University Benefits Advisory Council
August 24, 2010 Meeting Minutes

Attended: Claire Burlingham, Jan Carney, Kelly Circe, Deane Dudley, Jackie Gribbons, Michael Gurdon, Jean Held, Larry Kost, Gary Mawe, Beth Mintz, Claude Nichols, David Shiman, Carmyn Stanko, Deb Stern

Non-voting: Barbara Johnson

Unable to attend: Elizabeth Haggart, Dustin Evatt, Sharon Patenaude, Michael Blow, William Sioss, Clarence Davis, Richard Cate

Attending from Hewitt Associates: Steve Mendelsohn

Handouts : Retiree Medical Strategy 8-23-10 and pie chart

The meeting began with an agenda review. Barbara Johnson introduced the total compensation hand out chart from the last meeting, noting that the faculty salary data by rank is from a 2008-09 report (most current available). The Council will identify any points related to the salary data that should be included in the report.

A pie chart illustrating the cost distribution of benefits shows that 49.8% of benefit costs are medical insurance premiums.

A review of cost-sharing distribution by salary band shows that approximately 2/3 of UVM employees contribute less than 18% of the premium cost.

Model Approach 2: Steve Mendelsohn

In this defined cost model, UVM determines in advance how much they will spend on each employee at retirement.

UVM uses a formula based on years of service to determine a dollar amount that will be used to pay the UVM share of the retiree health care premium, gradually reducing the available amount, over time. It was observed that lower paid people would use up their money faster because their annual out of pocket payment for the premium is also lower.

Retiree Medical Strategy dated 8-23-10, p. 3

Model Approach 2b extends the defined cost model to new hires and those with less than 5 years of service, adding $77 million of UVM cost, but addressing concerns about recruitment and retention
Active employees who are eligible to retire would have the choice to stay in the current plan or go to defined cost.

**Model Approach 3** changes the pay-based cost share to a flat 20%, so that amount available to the lower paid retiree lasts longer; however the Council observed the significant cost shift from under 10% to more than double in some cases. In addition, the formula for calculating the fixed amount available to retirees by uses a higher multiplier for lower paid employees. Council members remain concerned that the benefit is no longer a lifetime benefit.

Further, they observed that some cost-shift to the retiree population is inevitable, and combined with the rising cost of health care, it is necessary to consider options for increasing individual savings for health care needs.

Prevalence data from 20 of UVM’s Peer and Aspirant institutions show that most offer both pre- and post-65 retiree medical coverage, with slightly more than half not yet limiting the University’s future cost, and 47% limiting the future institutional cost by a number of design changes, ranging from no University cost-sharing (29.4%) to a defined dollar approach, with and without a cap.

Four strategies to increase employee savings for retirement medical expenses were discussed:

- Personal savings
- Traditional 403b account plus a separate 403b account for medical benefits only
- Employee Benefits trust
- Health savings account, matched with a high deductible medical plan

Savings & 403b are the most popular right now. 403B can be easily understood and has the fewest limitations. Council members observed that the UBAC guiding principle include educating employees to help them plan for their retirement (including medical care).

There was some preliminary discussion of models to be included in the UBAC Report. Dr. Carney suggested introducing 4 well-defined concepts with clear, detailed explanations.

It was observed that the available money in the defined cost model diminishes twice as fast if spousal coverage is included. Further, the Council noted that the Part B Medicare premium is currently $100/month, in addition to the UVM premium cost-share.

The consultants were asked to provide examples that would assure a lifetime benefit.

HIWG meeting is on September 2 at 8:15 in Billings North Lounge. Everyone is encouraged to attend.

**Comments:**

C: Police industry has an earlier retirement age. Campus police do not. Should we plan differently for this group of employees?

C: Is there logic for a retiree’s cost share salary base to be 75% of a 3 yr average? It results in a higher cost to UVM and a discount for the retiree.

C: There are many comments regarding non-English speakers. Will options be translated at the point of recommendation?
C: How much security will there be in the multiplier? How secure can we be that the numbers won’t change?

C: Will there be an inflation factor that is revisited regularly?

C: Will there be money placed in your account after you retire?

C: Anything can change at anytime.

C: U of Maine might be a good comparator since they went through this a few years ago.

C: This process needs to be open and transparent.

The UBAC charge is to provide options and supporting data to the President by the end of Sept. Will try to summarize public comment/views and address them in the report.

C: We need to consider the impact on morale and recruitment.

Note: September 10 UBAC meeting is moved to Davis Sugar Maple Room 400.

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Here is the text of the charge from President Fogel to the University Benefits Advisory Council dated May 29, 2010:

1. Review and discuss the projected long-term impact on budget of our existing post-retirement medical benefits program (“the program”), including Governmental Accounting Standards Board (GASB) requirements;

2. Identify and examine options for adjustments to the program that reasonably balance its financial impact on the University and the needs of future retirees;

3. Generate an advisory report that includes possible program adjustment scenarios, with associated pros and cons of each. The report should articulate and discuss the impact of various options on the University, not only monetarily, but also in terms of our human resource philosophy and principles (please see the attached document “Parameters for Compensation at The University of Vermont”) and of projected effects on recruitment, retention, and employee morale, along with any other issues identified by the Committee.

The scenarios should:

Include the likely impact on retirees, current employees, and prospective employees respectively;

Be informed by what other similarly situated higher education institutions are doing (i.e., those that have programs that are not associated with, or administered through, a state retirement program).

Please submit this report to me in writing no later than September 29, 2010.

Next Meetings, HIWG: Sep 2 from 8:15 to 9:45 AM, Billings & UBAC: Sep 10, 9 to 11 in Sugar Maple