

Duke University

Durham
North Carolina
27708-0928

ACADEMIC COUNCIL
304 UNION WEST
BOX 90928

Minutes of the Regular Meeting of the Academic Council

PHONE (919) 684-6447
FAX (919) 681-8606
EMAIL: ACOUNCIL@ACPUB.DUKE.EDU

November 15, 2001

The Academic Council met in regular monthly session from 3:45 p.m. to 5:20 p.m. on Thursday, November 15, 2001 in 139 Social Science Building with Professor Peter **Burian** (Humanities) presiding.

MINUTES

As always, the **Chair** invited and received a motion and a second to approve the minutes of the meeting of October 25, 2001 which members had received in their packet. They were **approved** by voice vote as submitted.

Although he had no announcements to make, Professor **Burian** couldn't resist mentioning something he thought members might not have heard about and it was appropriate to say this in a faculty gathering, namely that Coach K had finally, with a delay which must have bothered the AAUP a good deal, been awarded tenure. (Laughter)

The **President** interjected "not exactly."

He continued that he looked at it another way. He said to himself, 'I've got tenure and there's no longer a mandatory retirement age, so I've got a lifetime contract.' (More laughter)

PRESENTATION OF FACULTY SCHOLARS OF 2 001 TO THE ACADEMIC COUNCIL

The **Chair** introduced Professor Benjamin **Ward** of the Department of Philosophy and Chair of the Awards Committee to present the current year's recipients of the awards to the assembly. He also thanked this year's members of the committee consisting of Carol Eckerman, George Truskey, and Peter Wood, along with the chair for their faithful service.

Professor Ben **Ward** stressed that it was a great privilege to serve as chair and said that it was the one committee he would cling to as long as he possibly could, because it really was a labor of love. This was the highest award given by the faculty of Duke University. He then asked those committee members present to stand and he thanked them as well as Linda Lehman, Administrative Assistant to the Council, who made the process possible. He then named the recipients and asked those present to stand. Receiving honorable mention in this year's round were: Juliet Pulliam, who

was nominated by the Department of Biology (Applause), Steven Turner who was nominated by the Department of Classical Studies and Wisuwat Songnuan also nominated by Biology. The Faculty Scholar Award recipients were four students: Pavan Cheruvu nominated by the Department of Biomedical Engineering, Samuel Malone, nominated by two departments - the Department of Mathematics and Department of Economics, Neil Gupta, who was nominated by Program II, Cognitive Neuroscience, and Alexis Blane, nominated by the Department of English. (Applause).

The **Chair** then asked for a motion of congratulations and best wishes for these outstanding young scholars. Receiving it and a second, he asked the assembly to shout out its 'aye' which it promptly did and the group exited the auditorium amidst another round of applause.

FUTURE DIRECTIONS OF THE MEDICAL CENTER AND INTERACTIONS WITH THE CAMPUS

At that point, Provost Peter **Lange** was asked by the **Chair** to introduce R. Sanders Williams, the new Dean of the Medical School, who was to address Council as the next item of business. The Provost remarked that those who had been here a long time knew that relations between the School of Medicine and the campus had not always been strong. In fact, he thought that they had not always been friendly. There had been periods of mutual distrust, suspicion, etc., which constituted an obstacle to realizing the most from Duke as an institution and to taking full advantage of what these relations should be. As part of Duke's strategic plan and its highlights on faculty development, interdisciplinarity and on science and engineering among others, the most needed to be made of the intensive ongoing and creative reciprocal relationships which were possible in the School of Medicine in a number of areas. Just to cite a few, the Institute for Genomic Sciences and Policy, which spanned all the way from ethics and several large humanities departments into the heart of the School of Medicine, and in which, on the medical school side, there was also a Center for Medicine and the Humanities, headed by Dr. Sugarman, so there was, in fact, a parallel effort on both sides to span this gap. Biomedical Engineering, Material Science, Computational Sciences, Environmental Toxicology, that was just to name some of the areas where Duke was spanning across the schools. So what was needed today was a dean, who was a superb scientist, a person with strong clinical experience and commitments, and with an interest in a commitment to subject matters extending far beyond the stereotypical, if possibly not the typical MD and School of Medicine dean. Now that was a tall order. He proceeded to read the audience Dean Williams' biography.

Sandy Williams was born in Athens, Georgia. He attended Princeton University in some state up north where they didn't get the mail

anymore. He received his A.B. cum laude in Public and International Affairs with a minor in English. (He emphasized this combination by repeating it) . He had a real interest in writing, and he wrote a novel ("Mercifully, never published," the **Dean** interjected to the amusement of the audience) . His initial interest was in law, and he did apply to law school but he eventually ended up in medicine at Duke. And in his third year he developed his deep interest in research, completing an internship and assistant residentship following his time at Duke in the Department of Medicine and Mass[achusetts] General. Upon completion, he returned to Duke, where he served as a Fellow in the Division of Cardiology, working with Bob Lefkowitz from 1970 to 1980. His first position following that was as an Assistant Professor of Medicine, Physiology and Cell Biology at the Duke University Medical Center. He also had a visiting professorship in the Department of Biochemistry at Oxford, and in 1986 he returned to Duke as an Associate Professor of Medicine and Microbiology, and so, so far, he counted four departments: Medicine, Physiology, Cell Biology and Microbiology. Most of his activities during this time were devoted to science in which he received numerous strong grants. In 1990, he accepted a position as a Professor of Internal Medicine, Biochemistry, and Microbiology, Chief of the Division of Cardiology, and Director of the Ryburn Center for Molecular Cardiology at the University of Texas Southwestern Medical Center. He had the wonderful experience of rebuilding a relatively demoralized division at Southwestern, where his job was really to articulate a vision and rebuild both the clinical and research sides of that program. And he did so superbly, in that that division was now recognized as one of the best, if not the best molecular unit in the country. Dr. Williams served there through the last decade and until he came to Duke this year as Dean of the School of Medicine. Now, administration at Duke these days was an incredibly busy, and an incredibly exciting business. Central to its success was the ability of its administrators to not allow the busyness of their jobs to overwhelm the excitement and creativity. Working with Sandy assured him that that will not happen in many of the areas that he worked with, and he hoped as well that it assured him that he could exercise his full creativity and excitement in his job here at Duke. Today he was going to talk about some of the directions he'd like to take. (Applause)

Dean **Williams** thought that that had been 'some introduction' and he could hardly wait to hear himself talk (laughter). Still, he said what really was true about that was the chance to return to Duke and be part of a great university and not just a part of a great school of medicine and that was clearly one of the big draws and one of the attractions to bring him there. He took it as a major part of his mission to integrate what was done in the School of Medicine with what went on on the main campus. It was essential that each leveraged off the assets of the other in order to gain distinction. Another aspect of his biography that probably was

apparent was that he had eclectic interests. He thought that the diversity of his interests in his job as Dean, was an asset. He had been asked by the Provost and ECAC to speak to future directions of the Medical Center with respect to research and clinical goals and some of the development of its facilities. In research and in the clinical dimension of what they did high standards applied. All departments were expected to be within the top twenty, some to achieve national rankings in the top five or even to be the very best. A few areas were receiving special interest at this time, with the Genomics Institute being at the top of the list. It represented the largest single investment in a programmatic sense on the part of the University in its history. The top candidate for the directorship had turned them down but they would identify a person of top quality. There were Center directors to recruit among the various components of the IGSP, and they were also positioning themselves programmatically even in advance of filling these positions to make sure that the program moved ahead. He was also very enthusiastic about a planned partnership between the School of Medicine and the School of Engineering which was being discussed now in earnest. They hoped to be able to build a building together. One area of collaboration involved the general area of translational medicine. Another area that would receive a lot of attention was Duke's position in microbial pathogenesis, the biology of microorganisms. The formerly distinguished Department of Microbiology, through a variety of unfortunate historical events, had been diminished. It was being reinvigorated. Current plans called for a merger between what was now quite a strong but small Department of Genetics, and what remained of what had once been a large but was now a small microbiology department into a combined department that would be called Molecular Genetics and Microbiology. This plan was in place before the sad events of the last few months but he thought the threat of biological terrorism gave a new impetus to that effort. Other key areas that coincided with open departmental chairs were in neurobiology. The Neurobiology Department was one of their strongest, clearly a top five program, and it had existing and important links with campus side activity such as the Center for Cognitive Neurosciences, the Biology Department and others. The chairmanships of it and the Cell Biology Department needed to be filled and they would be recruiting there. The major thrust of his recruiting to reinvigorate Cell Biology would be to find individuals whose interests also coincided with the goals of the IGSP, so that the development of that department could draw strengths from and contribute to what was done elsewhere in the Genomics Institute. And then finally, they had a new Department of Bioinformatics and Biostatistics. Through this new department, which would interdigitate with the IGSP Center for Computational Biology and Bioinformatics, they were hoping to invigorate this in a way that would impact the research mission in all of their other departments as well. Those, then were some of the highlights of their research enterprise.

On the clinical side, there were two leitmotifs or themes that he had in mind. One was the issue of how to differentiate Duke from competing institutions within the region in terms of delivery of clinical care, and the other even more ambitiously, nationally. One recent major investment had been made in cardiovascular imaging. This would give their very strong heart program some new tools that could be used innovatively to design new patterns of patient care ultimately enabling them to intervene at earlier stages of disease. The cardiovascular imaging project served both of those functions: differentiation and an attempt to move closer from a reactive to a proactive health care model.

Another area of great distinction was cell transplantation. Stem cells had been in the news. Duke had a very robust stem cell program. There were somewhere between 20 and 30 investigators whose work could be appropriately defined as in the area of stem cell biology. There was some \$20 million a year of current funding. One of those programs was robust in actual clinical application and was based on the derivation of stem cells from placenta or the umbilical cords of newborn infants, thus unlike the ethical problems presented by dealing with embryonic stem cells were avoided, because stem cells found in these tissues were otherwise discarded, and yet they had great potential. They were in current use to restore the bone marrow of individuals who were treated with chemotherapy as part of a way to combat their cancers, but the potential of stem cells derived from cord blood had many more applications. They were close to signing an agreement with the American Red Cross that would establish a facility for the preparation of cells used for transplantation in a variety of tissue engineering or tissue restoring themes. This represented one of the new frontiers of medicine. Another such area and effort was in neurooncology. Duke had a very distinctive group that treated brain tumors in innovative ways. It was high risk kind of work but he thought the program at Duke was quite distinctive. That also obtained in the case of neuroengineering, one of the partnerships between the Medical School and the Engineering School. They were looking to pick out those programs that were at least regionally, if not nationally or internationally distinctive in the clinical enterprise and advancement.

Peter [Burian] also had asked him to speak to plans for constructing new facilities. Two buildings were in the ground. They could be seen going up along Research Drive; they would house major components of the IGSP. The first of these would open in the fall of 2002, and the second one a few months later and house the Centers for Human Genetics and the Center for Models of Human Disease. These facilities were state of the art. They hoped to build the second facility in partnership with Engineering.

The second issue he had been asked to address was efforts being made to improve the interaction between the Medical Center faculty

and campus departments. To compete with the Harvards and Stanfords and Johns Hopkins of this world there was almost no association that made scientific sense where he wouldn't go at least halfway to try to meet the campus in some new arrangement to take advantage of the close proximity of the Medical Center and the campus. He thought they were already doing that successfully on many fronts.— The last point he was asked to speak to was the financial state of the hospital. The Duke University Health System was a massive enterprise with revenues in excess of \$1.2 billion last year. It was an entity that they depended upon both to provide the environment in which the academic mission was pursued on the clinical side, and as a source of revenues to fund the academic components. He was pleased to report that that system was sound. It had a positive financial balance last year and he was singularly impressed with the management of that enterprise which he witnessed through his position as an officer of the health system participating in key executive meetings. Health care financing was very volatile and Duke had been flexible and able to respond to various challenges. Within the School of Medicine, their budget ran somewhere between five and six hundred million dollars a year. The financial status on their side was sound as well. They had an excellent financial team that gave him crisp data whenever he needed to make a decision. They had a five year plan with conservative projections as to their various sources of revenue. Overall, he felt this was a great time to be at Duke Medical School, and at Duke University, and he felt extremely privileged to have Duke faculty as colleagues. (Applause)

Professor John **York** (Pharmacology) asked about the chairmanship of the new structure of genetics and microbiology, specifically whether the current chair Joe Nevins would take over. The **Dean** answered that they were in discussion with Joe to do that, but it would be premature to announce that it was complete.

In the absence of any further questions, the **Chair** thanked the speaker and moved, on to the next item of business.

RECENT DEVELOPMENTS OF RESIDENTIAL LIFE

Vice President Larry **Moneta** said he wanted to go through quickly what had been achieved to date and what was being planned. The first year experience for Duke students had been a real success story. It included the wonderful use of the East Campus facilities themselves and the expansion of those into a robust program for first year students, including a variety of advising opportunities, health services that were on East Campus, access to the new Richard White Lecture Hall, the food program, the FOCUS program, which was probably one of the crowning elements of the experience, the eleven faculty in residence and the number of faculty associates that work with the students, a whole array of peer support staff, including the RAs and the graduate student ACs, first year advisors, African-

American mentors, and a whole array of other peer mentor programs that had emerged over several years. It also encompassed an extremely robust first year student government which was quite engaged in self-governance within East Campus, and a number of special housing options, including the substance free housing. These were all in place.

The West-Edens-Link was nearly completed. (He offered a hard hat tour to those interested). It was a beautiful facility with 340 beds, the tower which sat on the end closest to Edens, several floors including a diner, a coffeehouse for late night activities, several levels of multipurpose space for students and other programming, a wonderful outdoor plaza and, more important, a strong connection with Main West residences and the Edens residences, which historically had been perceived by students to be the least desirable location.

Next, he discussed the West Campus plans, especially the solution to the problem with the sophomore housing experience, i.e. the fragmentation of that experience and therefore the desire to locate all of the sophomores on West Campus. The desire to relocate all of the selective communities were part of the planning that had gone on until now as well as the need to create communities that were truly inclusive of the wonderful diversity of Duke's students. It was necessary to take advantage of the East Campus experience and provide opportunities for the students to move as a group to retain their communities as they moved onto West Campus.

Among the challenges they were facing and aside from all kinds of technical and staffing problems, was a continuing conflict between what he termed educational consumer needs. 'Who gets to occupy what space?' Some of that was still playing out in these sort of seniority/nonseniority debates that were out there. Therefore, what had been done was that the quad had been established as a primary unit of service delivery on West. They had divided the West Campus into six communities, four using the West Main residences, the West Edens Link as a community, and Edens itself as a community. Those six communities now gave them a new organizational framework through which to deliver a variety of services. They had also, as they had moved the selective communities around, been strategic ensuring that each community had a proportional representation of the fraternities and the non-fraternity selectives. They made sure that the majority of the bed space was occupied by students who had not chosen to be part of one of those communities. So, the selectives were nested within the quads. It had turned out that about 40% of the bed space in each of the quads was made up by fraternities and non-fraternity selectives, about half were fraternities. So roughly 20% of the fraternity bed space was assigned to each of the six quads. They were also going to do the same on East by creating three clusters and they would be, really more administered units. The house system on East Campus worked

very effectively. They didn't want to tamper with that, but they also wanted additional presence by staff and the cluster became an organizational model for that. The quads on West Campus each had an array of common area space: offices for staff to gather, seminar rooms for the house classes, and other spaces that would allow some of the educational initiatives to flourish.

One of the keys to altering the climate in Duke's residences and to providing a more cohesive support staff and staff to supervise the Resident Assistants and the Area Coordinators was the creation of a Residence Coordinator position and they would be introducing six Residence Coordinators on West Campus. These RCs were the people they wanted to work with the faculty associates and to work with the faculty in residence to provide additional opportunities for other faculty to engage with students in the residential settings. The academic focus of the quad was really the cornerstone of the revised residential plan. They were exploring the distribution of tutoring services and writing support as well as providing pre-major advising and other forms of advising directly to residents where they live. The idea was to enhance the faculty-student contact. In that connection he wanted to mention a call he had had from Dean Kaufman in the Medical School. Their 3rd year medical students had a variety of opportunities to engage in research and other kinds of activities. To take advantage of the new quad model, he wanted their medical students to engage more closely with undergraduates, especially those exploring health science careers. He would like to assign four 3rd year medical students to each of the quads, and their role would be to be there to work with not only pre-med majors, but to work with anyone within health careers to talk about health promotion in terms of their own personal health and just be available to serve as guides for students to connect the undergraduate and the graduate education in a way that they hoped a variety of academic departments would do.

Regarding Trent and Central Campus he would simply say that they were going to try and take the involuntary housing in Trent off the table by using Trent as a singles facility, by recruiting a fair number of students who they believed would be interested in that, particularly large single rooms. There were a fair number of graduate and professional students who may find a reasonably priced facility at that end of campus particularly in relation to those who had medical education interests to be an attractive option. Ultimately, their goal was to provide one-stop shopping for all of the students with regard to their residential needs. They were planning to have three area offices, one for East, one for West, and one for Central so that, again, students had a sense of one place to go to have all of their needs met.

They were still looking at additional bed construction. There would be some number of juniors and seniors who may be displaced. They thought they had it down to fewer than 2 dozen who would not be

able **to** be in their area of choice, i.e. on West Campus. His group needed to understand the enrollment growth expectations, particularly in Pratt before concluding how many more beds to build. They were also looking at the possibility of additional faculty in residence. In that vein, i.e. of bringing services to the students where they lived, they were also cognizant of an increasing nocturnal lifestyle these days among students. When they were looking for writing support for that paper it was more likely to be at midnight, therefore, part of the game plan was to try **to** reach those students at the time in which they most needed those services.

Other issues concerned the student facilities such as West Union, Page, Flowers and the Bryan Center and their possible reconceptualization. Food and other ways to create community should provide the opportunity to talk about the communal meal. There had been a couple of articles in the Chronicle about it. Trying to compress the 5 year plan into this next year had been an enormous achievement for them and they were finally there. To facilitate the availability of meeting space, a professional staff person would be available to make that arrangement, i.e. to the extent that faculty now sought to connect with students using the residences this would be a much simpler experience, because more of the effort could go into what was the intellectual academic purpose not in who had the key to the room. He would welcome questions and reactions.

Professor Charles **Clotfelter** (Social Sciences) asked how Central Campus would fit into this and how the new plan might impact racial segregation among students. VP **Moneta** replied that they were hoping that this would be a major contributor to the diversification objectives by encouraging students to stay together as communities which had formed on East. They allowed for diverse communities that had formed to continue to migrate together. One of the major achievements of this was that the model had removed from it the expectation that one had to find a private community -a fraternity or selective - as the only way to capture turf. The selectives were now equally distributed across the West Campus and there was really no need for anybody to seek affiliation just to get **to** that prime real estate. There would be an open corridor from the quad bus stop through the athletic campus that would be devoid of any private ownership signage of any sort. Students would make their own choices. This was not social engineering assigning specific people to specific locations. They really wanted to emphasize that they shared a sense of community and that the fact that someone belonged to something like a fraternity or selective was in some ways independent of the fact that all the residents were residents of their quad. That was the uniformity that they wanted to deliver. They thought that it would take some time for the patterns of residential behavior to change but it would lead to a much greater sense of inclusion within each of the

quads.

The questioner reminded the speaker that he had not yet addressed the question regarding the future of Central Campus. Larry **Moneta** said that Central would continue as is. In the lottery systems the juniors and seniors could opt to be in the Central spaces. As he said, about two dozen probably would end up in Central who had hoped they had been in West so it shouldn't change the numbers dramatically. They thought the demographics would shift and then the next game plan was 'we're going to think about the future of Central as a set of facilities.' The facilities had roughly outrun their useful life. In the near future they needed to be talking about replacing them. They would be adding some staff to Central. One of the problems at Central had been that no one had been the advocate for the students that resided there and there would be a new residential staff person assigned to Central to serve as an advocate for students there.

Professor Ruth **Grant** (Social Sciences) wanted to know if the Residence Coordinators would be living in the dormitories and what impact that would have on the role and number of RAs and graduate students. Yes, they would be living there, Larry **Moneta** replied, but the number of RA's or graduate students would not change. It was really an additional layer that they were introducing. It was a key position. He meant to add 6 full time staff to West Campus and 3 on East and that did change the conditions under which they operated. But these were the enablers. These positions were key to dramatically changing the environment to one that addressed the kind of issues that he was talking about and to serve as the hosts for the kind of academic and intellectual activities that would take place in the residences.

Professor Len **Spicer** (Basic Sciences) thought the speaker had said something in passing about potential faculty housing on Central. It seemed to him a valuable asset and might provide community on a larger basis. Larry **Moneta** said that he had actually talked about faculty on West but as they were thinking about replacing those buildings on Central they weren't thinking about it in a pure undergraduate sense or even a pure graduate sense. This was a real opportunity to rethink the Central Campus by all members of the community and to put the discussion on the table.

Professor John **Staddon** (Natural Sciences) said he was raising some questions not so much on his own, but on behalf of other people who knew and had experienced residential life a lot more than he had. He wanted to make a general and a specific comment. The general comment had to do with the vision that lay behind this which seemed to him to be more reminiscent of Walmart than Oxbridge in the sense that the administration seemed to be offering something for every market, a little bit here and a little bit there. By that consumer

orientation the student may want to have counseling at midnight and the response to it was 'we're there, we'll be ready.' He wasn't sure anyone should be ready at midnight to counsel anybody. The specific issue had to do with these six Residential Coordinators. This seemed to him inevitably to lead to a reduction of the academic influence, influence of the graduate student, Faculty in Residence and so on. Thus he would like to know, first of all, why he thought these people were necessary and second of all who these people were, to whom they would report, what kind of training they would have, what degrees, what they wanted out of life, what their incentives were, and what they were going to do with the rest of their careers?

Larry Moneta's reply to the first part of the question was that he didn't think this would dilute the academic influence. In talking to the Faculty in Residence and the Faculty Associates directly, he learned that faculty spent a lot of their time trying to navigate administrative structures in order to do what they did best, namely to reach out and connect with students. The RC's role was intended to alleviate that sense of frustration and to enable the faculty to do what they did best. They had been requested to do something about that by members of the residential community for years. That included Faculty in Residence and the Faculty Associates all of whom would endorse this model.

As to the people themselves, he thought half of them may be career student affairs people. They may foolishly aspire to be people like him and see this as an entry track toward exploring roles in student services and student affairs. He hoped half or more of these positions would be made up of someone who may have returned from the Peace Corps who was about to start graduate education, but wanted to stop out for a year or two and do an administrative role to sort of do a re-entry to the campus. Or it might be someone who had just finished a post doc and, again, it was a transition kind of role prior to beginning a full time faculty role. They would really want an array of people who crossed a number of career domains, but all of whom had experience in community building, and the common denominator would be some training in operating with communities and there were a lot of ways in which that happened in both the formal profession and formal training people like himself had or people who had worked in a number of community development settings. And they had a basic sense of some of the administrative expectations and just dealing with crises and being able to manage the unique needs of 300 to 500 students. They would be broadly recruiting, in particular to fill the positions right in terms of the diversification on the campus, i.e. with people who themselves were a diverse array of professionals.

Professor Staddon: "To whom would they report?" The speaker answered that the RCs would report to the senior housing administrator and they themselves would supervise the RAs and the

graduate students and residents within each of the quads.

Commenting on the Walmart point, Larry **Moneta** thought it a very important observation and they were sort of on the verge of moving from Walmart to Oxbridge. This discussion of how students' educational needs and consumer needs were served simultaneously was not something that Duke faced alone. Students were admitted in the full knowledge that they were shopping based on Walmart and Oxbridge simultaneously. This was the beginning of a path with the goal of establishing a trajectory that was closer to Oxbridge as an outcome than Walmart, but they needed to begin within the confines of what Duke's students' expectations were today. They had a system today that was excessively consumer oriented, excessively managed on behalf of a free choice of who got to own territory and a lot of headway had been made in the last three months to change that: the relocation of the selectives, the delineation of who owned what part of the territory, the ways in which they were planning to manage the new residential environment. What that environment stood for was a substantial change just in the last several months.

Professor Melissa **Malouf** (Humanities) asked if any provisions had been made for the sophomores who moved to Central Campus and whether or not they had to buy the meal plan because it was much less expensive. Larry **Moneta** replied that there were a number of individual considerations that had emerged. For the most part, their goal was not going to be to create exceptions. There were financial aid options for students with financial needs. They would work with the Financial Aid Office as part of the aid package in decision making. One of the key elements of this was a shared experience, and it created some tensions. They were trying to work within the existing structures that supported students who had differential needs.

FCC REPORT ON POST-RETIREMENT MEDICAL BENEFITS

Thanking the speaker, the **Chair** turned to the last agenda item that did not require a vote at this point, i.e. it was a two-meeting item. He introduced Professor Tom Metzloff, Chair of the Faculty Compensation Committee, and Executive Vice President Trask to present proposed changes in post-retirement medical benefits.

EVP Tallman **Trask** explained that the immediate issue being confronted was caused by a change over which Duke had no control. Several years ago the financial accounting standards governing the rules on how to pay for post-retirement medical care changed. It used to be that one put aside cash as one went one actually paid, which in Duke's case, was about \$ 5 M a year. Because of the potential insolvency of employers (he wasn't terribly worried about Duke) , and the impact that insolvency might have on employee benefits gave rise to a change. The rules were changed to require

employers to actuarially determine the future liability and put that money aside on an annual basis. So while Duke was currently spending about \$ 5 M they were looking at about \$30 M a year of potential future liability and as of last June 30, they were now looking at a total of \$ 208 M to pay for future health care benefits and by implication not to pay for something else. Recognizing those trends, they went to ECAC and then the Faculty Compensation Committee last spring to initiate a conversation about whether that was really the right balance point to be at and, as an institution, Duke's current benefit was enormously generous, only Princeton's was substantially higher than Duke's current benefit. The problem here was really the actuarial compounding problem of the expected cost of an event 30 years from now and the reverse corollary of Albert Einstein's observation that the greatest invention in the history of mankind was compound interest. They had tried to get a balance point here which did not significantly disadvantage retirees or people approaching retirement. It maintained a principle that Duke as an employer, unlike many employers, would pay for more than half of the benefit even after the change. But they were suggesting it was time to make an appropriate adjustment so they were no longer obligated to essentially reduce their flexibility by several hundred million dollars. So that was the origin of this.

Professor Tom **Metzloff** said he took no pleasure in talking about any cut in any benefit. Those who had had a chance to look at his memo knew this didn't change the medical benefit for current employees. There were other aspects of the program that were not being changed even though they could have been. The payment of 50% for one spouse as a retiree would remain the same as well. This particular benefit had to be located in a constellation of benefits and this one, at least in his view, was not one of the brighter stars in the benefit package. What were the brighter stars? The financial flexibility for the university to continue competitive salary increases was important. The ability of the university to maintain a generous pension contribution was important. To be paid a competitive salary and have pension benefits truly was what helped those who were retiring and modest adjustments in the percentage paid by the retiree of \$7- \$10 more a month was what they were looking at. When they were asked at the beginning of the summer to look at this they were skeptical. The problem was real, however and it presented in the not too distant future a real potential drain on the university's ability to continue to fund the brighter lights of the constellation of benefits. They explored with the administration a variety of possible changes. There were many factors and all kinds of trade-offs and they had a very robust discussion over the summer of what the needs were, especially of those people who were currently retired. They didn't get the benefit of continued salary increases and of a continued generous pension benefit. They were sort of already locked into whatever package they had. The proposal that was being forwarded by the

administration and which the Faculty Compensation Committee was sort of passing on as being an appropriate reflection of university values had a very modest change for current retirees, i.e. from a contribution of 15% to 20%. Duke would continue to pay 80%, i.e. down only from 85%. For those people who had substantial service with the university, there should be one middle level. At one point in the program they had about 8 different categories depending on when one was going to be retiring and would walk up from 20 to 25 to 27 % and there was some interest in administrative simplicity. This didn't mean there weren't ways to continue to talk about some possibilities. The current proposal, however, created an intermediate category of people who already had a significant degree of service and who at the time of retirement would meet a rule of 75. [Take your age add the number of years you have been at Duke, and if it's more than 75 you get the benefit]. For the intermediate category, a new rule of 60 was being proposed. As of January 1, 2002, people should take their years of service add their age and if they were over 60, they would have to contribute a 30% payment, up from the current 15%. If one didn't meet that at retirement in 20, 30, 40 years the payment amount would be 40%. It was important to the Committee that Duke's contribution wouldn't become the small piece of the puzzle. So some trade-offs had to be made. This was a proposal that achieved according to Dr. Trask the financial goals of significantly reducing the actuarial expense that had to be taken to the books and therefore secured to some significant level the flexibility of financial resources available for the rest of the faculty compensation pool. He would take questions.

The **Chair** pointed out the presence of several individuals that could help answer questions members of the audience might have: aside from EVP Trask, Clint Davidson, Vice President for Human Resources and Lois Ann Green who was the person in that office especially responsible for these benefits.

Professor Curtis **Richardson** (NSEES) was unclear about where the actual savings for the university would occur in light of the rules of 75 and 60. EVP **Trask** replied that there actually were not a whole lot of cash savings. There was a substantial savings in the projected liability for people who were going to retire 20 years from now. Because the current models assumed Duke would pay 85% of their health care 25 years from now, and compounded out with the growth of health care costs, it cost a whole lot of money. Now Duke's part would be 60% after five years, or 60-40 instead of the current 85-15. But this wouldn't hit anyone for 5 years.

Curt **Richardson** asked if it was correct then to say that even if one were at the 75 rule, one then went from 15% to 40% after five years. Tallman **Trask** confirmed this; the current proposal was the cut-off date for differential eligibility, one's status as of January 1, 2002 was decisive, i.e. on that day one either fell into

one or the other category or one fell into the third category. This model, in the end, seemed to them to be relatively equitable. It actually cost several hundred thousand dollars more than where they were at the last run of the model, but it seemed to be a fair place to balance it all. To help the questioner understand correctly, he explained that right now everyone was at 15%. Year 1 everyone went to 20%. People who were currently retired stopped there. Year 2 everyone went to 25%, except the 20's [current retirees]. Year 3 everyone went to 30%. People who on January 1, 2002 met the rule of 60 stopped at 30%. So the next year everyone went to 35%. The following year everyone went to 40%.

Tom **Metzloff** added that those people who were only perhaps a year from retirement had a claim to being treated more like a current retiree and he thought there was a great deal of merit to that, but he wanted them to raise their own point.

Professor Ken **Knoerr** (NSEES) said that he was one who had raised that question and added that he met a rule of 114. So he just wondered if people who were somewhat in his category but still not be retiring as of January 1 could be at the same rate as those who were currently retired.

Tallman **Trask** commented that they were looking for advice. This was obviously a balancing act. They knew they did not want to continue to prorate \$ 30 M a year, so they couldn't spend for other things. So what was the right compromise. He was actually quite interested in the possibility, but they were all looking for advice. If they said OK on January 1, 2002 one met the rule of 75, but one hadn't retired they would pretend the person was retiring and kept him/her at 20%. That would cost about \$400,000 a year. He was looking for advice as to whether that was a good investment or not. In the scheme of the numbers it was not a big deal. And if this group would encourage them to play with that, they'd be happy to do so.

Peter **Burian** offered one clarification because he thought there was some confusion. In the current plan, as proposed, the rule of 75 had no particular place. The rule of 75 was the rule which determined whether one were in fact eligible for whatever benefit upon retirement. In the current plan there were three categories none of which were determined by the rule of 75 except that if one was retired and received benefits one had met that rule by definition. One was either retired, one met the rule of 60 or one did not meet the rule of 60. So the question was now should there perhaps be an additional category or categories and where should it be drawn. Tallman **Trask** added the question was whether, in essence, people who were eligible to retire with benefits, but for some reason didn't, should be counted as if they were retired for the purpose of this benefit.

Tom **Metzloff** explained further that they did not want to create any

incentives for people to retire at the end of the current year and thus have an undesired impact. They wanted this change to be neutral with respect to the individual decision of faculty members. Tallman **Trask** added that a 5% change in current dollars was \$ 18/month whether one was held at 20% or allowed to go to 30. He couldn't project what would happen 30 years from now.

Professor Susan **Schneider** (Nursing) asked how this meshed with the Medicare benefit. Was it true that Duke was paying people's health care until they became Medicare eligible?

Lois Ann **Green** (Benefits Administration) explained that once a person was over age 65 and retired, Medicare did become primary and paid first and the Duke Health Plan paid second. But Medicare did not cover prescription drugs. Whether it would in the future was an option. But right now about 2/3 of their costs for retirees was for prescription drugs. There was, however, a very minor difference in premium when one went on Medicare at age 65.

Professor Don **Fluke** stated that he was retired and one of the things he was trying to understand here was this accounting change. Apparently, the university was now required to build some kind of reserve. The money couldn't be spent on other things but it had to be saved against future expense. In the meantime he assumed it was under the tender care of DUMAC and had to be earning some money, "so, how about that?" Tallman **Trask** replied that it was earning money, but under the accounting rules interest earned on ERISA restricted balances went to ERISA, so the interest couldn't be taken out. It was making money. The amount of money it was making was currently more than it was paying out. So the fund was continuing to grow.

Roger **McClendon** (Pathology) asked about the numbers involved in the predicted changes; Tallman **Trask** answered that the current amount in the fund as of June 30, 2001 was \$208,490,000. The expected payment under the current policy would be \$29,200,000. The year after it would be \$32 M and under the proposal they were talking about now, that would in the first year be reduced to \$22 M down by \$7 M and in the second year it would be reduced to \$19 M down by about \$13 M. So it saved not quite half of the total. Those numbers were in addition to the earnings that were fed back into the account, he replied to another questioner.

Professor **Richardson** wondered --if it didn't cost much extra money-- why those that were closer within those x number of years were not taken care of in the proposal. EVP **Trask** responded that there had been a second layer of the rule of 70 whereby those people would go from 15% to 20% to 25% and stop. They had to figure out what the right balance was.

Tom **Metzloff** said that it was actually ECAC that pushed them to the

rule of 60. Part of it was simplicity. They did have as of two weeks ago a rule of 70 that would be at the 25% level.

Tallman **Trask** wished for a sense of the Council to declare those who met the rule of 75 as of January 1, 2002 part of the first category whose contribution would increase by only 5% to a total of 20%. It would cost the university about \$400,000 a year, i.e. it would reduce the \$7 M cut by that amount.

VOTE ON THE RULE OF 75

After some further requests for clarification and some expression of levity, such as whether people who benefitted from an affirmative vote on the issue of the rule of 75 should be allowed to vote, the **Chair** proposed the following motion: whether it was the sense of the Council that those who met the rule of 75 as of January 1, 2002 would be treated in the same category as those currently retired once they did retire, i.e. they would only pay 20% instead of 30%. He then asked those who supported this change in the current proposal to signify by saying aye. He declared that the ayes had it and the motion **passed**.

Tallman **Trask** said that they would amend the plan to meet the needs of the rule of 75. He would also like at some point a general sense as to whether people understood the rationale and were comfortable with the whole idea.

The **Chair** suggested that this should be brought back with a motion at the December 6 meeting.

Professor James **Crenshaw** (Divinity School) reminded the audience that people who had only a couple of more years to go before retirement certainly would not benefit from any salary increases either [to offset any reduction in health care benefits].

The **Chair** agreed and reiterated that the matter would be brought back the next time. He then asked for a motion to adjourn.

Submitted for consideration by the Academic Council,

A. Tilo Alt Faculty
Secretary