

Faculty Welfare Committee report to the senate 9/9/2010

For the academic year 2008-09 the college's contribution to the TIAA-CREF retirement plan was abruptly slashed from 8.25% to 2%. This was in response to financial pressure caused by reduced enrollments and an increase in student financial aid as the global economics crisis hit. The contribution remained at 2% for 2009-10 and has returned to a mildly less pitiful 3% for the current academic year. Last year's budget projections have the contribution level at 3%, 3%, 5%, 5% for the years 2011-12 through 2014-15. We note that there is no current plan visible for a return to the 8.25% of previous years.

We are often informed that these are difficult economic times and many colleges and universities are making similar cuts. Our analysis does not bear this out. Of the 1136 institutions of higher education reporting to Academe, 75% left their retirement contributions unchanged. No category was listed for a decrease of 6.25 points, however, a mere 7% of those reporting had a decrease of 2 or more points. To quote Joel Burley, last year's FWC chair, "We are the outlier of the outliers."

While this is patently bad for the faculty of the college, we contend that it is also damaging for the college, beyond the impact on hiring, retention and morale (which of themselves are significant enough to warrant a return of the benefits). There is regular discussion on the aging of our faculty and how we are "top-heavy" with the majority of faculty at the top of the full or associate scale. By our calculations, if the administration returns contributions to 8.25% after the year 2014-15, a typical faculty member will still have to work an additional two years to make up the difference. If 5% is to become the "new normal," our typical professor will have to work an additional 6-7 years to make up the difference. However, if we remain at the 3% level, a new assistant professor will have to work an additional 12 years to make up the difference.¹ This can only serve to exacerbate the aging of our faculty.

There have been expressions sent to the faculty e-mail list that this is affecting most those close to retirement. However, while younger faculty do have more time to make up the difference, we observe that the effect of compounding means that those losing a smaller amount now in fact have a much larger amount to make up come retirement. To demonstrate this, consider three faculty members, one full professor now 8 years from retirement, one associate 18 years from retirement and one assistant 28 years from retirement. They are at steps 3, 4, and 5 over the year 08-09 to 10-11 in their respective ranks. Over we give a table of the actual amount lost in the retirement reduction and the amount that will need to be made up by retirement assuming an 8% return on investment.

¹ Assumptions. In all cases we assume a 3% rate of inflation and an 8% return on investment. This is not a statement on when faculty will be able to retire, merely a comparison of the loss from the 8.25% contribution that was previously in place. We assume all our professors were previously considering retiring at age 65.

	Full	Associate	Assistant
Amount lost in current dollars	\$17,511	\$14,386	\$11,902
Amount lost at retirement	\$35,020	\$62,113	\$111,225

The eye-catching \$111,225 should be enough to convince the younger faculty that this is just as much their problem as those closer to retirement.

Even with a return to the 8.25% level we would be below our peers. The average institutional cost, for those colleges and universities reporting to academe, of retirement benefits is 10.0%. It is therefore our intention to propose a resolution to the senate meeting on September 30th calling for an immediate return of the 8.25% retirement benefit and a longer-term plan to move towards the nationwide standard of 10%.

To quote a recent communication from CFO Pete Michell the “net revenue from undergraduate students is projected to be significantly ahead of the original budget assumptions and will generate substantial excess revenues.” He adds “The College Budget Committee met last month and will meet twice this month to review and assess how the projected excess operating budget revenues should be deployed.”

For the long term viability of the college we urge that the return of our retirement contributions be the priority for deployment of these funds.