[Below is a draft proposal prepared by a working group convened by Terry Meyers (English) and made up of members of the Faculty Compensation Board and the Faculty Assembly Committee on Planning and Resources: Bob Archibald (Economics); Will Hausman (Economics); Katherine Kulick (Modern Languages); Alan Meese (Law); Gene Tracy (Physics); and Ned Waxman (Business). TLM]

copar/fcb working group draft December 2009

The Faculty Assembly has under consideration what advice to offer the Provost concerning the future of the bump up in salary offered, for the past several decades, to virtually all faculty in their last two years before they retire.

Last year, Provost Feiss asked the Faculty Compensation Board to study the matter and to prepare a recommendation. The FCB prepared a report to him, dated April 10, 2009. That report was subsequently referred to the Faculty Assembly, where the Executive Committee considered it and referred it to the FA Committee on Planning and Resource (COPAR). A working group of members from COPAR and the current FCB has met and revised the FCB's report, as below, after discussions between the EC and Provost Michael Halleran.

The working group would now appreciate receiving comments from members of the College's Faculty (address them to Terry Meyers, English, tlmeye@wm.edu, who will compile them all for review by the working group and COPAR; send him any comments you prefer to make anonymously in hard copy). The working group anticipates meeting in February to make final its recommendation to COPAR, which will then forward its recommendation to the Assembly for consideration at its February meeting. The Assembly will then articulate its recommendation to the Provost.

What follows is the draft redaction of the FCB's April report, now a document of the working group, and subject to revision after receipt of comments. Please forward comments to Terry Meyers no later than February 1, 2010.

The working group will recommend strongly that the integrity of the salary pool be preserved.

DRAFT:

It has become customary over past decades for faculty members who sign a retirement agreement with the Provost and their Dean to receive an 8% salary increase for their second-to-last year of service and a 7% salary increase for their last year of service. In return, the faculty member is excluded from the regular merit evaluation process and does not receive any additional salary increase during those two years.

Although knowledge of this policy is not pervasive among the faculty, the majority of faculty members within 10 years of retirement appear to be aware of it, expect to receive similar salary increases prior to retirement as a matter of course, and may have made financial plans based on the expectation that they will receive them. Moreover, faculty members nearing retirement who have spent the majority of their career at the College have in the past contributed, at least in part, to this program because the funds that provide most of the retirement merit increases have been taken from the overall pool of money available for salary increases.

Phase Out of the 8%/7% Retirement Policy

Our recommendation is that the Provost phase out the 8%/7% policy. This policy is no longer an effective tool for encouraging early retirement. We believe that individuals who retire "early" are**,** in addition to possibly participating in the phased retirement plan, able to negotiate individual agreements with their Deans. However, the current practice does affect how salary increases are distributed among different faculty cohorts. Although there is some variation across the schools as to how the current 8%/7% increases are funded, it is clear that allotting these funds to retirements reduces the funds available for salary increases for non-retiring faculty members. Thus the current policy shifts resources from younger faculty to older faculty.

For faculty members enrolled in the ORP versus the VRS, this shifting is particularly costly. In the ORP, contributions made in the early years of employment have a much larger effect on retirement than those made in later years because investments grow at a compounded rate.

We do note one benefit to the current policy: – retiring faculty, assuming they receive the 8%/7% raise, do not participate in the traditional merit process. We propose that even after the phase out of this current retirement policy, retiring faculty should be given the option of not participating in the merit evaluation process at all and instead automatically receive the average merit increase for that year.

Proposal: End Policy on 12/31/2015

This proposal keeps the current retirement policy intact for anyone who signs a retirement agreement on or before December 31, 2015 to actually retire by July 1, 2020. After that date retiring faculty can choose to opt out of the merit evaluation system and receive the average salary raise or choose to participate in the traditional merit process. Any alternative agreements for salary increases that exceed the average salary increase must be funded from a source other than the salary pool.

This alternative is very simple to implement and while it provides adequate time for people to make changes to their retirement plans, it also ends the policy in a relative short time frame.

Preserving the Integrity of the Salary Pool

On a final note, the Faculty Assembly is concerned about the various ways by which the funds freed up from retiring faculty members may be redirected from salaries to other purposes. Salary increases provided to retiring faculty do come out of increases to the salary pool set by the Board of Visitors. To the extent that these funds are returned to that salary pool, the overall salary pool will increase by the percentage established by the BOV. Assuming no increase in the number of faculty members, this action should over time help us to achieve the SCHEV-defined goal of salaries in the 60th percentile. However, the Assembly is concerned that some of the funds freed up by retirements have been used in the past to increase the number of faculty and/or provide funds for faculty start-up. Thus although the BOV has intended to increase faculty salaries by specific percentages, in reality faculty salaries have not achieved these increases. We recommend that the Provost ensure that funds intended to increase the overall level of faculty salaries not be diverted for other purposes.