

Minutes of the  
NIU Board of Trustees  
**LEGISLATION AND EXTERNAL AFFAIRS  
COMMITTEE MEETING**  
November 7, 2013

**CALL TO ORDER**

The meeting was called to order by Chair Cherilyn Murer at 10:55 a.m. in the Board of Trustees Room, 315 Altgeld Hall. Recording Secretary Sharon Banks-Wilkins conducted a roll call of Trustees. Members present were Trustees Robert Boey, Wheeler Coleman, Anthony Iosco, Robert Marshall, Marc Strauss, Student Trustee Elliot Echols, BOT Chair John Butler and Chair Murer. Also present were President Douglas Baker, Committee Liaison Kathryn Buettner and Acting Board General Counsel Gregory Brady. With a quorum present, the meeting proceeded.

**VERIFICATION OF APPROPRIATE NOTICE OF PUBLIC MEETING**

Acting Board General Counsel Gregory Brady confirmed that in accordance with the Illinois Open Meetings Act, as amended, timely notices of this committee meeting for the NIU Board of Trustees were timely posted and distributed.

**MEETING AGENDA APPROVAL**

Trustee Strauss made a motion to approve the agenda. The motion was seconded by Trustee Boey. The motion was approved.

**REVIEW AND APPROVAL OF MINUTES**

It was moved by Trustee Strauss and seconded by Trustee Boey to approve the minutes of the August 29, 2013 meeting. The motion was approved.

**CHAIR'S COMMENTS**

Chair Murer recognized University Advisory Committee representatives Deborah Haliczzer, President of the Supportive Professional Staff Council, and Dr. Rosita Lopez, a member of the Faculty Senate and the University Advisory Committee.

We want to thank the Trustees and the administration for their support of employees, Ms. Haliczzer commented. Noting the committee agenda, I have to emphasize the intense interest all employee groups on issues of pension security and stability. As we reviewed the report on turnover rates in the previous committee documents, we saw trends that are of great concern on campus, not just for current faculty and staff workload issues, but the impact on the stability and viability of our educational mission. Faculty, staff and our retired colleagues truly appreciate the university's efforts and advocacy on behalf of our employees, and we look forward to Dr. Cunningham's report.

Chair Murer stated that the General Assembly Veto Session for 2013 would conclude that afternoon. The issues will probably remain the same for quite some time, she said. The budgetary determinations will continue to be of issue and, unfortunately, I see the conversation of pension reform continuing for quite some time.

I was very impressed when Dr. Baker invited the Mayor of DeKalb to the Idaho game and showed him around the area. In keeping with that same genre, Dr. Baker went to Springfield with Kathy Buettner

where she showed him around the legislature. However, not only university administration and leadership made that trip. In his spirit of inclusiveness and being student centered, the President took student representatives with him. Jack Barry, President of the Student Association, and Stefan Canini, Community Advisor in the new residence hall, CHANCE student and Corporate Communications major also participated in that process. It is one thing for the President to speak on behalf of the university, but when they have to look a student in the eye, and talk about funding, CHANCE programs and MAP programs, it holds legislators accountable.

Some of the issues on the agenda at our last meeting were sidetracked because of the Conceal and Carry issue. We have four informational line items to discuss today, and I am going to try and be sensitive to time and to my colleague, Trustee Strauss, whose Finance Committee meets next.

## **PUBLIC COMMENT**

The Chair asked Acting General Counsel Brady if any members of the public had registered a written request to address the Board in accordance with State law and Board of Trustees *Bylaws*. Mr. Brady noted that he had received no requests to address this meeting.

## **UNIVERSITY REPORT**

### **Agenda Item 7.a. – Pension Reform Update**

I would like to add that in addition to Dr. Baker, Jack Barry and Stefan Canini, we were joined by Steve Cunningham, Jerry Blakemore, and our contract staff in Springfield, Ms. Buettner said. Ms. Buettner asked Steve Cunningham to give a brief update on pension reform.

We entered the 2013 Spring Session having worked on this for almost two years, Dr. Cunningham said. The higher education community Presidents and Chancellors worked very closely in collaboration with community colleges on the approach higher education takes with respect to pension reform. A number of factors deeply affect the market. The last committee looked at turnover employee rates and statistics. When looking at an average of 42 percent turnover over four years, in addition to retirements, more than 60 percent of that turnover is midcareer separations, which have increased. Midcareer separation is people leaving to take positions elsewhere. One of the big factors is the status of pensions in the state, which affects the State budget and funding for higher education. We have a pension system that is 41 percent funded. The ratio of retirees to participants is going to soon approach two to one. The State, due to unfunded liabilities, is required to invest 35 percent of payroll to pension obligations every year.

We began the spring session with the introduction of both a Senate plan and a House plan. We then introduced a higher education consensus plan that we call the Six Step Plan. The House plan was a very conservative plan that adversely affects the higher education market with deep cuts to the cost-of-living and pensionable income components, which would lead to the universities being required to subsidize the pension plan in order to remain anywhere near competitive in the faculty and professional labor markets. We then introduced what we call the Six Step Plan.

This was a consensus plan with higher education that basically involved

- moving to one-half CPI as the cost of living;
- reducing the effective rate of interest, which is the guaranteed amount applied to participant accounts every year, from 7.75 percent to around 4.0 percent benchmarked on the 30-year treasuries;
- a normal cost shift phased in at a half percent a year for universities and community colleges,
- increasing the employee contribution into the pension system from 8.0 percent to 10.0 percent, also phased in at a half percent per year.
- a 30-year straight line re-amortization of the unfunded liabilities of the pension system, flattened from an ever-increasing percent of payroll, but at a rate and payment schedule that is doable for the State.

-- a Tier 3 hybrid plan that would replace the Tier 2 plan that would have a combination of defined benefit and defined contribution aspects placing more responsibility on the universities and community colleges to fund the D.C. end, but still rely on the State to fund the defined benefit component along with the cost shift.

That became what was known as the Six Step Proposal, and we, the University Presidents and community colleges, testified before the House Pension and Personnel Committee, and the Senate Executive Committee on this Six Step Plan where we had a very lively discussion.

Finally, a Conference Committee was convened to look at options, and that committee has yet to issue a report. We are going to continue linking pension reform with stabilized appropriated funding, with business process efficiencies related to unfunded mandates, procurement, property control, a number of employment regulations, Legislative Audit Commission Guidelines, as well as maintaining a competitive and reasoned plan design from pension reform.

The primaries for the general elections in November 2014 are coming up and that causes reluctance in many cases to take action on difficult legislation such as this. The expiration of the tax increase is also coming up, so there is a growing likelihood that pension reform and tax policy will become combined and that action on these things is delayed because of the electoral process.

The General Assembly passed the Retiree Rehire Reform, a statute related to limitations on the ability of the universities to reemploy retirees. Today, the House passed a reform bill for the Chicago Park District that could easily test the ability of the State to enact pension reform in the public sector. No action has been taken on this bill in the Senate. The Park District has slightly different conditions for the constitutional guarantee of benefits, so we will be watching issue very closely.

In reply to a query from Trustee Butler regarding a potential challenge to the constitutionality of any parts of the Six Point Plan, Dr. Cunningham replied that it could lead to a dialogue of the Senate theory with respect to consideration versus the House perspective that changes can be enacted as necessary to stabilize the fiscal side.

The six point plan involves some change in benefits. It would also be associated with enactment of a very solid guaranteed funding plan linked with the Constitution instead of a plan that is statutorily guaranteed.

As Dr. Cunningham pointed out, Ms. Buettner commented, it is not a fiscal cliff, but it is getting to the point where the State has to act. Twenty years ago, when the State appropriated a dollar for higher education funding statewide, five (\$0.05) cents of that dollar went toward the SURS Pension System payments; last year, forty (\$0.40) cents went toward the SURS. This financial squeeze is getting to the point where the universities, the community colleges, the MAP Program, and the public policy ability of the state to respond and provide quality higher education to its residents is being diminished to the point where it must be fixed.

#### **Agenda Item 7.b. – Illinois’ Fiscal Year 2015 Budget Context**

I provided context in your Board materials today about what the State is facing as it approaches its FY15 budget. Since then, we have had meetings with the Board of Higher Education on our Big Picture budget meeting, made a visit to Springfield and talked with the Governor, the head of the OMB, and several of the leaders and key appropriations officials in Springfield on both the House and the Senate sides. We are not sure how the demands of the Medicaid expansion are going to work on the State budget. It does not appear, at this point, that the pension obligation is going to be resolved before the FY15 budget is passed next spring.

The revenue picture for next year’s fiscal year has been slightly improving since our June estimates. We received a one-time federal payment in April 2013. But we are still projected to have a revenue estimate

that is about \$1.4 billion short of maintaining expenditures if all else is the same for FY15. In addition, the temporary tax increase is scheduled to expire on December 31, 2014. The individual Illinois income tax went from three percent to five percent. That is an addition to the budget of approximately \$5.8 billion, moving from a three percent to a five percent rate. As you know, we received our final payment for 2013 from the State about three weeks ago. However, as of today, we have received only about \$4 million of our \$94 million appropriation for FY14 from the State.

The President, our leadership team and our students heard all of this when we were in Springfield. It is a bleak forecast. We do not know if all of this will come to pass, but it is what is being discussed at this point. We need to be mindful of that as a campus community going forward. The FY15 will not be a very good budget year for us, so we are going to have to be prudent and thoughtful in how we approach and plan for this.

Unfortunately, President Baker commented, Illinois is in a similar dynamic to almost all the other states in the union. Public higher education in the United States is state based, and state budgets in every state are structured similarly with roughly half of their budgets in K-12. They have a number of other high impact driving forces in their budgets. Medicaid over the last 20 years in almost all the states has been increasing at very high rates, which has eaten away at any potential state reserves, so the states have had to figure out how to pay for increased Medicaid costs at the same time their infrastructures are crumbling. Also, the states have burgeoning prison populations, safety and crime issues, at the same time they are struggling with health and human services issues. Legislators are in a very difficult corner, and across the country, the way they have balanced the budgets has been by cutting higher education, among other things. Unfortunately, as states have disinvested in higher education, universities and colleges around the country, the public universities and colleges have tried to maintain quality.

Finally, we can control our own destiny budgetarily. If we get 25 percent of our support from the State, that means we have to get the rest from somewhere else, and we get it from tuition. We cannot ask our students to pay much more at this point. But we can get more student revenue, not by charging more tuition but by having more students. If we have 500 students from out of state times \$18,000 for out-of-state tuition, that turns out to be \$9.0 million in gross revenue, which is about what a 10 percent budget reduction would be from the State. We can control our own destiny if we can get a grip on our enrollment.

### **Agenda Item 7.c. – Illinois General Assembly/Veto Session Report**

Ms. Buettner pointed out updated material on new legislation filed since May 31 that could, should it move, have some effect on university operations. One issue did not make it into the new material because it is so new, and that was the Chicago Park District bill that Steve talked about earlier. Late last night, Speaker Madigan moved Senate Bill 1523 with House Amendments 3 and 4, Ms. Buettner reported. Those two amendments affect the pension program for the Chicago Park District and, right now, it appears as if that bill is being set up as a test vote. The House adjourned this morning, not sine die, but at the call of the chair, which means the Speaker can call the House back into session. We do not know yet what that means on the collective issues for the State, but the House voted quickly last night, 87 to 26, to approve the Chicago Park District's pension reform program. Though it is not a State program, it does have a billion dollar pension funding shortfall. The bill contains a two percent phased-in employee contribution; the COLA for current retirees goes from 3.0 percent to half the rate of inflation; and the retirement age increases. As yet, it has not come to a vote in the Senate. It was due to be heard in the Senate Executive Committee this morning. At this point, the SEIU union is leading the objections. It is an important bill to watch because it could be viewed as a test case for what is going to happen with pension reform. The actuarial systems across the State's pension systems are scoring and evaluating the legislative leaders' changes and will issue a report in the coming weeks, and that will determine whether or not there has been enough progress to call the legislators back for another session to deal with pension reform.

The Retiree Return to Work bill, Senate Bill 2196, had Amendment 2 added, which passed the House. It is now in the Senate and expected to pass without a problem this afternoon. Steve, in particular, worked very hard with the technical people from both Speaker Madigan's and Senate President Cullerton's staff last spring to develop this legislation. Unfortunately, it was part of a larger package that did not move; however, we were able to move the technical changes for the retiree rehire.

Rep. Zalewski's bill on Concealed Carry, at the request of Mayor Emanuel, was to enhance the penalties for first-time offenders. It was expected to move in the House this morning, but Speaker Madigan adjourned prior to voting on that. Again, there are a good many issues with Conceal/Carry politically and implementation-wise. Our General Counsel is still working actively with the Illinois State Police on myriad issues related to implementing this on our campus.

Mr. Brady stated that he did not have much to add because they are waiting for administrative regulations to come from the Illinois State Police and the Department of Health and Human Services, the two primary administrative agencies that have been impacted by Conceal and Carry because of the licensing structure. Some appropriations recently were made by the General Assembly to fund the ability to have the licensing and notification structures, etc., in place, but there has been no final word on the regulations. It is anticipated that those will be done by January.

Internally, Bill Nicklas said, we have to make provision between now and February or March, to deal with well-intended people who are licensed and appear on our property with a concealed weapon. We are working with Finance and Facilities to provide storage facilities at the Department of Police and Public Safety.

#### **Agenda Item 7.d. – Federal/Congressional Report**

Our institutional federal relations efforts are in a transition as a result of reorganization, Ms. Buettner said, so I will call on my colleague, Lisa Freeman, to help with this report. As both the Chair and Dr. Baker have pointed out, we did very well for many years with earmarks in Washington, but those days have been done for a couple of years now. We need to orient our operations efforts so that we are poised to take advantage of the shift to the agency contacts and programmatic officers and the relationship building that needs to be done between our faculty and, obviously, the Vice President of Research and the Provost on the academic side, with the actual agency heads and agency program officers. Dr. Baker, Lisa and I met and agreed that the best place to move the function of Federal Relations would be to the Office of the Vice President of Research, so I have been working with Lisa for the last six weeks or so on this transition. Lisa's expertise is in this area, so will let her talk more about the research side and how she intends to approach it. My expertise is more on the congressional side, so she and I will continue to talk a great deal as there are many congressional issues that still impact the agency operations and budgets. I very much echo the emphasis on strong collaboration between Vice President Buettner and myself, Dr. Freeman said, as well as President Baker and newly named Interim Vice President for Research, Dr. Lesley Rigg. It is a very dynamic time in Washington, as I said Monday, and we will be working together to figure out the best way for NIU to represent themselves and make sure that we have the best access to agency resources to advantage the campus.

I want to point out one update from my presentation last Monday, Dr. Freeman said. I displayed a slide showing that the university could do much better if the sequester cuts were implemented across defense and nondefense discretionary spending rather than focused only on nondefense discretionary budgeting. On the news this morning, Secretary Hagel was already beginning to lobby for the January sequester cuts to be focused entirely outside of the defense budget. We want to make sure our voices are heard to protect the university.

An article in the *Chicago Tribune*, in a very visible page 3 article, talked about the impact on research on our Antarctic project related to the government shutdown, Trustee Murer remarked. Understanding that Antarctica is a very time sensitive environment, she asked Dr. Freeman to give us some idea of what happened with that money, that program and that research.

The shutdown had many impacts, Dr. Freeman said, but the time sensitivity of the window to get to Antarctica to do the research and the extensive logistics which are contracted through the National Science Foundation to an outside contractor, Lockheed Martin, made that project extremely sensitive to the 15-day shutdown. Things like ice cutters and sleds were diverted, and people were unable to make the appropriate transfer of equipment from New Zealand to Antarctica. Our project was very sensitive among all of the polar projects because it was a project that occurred in the sequence of a large eleven-plus university collaboration towards the end. Due to the nature of the ice drilling and the sample taking, our investigators and graduate students essentially lost the Antarctic season.

We are negotiating very hard with the agency to make sure that the opportunity, which can never be recovered, is at least reopened in terms of preserving the funding and having some special opportunities for that funding carry over. The real opportunity cannot be recaptured. Some of the things they would have been able to do here as an alternative to working in the Antarctic would have been less than satisfactory, because, just as we could not get materials down there, we needed materials there that we could not get back here.

We have been working very hard through national media to bring this to the public's attention, as you saw in the *Chicago Tribune*. But we also have been communicating with the Association of Public and Land Grant Universities and other university associations, as well as with the National Science Board, to make sure that the sensitivity of this program is recognized and this will not happen if we should have another government shutdown or sequester situation.

Multiple students were affected because of the shutdown, but we had a graduate student in the final year of his thesis project with one season of data left to collect. He was unable to collect that data, was distraught, and is not going to have the project that he had planned and intended to do for years. The opportunity to drill under the ice and harvest these samples is something that has required years of invested time, effort and training. As a result, that student now will have a different project and a different timeline.

#### **NEXT MEETING DATE**

The Chair announced that the next meeting of the Legislation and External Affairs Committee would be announced after the Board approves its 2014 meeting schedule at its December meeting.

#### **ADJOURNMENT**

There being no other matters, Chair Murer asked for a motion to adjourn. Trustee Strauss so moved, seconded by Trustee Boey. The meeting was adjourned at 11:51 a.m.

Respectfully submitted,

Sharon M. Banks-Wilkins  
Recording Secretary

*In compliance with Illinois Open Meetings Act 5 ILCS 120/1, et seq, a verbatim record of all Northern Illinois University Board of Trustees meetings is maintained by the Board Recording Secretary and is available for review upon request. The minutes contained herein represent a true and accurate summary of the Board proceedings.*