

**CAMPUS COMMUNICATION**  
**Drake University**

Date: April 26, 2013  
To: Drake University Faculty Senate  
From: John Rozycki  
Subject: Brief report from faculty representative to the Business, Finance, and Investments Committee (the Committee)

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Colleagues:

The Committee scheduled three meetings this academic year: October 5, 2012, January 18, 2013, and April 25, 2013. I was able to attend only the October meeting. The January meeting was held in Dallas, Texas and the April meeting conflicted with one of my classes.

I wish to highlight two things. Our University made a decision to abandon budgeting based on accrual accounting and adopt budgeting base on *cash flow*. In my opinion, accrual accounting is not very useful for budgeting purposes. It is cash that matters. It is cash that pays the bills and faculty and staff salaries. Our University also plans to budget for capital expenditures and a contingency fund. As a faculty member who teaches valuation of companies, I view these changes very positively. But, we cannot stop there. We need to construct a 3 – 5 year cash budget to coincide with our strategic plan.

Another item that has a direct and significant impact on all of us is the reduction of the management fees related to our TIAA-CREF retirement accounts. Previously, these fees were not competitive. By October 2012, our Benefits Committee was already studying these fees. However, I raised the issue at our October Business, Finance, and Investments Committee, and the Committee voiced strong support for obtaining more competitive fees.

On January 22, 2013, we received an email from our Drake Human Resources indicating that a lower management fee structure would become effective February 26, 2013. The change is significant. My cursory examination revealed that some of the reductions in fees approached 40 – 50 basis points (0.40 – 0.50 percent). An individual with a \$100,000 retirement portfolio will save \$400 - \$500 *per year*. Collectively, this could be worth over \$100,000 *per year*.

I wish I could say that I was the catalyst behind this; I should have been. In my opinion, the catalyst was Professor Rahul Parsa, who raised this issue some time ago. It was because of his diligence that the issue moved out of Aliber Hall. So often, it is the simple things that matter. Hats off to Professor Parsa.

If you have any questions, please contact me by e-mail ([John.Rozycki@Drake.Edu](mailto:John.Rozycki@Drake.Edu)), or telephone (271-2886).

Respectfully submitted,

John Rozycki