UCDAVIS

BUDGET AND INSTITUTIONAL ANALYSIS

ISSUE REPORT DECEMBER 2021

Faculty Retirement Return Analysis

BACKGROUND

In 2012-13 the campus implemented a new faculty resource return policy as part of the budget model. Units are required to return a portion of the salary and benefit funding for faculty who retire or resign. The return amounts were calibrated to generally allow units to retain sufficient resources to hire replacement faculty, at a lower rate, as is common due to the differential in faculty level of new hires vs. end of career faculty.

Campus uses the funds returned to put back into faculty positions in the following ways:

- Support the Hiring Investment Program that creates new faculty positions.
- Support special programs such as CAMPOS/CAMPSAH.
- Support central campus funding for faculty merits and promotions.
- Support faculty start-up and retentions.

The current rates of salary and benefit return are as follows:

Retirement: Colleges return 35% to campus, Schools return 20% to campus.
Resignation: Colleges and Schools return 10% to campus.

An analysis of hire and separation data since the inception of the return policy was completed in 2016-17. At that time, College return rate was increased from 30% to 35% while the return rates for School retirements and all resignations remained unchanged.

ANALYSIS

At the end of 2020-21, this analysis was repeated using hire and separation data from the last five years. Table 1 shows the results of the analysis.

In comparison to the analysis completed in 2016-17, it appears that the schools and colleges continue to have sufficient resources to hire replacement faculty as the average cost of a new hire is around 53% (Colleges) and 69% (Schools) of salary and benefit costs of retiring faculty. The figures on Table 1 also reveal that there is potential for increasing the retirement return rate for both colleges and schools. For colleges, the rate could increase to about 40% and for schools to about 25%-30%. It also suggests that there is capacity for academic units to make higher-cost hires than they have been or save faculty salary funds over a period of years to self-fund new positions or other needs. For resignations, the figures do not indicate a clear trend and in most cases, there were a very low number of separations to include in this analysis.

Retaining the 10% resignation return rate for all units is recommended. **Table 1: New Hire Salary as a Percent of Salaries and Benefits at Retirement and Resignation**

College	Average Salary and Benefits			New Hire as a % of ...		Average # of Separations per Year	
	At Retirement[1,2]	At Resignation[1,2]	New Hire[3,4]	Retirement Salary	Resignation Salary	Retirement	Resignation
CAES/AES	$269,485	$184,157	$132,896	49%	72%	12	1
CBS	$289,061	$250,282	$141,413	49%	57%	3	0
COE	$264,370	$202,557	$158,435	60%	78%	5	2
CLAS	$233,184	$153,905	$129,975	56%	84%	18	7
Total/Average	$264,025	$197,725	$140,680	53%	71%	10	3

School	Average Salary and Benefits			New Hire as a % of ...		Average # of Separations per Year	
	At Retirement[1,2]	At Resignation[1,2]	New Hire[3,4]	Retirement Salary	Resignation Salary	Retirement	Resignation
GSM	$432,400	$321,535	$272,553	63%	85%	0	1
SOE	$192,281	$164,913	$137,002	71%	83%	1	0
LAW	$283,677	$325,586	$219,527	77%	67%	1	1
SOM	$228,699	$150,803	$158,504	69%	105%	7	2
SVM	$288,810	$191,985	$203,980	71%	106%	3	2
Total/Average	$284,264	$240,709	$196,896	69%	82%	3	1

NOTES:

[1]Salary & benefits based on 2015-16, 2016-17, 2017-18, 2018-19 and 2019-20 separations and the 2021-22 composite benefit rate.

[2]Excludes faculty whose salary and benefits were on loan and were returned in full at separation.

[3]Salary & benefits based on 2016-17, 2017-18, 2018-19, 2019-20, and 2020-21 new hires and the 2021-22 composite benefit rate.

[4]Excludes Target of Excellence hires and faculty hired at Professor Step 6 or higher.

FINAL DECISION

After reviewing the analysis with senior management, PEVC Croughan chose to make no changes to the faculty return rate at this time. This allows units to continue to keep a higher level of funding than they have spent, on average, to replace faculty who retire and provides units with a tool to meet budget savings targets, hire new faculty at more competitive salaries, or support additional hires.