MINUTES

Executive Session
1. Call to Order/Roll Call .......................................................... 1
2. Presidential Evaluation ......................................................... 1
   a. President Mary Cullinan, Southern Oregon University .......... 1
3. Recess .............................................................................. 1

Open Session
1. Reconvene/Roll Call/Welcome .............................................. 2
2. Reports .............................................................................. 2
   a. Chancellor’s Report ......................................................... 2
   b. Committee Action Reports ............................................ 2
   c. Oregon Student Association (OSA) Chair ......................... 3
3. Consent Items .................................................................. 3
4. Action Item ....................................................................... 4
   a. Senate Bill 242 Recommendations and Reports Preview: Optional
      Retirement Plan and Health & Welfare Insurance Plan Options ....... 4
   b. Chancellor’s Compensation ......................................... 7
5. Public Input ....................................................................... 7
6. Board Comments ................................................................ 7
7. Adjournment .................................................................... 7
Executive Session of the Board

MINUTES

Board members present included President Matt Donegan and Directors Lynda Ciuffetti, Brianna Coulombe, Jill Eiland, Orcilia Forbes, Allyn Ford, Jim Francesconi, Farbodd Ganjifard, Paul Kelly, Jim Middleton, Emily Plec, Kirk Schueler, and David Yaden.

Others present included: President Mary Cullinan (SOU), Chancellor George Pernsteiner, Charles Triplett, and Marcia Stuart.

1. CALL TO ORDER/ROLL CALL

President Donegan called the executive session of the Board of Higher Education to order at 8:06 a.m.

2. PRESIDENTIAL EVALUATION

a. President Mary Cullinan, Southern Oregon University

Pursuant to ORS 192.660(2)(i), the Board met in executive session to review and evaluate the employment-related performance of the chief executive officer of any public body who does not request an open hearing for the purpose of discussing personnel matters. Pursuant to ORS 192.660(6), no final action was taken or final decision made in the executive session.

3. RECESS

President Donegan recessed the meeting at 9:28 a.m. to reconvene at 9:30 in open session.
MINUTES

Board members present included President Matt Donegan and Directors Lynda Ciuffetti, Brianna Coulombe, Jill Eiland, Orcilia Forbes, Allyn Ford, Jim Francesconi, Farbodd Ganjifard, Paul Kelly, Jim Middleton, Emily Plec, Kirk Schueler, and David Yaden.

Chancellor’s staff present included: Chancellor George Pernsteiner, Bridget Burns, Mike Green, Drew Hagedorn, Ryan Hagemann, Jack Isselmann, Jay Kenton, Melody Rose, Di Saunders, Patricia Snopkowski, Charles Triplett, Denise Yunker, and Marcia Stuart.

Campus personnel present included: Presidents Bob Davies (EOU), Mary Cullinan (SOU), Mike Gottfredson (UO), Chris Maples (OIT), Ed Ray (OSU), Mark Weiss (WOU), and Wim Wiewel (PSU); others present included Merriam Weatherhead, Emily McLain and Emma Kallaway (OSA).

1. RECONVENE/ROLL CALL/WELCOME

President Donegan reconvened the meeting of the Board of Higher Education at 9:42 a.m.

2. REPORTS

a. Chancellor’s Report

Chancellor Pernsteiner thanked all who participated in the Oregon Social Business Challenge, held on October 1, 2012, and acknowledged the work of Bridget Burns, who organized the event.

Mr. Jack Isselmann was called upon to present his last legislative report to the Board. Mr. Isselmann is leaving Tonkin Torp at the end of October for a new position. Chancellor Pernsteiner lauded Mr. Isselmann’s work in the presentation and passage of Senate Bill 242. Mr. Drew Hagedorn will continue serving OUS in Mr. Isselmann’s stead.

b. Committee Action Reports

i. Academic Strategies (Francesconi)

ii. Finance & Administration (Schueler)

iii. Governance & Policy (Kelly)

Directors Jim Francesconi, Kirk Schueler, and Paul Kelly reported on the work of the three standing committees. Francesconi outlined several initiatives on the ASC work plan and noted an ASC discussion on diversity and the low participation of underrepresented minorities,
specifically African Americans, among faculty, student populations, campus administration, and
on the State Board. Francesconi reported that Director Eiland will lead the diversity initiative,
tying accountability to presidential evaluations. Another initiative in the ASC is the partnership
with K-12 and community colleges through teacher education; initial work was included in
legislative proposals put forth by the Committee. ASC is also working on linking critical degrees
and research with the economy; Scott Nelson, with the Governor’s Office met with the
Committee to discuss the direction of this initiative. Learning outcomes – led by Vice Chancellor
Rose – and faculty satisfaction – led by Director Plec and Dr. Rose – are topics that will also be
addressed by the Committee. Discussion was held concerning 40-40-20 and the expectations of
the Oregon Education Investment Board.

Director Schueler provided an update on the Finance & Administration Committee, noting that,
in addition to ongoing business, in December, campuses will engage in a 5-year financial
modeling exercise. A report on the exercise will be provided to members to guide further
discussion on these important issues.

Director Kelly reported that shared services has been the major topic discussed at the
Governance & Policy Committee and that the Committee will continue to pursue this topic with
the goal to advise the legislature, determining what services should be shared and efficient and
effective delivery methods for students and universities. The presidents were advised that the
Committee desires to discuss this with their senior administration in the near future. President
Donegan informed that the OEIB is also addressing this issue and that the Committee’s report
should be presented to the OEIB for review prior to submission to the legislature.

c. Oregon Student Association (OSA) Chair

President Donegan called upon Chair Merriam Weatherhead, who was recently appointed to
the position for 2012-13. Ms. Weatherhead provided the Association’s report to the Board,
highlighting summer activities that included the voter registration drive, governance issues, and
OSA priorities for this legislative session (the full report is on file in the Board’s Office).

3. CONSENT ITEMS

a. NWCCU Institutional Core Themes
b. Seventh amendment to the Optional Retirement Plan (ORP) and first amendment to the
Tax-Deferred Investment 403(b) plan

ACTION: Directors Jill Eiland and Allyn Ford made the motion and second, respectively,
to approve the consent items as presented; motion carried.
4. **ACTION ITEM**

   a. Senate Bill 242 Recommendations and Reports Preview: Optional Retirement Plan and Health & Welfare Insurance Plan Options

President Donegan called upon Vice Chancellor Kenton to introduce the item and provide background. He advised that Senate Bill 242 charged the State Board of Higher Education with establishing a committee “consisting of representatives of public university management and of employees, both represented and unrepresented, to evaluate options for: (a) an optional retirement plan as described in ORS 243.800; and (b) continued participation in the Public Employees’ Benefit Board, transfer of employee participation to the Oregon Educators Benefit Board or participation in other, alternative group health and welfare benefit plans.” Since January, the System has worked diligently with labor management committees (Optional Retirement Program and Health & Welfare) and preliminary draft reports were developed and meetings were held with constituents to provide opportunities to receive public comment.

Mr. Nathan Klinkhammer, OUS retirement plan administrator, reported on the proposals developed by the SB 242 Optional Retirement Plan review committee. The ORP was instituted in 1996 and was designed as an alternative to the PERS program, to be portable, and to have participant investment control over the accounts. During initial sessions of the committee, a survey was conducted, submitted to 3,600 active ORP participants with approximately 45 percent survey responses. The survey then became a tool to inform the three recommendations.

Three topics addressed by the committee included: 1) an investment structure plan (which is statutorily restricted to have two mutual fund companies and two insurance companies providing plan products), 2) ORP contribution eligibility (currently, PERS eligibility definitions are the standard), and 3) contribution rate and structure (currently, Tiers 1, 2, and 3 are directly linked to the PERS contribution rate).

The committee’s recommendations are summarized:

1. **Investment providers** (e.g., TIAA-CREF): it is recommended to remove the restriction on the number of annuity and investment fund product providers, to achieve preferential investment product pricing, reduce administrative costs, and simplify the Plan for participants;

2. **Contribution eligibility**: to restate the eligibility requirements in order to improve transparency (with an initial employee 600-hour equivalency but no requirement for ongoing eligibility evaluation);

3. **Contribution Tier**: Currently, ORP contribution rate fluctuates frequently, therefore the committee recommends establishing a new tier not based on PERS contribution rates for employees hired subsequent to the effective date of the regulations (proposed 7/1/2014) and retain the current contribution benefits and privileges of Tier 1, 2, and 3 ORP participants. The new contribution model would consist of an employer basic contribution and employer match—12 percent maximum employer contribution.
(8 percent employer flat contribution rate and then a dollar-for-dollar match of up to 4 percent of salary with the participant contribution forwarded into the OUS tax-deferred investment 403(b) plan).

The IRS requires that retirement plans like the ORP have a definitely determinable contribution rate; therefore, the committee worked with the IRS to reach an understanding pertaining to the construction of the Plan. Dr. Kenton reminded that the recommendations require statutory changes and, therefore, must be approved by the legislature prior to implementation.

**NEXT STEPS:** Open employee and faculty senate meetings will be held with the ORP committee during the month of October at all System institutions. In November, the committee will discuss comments received from these meetings and will return with a finalized report in November, with the final report subsequently submitted to the legislature.

Ms. Denise Yunker, OUS human resources director, and Mr. Don Heilman provided the report concerning proposed Health & Welfare Insurance plan options. The report discussed three issues: 1) PEBB options, 2) health insurance costs under the PEBB plan program, and 3) OUS’ participation in the Oregon healthcare transformation issue.

Three committee recommendations were presented to the Board:

1. **Establish an OUS Benefits Council/PEBB Workgroup.** To seek formal representation and authority for an OUS benefits council or labor-management workgroup responsible to implement the committee’s current Value for Cost recommendations and, on an ongoing basis, to directly and regularly advocate on behalf of university employees within PEBB (similar to OHSU’s benefits council).
2. **Value for Cost of Continuing with PEBB.** This recommendation proposes six changes that will mutually benefit OUS and PEBB:
   a. **Replacing PEBB’s Health Engagement Model (HEM) with an alternative employee engagement model.** To address health improvements with health status information specific to University System employees rather than the entire PEBB population.
   b. **Contribution Rates.** To establish a unique composite rate based on its own employee costs to support competitiveness in higher education employment and recruitment.
   c. **Worldwide Coverage.** Approval for other rural, national, and international healthcare coverage under ORS 243.215 with PEBB-funded offsets sufficient to provide benefits equal to the cost plan of the plan administrator’s out-of-area network providers.
   d. **Enrollment and Payment Management Systems.** Improve and update PEBB enrollment/payment processes to operate, as OUS would otherwise contract with a TPA (third party administrators) for enrollment management and payment services.
e. **Dedicated PEBB staff for OUS.** To increase PEBB staffing to improve responsiveness to employer requests; to absorb their new workload associated with overall healthcare transformation; and to improve quality control to reduce data and report errors.

f. **Practice and Policy Changes.** Other improvements in services to the University System were identified, including pharmacy, flexible spending accounts, tele-health expansion, and fitness incentives.

3. **Normalize OUS Costs and Contribution Rates.** To reduce the subsidization of the insurance pool based on OUS’ costs and contribution rates to better control benefit costs and limit the negative impact on student tuition.

During the discussion, the question was raised as to how much tuition monies were being directed toward paying the PEBB increased rates and it was determined, as OUS pays $67 million during the past two years over what its employees used in benefits, that translates into approximately $350 per student per year (using 100,000 headcount amounts to an approximate 4.5 percent tuition impact). As context, System employees represent about 25 percent of PEBB participants yet the System contributes 17 percent above what should be required.

Chancellor Pernsteiner further expanded that the motivating factors for the System in addressing these issues have been to provide adequate healthcare coverage for employees in an affordable manner that did not escalate the price of tuition. It was made clear to the Governor and others in the state, what the level of the subsidy is and that increases in PEBB over the past several years have been paid by student tuition as a result of state budget reductions. Governor Kitzhaber is working on an approach to transform healthcare in Oregon and OUS will be a part of that strategy. However, if the System remains within PEBB—with the elimination of the subsidy—Pernsteiner stressed that “we must understand our own costs and our own rates” and to have coverage that is particular to System employees’ needs.

Director Ciuffetti recommended that, while OUS remains in PEBB, the biennial agency budget request include the amount needed to cover the increased costs to PEBB, thereby eliminating the need for increased tuition. Director Forbes recommended a statement within the report to the legislature that makes it clear that OUS prefers to separate from PEBB in the future; Vice Chancellor Kenton advised that a letter from the Board outlining the Board’s intentions could be attached to the report; however, this report is the Health and Welfare Plan Options Review Committee’s preliminary report and not the Board’s. He then stressed that OUS classified staff do not support separating from PEBB. Healthcare benefits are equally important to salaries among staff and their families and they remain concerned about this issue.

**ACTION:** Directors Jill Eiland and Farbodd Ganjifard made the motion and second, respectively, to 1) delegate to the Finance & Administration Committee the authority to accept and transmit the final report to the legislature by December 1, with an understanding that the F&A Committee will seek full Board input on the contents of the transmittal letter, and 2) request from the Governor, through the budget process, an
appropriation in the amount of $20M from the state General Fund for the purpose of meeting the projected PEBB cost increases and precluding OUS students from tuition increases related to the healthcare costs. Motion carried.

b. Chancellor’s Compensation

Director Paul Kelly was called upon to present the recommendation for the following: a raise to the Chancellor’s base salary of 3 percent, retroactive to July 1, with an additional 2 percent increase on the base salary effective June 1, 2013, for a total 5 percent.

As background, at the March 2012 Board meeting, the Board authorized a new 2-year contract effective July 2012 through June 2014 and further authorized President Donegan to negotiate and execute the terms of that contract, with the exception of compensation. The deferment of a compensation adjustment was at the request of the Chancellor because Chancellor’s Office unclassified staff and university president salary increases had not been addressed at that time. Subsequently, Chancellor’s Office unclassified employees have received a 3 percent cost-of-living increase (with an additional 3 percent effective June 1, 2013) and presidents received 5 percent increases (with the exception of newly appointed President Gottfredson).

**ACTION:** Directors Paul Kelly and Kirk Schueler made the motion and second, respectively, to approve a 3 percent salary increase for the Chancellor from the current base of $285,900, retroactive to July 1, 2012, with an additional 2 percent salary increase to the base at that time to be implemented June 1, 2013; the Board also approves that the current annual amounts for the Chancellor’s deferred compensation ($12,720), professional expenses ($23,320), and housing stipend ($26,000) remain the same. The Board authorizes the Board president or designee to negotiate and execute amendments to the Chancellor’s employment agreement consistent with this action. Motion carried.

5. **Public Input**

No public input was submitted.

6. **Board Comments**

No additional comments were given.

7. **Adjournment**

With no further business proposed, the meeting was adjourned at 1:05 p.m.