

# Retirement Incentives – What Will They Cost?

## A VIEW FROM THE COB

The USM administration's plan to bridge the FY2012 budget shortfall by offering a retirement incentive program to eligible retirees is projected, by USM chief financial officer Russ Willis, to initially cost the institution about \$3 million. Under the program, any USM employee with 25 or more years of services, or who is at retirement age, will be able to receive ½ of his or her current salary if he or she will agree to retire on 30-June-2011. To investigate the accuracy of Willis' claim, USMNEWS.net examined the CoB's payroll for likely candidates. The information that was gathered is presented in Table 1 below, and likely gives a high-end estimate of what this program for the CoB will cost USM initially. A number of factors are at play here – not only the length of one's service and one's age, but also whether the IHL will allow USM to include faculty who are on optional retirement plans (ORPs) in the program. On the latter point, Willis has informed USM constituencies that inclusion of ORP faculty remains under discussion.

Table 1: *CoB Retirement Candidates*

<b>Name</b>	<b>Unit</b>	<b>Incentive</b>
Duhon, David	MGT	\$58,755
Lindley, James	FIN	\$58,199
Pate, Gwen	ACC	\$56,420
Clark, Stanley	ACC	\$56,063
Jordan, Charles	ACC	\$55,047
Posey, Roderick	ACC	\$52,747
Hsieh, Chang-Tseh	MIS	\$50,817
DePree, Marc	ACC	\$46,930
Topping, Sharon	MGT	\$46,784
Price, Catherine	TM	\$45,565
Magruder, James	MIS	\$40,034
King, Ernest	BL	\$36,692
<b>TOTAL</b>		<b>\$604,053</b>

As the table above indicates, there are possibly as many as 12 retirement incentive program candidates in USM's b-school, and the incentive costs for these faculty would range from a low of about \$37,000 to a high around \$59,000. If all 12 of these faculty opted in, USM would face an initial payout of about \$600,000, or 20 percent of the total allotted by Willis. Given that the CoB is one of five USM colleges, Willis' projection seems about right. However, if these 12 do opt in, the CoB's accounting unit could face difficulty in providing services to its students. As a result of having to hire adjuncts, etc., USM would achieve little to no savings from having these five accountants choose a retirement incentive program. In total, then, USM would have to spend about \$750,000 (or more), *not \$600,000*, in its effort to achieve about \$1.2 million in budget savings from the CoB. Of course, others among the 12 above may teach various courses that would also require adjunct replacement, further reducing the net savings achieved. More and more, sources are indicating that some sort of faculty/staff furlough program may have to be instituted to get a real handle on USM's dire budget situation.