UC.13.08
April 29, 2013

UNIVERSITY OF ILLINOIS
URBANA-CHAMPAIGN SENATE
University Senates Conference
(Final; Information)

UC.13.08 Report on the April 18, 2013 meeting of the University Senates Conference at the University of Illinois Springfield campus

The Conference membership list for 2012-13 can be found here:
http://www.usc.uillinois.edu/membership.cfm

The agenda for this meeting can be found here:
http://www.usc.uillinois.edu/Documents/AGN-0418.13.pdf

The Conference was joined by President Robert Easter, Vice-President of Academic Affairs Christophe Pierre, Vice-President of Finance and Chief Financial Officer Walter Knorr, Interim Special Assistant to the President Margaret (Peg) O'Donoghue, and Associate Provost Katherine Galvin (Urbana campus). The meeting was convened at 10:00 AM.

I. Remarks from the USC Chair

Chair Burbules emphasized the significance and scope of the work carried out by the Conference, noting that the pivotal role played by the Conference in dealing with several large issues (for instance, Global Campus or the scandal involving our former president and his chief of staff) demonstrates that the shared governance system is working well at the University of Illinois. He called on USC members, and particularly on Senate chairs, to carry back to their campuses the news about what USC and shared governance in general are doing to support faculty. Part of our role as members of the Conference, according to Chair Burbules, is to give our colleagues full and accurate information about the processes and outcomes of the shared governance system. One such outcome, he said, was the President's plan to delete the furlough notification on our Notices of Appointment, after conversations with USC leadership.

Chair Burbules also highlighted recent conversations on the campuses alleging that the University has no financial challenges but in fact is holding a "billion dollar reserve." He asked Conference members to consider processes for sharing information to correct this misperception, and thanked Vice-President Knorr for responding to our request to attend today's meeting and to give us a full accounting of the University's finances.

II. Meeting with President Easter, Vice-President Knorr, and Vice-President Pierre

President Easter mentioned the current disclaimer in annual **Notices of Appointment** that salary may be subject to furloughs, and confirmed that he is working to remove that disclaimer.

The President introduced **Vice-President Walter Knorr**, the University's Chief Financial Officer, and summarized Vice-President Knorr's ample experience managing the finances of very large organizations, including the City of Chicago.

Vice-President Knorr provided the Conference with a detailed explanation of the University's current credit status and its revenues and expenditures, contextualizing this information by way of comparison with other Big Ten institutions.

Among the points of information shared by Vice-President Knorr were the following key facts:

1. Our Standard and Poor's rating is currently Aa2. Michigan, Purdue, and Indiana, in contrast, all are rated Aaa. In fact, all other Big Ten institutions except Penn State hold higher ratings than we do. The reason for our low rating is the State of Illinois's poor financial outlook. Penn State's is due to the Sandusky scandal and the many financial penalties it has borne. In March 2013, Moody's affirmed our Aa2 rating and added the notation of a "negative outlook," because of the State's precarious financial situation.

2. Our State appropriation for next year is $647 million, but we have already been notified that we should expect a cut of about $35 million. Note that this figure refers to the amount of money the State appropriates to us, not the amount we actually receive within the fiscal year, which, for the past few years, has been much lower.[1]

3. About 24% of our revenues come from tuition. That percentage is higher at six of the Big Ten institutions. At Purdue, for example, it is double our rate, at 48%.

4. In terms of the ratio of available resources to total operations, we are the lowest in the Big 10, and considerably below the median for large public universities. Only about 23% of our financial resources are unrestricted, and the calculation of these financial resources includes money the State still owes us but has not yet paid. If "receivables" were not included in this calculation, the current figure would drop to about 15%.

5. The revenue that is considered "unrestricted"--that is, money such as grants or donor gifts that comes to us without a legal obligation to spend it in a specific way--is the source of funding for such basic expenditures as operating budgets for departments and colleges, funding for deferred maintenance and self-insurance, and faculty research funds. <u>It is not the case that "unrestricted funds" are uncommitted funds or money set aside for no specific purpose.</u>

Vice-President Knorr responded to Conference members' questions, and indicated his willingness to attend meetings of the campus senates in order to share information and respond to questions.

President Easter commented that, while we cannot continue to raise tuition, we may reach a point where tuition income on a given campus is not sufficient to support that campus's operations. For this reason, some consideration has been given to whether there should be some fundability in University funds in terms of the allocation **to each campus**. In addition, he

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[1] Although he did not mention at this meeting the amount of money that the State owes us, at the March 7, 2013 Board of Trustees meeting, Vice-President Knorr gave the figure of about $495 million as of February 28, 2013. Our State appropriation for the current year was $662 million, but as of February 28, we had received only $124 million. You can access the Vice-President's Financial Indicators report for that meeting here: http://www.trustees.uillinois.edu/trustees/agenda/March-7-2013/p-Financial-Indicators.pdf)

has asked the three chancellors to closely examine their campus expenditures for General Revenue Fund allocations that seem unconnected to the core academic mission.

He also pointed out that, while enrollment has continued to rise, tenure-track faculty numbers have declined, and hiring of non-tenure-track faculty members has not kept up with the increases in enrollment. This makes us less competitive, and, in combination with our decreasing competitiveness in faculty salaries, is a matter of concern.

Regarding the ongoing debates about **pensions,** the President mentioned that he, along with all other chancellors and presidents of public universities in Illinois, had signed a letter in support of the IGPA pension proposal. (This letter was distributed by MassMail on April 9, 2013.) We discussed the slow progress the State is making in generating a solution to the pension crisis.

President Easter introduced **Peg O'Donoghue** and **Katherine Galvin**, who attended the meeting to discuss some questions regarding **ST-72**, the proposed revision to the Statues regarding academic freedom. The Conference had forwarded this item for the President's approval, and they wanted to clarify some points before forwarding the item for Board approval. After a productive conversation with Conference members, Chair Burbules appointed a subcommittee of Peter Boltuc, Danilo Errico, and Joyce Tolliver to work with Ms. O'Donoghue and Ms. Galvin on clarifying these questions. If any modifications to the language of the proposed revision are suggested as a result of these consultations, the revised version will be returned back to the senates for approval.

We also discussed with Ms. O'Donoghue ways in which **retired employees** who had been re-hired might be provided with ID cards. Apparently because of Banner problems, there is no way in which an employee in this category can prove employment at the University Ms. O'Donoghue promised to work with HR to identify some options for further discussion.

HIGHLIGHTS FROM THE BUSINESS MEETING

1. **SB1900,** Senator Biss's proposal on mandatory Open Access: The Conference continued the discussion initiated with the President about our serious concerns about the effects of this proposed bill on faculty scholarship. The Academic Affairs Committee of the Conference will continue to monitor the progress of this bill, and the Conference will also remain in contact with Ms. Kappy Laing, Executive Director of the Office Governmental Relations. We will discuss with her the benefits of a faculty group meeting with Sen. Biss to discuss these and other concerns.

2. The Conference deliberated about whether to endorse the April 9, 2013 letter signed by the public university presidents and chancellors supporting the revised **IGPA 6-point pension plan**. Last year, the Conference wrote a letter outlining basic principles for acceptable pension reform, and endorsed the spring 2012 version of the IGPA proposal (attached as addendum). Because the matter required more careful thought and further information about the revised IGPA proposal, we postponed this decision. (The revised IGPA proposal may be found here: http://igpa.uillinois.edu/pensions).

3. **Shared governance in a changing environment**: We discussed the implications for the Conference of the Open Meeting Act, as well as the potential implications for governance of

collective bargaining. Of particular concern were indications that the purview of collective bargaining was not carefully delineated from that of faculty consultation and decision-making through the shared governance processes. Prof. Anderson pointed out the value to the effectiveness of the Conference of a prioritization of the good of the university over that of any particular constituency, whatever that might be, including one's own campus. We decided to continue the discussion of this issue into the summer, and noted that the Conference may need to draft a clarifying statement.

4. **USC's annual review of the Vice-Presidents**: The *University Statutes* (1.3) specify that, on the annual renewal of the Vice-Presidents, the University Senates Conference may forward its advice if it chooses to do so. The Conference's routine review of the Vice-Presidents was suspended in the recent past, but we will resume the reviews this year. Because the Vice-Presidents typically do not draft their own reports until early summer, we will conduct our review over the summer and plan to discuss our assessments with the President in early fall.

The meeting was adjourned at about 3:30 p.m.

Respectfully submitted,
Joyce Tolliver, USC Liaison to Senate Executive Committee

UNIVERSITY OF ILLINOIS
Chicago • Springfield • Urbana-Champaign

University Senates Conference
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506 South Wright Street
Urbana, IL 61801

April 30, 2012

President-Designate Robert Easter
364 Henry Administration Building MC 346

Mr. Christopher Kennedy, Chairman
University of Illinois Board of Trustees
352 Henry Administration Building MC 350

Dear President-Designate Easter and Chairman Kennedy,

The University Senates Conference at its meeting on Friday, April 27, 2012 passed unanimously a Resolution on pension reform which I forward to you as an item of information.

As elected leaders in shared governance of the University of Illinois, statutorily charged with advising the President and the Board of Trustees, the University Senates Conference feels a responsibility to engage the issue of pension reform, which is so important to the future viability of the University and its faculty. We present this resolution with the intention that it will prove beneficial in promoting realistic and workable policy alternatives that will move the dialogue forward, while serving the interests of both the public and the public employees who serve them.

Sincerely,

Donald A. Chambers

Donald A. Chambers, Professor and Chair
University Senates Conference

cc: Members, Board of Trustees
Vice President Joe Garcia
Vice President Christophe Pierre
Vice President Lawrence Schook
Special Assistant Avijit Ghosh
Members, University Senates Conference
Chancellor Paula Allen-Meares
Chancellor Susan Koch
Chancellor Phyllis Wise
Provost Lon Kaufman
Provost Lynn Pardie
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Resolution on Pensions
University Senates Conference
April 27, 2012

The University Senates Conference (USC), in its role as a faculty elected advisory body to the President of the University and the Board of Trustees, recognizes that the funding basis for the State University Retirement System (SURS) is not sustainable in its current form. Previous underfunding of the system has made SURS unable to continue to pay out benefits indefinitely at current levels, even though participants have fully contributed their portion of responsibility for the system.

As has been documented, Illinois ranks 50th among the 50 states in adequately funding its public pensions. This situation cannot be allowed to continue; retaining and recruiting top faculty to our universities will be increasingly difficult unless this issue is addressed.

Today we face a reality in which sensible, equitable reforms are needed. The USC writes to acknowledge this reality and to seek a constructive way forward. Reforms will be needed in order to return the SURS system to a sound financial footing, and all stakeholders — participants, the universities, and the State — have a necessary role to play in such reforms. These reforms must be guided by certain agreed-upon principles, the most important of which is fairness to university employees who entered the system on the basis of certain understandings and commitments that need to be honored.

Other principles also seem to us reasonable and prudent as a solution is being worked out. Many of these principles are laid out and defended in the IGPA report authored by Jeffrey R. Brown and Robert F. Rich: Fiscal Sustainability and Retirement Security: A Reform Proposal for the Illinois State Universities Retirement Systems (SURS), *Institute of Government & Public Affairs, University of Illinois, Urbana-Champaign. Chicago. Springfield,* Feb. 9, 2012.

- Any reformed SURS system must be financially sustainable for the State, the universities, and the participants, and it must respect existing constitutional protections of already-accrued benefits;
- All promised benefits to current participants and annuitants should be maintained, as guaranteed by the State Constitution (Article 8, Section 5 General Provisions);
- Existing unfunded liabilities must remain the State's responsibility, and the State must provide credible guarantees that future payments will be made on time (such as through a clause that state contributions to the system must have priority);
- In addition, the State should continue to make its contributions to the system at a level at least equal to the level of what it would be paying to Social Security (6.2% of pay) along with its contributions to health care;
- Any transfer of normal costs to universities must be nominal, and phased in gradually;
- Any reform must include improvements to the current Tier II program for new employees, as suggested in the IGPA position paper referenced above (this could include a hybrid plan combining some elements of defined benefits and an employee self-managed plan), and this revised program should also be available to Tier I employees;
- Any change in participant contributions must involve consultations with those affected.

The USC is ready to participate in further discussions in order to seek a constructive resolution to these issues.