

May 27, 2005

President Amy Gutmann
Interim Provost Peter Conn

Dear President Gutmann and Interim Provost Conn,

We are writing in response to your request for comments on the Report of the Retiree Benefits Task Force as published in the March 15, 2005 issue of *Almanac*. A bit of background on “we” may be in order. The first recommendation in the report of the 2002 Task Force on Faculty Retirement (*Almanac*, September 10, 2002) was that “The Office of the Associate Provost should move immediately to establish an Association of Retired Faculty” which would both recognize the past contributions of emeritus faculty members and provide them with opportunities for ongoing service to the University. For various reasons, including the untimely death of the Associate Provost, the Association of Emeritus Faculty is only now beginning to move beyond the formative stage. We are the members of the slated Executive Committee of the Association for 2005–2006, and write to you in that capacity.

The primary concern that stimulated this letter is the recommendation that those faculty and staff members who retired prior to July 1, 1996 be required to begin contributing to the cost of their health benefits. While it is certainly true that these benefits are extremely generous, the circumstances of the changes that were made in 1996 should be carefully considered in any plan to reduce them.

The University, in the early years of the 1990’s, faced three related problems. Mandatory retirement for tenured faculty members was being eliminated, the General Counsel’s Office had questioned the legality of the Faculty Voluntary Early Retirement program (FVER), and FAS106 had forced the University to look much more carefully at the future costs of commitments for health insurance. The latter was one element in the decision to require future retirees to contribute to the cost of their health benefits. However, those faculty and staff who were willing to retire prior to July 1, 1996 were offered an opportunity to retire with fully-paid health benefits. The Faculty Income Allowance Program (FIAP) was crafted to replace FVER, and faculty members were offered a choice of either FVER or FIAP if they were eligible. It was hoped that this overall package would stimulate faculty retirements and hence cushion the early effects of the elimination of mandatory retirement. It is our understanding that this was in fact the result.

Those faculty members who retired at that time considered the expectation of University-paid medical benefits to be an important element in their decision to retire from their tenured positions. They did not imagine that these benefits might be removed, nor did the University make any serious attempt to convince them otherwise. The problem is not so much that the increased costs represent a huge burden to most emeritus faculty members—indeed we recognize that the impact on many retired staff members would be significantly greater. The problem is, if the recommendation is adopted, that the University will be perceived, with a good deal of justification, as having walked away from a moral commitment. This is wrong for any institution, and particularly so for one like Penn. It will also have the effect of undercutting the strength of future commitments that the University makes.

Sincerely,

Executive Committee
Association of Emeritus Faculty

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