
Parliamentarian Ferald Bryan was present.


I. CALL TO ORDER

A. Rosenbaum: Let’s come to order and we can get started with some of the Adoption of the Agenda and all of that, so people who are coming late, they will get here before the floor show begins.

Meeting called to order at 3:07 p.m.

II. ADOPTION OF AGENDA

A. Rosenbaum: The first item is the Adoption of the Agenda. We have, once again, no walk-in items, so people are either getting their stuff to us early, or they’re not doing anything, one or the other. At any rate, I need a motion to adopt the agenda and remember, say your name before you speak so we have that for the record.

J. Novak: Motion.

A. Rosenbaum: Okay, we have a motion. I need a second.

B. Pitney: Second.

A. Rosenbaum: Okay, I’ll call the vote. All in favor?

All: Aye.

A. Rosenbaum: Opposed? Okay, abstentions? Okay, the agenda is adopted as written?
III. APPROVAL OF THE MINUTES OF THE FEBRUARY 9, 2011 FS MEETING (sent electronically)

A. Rosenbaum: Next we have the Approval of the Minutes of the February 9th Faculty Senate Meeting. I need a motion to accept the minutes. Somebody?

B. Lusk: Motion.

A. Rosenbaum: Okay, second?

G. Bennardo: Second.

A. Rosenbaum: Okay, we’ll take one of those as a second. Any corrections, suggestions, omissions? Anything grammatically incorrect? Anybody read them? Is this what happens when you write 16-page minutes for a meeting that only has…? Alright, okay. All in favor of adopting the minutes, approving the minutes, say, “aye.”

All: Aye.

A. Rosenbaum: Opposed? Abstentions? We have the minutes approved.

IV. PRESIDENT’S ANNOUNCEMENTS

A. Rosenbaum: Before I introduce Steve Cunningham, I have a couple of items that are of interest. One of them is that some of you might have noticed, and we sent out a memo or an email I should say, that I have added a legislation button to the Faculty Senate website. The reason this was done is because I attended a meeting with Ken Zehnder, who is our representative in Springfield, our liaison, and he was talking about the fact that there are many issues that are now coming up that relate to things that are of importance to the faculty. These include things like Senate Bill 3, which authorized borrowing money, which will then be used to pay the University money that we are owed. I understand, and maybe Steve can correct me if I’m wrong, but that we finally got the MAP money for the fall term, in large part. So, we got, what, $11 million or a little more than that?

S. Cunningham: A little better than that.

A. Rosenbaum: Better than that, okay, so we got the lion’s share of the MAP money, which is a very good thing because we were in hock for $77 million to the State, or they owed us, they were in hock to us I should say, and when you added that $12 million on top of that, we were at $89 million. This is an awful lot of money and I think it was getting a little difficult to work around that. So, it was a good thing that we got the fall MAP money. If the Senate Bill 3 passes, I think the borrowing bill will allow them to pay not only the money that’s owed to the public universities but also to perhaps pay off some of the medical bills and dental bills that we have been not getting paid, that have not been getting paid and a number of people on the faculty and on the staff have gotten doctors who are requiring them to pay or are refusing to treat unless people pay up front because the State doesn’t make good on the medical bills, or rather they make good but it takes them a long time. So, those are, that’s an important bill. Certainly we’re going to be hearing today about the
retirement and the efforts to change the retirement system, and there are a number of bills like that. So, these are important issues. The University is somewhat restricted in the amount of lobbying it can do, as you know. We are restricted only in the sense that we can’t use NIU resources, and we are not supposed to represent ourselves as from NIU but as citizens and taxpayers in Illinois, we can lobby our representatives and so the hope is that if you are not happy with what’s going on or if you have a position you want to represent that you will, in fact, represent to your various representatives that what your opinion is. So, we’re going to do what we can to make it clear what is going on so you know what bills are going before the General Assembly or the Senate. There are links that we haven’t put on our Senate website, but there are links on the University website, I believe, that can help you figure out who your representatives are with their addresses and all of that. So, if anybody wants to lobby for themselves as citizens, they can certainly do that. So, we’re going to be putting that stuff on when stuff comes by my office that seems to be relevant to the Senate. Again, not telling you that you should or should not do this, but if there is something that you read that you think might be important, you might want to.

Okay, next item, Brian Hemphill is going to give a presentation on the Enrollment Management Strategic Plan. He really wanted to take a Senate meeting for this, but his presentation is about an hour long and he didn’t want to give us an abridged version. So, I don’t think we have an hour of a Senate meeting to give him and therefore, he’s setting up a separate presentation which he hopes faculty will attend. That will be on March 25th at 2:00 p.m., and it will be in the Board of Trustees room, which is Altgeld 315. So, anyone who wants to attend that update, you just have to go there. I suggested refreshments; I don’t know if there are going to be any, so I can’t tell you that there are. You should also, if you would, spread that around to your departments so the faculty in general knows that if they want an update from the Enrollment Management Strategic Task Force, then that’s where they should go.

B. Lusk: Will that be announced publicly Alan?

A. Rosenbaum: I’m guessing it will be on the NIU Today or one of those things. I’m not sure about that, so, do you know, Pat, if he’s going to publicize it? I don’t know, I’m assuming he will, but I don’t know that for a fact, so it might be good for us to let our various constituents know that this report is going to be given.

P. Erickson: I don’t know, but I can ask.

A. Rosenbaum: Okay, next item, this is a small item. Somebody asked for the, if we would give the Annuitants Association website and so we have that for you. The website is www.niu.edu/annuitants and that will get you to the Annuitants Association website. Okay, so that’s that. I have just an item of interest, I don’t know, did people get this in the mail? I was told that it was sent to all of the faculty, but I didn’t get one, so I don’t know if there might be other people that didn’t get one. So, if you haven’t gotten one, I have a few extras here. This sort of relates to the issue we dealt with last year, which was trying to give the, both the Student Judicial Board and the Undergraduate Coordinating Council some language that was acceptable to the faculty regarding the academic misconduct procedures. I’ve gone through this, and I think it pretty much satisfies what faculty had asked for. The issue that we were trying to deal with was resolving differences between what’s in the Undergraduate Catalog and what is in the Student Code of
Conduct. That still has not been completely taken care of because there is apparently some infighting among some of the groups. However, the Student Code of Conduct now defers to the Undergraduate Catalog and in doing that, it takes away this kind of two different sets of rules problem that we had and what’s in the Undergraduate Catalog is much more consistent with the Faculty Senate past. So, if you haven’t gotten this, take one, and if you have gotten it, take a look at it. If you have any problems with this, we can talk about that at the next meeting or you can send me an email and we can try and point those out to the forces that are involved in this. Okay, any questions about this? Before I introduce Steve, there’s one last item. Well, actually let me not do that first, let me introduce Steve and we can talk about the Bob Lane award afterward.

A. **Pension Reform Update** – Steve Cunningham, VP Human Resources & Compliance

SURS Defined Benefit Plan Amendments for New Personnel **Memo**

**A. Rosenbaum:** Okay, I’ve asked Steve Cunningham to fill us in on what’s going on in the retirement system. I know a lot of people are very anxious about changes that we hear about bills that supposedly have provisions in them that purport to be able to change the system for people that are already working and already in the retirement system. Steve is, I think considered one, if not the most informed individual in the State on this. I understand he consults to other universities about what the pension reform is about and what it means to us and so I’m very happy that he agreed to come here and give us the latest word on what’s going on in pension reform. After he speaks, we will leave as much time as people need to ask questions that are of interest to them. So, with that, I’ll turn it over to Steve Cunningham who is our Vice President for Human Resources and Compliance.

**S. Cunningham:** Thank you, Alan. I’ll just kind of move over here where I can see the PowerPoint show. I won’t stand in front of you either and get in your way that way. Well, good afternoon. There is a handout going around, which is the summary of the tier 1 and tier 2 SURS program that became effective as of January 1st. You probably got correspondence from us through email about this. We announced it twice, I think, preceding January 1st. It was enacted very quickly in the last General Assembly. You may recall that it occurred when on the eve of our appropriation, our Senate Appropriation Committee meeting, I think President Peters reported back to the University Council how they had cancelled our appropriation hearings so they could go in and vote on this. But it was an example of a 24/48-hour piece of legislation. The document was very well drafted by the legislative staff in advance, very thorough, and it passed both chambers within 24 hours. Later in the sessions, or earlier, a procurement reform had also passed in a similar method, and we have to be very diligent because future changes could occur with the same expeditious type of approach.

So, today I’m going to give you a pension update about our current SURS system. This is a very serious timeframe for all of us as participants. Events are conspiring to place an unprecedented amount of pressure on our lawmakers in terms of the State budget, the State economy, funding, pension obligations and other obligations that the State has and as you know, Illinois is sort of the, it’s ground zero in the nation for this type of crisis. Illinois is both among one of the worst current budget deficits, exceeding 50% deficit of current expenses to revenues per year and also has the worst pension crisis among the 50 states. But tier 1 and tier 2, first of all, you can review, we won’t go through all of that, but for new employees hired after January 1st of this year, it is a severely restricted pension program. The high 4-year earnings are limited to $106,800. Many employees
don’t see that as an impediment, but for many faculty positions, especially, that is a serious
limitation. The years taken into account for the final rate-of-earnings calculation is an 8-year cycle
instead of a 4-year cycle. The age to retirement has been increased. There are severe limitations on
work following retirement, being reemployed in state government and perhaps among the most
serious things is the COLA, the cost of living factor, where that is limited to basically one half of
the CPI or 3%, whichever is less, and it is not compounded. So, it is a flat sum that is implemented
into the annuity payment every year. So, that’s tier 2. So, as we bring in new people, they will
have the option of that defined benefit program or the self-managed plan, which still exists and is a
very favorable option actually for many new faculty who come to the University at this point in
time. So, we’ll go through the pension system, we’ll talk about legislation and pension securities,
security issues. We’ll talk about the proposals in the U.S. Bankruptcy Code and other things. So,
next slide please, Celeste.

Now, this is just a brief history of the funding models for the pension systems. There are five major
pension systems that are directly supported by the State of which SURS is one of them. Prior to
1989, the statute simply provided that the State would pay the normal cost, the normal cost being
the amount of money needed to match employee contributions every year, plus the fees required to
administer the pension systems, and the prescribed rate of interest on unfunded accrued liability.
So, every year the pension systems will establish an actuarial calculation of what the State
contribution should be. They certify that to the State and the State would enact that as part of its
appropriation process. The problem has been though, since the early 1970s that, while the State did
have a statutory obligation to fund the certified contribution, the State would pass another statute
called a pension holiday that said they could waive that or waive part of it for any given year. So,
that’s been the process in Illinois and Illinois is the exemplar of this practice among the United
States. I should note that, frankly, defined benefit programs are very stable. They are a very
effective means of providing pension benefits for employees, especially those who do not also
participate in Social Security, if all the funding sources are stable. If the funding sources are not
stable, the funds thin out, they cannot compound, they cannot absorb market swings and we run into
the situation we have here in Illinois. By 1990, it was obvious that the funding model was going to
break down and a 40-year funding plan was enacted at that time. It had a 7-year ramp-up, all of the
funding plans typically have a ramp-up, which reduces near term state obligations. So the General
Assemblies that actually enact the funding plans really aren’t the same General Assemblies that
ultimately pay for the funding plan. So, it makes it more feasible to get the plan started.

By 1995, it was obvious that that plan was insufficient. It was not sustainable in terms of its cost
and a new 50-year funding plan was enacted, again just spreading the actuarial model out further in
time, which of course, there are limits as to how far out you can spread the debt and feasibly ever
repay it. This one had a 15-year ramp-up, and we just reached the top of the ramp in fiscal ‘11. So,
as we’ve reported in recent years, the weight of pension funding on the State, it is caused by this
ramp-up where we’re paying both for current obligations, normal costs, as well as the unfunded
liability costs, and we’ll go through those in a moment. In 1997, the General Accounting Standards
Board revised its recommendations for the valuation of assets in pension programs and going from
evaluation at book, which is basically the value of the asset when it was purchased to market, the
current value of the assets and, of course, at that time, the stock market was growing, was looking
very good. I remember coming to the Faculty Senate at that time and being assisted by one of your
colleagues, Pat Delaney, who helped me explain book to market and the general accounting
standards that were in existence. We used those statewide. It was a very good time to update the SURS program as well as the other pension systems to be more consistent with other states. It was at that time that we were able to implement the 2.2% per year of service program, which has benefitted probably most everyone here, and that was feasible because of the change from book to market. The assets to liability ratio went to 90% at that time under SURS and the actuaries were very certain that, if funding continued, that was sustainable. At the same time, the SURS portable and self-managed options were introduced, which because of the higher-end market, being more portable, more national in its orientation and other areas of state government, those were viewed as very positive outcomes too in terms of recruitment of especially faculty for the universities. The issues, of course, with self-managed or even portable, is that those contributions do not all, self-managed especially, do not go into the defined benefit fund. So employee and State matching contributions in the self-managed plan are no longer available to be part of the actuarial solution to the defined benefit costs. So, that’s one factor with self-managed plans that we’re going to return to.

However though, by the time we got past the economic shocks of 9/11 and there was an economic change, an economic downturn early in the decade and the State budget model, we’ve talked about the structural deficit that the State of Illinois has, that really was becoming apparent early in the 2000, 2002, 2003 range. It forced the State to issue general obligation bonds to fund its pension contributions instead of paying those out of current appropriations. Since that time, the State has issued $17.8 billion in general obligation bonds to fund pension payments, so that too is simply not sustainable for the long term to bond our way out of this. Plus, these bonds have debt service that has to be paid in addition to the other payments. So, as we go through time, the combination of state pension holidays and other obligations has resulted in a very insecure model with respect to pension funding in the State of Illinois. It’s a model that we all must take account of because, even with the constitutional guarantee of benefits, if the financing model breaks down, there will be implications for all of us and that’s the problem, the financial model is starting to break down. Next slide please.

Now, of course, member contributions are always paid 100%, that’s the 8% for most employees. That includes the survivor benefit as well as the service disability and every year, the SURS does certify what is both its normal cost and its unfunded accrued liability contributions are. And for fiscal ‘12, those were recently certified at these numbers in millions. Now, it’s important to look at what that equates to in terms of percent of payroll. So, in terms of percent of the higher ed payroll, the normal cost of the SURS program are 10.09%. In terms of normal costs associated with pension benefits. Generally, that’s lean, that’s middle of the road. It’s not excessive. It’s not even in the, it’s not in the fourth quartile. It’s toward the middle. However, the unfunded liability contribution that has accrued is now up to 13, over 13% of payroll, just for the unfunded liabilities. The SURS does now a 1% of net payroll does go to the State match for the self-managed program. That’s a total State-obligated payroll, percent of payroll for the pension contribution is now over 24%. Now, if you add the employee component to that, the 8%, we’re now at over 32%, almost 33% of payroll going toward pension funding. Again, as we go through time, we have to ask the question, and the State is asking the question, is that sustainable to pay 24% plus of payroll for State-matching pension contributions for the next 35 years to meet the 50-year funding ratio?
Now, this is at the same time because of the historic loss of State funding, pension holidays, market performance and you know, let’s face it, we’re in a demographic reality here where the baby boom is retiring. So, a pension system can expect, and all of the pension systems do expect, that this period of time, there will be more retirements than normal, and it’s not unusual. But, all of these combined have caused the funding ratios for the Illinois systems to decline precipitously. Whereas, statewide, we’re down now to 38.3% and the SURS is down now to about 40% and your actuarial experts will tell you that really anything less than 60% just isn’t viable. It means the fund is not going to be able to recycle itself and other outside interventions will be required. And that’s really what prompted the tier 2, the enactment of the second tier of benefits for new employees to be so severely curtailed as of January 1st. Now, this is just sort of, it’s another way of looking at the funding ratios. Again, back in 2000 when we switched from book to market, it was very high, it was even higher than that, a little bit before 2000 and we can see it’s just a pretty steady and consistent decline due to a number of factors that we’ve discussed. This is the current, SERS puts these out every six months or so. It shows what’s happened to the funding ratio up through December, last December, and it gained a little bit. Of course, the market has gained considerably, but we’re still just a little bit under 44%. You see that we have $13.47 billion in assets in the SERS and however, almost $31 billion in liabilities and that’s how we get the ratio. The State did issue a pension obligation bonds recently. Those were enacted during the fall veto session that would pay for fiscal ‘11 payments. What’s interesting, though, is the retirement systems did not have those funds on hand for the market corrections, so the market went way down in ’08 and ’09. The State didn’t pass bonds and release the proceeds of the bonds until recently and so the market has already made its correct. So the SERS calculates it lost probably upwards of 17% potential rate of return on those funds.

Next slide. Again, this just gives you an example of the different components of the SERS cash flow. We have the employer cuts, the State contributions for SERS, a little over $771 million, the employee contributions, the 8%, that’s about $280 million. So, it’s a little over $1 billion in total contributions. However, the cost, the benefit payouts for example, in 2011, are almost $1.7 billion. So, it forced a liquidation, despite all these other factors, the SERS is having to liquidate its portfolio. So, SERS was forced to liquidate over $600 million in fiscal ’11, that’s about 5% of its portfolio, just to pay the benefits required for retired participants. Now, a little bit just going back a little bit of the background around the systems. The little clip chart up on the right shows the number of participants in each system, and this is the number of both retired and currently active participants in the system. So we have 716,000 total participants in the State system and 212,000 in SERS. Now, the bottom chart indicates for each of the systems, the percent of total unfunded liabilities is currently an accrued unfunded liability of $94 billion across the five public retirement systems. The percent that is attributable to SERS is 21.7%. Now, I should mention that the SERS did not participate in the 5+5 initiatives that we heard about in the earlier part of the decade and in the 90s and other enhancements. So the SERS is, and the next slide will demonstrate, the SERS is the lowest contributor per capita to the unfunded liability. So there again, the SERS is an efficient, it’s a well run, it’s a middle of the road defined benefit program. That is not the problem when it comes to State unfunded liabilities. But the previous governor talked a lot about the SERS and higher education and we worked and worked on that. But again, this shows very clearly that the SERS benefits have not been the problem and are not the source of the problem.
Now, this slide is sort of important because it begins to show the lack of sustainability with the State funding plan. Now, what this is, it’s projected State contributions pursuant to the 1995 funding plan. There’s 35 years left basically in that plan. We show there in 2012 the total State contribution at $3.9 billion. It actually turned out to be $4.1 billion, so these numbers changed. This chart came from a projection done in fiscal 2010. You can see, though, that we are achieving a level of percent of payroll and that was the goal of the ramp and of the 50-year funding plan to get to a level of percent of payroll. So it’s going to stabilize right about at 24% of payroll and go up a little bit, but what that equates to in terms of the size of the State payroll and the money you can see rises by 2015, we’re well over $5 billion and it goes up from there and again, is it sustainable for the State to cut out 25-26% of the State budget? Will it do that? That’s the question we need to ask for pension contributions for the next 35 years.

Now, we just want to mention, and you know this, but it’s interesting when we talk to family members or groups out in the public that don’t really work in the public sector. They are very quick to be aware of the pension crisis and to perceive it as a great burden on the State and on taxpayers. But they really are surprised when you tell them, “Well, you know, this is our Social Security. We don’t participate in Social Security. There is not a State match. There is not a 6.2% match made for Social Security and that benefit simply isn’t there.” Furthermore, for those of us who receive a SURS annuity, if we have Social Security benefits that we’ve accrued from other jobs or our spouses, those are offset, those are reduced pursuant to other federal statutes, which I don’t think is fair, but it’s not quickly going to change I don’t think. Again, the normal cost of the SURS benefit package is a little over 10%. Even the Social Security normal cost, the actuarial cost of the Social Security benefits is 13.09%. So, if you’re just looking at this purely as an actuary, you would say that the SURS program is, on average, not even as rich as Social Security. Of course, that takes into account length of service and combines all of the participants.

Now, while we’re on the topic of benefits, there are also a number of proposals, at least a lot of discussion, to change the way that health insurance is paid for by annuitants. Of course, it has implications for us as well because we’ve all operated under the assumption that the State statute enacted in the late 90s, that there would be a credit of 5% per year of service toward the cost of insurance in retirement. That’s something people bank on. They plan on that. That’s where things like this are really important because people make life plans. They make decisions in their lives and when they get to the end of their career, they can’t go back and reverse those decisions and change their plans. So, the current employee rates, for example, for the non-Medicare Quality Care health plan that the State pays are $597. These are monthly, I believe, Celeste, and $847 per month for the Quality Care program and there is also a fee for dependents. Once Medicare becomes primary for participants who have access to Medicare, which most do. But of that, 212,000 SURS participants, there is about 20,000 that elected while there was an opportunity several years ago not to participate in Medicare and that’s a special circumstance that a number of our colleagues face as well. So, the Medicare rates are less. But I show you this so you know when there are discussions about, for example, the annuitants should begin to pay the State share or a portion of the State share, these are the types of contributions or premiums we’re looking at.

In terms of current legislation that’s out there, there are three major bills that have been filed and a lot of discussion about other bills, and I want to spend a little time talking about the other discussion. But in terms of bills that have been filed, the one that really got the most attention was
House Bill 146, sponsored by Representative Franks and this would basically be for all employees, including current participants. It would change the benefits as of a certain date, I think that’s as of July 1, 2012 in this proposal, to basically be the same scheduled benefit plan as exists for new employees as of January 1, 2011 with some exceptions. So, one consistent theme with most of these proposals, and it’s consistent with the State Constitution as well as Federal Constitutional case law, is that changes cannot go retroactive. So, changes such as this, even if they were able to enact a change prospectively, so all of us have our accrued benefits as of say July 1, 2012 under the current system. A bill like this would then change the status of future pension credits and reduce those. So, it would be a very complicated algorithm actually to administer for the retirement systems, but none of these bills involve a retroactive change in benefits and that’s important for us to keep in mind. Senate Bill 105 is sponsored by Senator Chris Lauzen and it basically says that for those persons employed after January 1, 2011, that they too can have access to the self-managed plan. Only the SURS currently has that option, so this bill would basically provide that option to the other employees in the other pension systems as well. Again, the problem with self-managed plans is that it diverts participant and State contributions away from the defined contribution benefit pool. So, it has certain benefits for participants who are in self-managed, but there are definite negative consequences for the fund in general, for those who are participating in the defined benefit program.

Senate Bill 29 is also sponsored by Senator Lauzen. It is very complex, but it basically is very similar to House Bill 146. It changes the future credit earnings for all participants, including new and existing employees as of July 1st to be more like the program that was enacted for new employees that’s on the flyer we passed out with some exceptions. So, those are the three bills that are out there.

So, this brings us back to just a general discussion and we need to take this very seriously because we’re going to be forced, I think, to face some difficult decisions. The State is certainly going to be and we may very well as well as participants in this pension system. First of all, common denominators, there does seem to be a consistent recognition that benefits cannot be changed retroactively. So, that’s good. We’ve always said that, that there so far have been no discussions other than U.S. Bankruptcy Code changes that would allow states to go bankrupt, which we’ll talk about. There it, though, a growing discussion, we’ve seen it with the Civic Federation studies, the editorials in the Chicago Tribune, legal opinions that run countercyclical to those that relate to the Constitutional guarantee of benefits for future service and now statements made by Speaker Madigan that, unfortunately, the time may have come to test the pension guarantee clause of the State contribution or in the State Constitution. Speaker Madigan has never, to my knowledge, made those statements before. In fact, he has always, and his staff, have always been squarely in the corner that the scheduled benefits can’t be changed, retroactively or prospectively for current participants. So, this does indicate a very significant change of perspective with respect to the speaker. Now Senate President Cullerton, on the other hand, has come out with alternative proposals. In fact today, and this is kind of news in about the last hour, the Senate Democratic staff released a report authored by Eric Madiar, he is the Chief Legal Counsel for the Illinois Senate Democrats. Basically, it’s interesting and it’s on our website now and it also went out on Alan mentioned the Annuitants’ website, I think they released it as well. Because it has contained, it has this legal opinion, but it also has the other legal opinions that we’ve heard about, the Civic Federation, the Sidley Austin opinion and other legal opinions that speak to both sides of this issue.
But his opinion itself representing the presiding party in the Senate is very positive insofar as it is consistent with past opinions that recognize the interim protection clause cannot be abridged, forward or backward. So, that is a good thing, but here we printed it out before I came over. It’s good reading. I haven’t tied into it yet; I’m looking forward to doing that. But, the bottom line is, this is all in question in a way that never has been before and events related to the State budget crisis, the tax increase, the growth of debate in our nation, our society about public sector employee benefits and the stated changing perspectives of even our own leaders in the General Assembly show us that this is really going to be a defining moment with respect to the future of our pension benefits.

Now, Senate President Cullerton has come out with a proposal, it’s not a bill yet, for the teachers’ retirement system. I think it reflects his perspective on this, that the school districts would begin to pick up the normal cost that as of a certain date in the future, the employers, the direct employers as being the school districts for the teachers’ retirement system, we begin to pay, it’s a little over 10% per year normal cost. But in the same statement, the State would continue to be responsible for the unfunded liabilities that it created. So, that’s a very responsible statement. Of course, school districts are not prepared to absorb a 10% increase in costs and many of them have also negotiated pay for the employees, a contribution as well. So, it’s going to be a debate. It’s going to force some question as to whether or not employee contributions could also be increased, which most opinions indicate would also be unconstitutional, but it’s not quite as settled in terms of the legal aspects as is the actual status of the benefits. But again, going onto the next slide and we’ll talk about this, the bottom line is that the pension systems are going, there will have to be an engineering of new fund sources for the State pension systems. If not, it is likely that the financial model will break down. We don’t know what those consequences are, but the financial models are in the process of breaking down even now and it’s going to put pressure on employers, on employees and policymakers with respect to creating these new sources of funding. To think that the State is going to be able to support 24, 25, 26% of payroll going toward employee pensions indefinitely is probably unlikely. So, we’re going to have to look at alternatives. Now this, as you know, is the pension protection clause. It’s important. We have sent some correspondence out to the campus about this in the past, but it’s just important to keep that in mind.

There are a number of scenarios that could emerge from this, going to our kind of closing comments and that is as follows: There probably will be action taken in this General Assembly to increase, either to increase fund sources from other directions, employers and/or employees and/or action taken to reduce future benefits for current employees that they accrue as of a certain date. Both of those proposals are out there and they’re active. If alternative fund sources are not achieved and a bill is passed to reduce instead, a bill is passed to reduce future benefits, you know, future accrued benefits, then that will become a question of law as to whether or not that is a violation of the State Constitution. Yeah, I think many legal experts believe that that would be overturned by the courts in Illinois, but it’s not a guarantee. So, that is a risk. The other risk is that courts do uphold the Constitutional Protection clause, there are no alternative fund sources established and the State budget crisis becomes so extreme that the legislature is forced to place the Constitutional Protection clause on the ballot as an amendment to the Constitution. That’s very doable, even though we did not vote to have a Constitutional Convention in the last cycle, it just takes a 60% vote of both chambers to place a question on the ballot and then simply a 60% margin or a simple majority of those voting in the election to actually enact that change. So, if our, in this environment, if our
Pension Protection Clause becomes a question on the ballot, we can all make our own judgments given the public dialogue about an economy, about how that would fare. Without the Pension Protection Clause, all of these arguments about the inability to change benefits in the future, again, that would not create a retroactive change in benefits but in the future are back to square one. So, you know, this crisis is precipitating these types of actions and it’s not going to change. So, we’re going to have to see this through.

So, I think with that, I do want to thank Celeste Latham who helped me with the PowerPoint and she’s the data cruncher. She’s put all this together and our analyses. You know, we work with this with our counterparts across the State and we’re very active right now, of course, doing this. So, I would be happy to take any questions or comments.


J. Jeffrey: You mentioned, or at least rather you had a notation about a reference to U.S. Bankruptcy Law. If worst comes to worst, the State goes bankrupt, then what happens to the pension benefits? And to those who are already receiving benefits?

S. Cunningham: That’s a good point. I do want to touch on that. The proposals to amend the U.S. Bankruptcy Code to allow states to go bankrupt began to emerge late in 2010. I think probably it was prompted by comments made by Newt Gingrich and some others, what I think what’s referred to as Tea Party type candidates. And the issue there, that created such a stir in the bond markets that just the fact that it was being discussed caused the bond market for public sector bonds to shift 60 basis points, you know, over 1/2%, just the discussion. It’s been toned down, the leadership of both chambers and across the board in Washington have announced they do not support this, simply because it would be shocking to the economy if states could suddenly go bankrupt. That upturns everything. Now, if somehow that was enacted, then states can, could, if they declare bankruptcy, breach contracts, they could breach. The Constitutional Protection clause is a contract as are other employment agreements, collective bargaining agreements, vendor agreements, any number of things, nothing is secure at that point. U.S. bankruptcy, or state bankruptcy would put into jeopardy pension payments for current annuitants as well as current participants. That would actually be an opening for a change in benefits. We see it in the private sector where United Airlines, for example, went bankrupt. Many pilots and members of that organization had pensions that were well into the six-figure category and in that case, the pension benefit guarantee corporation, a federal fund, kicks in, but it’s capped, and their pensions were reduced significantly, I think down into the $42,000 range. So, that’s what state bankruptcy could entail. It would be so disruptive to the entire economy that I believe and hope that our lawmakers have better wisdom than that, just to be forced to that because of pension funding crises. This is a near term thing and then when you talk to the directors of pension systems, it’s a good discussion because it can still be taken care of. It just requires this funding to be stable now for the next few decades and it’s whether the, if the diversity of fund sources can be put together, it can be stabilized.

A. Rosenbaum: Okay, we’ve got time only for a couple of questions if anyone has a really urgent question for Steve. Otherwise, we’re going to start running out of time. Anybody? All right, Steve thanks very much. We appreciate it.
S. Cunningham: Thank you.

B. Nominations for the Bob Lane Eternal Vigilance Faculty Spokesperson Award – Description – Page 3

A. Rosenbaum: Okay, the next order of business we have is just the item that is called the Bob Lane Eternal Vigilance Faculty Spokesperson Award. You have the description in the agenda. We don’t give the Bob Lane award every year. Sometimes, as you can see, it is given and other times it’s not. If you read the story of the Bob Lane award, you understand its history. It basically was developed at a time when there might have been a more contentious relationship between the administration and the faculty than we have had in recent years. So, it is not required that we issue a Bob Lane award. But if anyone would like to nominate someone for the Bob Lane award, you can do that either now or if you want to think about it and send us an email. The decision as to who gets the Bob Lane award is up to the Executive Committee if we have more than one. If we only have one nominee, then that person would get it. If we have more than one, then the Executive Committee decides. So, would anyone like to make a nomination for the Bob Lane Eternal Vigilance Faculty Spokesperson Award? Okay, I see no nominations. If anyone comes up with one, you can, as I said, email it to us and we’ll take it to the Executive Committee.

V. ITEMS FOR FACULTY SENATE CONSIDERATION

VI. CONSENT AGENDA

VII. REPORTS FROM ADVISORY COMMITTEES

A. FAC to IBHE – Earl Hansen – report – Page 4

A. Rosenbaum: Okay, next item we have reports from advisory committees and since we are running kind of late, if I could ask the advisory committees to keep it as brief as possible so we cannot lose the crowd as we sometimes do. Earl, the first one would be from the FAC to the IBHE. Earl, do you want to add anything to the report that you’ve put in the agenda?

E. Hansen: This is a very short report. I think the fourth paragraph addressed something the State spoke to when it suggested that the Faculty Advisory Committee should open its conversation with the Board by asking, “How can we help advance higher education in Illinois?” The Board needs to consider ramifications of capping the salary position at $106,800. One of the members there said that they hired new faculty members at $145,000 and they couldn’t compete nationally or in the State of Illinois at that price. So, that’s just for your information. It’s in there. We had a pretty decent meeting with them. They were actually very open-minded in meeting with us during the lunch hour. My last paragraph indicates that. Any questions?

A. Rosenbaum: Any questions for Earl? I don’t see any questions? Oh, we have a question? No?

B. BOT Academic Affairs, Student Affairs and Personnel Committee – Kerry Freedman and Ferald Bryan – no report
C. BOT Finance, Facilities, and Operations Committee – Alan Rosenbaum and Greg Waas – no report

D. BOT Legislation, Audit, and External Affairs Committee – Jay Monteiro and Todd Latham – no report

E. BOT – Alan Rosenbaum – no report

VIII. REPORTS FROM STANDING COMMITTEES

A. Academic Affairs – Charles Cappell, Chair – no report

B. Economic Status of the Profession – Sonya Armstrong, Chair – no report

C. Faculty Rights & Responsibilities – Brad Cripe, Chair – no report

D. Resources, Space and Budgets – David Goldblum and Laurie Elish-Piper, Co-chairs – report – Page 5

A. Rosenbaum: The next report we have I believe is from the Committee on Resources, Space and Budgets and do we have David? Yep, David Goldblum will give us the report from the Resources, Space and Budget committee.

D. Goldblum: Thank you. Another grim meeting for this committee with this time the President, Provost and Dr. Williams. I think it’s mostly self-explanatory here. A few of the low lights on this is that the fiscal year ’12 budget from the State is flat over last year’s. To cover the debt, the Governor wants to raise almost $9 billion in bonds, which probably will not happen. This all points to a significant decrease in funding from the State for next year. The President said that we’re now down to 1998 levels for our money from the State, which accounts for about 20% of our total budget. The President and the Provost both talked about how they’re trying to maintain core functions at the University here while letting a number of things lag, large equipment, maintenance are all things that they recognize as being undoable right now. Then quite a bit of discussion about what we just heard about, about changes at the State level that might change our benefits. I think there’s no point rehashing that; you just heard a good summary of that. Dr. Alden talked about a decrease in Pell Grants to our students, which for many students, makes up a significant portion of their financial aid. He also said that he’s hearing at meetings around the country that universities are looking for ways to streamline the delivery of course material to make it less expensive for us to present information to students. I’m not sure exactly what that means, but it sounds like we need to start being more lean in how we deliver information and run the University. There was also some discussion about changing how, where tuition authority rests. The Board of Trustees has it now, there’s talk about moving it to Springfield. There’s also talk about changing the Truth in Tuition program, whether that needs to be continued or not is being debated. Dr. Williams said Cole Hall will be open for Fall 2011, but they will not allow any classes to be scheduled for the beginning of the fall semester. Classes might be moved into Cole Hall if it’s available early enough in the semester, but they’re not positive it will be ready on day one of fall semester. Then finally, the
Stevens building capital bill, as we all know, is in limbo right now, but the President is committed to keeping the planning for the proceeding.

**A. Rosenbaum:** Okay, Pat?

**P. Henry:** Just in terms of talking about moving tuition authority from the Board of Trustees to Springfield, was there anything said about what bill this is and who we should perhaps address our concerns to if we really don’t want that passed?

**D. Goldblum:** I am not sure it’s at the bill stage now, I think it’s more of a rustling of the leaves I think. I think the issue here is that, according to the President, what’s kept us afloat the last couple years has been money we get directly from the State and not having to wait for the State to pay us, the tuition money they would be collecting. So, I think it’s a concern for that reason, but there’s no, there has been no formal, as far as I know, there is no formal proposal for it, and these are all discussions that they’re hearing.

**A. Rosenbaum:** Other questions? On the legislation on the Senate website, we posted all of the current bills that are relevant, so if that were in a bill, it is on that list, so you could take a look at that.

**D. Goldblum:** Kathy Buettner was saying that, as Steve Cunningham mentioned, these things might move very quickly, and so I think it’s important to keep track of these things through either the University’s budget website or the legislative button on Blackboard.

**A. Rosenbaum:** Right, we’ll give you as much warning as we can as soon as the canary hits the bottom of the cage.

**P. Henry:** Just, is this the State pension and budget update button? Is this the legislative button that you’re talking about?

**A. Rosenbaum:** Well on the Faculty Senate website, there should be a button that says, “Legislation.” If you click on that, there should be a folder in there that has documents.

**D. Goldblum:** There’s two places to look. NIU has a page, which I think is what you’re looking at.

**P. Henry:** Yes, yes.

**D. Goldblum:** And then Blackboard has a button too.

**A. Rosenbaum:** I’m talking about the Blackboard, right, exactly.

**D. Goldblum:** Two buttons.

**P. Henry:** Thank you.
**A. Rosenbaum:** The University is really trying to make it as easy as possible for people to get access to this stuff. They are highly motivated for people to be informed about what’s going on. So, they’re putting this stuff all over. They’ve asked us to link things and all of that. They’re sending me stuff that we might want to put on the website, on the Blackboard site, so there’s a lot of interest in making sure the faculty and staff are fully informed about all of these bills that affect us. Any other questions? David, yeah?

**G. Bennardo:** I have question about Stevens. Did the President mention anything about the capital appropriation issue with the lawyers and things like that, actually with the Supreme Court problem?

**D. Goldblum:** Most of the discussion just revolved around the fact that they’re committed to continue the planning. I think there are meetings ongoing with architects. He seems optimistic that the money will arrive, but there’s not much information about how they’re pursuing this.

**G. Bennardo:** Okay, so just didn’t mention anything specific about the legal process.

**D. Goldblum:** No.

**A. Rosenbaum:** Any other questions?

**E.** Rules and Governance – Nancy Castle, Chair – no report

**F.** Elections and Legislative Oversight – David Wade, Chair

1. Nominations for Executive Secretary of University Council/President of Faculty Senate – See list of University Council members eligible for election – Page 7

Letters of acceptance due in University Council office by noon Friday, March 18, 2011.

**A. Rosenbaum:** Okay, lastly, David Wade is also the Chair of APASC and at today’s meeting, they were going to discuss the plus/minus grading that we passed our motion on. So, John Novak who is on that committee has agreed to chair and handle the elections issues for today.

**J. Novak:** Good afternoon and happy Texas Independence Day. I’m here to represent the ELO, which is not the Electric Light Orchestra, and we have our duty today under Article 2 of the Constitutional Bylaws of NIU to accept nominations for the role of the President of the Faculty Senate and the Executive Secretary of the University Council. This is the one year renewable position. The list of faculty eligible to serve in this position appears on the last page of your packet. So, we will take nominations for this position. I will take nominations. Yes?

**J. Kowalski:** I would like to place Alan Rosenbaum’s name in nomination for President of the Faculty Senate and Executive Secretary of the University Council.

**J. Novak:** Thank you, duly noted. More? Anybody? Okay, Dr. Rosenbaum will have to the end of next week to present his acceptance to the University Council and I believe that’s, oh, I have to ask if that nomination was seconded or not. Is there a second?
P. Henry: Second.

J. Novak: Thank you. Okay, hearing no other nominations, I will close the nominations unless there is an objection from the floor. So, I’m sure you’ll be looking forward in your packet to his letter of intent and as a serious consideration of the qualifications for his role. Thank you.

A. Rosenbaum: Okay, thank you. I accept the nomination. I’ll have a letter whenever the letter is due and I guess we send it out with the next agenda.

IX. UNFINISHED BUSINESS

A. Rosenbaum: Okay, unfinished business. I don’t think we have any new business. Any comments or questions from the floor?

X. NEW BUSINESS

XI. COMMENTS AND QUESTIONS FROM THE FLOOR

XII. INFORMATION ITEMS

A. University Assessment Panel – January 21, 2011 minutes
B. University Assessment Panel – February 4, 2011 minutes
C. Undergraduate Coordinating Council – December 9, 2010 minutes
D. Committee on Initial Teacher Certification – January 21, 2011 minutes
E. Athletic Board – January 19, 2011 minutes

XIII. ADJOURNMENT

A. Rosenbaum: I’ll take a motion to adjourn.

M C. Smith: Motion to adjourn.

A. Rosenbaum: Okay, seconded. Okay, we are adjourned.

Meeting adjourned at 4:12 p.m.