Compensation Committee Year-End Report, April 2010

There were several large projects that engaged the committee's time and energy this year:

1) Parental Leave (as requested by FEC and others)
2) Sick and Vacation Leave for staff (as recommended or tabled by previous Compensation Committees)
3) Comprehensive review of benefits (as requested by FEC)
    a. Review of existing benefits, with goal of cost reduction
    b. Additional education benefits
    c. Cafeteria-style benefits
4) Overall review of salary structure (as requested by faculty)
5) Specific salary proposals for staff and faculty

We review our discussions and progress on each of them here, with the purpose of informing faculty and staff in order to encourage further discussion.

As advice to future Compensation Committees, we met as a group with VP for Finance and Administration/Treasurer Robert Moore at our Block 2 meeting, and strongly urge subsequent Committees to do the same in order to get a sense of the issues and budget priorities (in addition to including legal counsel Chris Melcher, Director of Human Resources Barbara Wilson and Benefits Specialist Shaleen Prehm as ex officio members of the Committee).

1. Parental Leave. This issue was forwarded to our attention by the Women's Concerns Committee and Women's Faculty Caucus, with the support of the FEC. The proposal was tasked to a dedicated subcommittee of the Compensation Committee for coordination with the federal Family and Medical Leave Act (FMLA), and Human Resources (to ensure legal wording and non-discriminatory benefits, and to estimate costs). The resulting recommendation was sent to the FEC, Dean and VP Finance in October of 2009. It was changed to accommodate suggestions, primarily to limit costs and to provide more clarity for faculty who give birth near the edges of the academic year, and sent back to FEC for consideration in January of 2010. After discussion by representatives of staff, faculty, FEC, Women's Concerns Committee and Women's Faculty Caucus, a consolidated version was recommended by the Compensation Committee.

A final version has been announced as new policy to be enacted July 1 of 2010, as announced by Robert Moore on Tuesday April 27. For birth mothers who deliver during the academic year, it includes 2 blocks of paid leave for faculty and 6-8 weeks of paid leave for staff. For those who deliver outside of the employment period, details will be discussed on a case-by-case basis. For other care-givers (including birth fathers, adoptive parents, domestic partners), it offers paid leave of 1 block for faculty and paid leave of 3 weeks for staff. Legal wording is still being constructed at this time. It was announced as final only for now, with conversation to continue actively in the fall. We encourage the next Compensation Committee to exercise leadership in that conversation.

2. Sick and Vacation Leave. This issue had been tabled and forwarded to our attention by the previous Compensation Committee. We calculated cost estimates to offer sick and/or vacation leave to all staff categories, then recommended in order of importance: a) the creation of sick leave for part-time less-than-12-month non-exempt staff, and b) the offer of vacation leave to less-than-12-month non-exempt staff. While we would like to advocate a similar program for vacation leave to less-than-12-month exempt staff as well, we recognize that the cost is prohibitive for the College at this time, so we shelved that recommendation for future consideration.

A new policy offering sick leave to all part-time less-than-12-month non-exempt staff will be enacted July 1 of 2010, as announced by Robert Moore on Tuesday April 27. This expansion in benefits now ensures sick leave for all employees of the College. Expansion of vacation leave benefits was deemed too expensive during a tight budget year, so will not be extended to other employees at this time.

3. Comprehensive review of benefits. The previous Compensation Committee passed along the assigned task of a comprehensive review of benefits for all College employees. This year's Committee did so, along with receiving ongoing updates of changes in policy or costs from Human Resources. We specifically reviewed the costs of the Emeriti Retirement Health Plan in response to requests from staff and faculty, reporting back to them directly and via the Public Folder for all interested readers.

3a. Review of existing benefits. A dedicated subcommittee of the Compensation Committee spent the fall of 2009 reviewing the costs and beneficiaries of each benefit offered by the College. We concluded that the elimination of any particular benefit was not warranted, as either the direct costs to the College were small, or the benefit was enjoyed by a significant portion of the employee population. Human Resources has continued to negotiate better rates for us, most notably with CIGNA benefits in the fall. The Compensation Committee has met with Gallagher Benefits, the consulting firm that the College retains for advice on benefits packages and pricing, to ask specific questions about the competitiveness of our benefits. We considered two specific potential changes to benefits in the fall, to either increase our benefits or lower our costs. In both cases, after careful conversation and calculation, the Committee agreed to remain with the status quo.

3b. Additional education benefits. The Committee considered an additional education benefit, via membership in a national organization offering tuition exchange at 600 member institutions worldwide. We were interested enough, that we agreed to meet with the CEO of a national program, who happened to be visiting Colorado to encourage new members. The benefits of membership in The Tuition Exchange were clear, offering competitive scholarships ranging widely in location and program/discipline/format. We thought that scholarships might benefit dependents who would not otherwise have access to tuition-free education (i.e., those who did not qualify for or did not desire an ACM education). The explicit costs are minimal, at $400 per year, but the implicit costs are higher, including a general commitment to reciprocal scholarships to dependents at other member schools. While scholarships are competitive, and not offered automatically to applicants from other members, we had concerns that in the long run Colorado College might attract more applicants than we send out, and would face budget pressures to either ‘import’ more applicants (thus costing us tuition dollars) or limit the benefits we offer via ‘exports’ (our dependents receiving scholarships). Given that this is a high-value benefit to a relatively small share of our College employees in any given year, after long and careful consideration we elected to decline membership at this time.

3c. Cafeteria-style benefits

As a possible alternative to cut costs and offer a more valuable benefits package to employees, the Compensation Committee investigated the potential of a cafeteria-style benefits plan. Such a plan would give each employee a particular dollar value to spend on benefits, allowing them choice to select which benefits are of greatest value to them in particular. We held a special consulting session with Gallagher Benefits to consider this possibility but concluded that the administrative costs would be significantly higher for us and that the increase in choice would actually be small (once we required participation in certain mandated benefits like health insurance). We elected to close discussion of this direction, unless our employees specifically ask us to reconsider it for reasons other than cost reduction.

4. Salary structure. The full Compensation Committee devoted some discussion time this year to our written compensation philosophy, and to how it is reflected in our salary structure. There is concern that our current practices are not reflected in our official Statement of Compensation Philosophy (the existence of which surprised most of us on the Committee, but which is now filed in the Public Folder for future reference). There is similar concern, particularly among staff, that our current practice does not sufficiently reflect performance, deciding instead to treat all employees with equal percentage-based raises. To that end, the Compensation Committee made a College-wide recommendation in the fall that all salaries include a fixed-dollar raise to account for the increase in the cost of basic goods and services, with any additional increases to be decided separately by faculty and staff for their respective communities. AAUP very strongly disagreed with this approach, and at the fall faculty salary meeting, faculty seemed to express a preference to break with staff and retain the current faculty salary model.

A working team of the Committee met in the fall to discuss ways in which superior performance or excellence is, or could be, recognized more fully at the College. We discussed systems of peer recognition, training for supervisors, and even the provision of merit kits which supervisors could use to honor moments or individuals more clearly than is currently the case.

Both faculty and staff were frustrated this year with the new timing of the budget process, because it necessitated a purely hypothetical discussion about salaries for all four months of the fall as we waited for CPI data, then a frenzied burst of conversation over ten days in January before needing to send concrete proposals on both faculty and staff salaries to the Business Office, Human Resources and Dean's Office. We realize that this frustration was due to the change in the budget cycle process, so researched ways in which we can accommodate the new cycle more effectively next year. With the consent and/or approval of the AAUP, Business Office and Dean's Office, the Compensation Committee recommends the following:

> For the purposes of initial conversations about salary proposals, the Compensation Committee will use the Sept/Aug rolling 12-month average of the CPI-U starting this upcoming summer (i.e., regarding proposals for the 2011-12 academic year).

Our reasoning is simple, and was outlined and supported with data circulated to all relevant parties (and posted in the Public Folder): it makes virtually no difference which CPI measure we use as long as we are conscious and consistent in our choice of measure. That said, this particular choice reflects our new budget cycle (which just started this year), averages over twelve months so that it is not as volatile as point-to-point estimates might be, and arrives late in the summer so that faculty and staff will have access to the data as soon as they return in the fall. This will permit AAUP and Compensation to spend the fall semester discussing the merits and objectives of various salary and benefit alternatives in a deliberate way, rather than engaging in hypothetical discussions while waiting for the data to arrive in January.

5. Salary proposals. As in previous years, one of the most important tasks of the Compensation Committee has been to propose specific distribution of the increases to staff and faculty salaries. This was done by subcommittees for staff and faculty.

5a. Staff salaries

The staff salary subcommittee has recommended this year that all employees be offered an equal percentage-based raise of two percent, based on the allocations set by the budget. Under the auspices of a separately organized Staff Compensation and Reclassification Working Group (on which three of the Compensation Committee were members), the staff discussed alternative models of compensation, holding regular meetings among staff and convening public conversations to discuss ideas and concerns. They wish to encourage widespread discussion on campus about alternatives to this plan for next year, but feel that it is premature to suggest change without more details in place. Meanwhile, the Working Group organized by Barbara Wilson continues to meet regularly to discuss staff salary objectives, models, and reclassification methods.

5b. Faculty salaries

In January, the AAUP presented three versions of the current faculty model that are consistent with the College budget and the current faculty salary model. That report is appended to this report for reference. The faculty salary subcommittee of the Compensation Committee recommended adoption of the third version, which adheres strongly to the current salary model that faculty clearly support, but redirects some increases from full professors to assistant professors. In that way, we recognize that we have met our goal of raising full professor salaries to the median level of our peers, where we have not done so for associate or assistant professors. It also supports our goal to remain competitive in hiring new faculty at the lower ranks. A small minority opinion suggests that we reassert our objective of meeting the median of our peers even more directly, explicitly raising each rank differentially to meet the medians of our peers where possible with our budget. However, all members are supportive of the AAUP's recommendations for the forthcoming year. Therefore, our official salary model recommendations are:

Rank	Count	Years in Rank	2009-10 Average	Bottom of Bracket	Top of Bracket	CPI	Progression	2010-11 Average	Bottom of Bracket	Top of Bracket
Instructor	6	2	$56,955	$53,229	$58,604	$604	$1,055	$58,613	$53,793	$59,567
Assistant	39	6	$64,648	$58,614	$70,550	$1,062	$1,210	$66,920	$59,577	$71,298
Associate	41	8	$78,610	$70,560	$85,091	$833	$713	$80,156	$71,308	$85,993
Full	84	21	$116,086	$85,101	$138,044	$976	$866	$117,928	$86,003	$139,141
Total	170	35	$93,160			$948	$915	$95,023		

The faculty members of the Compensation Committee are generally supportive of the AAUP's suggestion to consider either a limit on progression-based raises at the top of the full professor rank, or to recommend a fixed ratio between the highest and lowest full-time faculty salaries. However, in the limited time remaining in the academic year, we did not have time for more than preliminary conversations on this topic. We recommend that this issue be considered as part of a longer conversation by the incoming Compensation Committee faculty members in the summer/fall.

As a final note, we recommend that the membership of this Committee be carefully balanced in future years. Rolling membership, with returning members overlapping with incoming members, is crucial in order to keep conversations going with a sense of history and collective memory. Appointment of a Chair who has experience with not only the issues, but with the character and relationships of this Committee to the larger College, is essential. Finally, selection of members who represent all levels of seniority within both staff and faculty ranks is particularly important to ensuring the equal voice and influence of all constituencies at the College.

Respectfully submitted on behalf of the 2009-10 Compensation Committee,

Dan Johnson, Chair

Full Committee: Ann DeStefano, Carlos Jimenez, Karen Klein, Chris Melcher (ex officio), Rongson Pongdee, Chad Schonewill, Patti Spoelman, Alex Vargo, Diane Westerfield, John Watkins, Armin Wishard, Barbara Wilson (ex officio) and Dan Johnson (chair)

AAUP 2009-2010 Faculty Salary-bracket Recommendations

January 28, 2010

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For internal circulation only

Introduction:

This document presents the AAUP Committee updated 2010-11 faculty salary model recommendations based upon the past year's annual change in Consumer Price Index (2.7%), the Budget Committee's salary-pool growth allowance (2%), and broad discussions with the faculty. While we acknowledge strong consensus that many faculty members wish to apply the 2% growth evenly across the ranks, we ask that the faculty, Compensation Committee, and Dean's Office reconsider the ideals promoted by the traditional faculty salary model of awarding proportionally, but not absolutely, larger wage increases to junior faculty than to more senior faculty. We believe that the College has an unusual opportunity to adjust salary allocation to recruit and retain top-flight faculty to strengthen the faculty as it continues to hire faculty through the current economic recession. In light of the opportunity, we present a plan that attempts to apply the traditional faculty model as closely as possible to junior faculty members and reinforce the salary brackets.

We take a reprieve from consideration of early retirement options until we can better align the interests of the faculty and the College. Our current recommendation is that all early-retirement options be offered to all eligible faculty and that negotiations are as transparent as possible.

Constrained Brackets:

This past fall, the AAUP Committee reported its estimate for faculty salary-pool growth. With the Budget Committee's current budget parameters of limiting salary-pool growth to 2% and the 2009 growth in CPI at 2.7%, the growth under the traditional salary bracket of salaries is outside the College's budget. We propose three options: awarding 2% increases to salary across the board, discounting the traditional system evenly across all faculty ranks to meet budget constraints, and discounting the the traditional system by salary to protect the salaries of junior and entering faculty.

The traditional faculty salary model recommendation, contingent on sufficient progress through each rank, applies an annual increase to a faculty's salary equal to change in December-to-December CPI plus the quotient of the spread in salary in the bracket and the number of years normally expected to be spent in rank. The brackets increase each year with CPI. Table 1 tabulates the update of salary brackets and average salary within rank. The table, however, ignores retirement.

Rank	Count	Years in Rank	2009-10 Average	Bottom of Bracket	Top of Bracket	CPI	Progression	2010-11 Average	Bottom of Bracket	Top of Bracket
Instructor	6	2	$56,955	$53,229	$58,604	$1,538	$2,688	$61,180	$54,666	$60,186
Assistant	39	6	$64,648	$58,614	$70,550	$1,745	$1,989	$68,383	$60,197	$72,455
Associate	41	8	$78,610	$70,560	$85,091	$2,122	$1,816	$82,549	$72,465	$87,388
Full	84	21	$116,086	$85,101	$138,044	$3,134	$2,521	$121,741	$87,399	$141,771
Total	170	35	$93,160			$2,515	$2,235	$97,911		

Table 1: Traditional salary brackets with 2.7% annual CPI adjustment.

Incorporating retirements, however, our estimates of salary growth change. For example, retiring half of three mean full-professor salaries changes the cost of progression from 2.4% to 1.3% growth in the salary pool. There are also small savings to the CPI component of the salary model from retirement. This year, the traditional bracket calculation in Table 1 projects growth of 5.1%, but three retirements mitigate the increase to 3.95%, not including payments or service made as part of early or phased retirement. That savings can be realized, however, by noting that this year several faculty members are exiting Special Senior Status (SSS) or early or phased retirement.

We note that both projections are higher than the 2% growth allowance planned for by the Budget Committee and we next make suggestions for allocating salary growth in light of the constraint.

Even distribution of growth:

At the meeting called by the AAUP this past fall, almost all of the attendees voiced preference to apply the entire growth allowance recommended by the Budget Committee across the faculty to attempt to protect evenly all salaries against inflation. Table 2 presents the average faculty salary and brackets.

Rank	Count	Years in Rank	2009-10 Average	Bottom of Bracket	Top of Bracket	CPI	Progression	2010-11 Average	Bottom of Bracket	Top of Bracket
Instructor	6	2	$56,955	$53,229	$58,604	$1,139	$0	$58,094	$54,294	$59,776
Assistant	39	6	$64,648	$58,614	$70,550	$1,293	$0	$65,941	$59,786	$71,961
Associate	41	8	$78,610	$70,560	$85,091	$1,572	$0	$80,182	$71,971	$86,793
Full	84	21	$116,086	$85,101	$138,044	$2,322	$0	$118,408	$86,803	$140,805
Total	170	35	$93,160			$1,863	$0	$95,023		

Table 2: Equal application of a 2% CPI adjustment.

With just three retirements at average full-professor salary, salary could probably be raised by the CPI change of 2.7% at a cost of 1.58% salary-pool growth.

Proportional distribution:

Application of the traditional system does not, however, award salary increases evenly across the ranks. Faculty members at the full-professor rank receive larger absolute raises than do those at assistant, but relative to the previous year's salaries, the faculty members in the assistant rank receive larger raises. Application of a 2% salary increase irrespective of rank ignores the values motivating the progression structure that faculty members early in their careers should perceive progression towards their next promotion.

To lessen changing our values, we propose that the faculty consider discussion of other alternatives. We sketch out two plans, the first proposed at the Fall AAUP Committee all-faculty meeting by Prof. Dennis McEnnerney, and the second amending the plan in a similar fashion to the College's action last year.

The McEnnerney plan simply discounts the traditional system by a constant multiplier to achieve the budgeting goal. The multiplier is computed as the quotient of the allowed growth and the growth incurred by the traditional model. This year, that quotient is 2.0%/5.1% = 0.392. Table 3 tabulates the new brackets and adjustments at each rank conditioned on merit without consideration of retirements. Each faculty member would receive a raise of approximately 40% what would be awarded under the traditional model. The brackets increase by 40% of the rate that they would under the traditional model.

Rank	Count	Years in Rank	2009-10 Average	Bottom of Bracket	Top of Bracket	CPI	Progression	2010-11 Average	Bottom of Bracket	Top of Bracket
Instructor	6	2	$56,955	$53,229	$58,604	$604	$1,055	$58,613	$53,793	$59,225
Assistant	39	6	$64,648	$58,614	$70,550	$685	$781	$66,114	$59,235	$71,298
Associate	41	8	$78,610	$70,560	$85,091	$833	$713	$80,156	$71,308	$85,993
Full	84	21	$116,086	$85,101	$138,044	$1,230	$990	$118,306	$86,003	$139,507
Total	170	35	$93,160			$987	$877	$95,025		

Table 3: Discounting the traditional model.

Graded distribution:

The AAUP Committee views the College's action to continue replacing retiring faculty lines as an investment opportunity. Additionally, the College has met its goal of matching the *US News and World Reports* top-25 median salary at the full-professor level. Following both of the previous observations, we ask the faculty, Compensation Committee and Dean's Office to consider the following alteration to the McEnnerney plan.

- For faculty members currently earning more than the mean full-professor salary, apply a multiplier of 0.29 instead of 0.39 – a somewhat arbitrary 25% discount.
- For assistant professors, apply a multiplier of 0.61 instead of 0.39 – the savings from the previous step calculated through numerical search.

Table 3 shows a rough cost estimate of application of the plan, assuming uniformly distributed years-in-rank at the full-professor level. Application of the plan would require assistance from the Dean's Office to ensure that no faculty member's salary exceeds a more senior member via standard progression in the ranks.

Rank	Count	Years in Rank	2009-10 Average	Bottom of Bracket	Top of Bracket	CPI	Progression	2010-11 Average	Bottom of Bracket	Top of Bracket
Instructor	6	2	$56,955	$53,229	$58,604	$604	$1,055	$58,613	$53,793	$59,567
Assistant	39	6	$64,648	$58,614	$70,550	$1,062	$1,210	$66,920	$59,577	$71,298
Associate	41	8	$78,610	$70,560	$85,091	$833	$713	$80,156	$71,308	$85,993
Full	84	21	$116,086	$85,101	$138,044	$976	$866	$117,928	$86,003	$139,141
Total	170	35	$93,160			$948	$915	$95,023		

Table 3: The result of applying the altered McEnnerney plan.

A less arbitrary application of the grading system would be to, assuming merit justifying full progression, increase each faculty member's salary inversely proportional to the top of the full-professor bracket.

Early Retirement:

The Fall AAUP Committee report recommended that the College consider offering additional early-retirement options, focusing on health care for retirees younger than 65 and an early sabbatical option. College Administration reported back to the AAUP Committee a desire to limit early retirement to only a small number of faculty (approximately 5) whose option to exercise early or phased retirement has already begun or will begin soon (30 years of service). Additionally, the Business Office will not support an option that includes continued responsibilities to administer health-care provisions.

The AAUP Committee cannot currently unanimously make a recommendation on early retirement beyond the following. We unanimously and emphatically assert that any such negotiation of early retirement be transparent and as public as possible to ensure that all eligible faculty have the same opportunity to exercise early retirement.

Conclusions and Recommendations:

We present three salary bracket recommendations: a) apply all allowed growth evenly across the faculty, b) apply a uniform proportion of the increase across the faculty, c) apply a smaller proportion at the top of the full-professor rank and use the savings to support the assistant rank. Table 4 presents the growth at each level, and the total growth without consideration of

	Traditional		All to CPI		Proportional Traditio		Graded Traditional	
Rank	$	%	$	%	$	%	$	%
Instructor	$4,225	7.42%	$1,139	2.00%	$1,658	2.91%	$1,658	2.91%
Assistant	$3,735	5.78%	$1,293	2.00%	$1,466	2.27%	$2,272	3.51%
Associate	$3,939	5.01%	$1,572	2.00%	$1,546	1.97%	$1,546	1.97%
Full	$5,655	4.87%	$2,322	2.00%	$2,220	1.91%	$1,842	1.59%
Total	$4,750	5.10%	$1,863	2.00%	$1,865	2.00%	$1,863	2.00%

retirement.

Table 4: The growth for the traditional model and the three proposals.

The AAUP Committee has heard strongest support from the faculty for applying evenly a cost of living adjustment across the faculty. If the College can free up salaries of two average-salaried full professors and replace the lines with two entering assistant professors, then the College can fund the entire 2.7% CPI adjustment. If that were the case, we would suggest that the College begin to pay last year's extraordinary merit awards, which the Dean's Office awarded on credit.

We believe that an opportunity, however, exists to bolster the salaries of incoming faculty and junior faculty and that the College will have a much stronger comparative advantage in hiring faculty in the next few years. We propose two plans to support the ideals of progression in the traditional salary model. The AAUP Committee will work with the Dean's Office to adjust the calculations as the situation merits. Additional concern stems from borderline cases to ensure fairness to faculty members whose salaries are near average full professor or the top of assistant professor. We extend our offer to work with the Dean's Office to adjust salaries at the borders to ensure fairness.

In event of adoption of any plan, we repeat our belief that any salary model would be more effective if its application were transparent to individual faculty members. We recommend that the College explicitly break down and justify the components in annual salary letters.

On the issue of early retirement, we believe that further discussion of the College's goals and the needs of potential retirees is necessary. Until a policy is created, however, we would like to promote open discussion, including immediate options available to faculty.