Faculty Senate Report Retirement

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Faculty Senate

- First presented to BOT
  - December 17, 2017
- Presented to UF Deans
  - January 9, 2018
- Presented at the President's cabinet
  - January 19, 2018
- Will present to the advisory council of faculty senates tomorrow in Tallahassee
- Disclaimer

Retirement at UF

- How does retirement compensation affect UF faculty and staff?

- Does it?
  - Make it hard to hire new faculty?
  - Does it help other institutions hire our faculty?
  - Does it delay retirement?
  - Does it impact morale?

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Materials distributed at the BOT meeting

- Faculty retirement summary
  - MSword file - Faculty Retirement for top 10 pub U and AAU

- Spreadsheet Excel
  - Retirement for AAU and top 10

- 2003 UNC peer benefits review
  - UNC Benefits2003.pdf

- Editorial from the Chronicles of Higher Education
  - retire already.pdf

UNC report 2003

- "People used to come to work at Carolina FOR the benefits.
- Now they leave BECAUSE OF the benefits."

- Reasonable methodology for doing benefit comparison among peer institutions.

UF History

- Like many state institutions of higher education benefits generally linked to state employee benefits
- 2011-13
  - Employer contribution reduced from 10.42% to 5.14% over 2 fiscal years
    - In the defined contribution plan
    - Unclear the impact on the defined benefit plan
      - Drop payout reduced
  - Staff and out of unit faculty received a 3% raise in exchange for sick leave payout (President Machen)
  - Employee mandatory contribution of 3%
    - New state regulation
  - No matching program at UF or for State Employees

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Peer Comparison

- Method
  - Cohort of 61 institutions
    - US News public top 10
    - AAU public
    - AAU private
  - Search each HR web page
  - Summarize retirement of the defined contribution plans.
    - Employer contributions
    - Employee mandatory or match programs
  - It is much more difficult to try and compare defined benefit plans
  - Not all have defined benefit plans
  - Everyone* has a defined contribution plan.
    - *Hawaii (not in the AAU comparison group)

Peer Comparison Results

- US News and World Report top 10 Public
  - UF is last in employer contribution to retirement
- Public AAU
  - UF is last in employer contribution to retirement
- Private AAU
  - UF is last in employer contribution to retirement
    - Employer 5.14%
    - Employee 3.0%
- Vanderbilt, MIT and University of Missouri
  - Employer 5%
  - Employee 5%
  - **BUT**, Missouri and MIT also has a defined benefit plan and Vanderbilt has an additional flexible 5% for most faculty and administrative staff.

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Peer Averages % of Salary

	Employer	Employee match or mandatory
All	8.72	4.47
Top 10 public	8.09	6.24
AAU public	8.51	5.32
AAU private	8.96	3.41
UF	5.14	3.00

Goals for Retirement

- Be competitive for hiring

- Be competitive for retaining

- Compensate to assist appropriate retirement

- Improve morale

Is it possible?

- Locally controlled benefits
  - Can we supplement retirement?
  - Or are we "locked? to the state?
- We already have "local" benefits
  - Sick leave pay out (in unit faculty)
- If we had funds for retirement
  - Where could we put it?
- 401(a) plan already exists at UF
  - Sick leave payout option and special pay plan
  - FICA ALT pay for OPS staff
- HR has already started the process for an additional 401(a) plan and selected a vendor (TIAA)

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New 401(a)

- Add funds over a period of time
- Goal 4-5%
  - Bringing UF's employer contribution to a total of 9-10% and in line with our peers
- Getting to 15%
  - 9% employer
  - 6-7% employee

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Some options

- Match/mandate?
- Graduated based upon
  - Age?
  - Salary?
- Age endpoint?
- Vesting period?

Match/Mandate

- A match encourages employees
- Builds retirement faster
- Makes it easier to retire "on time"
- Harder on lower income levels
- Will help move the employee contributions closer to our peers and on a better path to retire appropriately
  - 3.0% to 4.47%
    - 11 AAU peers have no match or mandatory employee contribution.
    - 5.31% for those that have either a match or mandatory employee contribution.

Graduated

- Some peer plans increase benefit with age
  - Up to 35 y.o.
  - 36 to 50 y.o.
  - 51 and over
- Advantages with decreasing benefit with age?
  - More put into investment at a younger age
  - Less overall employer contribution with greater assets at retirement.
  - Better retention?
  - Better recruitment
  - **Completely unique among AAU**
    - **Or nationally**

Age endpoint and vesting

- Age endpoint
  - Something to consider
  - Employer contribution to supplemental plan could end at 65 or 67 y.o.

- Vesting time frame
  - All current Defined Contribution Plans at UF vest immediately.
    - Except FRS investment plan – 1 year

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My recommendation

- 1 to 1 matching program in the new 401(a) for employer and current 403(b) for employee
- Limit 4%
  - Total employer contribution would be 9.14%
  - Total employee contribution would be 7.0%
  - 16.14% "get to 15%"
- Plan closes to employer contributions at 65-67 y.o. if possible
- All faculty (and staff) have the same plan
- Could reduce match requirements for lower salaried. Use SS wage limit or 75%.

Conclusion

- Being 61st of 61 peer institutions is inconsistent with our goals and values of being a top 10 or 5 public research institution.

- We have a method to fix the problem if we can direct the resources

- We have some very interesting options

Updated January 18, 2018

All 50 state comparison

- New comparison group

- All 50 states

- Most state educational systems have state wide plans, like Florida

- A few exceptions

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Limitations

- One state had no defined contribution plan – Hawaii
- Similar estimates had to be made for states that did not have single plans
  - Indiana
  - Kentucky
  - Louisiana

Results

	Employer	Employee match or mandatory
All 50 states*	9.26	6.31
Florida	5.14	3.00

Only Massachusetts and Missouri at 5%
Missouri also has an additional pension plan (for all employees)
Massachusetts also has extensive supported benefits including health, dental, life and disability insurance.

Massachusetts pension plan is the clear option for those that can choose.

Florida is still last…. ☹

*Average with zero not counted