

November 3, 2016

Dear Academy Faculty and Staff,

In support of our mission and our community, both now and in the future, the Board of Trustees supports five-year budget planning with the intent to:

- Honor our duty to future generations by reducing total endowment spending over the next five years to a more sustainable level.
- Maintain the breadth of our student opportunities, subject to the usual review of program effectiveness and student interest.
- Support accessibility by increasing financial assistance from \$4 million to \$5 million over the five years of the plan, while reserving separate financial assistance funds to support qualified remission families.
- Help our families by maintaining modest tuition increases, barring unexpected external influences.
- Preserve the jobs of those who serve our students.

In order to accomplish this, we need to increase revenue and reduce some of our costs. This means that we will:

- Aim to enroll at least 170 new sixth grade students each year, but allow for a ceiling of 180 students if that many students of talent and character qualify during our admission process.
- Continue to strategically reduce administrative, faculty and staff full-time equivalents (FTEs) through normal attrition.
- Change our retirement match to an across-the-board 1-1 full match capped at 6% for all eligible employees as soon as they become eligible. This eliminates the three separate levels offered in our current plan.
- Cap the remission benefit at its current level of \$20,445 for full-time employees. We intend to maintain this cap at least until such time that our endowment spending is deemed sustainable. In order to place remission on the same footing as all of our benefits and to avoid compliance issues having to do with two classes of remission students, ¾-time employees will now be eligible for the full benefit. We will continue the three-year waiting period for employees who apply for positions and join us after their children have started at the Academy. Employees remain eligible to apply for financial assistance for the portion of tuition not covered by the benefit.

We firmly believe that these steps are in the best long-term interests of the Academy. The Board annually reviews and votes on remission and the retirement match, so varying financial and/or enrollment results could lead to changes to these benefits in the future, but we are proceeding with some degree of optimism about the path ahead.

Beyond these features of the plan, other work will continue:

- In recognition of the strength of the Academy's national reputation, the Board's Mission & School Life Committee will continue to study mission-appropriate alternative revenues sources.

- We will examine budget policies and institute a new bottom up budget process this year to ensure that we aren't overspending on items less important than faculty and staff compensation, financial assistance, and the student experience.
- We will continue efforts to increase philanthropic support of the school. The Board's commitment to this plan comes with a powerful commitment to their philanthropy as well: pledged Board giving has increased dramatically this year as we set upon this path.

Though expenses will decrease with this plan, the main driver is still revenue, as it has been since the financial crisis. Thus, strong student enrollment and retention are key components of the plan. This, in turn, is strengthened by the overall quality of student experiences we provide, the teaching that takes place in our classrooms, and (in the words of one Board member) the "ridiculously outsized" student outcomes that occur here every year.

There will be follow-up meetings by division and resource service departments to discuss the plan more thoroughly, but please contact either of us with any questions, large or small, between now and then.

We have come a long way since 2008, steadily moving towards sustainability while hanging on tight to the people and programs behind the value of the Academy experience. The five-year time frame of this plan comes with gradually increasing uncertainty in the "out years," but it sets an ultimate goal that will preserve and strengthen our school. We will report each year on where things stand, and we will celebrate the day when the level of our endowment spending again ensures that the Academy will be a perpetual institution. What a gift to current and future students, and ourselves, as we pull together to complete this vital task.

Adam Honegger
Chair, Board of Trustees

Andrew T. Watson
Head of School