UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION
Item for Information

Subject: Faculty Governance Update on Recent Resolutions

BENEFITS RESOLUTION
(passed unanimously by SACUA November 11, 2013)
(passed by Senate Assembly November 18, 2013)

RESOLVED. SACUA recognizes the importance of keeping higher education affordable and supports sound policies to contain costs while preserving the qualities that have made the University of Michigan an outstanding institution. Given that maintaining Michigan's reputation and status as a top public university depends, above all, on the attraction and retention of the best faculty, the University must remain competitive in salary and benefits. For the following reasons, we believe that the recent proposal to reduce University contributions to faculty retirement will hurt the University in its competition for faculty while yielding little or no cost savings and is therefore detrimental to University's mission of providing affordable, high quality education and world class research:

• Because the analysis underlying the report was performed by an outside consulting firm, Aon Hewitt, whose methods are proprietary, no one outside of the contractor knows, or can know, how the various adjusted figures in the contractor's report were arrived at. Given the sensitivity of such indices to the methods and weights used, it is impossible to assess whether the resulting indices are sound and appropriate — indeed, to know what these figures represent at all — without knowing the methods and assumptions the contractor used to construct them.

• The conclusion that the University's contribution exceeds that of its peers appears to be based on a comparison of the University's unadjusted contribution with an average of adjusted contributions of peer institutions as calculated by Hewitt. Using comparably adjusted figures under one of the firm's methods, the difference in contributions between the University and its peers all but disappears.

• A direct comparison of unadjusted employer contribution percentages for a typical faculty member at Provost Peer Group institutions shows Michigan's current faculty retirement contribution to be equal to or less than all but a relatively small number of institutions at the bottom of our peer group.

• According to the Hewitt analysis, the value of the University's total benefit package is precisely at the average of the Provost's Peer Group. Reducing the University's contribution from 10% to 9% would, therefore, even according to the Hewitt analysis, put the University at a competitive disadvantage relative to our peers with respect to benefits.

• Any anticipated savings from reducing benefits will be, at best, transitory. Because faculty location decisions depend on total compensation, attracting and retaining faculty will require the University to offset inferior benefits with higher salary offers. Moreover, given the differential tax treatment of salary and benefits, reducing benefits is likely to result in the University having to spend more in total compensation to maintain a given quality of faculty than had it retained the current contribution level.

• Over the longer term, actions that reduce the assets faculty have available in retirement (and other actions making retirement less attractive, such as increases in retiree health costs) may lead some faculty to postpone retirement, further.

ADMINISTRATIVE SERVICES TRANSFORMATION (AST) PROCESS RESOLUTION

(passed unanimously by SACUA December 2, 2013)

(action item for Senate Assembly on December 9, 2013)

WHEREAS, we join with the University of Michigan Board of Regents and Central Administration in seeking to deliver excellent education at affordable cost in an era of sharply diminished state appropriations;

WHEREAS, the administration of financial and human resources at the University exists to further the mission of the University by serving its faculty and students;

WHEREAS, the design and development of the Administrative Services Transformation program was performed by external consulting firms and financial office employees without the meaningful participation of and evaluation by the faculty, resulting in inadequate consideration of the consequences and costs of the program;

BE IT RESOLVED that SACUA endorses suspension of the implementation of AST until its impact on the educational and teaching missions of the university can be fully considered and properly evaluated in light of the diverse and often specialized needs of various academic disciplines and units across campus, and that such deliberations include representatives of central faculty governance.

CONSULTING FIRMS RESOLUTION

(passed unanimously by SACUA on December 2, 2013)

(action item for Senate Assembly on December 9, 2013)

WHEREAS, The University of Michigan retained outside consulting firms to develop and implement the Administrative Services Transformation (AST) of finance and human resources, the IT Rationalization plan, and the Retirement Benefits review, all of which resulted in deeply flawed planning processes, damaging the confidence of the faculty in the Administration; and

WHEREAS, The University has spent tens of millions of dollars on these consulting firms; and

WHEREAS, The University is a preeminent institution, employing faculty with international expertise, in fields including business, finance, information technologies, organizations, and education; and

WHEREAS, The University's top academic leadership includes some of the most prominent, experienced, and talented Administrators in the nation, most of whom have been faculty members themselves; and therefore be it

RESOLVED, SACUA advises that any continued and future retention of external consulting firms be contingent on supplemental and meaningful consultation, participation, and evaluation by faculty with content expertise in the targeted initiatives.

Submitted: December 2013

TE Schneider

(T E Schneider on behalf of SACUA)