

# Inter Faculty Organization

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## Faculty Update

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**PRESIDENT'S COMMENTS**

by [Nancy Black](#), IFO President

Happy New Year! As we start the New Year the IFO is making progress on several fronts, and I have good news to report.

### IFO 2005-07 Contract Approved For Implementation

On January 10, 2006 the legislative Subcommittee on Employee Relations (SER) approved the 2005-07

IFO/MnSCU contract. The approval of the contract by SER means the terms of the new contract can now be implemented, pending approval by the entire legislature during the next legislative session, which starts in March.

MnSCU has indicated that they should be able to process the back pay and new salaries for the February 3<sup>rd</sup> pay check.

Under the new contract, faculty will be getting a one-step (2.4%) raise, plus a 1.35% across-the-board pay increase starting July 1, 2005. Faculty will receive another one-step increase (2.4%) starting July 1, 2006. In addition, the annual employer contribution to

the Health Reimbursement Account (HRA) for calendar years 2006 and beyond was raised from \$500 to \$600. For more details on the new contract visit the IFO web page at [www.ifo.org](http://www.ifo.org).

The contract must still be ratified by the entire legislature next session. If the contract is not ratified by the end of the session in May, it will be null and void and faculty will return to the terms of the 2003-05 IFO/MnSCU contract. However, since the contract ratification process has gone very smoothly to this



*IFO President Nancy Black and Chief Negotiator Rod Henry discuss implementation of the pay raises under the newly approved IFO/MnSCU Contract.*

point, it is very unlikely that the legislature will not ratify the contract.

### TIAA-CREF Replaces Wells Fargo as Recordkeeper of Retirement Programs

One of the big issues the IFO has been heavily involved within recent months is the selection of a new recordkeeper to manage the Individual Retirement Account Plan (IRAP), the Supplemental Retirement Plan (SRP) and the Tax Sheltered Annuity (TSA) plan, and the selection of investment options under these plans. Hundreds of faculty members e-mailed the IFO with concerns that some or all of the TIAA-CREF funds might be dropped as investment options, or that some other entity might manage the programs, cutting off direct access to TIAA-CREF. The IFO Board took strong positions on these matters, and the IFO Executive Committee took the issues directly to the Chancellor through Meet and Confer.

I am happy to report that our concerns have been heard. Not only will all of the current TIAA-CREF funds be offered under the program in the future, but starting July 1, 2006, TIAA-CREF will replace Wells Fargo as the recordkeeper (manager) of the fund. A new line-up of Vanguard index funds will be added to the program, as well as an array of high-quality actively managed mutual funds. Finally, the administrative fees were slashed substantially. For more details, see [Russ Stanton's article](#) below.

I want to thank the hundreds of faculty who wrote e-mails and responded to surveys on this topic. Your IFO staff, especially Russ Stanton, worked very hard and effectively to communicate your views to the decision makers, and the final decisions reflect your input.

### IFO Delegate Assembly

Finally, I want to remind all IFO members that the IFO Delegate Assembly will meet on March 24-25, 2006. This is your chance to get involved in setting IFO's goals by becoming a delegate and/or sponsoring a resolution. This union is only strong through the continued involvement and commitment of the faculty. Please talk to your Faculty Association President if you want to be a delegate. For more information on the Delegate Assembly, click [HERE](#).

## NEGOTIATOR'S REPORT

by [Rod Henry](#), IFO Chief Negotiator

On January 10, I went to the meeting of the legislative Subcommittee on Employee Relations (SER) that gave another level of approval for our recently-negotiated contract. The few questions that the legislators had dealt with performance pay, number of steps on the salary schedule, and the salary ranges. The IFO representatives were not asked to answer these questions, but it was clear that these were concerns of at least some of the legislators. It is apparent that many people in the legislature and MnSCU are still not aware of differences between the IFO contract and the contracts of community and technical college faculty. Whenever I am asked, for example, about performance pay I always reply that we already have it in the form of promotions, tenure, reassigned time, overload, and extra duty days. I will make it a point to attend as many MnSCU Board meetings as possible so as to try to get this information across.

There have already arisen some questions about changes or interpretation of the new contract. If you are aware of new interpretation of the contract, please contact your negotiator or grievance officer ASAP so that the issue can be resolved. Failure to do so could result in the unnecessary loss of some contractual right.

Lastly, let me thank you again for your support and input during the last round of negotiations – and a Happy New Year to all.

**DON'T FORGET TO TURN IN 2005 HRA CLAIMS BY FEBRUARY 28, 2006**

by [Russ Stanton](#), Director of Government Relations

Calendar year 2005 was the first year of operation for the Health Reimbursement Arrangement (HRA) for state university faculty members. In the last contract, IFO negotiated that MnSCU would contribute \$600 to the HRA account of each insurance eligible faculty member. The money can be used to cover medical deductibles, co-pays, dental expenses, eyewear, and long term care premiums that were not reimbursed from another source. The unused balance in a member's HRA account at the end of 2005 will carry forward and can be used in 2006.

However, medical expenses incurred in 2005 must be submitted by February 28, 2006, in order to be reimbursed. You can claim 2005 expenses against your 2005 HRA balance up until February 28, 2006. If you incurred more than \$600 of reimbursable medical expenses in 2005 and have used up your \$600 2005 HRA allocation, you can still submit the unreimbursed expenses from 2005, and get them reimbursed out of your 2006 HRA allocation, provided the claims are submitted prior to February 28, 2006.

There has been much confusion over the how employer-paid HRA coordinates with the voluntary employee-paid Flexible Spending Account (FSA) and the postretirement Health Care Saving Plan (HCSP). Much of this confusion is because IFO was the first state employee group to negotiate an employer contribution to the HRA, and this is the first year of its operation; Unfortunately, there are many kinks that need to be worked out. This is a MnSCU-controlled plan (they hired Eide Bailly to administer it). The IFO has raised many of the questions that faculty have expressed regarding the plan with MnSCU, and MnSCU has produced a "Questions and Answers" page regarding HRAs on their web page which you can view by clicking [HERE](#). Please consult this page if you have questions about the HRA.

## TIAA-CREF SELECTED AS THE RECORD KEEPER FOR PENSION PLANS

by [Russ Stanton](#), IFO Director of Government Relations

MnSCU has selected TIAA-CREF as the sole record keeper for the Individual Retirement Account Plan (IRAP), Supplemental Retirement Plan (SRP), and Tax Sheltered Annuity (TSA) pension plans. The change will be implemented July, 1, 2006. After that date, TIAA-CREF will keep all the participant records, produce all the informational material (print and on-line), and provide participant advising for all three plans. Wells Fargo, the current record keeper, will no longer be providing services under the plans after July 1<sup>st</sup>.

### New Fund Line-Up Offers High Quality Funds

Although the State Board of Investment (SBI) has not officially approved the new fund line-up for the newly reorganized pension plans, we have been told what funds will be selected. The new fund line-up will include all of the TIAA-CREF funds currently offered under the IRAP, SRP and TSA programs, plus six Vanguard index funds, plus six "best in class" actively managed mutual funds selected by the SBI, plus a money market account offered by Vanguard. The following is a list of the funds in the new line-up:

TIAA-CREF Funds	Vanguard Index Funds	Best in Class Funds
1. TIAA Traditional Annuity	1. Vanguard Small-CAP Index	1. Legg Mason Royce Premier (Small Cap)
2. CREF Bond Fund	2. Vanguard Mid-Cap Index	2. Vanguard Strategic Equity (Mid Cap)
3. CREF Inflation Linked Bond Fund	3. Vanguard Institutional Index	3. Fidelity Contrafund (Large Cap)
4. CREF Social Choice Fund	4. Vanguard Total Bond Market Index	4. Legg Mason Western Asset Core Plus (Fixed Bond)
5. TIAA Real Estate Fund	5. Vanguard Balanced Index	5. Fidelity Balanced
6. CREF Equity Fund	6. Vanguard Developed Markets Index	6. T. Rowe Price
7. CREF Stock Fund		
8. CREF Growth Fund		
9. CREF Global Equities		

Fund		International Growth & Income. 7. Vanguard Prime Money Market
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### Administrative Fees Dropped Under New Plan

As part of the competitive bidding process, MnSCU was able to get TIAA-CREF to reduce its administrative fees under the new pension program to just \$10 per participant per year. Currently, participants in the SBI and Wells Fargo funds pay .25%/year of their accumulated assets in administrative fees. This amounts to \$250 per year for a participant with a balance of \$100,000. Currently, TIAA-CREF participants pay a \$25 administrative fee. Under the new program there will be only a \$10/year/participant administrative fee—a significant savings for faculty, especially those who are with Wells Fargo and/or the SBI.

### One-Stop Shopping

Under the reorganized pension program, faculty will only have to go to one record keeper, TIAA-CREF, for all pension matters concerning the IRAP, SRP, and TSA plans. Participants will be able to transfer funds seamlessly between vendors, and/or between funds offered by a particular vendor, on a daily basis. Even if a faculty member has money split between several funds from different vendors, they will get one consolidated quarterly statement. TIAA-CREF will be able to offer investment advice and counseling regarding all of the funds, not just their own. This should simplify matters considerably for faculty members. The current process for transferring money between, for example, Wells Fargo and TIAA-CREF, can be cumbersome and time consuming. Currently, SBI funds can only be transferred on a monthly basis. The new plan should be able to offer much better service to participants.

### Wells Fargo/SBI Funds will be Dropped

One of the side effects of the pension plan reorganization was that the Wells Fargo and SBI funds currently offered under the pension plans will be dropped effective July 1, 2006. Faculty currently investing in those funds will have to move their funds to one of the funds in the new fund line-up, or their funds will automatically be moved (mapped) by MnSCU to a comparable fund in the new fund line-up. More information on how to transfer funds will be coming out within a few months.

### Faculty had a Huge Impact

When word got out that MnSCU was reorganizing the pension plans and that TIAA-CREF, the SBI, and/or Wells Fargo could be dropped from the program, faculty responded with hundreds of e-mails. The vast majority of the e-mails expressed a strong desire to keep TIAA-CREF as a vendor, but there was also support expressed by some for the SBI funds. The IFO took member concerns to the [DCR Advisory Committee](#) that advised MnSCU on the pension plans, to MnSCU administrators, and directly to the Chancellor at Meet and Confer. This concern was heard, along with faculty concerns about fees and the complexity of the current system. With the new pension plan reorganization, we did not win on all issues (the SBI accounts were dropped as investment options because MnSCU felt they were too cumbersome and costly to administer), but we did end up with a plan that offers all the TIAA-CREF funds and services, an excellent line-up of Vanguard Index funds, and an array of “best in class” funds, and with almost no administrative fees. The new plan should be easier for faculty to use.

There is an important lesson in this: When faculty speak out and get involved, it brings about results.

**LUOMA LEADERSHIP ACADEMY NOMINATION DEADLINE OF FEBRUARY 6,  
2006**

by [Nancy Black](#), IFO President

Nominations, including self-nominations, are sought for the Luoma Leadership Academy by February 6, 2006. Candidate applications must be received by March 17, 2006.

This leadership development program, named after Dr. Jim Luoma, Trustee Emeritus, is designed to develop leadership of faculty and staff from within the Minnesota State Colleges and Universities system. It is gratifying to see that Dr. Luoma, who devoted his professional life to public education and was a noted faculty-centered Trustee, is honored with this academy now bearing his name.

This recently renamed and redesigned leadership program is now in its third year. It will be offered next summer (June 18-23, 2006) and will continue the following summer (June 17-22, 2007). Participants are required to attend the two five-day sessions and stay overnight at a metropolitan area conference facility. Individual universities will provide the funding for faculty lodging and transportation. Very few faculty attended the first year the leadership program was offered in 2004-2005, but 16 IFO faculty of the 54 total participants were accepted in the Minnesota Leadership Academy for 2005-2006. A list of participants from the 2004-2005 and 2005-2006 programs is available on the web by clicking [HERE](#). For more information about the Luoma Leadership Academy program and for nomination procedures and application forms, click [HERE](#).

## CONTACT US

The IFO *Faculty Update* is published and distributed by the [Inter Faculty Organization](#). If you need to contact the Inter Faculty Organization, our address is 165 Western Avenue North, Suite 8, Saint Paul, MN 55102, or you can reach us by phone at 800/325-9644 or 651/227-8442. You can send us an email by clicking [here](#).