IFC Fringe Benefits Committee Meeting

October 5, 2009
DS421
12:00-1:30 pm

Minutes of the Meeting

Attendance: Adamek, Bilodeau, Galli (chair), Gonzalez, Kressel, Martin, Reyes, Stocker, Trinoskey
Special guest: Dan Rives via phone conference

1. Blue Ribbon Committee Report

Update by Rives: The report was sent to deans of every major school, chancellors of each campus, officers representing faculty and staff, and providers such as Clarian, Wishard and other hospitals in the area in order to ask for feedback. However, the Blue Ribbon Committee did not get the feedback it expected. Responses fell into one of three categories:
a) not pertinent to the Committee's charge (such as requesting benefits for part-time employees)
b) requests for more info and details
c) requests to not make any changes.

All of the feedback was provided to the Blue Ribbon Committee and President McRobbie. The original report was presented to the Health Affairs Committee (a standing subcommittee of the Board of Trustees) by Thomas Inui, chair of the Blue Ribbon Committee. McRobbie also met with the Trustees' subcommittee. The Blue Ribbon Committee has now been charged to implement a draft to cut health care expenses within 12 months. Benchmarking should be done by looking at the Big 10 universities and corporate America. At the earliest the suggested changes will be implemented in January 2011.

The following issues were raised by members of the IFC Fringe Benefits Committee and addressed by Dan Rives:

- National health care debate

If there will be a mandate that all full time employees receive coverage the definition of "full time" may need to be revisited at IU. Currently only employees working 40h/week (100%FTE) are considered full time at IU. This is not the case at other universities.

- Proposed Clarian network on campuses other than IUPUI

A brick and mortar building is proposed for IUB (ambulatory center) whereas for IUPUI more of a virtual center is envisioned. Clarian Health is expected to work on a proposal; details will be formulated at the next level of program development.

- Relationship of IU and Anthem

IU is self-funded and not insured by Anthem, i.e. IU does not buy insurance. IU has an ASO (administrative services only) agreement with Anthem, which gives the university access to preferred provider contracts through Anthem with a 60% discount on billed charges. IU reimburses Anthem every week for the claims they pay on behalf of IU employees.

- IU employees health care premiums

IU has a fixed contribution policy. As mentioned at the Trustees meeting repeatedly employee contributions are relatively low compared to other institutions but are designed with higher deductible and copayments in mind. The total premium (IU and employee share) is lower than those at other institutions (e.g. Purdue, Clarian). However, unlike other institutions, IU does not subsidize retiree health care or provides part-time benefits. In general, retiree health care is slowly phased out in academia.

- HCPC and medical savings plan

Although one of the recommendations by the Blue Ribbon Committee, it only received a low rating in the report. This plan was not aggressively advertised last year. It has unique features, which includes a savings account that rolls over into retirement. Prescription drugs are included in the deductible. However, since the plan may not be the best option for all employees IU prefers to offer three different plans.

2. Healthcare program changes for 2010

Premiums will remain constant in this academic year since employee salaries were frozen. The three plan options remain. However, the POS Plan (Blue Preferred Network) will no longer be supported by Anthem across the state of Indiana. It will be replaced by a new PPO Plan, Blue Access, that uses a different and broader network (including Wishard), and does not require a designated primary care physician. No changes were made to the dental plan or tobacco wellness plan.
Clarian and St. Vincent will come up for renegotiation with the Anthem network in the near future.

3. Benefits for part-time employees

Such benefits were never a charge of the Blue Ribbon Committee since they are not related to health care but are rather about equity, comparability with market place, compensation, recruitment and retention. Almost all Big 10 universities provide benefits for part-time employees. IUPUI administration supports implementation of these benefits. Galli will try to garner similar support from the IUB campus. Currently about 290 part-timers at IU would qualify for these benefits and it is assumed that 30-40% of these employees would take advantage of the option.

4. 18/20 Plan

The 18/20 plan, which was implemented in 1959 (discontinued in 1988 as an unfunded liability) was meant as a tool to retain faculty and ensure that they retire when reaching full retirement age. Currently there are still about 900 eligible employees, mainly faculty, with the last ones anticipated to collect benefits in 2032. In the past 7% of eligible employees have worked past the age of 65 or even 70. Two issues regarding the 18/20 plan were discussed:

A. Loss of value
Benefits are derived from a “hypothetical” annuity that is based on three variables: two varying investments as in CREF stock and the TIAA fixed annuity, and the actual purchase of the single life annuity at the time of retirement. The loss of 30% or more in CREF stock had a major impact last year and this summer the traditional annuities are paying out less. In addition, the annuity conversion factor used by TIAA-CREF at the time of the participant's retirement went down. A high number of eligible employees who could have retired at 64 have now deferred their retirements for at least 1 year. After the age of 65 they will collect less than 60 months of benefits. Assistance is available to 18/20 members who need to make retirement decisions. Members who approach retirement age are usually contacted by Rives’ office.

B: Current lack of incentives for employee retirement
There is a concern that, with no other plans in the pipeline to provide incentives for retirement, employees will hang on to their jobs past official retirement age which will result in an aging population, a decrease of employee turnover, an increase in health costs, and possibly a loss in productivity. A study commissioned by the Carnegie Foundation about 5 years ago indicated that the major barrier to future faculty retirement at major research universities is the cost of health care.
Rives stated that he has repeatedly tried to raise the issue when talking to chancellors and deans. The lack of a mandatory retirement age for faculty or staff impacts recruitment of new employees. There is a need to implement a new defined contribution program that will benefit faculty who will approach full retirement age in 10-20 years. Rives plans to provide some options to deans at upcoming meetings although it is known that they are reluctant to made additional investments considering the current budget situation.

The meeting was adjourned at 1:30 pm.
Minutes taken by Dominique M Galli