

CIVIL SERVICE CONSULTATIVE COMMITTEE and
MINUTES OF MEETING
SEPTEMBER 26, 2013

[In these minutes: 2014 UPlan Changes, Same Sex Domestic Partner Coverage, 2014 Life Insurance Changes, Wellness Program Changes, Chair's Report, Chair-Elect's Report, CSCC Subcommittees, Merit Pay Update]

[These minutes reflect discussion and debate at a meeting of a committee of the University of Minnesota Senate; 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: Tom Sondreal (chair), Bill O'Neill (chair-elect), Lynn Hegrenes, Angie Kavaloski, Alethea Oertwich, John Paton, Kevin Prigge, Terri Wallace, Patti Dion

REGRETS: Carolyn Davidson, Gordon Fisher

OTHERS ATTENDING: Terry Beseman

GUESTS: Karen Chapin, health programs manager, Employee Benefits

D). Mr. Sondreal convened the meeting, welcomed those present and called for a round of introductions.

II). Mr. Sondreal welcomed Karen Chapin, health programs manager, from Employee Benefits who was invited to provide information on UPlan changes for 2014. Ms. Chapin distributed a few handouts and began by walking members through the PowerPoint presentation. Salient highlights from her presentation included:

- The Affordable Care Act (ACA) goes by a number of different names, but the official name is the Patient Protection and Affordable Care Act (PPACA).
- Is the ACA a good thing? While many more Americans will have health care coverage than they do now, still not everyone will have coverage. In addition, while many with poor coverage will have better coverage than they do now, there will be a number of people who will not have as good coverage as they have now. Once fully implemented, it could take longer to get appointments with a provider due to the increased number of people with health coverage. With all this said, health care delivery in America does need reforming. U.S. health care costs are high and results are not always the best. Providers are currently getting paid for the wrong things, services instead of results.
- Certain aspects of the ACA have already been implemented in the UPlan:
 - In 2011, adult child coverage to age 26 was added at a cost of \$2 million to the plan.
 - In 2013, health care flexible spending accounts were limited to \$2,500, additional preventative benefits were added, there were changes to the

appeals process and the value of an individual's 2012 tax-exempt medical insurance was put on W2 forms.

- Health insurance marketplaces (previously called exchanges) have begun enrolling members online. Minnesota's health insurance marketplace is MNsure. The marketplaces are a good tool for small employers who struggle with providing health insurance.
- Beginning in 2015 – 2016, automatic enrollment will be required.
- In 2018, the excise ("Cadillac") tax goes into effect on "high value" plans (\$10,200 for individual coverage and \$27,500 for family coverage). Currently, the University has a plan that exceeds the family coverage amount limit. If the University does not make benefit changes to its plans, it will incur a \$48 million excise tax liability over a five-year period. The University cannot afford to pay this tax for financial and political reasons.
- University goals for the UPlan are:
 - Maintain quality, affordability, and choice in the UPlan.
 - Avoid the excise tax.
 - Continue to manage health care trend.
- Plan changes will begin in 2014. Because the UPlan is a self-insured plan, it needs lead time (18 – 24 months of claims experience) to measure the impact of the changes it intends to make. The plan value in 2016 will inform the University whether additional (if so, hopefully minor) changes will be necessary.
- Medical benefit changes for 2014 will include:
 - Add deductibles on all non-copay items, e.g., inpatient and outpatient hospital expenses and lab expenses.
 - Increase primary care and related copays by \$10.
 - Increase specialty care copays by \$10 over the cost for primary care copays.
 - Reduce the Health Savings Account (HSA) plan by \$250/\$500 and increase the HSA out of pocket maximum to \$500/\$1,000.
 - Introduce a new plan, Accountable Care Organization (ACO) in the Twin Cities. The ACO plan is a high-quality, cost-effective, but restrictive plan. The benefits in this plan will be slightly higher than the base plan and its costs will be slightly lower – a "buy down" plan. The ACO offers a different commitment to care because they are responsible for population health management for their members.
 - Increase tier three (non-formulary brand drugs) copay to \$75.
- Administrative changes to the UPlan beginning in 2014 include:
 - Move internal administrative costs and wellness premium reductions out of the UPlan.
 - Combine the three base plans (Twin Cities Elect/Essential, Duluth Elect/Essential and Greater Minnesota Medica Choice Regional) into one plan to reduce the excise tax exposure.
 - Combine the employee & spouse/same sex domestic partner (SSDP) tier with the family tier. In 2014, there will only be three coverage tiers rather than four – employee only, employee & child/children and family. This changes reduces the excise tax exposure by pulling down

the cost of the family tier; however, it significantly increases the cost for employees with spouse/SSDP coverage.

- The University will be doing three things to help employees deal with these medical plan changes:
 - Institute a UPlan medical premium holiday in March 2014 (no payroll deduction for medical premiums for one pay-period).
 - Offer a Medical Cost Relief Grant Program for lower income employees (based on household income).
 - Phase in the combination of the couples and family tiers over two-years.

Doing these three things pays back the entire cost (\$1.8 million) that was shifted from the University to employees for the 2014 plan year.

Members' questions/comments included:

- Why does the government want to tax what most people believe is a benefit? Ms. Chapin stated that the tax is being implemented primarily to fund other portions of the ACA, e.g., exchanges.
- What kind of message should Civil Service Consultative Committee (CSCC) members be sharing with their constituents about why their benefit package will be changing in 2014? Ms. Chapin stated that plans are now being ranked in the marketplace – platinum, gold, silver and bronze. Currently, the UPlan is a platinum plus plan. Once the benefit changes go into effect, the UPlan will still be considered a platinum plan.
- How does the University intend to compensate employees for the benefits it will take away in 2014? As mentioned earlier, noted Ms. Chapin, there will be a premium holiday in March for all employees covered by the UPlan, and the University will institute a Medical Cost Relief Grant Program for lower paid employees as well as phase in combining the couples/family tiers. Ms. Dion reminded the committee that the \$48 million excise tax over a five-year period is not a cost savings but it is a cost avoidance.
- Can the University get a waiver like other employers are doing? Ms. Chapin stated that she has not heard of any waiver, and asked that if members hear of any waiver to send her the information. She added that the UPlan was initially grandfathered, which meant there were some aspects of the ACA that it did not have to implement right away, but the University has since lost its grandfather status.
- Some employees will be receiving more of a subsidy from the University than others. For example, employees who get the premium holiday and qualify for the Medical Cost Relief Grant Program are receiving more than people who just get the premium holiday. This is correct, stated Ms. Chapin, the University has had several programs over the last few years that focus on looking out for lower income employees.
- Does the University have a back-up plan if the ACA is struck down? Currently, the University does not believe this will happen.

Moving on, Ms. Chapin spent a few minutes talking about SSDP coverage in light of the fact that same sex marriage became legal in Minnesota as of August 1, 2013. According to the IRS regulations, for federal taxes, the treatment of same sex married couples will be the same in every state (including pre-tax benefits). States, however, will vary in how they treat same sex married couples. In states that have not legalized same sex marriage, same sex couples will only have the federal pre-tax benefits.

In the coming months, the University will be deciding what to do about SSDP coverage now that same sex marriage is legal in Minnesota. Vice President Brown in conjunction with Vice President Katrice Albert will be consulting with the GLBT community.

Ms. Chapin then provided information on life insurance changes that are being made because of two factors:

1. The PeopleSoft upgrade, which involves the University moving to “vanilla” PeopleSoft (the standard delivered product versus the customized product it has now).
2. An outcome of a recent life insurance request for proposal (RFP).

Life insurance changes due to the PeopleSoft upgrade will include:

- Full-time employee basic life benefit will increase from 100% to 115%.
- The rounding feature in the benefit will move from the next higher \$5,000 to the next higher \$1,000.
- The basic life benefit will be capped at \$200,000.
- Part-time employees will have a part-time equivalent benefit rather than the full-time benefit they now receive.
- The P&A and faculty benefit of \$5,000 - \$25,000 additional basic life for people making under \$100,000 will be eliminated.
- The one-month death benefit will be eliminated because it has not been universally applied and also for probate reasons.

According to Ms. Chapin, most employees will benefit from the life insurance changes. Those who do not benefit (their coverage is reduced) will be able to transfer the basic life benefit they get to a supplemental life benefit without proof of good health.

Next, Ms. Chapin highlighted the life insurance changes resulting from the RFP, which will include:

- A \$10,000 newborn child benefit for a first child.
- Child life added to annual open enrollment without proof of good health.
- New term life portability benefit in addition to the whole life conversion policy.
- A \$25,000 open enrollment for supplemental life insurance for January 1, 2015.

Finally, regarding the Wellness Program, Ms. Chapin distributed a handout with Wellness Program changes for 2014, e.g., extending time for people to take the Wellness Assessment, adding Medication Therapy Management for earning points, plus including two levels of points for exercising within the Fit Choices program. The new program year will run from October 1, 2013 – August 31, 2014.

Mr. O'Neill asked about expanding the Strength Training Program because they fill up quickly. Ms. Chapin stated that since the Rec Center reopened, capacity has been added to that program. The Rec Center now also offers a Heart Rate Express program that focuses on cardio strengthening, including treadmilling and biking.

In closing, Ms. Chapin stated University researchers have conducted a return on investment (ROI) evaluation of the Wellness Program. Their research has demonstrated a positive ROI for the program. Over a five-year period, the University invested \$16 million in the program and saved \$27 million, with a net savings of \$10 million.

Ms. Hegrenes asked whether Ms. Chapin or a designee from her office plan to go to Duluth or the other coordinate campuses to explain the 2014 benefit changes. Ms. Chapin stated that there are no plans to do this at this time, but she will take this request under advisement/consideration. Other coordinate campus members endorsed Ms. Hegrenes suggestion. Ms. Hegrenes added that given how busy Employee Benefits is right now, maybe they could consider doing an ITV session on the information that was shared today. Mr. Paton suggested UMConnect as another way to get the information out.

Mr. Sondreal thanked Ms. Chapin for her presentation.

III). Members unanimously approved the August 29, 2013 retreat notes.

IV). In terms of the chair's report, Mr. Sondreal highlighted the following:

- He attended the committee chair's meeting that was held on October 24.
- He presented at the September 25 New Employee Orientation (NEO). The NEO PowerPoint presentation will be updated and circulated for members' input.
- He attended a consultative committee chair's meeting this morning (FCC, PACC and CSCC).
- He believes that all Civil Service employees should be aware of different events/issues that other employee groups are weighing in on, e.g., AFSCME rally on health care changes.
- The Senate Office will be revamping their entire website, which will include the CSCC and CS Senate webpages.
- Hattie Lindahl will be invited to a future CSCC meeting to provide a Wellness Program update.

- There have been discussions about renaming the Civil Service newsletter to something that more clearly describes what it is rather than e-In Touch. This will be an agenda item for the October meeting.

Regarding the AFSCME rally, for example, Ms. Dion suggested that the CSCC think about how it communicates what other employee groups are doing to its constituents. The CSCC needs to be mindful of what they distribute because there are a number of Civil Service employees who have voiced their dissatisfaction to Human Resources about receiving information from other employee groups that they are not a part of.

V). For his chair-elect's report, Mr. O'Neill shared information about the recent Community Fund Drive kick-off that he noted was well attended.

VI). Following a short break, Mr. Sondreal called on Ms. Dempsey, Senate staff, to provide an update on the status of the CSCC subcommittees. Ms. Dempsey reported that chairs are needed for the Legislative Network and Staff Development subcommittees and that all subcommittees need members. She suggested an announcement be made at the October 16 Civil Service Senate meeting in an effort to recruit new members and also stated that she would send out an email message to senators following the meeting. Ms. Dempsey reported that P&A require their senators to serve on at least one of their subcommittees and while this has never been a stipulation for CS senators, the CSCC may want to think about this as a requirement. Mr. Sondreal stated that he would follow-up with a message from him encouraging senators to volunteer to serve on a subcommittee.

The Comp & Benefits minutes were attached to the agenda, and hopefully everyone had an opportunity to read them, stated Mr. Sondreal. He then turned to Mr. O'Neill to see if he had anything to report about the Employment Rules Subcommittee. Mr. O'Neill stated that the Rules Subcommittee is dealing with four major issues:

1. Sick and vacation usage.
2. Benefit changes.
3. Civil Service probation.
4. Broad banding and bumping rights.

In response to a question about how the Civil Service Employment Rules get changed, Ms. Dion stated that she would be happy to attend a Rules Subcommittee meeting to explain the process.

VII). Next, Mr. Sondreal asked Ms. Dion to provide information on merit pay and any other Office of Human Resources updates she would like to share with the committee. Ms. Dion distributed a PowerPoint presentation, *The Road to Merit Pay*, and walked members through it. Highlights from her presentation included:

- President Kaler has decided that all non-represented employees will be on merit pay by the spring of 2015.

- Theoretically, all faculty and P&A are on merit pay and so far only about 30% of Civil Service staff are being paid based on merit.
- The Office of Human Resources will provide guidance and training to units on how to move to a merit pay program. To date, about 60 people have come through the OHR training. The training is broken down into three sections: 1) preparing for merit pay, 2) designing a merit pay plan and 3) implementing a merit pay plan.
- The principles of merit pay go hand in hand with total reward/total compensation.
- OHR will not issue a directive that all merit pay programs need to be designed the same way. Given the differences among colleges and administrative units it would be impossible to design one program that would work for the entire institution. OHR, however, will share merit pay guidelines, criteria and principles for designing a program.
- Units need to have their merit pay plan in place and communicated to employees by no later than the fall of 2014. Employees need to know ahead of time that a merit pay program is being implemented and the performance and pay criteria. The different performance levels will be tied back to the different levels of merit pay. Generally speaking, there are 3 – 5 levels of performance, but there could be more or less.
- Issues for units that have gone through the OHR training:
 - Calibration – for example, how departments within a college align and apply the merit pay criteria so it is comparable, or calibrating equally. This is more of an art than a science.
 - Why put the effort into creating a merit pay program when the institution already has an across the board program in place?

Members' questions/comments:

- Will the merit pay plans for each unit/department be public documents and available to all employees? Yes, stated Ms. Dion.
- Units will likely be using the merit pay program to even out employees' pay. Even if employees excel in their performance, if they are the higher paid employees their increases will be lower than lower paid employees. Ms. Dion acknowledged that this will be a real morale issue as merit pay is instituted across the entire institution. She added that there are a number of ways to define a merit pay program, e.g., performance only or performance and market and/or equity. However the unit decides to define its program, it must be clear and transparent in its communications to employees.
- Is the equity issue being addressed as part of the Job Family Study? The equity and classification issue is being addressed, but the pay is not being looked at as part of the Job Family Study with the exception of people who are below a particular threshold or above, stated Ms. Dion.
- Will the University ever look at employees' salaries and adjust them accordingly in an effort to ensure equity? Ms. Dion stated that when the University has conducted pay studies in the past, most have been market

studies. When a market study is done, the University looks at its pay range to make sure it is market comparable. In Ms. Dion's opinion, it would be difficult in this culture to have pay equity across the whole organization because different units value different things (e.g., education, years in the field) when they decide what an employee should be paid.

- Will OHR monitor how the merit pay program is working for the University? Ms. Dion believes so, but no decisions have been made about what such a monitoring/follow-up initiative would look like. Until OHR has ways of ensuring merit pay plans have been implemented in each of the units, it will be relying on the information that units report to OHR.
- Department training and support by OHR will be critical for the success of establishing a fair merit pay program.
- Will OHR establish an appeals process for the merit pay program? Ms. Dion stated that there currently is a formal appeals process in place and it is her understanding that an employee can make an appeal if he/she believes there was illegal discrimination, and this same criteria applies to appeals of a performance appraisal. With that said, if an employee believes they were not rated at an appropriate level, she stated that she would encourage employees to talk with their supervisor about it. Employees can also put information in their employee file.

In Ms. Dion's opinion, the biggest barrier to getting to merit pay at the University is the fact that the institution has an egalitarian climate, and it is difficult for first line supervisors to communicate merit pay differences.

Mr. Sondreal thanked Ms. Dion for her update.

VIII). Hearing no further business, Mr. Sondreal adjourned the meeting.

Renee Dempsey
University Senate