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In Move Seen as Harbinger, Small Nebraska College Suspends Retirement Contributions

By KATHERINE MANGAN

Two years after budget pressures prompted Dana College to eliminate some academic programs and lay off tenured faculty members, the struggling Nebraska institution is trying a different tactic amid worsening economic conditions: ending its retirement contributions for all employees.

The decision by regents at Dana College, a private liberal-arts institution of 550 students in Blair, Neb., is uncommon, but one that other colleges are expected to consider as a way to stave off additional layoffs.

Dana, which is associated with the Evangelical Lutheran Church in America, has been suffering financially for years because of declining enrollments and soaring costs. In October regents voted to end the college's contributions to employees' retirement plans with TIAA-CREF, just as many of those employees were watching their accumulated savings diminish as stock values plunged.

The college had contributed 7 percent of employees' incomes into their retirement accounts, as long as the employees contributed at least 5 percent. So an employee earning \$40,000 a year who contributed 5 percent, or \$2,000, could receive a \$2,800 contribution from the college. Employees can still contribute but may be less motivated to do so without the matching contribution from the college. It is unclear when, if at all, Dana will resume its contributions.

"After examining a variety of options, we concluded that eliminating the contributions to the TIAA-CREF pension plan in October of 2008 would have the least amount of impact on our employees," Nikki Kinsey, a spokesman for Dana College, said in a written statement.

The college's vice president and chief financial officer, Robert Schmoll, said that to help offset the loss of retirement money, the college would absorb recent increases in employees' health-insurance premiums.

Employees, several of whom refused to be identified for fear of reprisal,

said the retirement cuts hurt but the alternative could be worse.

Sybille Bartels, a part-time professor emerita in languages and international studies, lost her full-time tenured position at Dana two years ago when four academic programs were eliminated. Cutting retirement benefits "is financially painful for all involved, especially for employees in low-paying staff positions, and including those administrators charged with managing the college," she wrote in an e-mail message. "As someone who experienced the other approach, namely the loss of tenure and full-time status, I would suggest that a temporary retirement-contribution cut for all is preferable to eliminating positions and people."

Another faculty member, who asked to remain unidentified, agreed. "I understand the need to make cuts. If I were cutting, that's where I'd reluctantly do it," he said. "Still, it's regrettable and a hardship."

Despite the slumping economy and colleges' endowment losses, most colleges are doing everything they can to avoid layoffs, experts say (The Chronicle, January 9).

In 2007 one of Dana College's major donors, Howard L. Hawks, issued an ultimatum to Dana and another small church-affiliated college, Midland Lutheran, also in Nebraska, saying he would no longer donate money for capital projects unless the institutions made plans to merge operations (The Chronicle, March 16, 2007).

That didn't happen, and both colleges continue to struggle today in a much tougher economic climate.

Officials from several national higher-education groups, including the National Association of Independent Colleges and Universities, the College and University Professional Association for Human Resources, and the Council of Independent Colleges, said they had not yet heard of any other colleges suspending retirement contributions.

Asked about colleges cutting retirement plans, Chad W. Peterson, a spokesman for TIAA-CREF, said that a "very small number of sponsors have reduced or are considering cuts to their plan contributions."

Corporate America is another story. Among the growing number of companies that have stopped contributing to employee pension plans are Motorola, Federal Express, and Eastman Kodak.