

**Annual Report**  
**Committee on Financial and Administrative Policy**  
**Academic Year 2018-2019**  
Submitted 6/4/2019

The Committee on Financial and Administrative Policy (FAP) met 25 times during the 2018-19 academic year. The issues addressed by FAP are grouped by category and described below.

**Elections and Appointments:** In the Spring of 2018, Prof Joseph Sarkis and Prof George Pins were elected to FAP to serve one- and three-year terms, respectively. Prof Burnham is in the second year of her three-year term. The COG Appointee is Prof Randy Paffenroth. Mr Jeffrey Solomon, Executive VP and CFO, serves *ex officio*. Mr Kristopher Sullivan, Associate Provost for Academic Affairs, is the Presidential Appointee. At the beginning of AY 2018-19, FAP elected Prof Burnham as Chair, Prof Paffenroth as Secretary, Prof Pins as FAP's representative to the Retirement Plan Committee (RPC), and Prof Sarkis as Chair of the Fringe Benefits Committee (FBC). FAP appointed Prof Nima Rahbar to serve on the Fringe Benefits Committee until 2021.

**FAP outreach for AY 2018-2019:** FAP performed several types of outreach to garner input from the wider WPI community. In particular, FAP leveraged Canvas discussion boards, email outreach, and numerous meetings with the WPI community to uncover issues that required FAP attention. This input drove FAP priorities for AY2018-2019 and led to several presentations by, and discussions with, WPI leadership.

**The rollout of the Workday enterprise software:** VP for IT Patria, Change Management & Training Manager Brandstrader, and Controller Hitchcock gave a presentation to FAP on the transition to Workday. The presentation focused on the interaction between Workday and WPI, with a particular focus on benefits versus additional faculty effort. It was noted that Workday will be live on portal.wpi.edu and that multi-factor authentication will be required to access it. Multi-factor authentication is standard practice in cloud services for security purposes especially in light of recent cyberattacks at other universities. There was extensive discussion of the balance between security and convenience. It was emphasized that short term additional work can lead to long term gain, particularly with streamlined processes and better availability of information. At a later meeting, VP, Information Technology CIO Patricia Patria, Change Management & Training Manager Veronica Brandstrader, and Director, Applications, Strategy & Digital Transformation Michelle Gillett gave a presentation to FAP on the Workday for Students rollout. The timeline and modules were discussed, including the business process assessment. The process for gathering input from faculty and students was discussed, and the importance of this input was emphasized.

**WPI strategic vision:** Interim Provost Soboyejo attended the 9/21/2019 FAP meeting to discuss his vision for WPI during his time as interim provost. The role of FAP in faculty governance was discussed as well as current FAP priorities (e.g., salaries, space, Workday). At the last benchmarking, WPI TT/T faculty salary was assessed as being just above the median while a previous benchmarking assessed the salaries at closer to the 65-th percentile. NTT and staff salary benchmarking has not been performed, but will occur in AY 2019-2020. WPI's high net cost for student's education among our peer group was discussed, and WPIs engineering education focus and projects-based learning were noted. The renovation possibilities of Kaven Hall, Olin Hall, and Stratton Hall (as well as the proposed new building) were discussed in the context of a five-year institutional plan along with the ratio of credits taught by TT/T and NTT faculty. It was also discussed that approximately 5% of the TT/T faculty leave per year, and TT/T hiring is influenced by competition from other universities for qualified candidates. Both of these affect WPI's ability to grow

the TT/T faculty. The importance of pivoting the discussion to how to incentivize faculty to achieve the university mission was noted, including a pathway for faculty who want to be excellent at teaching.

High net cost of WPI Education: Senior VP Tichenor gave a presentation on the topic of WPI's net cost to students. FAP discussed the institutional risk of WPI's net cost and how it affects WPI's long term goals. It was observed that STEM institutions tend to attract more students of modest income backgrounds, and WPI has the highest average net price for first-year students among all peer institutions. WPI tends to spread out financial aid among more students. So, each student who gets aid, gets a smaller amount, thereby causing the average net cost among students getting aid to be higher. University admissions are a price sensitive market. However, even considering the high net cost, enrollment has grown while sustaining quality of the applicant pool. WPI provides a good value proposition and has a high retention rate. In contrast, some peer institutions have larger endowments as compared to WPI. The allocation of endowment return across the WPI budget was discussed.

WPI Cost Centers: FAP hosted a presentation from Vice Provost for Research (VPR) Vernescu on cost centers in instrumentation labs with a particular focus on the ongoing study initiated for some of the instrumentation present in the Life Science and Bioengineering Center (LSBC). The goal of the study is to better understand the usage and the impact a cost center could have on research and educational activities, and the accounting mechanisms and subsidies needed. The current scope of research funding at WPI was discussed, including WPI's current research themes. FAP discussed the newly negotiated indirect cost rate for on-campus research, which is currently 53.77%. Implementing cost centers on currently used instruments is difficult based upon their complex provenance history. It was noted that many current instruments are fully depreciated, and that there are limited or no funds in some cases for maintenance and repair. There are also no data to correlate how much an instrument is used and if funds are available for maintenance and replacement. It was noted that new research facilities, as the soon to open PracticePoint and LEAP Photonics, can cause a significant increase to the F&A rate for the entire university, if not developed within a cost center. Many peer "Research 2" institutions are also using cost centers and the benefits of cost centers were discussed. Cost centers provide a financial structure for support for instrumentation and capture enterprise-wide research costs. Without cost centers there is no automatic feedback loop that allows the connection of the success of research-labs with the reinvestment in maintenance/replacement of the instrumentation. The F&A rate is better controlled since instrument cost structures will be handled differently. In particular, Indirect Costs (IDC) could theoretically go up if large instrument purchases are not isolated from the rest of WPI's research expenditures.

Development: William McAvoy, VP for University Advancement, gave a presentation to FAP on the state of university advancement at WPI. During the last campaign 78% of donations (in total dollars) were from individuals, 14% of donations were from foundations, and 8% of donations were from corporations. Philanthropy is generally 80% from individuals, and 20% from foundations and corporations, so WPI is close to the average. As far as individual donations are concerned, there are three major categories of gifts. First, there are "Major and Principal Gifts". These are typically in the range of \$50,000-\$100,000 and are a mix of restricted (allocated to a particular purpose such as scholarships) and unrestricted gifts. Second, "Deferred Planned Gifts" such as bequests can be large gifts (for example, a percentage of an estate) and are also typically a mix of restricted and unrestricted gifts. Third, "Annual Gifts" are typically a large volume of small gifts and are unrestricted. Approximately \$2 million of such gifts are assumed in the WPI budget. Current total yearly donations are in the range of \$25-\$30 million per year, of which approximately \$2 million are Annual Gifts. There are also "Current Use" gifts that can be spent immediately or in a short time frame, and examples of this type are capital-related gifts. Finally, there are

also “Endowments” from which only the interest on the gift can be spent and the principal must be maintained. Such donations are focused on sustainability of funding. A priority of the upcoming donation drives will be to endow professorships. Details of the recent “if...The Campaign to Advance WPI” were presented. The goal was to raise \$200 million and \$248 million was actually raised. Approximately 95% of the total was raised from approximately 5% of the donors. This is typical of most major funding efforts. Of the \$248 million that was raised, \$112 million was for scholarships (50% above the goal of \$75 million), \$106 million was for the endowment, \$6 million was for current use, and \$38 million was for faculty support, most in the form of endowments. The remainder was for capital projects or unrestricted. The percentage of alumni who give gifts is trending downward, but the number of alumni is trending upward. TechConnect and “email for life” were discussed as a means to keep in touch with students. The size of the endowment was \$408 million when the last campaign started. The endowment is \$520 million now and about \$180 million of that (35%) is for scholarships. With regards to our peers, we are in the upper half with respect to endowment size.

APBP Process and Five-year Institutional Plan: The Annual Planning and Budget Process (APBP) was discussed. Our operating budget is now \$235 million and, historically, approximately 70% of the budget is allocated for salaries and benefits. The new five-year institutional plan, which was approved by the Board of Trustees on 2-19-2019, accommodates growth of faculty (TT/T) from the current 253 to 300, staff growth, a new building on the Boynton lot, new residence halls, renovation of the 15 Sagamore Road building, build-out of lab space on the third and fourth floors of 50 Prescott (“Gateway II”), and renovation of Kaven, Stratton, Olin, Harrington and Higgins House. A growth path from approximately 4500 undergraduates to approximately 5000 undergraduates over five years was discussed, after which WPI will pause and evaluate. Other planning parameters include maintaining our current 13-to-1 student faculty ratio, graduate credits modeled as being flat, 3% salary pool increases, an undergraduate discount rate of 42%, 3.5% annual tuition increases, a \$3 million yearly contingency allotment, and a \$1 million yearly surplus to address strategic opportunities. Incremental resources of \$11 million will be added year over year (4.6% increase) including specific requests through APBP, maintaining the salary pool increase across institution at 3%, support of institutional plan through debt service, and already approved growth in faculty. There is an approved equity pool over and above the 3% for faculty and staff pay increases, to address outliers outside of benchmarks. An emphasis as a research institution will be to build the Ph.D. program. We will also focus on maintaining the MS programs and reducing attrition.

Broadening summer hours for staff: It was suggested that FBC consider proposing a "9-80"-like schedule for staff during the summer session. For example, working 9-hour days, Monday through Thursday, and then alternating working 8 hours on Friday and having Friday off. Along these lines, a proposal titled “A Summer Hours Alteration Proposal” was presented to FAP by FBC committee member Jamie Dillon, Career Development Center Recruiting Specialist, and FBC Chair Joseph Sarkis. FAP discussed the process of the generation of the proposal and the various committees involved. No official poll of employees was conducted, but there were extensive discussions with staff and managers who had input into the proposal. The summer hours policy was also benchmarked against other institutions. FAP expressed concern with the language “replacing summer hours”. However, it was discussed that all eligible employees would instead receive five additional personal days with the start of the fiscal year that could be used to continue their traditional summer hours, if they wish, or that can be used, instead, at any other time with approval from their supervisor. It was also clarified that the current system still exists as a subset of the new system. In particular, all eligible staff would be part of the new policy, but the new policy allows precisely the same schedule as is currently available, as well as other schedules as approved by managers. Not all eligible staff can utilize summer hours. For example, in finance, sports and recreation, IT, and other staff positions peak hours can happen during the summer. Accordingly, the new policy provides a greater level of

fairness across all eligible staff employees. Fitting the new policy into Workday was discussed, and it appears that this is not an issue. FAP voted to approve the motion and recommended to the administration to consider the proposal from FBC. The motion was forwarded to VP for Talent/CDO Michelle Jones-Johnson, who is committed to the idea of implementing it in the summer of 2020.

WPI Employee Tuition Benefit: Eric Chojnowski, Benefits Manager in Human Resources, provided FAP with an FBC update on WPI employee tuition benefits. It was noted that the benefit is being used more for on-campus study rather than for off-campus study, and between 30 and 100 employees use the benefit combined between on and off campus classes. Also, approximately 10 employee spouses make use of the tuition benefit. The timing of employees being able to take advantage of this benefit was discussed, including professional development for employees. The cost of on-campus classes is waived, and off-campus classes at other universities are reimbursed at 75%, assuming the class is passed. There are current discussions to move the reimbursement rate to 100% for off-campus classes, with a \$2000 cap. However, a recommendation would not be fully informed unless FAP has some benchmark information on peer institutions and cost of the proposal (e.g., data from past three years). FAP recommended that HR study the issue and provide additional detail for future FAP consideration.

Retirement Plan Matters: The Retirement Plan Committee met regularly during the year to review the quarterly performance of each of the funds within the retirement plan. Plan fees were reviewed and benchmarked. No concerns were raised. WPI was nominated as a finalist for Retirement Plan of the Year. The nomination was made based upon plan design, low-fees, and good investment choices. The web page for the nomination can be found at: [https://www.plansponsor.com/awards/2019-plan-sponsor-year/?type=nonprofit-dc-%3E\\$250mm](https://www.plansponsor.com/awards/2019-plan-sponsor-year/?type=nonprofit-dc-%3E$250mm)

Processes for Salary Increases: FAP held extensive discussions on the process for salary increases. The background for the discussion can be found in the Statement on Government of Colleges and Universities (AAUP, ACE, AGB; 1966): <https://www.aaup.org/report/statement-governmentcolleges-and-universities>. In particular, the following phrase was a key element of FAP's discussions: "*The faculty should actively participate in the determination of policies and procedures governing salary increases.*" The AAUP provides an annual faculty salary survey. Their tables break out the data by Professor, Associate, Assistant, Lecturer, Instructor, etc. and details can be found at the following link: <https://www.aaup.org/2018-19-faculty-compensation-survey-results>.

FAP is involved with review of budget and salary benchmarks. Currently, of the 3% salary increase pool, 1% is used as a base increase and 2% is use for merit increase. The 3% salary pool is an overarching budget parameter (as is benefit costs) and FAP discussed if 3% is sufficient. FAP also discussed how senior officers are compensated. Senior officers are included in the 3% salary pool, and as a part of total compensation, participate in a long term deferred compensation program subject to meeting performance goals and with a long-term vesting requirement. Amounts are forfeited if an individual leaves WPI before vesting. FAP also discussed how the performance evaluation process plays a role in merit increases. At the staff level there is a well-defined rating system. Current faculty evaluation revolves around the faculty annual report and the process varies from department to department. Individual faculty raises are determined by the department head in consultation with the appropriate Dean and the Provost. Pros and cons of a standardized process were discussed as well as how such a process would appear in the faculty handbook.

It was noted that manager and department head flexibility is important. However, it was also noted that additional guidance could be useful.

Along these lines, Provost Soboyejo had a conversation with FAP about the processes involved in faculty participation in evaluation and salary increases. Provost Soboyejo observed that, historically, research funding success has often been rewarded more than success in teaching, service, and scholarship. This is not consistent with WPI's success as a school that balances teaching and research with service to local and global communities. Three important ideas were discussed, namely, respect for the differences between departments/programs, a balance between research and teaching, and rolling 5-year development plans that are part of the salary discussion for faculty at all levels. It was observed that widely disseminating information on the process used for determining salary adjustments would be appropriate (e.g., a web-page that describes the process), but there needs to be faculty input so that there is faculty ownership of the process. Gathering such input will likely take time. One specific request for the Provost and HR team is to provide a one-page description of the current process for faculty evaluation and salary increase determination. Suggestions can then be discussed in FAP, as well as the greater faculty governance community, with an eventual possibility of updating the Faculty Handbook. A transparent process is the key goal. The pros and cons of the separation of the inflation and merit parts of salary pool, as opposed to having a single pool (even if the total amount is the same), was discussed.

The role of benchmarking surveys was also discussed, including their interplay with helping salary increases keep up with inflation and, more importantly, that faculty are paid appropriately relatively to their peers. In particular, salary benchmarks should reflect inflation and market rates of pay. The issue of being a full professor and not being eligible for further promotion increases was discussed. Along those lines, special equity pools above the current 3% were also discussed (e.g., salary adjustments arising from benchmarking). During FY2018-2019, salary changes will be distributed on May 17 by way of Workday. In contrast, salary letters were delivered in person for many years by the department heads on April 15 and then more recently on May 1. The timing of reappointment letters has been discussed at several levels in WPI.

Operational Matters: In April FAP began discussing agenda items for AY 19-20 for both FAP and FBC. FBC had a meeting on priorities for AY 19-20 and identified:

- (1) FAP should consider:
  - a. The transition process for FBC from year-to-year needs to be more formalized.
  - b. Multiyear FAP assignment of the FBC Chair should be considered, including flexibility in the assignment of the FBC Chair.
- (2) FBC will follow-up with summer hours and tuition benefits discussions.
- (3) FBC will discuss the issue of retirement and insurance gaps.
  - a. For employees who are close to retirement age, and can retire before age 65, can the institution provide some bridging insurance?
- (4) Potential changes to healthcare plans can be discussed, depending on the timeline.
- (5) The idea of sabbatical for all employees can be discussed.

FAP will work to increase the transparency of the faculty salary increase process, help initiate NTT and TTT salary comparisons with peer institutions, and refer to its discussion board on Canvas as it sets its priorities for AY 19-20.

Respectfully submitted,

N. Burnham, Elected Member and Chair;  
R. Paffenroth, Secretary and COG Appointee;  
J. Sarkis, Elected Member and FBC Chair;  
G. Pins, Elected Member and RPC Representative;  
J. Solomon, VP-CFO, *ex officio*;  
K. Sullivan, AVP, Presidential Appointee.