Second Report of the University of Rochester
Faculty Salary Reduction Advisory Committee

June 10, 2020

Zachary Bernstein (Eastman School of Music)
Margaret Carno (School of Nursing)
Mary Jane Curry (Warner Graduate School of Education and Human Development)
Gerald Gamm (Arts, Sciences, and Engineering)
Thomas Gibson (Arts, Sciences, and Engineering)
Lisa B. Kahn (Arts, Sciences, and Engineering)
Danielle M. Lindenmuth (School of Medicine and Dentistry)
Kevin McFarland (Arts, Sciences, and Engineering)
Gary Morrow (School of Medicine and Dentistry)

Summary

The Faculty Salary Reduction Advisory Committee (FSRAC) was formed in late April 2020 to provide faculty input for cost-cutting measures, and especially compensation reductions, that might become necessary as the university deals with the COVID crisis and its effects on our budget. The committee met regularly, worked closely with university administrators, solicited feedback from the faculty body, and analyzed a range of cost-cutting measures. As of this writing, the status is as follows:

- On June 4, 2020, based in part on input from this committee, President Mangelsdorf announced a temporary cut to retirement contributions. The university will contribute 6.2% on the first $100,000 of an employee's salary into their retirement account and make no further contributions. Previously, the university contributed 6.2% on the first $59,000 and 10.5% on remaining dollars up to $280,000, the IRS limit. In addition to the retirement cut, the university is imposing a temporary salary cut of 10% on dollars above $280,000, to avoid regressivity in the retirement contributions cut.
- Moving forward, the FSRAC and the administration agree that the committee will continue to meet regularly to review the continued need for retirement cuts. The committee hopes to work with the university to establish clear metrics for when contributions can be restored. The committee also requires data on the complete budgetary picture of the university, including changes to revenue streams as they become realized (for example, net tuition dollars) and savings from other cost cutting measures.

This report summarizes the formation and work of the FSRAC, along with a review of decisions and recommendations made by the committee.

I. The formation and charge of the committee
II. Principles established by the committee
III. Data sought and received
IV. A summary of the retirement cut and the most recent committee deliberations
V. Previous deliberations of the committee, including data requests, other scenarios, and faculty feedback.

I. The Charge of the Committee (April 26)

The AAUP Statement on Government of Colleges and Universities[1] holds that matters of faculty status should primarily be decided by faculty and that faculty should actively participate in the determination of policies and procedures governing compensation.

The Faculty Salary Reduction Advisory Committee will

- Obtain an understanding of the financial situation of the University that motivates the administration's proposed target(s) for reductions in faculty compensation.
- Reach out to faculty throughout the University to gather input, ideas, information, and concerns.
- Propose and evaluate principles for carrying out the reductions required to meet these target(s). The evaluation will include equity, ethical, retention, and practical issues, as well as cost savings that can be realized in different proposals.
- Work with the administration to propose a long-term plan for restoration of salaries under different financial scenarios with consideration of the same issues used to evaluate the planned reduction.
- Report to the Faculty Senate on this work.
- Remain in existence as a committee, meeting regularly to review the need for continuing reductions in faculty compensation, until the fiscal crisis ends and compensation for all faculty is restored to its full levels.

Formation and organization of the committee

The Faculty Salary Reduction Advisory Committee (FSRAC) was constituted on April 26, 2020, at the request of the President and Provost, to consider, evaluate, and propose plans for temporary faculty salary reductions to address current and anticipated budget shortfalls at the University resulting from the COVID-19 pandemic. Eight of its members were selected by the Senate Executive Committee to represent all of the schools (AS&E, Eastman, School of Medicine and Dentistry, School of Nursing, Simon, Warner), a range of disciplines and areas of expertise, and faculty ranks and categories; two members were elected by the Faculty Senate. All ten members came from nominations made by the whole faculty.

When the Faculty Senate created the committee, it worked on the understanding that this committee's jurisdiction included the entire university. The original call for nominations went to all faculty, and the bulk of nominations came from the School of Medicine and Dentistry (SMD) and Arts, Sciences, and Engineering (AS&E). When the Senate Executive Committee selected the first eight members of the committee, it allocated two to SMD and two to AS&E, recognizing the weight of those two schools and the importance of making sure their interests were represented. And when the Senate elected the final two members of the committee, the vote was taken by senators from all schools, and the ballot included candidates from all schools, with most from SMD and AS&E.

---

[1] https://www.aaup.org/report/statement-government-colleges-and-universities

On May 2, just as the committee was convening to begin its work, the leadership of the University of Rochester Medical Center (URMC) announced a range of cost-cutting measures in response to its pressing financial situations, which included faculty salary reductions at the School of Medicine and Dentistry, the School of Nursing (SON), and the Eastman Institute of Oral Health (EIOH) of 10% of the portion of base salary over $100,000. Most of these measures were scheduled to take effect July 1, though many faculty volunteered to begin their pay cuts on May 1. Given the announcement by the leadership of URMC, the President and Provost directed the committee to focus its work on the non-Medical Center schools of the University. The two SMD faculty and one SON faculty member continued as full members of the committee, at that time with the understanding that recommendations from the committee would not alter the URMC decision and therefore not apply to the SMD, SON, and EIOH faculty.

As the FSRAC was still organizing and soliciting input, the following had already taken place:

- **Decisions already taken that impacted faculty** included: suspension of the faculty merit raise program (a $2M reduction in AS&E, Eastman, Simon, and Warner, annually); loss of access to resources for research; and increased workloads due to the hiring freeze and shift to massive adoption of on-line instruction.
- **Decisions impacting other employees**: Many staff had been furloughed or laid off. Administrators also reduced their base salary by 20% of the portion above $200,000 effective May 1.

II. Principles established by the committee

The following principles have guided the Committee's work:

1. As per our charge, the FSRAC should remain in existence and review the needs for continued cuts on at least a quarterly basis. The restoration of compensation to pre-COVID-19 levels will be recommended as soon as possible on the basis of improved revenue streams such as tuition, enrollment, hospital revenue, endowment performance, etc, and the success of other cost cutting measures.
2. The FSRAC must consider requests for compensation reductions in the context of the complete budget picture of the University. Compensation reductions must be considered in parallel with reductions in administration salaries, staff furloughs, cost reductions in schools and departments, suspension of most capital spending, and other budget-cutting measures, as well as possible temporary increases on the spending from the University's endowment.
3. It is the committee's desire that the funds saved through these reductions be devoted primarily to maintaining maximal employment where possible among the staff and contingent faculty, though we do not know at this time how the funds will be applied.
4. The FSRAC believes that cuts should be made on the basis of base salary rather than on faculty title, rank, or tenure-track status. Individual faculty should not be singled out for differential treatment, except by their base salary, unless there are contractual or compliance constraints that make the application of this principle impossible.

III. Data Sought and Data Received by the FSRAC

The FSRAC began making requests for data covering a number of areas on April 30, and availability of and access to data was a topic of a May 15 meeting we had with the President and Provost. We will continue to need more data to do our work.

Data requests fall into six major categories:

1. Operating budgets for schools not included in the URMC budget process (AS&E, Simon, Warner, Eastman) for FY2020 (July 1, 2019-June 30, 2020), projections for FY2021, and past years to document trends since the Great Recession of 2008-2009.
2. Data on admissions and projected tuition and other revenue, broken down by students affected and not affected by likely travel and visa restrictions, for each of the above schools.
3. Data on the endowment and debts of each of schools, including restrictions on endowment funds, and past and current endowment draw and debt servicing costs.
4. A current faculty census, by rank and track (instructional, clinical, tenure), in each of the schools, current projections for FY2021, and past data to document trends.
5. Anonymized individual faculty base salaries in the schools above, with access to reports on these separated by gender, school, and field groupings. We also requested information on other sources of compensation such as summer salary and external grants.
6. Sufficient anonymized data on administrator salaries to analyze the compensation reduction of this group as a function of base salary.

In addition, since the schools that are now part of the URMC budgeting process are part of these compensation reductions, going forward we will require additional information about the budgets and faculty salaries for SON and SMD as well.

Data received to date

Initial data on projected FY2021 operating budgets for schools not included in the URMC budget process (AS&E, Simon, Warner, Eastman) was shared by the Provost with the Senate on April 28, and with the FSRAC. On May 18, the FSRAC received a more detailed budget broken down by school, including sources of revenue and projected deficits under various enrollment and fundraising scenarios. Some updates to include cost cutting measures taken already in these schools were provided by CFO Holly Crawford on May 22. This data is enough to understand the financial peril facing the institution, but insufficient to allow the FSRAC to understand a target for faculty salary reductions in the non-URMC schools, in part because these projections will be changing rapidly as more is learned about the fall projected tuition revenue.

The FSRAC has also recently received information about the University endowment and its debt position. This includes a summary of the planned endowment spending by school (May 15), and analysis of the possibility of expanded endowment spending (May 22), a summary of the University's debts and costs of paying those debts (May 26) and a breakdown of those debts by school (June 5). This data has improved our understanding of the University's financial position and the resources it has at its disposal to address the current crisis. We summarize some of what we have learned in Appendix 5.

On April 30, the FSRAC received anonymized faculty base salaries for tenure-track faculty at AS&E, Eastman, Simon, and Warner, and for a limited number of long-term non-tenure track faculty at those schools. On May 28, the FSRAC also received a labeling of these faculty salaries for tenure-track faculty only, by gender, school, and field grouping, with the understanding that this can be used to produce limited reports on faculty salaries within these groupings, as shown in Appendix 1. The Faculty Senate received limited information on the distribution of faculty salaries at SMD from Dean Taubman's presentation to the Senate on May 19.

The FSRAC understands that the admissions and tuition information resides with the units. We have obtained data from the College of Arts, Sciences & Engineering, some analysis of which is presented in this report's Appendix 4, and have proposed to the President that the Deans of the other units be charged with providing this data. Similarly, the FSRAC has proposed that the Deans be charged with providing Faculty census data to the FSRAC.

The FSRAC has also drawn on previous presentations on faculty salaries and peer comparison sets from the Provost to the Faculty Senate and mined data on the trends on faculty compensation relative to peers, shown in Appendix 3.

The International Services Office has provided the FSRAC with information about the numbers of faculty working at the University on H-1B visas, categorized by school and department.

IV. University-funded retirement contribution reductions

Committee deliberations on mechanisms for faculty compensation reductions

The three primary mechanisms for compensation reductions that the committee considered were reductions in base salary, furloughs, and a reduction in University-funded contributions to retirement accounts. The committee recognized that any of these approaches could be implemented with nearly equivalent progressivity, meaning that the compensation reduction as a function of base salary would remain roughly the same, regardless of the mechanism by which that reduction is achieved. Overall, the most important impact would be a function of the total savings required by the university.

Reductions to base salary carry the greatest risk of becoming incrementally permanent since they require unusual action to reverse. They may also undermine, more than other mechanisms, efforts to recruit and retain faculty in competitive markets, given that no peer university has announced widespread salary cuts. We strongly discouraged the university from using reductions to base salary as the chosen mechanism.

The FSRAC presented its first set of findings and recommendations on May 19, followed by a presentation to the Faculty Senate that same day. In that report, the FSRAC recommended that any reductions in faculty compensation be designed in the form of furloughs, rather than as reductions in base salary, in part because there were no peer institutions announcing salary reductions, in part to signal the temporary nature of the cuts. As an alternative mechanism for achieving reductions without affecting base salary, the FSRAC also presented in the May 19 report the possibility of temporarily reducing retirement contributions funded by the University. At the May 19 Senate meeting, the FSRAC presented a suspension of retirement contributions as a mechanism that the committee was now taking as seriously as the idea of furloughs. We noted at that meeting “an emerging consensus among some of our peers that cuts to retirement contributions are the method to shrink personnel costs,” citing specifically Johns Hopkins, Duke, and Northwestern. (Steps by peer and other institutions are summarized in Appendix 2.)

Over the next week, the FSRAC concluded that the most effective mechanism would be a suspension of some retirement contributions, done in a progressive fashion and coupled with a salary reduction for the highest earners (since the University’s contributions to retirement are made only on the earnings up to the IRS statutory limit, which was $280,000 in 2019). In addition to the three universities cited at the May 19 Senate meeting, Boston University and Georgetown had also announced large retirement cuts as a mechanism to deal with their budgetary shortfalls.

The progressivity of the retirement contribution cessation enacted at Duke and Wisconsin’s furlough program are compared to the June 4, 2020, announcement in Appendix 2. The University of Rochester program is more progressive than either of these two.

The FSRAC shared this recommendation with the President, the Provost, and the Senate Executive Committee on May 26, then with the Senate on June 2. In reaching this recommendation, the FSRAC understood that it was suggesting a revision of the earlier plan announced at the URMC and recommending a plan that would affect staff as well as faculty, but most members of the FSRAC came to view a suspension of retirement contributions as the vehicle that: 1. would provide the greatest financial flexibility to individual faculty and staff (since those who can afford it can increase their individual contributions and those most in need of cash today will not see a decrease in take-home pay), 2. would affect all faculty (including those on H-1B visas), 3. would not present the logistical problems posed by furloughs (since, unlike with furloughs, there would be no prohibition on research or other work by faculty), 4. would allow a restoration of benefits at any time that the University’s finances had recovered, and 5. would most closely align the University with the approaches taken by peer institutions. Our overriding concern was to minimize damage to future efforts to retain and recruit faculty.

While we laid out this logic for the President and Provost, we understood that it was up to them to choose the best mechanism for the whole university and to determine the size of any reductions to be taken at this juncture. We did not have sufficient information to recommend the scale of cuts, only to recommend that the cuts now be large enough that future rounds of cuts would not be necessary.

The committee had concerns about the mechanism of retirement cuts, which we shared with the administration in making our recommendation. First, benefits cuts by law are required to the university as a whole, including staff members and URMC employees, both groups of which were outside the scope of the committee's charge. Second, retirement cuts can only be implemented at the beginning of the fiscal year. While restoration can come at any point during the year, further cuts cannot be made. The committee had real concerns about these issues as the timing meant that cuts would need to be implemented before we knew precisely what the budgetary shortfall from the COVID crisis would be and before the other groups which our committee did not represent would be able to provide feedback.

In implementing the June 4 plan, we recommend that annual salary letters from the Deans of the school should refer specifically to the full base salary of each faculty member (which, except in cases of faculty receiving raises associated with promotions or previous raise commitments, would be the same amount as the salary letter sent at the beginning of FY2020) and should recognize that a temporary reduction from this salary, for people with salaries exceeding $280,000, may be required during the current crisis. As guidance to the Deans, the letter could read: “Your salary for the year is x. Although a temporary reduction in salary may be required during the current crisis, your salary will revert to x as soon as the budgetary situation of the institution has recovered.”

Details of the retirement cut

As announced on June 4 by President Mangelsdorf, until further notice, for the 2020-21 fiscal year, the university will contribute 6.2% on an individual’s earnings up to $100,000 towards their retirement account and make no other contributions.[2] In addition, the university will impose a temporary pay cut of 10% on dollars earned above $280,000 (which coincides with the 2019-20 IRS limit on retirement contributions) so that the retirement cut did not become regressive at that point.

Appendix 1 summarizes the impact of the cut on faculty compensation at the four schools for which the FSRAC has salary data, AS&E, Eastman, Simon, and Warner. As examples of how this will affect individual faculty:

- Professor Camus has a base compensation of $60,000. Had the retirement program for 2021 been as originally projected, with a 6.2% university funded contribution on the first $61,300 of earnings, and then 10.5% on additional income up to the $285,000 IRS limit, the total University

[2] For 2019-2020, the University provides all employees, including faculty, with a contribution to their 403(b) retirement account calculated as 6.2% of their salary earnings up to $59,200, and 10.5% of salary earnings between $59,200 and the IRS limit of $280,000. In 2020-2021, the University plans to increase the “breakpoint” from $59,200 to $61,300, as it routinely does each year. The upper limit, however, would remain at $280,000 even as the IRS allowed limit for 2020-2021 increases to $285,000.

contribution to his retirement savings would have been $3720. Under this reduction to contribution, the new University contribution will still be $3720.
- Professor Curie has a base compensation of $100,000. The originally projected University contribution to her retirement savings would have been $7864. Under this reduction to contribution, the new University contribution will be $6200.
- Professor de Beauvoir has a base compensation of $200,000. The originally projected University contribution to her retirement savings would have been $18,364. Under this reduction to contribution, the new University contribution will be $6200.
- Professor Piketty has a base compensation of $350,000. The originally projected University contribution to his retirement savings would have been $27,289, the maximum allowed under our program. Under this reduction to contribution, the new University contribution will be $6200. Additionally, his salary will be reduced by $7000.
- Dean Foucault also has a base compensation of $350,000. His retirement contribution will go from $27,289 to $6200, just like Professor Piketty's. Additionally, his salary will be reduced by $30,000.

Note that this cut does not affect an individual's contributions to their retirement accounts. Many employees may be able to contribute more money to offset these losses. For pre-tax and/or Roth contributions to a 403(b), the maximum individual contribution each year is $19,500 (for employees under age 50) or $26,000 (for employees age 50 or over). Unless individuals are already contributing at that level, they can elect to increase their contribution for the last six months of 2020 and, if these cuts continue, into 2021, as long as the contributions do not exceed these totals in either calendar year. Employees already at the maximum contribution, or even below, can consider other, post-tax accounts for increasing retirement savings. As examples:

- Professor Curie was designating $500 per month as a voluntary pre-tax contribution to her retirement account, so that her total retirement contributions would have been the University funded $7864 and her voluntary $6000 per year. If Professor Curie wished to keep the same overall contribution to her retirement accounts, she could increase her voluntary contribution to $638.67 per month. This would result in $6200 contributed by the University and $7664 in voluntary contributions, for the same total.
- Professor de Beauvoir was contributing the same $500 per month as Professor Curie to her voluntary retirement savings. To keep the same total retirement contributions each year to her account, she would have to increase her contribution to $1513.67 per month, for a total voluntary contribution of $18,164.

This cut generates 3.5% savings in compensation costs and generates roughly $3.5 million from the overall compensation for the faculty from AS&E, Eastman, Simon, and Warner for whom we have salary data. The cut is progressive. It results in an average reduction of 1.1% for those earning below $100,000; 3.8% for those earning between $100,000 and $200,000; and 6.7% for those earning above $200,000. It results in larger cuts for full professors than for lower-ranking faculty, and for men, relative to women, because groups with higher average earnings receive larger average cuts.

Appendix 1 also compares the June 4 cut to a previous scenario circulated by the committee, "Scenario B" of the May 19 FSRAC report. The latter cut was based on a target savings of $2.6 million, which was a target for the committee at one point. The President and Provost learned that they would need to generate more savings from the initial targets and therefore the final cut represents larger cuts than in Scenario B. Appendix 2 compares this change to peer programs. Appendix 3 discusses the current state of tenure-track UR faculty compensation relative to peer institutions and the recent history, 2010-2018, of tenure-track salaries by rank and school.

Faculty feedback

The committee solicited feedback from the faculty body at several points throughout this process. We received over 300 comments whose content ranged widely. Reacting to benchmark scenarios in the FSRAC's May 11 memo and in its first (May 19) report, some faculty members wanted more progressive cuts, while others wanted less progressive cuts or a flat tax rate. Some expressed that every faculty member should contribute something while others wanted to protect completely those earning below a certain threshold. Some agreed with the principle of solidarity: that faculty should experience cuts in line with those already taken by staff, administrators, and those planned at the med center. Others expressed concern over symbolic solidarity without any formal sense of why the money was needed and where the savings would be applied. Some expressed concern that cuts would be disparately applied across departments or demographic groups. Others expressed the concern that cuts that hit some departments or schools more severely would make it difficult to retain faculty into those fields, or to recruit in those fields in the future. Finally, faculty expressed a great deal of concern over a lack of financial transparency and over how the cuts would impact recruitment and competitiveness.

In response to these comments, the committee landed on recommendations that were strongly progressive (such that the highest earners bore the largest cuts) but involved cuts to 100% of faculty members.

Finally, as noted previously, URMC faculty had little opportunity to provide feedback, and staff were not under the charge of the FSRAC. However, we understand that the final parameters of the June 4 plan were adjusted in response to feedback, largely from URMC faculty, about the need to limit the impact of reductions on faculty and staff with incomes below $100,000.

V. Recommendations

Moving forward, the FSRAC makes the following recommendations:

A. **Continuation of the FSRAC**: The Committee will meet at least monthly to review the need for continuing reductions beyond September 30. Considerations will include analysis of the evolving budget picture, including savings and revenue losses, and continued analysis of measures taken by peer institutions.
B. **Strengthen FSRAC involvement with SMD and SON**: This decision necessitates that the committee have access to data on faculty and budgets for the SMD and the SON. In

addition, we recommend that one or two additional members should be added to the FSRAC, especially from the URMC clinical side.

C. **Establish and monitor metrics**: The Committee should collaborate with the administration to establish clear metrics to indicate that compensation reductions could be ended. With the decision to adopt retirement cuts, it will also be crucial for the committee to understand how staff members will be impacted by cuts.
D. **Improve financial transparency:** Access to relevant data was identified as a matter of great concern by many of the nearly 300 faculty members who commented on the Committee's May 11 memo and May 19 report. To continue its work, the Committee will need sufficient data in order to understand school/unit budgets. Significant progress has been made since the May 19 report, but more is needed.
E. **Seek shared understanding of budgets**: In order to make effective recommendations to the administration, the Committee needs to know how faculty compensation reductions fit into the complete budget picture of the University, including: total current and projected budgetary shortfalls; which shortfalls result from pre-existing structural deficits, and which are the result of COVID-19 related changes; the amount of savings that must come from faculty salaries, the amount of savings coming from other reductions in expenditures; and plans for revenue generation to recoup the losses in the future. Data will need to be available from the Medical Center and from all of the schools of the University.

Conclusion

The FSRAC is committed to helping the University for the duration of the financial crisis brought on by COVID-19. We recognize that faculty compensation reductions, while regrettable, may be a necessary step as the University faces new expenses, losses in revenue, and deep uncertainty. Moreover, we strongly support the principle of solidarity and shared sacrifice, and recognize that fairness and community spirit suggest that faculty should bear some of the burden that has thus far fallen primarily on staff, contingent faculty colleagues, and administrators.

Over the months to come, the committee is eager to work with the University administration to establish appropriate metrics for the continuation of cuts, or—more hopefully—for the prompt restoration of compensation.

Appendix 1: Analysis of Reduction announced 4 June, 2020, and Scenario B from the May 19 FSRAC report

The FSRAC was provided with a list of anonymized salaries for Eastman, Warner, Simon, and AS&E, by rank. It includes all tenure-track faculty and a group of non tenure-track faculty in these four schools who are on long term contracts. This is a total of 567 faculty. (As noted in the "Data" discussion, we do not have salary information for faculty from SMD or SON.)

We calculated the effect of various salary and retirement contribution reductions for each of these scenarios. For retirement contributions we used the 2019-2020 formula for retirement contributions. For 2019-2020, the University provides all employees, including faculty, with a contribution to their 403(b) retirement account calculated as 6.2% of their salary earnings up to $59,200, and 10.5% of salary earnings between $59,200 and the IRS limit of $280,000[3].

Calculations of the impact on faculty were performed on the individual salaries, or binned groups of similar salaries.

For each scenario, we calculated the reduction in compensation (salary plus University-funded retirement) divided by the compensation without any reduction. This is plotted as a function of base salary (purple line in the graphs below), and is overlaid with the same reduction calculated for administrators (yellow line, a 20% reduction on base salary above $200,000) and the distribution of faculty salaries (green line). The effect of each scenario on faculty at the 75% percentile ("1st quartile"), median, and 25% percentile ("3rd quartile") in each rank is also shown.

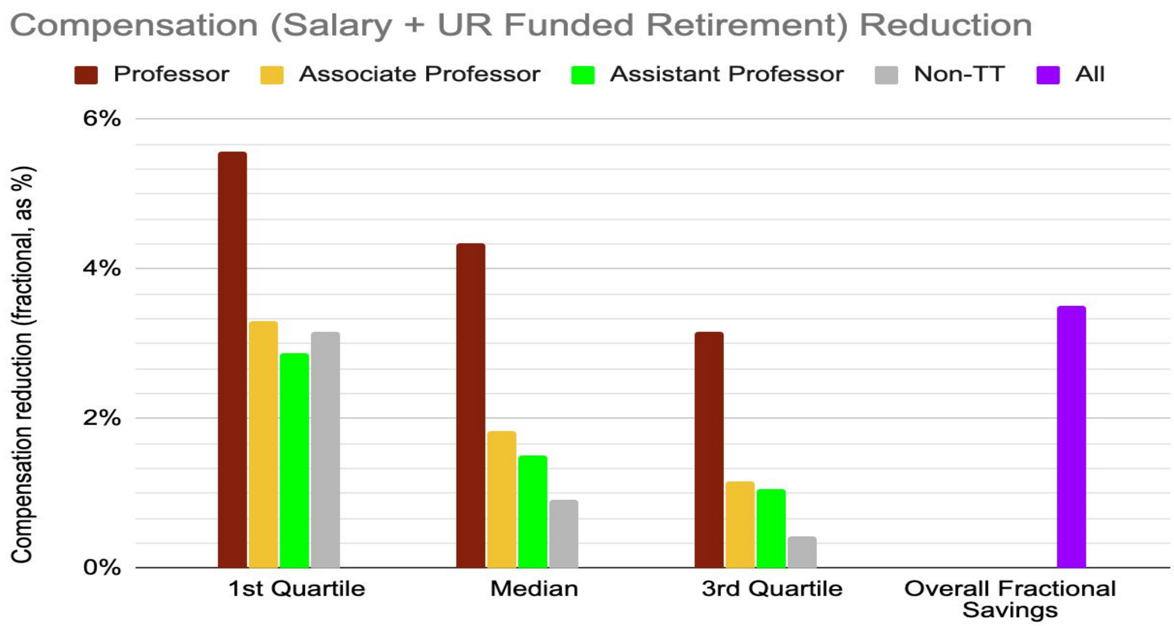
Also presented is an analysis of the changes in quartile salaries for faculty identifying as male and not identifying as male, by school, and by field grouping[4]. In addition, the effect on median salaries by rank and school is shown. These analyses are only available for tenure-track faculty.

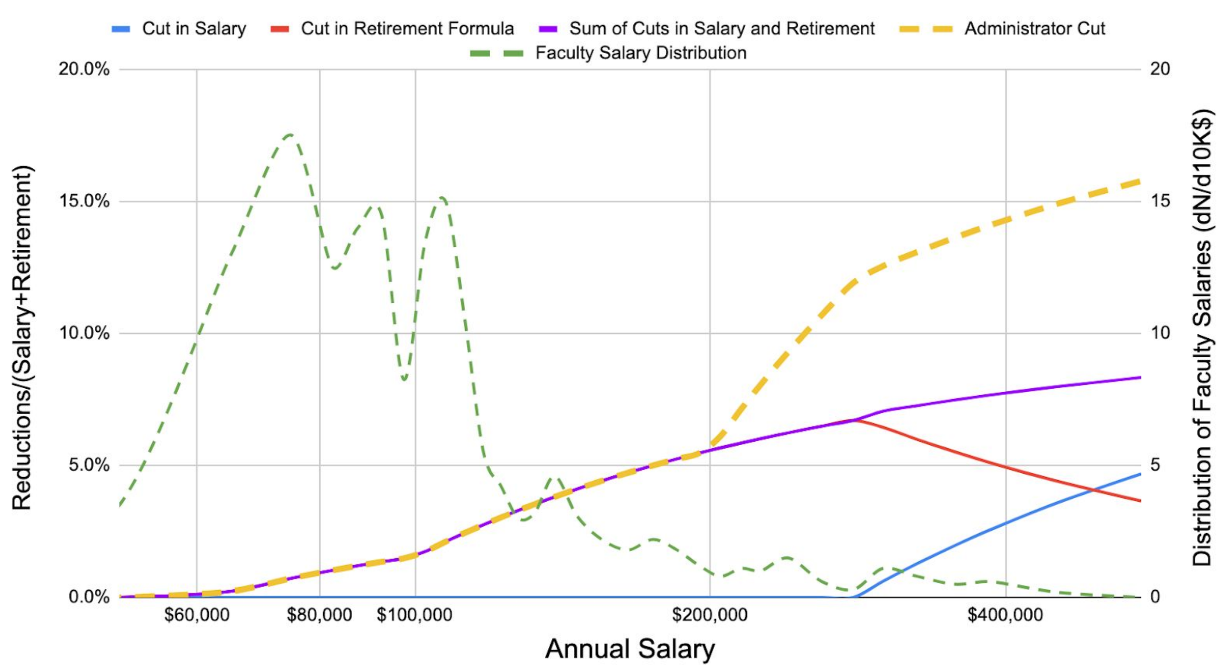
---

[3] In 2020-2021, the University had already planned to increase the "breakpoint" from $59,200 to $61,300, as it routinely does each year, and the IRS limit increases from $280,000 to $285,000. The breakpoint change will have no effect on compensation for employees earning below $59,200. For employees earning above $61,300, it will be a $90 reduction in their University retirement contribution. On May 14, the board of trustees approved a proposal to not increase retirement contributions to follow the new IRS limit, but rather continue the maximum at $280,000. This resulted in a $525 reduction in University retirement contributions for employees earning above $285,000.

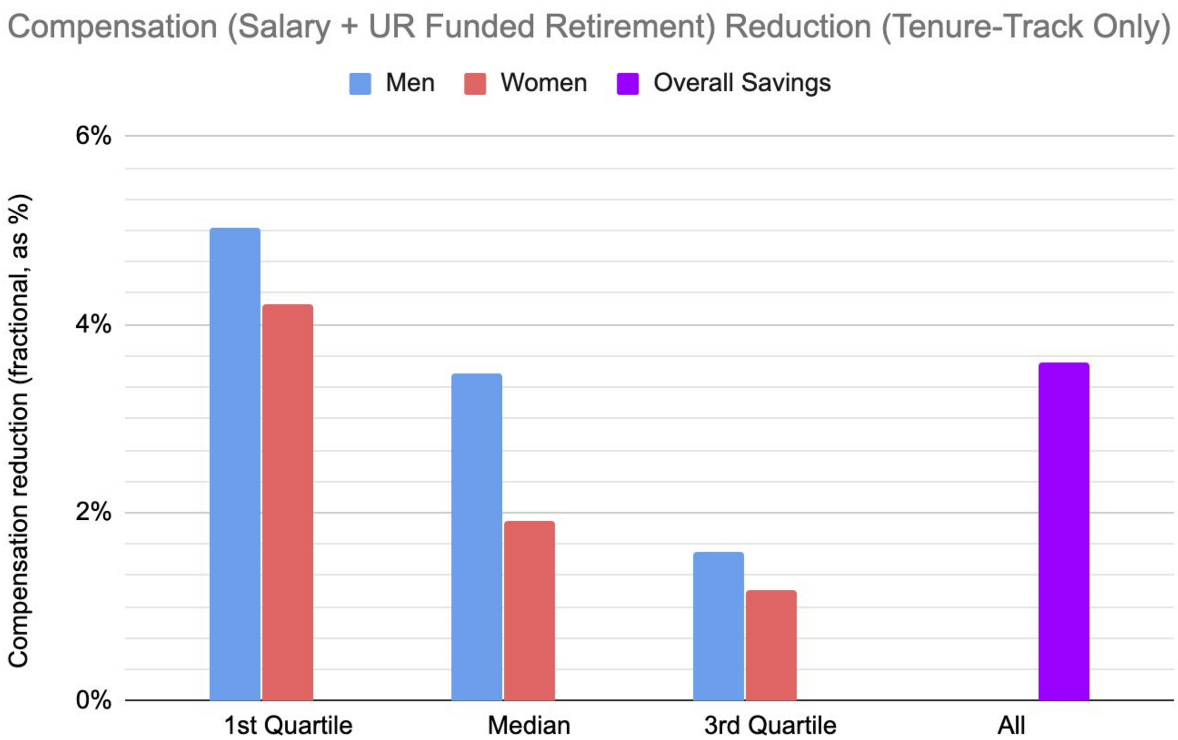
[4] Alpha: Simon Business School, Department of Economics; Bravo: Biomedical Engineering Chemical Engineering, Computer Science, Electrical and Computer Engineering, Mechanical Engineering, Optics; Charlie: Art and Art History, English, Modern Languages and Cultures, Music, Philosophy, Religion and Classics; Delta: Biology, Brain and Cognitive Sciences, Chemistry, Earth and Environmental Sciences, Mathematics, Physics and Astronomy; Echo: Anthropology, Clinical and Social Psychology, History, Linguistics, Political Science, Warner School of Education; Foxtrot: Eastman School of Music

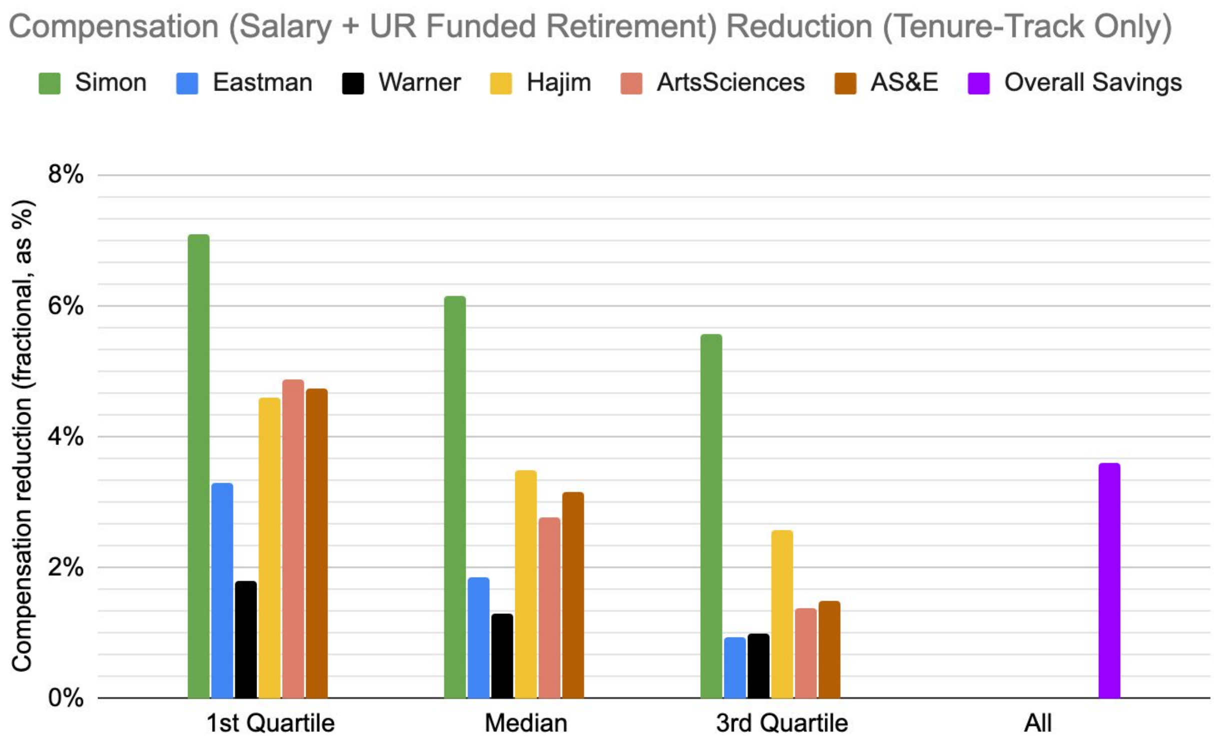
Reduction Announced 4 June 2020: Change retirement contribution on income between $61,300 and $100,000 to be 6.2%, as with income below $61,300, and suspend retirement contributions on income above $100,000. Additionally, reduce salaries by 10% of the portion of salary over $280,000. (This cut results in an average reduction of 1.1% for those earning below $100,000, 3.8% for those earning between $100,000 and $200,000, and 6.7% for those earning above $200,000. This generates 3.50% savings in compensation costs for the faculty in this study.

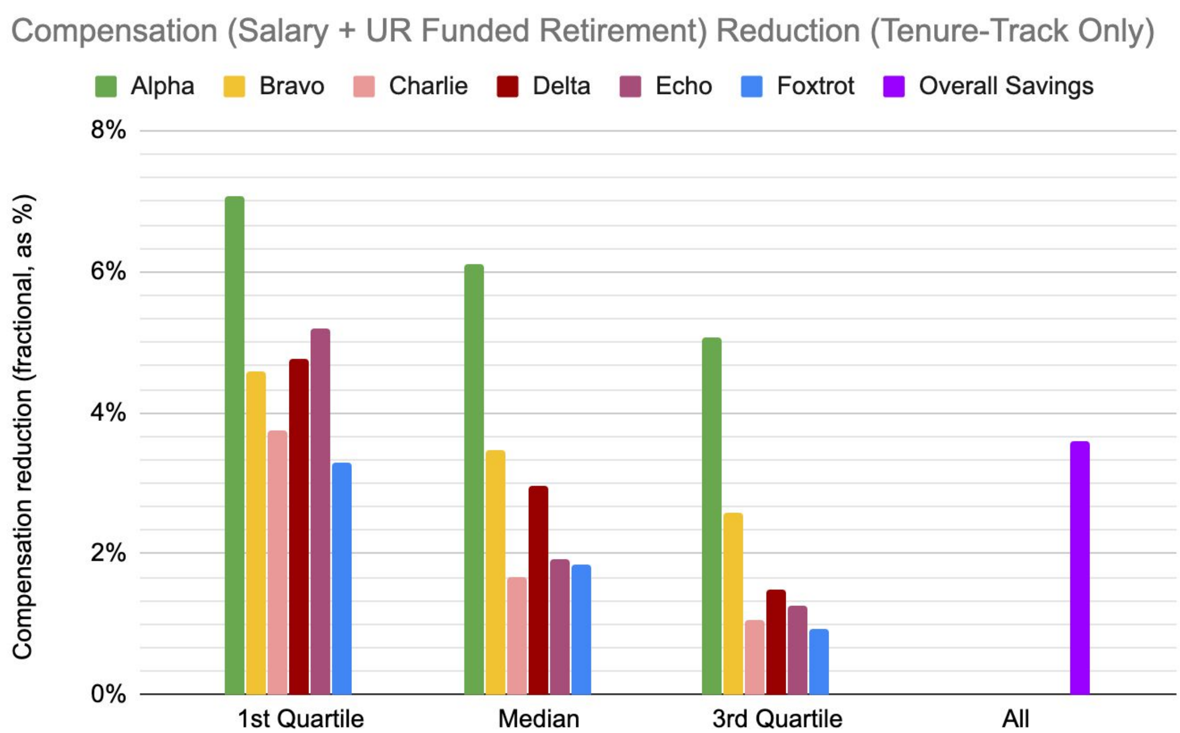




Analysis of Tenure Track faculty only below here

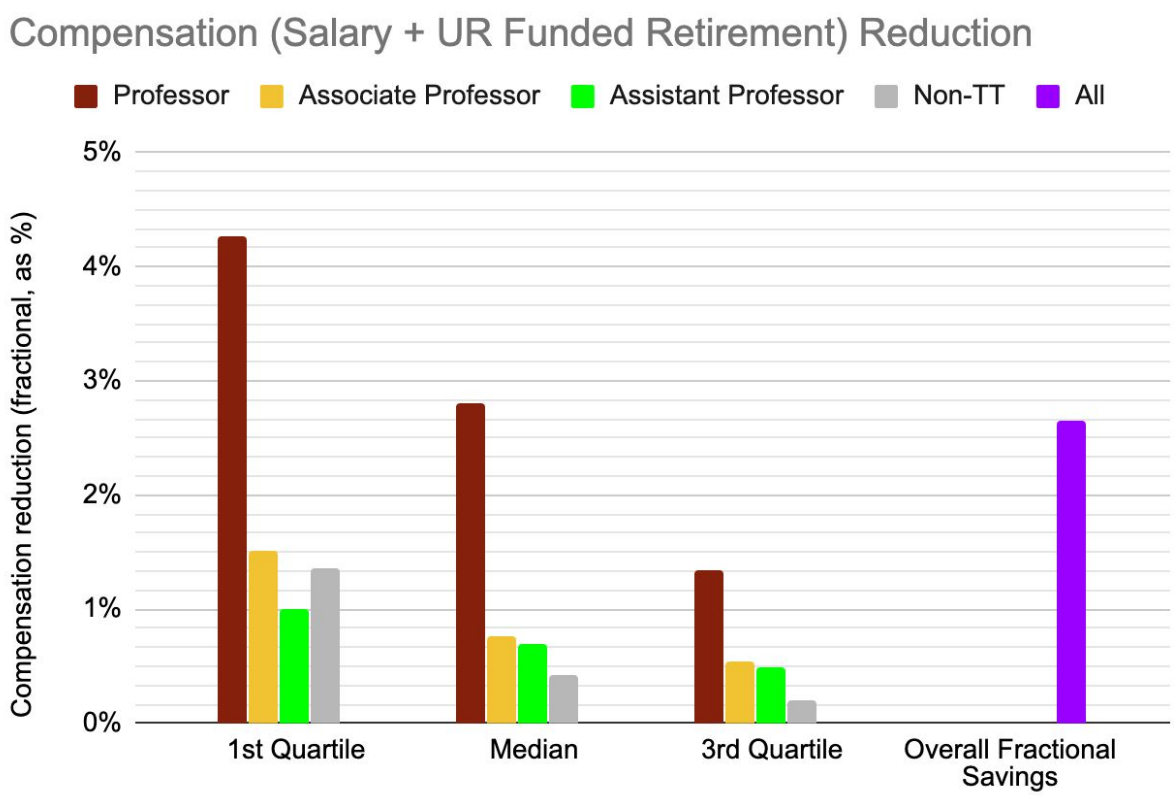


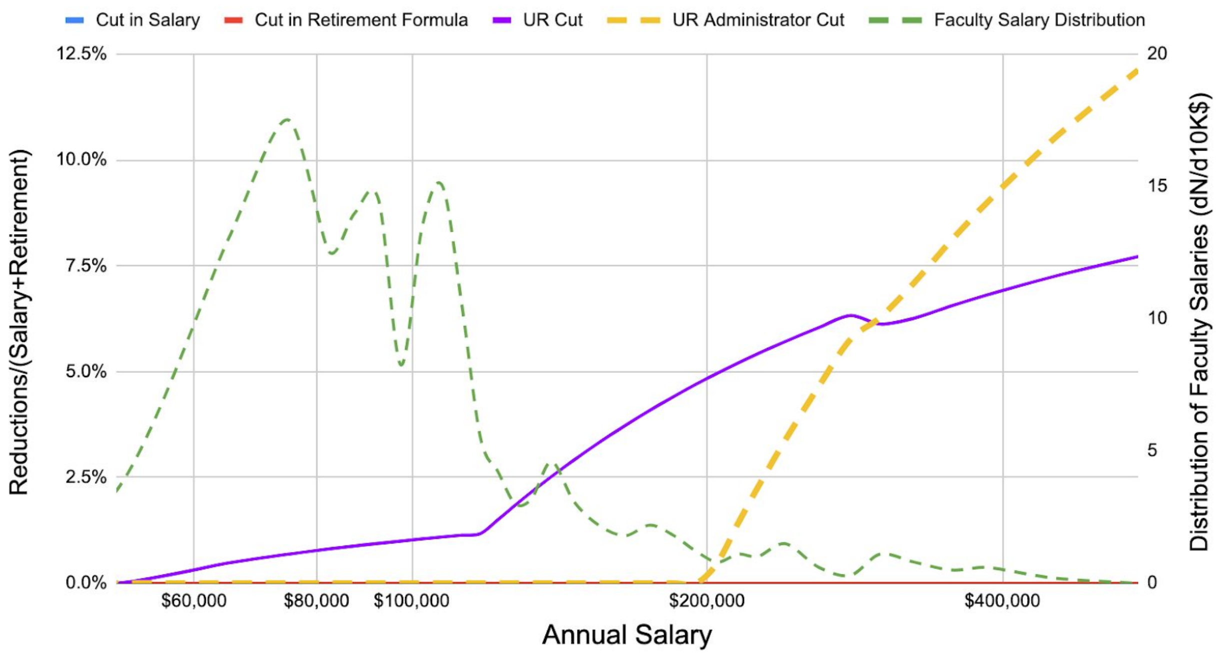

Compensation (Salary + UR Funded Retirement) Reduction (Tenure-Track Only)
Simon
Eastman
Warner
Hajim
ArtsSciences
AS&E
Overall Savings
Compensation reduction (fractional, as %)
8%
6%
4%
2%
0%
1st Quartile
Median
3rd Quartile
All


Compensation (Salary + UR Funded Retirement) Reduction (Tenure-Track Only)
Alpha
Bravo
Charlie
Delta
Echo
Foxtrot
Overall Savings
Compensation reduction (fractional, as %)
8%
6%
4%
2%
0%
1st Quartile
Median
3rd Quartile
All

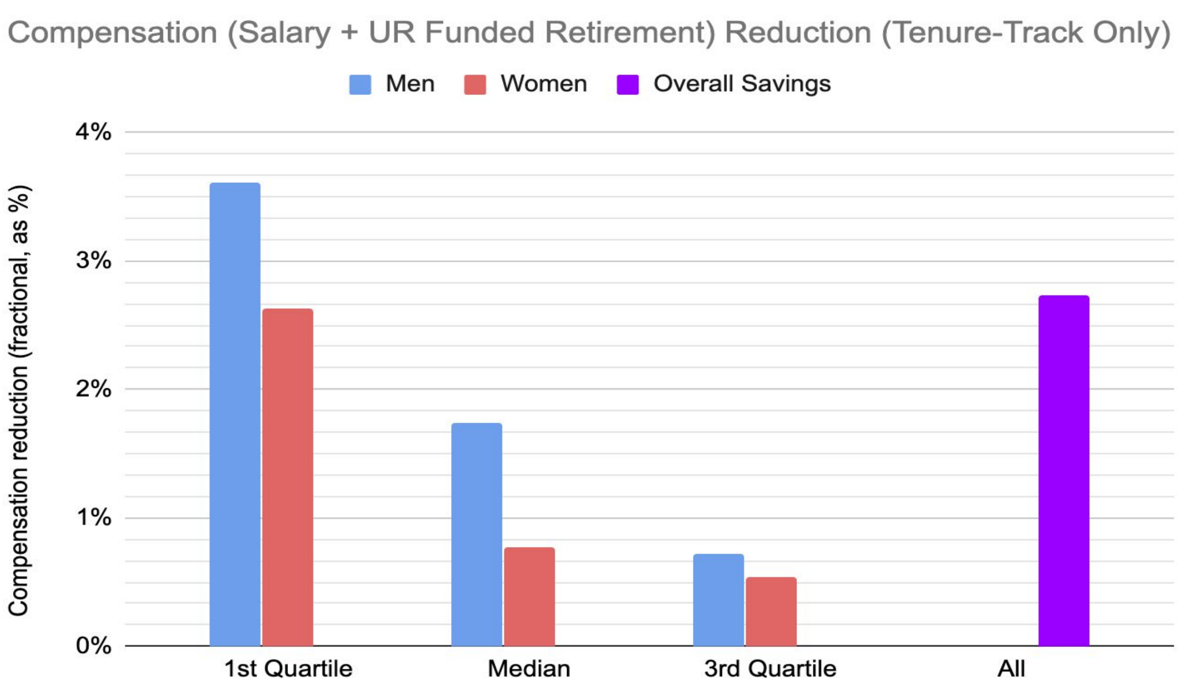
School	% of Faculty	% of Faculty Compensation	% of Reduction
Simon	7.7%	13.7%	21.0%
Eastman	16.8%	12.4%	7.6%
Warner	3.9%	3.2%	2.6%
Hajim	18.4%	19.0%	19.0%
Arts&Sciences	53.2%	51.6%	49.7%
AS&E	71.6%	70.6%	68.7%

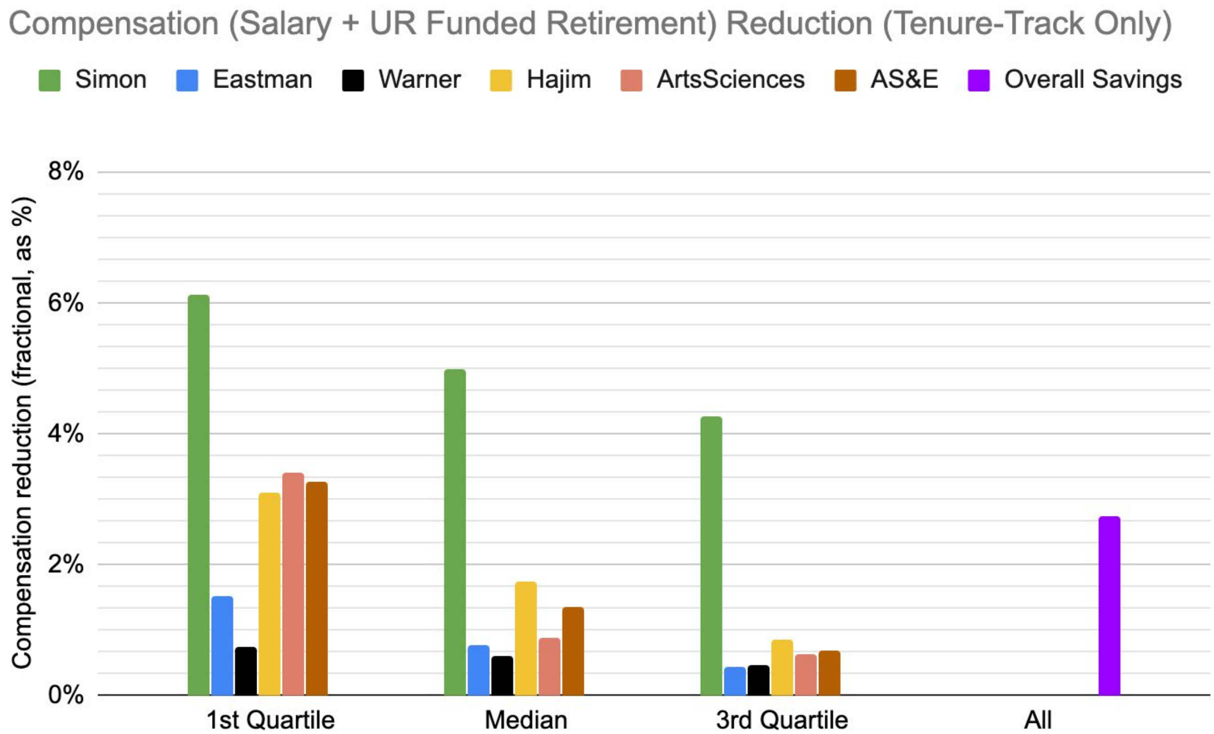
Scenario B (from the May 19 FSRAC report): Implement a faculty salary reduction of 2% on the portion of base salary above $50,000, and an additional 8% on the portion of base salary over $118,000. This cut results in an average reduction of 0.8% for those earning below $100,000, 2.4% for those earning between $100,000 and $200,000, and 5.7% for those earning above $200,000. This scenario generates $2.8 million in savings.

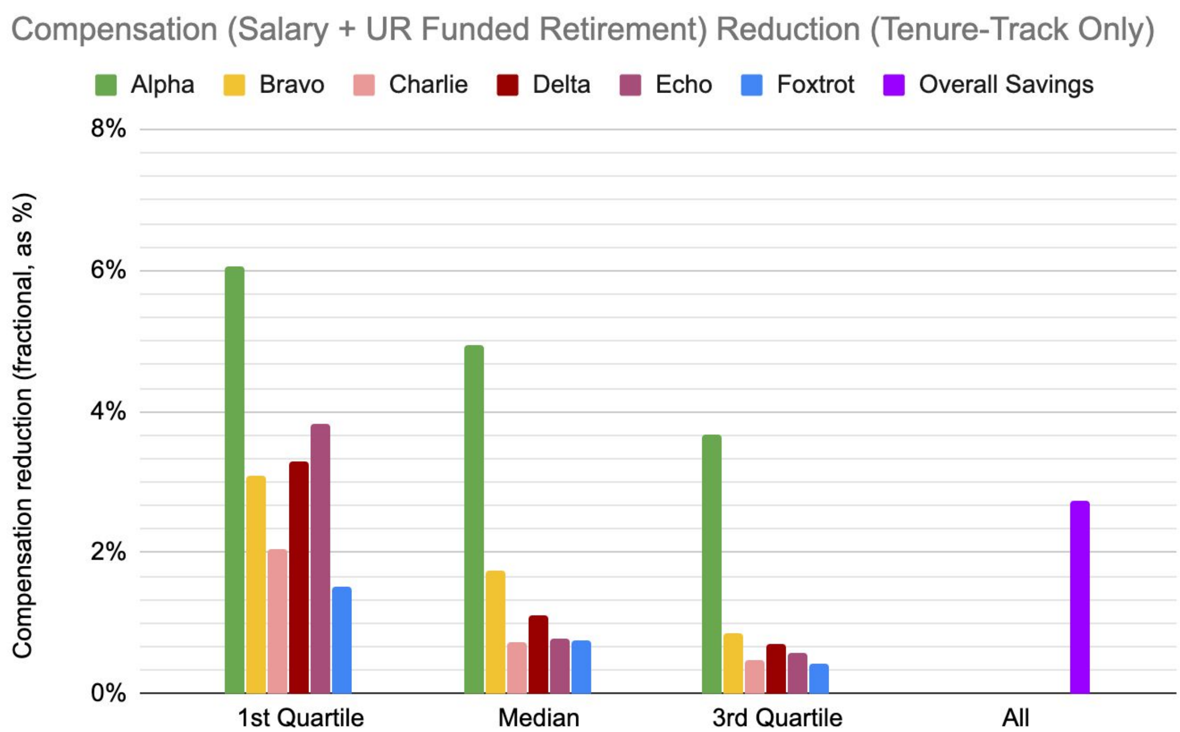




Analysis of Tenure Track faculty only below here




Compensation (Salary + UR Funded Retirement) Reduction (Tenure-Track Only)
Simon
Eastman
Warner
Hajim
ArtsSciences
AS&E
Overall Savings
Compensation reduction (fractional, as %)
8%
6%
4%
2%
0%
1st Quartile
Median
3rd Quartile
All


Compensation (Salary + UR Funded Retirement) Reduction (Tenure-Track Only)
Alpha
Bravo
Charlie
Delta
Echo
Foxtrot
Overall Savings
Compensation reduction (fractional, as %)
8%
6%
4%
2%
0%
1st Quartile
Median
3rd Quartile
All

School	% of Faculty	% of Faculty Compensation	% of Reduction
Simon	7.7%	13.7%	23.8%
Eastman	16.8%	12.4%	6.3%
Warner	3.9%	3.2%	2.9%
Hajim	18.4%	19.0%	17.5%
Arts&Sciences	53.2%	51.6%	49.5%
AS&E	71.6%	70.6%	67.0%

Appendix 2: Comparisons with peer and other institutions

Faculty policies at peer institutions					
	Salary freeze *	Hiring freeze *	Administrator pay cut	Retirement contribution cut	Salary cut
Rochester	April	April	May	July	(July)**
Peer Institutions					
Boston U.	●	●	●	●	
Case Western					
Duke	●	●	●	●	○**
Emory	●	●			
Georgetown	●	●	●	●	
Johns Hopkins	●		●	●	
NYU	●	●			
Northwestern	●		●	●	
Stanford	●	●	●		
Tulane	●	●			
U of Chicago	●				
U of So. Cal.	●	●	●		
Vanderbilt	●				
Wash. U St Louis	●	●	●		
Peer Ivy Universities					
Brown	●	●	●		
Columbia	●	●			
Cornell	●	●	●		
Harvard	●	●	●		
U of Penn	●	●			
Yale	●	●			

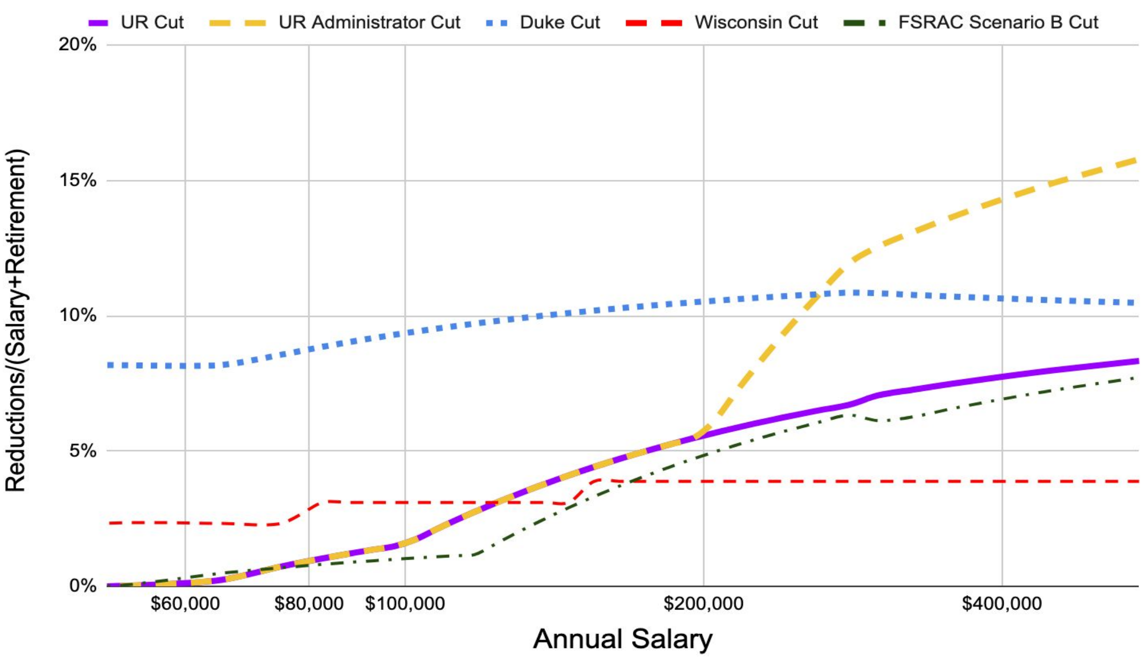
*Salary and hiring freezes have variability across schools. For instance, some salary freezes exclude promotion raises and some exclude those earning below a threshold. Some hiring freeze policies state that exceptions will be allowed. We do not consider "slowed hiring" announced by some as a freeze..
**Duke has cut by 10% the portion of pay above the IRS limit of $285K to keep their retirement contribution freeze from becoming regressive at high salaries.

Universities with furloughs/pay cuts: University of Arizona, University of Louisville, University of Wisconsin, University of Georgia

As an example of peer plans, Duke University plan is suspending their retirement contributions entirely from July 1, 2020 to June 30, 2021, which from January 1, 2020 to June 30, 2020 were 8.9% of salary up to $66,950, and 13.2% of salary above this, up to the IRS limit of $285,000[5]. The other schools that implemented retirement cuts (BU, Georgetown, Johns Hopkins and Northwestern) cut contributions entirely and did not add a pay cut for those earning above the IRS limit. As such, their impact as a function of salary would be similar to Duke's except for faculty with incomes above $285,000 where the fractional reduction in compensation would be markedly less for these high earners.

The University of Wisconsin furlough plan requires employees to take unpaid furlough between May 1, 2020 and October 31, 2020. For employees on nine-month (faculty) contracts, the plan requires 2 furlough days for employees with a base salary below $50,000, 3 furlough days for employees with a base salary between $50,000 and $80,000, 4 furlough days for employees with a base salary between $80,000 and $150,000, and 5 furlough days for employees with a base salary above $150,000[6].

The University of Rochester cut announced June 4, 2020, the cut that administrators at Rochester will take, and the Scenario B from the FSRAC report of May 19, 2020, are compared to the cuts implemented at Wisconsin and Duke below. The University of Rochester plans are significantly more progressive.



[5] https://hr.duke.edu/benefits/retirement/about-dukes-plans/faculty-staff-exempt/dukes-contribution
[6] https://hr.wisc.edu/docs/covid19/2020-05-20-furlough-update.pdf. There are 129 work days in this period, after excluding the Memorial Day, July 4th, and Labor Day holidays, and compensation reductions are assumed to be proportional to time off compared to total work days.

Appendix 3: Faculty Salaries in Eastman, Simon, AS&E, and Warner compared to peer institutions.

Since 2009, the Provost has routinely presented data to the Faculty Senate on salary distributions by school and rank, and comparisons to peer salaries. We mined the reports from Provost Peter Lennie in 2015[7] (covering 2010-2014) and Provost Rob Clark in 2019[8] (covering 2012-2017 for AS&E and Warner, and 2013-2018 for Eastman and Simon). The data from the presentations is not available, so the numbers were read off the graphs. The median for our peers was not given, but is calculated from the distribution of medians among the peer sets[9]. The peer sets are slightly different in the 2015 and 2019 reports and the overlap period is used to provide a correction of the 2015 data to the peer sets in the 2019 report. Data for full professors in Warner and the School of Nursing are not given in these reports because of the small data sets in these categories.

These studies can put the reduction in median compensation by school and tenure-track faculty rank in context with the changes in salary at the University since 2010, and compare those changes to trends at peer institutions, with whom we compete to attract faculty.

As examples of how to read the tables below, Professors at AS&E have seen an increase of median salary from 2010 to 2017 of 12% in inflation corrected dollars. However, relative to peers, even after these gains, that group still has a median salary that lags 11% behind peers, even after a gain against peer salaries in that same period of 9%. The 4.7% reduction in compensation announced June 4, 2020, reduces those gains. Eastman Assistant Professors have seen a reduction of their salaries from 2010-2018 of 3% in inflation corrected dollars, which has resulted in the same loss relative to their peers. They now lag their peers in median salary by 4%. Their median compensation reduction announced June 20, 2020 is 0.3%.

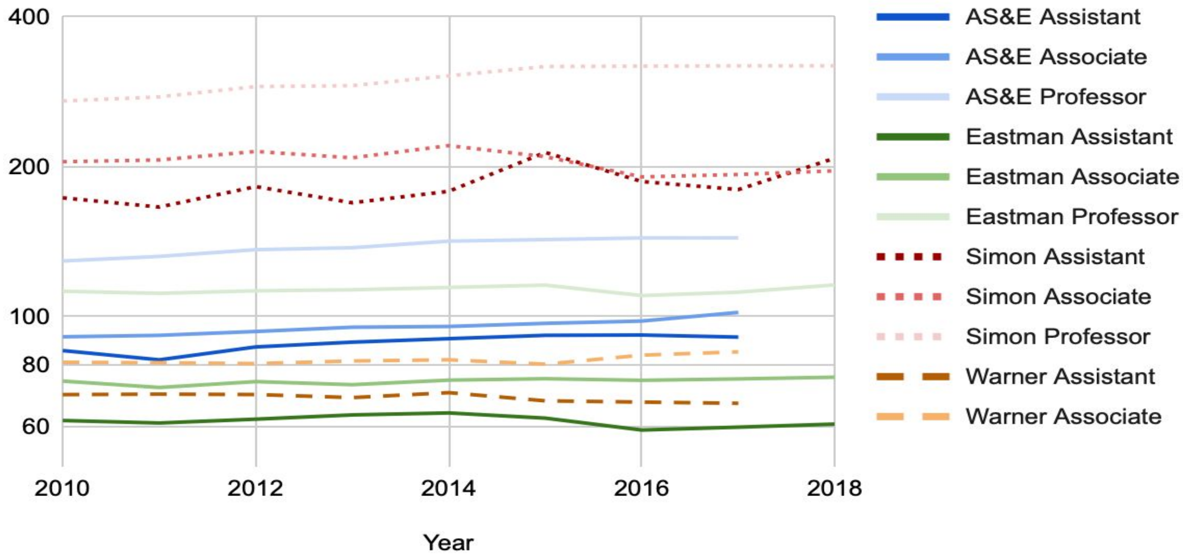
---

[7] Available in Faculty Senate minutes, http://www.rochester.edu/faculty/minutes/2015-16/Provost_Faculty_Senate_Address_Feb_9_2016.pdf
[8] To be available in Faculty Senate minutes, 23 April 2019.
[9] Peers sets are scaled to Provost Clark's 2019 Salary Report in which the peers are described as: **AS&E** "AAUDE annual salary survey, Comparison Set: departments of 7 private AAU schools comparable to AS&E departments", **Warner** "AAUDE annual salary survey, Comparison Set: 23 public & 1 private AAUDE education schools", **Eastman** "NASM HEADS annual report, Comparison Set: private universities with 201+ Music Majors", **Simon** "AACSB compensation survey, Comparison set: Boston College, Carnegie Mellon, Cornell, Duke, Emory, Minnesota, Purdue, UCLA, USC, Vanderbilt, Wash U, Yale".

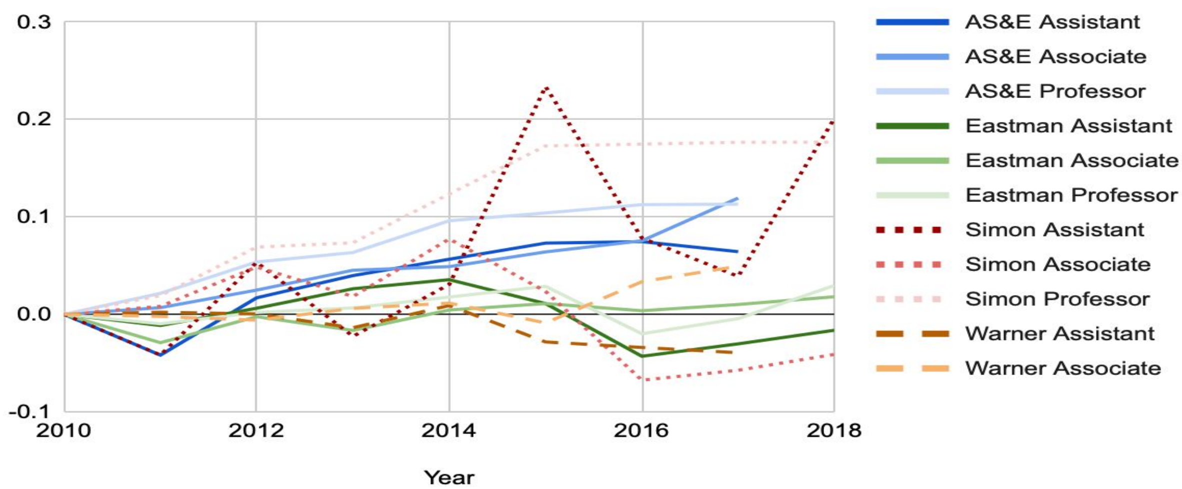
	Salary Relative to Peers		Salary gains over inflation	Median Compensation Reduction	
School & Rank	Three Year Average (last avail.)	Salary gain 2010-2017/18 (last avail.)[10]	Salary increase 2010-2017/18 (last avail.) 2017$[11]	Plan Announced June 4	FSRAC May 19 Scenario B
Eastman Professor	18%	5%	2%	(2.9%)	(1.3%)
Simon Professor	22%	5%	20%	(7.4%)	(6.4%)
AS&E Professor	(11%)	9%	12%	(4.7%)	(3.3%)
Eastman Associate	(0%)	1%	3%	(1.0%)	(0.7%)
Simon Associate	1%	(21%)	(8%)	(6.0%)	(4.8%)
AS&E Associate	(6%)	5%	11%	(2.2%)	(1.0%)
Warner Associate	(3%)	2%	4%	(1.1%)	(0.8%)
Eastman Assistant	(4%)	(3%)	(3%)	(0.3%)	(0.4%)
Simon Assistant	5%	(1%)	18%	(6.0%)	(4.9%)
AS&E Assistant	(0%)	(2%)	10%	(1.5%)	(0.9%)
Warner Assistant	(5%)	(7%)	(4%)	(0.4%)	(0.5%)

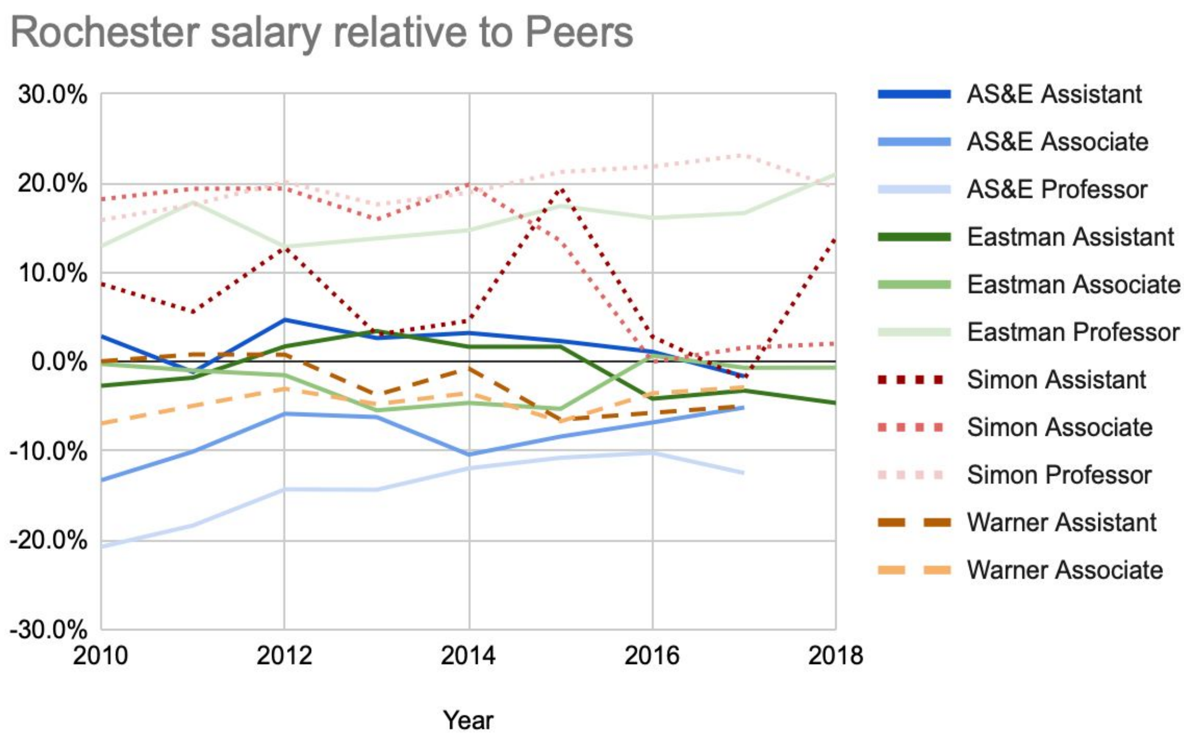
[10] Calculated using a least squares linear fit to annual salary comparisons to peer sets.
[11] Calculated using a least squares linear fit to salaries as a function of year and corrected for the effect of inflation to CY2017$ using the Bureau of Labor Statistics Inflation Calculator for December, https://www.bls.gov/data/inflation_calculator.htm

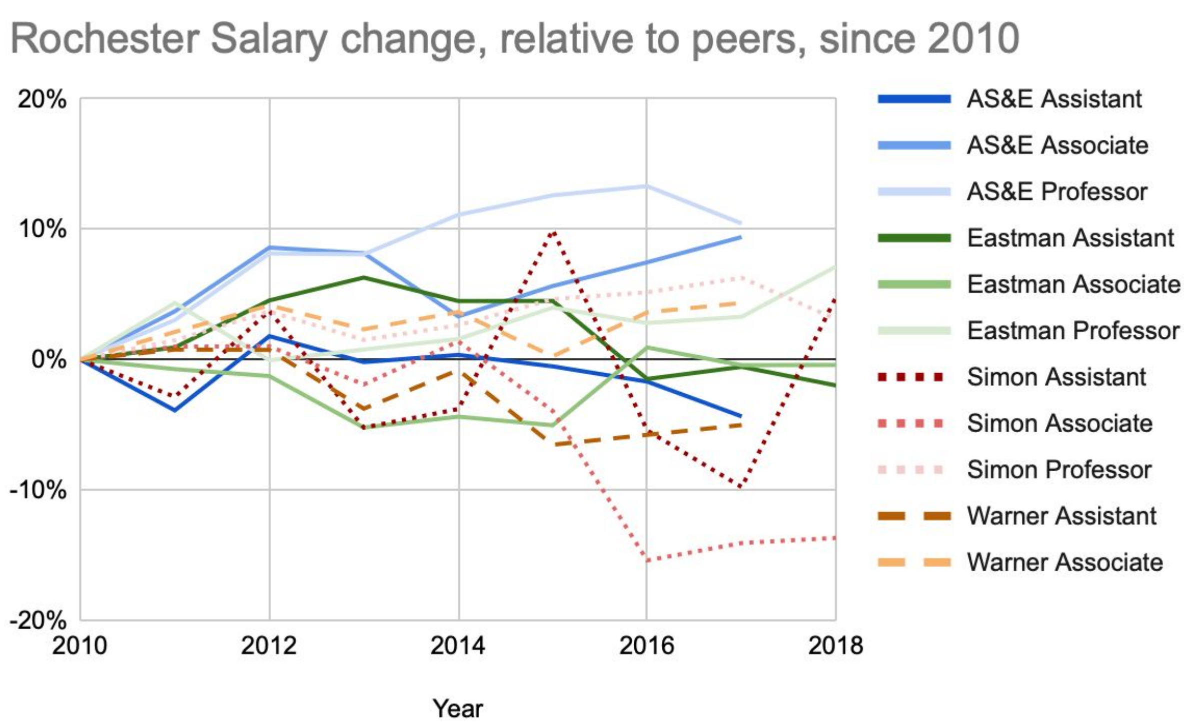
Median Faculty Salaries, FY2017$



Change in Median Faculty Salaries since 2010, FY2017$




Rochester salary relative to Peers
30.0%
20.0%
10.0%
0.0%
-10.0%
-20.0%
-30.0%
2010
2012
2014
2016
2018
Year
AS&E Assistant
AS&E Associate
AS&E Professor
Eastman Assistant
Eastman Associate
Eastman Professor
Simon Assistant
Simon Associate
Simon Professor
Warner Assistant
Warner Associate


Rochester Salary change, relative to peers, since 2010
20%
10%
0%
-10%
-20%
2010
2012
2014
2016
2018
Year
AS&E Assistant
AS&E Associate
AS&E Professor
Eastman Assistant
Eastman Associate
Eastman Professor
Simon Assistant
Simon Associate
Simon Professor
Warner Assistant
Warner Associate

Appendix 4: Analysis of tuition shortfall in the College of Arts, Sciences, and Engineering

The following table details our analysis of tuition data for 2019-20 from the College of Arts, Sciences, and Engineering. The committee was given data on the number of students and net tuition paid, by student country of origin. This analysis does not include losses from room and board. The optimistic, pessimistic, and more pessimistic scenarios were chosen by the committee. We have not received any guidance on what scenarios the College views as likely.

The last column of the table illustrates the scope of multi-year increase in net revenue from tuition which could recoup losses in tuition sustained during the 2020-21 academic year.

Projection	**Description**	**Tuition revenue shortfall***	**Recoup losses by 2026****
Optimistic	Mix of online/in-person in fall, in person in spring -- 80% of international freshmen begin in spring -- full online participation in fall from upperclassmen and domestic freshmen	5% $7.6M	Increase revenue from tuition by 8.5% for 2 entering classes
Pessimistic	Online all year -- No international freshmen -- 75% participation from domestic freshmen -- Full take-up from upperclassmen	12% $18M	Increase revenue from tuition by 8.5% for 3 entering classes
More pessimistic	Online all year -- No international freshmen -- 75% participation from domestic freshmen -- 75% take-up from sophomores and juniors -- full take-up from seniors	24% $36.5M	Increase revenue from tuition by 10% for 4 entering classes
*These are **overestimates** of tuition losses since they do not take into account that low take-up will likely come from those contributing less tuition. However, numbers do not reflect losses in room & board. **Assumes from the originally admitted class of 2024: 90% of domestic and 75% of international admits attend as sophomores			

Appendix 5: Analysis of endowment and outstanding debt
As of December 31, 2019, the endowment was valued at $2.061 billion. Its breakdown into restricted and unrestricted funds, and into "true" endowments vs. "funds functioning as endowments" or term endowments, is as follows:

($ in millions)	Restricted	Unrestricted	Total	% of Total
True Endowments	981	98	1,079	52%
Funds Functioning and Term	643	339	982	48%
Total	1,624	437	2,061	
% of Total	79%	21%		

Here are the endowment holdings broken down by school/unit/category:

	Restricted	Unrestricted	Total
AS&E	$481,133,033	63,837,604	544,970,670
EIOH	2,308,975	0	2,308,975
Eastman	123,565,566	156,340,636	279,906,202
Simon	63,416,171	48,847,089	112,263,260
SMD	842,931,300	114,826,227	957,757,527
SON	32,510,211	3,336,658	35,846,869
Warner	27,865,260	6,272,914	34,138,174
Central admin	22,484,066	0	22,484,066
HSD	541,859	0	541,859
Undergraduate College	27,003,620	33,719,359	60,722,979
Memorial Art Gallery	0	10,441,767	10,441,767

On May 14, the board approved an overall aggregate spending rate of 5.7% for FY21, distributed differently across the schools:

ASE	5.9%
ESM	6.9%
Simon	5.5%
SMD	5.5%
SON	3.6%
Warner	5.5%

The data we've received tracks the endowment spending rate in each school since 2007. The FSRAC requested this data in part to see how the University responded to the Great Recession. During 2008–09, the spending rate at several schools increased: ASE's spending rose to 8.6% and ESM's rose to 7.4%. In addition, Simon was spending at 9.0% in 2007 and maintained a high draw rate over the next two years (8.2% and 7.9%) before declining to its current level.

However, at least two reasons suggest the current crisis cannot be addressed with a comparable increase in endowment spending.

One is a change in New York State law. New York's Prudent Management of Institutional Funds Act,[12] enacted in 2010, suggests a standardized spending limit of 7% of an endowment's fair market value, averaged over a period of not less than the preceding five years. The act specifically creates a "rebuttable presumption of imprudence" for expenditures above that limit.

A second reason is a change in the University's debt position. As of December 31, 2019, the University carried $1.281 billion in outstanding long-term debt, equal to about 62% of the value of the endowment.[13] This is a significant increase since FY2007–08 (the earliest year for which we have data), when the University carried $683 million in debt, equal to 40% of the endowment (then worth $1.722 billion).[14] The increase came in the years 2008–14, after which the debt has stabilized at ~$1.2 billion. Most of this increase was used to finance recent construction. There are substantial "servicing" (repayment) costs associated with the University's debt. Over the next six years (through 2026), payments on the debt accrued as of December 31, 2019—including interest and principal—will average approximately $100 million per year. Payments in excess of $50 million per year are due through 2037.

While many faculty members have suggested taking on additional debt as a means to avoid harmful austerity measures such as compensation reductions, the size of the University's debt

[12] See https://www.charitiesnys.com/nypmifa_new.html
[13] It is increasingly common for universities to hold large amounts of debt. See, e.g., https://www.theatlantic.com/education/archive/2017/10/why-colleges-are-borrowing-billions/542352/
[14] http://www.rochester.edu/adminfinance/statements/200708/endowmentassets.html

and, especially, its debt-to-endowment ratio may make this impracticable. In particular, there may be a risk that taking on more debt would lead to higher costs of doing so if the University's credit worthiness were downgraded.