

Effects of the “Discussion Points” Presented in the January 21, 2010 BHE Document

Below is what we have been able to assess would be the effects of the “discussion points” on MSCA day unit members based on oral responses to some of the written questions the MSCA presented at the January 21, 2010 meeting with representatives of the Board of Higher Education and State and Community Colleges.

Delayed Salary Increases:

The BHE proposes that each of the previously agreed to across-the-board salary increases be delayed by 364 days. Since those increases have not been funded by the legislature and signed by the governor, the BHE is not required to implement them. The MSCA estimates that delaying these increases by 364 days would have the following aggregate effect on full-time unit members (we have sent a follow-up question as to whether these delays would affect part-time faculty):

FY 2010: a loss of approximately **\$1.7 million**

FY 2011: a loss of approximately **\$4.1 million**

FY 2012: a loss of approximately **\$4.2 million**

Relative to the agreed upon dates, the aggregate loss to full-time unit members over the life of the three-year contract would be approximately **\$10 million**, *just by delaying each salary increase by 364 days.*

The “furlough structure” proposed below for FY 2010 would result in additional salary losses.

Furloughs:

Under the furlough structure presented in the BHE’s document, the cost of a furlough day for a full-time faculty member would be 1/195 of his/her annual salary. For librarians the cost would be 1/260 of his/her salary.

For example:

A faculty member with an annual salary of \$50,000 would lose $3 \times \$256.14 = \769.23 .

A librarian with an annual salary of \$50,000 would lose $3 \times \$192.93 = \576.93 .

Faculty would be expected to take furlough days on days they do not have classes or other campus obligations so as to not interfere with the “operations of the college.”

Members would not be permitted to substitute paid leave (e.g., personal leave, sick leave, vacation leave) in lieu of or to offset an unpaid furlough day.

As structured, furloughs would effectively be a one-time pay cut for FY 2010. The effect during this fiscal year would be:

For **faculty** whose salary is:

At least \$50,000, but less than \$70,000: **1.54% pay cut for FY2010**

At least \$70,000, but less than \$90,000: **3.08% pay cut for FY2010**

\$90,000 or more: **4.62% pay cut for FY2010**

For **librarians** whose salary is:

At least \$50,000, but less than \$70,000: **1.15% pay cut for FY2010**

At least \$70,000, but less than \$90,000: **2.31% pay cut for FY2010**

\$90,000 or more: **3.46% pay cut for FY2010**

Since the savings from furloughs are required to be in FY 2010 and there are only five months remaining in FY 2010, the percentage pay cut required between now and June 30 multiplies the impact of the above percentages by a factor of at least 2.4. As a result, some members would see a **more than 10% pay reduction** for the balance of this fiscal year.

Based on the current salary structure, furloughs would result in a loss of nearly **\$2.7 million**.

If applied uniformly across the full-time unit, this is equivalent to a **2.36% pay cut for FY 2010**. Again, implementing this in the remaining five months of the fiscal year would require **at least a 5.66% across-the-board salary reduction** from February through June 2010.

Effect on Retirement:

For those in the **Optional Retirement Program** contributions to your account by both you and the Commonwealth would be reduced as a result of your reduced salary.

For those in the **State Employee Retirement System** who retire within three years of furlough days, the BHE claims that furlough days would have no effect on your pension benefits. The BHE's argument is that the pay cuts would not be factored into the calculation of the average of the highest 36 consecutive months since the college will report the annual compensation rate without the furlough days subtracted. We will be investigating this with the State Retirement Board.

We will also ask the State Retirement Board if furloughs adversely your pension by reducing creditable service or by interrupting the continuity of the 36-month period, i.e., whether you would have to look back to a 36-month period that *precedes* the furlough.

GIC Co-pay and Deductible Increases:

As an inducement to agree to the above concessions, the BHE proposal offers reimbursement for FY 2010 and FY 2011 increases in GIC co-pays and deductibles.

The costs of the reimbursement program (both administrative and the reimbursements) would be paid through a reserve account that would require legislative funding and the governor's sign-off (or veto override). The BHE has not proposed a mechanism for the reimbursements.

Reimbursements would not be made for increases in premiums or for an increase in the employees' percentage share of premiums (currently 20% or 25% based on one's date of hire).

The BHE proposal says that the "Commonwealth" will not seek or support an increase in the employees' percentage share of premiums. There are two problems with this. First, the BHE, not the "Commonwealth" is our employer and a party to the contract. The "Commonwealth" is not obligated – by the contract or by law – to honor any such promise. Second, assuming the "Commonwealth" refers to the governor, even if we could compel the governor to honor this promise, the legislature could still enact an increase in the employee share of premiums and override a veto by the governor.