

## **Title: Analysis of Auburn University Matching of Employee 403(b) Contributions**

1. Clear summary of the committee's charge.
  - a) The committee shall look into and make recommendations concerning faculty welfare, benefits and salaries of the University. The explorations and recommendations shall be made within the institution and in comparison to those at other universities.
  - b) Specifically, the committee reviewed the 403(b)-match provided to Auburn University (AU) faculty, and effectively all AU employees.
2. Brief description of the way in which the committee undertook its charge.
  - a) Dr. Wesley Collins took the lead in researching the history of the match by AU, and how it compared to other universities. The information found was presented to the full Faculty Salaries & Welfare committee twice during the fall 2023 semester, along with chairs from the Administrative & Professional (A&P) assembly Welfare committee, and the University Staff Council. The A&P Assembly Welfare committee chairs and the University Staff Council chair are supportive of the recommendation provided below, as are the faculty members of the Faculty Salaries & Welfare committee.
3. The facts uncovered and information obtained.
  - a) 403(b) retirement plans are used as either the primary source of retirement savings by the universities analyzed (e.g., universities affiliated with the Southeastern Conference (SEC), universities affiliated with the University of Alabama System) or as a supplemental source of retirement savings, being supplemental to public retirement systems.
  - b) The 403(b) at AU is supplemental to the required contributions employees and the University make to the Retirement Systems of Alabama (RSA).
  - c) AU provides matching contributions for all eligible (i.e., full time exempt and non-exempt) employees in amounts equal to 100% of elective deferral contributions up to 5% of plan compensation. The match cannot exceed \$1,650 for any calendar year. Part time employees can contribute towards 403(b) but without matching funds from AU.
    1. The match cap of \$1,650 equates to 5% of \$33,000 in compensation.
  - d) The \$1,650 match was \$1,200 per year in 2002 through 2005, then increased \$150 annually 2006 – 2008 to \$1,650. The match has not been increased since 2008.
  - e) In 2022,
    1. 3,584 AU employees contributed towards 403(b) accounts in 2022, or approximately 56% of all full time and non-student part time employees.
    2. AU contributed \$5,367,341 in matching funds towards employee 403(b) accounts, or \$1,498 per participant, on average.
    3. Employees contributed \$19,740,982 towards their 403(b) accounts, or \$5,508 per participant, on average, 3.7x as much as Auburn.
  - f) Matching of employee contributions towards 403(b) savings appears to be unique to the universities in State of Alabama, as no universities outside of Alabama in the analyzed sample provided a match towards supplemental 403(b) contributions.
  - g) Full time, exempt employees of the University of Alabama system (University of Alabama, University of Alabama at Birmingham, University of Alabama in Huntsville) receive a matching contribution of “5% of gross monthly pay” with no yearly maximum. Non-exempt employees receive no matching contributions.
  - h) Universities in the U of A system have consistently put more money towards 403(b) matching funds than AU. For example, in 2022 the University of Alabama provided \$13,100,000 in matching funds, approximately 2.4x as much as AU provided in matching contributions.
  - i) Two “what if” scenarios were analyzed, including:
    1. If AU would have funded 403(b) matching the same as the University of Alabama system, AU would have theoretically contributed approximately \$7.3 million more in 2022 than was contributed.

2. If AU would have continued to annually increase the matching contributions \$150 per year (as was done prior to 2008) AU would have theoretically contributed approximately \$5.7 million more in 2022 than was contributed.
4. The findings or conclusions.
  - a) 403(b) match has not been increased since 2008.
  - b) AU has consistently contributed much less towards 403(b) matching as compared to other major universities in the State of Alabama.
  - c) Annual budgets are a function of financial realities and administrative priorities towards achieving the university mission.
5. Clear list of recommendations, numbered.
  - 1) Our recommendation is that AU prioritize funding 403(b) contributions the same as the University of Alabama system, (i.e., 5% match with no cap) or significantly increase the cap amount with built-in annual increases for all full time exempt and non-exempt AU employees.