

Retirement and Fringe Benefits Committee Meeting Minutes

1:30 p.m., Tuesday, September 13, 2005

PIO 313

1. Roll call: introductions
Present: Greg Bell, Peter Shull, Robert Emerson, John Sauer, Sheila Harp, Terry Lehenbauer, Bob Terry, Carol Moder, Armando Cruz-Rodz, William Dare
2. Approval of minutes: NA
3. Chair: opening remarks
There is a move to formulate an RFP for healthcare. Many alternatives are being considered. Bell will be attending the healthcare subcommittee meetings of the OSU Flexible Benefits committee. Carol Moder, chair of the Flexible Benefits Committee, is a member of the RFB committee and will keep us informed of developments. It is our responsibility to provide recommendations to faculty council concerning the advantages and disadvantages of healthcare alternatives.
4. Approval of agenda
Agenda is approved by unanimous vote.
5. Special report: Summary of RFB activities during the 2004-05 school year – Terry Lehenbauer, 2004-05 chair of the RFB committee:
There were two main focuses last year – one was with the change of the retirement program, there is a need to provide educational information to employees to make a selection once IRS approves an optional change in the in retirement plan. Last year, the official letter requesting IRS approval didn't get submitted until February even though legislation was passed the previous May. The university expects that during the early part of 2006 the IRS will answer the request. The anticipation is that it will be approved to allow employees who are vested in the retirement program to make a one time choice to remain in OTRS or change to TIAA-CREF. It is very important that the tools and information be made available so informed choices can be made.

The requested healthcare survey among Big 12 institutions has been completed. OSU does great for paying healthcare premiums for employees, but there is no benefit provided for dependents (spouses or children). All dependent care is an out of pocket expense to the employee. A very low proportion of employees elect OSU insurance for dependents due to the high cost. A survey is being developed to distribute to employees to get feedback concerning health insurance needs. We hope that the survey will be completed and returned before benefit elections take place. Options are open for consideration to see what can be done. We need good quality information to understand what changes would be most beneficial.

Kay Ensign of HR has been designated to work with the subcommittee to retrieve info from the OSEEGIB health program. There is very little information concerning claims expenditures. OSEEGIB reports that more benefits are being used than premiums are being collected. Lionel Raff has been a strong advocate for considering health savings

accounts combined with major health and catastrophic insurance. Even though premiums are level for the next calendar year, the overall long term trend shows that healthcare costs will continue to increase. Implementation of preventive health programs would be beneficial, and information has been requested to consider these approaches to healthcare at the university. The general impression is that there will not be a budget increase for healthcare benefits, so we need to look for efficient ways to meet these needs and see what options are available.

OTR only provides \$100 toward health insurance for retirees. Premiums are very high for retirees.

Bell states that he will provide information from the Big 12 survey at the next meeting. This is an informational type of meeting, and next meeting there will be more details.

Bell asks what if the plan that is preferred is more expensive to the university? Lehenbauer responds that the impression is that unless there is some long term benefit for the university tied to the increase in budget cost, the administration will probably not support it – but the question has not been asked to administration yet.

Dare states that administration will have to address the situation and that only people who are in great need of the health insurance are purchasing it through the university.

Lehenbauer states that if OSEEGIB is chosen again that the only option for healthcare is what they offer. We have a competitive retirement program, but not very competitive healthcare plans.

Bell has asked Anne Matoy if the university is involved in the decision on what we pay for spouse and dependent premiums and she replied that OSEEGIB sets the prices for premiums. He also asked why retiree premiums are so much higher than current employees? Those are his major concerns as we move into a different system where we can pick and choose. In 1997 he paid \$160 for his wife, but in 1999 it changed and the spouse premium keeps getting larger. Dental and Vision are more equal as far as premiums for employees versus spouse and dependents.

Dare asks what a typical faculty member is – if we assume it is male, and if their spouse is of childbearing age it increases OSEEGIB's costs. Moder responds that OSEEGIB's position on spouse premiums is that spouses who purchase insurance usually have larger health problems, therefore they use more services and it increases costs. Lehenbauer responds that we don't have data to actually support OSEEGIB's claims. We need the information to determine what opportunities there are to improve things. Staff level employees mainly work here for health benefits. As costs rise the administration will be paying more for employee benefits. To keep premiums down, the administration may start cutting benefits and increasing deductibles.

6. Special report: Current activities of the OSU Flexible Benefits Committee – Carol Moder, Chair of the OSU Flexible Benefits Compensation Committee and member of the RFB Committee of Faculty Council:

There are 3 subcommittees. The cafeteria plan committee is recommending an education incentive program. There are several different benefits in the cafeteria plan. Faculty Council did not approve this plan because they didn't know what the costs of this option would be.

A lot of OSU employees would like an education incentive program to waive part of tuition for employee spouses and dependents. Under this plan an OSU employee would get 75% waiver of tuition and 100% fees waived; spouse would get 50% waiver of undergrad resident tuition up to 123 hours and no waiver of fees; dependent child of employee age 25 or younger would get 50% tuition waiver, no waiver of fees. In order to get a cost estimate Bob Ortman and his committee ran some numbers. It is hard to determine how many children of employees are currently enrolled. They found about 41 Payne county students who were in freshman or sophomore classes as of Fall 04. Cost is estimated to be approximately \$212,000. The actual cost could be higher or lower depending on a student's financial aid, and the study only looked at Payne county and not surrounding counties or counties of branch campuses. Also, if this benefit was offered it might attract more students to come to OSU. The committee pointed out that it doesn't really cost \$212,000 because the university would get the portion of tuition and fees that would be paid from the additional student enrollment that the program would produce. It was recommended that RFB council discuss this issue and decide if they would support it. John Sauer asks how would you address this uneven benefit, such as people with four children as opposed to one or two? Dare asks what about grandchildren? Moder responds that grandchildren weren't discussed, and grandchildren would only be included if they were a ward of the grandparents. Moder also responds that it is not costing those without children anything – so she didn't feel that the uneven benefit issue would be a problem.

Lehenbauer asks if any employee of OSU would apply – such as Tulsa and OSU OKC. OSU OKC would be separate, and must approve such a policy separately, but Tulsa would have the same policy as Stillwater. Moder adds that OSU OKC employees could get the benefit of sending children to the Stillwater-campus, but it would be up to OKC campus to approve tuition waivers at the OKC campus. Cruz-Rodz states that it would be a great benefit to have. Bell suggests that we could do our own projections regarding if it would bring enough additional students to benefit the university overall. Emerson asks what percent of employees use the current tuition waiver benefit. Moder responds that she doesn't know. Emerson commented that students have advantages such as Colvin center uses, student rates on athletic tickets, etc., would this get rid of those other benefits. Moder responds that it depends on how many credit hours a student is enrolled. Emerson responds that you don't have to be full time for these benefits.

Shull begins discussion of retirement subcommittee of the Flexible Benefits Committee. The number of investment options available through TIAA-CREF will be several dozen choices. They are in the process of looking for a supplemental vendor encourage options in addition to TIAA-CREF. Bids will be solicited from other retirement investment companies. Dare asks why there is only one choice? Shull responds that simplicity was

the main reason. TIAA-CREF offers different options of investment. One competitor would help keep the other company honest. If they are both offering similar investments, then outcomes would be expected to be very similar. Shull's thought is that company #2 will be like a mirror image of TIAA-CREF with similar style and value. The current TIAA-CREF arrangement has representatives in different areas. Investment companies have several different fund types, so everyone is occupying the same type of territory. With two companies the thought is "where do I want to invest?" Dare asks what if he wants to invest in something that TIAA-CREF doesn't offer. He wants the other company to offer different options than TIAA-CREF, because what's the point if the ultimate choices are not very different between the two companies. Bell asks how close the committee is to making recommendations. Shull responds that they haven't finished examining the issue yet. Shull states that the goal is to try to keep management fees modest, and still be free to put your money wherever you choose. Also to make a default type of plan like a lifecycle fund.

7. Special report: Discussion concerning wellness benefits and health care savings plans – Mac Mccrory, Spence Professor and Director of the Seretean Wellness Center Mccrory was unable to attend. Bell said that Mccrory will speak at faculty council concerning advantages of wellness and talk about health savings plans. A handout was passed out from Ann Matoy, who could not be here today. There is a lot of information in the handout – premiums the university pays are going down \$4. It's time to re-enroll, and employees must re-elect vision plan if you want it to continue. Legislature has established a committee to study healthcare. A Health-savings plan is being considered. Moder mentioned that OSEEGIB's position on a health savings account is that they don't want to get into that market if they don't have to. They will wait and see. OSEEGIB felt that only healthy employees benefit from health saving accounts. Lehenbauer added that there would be incentives to practice a healthy lifestyle with a health savings plan. If you don't use the money, it is still yours. It's similar to a flex account, but you don't lose any money if you don't use it. Moder asked if you take a tax penalty on it? Lehenbauer responds that there may be different rules for retirement age. Many of them issue a debit card to use to pay health expenses. Bell asked if the committee had more info on Debit card, and Moder responded that the idea is to get a debit card so you don't have to file forms. They were told that you could get a debit card, but you would still have to file forms, and no one wants that. The ideal goal is that for Flex you would use debit card, but keep receipts for auditing purposes. Bell responded that Ann Matoy felt it would be too costly to be worth it.

A calculator is being developed to project OTRS retirement income. Moder said they want the calculator to be able to seek out different variables so people can decide what to do. Dare stated that the current statement from OTRS is not the amount you get at retirement. Moder responded that no, there is a formula to figure out benefits. You currently have to request the information from OTRS. The calculator would allow you to figure it yourself. There are a number of possible choices, such as rolling it to TIAA-CREF, but none of this has been approved by IRS yet. We are currently waiting for IRS to see what options are approved. It depends on how close you are to retirement as to

what the best choice is. Statements reflect the cash value of the account and not your benefits.

8. Old business: None

9. New business:

Sheila Hart mentioned that retirees are not eligible for the flex benefit program, is there any possibility of looking into that aspect of assisting retirees? Moder responds that we don't know enough about it and would have to ask. It would probably have to be a health savings account since they can't withhold money from your retirement checks.

Sauer questioned if flex accounts and medical savings plans are tax sheltered and can you do that for a retired person?

Shull brought up the situation regarding employee losses to system changes in mid-90s and wanted to know what committee is handling that. Regarding the forcible diversion to OTRS that would otherwise have been going to TIAA-CREF - can it be calculated – is that on the agenda of a particular committee? Bell responded that it currently has no status in this committee. It was his understanding that it was already settled. Shull thought the issue was still open, and there are supposed to be open records regarding this. Moder stated that the only remaining issue is that Faculty Council took the only action it could take in the situation - her understanding is that the administration and regents are not taking action on this, and the only way they will is if a court order requires them to do so. The documents are now here at OSU, but there are a lot of them and it will take awhile to examine them. Nothing legally seems to have proceeded. The last thing that happened legally was that the Assistant Attorney General motioned to dismiss the case, and the judge asked them to work it out and come back to see him – then he retired and it was referred to a new judge. They are waiting for documents to be reviewed. Harp said that decisions were made without considering what one's long term consequences were. Shull asks if volunteers are needed to look at the documents. Moder responded that he should talk to Lionel Raff. Shull asked if there has been an update since documents were received on campus. Bell asked if it is the opinion that this committee cannot affect the outcome of that situation, and the committee agrees that it is up to the lawyers to work this issue out.

10. Chair: closing remarks

Bell suggests that it might be wise to invite a rep from Staff Advisory Council to attend these meetings since everything the committee does affects them as well. Lehenbauer said if there are major changes proposed the administration will not go forward until they are assured that FC and SAC agree, so that would be a good idea.

Meeting is adjourned