BOARD OF REGENTS
HUMAN RESOURCES COMMITTEE

September 14, 2004

Persons in attendance (not all-inclusive):

Committee members: Sue Nieland (Chair), Robert Downer, David Neil, Jenny Rokes.

Others: Amir Arbisser, Owen Newlin, Greg Nichols, Pam Elliott, Tom Evans, Marcia Brunson, Carolyn Farlow, Andrea Anania, Barb Briggle, David Skorton, Doug True, Donna Katen-Bahensky, Sue Buckley, Kevin Ward, Richard Saunders, Lola Lopes, Gregory Geoffroy, Warren Madden, Mark Chidister, Carla Espinoza, Robert Koob, Tom Schellhardt, Jeanne Prickett, Jim Heuer, Dennis Thurman, Luann Woodward, Dianne Utsinger.

Regent Nieland called the meeting to order at 2:47 p.m.

Approval of Minutes

Regent Nieland asked if there were any additions or corrections to the minutes. There were none.

Regent Nieland asked that the Committee minutes be received in an earlier-than-usual manner.

MOTION: Regent Neil moved to approve the minutes of the June 15, 2004, Human Resources Committee meeting, as written, by general consent. Regent Rokes seconded the motion. MOTION CARRIED UNANIMOUSLY.

Draft Committee Work Plan

MOTION: Regent Downer moved to approve the draft Committee work plan, as presented. Regent Neil seconded the motion. MOTION CARRIED UNANIMOUSLY.

Director Evans noted that it would be necessary for the Human Resources Committee to meet on call throughout the upcoming collective bargaining season.

Regent Nieland asked for an update on the Department of Administrative Services/ Human Resources Enterprise Service Level Agreement. Director Evans stated that, at the last meeting of the Human Resources Committee, the Committee authorized the Executive Director to negotiate an agreement with the Department of Administrative Services, which has occurred. The rate originally proposed by the Department of Administrative Services was $6.14 per capita (AFSCME covered employees) but was negotiated down to $2.44 per capita. He said the rate reduction represents a significant savings over the course of a year of greater than $300,000. He anticipates the rates will decline further next year.

Regent Neil questioned the disparity between the original hourly rate and the negotiated hourly rate. Director Evans responded that under the original rate, the Regents were "lumped in" with other state agencies that receive more of the Department of Administrative Services' services than did the Board of Regents.

Regent Nieland referred to the University of Iowa's proposal to reward College of Pharmacy faculty for success in getting research grants/contracts that provide salary support, which was discussed at the last Committee meeting. She stated that Director Evans will consult with Provost Hogan to determine a time for reporting back to the Committee.

Annual Governance Report on Operation of Regent Merit System

Associate Director Brunson provided a summary of the information presented in the annual report of the Regent Merit System, including demographics, compensation, classification, promotions and turnover.

ACTION: Regent Nieland stated the Committee received the governance report on the operation of the Regent Merit System for FY 2004, by general consent.

Annual Governance Report on Fringe Benefits – FY 2004

Associate Director Brunson provided a summary of the information presented in the annual fringe benefits report, including total program costs for retirement, health insurance, vacation leave, holidays and sick leave.

Regent Nieland asked whether the Regents had a paid time-off policy. Associate Director Brunson responded that there was no such policy for Regent employees.

Regent Nieland asked if a paid time-off policy should be considered. Vice President True stated that a paid time-off policy has been discussed at the University of Iowa for the last 6-8 years. None of the instances of discussion resulted in a specific and workable proposal. One such discussion related to the sick leave requirement in the Iowa Code. He said University officials will continue to look at the issue.

Regent Neil stated that the Blue Cross/Blue Shield Plan 3 Plus plan was evidently a "richer" plan than the Iowa Select or Blue Advantage plans. He asked for the number of enrollees in each plan. Associate Director Brunson responded that she would subsequently provide that information, which was available elsewhere.

Upon a request by Regent Neil, Associate Director Brunson provided a brief description of the differences between the three plans.

Regent Neil asked if the three plans were all self-insured products. Vice President Madden responded that, at Iowa State University, the HMO product, the PPO plan and the indemnity plan for the faculty and staff are self-funded.

Regent Neil referred to the plans outside of the Merit plan, and asked if all of those lives are pooled together or if each plan stands alone. Vice President Madden responded that pooling is done and then appropriate rates are set based upon the experience. He said the Merit System employees have a slightly higher expense ratio than do the faculty and P&S staff members because of the nature of their work activities.

Vice President True said the comments of Vice President Madden about Iowa State University also applied to the University of Iowa. He said the University of Iowa has two indemnity-type plans and two managed care-type plans. The principles that were outlined for Iowa State University are the same principles that operate at the University of Iowa. The comparisons of the P&S and faculty plans at Iowa State University versus the Merit plans likewise apply at the University of Iowa.

Regent Neil asked if all of the lives across all three institutions are pooled or are institution specific. Vice President Madden responded that past studies have shown that no cost savings would result from pooling across all three universities. One reason is that the medical care markets differ among the university communities. Iowa City is in a different environment because of the University of Iowa Hospitals and Clinics than Ames, where there is one hospital and one large medical clinic. He said the university plans are large enough to be self-insured. The demographics vary among the staff members at the institutions so there would be a cost shift from one institution to another if there was pooling. There might even be higher administrative expenses to pooling.

ACTION: Regent Nieland stated the Committee received the annual governance report on fringe benefits for FY 2004, by general consent.

Annual Governance Report on Retirements – FY 2004 and Faculty Resignations – FY 2003.

Associate Director Brunson provided a summary of the information presented in the annual report on retirements and resignations.

Regent Nieland pointed out that the Committee members had asked for a cost-benefit analysis of the phased retirement program. Associate Director Brunson responded that it was difficult to develop a true cost-benefit analysis. She stated that all three universities support the continuation of the phased retirement program. Given that participation in the program is at the discretion of institutional administrators, it is utilized only when the best interests of the institution are met.

President Geoffroy, President Skorton and President Koob expressed their support for the phased retirement program.

Regent Neil summarized the comments by stating that the phased retirement program is a controllable benefit; there is no mandatory option that an employee can demand. Vice President Madden responded affirmatively, stating that participation in the phased retirement program is not an entitlement.

ACTION: Regent Nieland stated the Committee received the annual reports on retirements for FY 2004 and faculty resignations for FY 2003, by general consent.

Annual Governance Report on Salaries – FY 2005.

Associate Director Brunson provided a summary of the information presented in the annual report on salaries of employees at all five Regent institutions, including the lack of state funding for salary increases, institutional salary policies, the level of increases for each classification (faculty, P&S, Merit staff, and Teaching and Research Assistants), average salaries, and total compensation costs.

Provost Hogan stated that the majority of faculty who have left the University of Iowa in the last year indicated that their reason for doing so was the University's inability to keep pace with compensation. He noted that faculty are highly mobile and said he was pleased the Regents have a plan to address salaries in the next several years.

Executive Director Nichols referred to the charts provided in the meeting materials which indicated average salaries and total compensation of faculty, P&S staff and Merit staff. He stated the trends were unmistakable. The increments have been greater for Regent Merit System staff than for faculty or P&S staff.

President Geoffroy stated that increased tension between the different categories of employee groups at Iowa State University has resulted from the varying salary increase percentages. For example, some P&S supervisory employees are paid less than the Merit employees they supervise.

Provost Hogan stated that similar situations are occurring at the University of Iowa. Another issue is the difference in faculty salary increases being provided at the University of Northern Iowa compared to those at the other two Regent universities.

ACTION: Regent Nieland stated the Committee received the annual salary report for FY 2005, by general consent.

Faculty and Staff Salary Survey Comparisons

Associate Director Brunson described the information that was provided in the faculty and staff salary survey comparisons. Two supplemental pieces of information related to College of Medicine faculty salaries and the costs of living in the communities of the peer institutions were distributed.

Regent Neil and Executive Director Nichols pointed out that the sales tax data in the cost-of-living graph was incorrect.

Regent Nieland stated that the information might need fine tuning but she was very appreciative of the effort. She noted that, as the Board considers the issue of salary increases, especially for the University of Iowa and Iowa State University, Board members will require assistance from the Board Office in making public policy decisions.

President Geoffroy provided the following learnings from the comparison of Iowa State University and University of Iowa faculty salaries to those at the AAU institutions:

- The data is weighted by faculty rank which provides an accurate comparison to the distribution of faculty rank. All of the higher-paid institutions are private universities. Iowa's Regent universities compete for faculty against those universities as well as the peer public institutions.

- As a whole, the peer institutions are in the bottom one-half of the larger universe of institutions, because the peers are public universities.

- Both Iowa State University and the University of Iowa are near the bottom of the entire universe.

President Geoffroy pointed out that Iowa State University's business faculty salaries are ranked in the lowest percentile.

Regent Downer noted that faculty salaries of three colleges at the University of Iowa and one college at Iowa State University are below the 90th percentile. He asked if any consideration had been given to taking extraordinary steps to bring those salaries more nearly in line.

President Geoffroy responded that Iowa State University officials have been doing what they can but have been unable to do very much because of the very small pool of salary funds. He noted that Business was also a field where salaries have been escalating rapidly over the last several years, probably growing faster than any of the other disciplines represented on the chart.

President Skorton stated that the Regent universities have tried to selectively deal with the salary situation through internal reallocation. Faculty efforts to obtain increased external funding as well as increased tuition revenues have also been of assistance. Despite the best efforts of University officials, many of the peer institutions have continued to increase salaries; therefore, no "ground" is gained. He said University of Iowa officials are trying to selectively target areas of faculty salaries that are the farthest behind. The University's human resource professionals and the Provost's Office have performed a study of faculty compensation in every department in every college at every rank in every department. Therefore, University officials have faculty salary data that is very focused.

Provost Hogan stated that, last year, the University of Iowa Provost's office and President's office set parameters for salary ranges to be funded from the central pool of resources for faculty salaries. Where possible, the deans further reallocated to move salaries above the established range, probably by closing down some vacant faculty lines. With regard to the possibility of a multi-year plan to address salaries, he said University of Iowa officials would want to discuss targeting areas where the faculty salaries are suffering the most.

President Koob pointed out that the University of Northern Iowa received no additional resources with which to increase salaries to the current levels. University officials had to make a series of difficult decisions in order to meet the salary obligations placed upon the University.

Regent Nieland said she was perplexed by the supplemental information on College of Medicine salaries; she would have thought the data would have been entirely different. She asked why the Midwest was such an expensive place for doctors.

Regent Arbisser expressed his belief that the Midwest has been relatively late to attract medical professionals compared to the more glamorous areas of the United States.

President Skorton offered another theory. He said the Midwest may be weighted toward more prominent medical schools and have fewer less-prominent medical

schools compared to the more populous areas of the country. Comparing Iowa to New York, for example, New York has a multiplicity of medical schools, some of which would not be considered Iowa's peer in the research area. The Midwest has world-class academic medical centers.

Provost Hogan referred to the salary comparison list of institutions. He pointed out that the University of Iowa and Iowa State University are near the bottom of the list with regard to salaries. However, the universities' academic rankings are higher than some of the institutions where the faculty are better paid.

Regent Nieland asked for suggestions from the institutions with regard to taking this information to the next level. President Geoffroy stated that Iowa State University officials have reviewed the University's average faculty salary relative to its peers and computed what it would take to close the gap. He would like to aim for the top one-third of the University's peer group. University officials calculated the amount of resources necessary and then divided by four to create a four-year plan.

President Skorton said he applauded the Regents' emphasis on faculty salaries in the last year, noting that similar efforts were undertaken 12-14 years ago when salaries were similarly suppressed. The previous effort succeeded because of the Regents and the legislature. On behalf of the University of Iowa faculty, he expressed appreciation for the focus on faculty salaries in the last year, and said he hoped the Regents would stay the course. He then stated that University officials are prepared to share with the Committee what it will take to achieve the necessary improvement in faculty salaries at the University of Iowa. University officials know how much it will take and have calculated the amount of funding necessary over a four-year period.

ACTION: Regent Nieland stated the Committee, by general consent, reviewed faculty and staff salary comparisons with the goal of determining, based on the data, the relative position of Regent employees in the labor markets in which the institutions compete for faculty and staff.

Regent Nieland asked that the Committee meeting recess and then reconvene at 7:00 a.m. on the following day.

The Committee meeting recessed at 3:40 p.m. on September 14, 2004.

Executive Session – Collective Bargaining

Regent Nieland stated the Committee had need to meet in closed session pursuant to Iowa Code §20.17(3) to conduct a strategy meeting of a public employer for collective bargaining.

MOTION: Regent Nieland moved to enter into closed session. Regent Downer seconded the motion, and upon the roll being called, the following voted:
AYE: Downer, Neil, Nieland, Rokes.
NAY: None.
ABSENT: None.

MOTION CARRIED UNANIMOUSLY.

The Committee having voted at least two-thirds majority resolved to meet in closed session beginning at 7:05 a.m. on September 15, 2004, and adjourned therefrom at 8:50 a.m. on that same date.

Adjournment

The meeting adjourned at 8:50 a.m. on September 15, 2004.

Thomas Evans, Director of Human Resources

Gregory S. Nichols, Executive Director

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