

The Senator

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Larry Daniel, President

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Wake's Endowment and *Honoring the Promise*

At the Senate meeting of November 13, 2002, James Bullock, Assistant Vice-President for Advancement and Director of the *Honoring the Promise* campaign, gave an interesting exposition of the state of Wake Forest's endowment. As everyone knows, Wake has been finding it difficult to honor an earlier promise, namely that contained in the Plan for the Class of 2000, to raise faculty salaries to a level competitive with our "cross admit" peer institutions. Given the information on our endowment in comparison with our peers, this difficulty is perhaps hardly surprising.

In the academic year 2000-2001, Wake's endowment per student stood at slightly more than \$131,000. For comparison I'll take the six private institutions that are included in our cross-admit reference group, namely Davidson, Duke, Emory, Richmond, Vanderbilt, and Washington and Lee. In this group, Wake's endowment per student was the smallest, by a long way. Our figure amounted to little more than half of the group average (54 percent); it is 62 percent of the next-lowest figure, \$208,559 for Washington and Lee.

Bullock also gave us comparative endowment figures excluding Bowman Gray and the medical schools attached to some of the cross-admit institutions. On this basis Wake's per-student endowment drops to \$86,920 or 39 percent of the group mean; the next-lowest figure in the group was roughly twice Wake's (Duke, at \$169,720). Wake's tuition fees are comparable to those of the cross-admits (in 2000-2001 they stood at 99.3 percent of the group average), but so far as endowment is concerned, we're not in the same league.

What is the relative importance of tuition and endowment for the University's finances? Based on figures presented by Maureen Carpenter to the Senate in Fall 2001 regarding the budget for fiscal 2003, tuition is much the largest category of revenue. Netting out the income and expenditure for "auxiliary enterprises" (residence halls, real estate, Graylyn, etc.) we get the following projected breakdown of 2003 revenue: tuition 79 percent, endowment 9 percent, auxiliaries 6 percent, other 6 percent. This, however, is a bad year for endowment income, and presumably in better times endowment would contribute a larger share of revenue. For a benchmark, the relatively wealthy Washington University in St. Louis reports endowment as contributing 11.2 percent of revenue for fiscal 2002.

The fact that Wake has only about half the endowment per student as the group average does not mean that we have only half the resources—given the importance of tuition—but it does put us at a distinct disadvantage. Other figures shown by Bullock put us at around 80 percent of the group mean for projected endowment plus tuition income per student.

The figures given above are the most recent currently available. But both the past and the future are of some interest. As regards the past, senator Hank Kennedy of the Department of Political Science has collected data from the *Chronicle of Higher Education* which seem to show that Wake was not always so far behind. In 1988, Wake's ranking in terms of endowment per student was 5 out of 7 in the above comparison group: we were ahead of Davidson and Duke and our figure was 88 percent of the group average. Somehow, by 1996 we had dropped to our present ranking, and close to our present percentage of the group average.

As for the future, we all surely wish the best for James Bullock and his staff. In respect of endowment, the goal

of the *Honoring the Promise* campaign is to add \$212 million, of which about \$104 million has been raised so far (much of this, of course, pledged for various future dates). If the endowment goal is met this will help to move us closer to the resources of the cross-admits. \$212 million divided by Wake's roughly 5400 FTEs gives about \$39,000. If we add this amount to Wake's current endowment per student we get a figure that still ranks 7 out of 7, but which stands at about 69 percent of the group average. *Allin Cottrell*

Health Affairs News

The Health Affairs Committee has been monitoring two important issues. The first has been to work with Human Resources to examine the balance between income and expenditures for the health insurance plan that was initiated last year. So far, the numbers are quite balanced, indicating that the estimates made last year for the costs of self-insurance were appropriate. During the first quarter of 2003 decisions on premiums and coverage for next year will become a topic for consideration by the committee.

The second issue that has been a focus of this committee is to discuss the status of employees that are not currently using the university's health care benefit. There are more than 250 university employees that are not using this coverage. A recent survey conducted by Human Resources indicates that a majority of these individuals have another source for health insurance, but it is not possible from this data to determine how many of the lowest paid university employees are choosing to not use this benefit because of cost. The first goal of the committee will be to get accurate numbers to judge the extent of the problem. We will also be exploring how other institutions have solved this problem by using sliding scales, such as Harvard (<http://www.atwork.harvard.edu/b-rates.html>). This issue is likely to be one that requires a long-term perspective to resolve. *Gloria Muday*

Fringe Benefits Reviews: Dental Coverage

While salary issues tend to receive more attention, fringe benefits are an essential component of the compensation package for faculty and staff. Shortcomings in them may hinder efforts to recruit and retain employees as much or even more than shortcomings in salary. If our goal is to be competitive with the cross-admit institutions, part of that goal ought to be to compete in terms of benefits as well.

However, determining how we compare to cross-admit institutions in benefits is a complex issue. One way of looking at this is to simply consider the expenditures of each institution on fringe benefits. AAUP provides information about fringe benefits rankings as a function of faculty salary. If we look at fringe benefits in this way, Wake Forest occupies a familiar but dismally low place in the rankings.

Benefits as a % of Average Salary -- This figure, which is rounded to the nearest percentage, represents the overall fringe benefits as a percentage of average salary for all ranks combined."*

Davidson	35%
Emory	35%
Vanderbilt	25%
Washington and Lee	24%
William and Mary	24%
University of Richmond	23%
Virginia	22%
WFU	21%
UNC-Chapel Hill	19%

*Source: Academe, March-April 2002. The WFU data are for the Reynolda campus.

Which aspect of benefits does that shortfall arise from? We will be attempting to compare health care, dental and vision, and retirement benefits across institutions in this and subsequent issues of the Senator.

How to compare benefits is a complex issue. Comparisons of benefits such as health or dental insurance coverage are particularly difficult because different institutions typically offer multiple plans with different costs, different deductibles, and different maximums. Last year, AON Consulting provided the Fringe Benefits Committee with a comparison of fringe benefits for Wake Forest and the cross-admit institutions. This report tended to look at what benefits were provided, but members of the Fringe Benefits Committee noted that in many cases it really didn't address the value of the benefit, and what obtaining the benefit cost the employee.

In our initial report looking at dental coverage below, we opted to take a slightly different approach. To get a sense of the value of the dental insurance coverage, we decided to look at the cost to a family of four individuals that has the following procedures done during a year.

- Parent 1: 2 regular visits (checkup, teeth cleaning, and bitewing x-rays), plus 1 root canal
- Parent 2: 2 regular visits, plus 1 crown.
- Child 1: 2 regular visits, plus 4 wisdom teeth extracted
- Child 2: 2 regular visits, plus the first year of a 2 year, \$4000.00 orthodontia payment plan.

We further assumed that the above family subscribed to the highest level dental plan available, typically at a cost of higher premiums in each case. The price estimates for procedures were based on rates given to us by one local dentist. We have been unable to get detailed cost information for several of the cross-admit institutions to date, but what we have obtained does allow us some sense of the value of our dental benefit.

WFU

- Insurance premiums: \$470.52
- Parent 1: regular visits free, root canal cost = 20% (695.00) = \$139.00 + 25.00 deductible
- Parent 2: regular visits free, plus 50% crown (750.00) = \$375.00 + 25.00 deductible
- Child 1: regular visits free, plus 20% wisdom teeth (1200.00) = \$240.00 + 25.00 deductible
- Child 2: regular visits free, plus 50% of orthodontia down payment (1320.00) = \$660.00, plus 50% of payments for first year (1340.00) = \$670.00
- Total = \$2629.52

To give a sample of the comparison, the corresponding information for Duke is provided.

Duke University

- Insurance premiums = \$912.84
- Parent 1 regular visits free, root canal free assuming 2 years of coverage
- Parent 2 regular visits free, 50 %(750.00) = \$375.00 + 50.00 deductible
- Child 1 regular visits free, wisdom teeth free
- Child 2: regular work free, plus 75% (1320.00) = 990.00 plus .75% of payments (1340.00) = \$1005.00
- Total = \$3332.84

Duke's plan looks stronger, but turns out to be more expensive in this case because it caps orthodontia payments at \$1000.00 per person lifetime.

Corresponding costs at the other institutions where we have obtained the detailed data are as follows:

Institution	Total Cost for Procedures
UNC-CH	3809.32
Emory	2806.96
Washington & Lee	4150.92
Richmond	2942.84

We do not have the detailed information for Davidson, U.Va, Vanderbilt, or William & Mary to date, but the information we do have so far suggests that dental benefits at WFU are actually good. Where does WFU's apparent benefits shortfall come from? Stay tuned for reports on retirement and health care.

Dale Dagenbach & Dana Hutchens

Reports from Faculty Representatives to the Trustees Committees

In past years, the Senate worked hard to establish some form of faculty representation to the Board of Trustees meetings. The faculty representatives to those committees summarized their experiences in the last session.

Dale Dagenbach served as representative to the Graduate and Professional Schools Committee. That committee typically hears a report on the status of one or two of the graduate or professional schools. In the last meeting, the committee heard a report on the Divinity School, a report on the status of the search for a new Dean for Babcock, and a presentation on the activities of the Office of Research and Sponsored Programs. This committee has been very receptive to hearing the faculty perspective on issues.

Larry Daniel attended the meeting of the Advance and Communications Committee. Larry reports that the data presented there indicate that the alumni are very generous in their continuing support, but that the report on the current capital campaign showed the need for continued activities to create new naming opportunities. Larry suggested that named professorships, funded by endowed gifts, would also indirectly increase funds available for general faculty salaries.

Jim Kuzmanovich, the representative to the College Committee, reports that the meetings of that committee consist of reports and discussion usually followed by a brief executive session. The topics covered in the reports to the committee have included faculty hiring, faculty salaries, the departmental review process, and many student life issues. His role on the committee has primarily been as a resource person; he is usually asked to comment on the reports and am often asked questions during the open and frank discussions. He further reports that he has felt very welcome on the committee, and the committee members have expressed the view that having a faculty representative has been very helpful. Almost all of the members and administrators present have expressed gratitude for the supplemental information he has provided and seem to appreciate having an independent faculty viewpoint.

Tim Smunt, representative to the Business Operations Committee, heard a presentation from Information Systems and Maintenance. However, the committee then went into executive session, at which point Tim had to leave. In his report to the Senate, Tim raised questions about the purpose of faculty representation and how its effectiveness might be increased.