Financial Cost Saving Measures

Addressing COVID-19 Financial Challenges

Payroll costs account for more than 60 percent of the university’s operating budget; and as a result, it is essential that we identify all measures to address the looming budget shortfall while continuing to make decisions that are consistent with Cornell’s guiding principles for COVID-19 response as expressed in President Pollack’s April 7 message to the community.

The following temporary programs are being instituted to support the university’s COVID-19 financial cost-saving measures. Additional details about the financial measures that are being taken as a university can be found in President Pollack’s July 2 statement.

Questions regarding these programs should be directed to your manager or your HR representative.

**CONTRACT COLLEGE PAY REDUCTION**

*Effective August 1, 2020 through June 30, 2021*

Contract college benefits-eligible faculty and staff making $40,000 and above will receive a reduction in annual base pay on a tiered basis.

- Reduction based on August 1, 2020 annual base pay.
- Reduction will be reflected in the August 15 semi-monthly paycheck or the August 20 biweekly paycheck.
- Reduction implemented on all fund sources.
- For less than full-time appointments, annual base pay reflects pay received (not annualized full-time equivalent pay).
- See tiers below in FAQ.

**ENDOWED CURP CONTRIBUTION REDUCTION**

*Effective August 1, 2020 through June 30, 2021*

For the period August 1, 2020 to June 30, 2021, the CURP contribution for participants will be 3%, except for those participants referenced in the first bullet below. All other administrative aspects of the CURP will remain in effect, including applying eligibility rules, crediting service for waiting periods, and processing demographic or status changes, etc. CURP contributions will continue to be remitted under the existing participant distributions to either Fidelity Investments and/or TIAA, until changed by the participant.

- Endowed and Contract College faculty and staff who are currently participating in the Phased Retirement program are not subject to the change in contribution to 3%.
- **For semi-monthly endowed employees**, the 3% CURP contribution will be reflected starting in the August 14th paycheck (pay period 8/1 – 8/15/2020)
- **For bi-weekly endowed employees**, the 3% CURP contribution will be applied to the entire August 20th paycheck (pay period 7/30 – 8/12/2020).

In the September 3rd paycheck (pay period 8/13 - 8/26/2020), there will be a retroactive contribution of 7% of eligible earnings that were paid on the days 7/30 and 7/31. With this 7% contribution added to the 3% contribution included in the August 20th paycheck, the total contributions for 7/30 & 7/31 will equal 10%.

- Participants remain able to change their beneficiary information, move their balances from one investment or...
recordkeeper to another (following the current rules and stipulations on investments and transfers), as well as consult with Fidelity Investments and/or TIAA education consultants or advisors about their accounts.

**VOLUNTARY RETIREMENT INCENTIVE**

Applications are CLOSED.

The Voluntary Retirement Incentive (VRI) is designed to provide a recognition of our long-service faculty and staff while also offering additional savings to address the financial challenges. Specific information about the VRI was sent via email to eligible employees on June 25, with hard copy documents sent to homes shortly thereafter.

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**Frequently Asked Questions**

**Contract College Pay Reduction**

[Accordion]

What percent reduction will I see in my pay as part of the Contract College pay reduction?

<table>
<thead>
<tr>
<th>Annual Pay</th>
<th>Reduction %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $39,999</td>
<td>0.00%</td>
</tr>
<tr>
<td>$40,000 - $49,999</td>
<td>0.50%</td>
</tr>
<tr>
<td>$50,000 - $59,999</td>
<td>1.00%</td>
</tr>
<tr>
<td>$60,000 - $69,999</td>
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<td>$70,000 - $79,999</td>
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<td>4.25%</td>
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<tr>
<td>$250,000 and above</td>
<td>5.00%</td>
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</tbody>
</table>

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**Endowed CURP Contribution Reduction**

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With the reduction in the CURP contribution, is there another way that I can contribute toward my retirement?

The Cornell University Tax-Deferred Annuity Program (CUTDAP) offers eligible employees a way to save more for their retirement income, using before-tax dollars. Employees elect the amount or percentage that will be contributed to their account directly from their paycheck. Voluntary contributions (to the TDA Plan) are limited under age-based provisions of the tax code: up to $19,500 if under age 50 in 2020, and up to $26,000 if age 50 or older in 2020. More information is available here.

Why can’t I choose to reduce my pay and keep the CURP contribution as it is?

The IRS requires employers to ensure that the contributions or benefits provided under their retirement plans do not discriminate in favor of highly compensated employees. The Cornell University Retirement Plan (CURP) has historically
been granted ‘non-discriminatory’ status because we utilize one contribution formula for all members, without regard to earnings level, age, length of service, etc.

An ‘individual choice’ model (i.e. reduction in pay vs. reduction in Cornell contribution) would introduce the possibility that we would fail future ‘non-discrimination testing’ and we could be required to immediately remove Cornell contributions from participant accounts and change future contributions for particular individuals.

Does the reduction in the CURP contribution mean that I can now contribute MORE money to the voluntary (TDA) plan?

No, employer contributions, employee contributions and total combined contributions to the University’s 403(b) plans (CURP and TDA) are regulated by annual maximums as defined by the IRS tax code.

- The University’s contribution is limited by a maximum eligible salary per year: $285,000 in 2020.
- Voluntary contributions to the TDA Plan are limited by age-based provisions of the tax code: up to $19,500 if under age 50, and up to $26,000 if age 50 or older in 2020.
- An additional maximum applies in 2020: total combined contributions to CURP and TDA cannot exceed $57,000 if under age 50, and $63,500 for those over age 50.

It is important to note that because the voluntary TDA plan has its own maximum limits, reducing the CURP contribution does NOT increase how much can be contributed to the TDA.

In certain cases, an employee of any age who has at least 15 consecutive years of service with the university and meets other conditions required by the IRS, may be eligible to contribute up to an additional $3,000 in 2020. If you have 15 years of service, and have not been contributing to the maximum TDA limits each year, you may qualify. Please contact the HR Services and Transitions Center for more information.

As an additional tax-deferral opportunity, employees who earn $190,950 or more in 2020, are eligible to participate in the voluntary 457(b) Plan, which allows for an additional tax-deferral of $19,500 in 2020.

Additional efforts in place to manage the financial impact of COVID-19

Is it true that some individuals have also chosen to voluntarily reduce their pay to assist with the financial situation?

Members of the senior leadership team and some additional faculty and staff have voluntarily assumed a six-month pay reduction to support student financial aid.

Can faculty and staff voluntarily reduce their effort?

Yes. Faculty arrangements would need to be negotiated between the faculty member, department chair and the dean. Units will need to be able to ensure that the agreement does not adversely impact their ability meet the instructional mission. Agreements would need to include details on the level and duration of the reduction, and responsibilities to be discharged during the period of the agreement.

Staff may request a short-term reduction in hours (appointment) to help meet their personal needs. These arrangements will need to be negotiated between the staff member and supervisor. Pay, pay-based benefits, HAP/Vacation will be based on adjusted effort.

Are Phased Retirements still available to faculty and staff?

Eligible faculty members and staff employees may choose to request to reduce their job duties and scheduled hours to gradually transition into retirement, using the Phased Retirement program. The specific programs and details are here.