

Retirement and Fringe Benefits Committee Meeting Minutes
1:30 p.m., Tuesday, December 13, 2005
PIO 313

Present: Greg Bell, Carol Moder, John Sauer, Robert Emerson, Robert Terry, Peter Schull.

Approval of minutes for October 11, 2005

Minutes are approved by unanimous vote for the October 11, 2005 meeting.

Old business

Moder reported on Dr. Bosserman's response to the employee tuition waiver proposal. Moder presented the recommendations from the flex benefits committee which included a cost estimate of \$60,000 per year. He was unenthusiastic about proposal and distrusted the numbers. Moder said that was fine, but Institutional Research participated in generating the first set of numbers. She asked when a response could be expected. Moder handed out Dr. Bosserman's response which estimated the cost using census data. His estimate showed a total cost of \$663,391 to the university. The problem is that the university doesn't have a real way of tracking how many dependents employees have. So there are no records for dependents of married employees who don't cover dependents on insurance. The numbers originally ran tried to determine how many employees currently have dependents enrolled at OSU.

Bosserman suggested having Institutional Research investigate other universities that currently run such programs to see what their cost and percentage of participation is and see if they think it is a successful program. Moder agreed that would be a good idea. Schull asked if the number of married OSU employees could be more or fewer of the married percent of the state. Moder stated that you have to take under account they estimated that 75% of employees at OSU with dependents would use the program. Sauer asked about sending out a survey to the university employees to see how many people would be interested in participating. Terry asked if these figures reflect tuition only, or includes fees. Moder replied this includes only tuition. Terry thinks the suggestion of a survey is a good idea. Terry thinks that if faculty were told that this policy was under consideration that people would respond. Bell responded that Bosserman's numbers do not accurately reflect the cost of a tuition waiver program, because the draw of more students would increase income for the university. Bell doesn't have a problem with the figures, but he doesn't think it is accurate to say it would cost the university \$660,000. Moder has the impression that Bosserman is not interested in this and doesn't see the point. She doesn't know what the rest of the administration thinks about it. Moder feels that this could be use as a recruitment and PR advantage. Bosserman doesn't seem interested in that, but maybe others would be. There are not many state universities that do this, so if OSU did we would be ahead of the curve. Schull asked what percentage of students that begin at OSU graduate, and Moder responded that the rate is in the 50 percentile. Schull feels there is a lot of room for adjustment of the numbers based on these variables. Moder said that if \$200,000 per year is okay with them, we could

suggest a capped program for only that amount. Moder said that a good strategy is to run a survey of other institutions and OSU faculty. Emerson would like to capture faculty and staff responses separately. Moder responded that the SAC could run the staff part of the survey. Moder's thought is that a greater proportion of staff would take advantage of this program because faculty are more likely to be able to send their children wherever they want. Emerson thinks that if it is based on affordability issue a large number of faculty would encourage their kids to get a bachelor's here, and go on to grad school somewhere else. Moder said many get scholarships at other institutions and would not come here. Emerson recommended including this as part of the survey. Bell would like to stick with the numbers we currently have and pursue the survey. Moder doesn't believe survey numbers will be higher than Bosserman's numbers, she feels that those are clearly an overestimate. She thinks if we generate support for this it could help. Schull said we need to take more measurement to see where the cost would fall between the two estimates. Bell said that the tuition program could pull students from one of the best high schools in the state. Moder said that Bosserman doesn't seem persuaded by increased enrollment. Terry said that the administration is trying to look at worse case scenario. Moder feels that Bosserman's perspective is not necessarily the perspective of the entire administration. Moder asked if the survey is a good idea, and the committee agrees that it is.

Discussion of health savings plan

Moder comments that the flexible benefits committee has been looking at health care and the issue of spouse and dependent coverage. There was discussion about a cafeteria type benefit that some people could put some into retirement and others could put in dependent or spousal coverage. Moder raised the issue that retirement benefit was supposed to go up to 12% from 11.5% and no one knew what the status was. She spoke to Joe Weaver about the status and he said there had been no discussion on the matter, and some felt they didn't need to go to 12% because of recent changes to retirement programs, and others felt that they were committed to going to 12%. Moder's committee recommended that the .5% be made flexible to be used for retirement or spousal and dependant coverage. Schull said that they needed to be reminded of the 12%. Bell agrees that we need to remind them. Moder and Bell ask for thoughts on the matter. Sauer thinks flexibility is always an advantage. Terry responded that it would need to be accompanied by educational efforts. Terry responded that it is difficult to understand all options available, and education needs to be provided. Schull states that it would only be several hundred dollars, and Moder responded that some benefit is better than none. Bell asked if the 12% props up OTR, or will we see any of that money. Moder responded that it depends on if you opt in or out. The last thing heard was that the IRS was looking at the proposal, and a response was expected next semester and that it would then be a year before people could make elections. Bell thought they have to make elections before it takes effect. Moder responded that they have to have the entire apparatus in place first. It will depend on when they actually get the ruling. Moder said the original idea behind the 12% is that no one needed to be grandfathered under the old system anymore. That is how the 12% came about. Bell asked if they up it to 12% does that mean OTRS gets more money and we still won't be investing. Bell thinks the extra percent could end up going to OTRS surcharges. Schull said that the administrative contribution is not

attached to a specific employee. Emerson asked if it switches over to the TIAA-CREF does the 11 or 12% go into that. Moder responded that yes, if you elect to freeze OTRS where it is now, then everything would go into TIAA-CREF. Schull responded not get excited until the decision is made. Moder suggested next time Bell does an update, to ask about what happened to the 12% which the president committed to several years ago.

Bell opens discussion on health savings accounts. Bell said one of the things decided was to go out for a new health proposal. Moder asked if we are, or we are thinking about it. Bell responded that this committee decided that last year. Bell said that we need to determine if we are interested in a plan with a health savings account. Moder responded that she is not. Bell doesn't think we want to go out on a health plan and health savings account at the same time, and the committee needs to decide which one we are interested in. Bell said if we develop a plan where half are on health savings plan and the other half are on insurance that it would raise premiums for those on the insurance. Bell wanted to be certain that the committee understood what a health savings account is. He said a health savings account is a way to save tax deferred money for medical expenses. He said it is similar to flex except there is not risk because you don't lose the money at the end of the year. Emerson asked if you can have both health insurance and health savings plan. Bell responded that to have a health savings plan you have to have some kind of catastrophic insurance as well. If you are on medicare, you can't have a health savings account. It is similar to a flex benefits plan, except the money rolls over. You can spend your health savings plan money on anything that you could claim on your tax return. Moder said that she is not in favor of a health savings plan, she feels it gives you less coverage since it is not real insurance. She feels that it is good for people who are healthy, but not for people who have health problems. Schull said that insurance trains you to think about preventing hazards when it is unlikely that all of those things would happen to you, so would it not be more efficient to have the money in the bank to cover what actually happens. Sauer said that with this there is more discretion involved with the health savings plan and some people may choose not to seek certain treatments because of the cost. Emerson also feels that some people would not do things they need to save the money if they had a health savings plan. Bell said that it reduces your income when it goes into the account, so you won't pay taxes on that money. Emerson asked if you would be better off with traditional health care or the health savings plan when you get older. Sauer responded that you definitely want a catastrophic plan in addition to the health savings plan. Emerson asked if you had a chronic condition that drains the account, but isn't catastrophic, then your account wouldn't build up and you would eventually run out of money in the account. Sauer replied that whatever system you go to it will be disadvantageous to some people. Bell said that once the deductible is paid on a high deductible plan, 100% of everything is covered and there are no more co-pays. Bell doesn't know how much it costs for a high deductible health plan, and wants to find out. Sauer said that Lionel Raff might have some figures for this type of plan. Bell isn't sure if Raff actually had numbers or not. Bell thinks it could work if done right. Terry feels like the problem is selling this to younger faculty who are 30 years away from retirement. It is hard to convince of the value of it because of more immediate needs. Schull said that if you had health savings plans in conjunction with catastrophic coverage insurance then it sounds plausible, and he thinks Moder's analysis is a health savings plan versus health

plan situation. Bell responded that it is a this or that situation, you can't have both. Emerson asked what you can have – Bell responded that you can have a prescription plan and health savings plan, but you would pay for both and the prescription plan would be expensive. Bell said that if we decide not to go with a health savings can, we may not have to go out for a new health insurance plan since our insurance didn't go up this year. Schull said that he does think that the threat of action can affect rates.