

February 3, 2009

To: Members of the University Community

From: Gary D. Forsee, President

Re: Proposed compensation and benefit plan changes

Missouri and the rest of our country continue to be gripped by a recession that is unlikely to turn around any time soon. We at the University of Missouri—like most other major public universities—continue to feel the impact. Gov. Nixon’s statements supporting public higher education are positive, but we must still continue to use this time as an opportunity to re-evaluate the way we cost-effectively carry out our mission and manage our daily operations. This includes prudently managing all of our expenses, including compensation plans, as well as examining how we deliver on our mission of teaching, service, research and economic development.

This week at our Board of Curators meeting in Columbia, I will recommend changes to our compensation and benefit plans. First, I’m recommending that we institute an employee contribution to our retirement plan. For the past couple of months, we have discussed with campus leaders a wide variety of possible changes in the areas of compensation (by far our single biggest expense) and benefits. Many of you offered suggestions electronically or through group discussions along these lines. I believe that an employee contribution to the retirement plan is the most cost-effective way to preserve a critical benefit for our employees. If the board approves this action, all full-time, benefit-eligible employees who participate in the plan will be required to make contributions based on their level of salary, beginning at 1 percent for salary up to \$50,000, and 2 percent on any salary earned over \$50,000. Because this would be a pre-tax contribution, employees’ take-home pay will be affected less than it would be by a direct salary decrease.

A recent analysis of our retirement benefits showed that similar programs at peer institutions require an employee contribution. This proposed change at the University of Missouri would bring our retirement benefit more in line with our competitors while helping to offset the anticipated increase in contributions the university is facing due to significant downturns in the market. More details about this proposed change will be available after the board meeting.

In addition, we are proposing to keep 2010 salaries at 2009 levels, and we will not have a 2010 merit compensation pool. We will ask for a small contingency fund, perhaps 1 percent, to address special situations where salaries are out of line with competitive market rates.

I am also advocating to the board that we put in place additional tools that may be required as a result of the state’s budget process. These tools include transferring the authority from the board to the president to institute furloughs if necessary. I am also asking for the authority to implement a transition assistance program for staff whose jobs may be eliminated as a result of budget or financial constraints. This would include the continuation of benefits and financial compensation for a finite period of time based on length of employee service.

There is one benefit option that I am not recommending to the board. In the past, the university has used early retirement incentives as a means of reducing the workforce. The two most recent Voluntary Early Retirement Incentive Programs offered by UM were expensive and difficult to manage. We cannot afford another VERIP at this time.

The best time to seize opportunities to improve the way we operate is before we are forced to do so. I hope you will see these recommendations to the board for what they are: continued prudent actions on behalf of the university to manage the difficult economic times we all face.

We will make you aware of the board's final actions related to these recommendations, and if approved, will provide additional details. I have scheduled a series of town hall meetings in the coming weeks on each campus to visit with you about how the university is positioning itself to meet the financial challenges ahead. In addition, I invite you to watch the "state of the university" presentation I will give during the UM Board of Curators meeting on Friday morning. You can access it from our Web site's home page: <http://www.umsystem.edu>.

In the meantime, I pledge my continued support to work on behalf of the university to ensure our state continues to recognize us as valuable to Missouri's economic prosperity in addition to ensuring that we remain committed to the mission of this great university.