

UW SYSTEM ADVISORY COMMITTEE ON FRINGE BENEFITS MINUTES
October 14, 2011 Teleconference

Members Present: Fredric Kolb, Susan Fontana, Ana Araujo, Mary Kay Sankey, Tracy Hofer,

Members Absent: Sharon Pink, Steve Guo, Sharon Klawitter, Diane Douglas

Staff Present: Sue Chamberlain, Al Crist, Nicole Zimm, Beth Ritchie

Guest: Matt Stohr, ETF

The meeting was called to order at 1:05 p.m.

- 1) Minutes of the April 15, 2011 meeting were approved as written. The agenda and minutes have been posted to the uwsa.edu/hr/benefits/fbac webpage, as has an updated list of committee members.
- 2) Sue reviewed the committee membership and operating procedures. The Committee welcomes new member, Sharon Klawitter. Sharon is the HR Development Director at UW-Extension.

The committee's role is advisory on issues relating to fringe benefits. For example, the FBAC took a role in pressing for legislation to make WRS employee contributions deducted on a pre-tax basis, which results in significant savings to employees.

Officer elections are held in even-numbered years. However, Fredric Kolb and Susan Fontana agreed to change positions on the committee, with Susan taking over as committee chair and Fred becoming vice chair effective immediately.

- 3) Matt Stohr, Division of Retirement Systems Administrator at ETF, provided an overview of the WRS Study mandated by Act 32 (2011-2013 Biennial Budget) and an update on legislative issues and initiatives affecting University employees and/or retirees.
 - a) In response to both Act 10 (Budget Repair Bill) and Act 32, ETF developed two FAQs on the changes, one of which is directed to employees and the other is directed to employers. The UWSA Benefits office also created FAQs relating to the bills.
 - b) Act 32 mandated two studies to be undertaken that involve ETF.
 - i) The first study concerns the State Group Health Insurance program is due at the end of October and includes DOA, OSER and ETF. To be addressed is whether it is reasonable and feasible to create a third premium rate for 2-person families, whether the tiering approach currently used to establish the employee's premium contribution and negotiate premium increases with health plans is effective and whether an on-line pharmacy marketplace should be considered.
 - ii) A Retirement Study is due on June 30, 2012. The study will consider the cost to convert the WRS from a defined benefit to a defined contribution plan. Experience and studies by other employers indicate a very high cost to implement a defined contribution program. Because a defined benefit plan can't be taken away from current participants, if a change to a defined contribution plan is made in the

future, ETF would run both retirement systems. Current employees could remain in a defined benefit plan while new employees would be required to take the defined contribution option. Employees would be allowed to opt out of the retirement plan entirely and they would receive a money purchase annuity. Asked why states would consider changing to defined contribution plans, Matt explained that some policymakers feel that they pose less liability for the employer for future benefits despite the great upfront cost.

- iii) Matt also noted that the change increasing the eligibility requirements for WRS to two-thirds of full-time reduces the number of employees who are eligible to participate in and contribute to the WRS. This only increases costs for those employees who are WRS participants. It is also disproportionately impacting women, who hold the greater percentage of less-than-full-time positions.
 - iv) Participation in a defined contribution plan is typically voluntary while participation in defined benefit plans is required. Allowing participation to be voluntary carries a risk to the WRS as it reduces the contributions by participants. It will also discourage planned, thoughtful retirement decisions.
 - v) ETF's position on the change to the WRS eligibility is that service prior to July 1, 2011, which then grandfathers the employee under the old WRS eligibility rules, should be based only WRS-service not simply service for a WRS employer. ETF hopes to modify the WRS eligibility via remedial legislation.
- c) Matt also addressed the legislative bill that was introduced by Duesy Stroebel (R- Assembly District 60) that would change the requirements for rehired annuitants. Under the bill, rehired annuitants working 50% or more in a WRS-eligible position would have their annuities stopped, they cannot again become WRS participants but they would be eligible for group insurance benefits offered to other state employees who are participating in the WRS. [Note: a second bill has since been introduced by Bob Ziegelbauer (R – Assembly District 25)]. The media has asked ETF for their position on the proposed bill and how it will impact the WRS. Matt said that their response is that the legislature needs to approve funding for an actuarial study (it is not appropriate to use ETF funding to review legislative proposals). State agencies will be impacted by the legislation if enacted, as will all levels of government. Fifty percent of rehired annuitants are teachers and 75% are at the local government level. As written, the proposal will be challenging to administer. The UW System currently has about 700 rehired annuitants, in positions from clerical to executive.
- d) Retirement estimates received by ETF are up about 60% from 2010; retirement applications are up 80% from a year ago.
- e) Fred asked Matt is there is any outside pressure to reduce the assumed rate of return. Matt said that ETF has been conservative on this. The 2010 assumed return was 7.8%. The actuarial recommendation for 2012 is that the assumed rate of return be 7.2%.
- 4) Al gave an update on the development of new University Personnel Systems as directed by a new statute, UW §36.115, established as part of the 2011-13 budget bill. We are directed to establish two new personnel systems, one for UW-Madison and one for the balance of the UW System, effective July 1, 2013. The new personnel systems are to be separate and distinct for the classified staff system established under chapter §230, Wis Stats. Faculty and academic staff personnel systems are already addressed under the Board of Regents policies and any changes to such would come through existing governance processes. At this point, the intent is to keep the status of eligibility for retirement and insurance programs as it currently is. The new systems will need approval by the Joint Commission of Employer Relations (JCOER).

- 5) Beth summarized changes to benefit plans for 2012. The changes result from a requirement in Act 10 that the overall value of a Tier 1 health plan must be reduced by at least 5%.
- a) The most significant change is the implementation of a 10% coinsurance on all non-preventive medical services, up to an annual out-of-pocket maximum (OOPM) of \$500 per person or \$1000 per family. Preventive services are defined for federal health care reform and the same services will be considered preventive under the state plan. There are also increases to the coinsurance and OOPM for the Standard Plan.
 - b) Health insurance coverage for adult children will end at the end of the month in which they turn age 26. In 2011, they are eligible until at the end of the month in which they turn age 27.
 - c) Health insurance coverage will end at the end of the month of termination.
 - d) COBRA will be offered for only 18 months instead of 36 months.
 - e) The fall enrollment period will be a true open enrollment. Mid-year enrollments are only permitted when first eligible or due to a qualifying event.
 - f) Employees retiring without health insurance but who have unused sick leave may enroll in the Standard plan before retirement in order to preserve sick leave credits.
 - g) Open enrollments are being offered for VSP, Dental Wisconsin, ERA and UW Employees Life Insurance, Inc.
 - h) A special enrollment is taking place for EPIC Benefits+. Individuals enrolling during this period will have a graduated dental benefit for the first two years (\$500 maximum in year 1, \$750 in year 2, \$1000 in year 3 and after). Employees may also elect the vision insurance component for an additional premium or may choose to drop the vision insurance if they elected it for 2011.

Due to the implementation of coinsurance for health insurance, EPIC Benefits+ replaced the current major medical excess benefit with a hospital/surgical benefit. The new benefit will pay \$100 for each day of hospitalization in after the 3rd day of confinement or following a surgical procedure performed by a hospital on an outpatient basis or at an ambulatory surgical center. Had the major medical excess benefit not been modified, premium rates would have increased by almost 50%.

- i) Employees enrolled in Anthem DentalBlue may make coverage changes for 2012 but no new enrollments are permitted. The plan will not be offered to UWS employees in 2013.
- j) The annual increase option for Individual and Family Life coincided with the fall enrollment period for the first time.
- k) Three campuses, OshKosh, LaCrosse and Green Bay, used employee self-service enrollments for the OE.

In addition, UW-Eau Claire and UW-Stout will have a significant plan change for 2012. The majority of employees are currently enrolled in GHC-Eau Claire. That plan will not be offered in the institutions' counties in 2012 so most employees need to submit an application to select a different health plan for 2012. WEA Trust – Northwest is a new offering for 2012 and includes the majority of providers offered by GHC-EC.

- 6) The committee was provided links to the web –based Benefit Tools available on the UWS site.
- 7) Sue discussed the issue of tuition reimbursement. Despite the interest in providing some tuition assistance program, the funding of such a program has always been an issue. Under Act 32, the provision of funds is now under block grants. This may allow institutions to implement a tuition reimbursement program for its

employees. President Reilly verified with UWSA legal counsel that there is no legal impediment to an institution creating its own program. This leads to questions of how the programs would work and if it's desirable to have it differ from institution to institution. There does not appear to be the possibility of a system-wide program due to the block grants. Within the past few years, staff has conducted a comprehensive study of the feasibility of developing a tuition assistance program and Sue will share the studies with the FBAC.

- 8) The current Rehired Annuitant Rules are available on the UWSA website at <http://www.wisconsin.edu/hr/benefits/lifeevent/rehired.htm>

Meeting adjourned at 2:40 p.m.