

Impact of TIAA-CREF Giveback Relative to Compensation Increase

The following table illustrates the impact of the reduction in TIAA-CREF contributions. To gain some perspective, we compare it to all compensation increases paid over the life of the contract.

We start with a hypothetical faculty member whose annual salary was \$50,000 a year before the current contract began. This faculty member received an “average” equity increase of 4% of his/her original base, which is effective in the sixth semester of the contract.

Each year the base pay is increased 3%. These were guaranteed for the first three years, but are only the “default” positions for years 4 and 5. The increases for years 4 and 5 are subject to a wage re-opener.

Note that the employer TIAA-CREF contributions also go up each year. Since we are considering the effects of a reduction in TIAA-CREF, we should also look at the increase over the life of the contract.

If the faculty member has a TIAA-CREF reduction of 1.2%, it gives back only \$637 out of total increase of \$31,463. This means that the give back is about 2% of the total increase over the life of the contract.

Assumptions						
Base 2002-03		\$50,000				
Equity		\$2,000				
TIAA Give back		1.20%				
Term	New Base Salary	Increase			Give Back	
		To Base	TIAA	Half Year Total		
Fall 03-04	\$51,500	\$1,500	\$150	\$825		
Winter 03-04	\$51,500	\$1,500	\$150	\$825		
Fall 04-05	\$53,045	\$3,045	\$305	\$1,675		
Winter 04-05	\$53,045	\$3,045	\$305	\$1,675	\$637	
Fall 05-06	\$54,636	\$4,636	\$464	\$2,550		
Winter 05-06	\$56,636	\$6,636	\$664	\$3,650		
Fall 06-07	\$58,335	\$8,335	\$834	\$4,584		
Winter 06-07	\$58,335	\$8,335	\$834	\$4,584		
Fall 07-08	\$60,086	\$10,086	\$1,009	\$5,547		
Winter 07-08	\$60,086	\$10,086	\$1,009	\$5,547		
	Total			\$31,463	\$637 2.0%	
	Total Yrs 1,2,3			\$11,199		
	Total Ys 4,5			\$20,263		

For other faculty members, the numbers would obviously be different. **However, the relative effect would be the same.** A faculty member who received a 4% increase is being asked to give back about 2.2% of the compensation increase for the life of the contract.

As an another illustration we look at a faculty member who did not qualify for equity under the market study that was carried out. This faculty member had a base salary of \$70,000.

Assumptions						
Base 2002-03		\$70,000				
Equity		\$0				
TIAA Give back		1.2%				
Term	New Base Salary		Increase			Give Back
			To Base	TIAA	Half Year Total	
Fall 03-04		\$72,100	\$2,100	\$210	\$1,155	
Winter 03-04		\$72,100	\$2,100	\$210	\$1,155	
Fall 04-05		\$74,263	\$4,263	\$426	\$2,345	
Winter 04-05		\$74,263	\$4,263	\$426	\$2,345	\$891
Fall 05-06		\$76,491	\$6,491	\$649	\$3,570	
Winter 05-06		\$76,491	\$6,491	\$649	\$3,570	
Fall 06-07		\$78,786	\$8,786	\$879	\$4,832	
Winter 06-07		\$78,786	\$8,786	\$879	\$4,832	
Fall 07-08		\$81,149	\$11,149	\$1,115	\$6,132	
Winter 07-08		\$81,149	\$11,149	\$1,115	\$6,132	
	Total				\$36,068	\$891 2.5%
	Total Yrs 1,2,3				\$14,139	
	Total Ys 4,5				\$21,928	

Here, because the overall compensation is relatively smaller, with no equity, the give back has a slightly higher relative effect. It is 2.5% of the total increase.