

Spectrum

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Funding for capital budget will be determined by courts

A capital appropriations budget bill, which would direct approximately \$50.6 million to the University of Missouri System for projects on each of its campuses, appears likely to be approved by the General Assembly and signed into law by Governor Mel Carnahan. Whether it will be funded, however, will be decided by the courts.

State Auditor Margaret Kelly filed suit earlier this year seeking to have various sources of state revenue declared excessive under the terms of the state's Hancock Amendment. The Hancock Amendment provides that the rate of growth in total state revenues cannot exceed the rate of growth in personal income, except when the state's citizens vote to tax themselves beyond that limit. Disagreements have persisted concerning the definition of total state revenues.

The Auditor's suit was unsuccessful on all counts but one. The Cole County District Court ruled that the state's \$75-million portion of fees charged for admission to gambling boats should be included in total state revenues.

Attorney General Jay Nixon appealed the decision to the Missouri Supreme Court. The Supreme Court remanded the case to Cole County District Court, which reiterated its earlier ruling. The Attorney General then took the case to the Western District Court of Appeals in Kansas City.

The Court of Appeals was scheduled to hear the case May 7. A decision is not anticipated until after the General Assembly adjourns Friday, May 15.

"We appreciate the Governor's very generous capital recommendation," said UM President Manuel Pacheco, "and, of course, we hope the courts eventually will rule that the state may appropriate the money. Without those revenues, our capital improvements and others in the state will not materialize in fiscal year 1999."

FY 1999 Capital Improvements

Townsend Hall (UMC)	2,500,000
Business & Public Admin. (UMC)	6,000,000
Engineering Equipment (UMC)	400,000
Dental School Renovation (UMKC)	13,100,000
Butler-Carlton (UMR)	5,500,000
Communication Arts (UMSL)	23,116,000
TOTAL	\$50,616,000

Additional state funds will pay for three percent salary increases



UM President, Manuel Pacheco

Salary increases would average three percent in Fiscal Year 1999, according to recommendations made to the Finance Committee of the Board of Curators by UM President Manuel Pacheco.

The student fee income budget for FY99 is expected to show no increase from this year. Such income provides more than one-third of the funds for the general operating budget, according to Ken Hutchinson, interim vice president for administrative affairs. "Fortunately," he says, "it appears that a particularly strong state appropriation can be used to fund salary increases and allow the pool of salary increase dollars to meet or slightly exceed the current rate of inflation."

"The budget that appears likely to be approved by the General Assembly and the Governor would be very close to the generous recommendation made by Governor Carnahan at the outset of the legislative session," Pacheco said. "Our new Mission Enhancement funding will be used, as promised, to strengthen undergraduate and graduate education, research and outreach and to improve the return on the state's investment in our institution."

Pacheco said his recommendations are based on the assumption that three percent of state appropriations will be withheld, as they have been each year for many years.

The full Board will hear Pacheco's recommendations and be asked to pass the new budget at its meeting at the University of Missouri-Kansas City May 28 and 29.

In developing the FY99 appropriations request, total inflation on the core budget was estimated to be approximately \$29 million. Of that amount, the University asked the state to fund \$12.8 million, with the balance of \$16.2 million to be funded from nonstate revenues largely consisting of educational fees.

Consequently, Pacheco will propose to the Board of Curators that the entire increase expected in state funding excluding new funds designated for mission enhancement be used to cover inflationary costs for the next fiscal year. He also will propose to allocate the \$15.1 million increase in proportion to the existing recurring state appropriation base of each campus, Outreach/Extension and System administration.

The Endowed Chairs and Professorships program will be allocated \$3.9 million of Mission Enhancement Funds, following the state's three percent withholding. Pacheco's budget proposes that the remaining net appropriation of \$10.7 million for mission enhancement be distributed in proportion to the amounts originally requested by the UM System. "The mission enhancement funds being allocated should permit each UM campus and Outreach and Extension to achieve at least one of its priority initiatives," Pacheco said.

In accordance with available state and nonstate resources for FY99, Pacheco announced that funds allocated for salary and wage increases for 1998-99 will average a minimum of three percent for each employee group faculty, non-represented staff and represented staff.

As part of the UM salary and wage principles, he also encouraged chancellors and vice presidents, where financially possible, to provide a pool of funds for salary and wage increases in excess of three percent to reward exceptional performance and to meet extraordinary market demands.

With the exception of represented service and support staff, all salary adjustments will be made on the basis of quality of performance of the individual, team or unit in relation to the University's mission and/or market circumstances.

Salary increases for represented service and support staff will be determined after "meet-and-confer" sessions are conducted.

Pacheco will propose to the Board of Curators that the entire increase expected in state funding excluding new funds designated for mission enhancement be used to cover inflationary costs for the next fiscal year.

Committee recommends improvements to benefits

A set of revisions proposed by the UM Retirement and Staff Benefits Committee would expand financial benefits and options across all age groups of employees.

The committee, which last proposed comprehensive changes to the retirement plan in 1989, issued a new report to President Manuel T. Pacheco this year. Pacheco hopes to take the recommendations to the Board of Curators at its May 28-29 meeting in Kansas City. The Board of Curators will be asked to approve the recommendations with an effective date of Sept. 1, 1998. The benefits of any individual retiring after approval is given by the Board and before Sept. 1, 1998, would be upgraded under the revised terms of the plan.

R. Kenneth Hutchinson, interim vice president for administrative affairs, said the committee's job is to balance competitiveness and cost. The University must offer prospective and current employees a competitive retirement plan, but changes must be actuarially sound.

"The retirement plan has performed exceedingly well, even if one disregards the huge growth in stock-market indexes over the past six months," Hutchinson said. "We are poised to make

changes in the plan that could be of tremendous benefit to our employees, but which also leaves our retirement fund sound."

The committee compared UM's retirement and benefit plans with a group of 13 other public AAU research institutions in the region: Indiana University, Iowa State, Iowa, Michigan, Michigan State, Ohio State, Purdue, Texas, Pennsylvania State, Illinois, Kansas, Minnesota, and Nebraska. Its study showed that the UM pension plan ranked 11th of 14 in total value. The committee reported the suggested changes would move UM's retirement program up to sixth in that peer group.

Because the retirement trust fund has performed so well, the changes suggested by the committee would not require any increased contribution to the fund. Currently, the University contributes 5.9 percent of payroll to the pension fund. The employee contributes nothing.

"The committee recommended that, to the extent needed to maintain a competitive position among our peers, the long-term gains we have made be used to improve the design of the benefits plan," Hutchinson said.

The changes proposed by the benefits committee are:

1. That the current pension multiplier of 2.133 percent be increased to 2.25 percent of final average salary (highest five consecutive years) for each year of service credit earned. The retirement payment a UM employee receives is calculated this way: The highest five consecutive years of salary are averaged. Then, that number is multiplied first by 2.133 percent, and then by years of service. For example, for an employee retiring at age 65 with an average base salary of \$40,000 and 30 years of service, the increase in the multiplier would mean an increase in annual retirement benefits of about \$1,400. The 2.25 percent multiplier also would apply to summer session service credit for faculty.
2. That the current early retirement reduction factor (3.33 percent for each year that retirement precedes age 65) be eliminated for any individual retiring at or more than age 60 with a minimum of 25 years of service. "This proposal would eliminate the penalty for early retirement from age 60 on for those faculty and staff who have at least 25 years of service," Hutchinson said. "It wasn't conceived to encourage early retirements, but to be competitive in plan value, at various ages, with our peer institutions, most of which offer some sort of penalty-free retirement option prior to age 65."
3. That the current early retirement reduction factor (3.33 percent) be reduced to 1.5 percent for each year that retirement precedes age 65 for any individual retiring between 55 and 60 with a minimum of 25 years of earned service credit.
4. That UM amend the timing of the initiation of ad hoc pension adjustments by decreasing the length of time, by one year, required for a retiree to become eligible for any adjustments awarded. Eligibility for the first adjustment would be on the Sept. 1 following the completion of receipt of pension benefit payments from the plan for one full year. This change in policy would mean that retirees would be eligible for cost of living adjustments a year earlier than they are now. Cost of living adjustments would continue to be provided on an ad hoc basis and would still have to be approved by the Board of Curators as it judges prudent.

5. That a cash balance accumulation feature be added allowing, upon the end of employment prior to eligibility for early retirement, a lump sum distribution of the greater of (1) the present value of benefits earned under the plan's formula or (2) the retroactive accumulated value of 5 percent of eligible salary, adjusted each year and increased at an assumed interest rate of 7.5 percent. Any value in excess of \$20,000 could only be transferred to another eligible pension plan or rolled over to an individual retirement account. "One of the most interesting proposals of the committee came when it asked itself how to address the problems of younger or shorter-term employees," Hutchinson said. The cash balance accumulation, Hutchinson said, would be a more attractive and portable benefit to prospective staff and faculty members than the current option of cashing out retirement benefits at present value.
6. That an educational assistance program be made available for spouses and dependents of UM employees. An employee would be permitted to transfer all or part of the educational benefit to which he or she is currently entitled to a spouse or a dependent who has been admitted to the University. The employee, spouse, and/or dependent would be limited to a collective total of 75 percent of the cost of educational fees up to six hours per semester, not exceeding 15 credit hours per year. The transfer option would be limited to full-time, benefit-eligible employees with at least five years of continuous employment.

"With these changes, the benefits package would be fully competitive in overall value to its employees, while maintaining the same level of University contribution," Hutchinson said. "It also will be more balanced, meeting the needs of employees with differing levels of service. The cash accumulation plan is especially critical in achieving this balance."

Pacheco praised the work of the committee, describing its members as especially knowledgeable and insightful. He characterized the recommendations as "a combination of efficient and responsive strategies for improving the University of Missouri's competitive position."

UM Retirement and Staff Benefits Committee

- UM: Ken Hutchinson, interim vice president for administrative affairs, chair; Sam Kanatzar, academic affairs; Michael J. Paden, faculty and staff benefits
- UMC: Keith Schrader, mathematics; Lisa Wimmenauer, business services; Bob Stewart, practical arts and vocational education
- UMKC: Robert Downs, law; Rudy Koch, director of financial services; Robert Wilson, English; Jack Heysinger, dean and professor emeritus
- UMR: William Parks, physics; Phyllis A. McCoy, human resources; Bruce Selberg, aerospace engineering
- UMSL: Robert J. Proffer, education; Thomas Eyssell, business; Susan Feigenbaum, economics
- University Extension: Sherron J. Hancock