

### **Resolution on Early Retirement Incentives**

Passed by the Faculty Council Budget Committee on 11/30/09 (6-0)

Passed by the Faculty Council on 12/3/09 (unanimous)

The committee appreciates and commends the system's forward thinking in anticipation of continuing severe budget reductions. Among the strategies being considered is an early retirement incentive for tenured faculty. The approach discussed at the system Faculty Budget Committee on November 18, 2009 has many positive aspects. The committee is particularly supportive of the flexibility that would be granted to campus leaders, which would allow each Chancellor to tailor the incentive program to the unique circumstances of their campus.

The committee is concerned however that the contemplated incentive as currently structured may be insufficiently large to impact reductions in salary costs in the operating budget. The committee's concern is rooted in evidence from existing early retirement programs like the "phased retirement policy". That program has had a very modest effect. A new program with a minimal impact may necessitate the CU System to engage in subsequent efforts resulting in second or third rounds of incentive offerings in subsequent budget cycles or implement other policy options like "Program Discontinuance" which are likely to be difficult and protracted. The prospect of such a process will only serve to encourage individuals to hold out for a better offer from the System.

Therefore, the (Budget Committee or Faculty Council) recommends that early incentive strategies reflect somewhat larger incentives based on a longer term commitment of University resources:

- That incentive be expanded to offer three years of base salary instead of two, recognizing that the payout might need to be extended over a longer time frame.
- That a specific revenue source be developed to fund the program. The revenue sources discussed by the committee included programs such as tax anticipation notes, bonds or similar instruments. This would allow the System to cover the cost of the early retirement program over an extended period rather than funding all of it in current budgets.

Such changes to the early retirement program would better position the system in the likely event of a protracted budget crisis, while freeing up even more funds within the operating budget. The committee's proposal takes a longer view of the budget situation in the current dynamic fiscal environment. The cushion provided could provide retired faculty with enough security to anticipate the recovery of their lost TIAA-CREF (or similar ORP) retirement accounts. The cost to the University would be negligible and the number of faculty likely to participate in such an agreement would likely be larger than to those proposed by the current version of the program. The Committee believes that the larger impact of these recommendations is more likely to achieve the desired effect.

The Faculty Council Budget Committee looks forward to future opportunities to review and give feedback on developing retirement incentive measures.