendor direct contributions to the new default fund.
 - The University Benefits Officer must submit these recommendations to the President and UNC Board of Governors for their approval.
 - Upon approval of these recommendations, a number of targeted communications will be sent to ORP participants through December 2006 to announce these changes, provide information about the implementation process, and explain how voluntary supplemental retirement plans can be used to compliment and supplement the ORP.
 - Assuming the plan is ultimately approved, following a decision period from July 1 until December 31, 2006, all ORP folks will be required to place new allocations into new "Core Funds".
 - Earlier Investment strategies will remain as allocated

Phased Retirement:

- Phased Retirement should continue as an option.
- ○ The current minimum age of 50 will probably change to 60.

Legislative Update, Mark Fleming (VP State Relations): Short-session to start back May 9th; Budget process will start next week; Highlights for the year are as follows:

- Steven Black will probably still be Speaker, even with calls for him to step down
- Budget will probably be OK but all else will be interesting in a short session
- Deadline for Governor's Budget is May 9th; Press conference will be May 11, 2006.