SENATE ASSEMBLY
BENEFITS RESOLUTION
(passed unanimously by SACUA November 11, 2013)
(passed by Senate Assembly November 18, 2013)

RESOLVED. SACUA recognizes the importance of keeping higher education affordable and supports sound policies to contain costs while preserving the qualities that have made the University of Michigan an outstanding institution. Given that maintaining Michigan's reputation and status as a top public university depends, above all, on the attraction and retention of the best faculty, the University must remain competitive in salary and benefits. For the following reasons, we believe that the recent proposal to reduce University contributions to faculty retirement will hurt the University in its competition for faculty while yielding little or no cost savings and is therefore detrimental to University's mission of providing affordable, high-quality education and world class research:

- Because the analysis underlying the report was performed by an outside consulting firm, Aon Hewitt, whose methods are proprietary, no one outside of the contractor knows, or can know, how the various adjusted figures in the contractor's report were arrived at. Given the sensitivity of such indices to the methods and weights used, it is impossible to assess whether the resulting indices are sound and appropriate — indeed, to know what these figures represent at all — without knowing the methods and assumptions the contractor used to construct them.

- The conclusion that the University's contribution exceeds that of its peers appears to be based on a comparison of the University's unadjusted contribution with an average of adjusted contributions of peer institutions as calculated by Hewitt. Using comparably adjusted figures under one of the firm's methods, the difference in contributions between the University and its peers all but disappears.

- A direct comparison of unadjusted employer contribution percentages for a typical faculty member at Provost Peer Group institutions shows Michigan's current faculty retirement contribution to be equal to or less than all but a relatively small number of institutions at the bottom of our peer group.

- According to the Hewitt analysis, the value of the University's total benefit package is precisely at the average of the Provost's Peer Group. Reducing the University's contribution from 10% to 9% would, therefore, even according to the Hewitt analysis, put the University at a competitive disadvantage relative to our peers with respect to benefits.

- Any anticipated savings from reducing benefits will be, at best, transitory. Because faculty location decisions depend on total compensation, attracting and retaining faculty will require the University to offset inferior benefits with higher salary offers. Moreover, given the differential tax treatment of salary and benefits, reducing benefits is likely to result in the University having to spend more in total compensation to maintain a given quality of faculty than had it retained the current contribution level.

- Over the longer term, actions that reduce the assets faculty have available in retirement (and other actions making retirement less attractive, such as increases in retiree health costs) may lead some faculty to postpone retirement, further increasing costs to the University.