

SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
JANUARY 22, 2002

[In these minutes: Welcome, Post Retirement Health Care Savings Plan, 457 Plan Update]

[These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate or Twin Cities Assembly; none of the comments, conclusions or actions reported in these minutes represent the views of, nor are they binding on, the Senate or Assembly, the Administration or the Board of Regents.]

PRESENT: Daniel Feeney, Chair, Barry Melcher, Josef Altholz, Richard Goldstein, Michael Murphy, George Seltzer

REGRETS: Gordon Alexander, Dwight Purdy

I). Professor Feeney called the meeting to order and welcomed those present.

II). The Committee's first order of business surrounded the establishment of a Post Retirement Health Care Savings Plan. A Post Retirement Health Care Savings Plan is an employer-sponsored plan that allows employees to save money in order to pay medical expenses and/or health insurance premiums after termination from employment.

"The Internal Revenue Service authorizes government bodies to establish 'funds' which are deemed to be an 'integral part' of the organization. IRS rulings state that providing employee welfare benefits to retirees is an 'essential function' of state and local government's activities."

Whereas other models have been considered by this Committee over the years in an attempt to accomplish similar results, an advantage to the establishment of a Post Retirement Health Care Savings Plan is that when the money is withdrawn from the account it is not taxed. Other plan features and highlights include:

- Funding has to be mandatory and the same across an employee group.
- Allows employees to be proactive and save for medical expenses during retirement.
- This plan is administered by the Minnesota State Retirement System (MSRS). MSRS offers the plan to several local government bodies across the state i.e. Minneapolis Schools, Judges, Metropolitan Council, House and Senate Staff, MnSCU, etc.
- The plan offers the same investment options as through the deferred compensation plan that is also administered by MSRS.
- Upon death, the amount in the plan can be transferred to a spouse, dependent children, designated beneficiary or the estate.
- The contribution rate can be varied depending on years of service.

- The University benefits by being able to institute a low-cost benefit that can be used to cover the rising cost of health care. In addition, the University benefits financially because it does not have to pay FICA since money being placed in the account is tax-free.
- Access to money in the account is made available at termination of employment, disability or leave of absence.

A key to implementing such a plan is to make the plan attractive across the employee base regardless of age or length of service. In hopes of getting a post retirement health care savings plan implemented by the start of the 2002-2003 academic year, Committee members agreed that a tangible proposal must to be finalized soon.

Employee Benefits Committee representative, Barry Melcher, was asked to find out:

1. Are there any catch-up provisions that would allow for an age adjustment?
2. Are proximity to retirement adjustment provisions allowed?
3. Can the percentage be increased based on length of employment?
4. Considering the fact that there are cost savings implications for the University in offering such a plan, would the institution consider making an employer contribution into the plan?
5. The definition of who can be covered under the plan. For example, can someone with a head of household relationship be covered under the plan?

For the next meeting on February 19, 2002 from 12:07-1:15 Vice President of Human Resources, Carol Carrier, will be invited to gain her buy-in and endorsement of such a plan. Then, once the plan has been endorsed the Committee will need to draft and distribute a proposal to those that will be impacted outlining specifics including numbers and the advantages of instituting such a plan.

III). Next, Committee members were given a brief update on the status of the 457 Plan. Mr. Melcher indicated he just received and is reviewing a draft copy of the plan document from Dick Hackett, attorney with Gray, Plant, Mooty, Mooty and Bennett, P.A. Implementation of the 457 Plan could be as soon as April 2002, but this remains to be finalized.

IV). With no further business, Professor Feeney adjourned the meeting.

Renee Dempsey
University Senate