

FINANCE & BENEFITS COMMITTEE MINUTES

October 9, 2012

Attending: Jim Manaro, Chair, Emily Chamlee-Wright, Joe Holt, Alan Chesney, Karl Kehm, Eugene Hamilton, Jeani Narcum, Ken Schweitzer, Ed Guseman, Lansing Williams and Peggy Fulton.

Jim handed out the all-campus memo and Frequently Asked Questions pertaining to the changes in pension plan management. Informational sessions have been scheduled for October 16 at 9:00 and 3:00 for all employees to attend; October 19 at 10:00 for Buildings and Grounds employees; and October 22 at 3:30 for faculty. Jim asked the Committee to let him know if they receive any comments or questions from their peers. Michael Harvey is going to try to simplify the Frequently Asked Questions section to make them more applicable to the average employee investor. The revised document will be circulated to everyone when it is complete. There will be much continuing information to follow as the investment funds are identified and TIAA-CREF will be available for individual appointments to discuss investment strategy with employees. If we find that additional informational sessions are necessary, they will be scheduled. The current plan is to roll out the new program by the end of January.

Jim asked the Committee for their thoughts on the makeup of the 403(b) Committee. Currently, the members are Jim, Alan, Harriet Olsen (College Endowment Analyst); Michael Harvey and Melissa Deckman from the faculty. There was one school of thought that the 403(b) Committee should be comprised with representatives from the Finance/Benefits Committee, but it will be very difficult to constantly have new members who have to be brought up to speed in a short time. The other option would be to make the 403(b) Committee a standing committee with permanent members. There is a ton of work to be done prior to the roll out, but following roll out, the 403(b) Committee would meet quarterly to review investment performance. It is also important to note that the members of the 403(b) Committee become fiduciaries and it's critical that they have some knowledge of finance and investing. Emily asked if the current members had great expertise, and the answer is not really. However, the College has "purchased" that expertise with the hiring of 401(k) Advisors. Further, 401(k) Advisors shares the fiduciary responsibility with the College. There was some further discussion about investment alternatives and funds, all of which will be discussed in the informational sessions. The Committee is to consider the structure of the 403(b) Committee and Charlie Kehm will also discuss with the faculty council. A decision will need to be made by January.

Jim moved on to the budget process and presented some updated exhibits. Senior staff is going to become more involved in the budget process and will be working with the same exhibits. There is a Senior Staff meeting scheduled for October 29th at which time they will begin developing plans and goals, discussing enrollment and financial aid assumptions, establishing priorities, etc. Enrollment and financial aid remain the biggest questions and have the highest impact on the budget process. The target discount rate is likely to be between 45-47%. Jim reminded the Committee that any recommended changes in student charges, i.e., tuition, room and board, will have to be presented to the Financial Affairs Committee of the Board at the November 9th meeting.

Jim reviewed some options on the budget sheet, with various discount rates, and increases in student charges. The end result is that without increasing charges, we will have a negative cash flow. It is vitally important to begin developing new revenue streams as we can no longer rely on tuition, room and board for 80% of revenue. The College's non-discretionary (health insurance; energy; maintenance contracts; depreciation; and food costs) total almost \$1 million. Discretionary expenses that may include general operating increases of 1.5%; a salary pool of 3%; and 2 additional faculty exceed \$1 million. If we used the model of a 47% discount rate and no increase in tuition, room and board, the net revenue to the College is (\$565,887) and yet we have over \$2 million in expenses. It is becoming a hard sell to the Board to raise student charges. How are we going to change the curve and what other revenue streams can we look at?

There was a discussion on the need for additional faculty to support high enrollment programs and improve retention. Support and encouragement for our international students was also discussed. Our international student base is growing and in many countries, word of mouth is the best advertising for us. We need to do all we can to ensure our international students have a great experience at Washington College. Competition among private colleges is all for the same pool of students. The perception of parents and students becomes value-based. If everyone is offering the same financial aid, which school offers the best value for the money? It may be time to review what programs add value to the College and invest in those programs for long term growth. Charlie asked if an exercise to compare pieces of the cost pie to other schools has ever been done. It hasn't, but mainly because everyone cuts their pie differently so an apple-to-apple comparison can't be done. Even if cost differences can be identified, it might not tell the true picture. Adding value to the school is the only way to lower the discount rate and compete for students. Alan stated that he believes cutting programs and activities must be on the table for any budget discussion. Investing in programs and activities that don't add value to the College may be wasting resources.

The next meeting is scheduled for October 23 at 3:30 p.m. Alan Chesney was asked to schedule Willis to speak to the Committee about alternative ways to manage health care costs. This meeting was adjourned.