Faculty Senate
@ Missouri University of Science and Technology

2008-2009
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Neil L. Book, Parliamentarian
Frank D. Blum, Past President
facsenate@mst.edu, 573.341.4972

To: Faculty Senate
Date: February 18, 2009

From: Douglas R. Carroll
Re: President's Report

Tenure and Promotion Policy: At the last Faculty Senate meeting, the Tenure committee presented proposed changes to the tenure policy. There was considerable discussion, and the Senate voted to table the motion. The Tenure committee is still working on revisions and will not present them at the February meeting. The committee plans to bring a proposal to the April meeting.

Global Studies Minor: The Global Studies minor is almost ready to be presented to the Senate, but the proposers decided to wait until the April meeting to forward the proposal. This has been a contentious issue, with some faculty strongly in favor of the minor and some strongly against. I hope that we will have the discussion and vote on the minor at the April Senate meeting.

Budget: We are still in a holding pattern as far as the University budget, waiting for the State legislature to make budget decisions for the current fiscal year. President Forsee indicated that expects to know very soon whether we will have a withholding for this year, and the magnitude of the withholding. However, I made the same statement in last month's report and we still do not know.

Furloughs and Layoffs: President Forsee asked for and received permission from the Board of Curators to implement furloughs and layoffs, if necessary, to balance the budget. The President was granted the authority through June 30 of this year. If there is a large withholding for this fiscal year, it may be necessary to implement the furloughs and/or layoffs.

Employee Contributions to the Retirement Fund: For the first time in our history, it appears that employees will be asked to contribute a portion of their salary to the retirement fund. There has been considerable information published on the contributions, and no need for me to repeat it all this report. In my opinion, the reason that employees are being asked to contribute is because the retirement fund dropped dramatically in value from a peak of approximately $3 billion in June 2007 to a present value of approximately $2.1 billion, a loss of approximately $900 million. The University budgets 7% of payroll (approximately $70 million), per year to put into the fund. Normally this is enough to keep the retirement fund "fully funded" so that the earnings on the retirement asset are large enough to pay the benefits, which are currently approximately 130 million per year. Unless the stock market comes back quickly and dramatically, the university will need to contribute more that the 7% budgeted to keep the retirement fund "fully funded" so that its earnings can pay the benefits. University payroll is approximately $1.5 billion, some of which is benefits and part-time employees that do not contribute to the fund. A 1.x% employee contribution is approximately $15 million.

Our University's retirement fund is not unique. There are many retirement funds in essentially the same situation. The investment strategy for our retirement plan is very similar to other retirement plans.

A justification given to require that employees make the contributions to the retirement fund is that most of our peer institutions require employees to pay into their retirement funds. While this may be true, our salaries are near the bottom of our peer institutions. When you look at the total compensation package, we are still near the bottom of our peer institutions. I don’t feel that this justification for an employee contribution is satisfactory unless our salaries are raised to be competitive with our peer institutions. Raising our salaries to that of our peer institutions would cost more than the 1.x% contributions that employees will make to the retirement fund. Requiring that we contribute to the retirement fund makes us even less competitive compared to our peers.

I feel that we are in a difficult situation with regard to the retirement fund. We need to raise the value of the retirement asset so that the earnings and contributions can pay the promised benefits. If we ask that the University make the full contribution out of the operating budget, then we may eventually have to make significant cuts in programs and personnel to balance the budget. Other possibilities are to raise tuition or cut scholarships. There are no good choices, unless the stock market comes back dramatically. If the DOW would climb to 15,000 this summer we would not need to do anything beyond the normal contribution. But if the market stays low, we will have a few years where we will need to make large contributions to the retirement fund.

We can dream about the feds or state bailing out our retirement fund. There are lots of retirement funds all over the country in the same position we are in. It’s possible that they could bail us all out, but the cost would make the current federal stimulus package look small.

When the announcement was made, I was angry about making employee contributions to the fund, and I’m sure many other faculty members felt the same way. A significant number of faculty members have contacted me and expressed their anger and disappointment. For many years we have been told that this would not happen, and now, with very limited faculty input, it looks like it is going to happen. I have asked Betsy Rodriguez to come to Rolla and talk with us about the benefits changes and the rationale for them, and I have scheduled a special Faculty Senate meeting for the discussion on Tuesday February 24th. at 2:30 PM.