March 26, 2019

MEMORANDUM

TO: Dr. June Youatt, Provost
FROM: Dr. Mark Waddell
SUBJECT: Recommendation for the Long-term Faculty Merit and Market Pool Increase

Last year in June, the university for the first time formally approved a two-year General Fund budget for the periods of 2018-19 and 2019-20. That action provided for a 2.0 percent salary adjustment (1.5 percent merit adjustment plus a 0.5 percent Provost Market adjustment) in 2018-19, and a 3.0 percent adjustment (2.5 percent merit adjustment, plus a 0.5 percent Provost Market adjustment) in 2019-20.

While the University Committee on Faculty Affairs (UCFA) would have preferred to be consulted by Acting President Engler on the proposal for the two-year budget, our focus is now forward to the 2020-21 period and beyond.

The UCFA recommendation for the faculty merit and market pool increase over the longer term continues to be developed on the basis of the following goals:

- recruitment and retention of high quality faculty;
- maintenance of the quality and integrity of our academic program;
- recognition of faculty productivity as enrollments and competitive pressure for grants escalate;
- a desire to maintain and enhance faculty morale in the context of ensuring teaching and research quality and productivity.

Moreover, UCFA remains concerned about the long-term impact that the erosion of university-funded health benefits will have on faculty compensation; specifically, the:

- initiation of health care premium sharing for all faculty as of July 2002; University Committee on Faculty Affairs
- elimination of funded post-retirement health care coverage for spouses of new hires as July 2005;
- elimination of funded post-retirement health care coverage for new hires as of July 2010;
- substantial increases in premiums for health care and pharmaceutical coverage; and
- long-term implications of potential changes to federal and state funding of health care.
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Over the past decade, the UCFA has used MSU's relative position among Big Ten universities as a key indicator of the university's performance in achieving the goals identified above. As can be seen in Table 1, for the past decade MSU has typically ranked in the bottom quartile in faculty salary with MSU's ranking being no higher than 11th (of 14 institutions) since 2010-2011.

As can be seen in Table 2 MSU's ranking improves when viewed from a compensation perspective, however, this position will deteriorate over time unless augmented by salary increases due to its reliance upon post-retirement health care provisions that are not applicable to faculty appointed after 2010.

For the past few years the UCFA has sought, with modest success to improve MSU's relative position among Big Ten universities in faculty salary by suggesting slightly above average annual increases in faculty salary as noted 2018.

Given our goal of reaching the middle of the Big Ten in faculty salary, we recommend a 4.5 percent increase in annual faculty salary increments over the longer term inclusive of a 4.0 percent increase in the general merit pool and a 0.5 percent increase in the market adjustment pool. While this proposal will not impact the 2019-20 academic year, it is hoped that by stating it now, the University can plan for its inclusion in the 2021-22 budget.

Finally, we appreciate Interim President Udpa and Provost Youatt's commitment to recommend support in the 2020-21 budget to provide MSU's standard retirement contribution to qualifying academic year faculty appointed on summer budgets funded through either Research or General Fund and other accounts.

The UCFA salary recommendation reflects our ongoing desire to ensure that the University continues to make a positive impact on the life of the people of Michigan, the United States, and the world. The UCFA appreciates your consideration of our recommendation. Whatever the decision is regarding our recommendation, we are honored to continue to serve MSU.
Near Term History of Proposed and Actual Salary Adjustments

- For 2014-15, the UCFA recommended a 5.2 percent increase in faculty salary with a 4.0 percent increase in the general merit pool and a 1.25 percent increase in the market adjustment pool. MSU faculty received a 3.0 percent increase in inclusive of a 2.0 percent increase in the general merit pool and a 5.0 percent increase for retention concerns out of the University Academic Competitiveness Pool in 2014-15.

- For 2015-16, the UCFA recommended a 5.25 percent increase in faculty salary with a 4.0 percent increase in the general merit pool and a 1.25 percent increase in the market adjustment pool. MSU faculty received a 3.0 percent increase in salary inclusive of a 2.0 percent increase in the general merit pool, a 0.5 percent increase in the market adjustment pool and a 0.5 percent increase for retention concerns out of the University Academic Competitiveness Pool in 2015-16.

- For 2016-17, the UCFA recommended a 4.75 percent increase in faculty salary with a 4.0 percent increase in the general merit pool and a 0.75 percent increase in the market adjustment pool. MSU faculty received a 2.5 percent increase in salary inclusive of a 2.5 percent increase in the general merit pool, a 0.5 percent increase in the market adjustment pool and a 0.5 percent increase for retention concerns out of the University Academic Competitiveness Pool in 2016-17.

- For 2017-18, the UCFA recommended a 4.0 increase in faculty salary with a 3.5 percent increase in the general merit pool and a 0.5 percent increase in the market adjustment pool. MSU faculty received a 3.0 percent increase in salary with a 2.5 percent increase in the general merit pool and a 0.5 percent increase in the market adjustment pool in 2017-18.

- For 2018-19, the UCFA recommended a 4.5 percent increase in faculty salary with a 4.0 percent increase in the general merit pool and a 0.5 percent increase in the market adjustment pool. MSU faculty received a 1.5 percent increase in the general merit pool and a 0.5 percent increase in the market adjustment pool in 2018-19.
2017-18 Faculty Salary

Big Ten mean*: $118,799

MSU Rank in Big10 Institutions for Faculty Salary

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<th>Rank</th>
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*Does not include Northwestern – average including Northwestern $122,804
1 Rankings overtime adjusted to include Rutgers and Maryland
## 2017-18 Faculty Compensation

Big Ten mean*: $153,124

### MSU Rank in Big10 Institutions for Faculty Salary

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*Includes pro-rata attribution of post-retirement benefits for eligible population

*Does not include Northwestern — average including Northwestern $157,981

1 Rankings overtime adjusted to include Rutgers and Maryland