

Sustaining New Synergies Initiative

March 23, 2010 • France A. Córdova



**Commission for Higher Education
Regional Campus Roles and Missions
March 2010**

- *With increasing admissions standards at the Indiana University and Purdue University flagship campuses, and exploding enrollment at the community college level, Regional Campuses will play an increasingly important role in serving Hoosiers with high quality, low-cost baccalaureate degree programs, filling a vital niche in Indiana's system of higher education.*
- *Policy paper gives direction for a more efficient and effective role for campuses, as well as expectations.*

Purdue University System Response

- Agreement among Chancellors and Presidents on value of Purdue brand to campuses and value of campuses to Purdue WL:
 - Access
 - Success
 - Demographics
 - Public support
 - Legislative support
 - Workforce development
 - Economic development

Purdue University System Response

- Campuses agree to work more in concert with each other and with WL (“**Northern Corridor Consortium**”)
 - Educational opportunity (e.g., shared core curriculum for ease of transfer)
 - Technical workforce development (with Ivy Tech and Purdue extension)
 - Economic development (utilizing technology centers, certification programs)
- Press release about concerted effort among the Purdue campuses to grow the economy of Northern Indiana (announced upon approval of ICHE’s white paper on campuses, 3/12/10)

Regional Campus Concerns

- Budget environment and its potential impact on the campus (e.g., Governor's recent cut)
- Compensation/Benefits
- Communication between regional campuses and WL campus (home of system administration)

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Governor's Challenge

- Governor's cut of \$150 M from Indiana public higher education institutions
- \$45.5 M from Purdue system-wide (6% of overall appropriation)
- Distribution (percent of appropriation)
 - 6.7% West Lafayette
 - 6.1% Calumet
 - 3.5% IPFW
 - 0.4% North Central
 - 6.0% Other Line Items

Strategies to Achieve Savings

- Strategic Sourcing
- Energy Conservation
- Information Technology
- Workforce and Compensation Adjustments
 - Administrative Assessments

<http://www.purdue.edu/sustaining/>

Workforce and Compensation Assessments

- Retirement contribution
- Health care program
- Overtime policy
- Early retirement incentive
- Benefits for part-time employees
- Furlough process

Retirement Contributions

INSTITUTION	EMPLOYER REQUIRED CONTRIBUTION	EMPLOYEE REQUIRED CONTRIBUTION
Purdue <i>(TIAA-CREF only)</i>	15%	0%
Minnesota	13%	2.5%
Ohio State	10.5%	10%
Michigan State	10%	5%
Iowa	10%	5%
Michigan*	10%	5%
Indiana	10%	0%
Penn State	9.3%	5%
Illinois	7.6%	8%
Wisconsin	5.6%	5%

**Voluntary 2:1 match until age 35*

Regional Faculty and Staff Salary Comparisons

JOB CATEGORY	CALUMET		IPFW		NORTH CENTRAL	
	Index to Mean	Number Employed	Index to Mean	Number Employed	Index to Mean	Number Employed
Faculty '08	0.93	247	0.93	304	0.99	96
Faculty '07	0.89	240	0.92	304	0.99	97
Mid-Level A/P '08	1.02	107	0.95	118	0.92	42
Mid-Level A/P '07	0.98	98	0.96	92	0.90	39

Trustees' Position

- Current university retirement contribution is unsustainable, must be reduced to peer benchmark: 10% employer contribution and, ideally, 5% employee contribution. (Saves \$13 M/year on WL campus alone.)
- Can do this for new employees and be in line with peers.
- Challenge: Continuing employees value retirement contribution. Yet, in general, salaries are too low compared to peers. Hurts recruitment, national position.
- Variety of options include:
 - Trustees' option: Create 3% merit pool from benefits savings (save remainder for next budget cut)
 - WL administration option: “Rebalance” to increase salaries, and provide flexibility for employee spending or employee contribution to retirement

Benefits of Rebalancing

Benefit to the University

- More sustainable model
- More competitive salaries
- Improved recruiting opportunities

Benefit to the employee

- Provides flexibility
- Provides income opportunity

The level of total compensation remains the same.

Rebalancing Example*

	CURRENT	PROPOSED	DIFFERENCE
Salary	\$ 60,000	\$ 62,400	\$ 2,400
Retirement contribution	\$ 8,640	\$ 6,240	(\$ 2,400)
Total compensation	\$ 68,640	\$ 68,640	\$ 0
Salary	\$ 100,000	\$ 104,218	\$ 4,218
Retirement contribution	\$ 14,640	\$ 10,422	(\$ 4,218)
Total compensation	\$ 114,640	\$ 114,640	\$ 0
Salary	\$ 150,000	\$ 156,491	\$ 6,491
Retirement contribution	\$ 22,140	\$ 15,649	(\$ 6,491)
Total compensation	\$ 172,140	\$172,140	\$ 0

**Before taxes*

Annual Tax Implications of Rebalancing*†

SALARY LEVEL	Option 1: Non-Tax Deferred (As Pay)		Option 2: Tax Deferred Account	
	NET INCOME	INCREASED TAX	NET INCOME	INCREASED TAX
\$ 25,000	\$ 566	\$ 243	\$ -	\$ 62
\$ 50,000	\$1,362	\$ 584	\$ -	\$149
\$ 75,000	\$2,157	\$ 925	\$ -	\$236
\$100,000	\$2,953	\$1,265	\$ -	\$323
\$125,000	\$3,748	\$1,606	\$ -	\$ 78
\$150,000	\$4,544	\$1,947	\$ -	\$ 94
\$175,000	\$5,339	\$2,288	\$ -	\$111
\$200,000	\$6,135	\$2,629	\$ -	\$127

*Based on 30% marginal rate

†TIAA-CREF eligible employees only

Decision Timeline

- **April 8-9** Present balanced operating budget plan for FY 2011 to Board of Trustees

SNS proposal will be presented as an information item
- **May 27-28** Report results of compensation assessments and present implementation plans for SNS initiatives to Board of Trustees

Trustees will vote on proposal