MEMORANDUM

TO: Dr. Kim Wilcox, Provost
FROM: Professor Deborah Moriarty, Chair
SUBJECT: Recommendation for 2010-11 Faculty Merit and Market Pool Increase

The University Committee on Faculty Affairs (UCFA) recommendation for the faculty merit and market pool increase in the 2010-11 academic year is developed on the basis of the following principles:

- recruitment and retention of high quality faculty;
- maintenance of the quality and integrity of our academic program;
- recognition of faculty productivity.

In addition, there is a concern about the erosion of university-funded health benefits, including:

- for new hires, elimination of funded post retirement health care for spouses (2005);
- initiation of health care premium sharing (2002).

Over the past decade, UCFA has used our relative position among Big Ten universities as a key indicator of the university’s performance in upholding these principles. In difficult economic times, however, it is also necessary to balance the cost of such increases with the impact of further MSU programmatic reductions and tuition increases.

At this time little concrete information is available for 2010-11 salary increases across the Big Ten. For 2009-10, average faculty compensation at MSU remained in the middle of the Big Ten, ranking 4^th^ of 11, inclusive of retirement and health care expenses (Figure 1). However, with the elimination of funded post-retirement health benefits for the spouses of new hires in 2005 and the anticipated elimination of post-retirement health benefits for both spouses and employees for new hires in the near future, augmented salary rankings become a critical factor in maintaining overall compensation levels.
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Our 2009-10 MSU faculty salaries improved to 7th of 11 in the Big Ten compared to 9th in the previous year (Figure 2). The margin by which MSU salaries exceed those schools ranked below us is, however, very small; $700 separates MSU from the 10th rank. The gap between MSU's current average salary level and the Big Ten median average salary is now estimated at $2,700; fulfilling our long-term goal of reaching the median position would therefore require a 3% increase of MSU's current average faculty salary.

Realizing all of the above considerations, we recommend a 0% increase for the 2010-11 general merit pool. Because of the narrow salary differences between MSU and institutions ranked beneath us, it is critical that our Big Ten rankings continue to be analyzed and increases be planned for 2011-12 and beyond.

In recognition of our fragile position within the Big Ten, it is recommended that a market adjustment pool of approximately 1% continue during 2010-11. Market guidelines should be similar to previous years, focused on retaining key faculty. Further, it is essential that the faculty promotion and tenure process continue without interruption and that central university support be made available to assure that promotional increments are commensurate with previous years.

UCFA recommends continuation of a health care advisory committee that includes UCFA representatives and experts in the area of health from across the university. The advisory committee has been working this year with the university administration and Human Resources to identify and implement programmatic changes in the area of health and health care. The goals of this group are to provide programs to improve health, maintain quality health care programs, and reduce the growth of health care expenditures.

Preliminary 2009-10 Big Ten average salaries and compensation rankings are appended for your review. The committee would call attention to Figure 3 that shows the impact of the elimination of post-retirement health benefits for new hires on MSU's ranking on compensation, dropping MSU from 4th to 10th in the Big Ten. Looking to the future, if MSU's benefit package continues to be reduced, then the average salary comparison with other Big Ten universities becomes the more accurate measure of our competitiveness.

Attachments
2009-10 Faculty Salary Averages

Northwestern: $134,096
Michigan: $114,625
Ohio State Univ: $103,483
Penn State Univ: $103,248
Illinois: $102,242
Minnesota: $100,138
Michigan State Univ: $97,452
U Iowa: $97,392
Wisconsin: $96,909
Indiana U: $96,740
Purdue: $93,224
2009-10 Faculty Compensation Averages

Northwestern: $172,486
Michigan: $142,459
Minnesota: $136,277
Michigan State Univ: $130,190
Wisconsin: $128,709
Penn State Univ: $128,108
Ohio State Univ: $128,105
Illinois: $128,043
U Iowa: $124,706
Indiana U: $124,239
Purdue: $122,913
If funded Post-Retirement Health Benefits are eliminated for new hires and all other variables remain the same, within approximately 20-30 years the compensation ranking drops to 10th in the Big Ten.