

ANNUAL REPORT OF THE SENATE COMMITTEE ON UNIVERSITY BUDGET

This report covers the period October 1996 to October 1997, which corresponds to the budget preparation cycle for the 1996/97 Budget. The elected members of SCUB during this period were:

Larry Boland	Len Berggren (from June 97)
Valerie Dunsterville	Allan Emmott (from June 97)
Joey Hansen (until June 97)	Joy Morris (from June 97)
Kevin Hewitt (until June 97)	Jennifer Overington (from April 97)
Barbara Naef (until June 97)	Ian Yagi (from June 97)
Paul Percival	
Louis Peterson	
Clyde Reed (until June 97)	
Philip Winne	

Ex-officio members were the Director of Analytical Studies, Walter Wattamaniuk (Committee Secretary) and, by invitation, the Vice President Finance and Administration, Roger Ward. Paul Percival chaired SCUB throughout this period. The new Chair is Larry Boland.

The Committee met 15 times during the reporting period, including meetings with President Stubbs, Vice-Presidents Clayman and Gagan (several occasions), and Kathy Heinrich and members of the Committee on Planning Priorities. The major issues discussed by SCUB were:

- The Recommendations of the BUILT Report (discussed with Dr. Gagan)
- The Report of the Committee on Planning Priorities (written comments to Dr. Gagan)
- The 1996/97 Operating Budget (report to President Stubbs -- see attachment)
- The 1996/97 Non-recurring Budget (report to President Stubbs -- see attachment)
- Long term financial planning (report to President pro tem Blaney -- see attachment)

There were no open meetings of the Budget this year. Instead, the Chair wrote to representatives of the major campus constituencies offering to meet representatives or hold open meetings as desired. In addition a WWW site was created, with links to the draft Operating Budget, FAQs and other financial information, and a web-based discussion was initiated on the new Caucus conference system.

There continues to be uncertainty and disagreement as to SCUB's role. Its authority derives from the Universities Acts, which gives Senate the power "to establish a standing committee to meet with the president and assist the president in preparing the university budget", and requires that: "The president must prepare and submit to the board an annual budget in consultation with the appropriate standing committee of the senate". However, SCUB has no executive power, and senior administrators rarely feel the need to take SCUB into their confidence about matters which fall into their areas of responsibility. Thus SCUB often finds its advising role is compromised by lack of information.



Paul Percival
Chair of SCUB, 1996/97

Larry Boland
Chair of SCUB, 1997/98

Attachments:

1. Memo to J. Stubbs from P. Percival dated 30 April 1997
2. Memo to J. Stubbs from P. Percival dated 14 May 1997
3. Memo to P. Percival from J. Stubbs dated June 6, 1997
4. Memo to J. Blaney from P. Percival dated 21 October 1997
5. Letter to P. Percival from J. Blaney dated January 15, 1998

SIMON FRASER UNIVERSITY**MEMORANDUM**

To: Dr. John Stubbs, President
From: Dr. Paul Percival, Chair of Senate Committee on University Budget
Date: 30th April 1997
Subject: 1997/98 Operating Budget

This is an interim report from the Senate Committee on the University Budget. Its purpose is to provide advice on the 1997/98 Operating Budget. The Committee plans a second report with advice on the Non-recurring Budget within two weeks, and a final report with comments of a more general nature at the conclusion of this year's Budget deliberations.

Construction of a draft Operating Budget for 1997/98 is relatively straightforward, given the small reduction in the Government grant and the associated restrictions on student enrollment and tuition fees. Significant changes to base budgets were made last year, although some of the effects have been delayed until this year as a result of the Instructional Contingency Fund and other "one time provisions" in the 96/97 Budget. After various "Non Discretionary" items are addressed, the 1997/98 Operating Budget Projection (copy attached) has only \$1.2 million in the "Other Increases" category. In fact, only about half of this sum remains to be allocated, since there are commitments to positions (Research Chairs and Coop Director), Student Financial Aid, and the Academic Enhancement Fund.

The greatest flexibility left in the Budget Projection is in the category "Other Expenditure Provisions". The major items given as examples of possible claims on these funds are discussed below:

- **Salary Increases**

As usual, since SCUB plays no role in salary bargaining, the Committee makes no comment on this issue, except to assure you that we stand ready to offer advice in the event that settlements can not be accommodated without significant mid-year budget correction.

- **Library Acquisitions**

There is an estimate of \$588,000 needed to offset inflationary pressure on the library acquisitions budget. SCUB is very sympathetic to this need and accords it high priority. On the other hand, we feel that the Operating Budget can not accommodate so large an increase in this allocation. We note that non-recurring funds have been used in the past to mitigate some of the budget pressures in this area.

- **Equipment**

According to the Budget projection \$400,000 is needed to replace the loss of the Matching Program provision to equipment budgets. SCUB is more concerned with the mismatch in the base allocation to equipment (\$1,166,000) and the designated grant from the Government (\$1,466,352). We advocate increasing the Operating budget allocation to the level of the Grant. This recommendation is made with full knowledge that actual expenditures usually exceed the grant by a considerable amount, by virtue of non-recurring budget appropriations. This is justified by the one-time nature of many equipment expenditures. There will likely be increased demand on the Non-recurring Budget if the University is to take full advantage of the funding opportunities provided by the new Canada Foundation for Innovation (matching funds are required).

- **Innovation and Academic Enhancement**

The Academic Enhancement Fund (AEF) has been part of the Operating Budget for several years, at a level of \$300,000, while other innovation funds (with various titles and purposes) have been drawn from Non-recurring. This is appropriate given the one-time nature of recent Innovation expenditures. For this reason SCUB does not view with favour the suggestion that \$200,000 from the Operating Budget be allocated to Innovation. Furthermore, the Committee suggests that this year's allocation to the AEF need not be fixed at \$300,000. SCAP has expressed concerns about recent AEF competitions, and it is expected that the program will be revised in the near future. Since that revision may be associated with the introduction of a 3-year planning cycle (starting in 1998) it might be sufficient to satisfy any interim demands on the 1997/98 AEF budget (above that already committed) with non-recurring funds.

- **Legal**

The Vice-President, Finance and Administration estimates increased demands on the University's budget for Legal to the extent of \$130,000. It is difficult for SCUB to take a position on this request without further details. Unusual demands on the Legal budget in any particular year should be addressed with transfers from the Contingency Fund. If, however, Legal expenditures are routinely over budget, there is a strong argument to increase the continuing allocation.

- **Miscellaneous**

Various smaller line items given as examples of other possible expenditure provisions total \$190,000. Some of these are of a non-discretionary nature, e.g. the cost of tuition fee waivers, which is a negotiated benefit. However, SCUB hopes that these expenditure increases can be accommodated within the funding envelope of central administrative expenses in the same way that other units in the University must manage unavoidable cost increases within the confines of their own "distributed" budget.

Summary Recommendations

Of the \$1.5 million worth of expenditures (excluding possible salary increases) considered for allocation from the Operating Budget, SCUB recommends \$300,000 each to Library Acquisitions and Equipment. To satisfy the difference in cost of these allocations and the \$501,000 identified as Other Expenditure Provisions in the current Budget Projection the Committee recommends reduction in the AEF allocation by \$100,000 for 1997/98, with the understanding that the question of appropriate funding for Enhancement will be revisited in the following year, when the funding implications of the Three Year Planning Cycle are evident.

P. W. Peres

Attachment: 1997/98 Operating Budget Projection, dated 4/16/97

SIMON FRASER UNIVERSITY
1997/98 Operating Budget Projection
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Credit course tuition fees are frozen for 1997/98 by the Provincial Government and the base operating grant will be reduced by \$570,518 or .48%. In addition the projection assumes a reduction of 58 FTE UG which will still leave the University at 58 FTE UG above its 1997/98 funded target of 13,226 FTE UG.

	<u>April 1/96</u>	<u>1997/98</u>
Revenue		
Province of B.C. Grants	119,442	119,651
Grant Reduction		(571)
Credit Course Fees (2)	38,081	38,481
Investment Income	2,100	2,500
H/C Endowment Income	1,443	1,455
Other Revenue	3,014	2,908
Total Revenue	<u>164,080</u>	<u>164,424</u>
Expenditures		
Expenditure Base		
Instructional Salaries	63,963	63,601
Support Staff Salaries	43,325	43,841
Benefits	18,065	18,312
Non Salary	35,497	35,739
One time provision	3,230	0
Non Discretionary 1997/98 Increases to Base (3)		
PTR/Step Salary Increases		1,594
Benefits due to PTR salary increases		212
Retirement Savings		(353)
CPP Rate Increase		121
Audit Fees (2/3)		62
Natural Gas Increase		75
Other Increases to Base		
Committed Faculty Positions		231
Cooperative Education - Director		88
Student Financial Aid (Enrolment Adjustment)		100
Academic Enhancement Funds (4)		300
Other Expenditure Provisions (1)		501
Total Expenditures	<u>164,080</u>	<u>164,424</u>
Revenue less Expenditures	0	0

SIMON FRASER UNIVERSITY
1997/98 Operating Budget Projection
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- | | |
|---|-------|
| (1) Examples of other possible expenditure provisions: | (???) |
| - General Salary inc (1% inc to the salary base budget = \$1.1M.) | |
| - Inflationary increase to the library acquisitions provision | 588 |
| - Addition to the equipment provision (to replace the loss of Matching Program provision) | 400 |
| - Addition of an Innovation Fund | 200 |
| - Legal | 130 |
| - Tuition Fee Waivers-Dependents | 50 |
| - Faculty of Education fee certificates | 40 |
| - Insurance, premium increases | 20 |
| - Bad debt expense | 80 |
| - etc., etc. | |
- (2) Assumes retention of 58 FTE UG over 97/98 funded target, ie a reduction of 58 FTE UG .
- (3) This model does not include any provision for general salary increases.
 1% salary base = \$1.1 million
- (4) Includes any commitments to date.

Revisions to this model have been made to reflect current information. The actual reduction to the base operating grant, which is to be achieved through improvements in efficiencies, is \$570,518. Credit course tuition fees have been reduced to reflect a planned reduction of 58 unfunded, undergraduate FTE's. No additional funding was received this year for increases in enrollment. As enrollment currently exceeds provincial targets, SFU will reduce enrollment to equal that target, over a two year period. Investment income has been increased as a result of improved performance in 1996/97; this forecast assumes that this trend will be continued in 1997/98. Instructional salaries are reduced to reflect transfers between instructional budgets and non-salary budgets that have taken place as the year-end approached. Non-salary budgets have been increased both by this and by the conversion of some vacant support positions into non-salary dollars. A revision of PTR/step increases to more accurately reflect rates experienced in 1996/97 has resulted in a decrease in the anticipated cost of this process in 1997/98.

SIMON FRASER UNIVERSITY
MEMORANDUM

To: Dr. John Stubbs, President
From: Dr. Paul Percival, Chair of Senate Committee on University Budget
Date: 14th May 1997
Subject: 1997/98 Non-recurring Budget

This is the second interim report from the Senate Committee on the University Budget in this year's budget preparation period. Its purpose is to provide advice on the 1997/98 Non-recurring Budget. The Committee plans to write a final report with comments of a more general nature at the conclusion of this year's Budget deliberations.

SCUB considered the non-recurring (NR) budget at its meeting of May 7. At our disposal we had a three-page document listing 1997/98 NR budget requests (see attachment). This document was first distributed at the April 23 meeting, but at that time the end-of-year funds available were not known. SCUB was informed of this figure (\$3,579,000) at the May 7 meeting, and also that one request, Faculty PDA, had been updated from \$800,000 to \$400,000. Thus, the Committee was faced with a list of requests totaling \$3,627,000, a mere \$48,000 more than the funds available. In a subsequent meeting with Vice-President Gagan I was informed that he had reduced the request for the Innovation Fund from \$200,000 to \$75,000. Therefore, a superficial reaction might be that SCUB's advice is unneeded, since the requests for NR funds are less than the amount available.

On the other hand, it is my understanding from our previous communications that you expected SCUB to provide advice on this issue. I therefore regret to report that we are unable to carry out this function in adequate fashion, due to lack of information. As you can see from the attached document, about \$4 million of NR requests are listed with 'descriptions' from one to ten words each. I requested extra information in advance of the May 7 meeting, but none was forthcoming. Should I have invited all those requesting NR funds to attend the May 7 meeting? Vice President Gagan was willing to answer my questions at a hastily arranged meeting later in that day, but other inquiries, mentioned below, bore little fruit.

Some administrators may feel that SCUB does not need more than the list of requests. For some items on the list the title is sufficient description, either by virtue of its nature (e.g. Contingency) or because the project is well known (e.g. One Card). However, other descriptions beg questions. Take, for example, the two 'Outreach' requests from Continuing Studies. Are these continuing projects or 'one-time' requests? Are the amounts requested (\$50,000 each) supplements to funds made available from the Operating Budget? If so, how much are the base budget allocations? I emphasize that these particular budget requests were picked merely to give examples of the sort of

information that SCUB needs if it is supposed to provide you with comments on the relative merits of NR requests.

A second area where the Committee lacked information was on your decisions regarding the Operating Budget. In this respect I was informed by Vice President Ward on May 12 that: "An allocation for the Library has been made in the recurring budget but not at the amount requested (\$588k). No changes have been made in the recurring budget with respect to the equipment provision". In the absence of any NR request from the Library (a most unusual circumstance compared to past years) we can only assume that the University Librarian and Vice President Research are satisfied with their increased operating budget, whatever that is.

With regard to Equipment, the base Operating Budget provision is about \$1,166,000, and a supplement of \$500,000 is included in the NR request list. SCUB is concerned that this is considerably less than the sum available in 1996/97 (approximately \$2.5 million), when the supplement from NR funds was \$1 million and additional funds were obtained through matching programs. We remind you that the 1997/98 year includes a significant increase in new faculty appointments, and that new faculty in science and applied science require significant set-up funds if they are to initiate viable research programs. In addition to faculty start-up, funds from the Equipment budget are also usually made available to 'lever' large research grant requests from provincial and federal grant councils. The University has made very significant gains to its research infrastructure from such contributions in the past. The demands on the Equipment budget are not limited to research, of course. If University equipment is not renewed on an ongoing basis the problems of antiquated and non-functional facilities will soon become acute.

Another problem that may become acute in a few years' time is faculty renewal. According to the Faculty Retirement Schedule published in the SFU Fact Book, the retirement rate increases from 0.8% in 1996 to 4.4% in 2002. To make matters worse, the retirements are not evenly spread across academic units, so that some departments face the prospect of three or four retirements per year at the peak. Replacement at this rate is hard to imagine, and a preferable scenario would surely be some form of bridging to spread out the new appointments. If faculty close to retirement were encouraged to leave early there would be savings in the long term, as their replacements would command lower salaries. In the short term there would be additional funds needed for 'buy-outs'. SCUB suggests that the NR budget is a logical source of the necessary funds.

In contrast to the long-term problems of equipment and faculty renewal discussed above, the list of NR requests put before SCUB seems to contain several items of a routine, continuing nature. This is particularly surprising in view of a statement in the 1996/97 Budget commentary: "The three year program initiated in 1994/95 to bring recurring expenditures funded from non-recurring sources into the operating budget has been concluded in the 1996/97 budget process." According to that Budget, the Development Office received a large increase in operating funds compared to 1995/96. Nevertheless, the 1997/98 Non-recurring Requests document again lists \$200,000 for Development

Office Support. As before, SCUB takes no position on the merits of this particular budget request, we merely use it as an example to illustrate the difficulties we face. In the absence of further information we can only point out the apparent conflict with a document bearing your signature, and urge you to seek explanation in the appropriate quarter.

As a final observation on the Non-recurring Requests, SCUB draws attention to the following questions: Who has the opportunity to place requests on this list? What is the process and what are the criteria for selecting items? Do the Vice Presidents canvass their subordinates for suggestions, or is input limited to those closest to central administration?

Attachment: 1997/98 Non-recurring Requests

SIMON FRASER UNIVERSITY
Office of the President
MEMORANDUM

To: Paul Percival Chair, SCUB	From: John O. Stubbs President & Vice-Chancellor
Subject: 1997/98 Recurring & Non- Recurring Operating Budget	Date: June 6, 1997

Thank you for your recent memos. I was pleased to receive SCUB's recommendations with respect to the 1997/98 Recurring and Non-Recurring Budgets and I want to report how we plan to proceed. As you know, it is our intention to finalize the budget for presentation to the June Board of Governors' meeting. Because of the action we took last year we have been able to balance this year's operating budget with only modest expenditure reductions. I have tried to be timely with this response but must acknowledge, of course, that the Board has yet to approve the budget now being formalized.

I shall respond to SCUB's specific recommendations in order.

Salary Increases

I understand and accept SCUB's position concerning advice on salary increases and the wish to remain neutral on this matter.

Library Acquisitions

We also place a high priority on the Library Acquisitions budget, although we are not able to accommodate the full \$588,000 requested. The 1997/98 Library Acquisitions budget is increased by \$470,000 over that of 1996/97. We do not believe any additional non-recurring funding is required at this time.

Equipment

As I think you know, Roger Ward strongly supports the idea of restoring the recurring operating equipment expenditure base to the full grant amount (\$1,466,352). This would see an increase of \$300,000 to the operating base to bring us in conformance with the Ministry's designated grant provision. It would also help to offset funding decreases from other sources (the Matching Program).

I agree with this recommendation; however, I have decided to delay adding the \$300,000 to the recurring budget this year. We will be providing a \$450,000 equipment supplement in the non-recurring budget. Notwithstanding this supplement, it is recognized that funds available from all sources for equipment is reduced from the level of 1996/97 and, in fact, marks a return to levels earlier in this decade. I wish to signal my concern that financial resources for equipment needs appear to be declining in this period of frozen grants and tuition. This may well be an important topic for examination by SCUB in the next budget cycle

Innovation and Academic Enhancement

We have decided to continue the Academic Enhancement fund at last year's level, that is \$300,000. Since \$47,000 was unused last year, there will be \$196,000 after current commitments. We also agree that innovation funding should remain funded from the non-recurring budget and accordingly, \$75,000 has been added to the contingency of the Vice-President Academic to provide flexibility in this area.

G.U.R. Miscellaneous Accounts

We appreciate the difficulty that SCUB has in commenting on these specific accounts and it is not my intent that you need to do so. Information on these accounts was included to present a more complete picture of this year's expenditure situation.

Non-Recurring Budget

I fully understand the difficulty faced by SCUB in commenting on such detailed line items/projects contained within the non-recurring budget, especially with such little time available from the determination of funds available after year-end to the preparation of the Board documents. In this regard I draw your attention to my October 30, 1996 memorandum to yourself (item 11) in which I express my view that SCUB should focus primarily on macro matters that fall within the base operating budget. I will continue to look to the advice of the Vice-Presidents and Deans on the matter of the allocation of non-recurring, one-time funds.

Bearing in mind the observations above, what follows are my comments on several issues that you raise in your May 14, 1997 memorandum to me.

In respect to the Library acquisitions budget, the Vice-President, Research did not request any non-recurring funding this year.

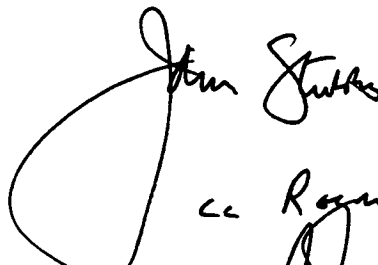
We have allocated \$450,000 to equipment from non-recurring funding.

With respect to faculty early retirement opportunities, as I think you are aware, we do provide non-recurring bridge funding to assist in this process. However, we do require departments also to participate in this process by keeping positions vacant for a while to recover part of the early retirement cost.

Finally, in response to your last questions concerning process, the Vice-President, Academic develops a request list in consultation with the Deans and the other Vice-Presidents in consultation with their Directors. Requested items are reviewed by all the Vice-Presidents and myself and judged against the priorities of the institution.

Again I would like to sincerely thank SCUB for its advice on this years budget. I look forward to a continuing positive relationship with you and your Committee in the years ahead.

With good wishes.


cc Roger Ward
David Sagan.

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SIMON FRASER UNIVERSITY

MEMORANDUM

To: Dr. Jack Blaney, President pro tem
From: Dr. Paul Percival for Senate Committee on University Budget
Date: 21st October 1997
Subject: Long Term Budget Planning

This is the third and final report from the Senate Committee on the University Budget on the 1997/98 budget. The first two reports provided advice on the Recurring and Non-recurring parts of the Budget and are attached for reference. The purpose of this third report is to provide comments of a more general nature and on matters of long-term significance.

The need for long-term fiscal planning is particularly acute in times of static or declining funding. Costs inevitably increase, and without a plan of action it is all too easy to make a small percentage decrease "across the board". The University has suffered many years of such incremental cuts in operating budgets. Although small (\$1.1 million, less than 1% of the University 1997/98 budget) the effects are magnified by their concentration in non-salary budgets (6% reduction in 1997/98). The reason for this is the large portion of the Budget allocated to salaries and benefits (77% in 1997/98). The situation is particularly acute in academic departments, where over 91% of the budget is committed to salaries.

There are four obvious ways to reduce the salary component of the Budget:

1. Reductions in salaries/wages.

This could result in loss of morale and unattractive comparisons with other institutions and employment sectors. It would be a matter for negotiation with the relevant employee associations and is therefore not considered further.

2. Termination of positions and/or whole programs and departments.

This strategy is also likely to result in loss of morale. Involuntary terminations are also costly, and require very special circumstances where tenured faculty are involved.

3. Leaving positions vacant when the incumbent reaches normal retirement age.

This is an easy strategy to implement, but it can also lead to loss of morale and other problems in units which lose positions without a reduction in work load. Also, this strategy is limited by the rate of retirement, which is low for faculty over the next few years.

4. Early retirements.

Significant savings can accrue from the early retirement of faculty since there is a large differential between the salaries of retirees and new appointees. This strategy is discussed in detail below.

EARLY RETIREMENT OF FACULTY

The faculty salary scales were designed to recognize experience and performance by using merit-driven promotion through the ranks (PTR). Thus, the salaries of most faculty not at the ceiling rise from one year to the next. The cost (approximately 3% of the CFL salary total) is offset by the savings due to retirement, i.e. when a highly paid professor is replaced by someone near the bottom of the salary scale. About 20 retirements are necessary to achieve balance between the savings and PTR costs. Unfortunately the age distribution of faculty at SFU is skewed, and for many years the budget has had to cope with net increases in this category. According to the SFU Fact Book, an average of 14 faculty per year will reach normal retirement age in the five year period 1997-2001. The average jumps to 24, 22, and 24 in the succeeding five year periods.

Early retirement of faculty provides a means to "borrow" some of the future excess retirement rate. A policy already exists, but the number of early retirements is small: a total of 19 in the period 1990-97. Early retirement can be advantageous to individuals, departments and the University as a whole:

- < There would be reduced pressure on the salary budget, as described above.
- < The age distribution of faculty would be evened out. This distribution affects more than just salaries. For example, the distribution of professorial ranks is currently 45% Full, 36% Associate, 19% Assistant. A more even distribution is implicitly assumed in university policies such as AP11 regarding the composition of department tenure committees.
- < There could be an accelerated change in gender balance.
- < There is expected to be an intense competition for new faculty early in the new century, as many other institutions will experience high retirement rates at that time. By replacing faculty early SFU could take advantage of the current good supply of highly qualified individuals.
- < Departments could be invigorated by the addition of new faculty.
- < Faculty morale would be improved by permitting discontented and/or less productive colleagues to leave.

Given the manifold advantages of early retirement, why is it so infrequent? Obviously the financial reward must be attractive to the retiree. This is largely controlled by the Vice-President, Academic, with whose office the potential retiree negotiates. In principle the relevant academic department also has a part in the negotiation. In practice the department's veto is of limited value, for if it stands in the way of an individual who wants to leave then the department must suffer the consequences of a discontented member for many years to come.

On the other hand, under past and current policy departments stand to lose even if the early retirement is negotiated to the satisfaction of the Vice-President and the retiree. This is because CFL positions are almost always held vacant for a period following early retirement of the incumbent. Of the 19 early retirements since 1990, 15 positions were held vacant for 12 to 24 months, i.e. the departments had to bear the cost of the retirement settlements. In a recent memorandum (9 September 1997), the Vice-President Academic has expressed his intention of following a procedure whereby positions will be held vacant

for 12 months (if the settlement is for 16 months or less) or until the costs are fully recovered (for larger settlements).

Such a policy penalizes departments and/or the students in their programs, since it makes no provision for maintenance of the teaching load during the position vacancy. Thus there is a distinct disincentive for departments to encourage this avenue for faculty renewal. In contrast, it is to the advantage of departments to encourage faculty close to retirement to take up modified contracts. In these cases it is usual for part of the salary savings to be returned to the department to pay for sessional instructors, who make up the teaching load associated with the modified contract. It may even be possible for a department to combine different sources of such "soft" money to make a limited term bridging appointment until those on modified contract reach normal retirement, when the positions are free for regular tenure-track appointments. This scenario seems to have most of the advantages listed above for early retirements, but there is a hidden penalty – the effective sharing of positions associated with modified contracts is inefficient in terms of support infrastructure (office space and other resources). From the university-wide perspective it would be better to allow one early retirement than two modified contracts with half teaching loads.

The conclusion reached by SCUB is that the University would benefit from an increase in the number of early retirements over the next five years or so. To do this it may be necessary to make the terms more attractive to the potential retirees. Also, departments should not be penalized by having positions left vacant. The argument hitherto advanced to justify the vacant positions is the need to fund the retirement settlements. Apart from ignoring the academic implications this argument is narrow-minded in its focus on the short term, ignoring the substantial savings gained in the Operating Budget.

To illustrate this point the results of a simple model are attached. They show that even if positions are immediately filled there are net savings for the University over a 10 year period. The savings are of course much greater if some early retirement positions are temporarily filled with sessional instructors rather than CFL replacements. The model also demonstrates the advantage of spreading early retirements over a number of years, so that savings from each year can be used to fund the retirement settlements for succeeding years.

The ideal situation would have the settlement costs paid from a source of Non-Recurring funds, since that would result in immediate relief to the Operating Budget. One suggestion is to use part of the income from the new Burnaby Mountain endowment fund. These funds could be paid back from Operating in the period following the early retirements, when the savings from normal retirement will exceed PTR costs.

RECOMMENDATIONS

SCUB recommends that the University actively encourage early retirement of about 20 faculty over the next four years to even the age distribution and reduce pressure on the continuing salary budget. Departments should be encouraged to participate in this scheme with the guarantee of replacement CFL positions, either immediately or after a year's funding of a limited term (sessional) position to ensure no loss of teaching complement. Consideration of limited term positions should take account of the timetable of normal retirements in the relevant department, to avoid clustering of CFL appointments.

EARLY RETIREMENT MODELS

Model assumptions:

- average salary on retirement (based on past experience) = \$88,147
- retirement settlement of 16 months salary + 17% benefits
- starting salary for CFL replacement (aP4) = \$47,174
- sessional instructor salary (4 courses) = \$19,000

Model I describes one early retirement a year for 5 successive years (1-5), each with an immediate CFL replacement. The retirement settlement costs and PTR for replacements are included.

Model II has the same schedule of retirements as I, but the positions are filled for one year with a sessional instructor before the CFL replacement. Only the average cost is given below, for comparison with model I. The final column describes the situation without early retirements. The normal retirement date for each position is set at 5 years later than in models I and II.

Costs are given in \$000s

Year	model I						model II	no early retirement
	position 1	position 2	position 3	position 4	position 5	average cost per position	average cost per position	average cost per position
1	185	88	88	88	88	107	102	88
2	50	185	88	88	88	100	94	88
3	52	50	185	88	88	93	86	88
4	53	52	50	185	88	86	79	88
5	54	53	52	50	185	79	72	88
6	56	54	53	52	50	53	51	80
7	59	56	54	53	52	55	53	72
8	61	59	56	54	53	57	55	65
9	63	61	59	56	54	59	57	58
10	65	63	61	59	56	61	59	51
annual cost of position averaged over 5 years						93	86	88
annual cost of position averaged over 10 years						75	71	77

SIMON FRASER UNIVERSITY

Attachment # 5

PRESIDENT'S OFFICE



BURNABY, BRITISH COLUMBIA V5A 1S6
Telephone: (604) 291-4641
Fax: (604) 291-4860

January 15, 1998

Dr. Paul Percival
Chair
Senate Committee on University Budget
c/o Department of Chemistry
Simon Fraser University
Burnaby, B. C.

Dear Dr. Percival:

I have now had the opportunity to consult with the Vice-Presidents and Deans about the recommendations set out in your memorandum dated October 31, 1997. I am grateful for the advice offered by the Senate Committee on University Budget (SCUB), and I commend you and your colleagues for focusing attention on the benefits of long-term fiscal planning during times of funding distress.

I want to concentrate my response on SCUB's key recommendation concerning a more aggressive approach to faculty early retirements. Over the past months, faculty renewal has featured in my discussions with the Deans, and it has dominated many exchanges I have had with Chairs and Academic Directors. We know that between 1998 and 2003, approximately one seventh of our faculty will reach retirement age. If we extend the timeline to the year 2008, fully one third of the current faculty complement will be lost to retirement attrition. Given that this is a global phenomenon, recruitment competition for the best replacement candidates will be challenging. Although accelerating the hiring process will be highly desirable, there will be further challenges associated with the uneven distribution of future retirees across Faculties. Whatever the difficulties, the problems must nevertheless be faced and overcome.

As SCUB has concluded, an increase in the number of early retirements offers a strategic response that has a good deal of merit. While questions can be raised about the calculations set out in Dr. Percival's model, any arithmetic adjustments are minor and do not affect the substance of SCUB's case. However, I sense that SCUB's proposition is based on a "zero sum" approach which correctly identifies the benefit of long-term savings, while begging the question about the revenue sources needed to cover short-term costs. Going further, I sense that SCUB's proposition is based on the notion that the funds necessary to encourage early retirements should somehow originate with the University's central resources. The problem, of course, is that central budgets are being depleted as resources and budgetary controls are increasingly being decentralized. Adding to depletion at the center, the non-recurring budget is shrinking at the same time that demands are escalating for centralized expenditures on items such

as equipment and library acquisitions. These demands are in addition to the contribution already made to early retirements from central resources.

At the beginning of the October 31, 1997 memo, four ways are described to reduce the Operating Budget's salary component, and their respective advantages and disadvantages are detailed. Perhaps we need to look at the other side of the equation by exploring new revenue sources that could be assigned to overcome the "zero sum" dilemma. Equally important, we should examine more innovative ways to shape our early retirement packages while not losing sight of the fact that our current arrangement compares very favorably with the retirement schemes offered by our sister institutions across Canada. We might wish to concentrate resources on improving the retirement inducements for faculty in the 55 year age cohort, while offering smaller incentives that decline progressively as the prospective retiree's age increases. By "front end loading" early retirement packages in this way, we might be able to generate greater benefits for each dollar spent. Similarly, we might consider "hybrid" programs that build modified contracts or post-retirement contracts into the retirement formula.

In my view, the best alternative is to search out sources for "bridge funding" that will allow us to proceed with faculty recruitment now, while leveling the retirement peak we expect to encounter around the turn of the millennium. The Terms of Reference for *Burnaby Mountain Endowment Fund* cited in SCUB's memo already mention "bridge funding" as a designated use. I also am hopeful that "bridge funding" might emerge as a priority in some Faculty Three Year Plans, and that some Deans might wish to dedicate a portion of their carryover funds for this purpose. In the final analysis, however, we might have to look beyond the University for "bridge funding" support, and I plan to pursue this issue with government at the same time as we review our fund development priorities.

Whatever road we take to resolve the problems of faculty renewal, I repeat again my appreciation to SCUB for drawing attention to this issue. Your comments and your analysis will most certainly help inform decisions as we proceed.

Yours sincerely,



Jack P. Blaney
President Pro Tem

JPB/gm
c: Vice-Presidents
Deans