SCFA RETIREMENT SUBCOMMITTEE
MINUTES OF MEETING
MARCH 3, 2008

[In these minutes: Faculty Retirement Plan Letter, Total Compensation Statement, Health Care Savings Plan, Fund Costs – Deferred to May, MSRS, Future Agenda Items]

PRESENT: Michael Murphy, chair, Gavin Watt, Nancy Fulton, Jackie Singer, Chris Suedbeck, Gordon Alexander, Richard Goldstein, Kathryn Hanna, Dian Lopez, Burt Sundquist

REGRETS: Joe Jameson, Kathleen Hansen

ABSENT: Barry Melcher, Daniel Feeney

OTHERS ATTENDING: Shonna Schroeder

I). Professor Murphy called the meeting to order.

II). Members unanimously approved the February 4, 2008 minutes.

III). Professor Murphy asked for comments concerning the Faculty Retirement Plan letter that was sent out to plan participants at the end of February. Hearing none, members' attention was turned to a sample total compensation statement.

IV). Copies of a sample total compensation statement, which will be sent to all University employees by the end of spring semester, was distributed to members. Ms. Singer previewed the statement with the committee.

Members' input regarding the statement:

- Rather than rounding some calculations to dollars and others to cents, round all calculations to dollars.
- Color coordinate the total compensation pie chart with the tax savings chart on the last page.
- Faculty on 'A' appointments do not receive paid vacation; therefore, it should not be classified as a benefit on this statement.
- Faculty on 9-month appointments are not paid for 11 holidays, but this statement does not clearly reflect this.
- Include a contact phone number or email address for employees who have questions regarding their statement.

Ms. Singer agreed to take these comments back for further discussion before a final version of the statement is decided upon.

A member asked how the decision to use a 25% estimated tax savings figure was reached. Ms. Singer stated that while the 25% figure may be low for academics, it is likely high for many Bargaining Unit and Civil Service employees. The 25% tax savings figure represents the average tax rate for all full-time University employees.

V). Professor Murphy reported that discussions about offering a Health Care Savings Plan (HCSP) for academics at the University are being revisited. He requested Ms. Singer provide the committee with information about this topic. Ms. Singer highlighted the following:

- The State of Minnesota offers a Health Care Savings Plan, a completely tax-free benefit. No federal, state, social security or Medicare taxes are ever deducted from a participant's account.
- On two separate occasions the Faculty Senate rejected recommendations that the University offer a Health Care Savings Plan to academics.
- The Teamsters have a HCSP for their employees. Teamsters that terminate from the University with 10 or more years of service, and 80+ hours of vacation will have their entire vacation payout paid into this plan rather than being paid out in cash.
- The Civil Service Committee recently recommended that administration adopt a Health Care Savings Plan for its constituents that would also be based on vacation payout (10 or more years of service, and 200+ hours of vacation).
- The University's police officer's union, LELS, is also looking into offering a HCSP for its constituents.
- Most faculty and P&A employees do not accrue vacation like other employee groups at the University. Therefore, HCSP contributions would likely need to be based on some other form of compensation.
- Based on 2008 UPlan costs, premiums for two individuals age 65 or older for medical, dental and Medicare Part B are approximately $9,000 - $11,000/year, depending on the plan.
- National average costs for assisted living are $25,000/year and nursing home costs are running $61,000/year.
- HCSP features:
    - All plan contributions and payments are tax-exempt.
    - MSRS administers the plan, which currently has over $165 million in assets and over 400 participating employers.
    - Contributions are not optional, but mandatory within an employee class.
    - Funds cannot be withdrawn from the plan until termination of employment or retirement.
    - Funds may only be withdrawn for IRS-approved health care costs.
- Three types of employees are exempted from participating in a HCSP:
    - Foreign nationals.
    - Employees with full health care coverage through a documented source.
    - Employees with TRICARE coverage.
- Qualified health care expenses include:
    - Medical, dental, long-term care, Medicare or COBRA premiums.

    - "Medical care" items reimbursable through a flexible spending account as defined by the Internal Revenue Code Section 213(d)(1)(A) and IRS publication 502.
- HCSP participants are allowed to invest their contributions. There are seven investment choices through the Minnesota State Board of Investment. Investment fees range from .01% to 3.2%. In addition, there is an MSRS administrative fee of .65%, which is monitored very closely. (Administrative fees are capped at $140/year.)
- HCSP contributions are tax free, and not subject to federal, state, or social security/Medicare taxes.
- Account balances are withdrawn tax-free as long as they are used for qualified medical expenses.
- If an account owner dies, his/her spouse and dependents can draw on the account for qualified medical expenses tax-free. In situations where an account owner does not have a spouse or dependents, his/her designated beneficiary will receive a life insurance benefit based on the amount remaining in the account. (If an account owner's balance is less than $500, no life insurance benefit will be issued).
- Plan design being considered by the University:
    - 2.0% contribution to the Faculty Retirement Plan (FRP).
    - 0.5% contribution to HCSP.
    - No increase to total deductions.

  A drawback to this design is the relatively minimal contribution to the HCSP, which will limit the amount that can be accumulated in a participant's account. Plan designs can be modified, however, going forward.
- Next steps:
    - Conduct employee information sessions.
    - Promote the on-line HCSP presentation and Q&A on the Employee Benefits' website (http://www1.umn.edu/ohr/benefits/).
    - Consult with faculty and P&A advisory groups.

Questions/comments from members:

- Is the state's plan a Minnesota State Retirement System (MSRS) product? Currently, noted Ms. Singer, MSRS is the only provider in the state. Because this is a benefit particular to public employees, not a lot of vendors offer this type of product; to some extent, it is a hybrid between a Flexible Spending Account (FSA) and a retirement account.
- Can employees increase their contribution to the HCSP from the proposed 0.5%? No, contributions must be uniform across an employee class noted Ms. Singer.
- There is absolutely no downside to implementing a HCSP for academics; however, having said this, Senators rejected this proposal on two separate occasions in the past.
- What other HCSP contribution options are available to academics besides a percentage of the FRP? Ms. Singer stated that there are other options e.g. a salary deduction, but this would likely be met with a fair amount of resistance. Members asked Ms. Singer to check on whether vacation payout would be an option for academics.
- Failure to adequately educate academics about the benefits of offering a HCSP likely played a role in its defeat at the Faculty Senate.

- When informing faculty about the benefits of a HCSP, they should be made aware of the other employee groups that are or will be offering a HCSP for their constituents, e.g. Teamsters, Civil Service.
- The primary faculty objection to a HCSP in the past had to do with funding this benefit with FRP contributions.

Ms. Singer noted that she is on the SCFA agenda for Tuesday, April 11th to discuss this topic. She is also requesting to get on the CAPA and BAC agendas.

VI). The agenda item, fund costs, was deferred to the May meeting.

VII). Given the fact that the committee's charge is still in the process of being revised, Professor Murphy asked for members' comments on what role, if any, the committee should play related to issues involving MSRS.

A member asked if the University attends MSRS meetings. Ms. Singer stated that she attends these meetings. She noted that recently MSRS introduced legislation to amend the post retirement fund, but that no action has been taken to date.

How many University employees contribute to MSRS asked Professor Murphy? Ms. Singer estimated that roughly 10.000 University employees contribute to MSRS.

VIII). Professor Murphy stated that the April 7 meeting would be devoted to the annual review by Securian. Items for the May 5 agenda include:

- Default fund.
- Hear from the Socially Responsible Investment Subcommittee, a subcommittee of the Social Concerns Committee, regarding adding more socially responsible investment options to the University's investment line-up.
- Fund costs.
- Committee charge.

IX). Hearing no further business, Professor Murphy adjourned the meeting.

Renee Dempsey
University Senate