

The Senator

The Newsletter of the Wake Forest University Senate

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Michael D. Hazen, President

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Reynolda Campus Budget

At a recent meeting of the University Senate a report on the Reynolda Campus budget was presented by Vice-Presidents John Anderson and Lou Morell and Controller Maureen Carpenter. The take home message from this report is that the Reynolda Campus is in excellent financial shape. In fact, last year the operating budget had a \$6 million surplus, which was directed into capital projects. Standard and Poor has just increased Wake Forest's debt rating from A to AA. However, while income is stable, expenses are rising. In order to reign in tuition increases and still provide salary increases to faculty and staff, the operating budget must be restrained in future years. Otherwise we will begin to run a deficit as early as the upcoming fiscal year.

Other news from the report: Return from the endowment was 22% last year, near the top of returns from comparable privately-endowed institutions. The total (both campuses) endowment grew from \$145 million in 1985 to \$748 million in 1998. Wake Forest ranks 11th in a group of comparable schools with respect to endowment per student. Debt is currently \$104 million at an interest rate of 3.45% and constitutes only 12.7 % of assets, a low figure. In addition, debt service is now paid from the endowment, not from the operating budget.

Presidential Search Report

The Presidential Selection Subcommittee of the Sr. University Appointments Committee reported that among a set of 10 comparable institutions, all included faculty on the committee and were included in evaluations and interviews. Most of the search committees also included administrative staff, students, and/or alumni. Many of the committees are quite large and all report to the Board of Trustees. It was recommended that the senate volunteer to help the Trustees develop guidelines to include faculty, students, administration, and alumni in nominating, interviewing, and evaluating candidates for the university presidency.

Domestic Partners Resolution Passes

As a matter of principle, the University Senate believes that the Wake Forest benefits package should include benefits for same-sex domestic partners. However, we also realize that while the direct costs of such a benefit might be negligible, intangibles, such as loss of potential donors to the university, are difficult to predict. Therefore, the University Senate requests that the administration do a study on the feasibility of a domestic partners benefits, based on the effects of instituting such benefits at other institutions, and that the results of this study be divulged to the university in a timely fashion.

New University Senate Officers

Senate Officers for 1999-2000 will be:

President: Carole Browne

Vice President: David Levy

Secretary: Ronald Wright

Asst. Secretary: Electra Paskett

Executive Council Member at Large: Tim Smunt

Congratulations to all and good luck!

Day Care Update

Plans for construction of a day care facility for the Reynolda campus have apparently been put on hold for the time being. Plans for an on-campus facility were submitted to President Hearn last fall amid much anticipation. However at this time a day care facility is not included in the University's five-year plan. While there is always hope that a donor will come forward, this is unlikely. The University Senate Fringe Benefits Committee, frustrated by the 15-year discussion on the need for day care on campus, plans to resume work on the issue in the fall.

Shuttle Service Recommended

The Long Range Planning Committee completed a study recommending the initiation of a shuttle service between the Reynolda and Bowman Gray Campuses starting Fall semester 1999, with the aim of eventually connecting all units of Wake Forest University.

FRINGE BENEFITS COMMITTEE

Retirement Subcommittee Report and Motions

The retirement subcommittee completed its interviews of retirees and its comparison of Wake Forest retirement contributions to comparable institutions. The subcommittee recognized the wide range of excellent benefits provided by Wake Forest University to its faculty, staff, and administration, including special benefits such as Graylyn pool. The report primarily covered faculty at the Reynolda campus since the Bowman-Gray campus has its own retirement plan, and time was not available to fully investigate the retirement situation of the staff and administration.

The subcommittee pointed out that there were many relatively cost-free actions that could be taken to facilitate retiring employees in their transition from active to retired status. For example, retirees made the following suggestions:

- Make some shared office space available *in the retiree's department* (elsewhere on campus is not helpful with the psychology of making a slow break).
- Let the retirees maintain in the department a mailbox, email account, free photocopy access, a phone number, free mailing, secretarial help, supplies, etc.
- Let them keep their Thinkpad computers.
- Upon retirement, the university (NOT the department) should sponsor a nice dinner (if the retiree is agreeable), such as at a country club, and provide a significant gift for each person retiring.
- Maintain a university-level retiree's travel budget that allows them to attend their primary professional meeting each year.
- Use the retiree's talents in various activities at Wake: volunteering, speaking to classes, for consultation, etc.
- Provide special personal consultation and written documentation about all retirement benefits and options as employees are considering or preparing for retirement. For example, in the military a full week of informational seminars is provided to those soon to retire regarding issues such as benefits, Cobra, Roth conversions, wills, trusts, etc. Sources beyond WFU administration might include the law school, standard seminars by large local corporations, and even outside informational videos. These would all have to be updated as changes occur in laws, tax regulations, and WFU policies but all changes should be communicated to current retirees as well as current employees. Some periodic post-retirement seminars would be of value also. A comprehensive list of retirement benefits and options published in some booklet and on the web would be very helpful; many benefits are unclear or even unknown to the faculty and staff, particularly the health care options.

The University Senate has recommended the following six items (in bold) to the Wake Forest administration concerning retirement; explanations (unbolded) follow each item. The University Senate suggested the administration take action on the relatively cost-free items and, given the current financial situation, consider the other items as soon as feasible.

1. That the University develop a transitional retirement program in which retirement may be phased in over several years, during which Wake Forest pays the Social Security and Health insurance maximum, while the retiree works some fixed amount of time, such as 1/3 or 1/2. As noted above, the retirees felt that the change to retirement was much too abrupt and this would be another way of smoothing the transition, although this has obvious cost implications.)

2. That the University allow optional supplementary pre-tax contributions towards retirement beginning in the first year. (Many of our comparable institutions, including Bowman-Gray, allow employees to contribute to their pension plan (beyond the SRA) to the extent allowed by the IRS through the maximum exclusion allowance (MEA).)

3. That the University eliminate the 25% limit on withdrawals from CREF and Fidelity. (We understand that no withdrawals were allowed at all until 1992. Nevertheless, our comparable institutions allow 100% withdrawals upon retirement and the money belongs to the retiree. Our interviews with retirees indicated that this restriction caused them difficulty in planning for retirement.)

4. That the University add a third fund such as Vanguard that has well-known indexed funds. (Most comparable institutions offer a choice among at least three funds; Vanguard is one of the most popular and has been requested by faculty. The up-front cost to add such an additional fund is small and the ongoing cost is nil.)

5. That the University delete the two-year delay in funding the retirement plan of new hires. (There are four reasons that the administration should take this action: 1) The delay alienates new employees by placing them in a "probationary" status. 2) The most important contributions to retirement are the FIRST few years, which compound more than later years' contributions. 3) The delay makes it more difficult to hire competitively. 4) The delay forces the departments and schools to make up the loss out of their own budgets.)

6. That the University move to a straight 10% contribution towards retirement beginning in the first year of employment. (We understand that WFU originally contributed a straight 10% until 1975 and changed to the current plan due, perhaps, to a financial crisis at the time. With the exception of Vanderbilt, all our comparable institutions essentially now offer 10%. Assuming a new hire receives pension contributions immediately with no 2-year delay, after 3 years of (5%) contributions Wake Forest will have contributed approximately half of what our comparable institutions contribute; after 8 years (now finishing up 7.5%) Wake Forest is at about 63%, and after 13 years Wake Forest is at about 74%. With a 2-year delay, the percentages are much lower.)