REPORT OF THE COMMITTEE ON COMPENSATION

Salary and Benefits for 2005-2006

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The college has undertaken an ambitious program of self-improvement designed to move it higher in the ranks of the country's liberal arts colleges. That program depends upon the concerted efforts of all the college's employees, and these efforts must be rewarded by compensation commensurate with task. The college must continue and strengthen its compensation programs if it wishes to improve its competitive position.[1]

I. Salaries

We recommend that all employees of the college whose performance is deemed satisfactory receive a cost-of-living adjustment for 2005-2006. The traditional college method of calculating inflation produces a figure of 2.73% this year.[2]

Faculty salary brackets inflated by this number would be as follows:

	Bottom	Top
Instructor	$47,256.00	$51,355.00
Assistant Professor	$51,365.00	$61,731.00
Associate Professor	$61,741.00	$74,721.00
Full Professor	$74,731.00	$121,221.00

The faculty salary model developed by the AAUP and applied consistently for a number of years estimates that an additional increase of 2.67% would be required for progression through the ranks according to merit. In recent years a small additional sum has been available to the dean for the reward of extraordinary faculty merit. We endorse the model and the recommendation it generates: that faculty salary pool be increased by 5.4% (2.73+2.67). (Additions to faculty numbers and/or retirements affect actual numbers. On average over the past seven years, AAUP projections for merit/progression through the ranks have exceeded actual increases in the salary pool by .15%.)

Average increases in pay for faculty would vary from 6.2 to 6.7% in the assistant professor bracket, 5.2 to 5.7% in the associate bracket, and 4.7 to 5.8 in the professorial bracket. This is a result of the AAUP formula for progression through the ranks, which divides the brackets by years in rank and calls for a dollar amount as the average within the rank.

On the basis of market analysis at the local and the national level, Barbara Wilson, director of Human Resources, concludes that projected changes in compensation for the exempt and non-exempt groups differ little. Projected increases in pay for all categories of staff range from 3.3% locally to 3.7% nationally. Some staff positions require national recruitment; others depend on the local market.

We endorse Barbara Wilson's recommendation of a single average merit component for all staff of 2.0%. This recommendation, combined with an inflation of adjustment of 2.73%, translates into a total raise for staff of 4.73%.

The college devoted additional resources over a three year period to combat a gap between staff salaries and relevant markets. Current analysis shows that staff salaries are for the most part now competitive in those markets.

In contrast, the AAUP report shows that the faculty salary at Colorado College, compares unfavorably in each of the four ranks of full-time faculty with the median of salaries at the top 30 liberal arts colleges (ranked by U. S. News and World Report.) The same conclusion emerges from comparison with the 12 liberal arts colleges selected by the administration (and ratified by the Board of Trustees) as a standard for comparison.[3]

Last year the AAUP recommended a five-year program to overcome the gap between the mean salary in each of the ranks at Colorado College and the median of the means at the thirty top ranked colleges. It asked the college to increase salaries by an additional 2.3% for five years. The administration accepted the general recommendation but added 1.3% to salaries for that purpose, rather than 2.3%.

This year's AAUP report estimates that the faculty salary pool would have to be increased an additional 12%, if we were to reach the median of average salaries of the top 30 liberal arts colleges. They urge that the college stick with the five-year plan, which would require a 2.86% increase per year for four more years.

The faster the college makes its salary structure competitive with comparable colleges, the sooner it will increase its attractiveness to candidates for faculty positions. The AAUP recommendation (2.86%) would move the college quickly toward its objectives for 2010. At 1.3% (the rate applied this year), it will take roughly nine years to reach that objective. All projections presume, of course, that comparable colleges do not increase salaries much more quickly or much more slowly than our normal salary model.

We recommend that the college reduce the salary gap for faculty as quickly as resources permit.

II. Benefits

We embrace the AAUP recommendation that the college continue to increase its contribution to retirement by .3% each year until it reaches 10%. That would bring us in line with other outstanding liberal arts colleges. The committee wants to consider, however, whether the college's contribution to EMERITI (see below) should not be understood as an element of the retirement contribution.

A. Medical Insurance.

From what we know, employees find the switch to the Great West, self-funded health-care plan to be largely satisfactory. The College has already begun to build a six-month reserve of funds to prepare for an unexpectedly large claim or a bad year.

Prescription drugs account for the largest increase in claims so far in 2004-05. During spring 2005 the Compensation Committee will review existing co-pays, out of pocket limits, deductibles, and coverages and consider recommending changes for 2005-06. Adjustments may be required to meet the budget.

The Committee will also look at other changes occurring in the health care area:

1Emphasis on consumer-driven healthcare. The notion is that individuals take responsibility to control costs through careful spending.

2Creation of Health Savings Accounts might be a means to that end. Employees and employer take some portion of money now devoted to insurance premiums and put it in savings accounts. The plan would involve much higher deductibles.

3Increased emphasis on programs for disease management and wellness. The college has already taken important steps in this direction.

B. Retiree Health Insurance

The College will introduce a new benefit, EMERITI, effective July 1, 2005. EMERITI has three components: a national consortium of colleges with collective buying power in the health insurance market; a comprehensive national health plan for retirees; and a system of health accounts funded during the working years from employer and employee contributions. Retirees use these accounts to pay premiums for health insurance under the EMERITI plans.

The EMERITI health retiree accounts provide a tax advantaged way to accumulate funds over the working lifetime of the employee. Fidelity Investments provides trust administration, a choice of appropriate investment options, comprehensive record keeping, and servicing of the account. At retirement the employee selects one of three Medicare insurance plans offered by Pacificare, which EMERITI has selected to provide retiree health options. The plan provides pharmacy benefits, coverage outside the US, and key catastrophic coverage.

With this change the College will no longer sponsor its own retiree health insurance, which is currently the Hartford Program. The plan design and cost for EMERITI require additional analysis and discussion by the Compensation Committee prior to implementation.

Retirees from 1995-2005 will have a one time lump-sum payment made to a health retiree account under the EMERITI Program. (The lump-sum will provide a larger benefit than the existing $60.00 monthly contribution for retiree and spouse per month.) A $113,000 reserve created two years ago will be used to fund the lump-sum payments.

C. Tuition Remission

The benefits budget currently includes approximately $1 million for tuition remission. That includes funding of employee children at Colorado College and $500 per semester subsidies for progeny studying at non-ACM institutions.

The Associated Colleges of the Midwest (ACM) is, as an organization, currently re-examination the cooperative program of tuition remission among some of its members.

Colorado College has been a significant beneficiary of that program; we have hosted fewer students than we have sent elsewhere. This sort of imbalance is probably not sustainable. Host colleges can change how much tuition they want to cover and/or restrict the number of attendees.

At the request of the Faculty Executive Committee, the Compensation Committee has begun an investigation of the tuition remission program. It plans to make recommendations in the spring semester.

D. Tuition Assistance Program.

A much smaller portion of the benefits budget ($14,000 last year) goes to reimburse employees for tuition when they take courses that increase their proficiency on the job. At this point, there seems to be sentiment in the committee to: 1) increase the number of eligible courses to three or four; 2) increase the rate of pay for those courses,; 3) define more precisely the term "job related," a term that is highly limiting, if strictly interpreted, and almost meaningless, if interpreted broadly; 4) include language linking the program to the college's efforts to promote from within; 5) clarify whether loans are available to defray tuition expenses until a course can be completed and reimbursement claimed.

III. Plan for External Consultation

The administration is planning to hire an outside consultant to examine faculty and staff compensation policies. This committee, while supportive of the initiative, asks to be consulted about the choice of consultant and the substance of the written charge to the consulting firm.

The committee, like last year's committee, does recognize the desirability of finding greater common ground in the way salaries are determined and compared for both faculty and staff. We would welcome the chance to meet with representatives of the administration, the budget subcommittee of the FEC, the AAUP, and the Staff Council, with or without the help of outside consultants, about standards of salary comparison for faculty (12 vs. the 30 or more colleges) and staff (appropriate reference groups); and models for multi-year projection of salaries and compensation.

IV. A Response to this Report

We ask the administration to report back to our committee in writing with its decisions on salary and compensation and a rationale for those decisions. We commit ourselves, in turn, to inform our respective constituencies about these decisions.

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1. This document reflects a "philosophy of compensation" developed by the committee in previous years and amended this year. The statement is available as a separate document.

2. For several years the college has used the average of differences in the CPI in July, August, and September between the current year and the previous year.

3. Budget Director Patrick Kirby has produced a table showing that faculty salaries at CC reach the mean of the 12 colleges the administration uses as a standard of comparison, when local costs of living are considered. The committee would want to hear much further discussion of this approach before considering its adoption.