## Committee on Retirement Savings Plan and Retiree Health Benefits

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<th>Committee</th>
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| Sponsorship | Ora Hirsch Pescovitz, Executive Vice President for Medical Affairs  
Martha Pollack, Provost and Executive Vice President for Academic Affairs  
Tim Slottow, Executive Vice President and Chief Financial Officer  
Laurita Thomas, Associate Vice President for Human Resources |

## Background

Keeping U-M’s benefit programs viable and competitive requires ongoing review of operations, programs and services. This helps ensure that our benefit plans will continue to help attract and retain premier faculty and staff. The university’s benefit plan designs and cost-sharing policies should adhere to U-M’s guiding principles for benefits:

- Provide quality programs at affordable cost
- Provide market-competitive programs to recruit and retain faculty and staff
- Serve as a responsible fiscal agent
- Enable informed decision making
- Leverage internal and external expertise in the development of innovative benefit designs and programs that promote a culture of health

As a result of university efforts over the past several years to reduce and/or contain costs, U-M’s overall benefits package for the university, excluding Hospitals and Health Centers (HHC), has moved from top of market in 2009 to being at market position, according to the Aon Hewitt Benefit Index¹ that compares the university to a set of national provost peers. However, the index shows more specifically that U-M health benefits for retirees and the retirement savings plan continue to lead the market. Similar benchmarking for HHC staff indicates that, compared to a set of local labor market peers, the overall benefits package is considerably above market, with retirement income and retiree health care significantly above the market average.

In calendar year 2012, 90 percent of eligible faculty and staff members were enrolled in the retirement savings plan, receiving approximately $232 million in university contributions. To receive the 10 percent university retirement contribution, plan participants must contribute 5 percent of their eligible gross salary. Enrollment in the retirement savings plan is compulsory for employees at age 35 who have completed two years of service and hold a 100 percent appointment. If an employee who meets the compulsory criteria does not voluntarily contribute 5 percent, the university contribution is reduced to 5 percent. More than 1,400 employees are enrolled with this reduced contribution.

**Previous Plan Reviews**

The most recent comprehensive review of the retirement savings plan was conducted in 2008 and focused on vesting options and waiting periods. As a result, a one-year waiting period for university contributions was implemented for faculty and staff hired on or after January 1, 2010. This change resulted in annual recurring savings of approximately $13 million.

In 2011, the Committee on Retiree Health Benefits (CORHB) proposed changes in eligibility to receive retiree health benefits and changes to university contribution levels for current and future retirees and their dependents. The expected annual savings from CORHB is $7.6 million by 2020 and $142 million by 2040. During the roll-out of the policy changes to the campus community, a further review of eligibility and contribution changes was estimated for 2016 or beyond.

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¹ A Hewitt Benefit Index value of 100 means the plan is the average of the comparator group’s benefit values.
In addition to its policy recommendations, the CORHB committee identified areas for on-going evaluation. These areas included:

- Monitoring of U-M benefits relative to those offered by peers
- Studying the feasibility of alternative tax-advantaged retiree health savings programs for new hires
- Assessing the impact of health care reform legislation on the cost and value of university retiree benefits

Changes in the market and passage of the Affordable Care Act have resulted in potentially significant changes in the health benefit landscape, making the further review of retiree health benefits for new hires a timely task for the university.

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<th>Charge of the Committee</th>
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| The Committee is charged to look at the market data and make recommendations that will identify annual recurring cost savings beginning in calendar year 2015 in the General Fund of at least $5 million, other non-General Fund units of at least $8.7 million, and annual recurring HHC cost savings of at least $8.5 million. For a total savings target for CY 2015 of at least $22.2 million. The Committee is encouraged to consider creative approaches that will result in even larger savings.  
  
Initiatives that lead to these savings should result in an overall (All Benefits) market position on the Aon Hewitt Benefits Index between 95 and 105 for the university, excluding HHC staff, and movement closer to the market average for HHC staff.  
  
Faculty and staff consider both their retirement savings and the availability of affordable health care coverage when planning their retirements. Therefore, the Committee needs to take an integrated and comprehensive approach to retirement savings and alternatives in retiree health benefits, providing advice, guidance and recommendations that consider both aspects.  
  
Using peer and market data, the Committee will examine the structure and design of U-M’s retirement savings plan, review eligibility options, application of waiting periods, and the level of university contribution. The Committee is further asked to consider impact on recruitment, changes in retirement contribution based on years of service, differential plans for faculty and staff, and other benefits such as paid time off and its impact on productivity.  
  
The Committee should make recommendations that better align the U-M retirement savings plan with the market, and should also make recommendations regarding retiree health benefits incorporating emerging trends and opportunities to best prepare U-M for current and anticipated changes in the health benefit landscape.  
  
The Committee is also asked to identify and propose approach(es) and timeline(s) for the implementation of the recommendations. |

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<th>Scope and Boundaries</th>
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| The Committee is to make recommendations in the areas of retirement savings and retiree health benefits. The scope for each is as follows:  
  
1. Retirement savings:  
Scope includes current and future faculty and staff.  
  
2. Retiree health benefits:  
As noted earlier in this charge document, further reviews of eligibility rules and contribution amounts for retiree health were slated for 2016 or later. Therefore, the Committee’s scope in terms of eligibility for and contributions toward retiree health benefits should be limited to future faculty and staff. |
The Committee should also assess the potential for providing future hires with the expanding options in the new health benefits marketplace, such as health insurance exchanges, health savings accounts (HSAs), retiree medical savings accounts (RMSAs), and personal or custodial care coverage through a long-term care plan. The Committee may include recommendations on the potential for expanding the availability of any of the options to include current faculty and staff.

**Membership**

Matthew D. Shapiro (Committee Chair), Lawrence R. Klein Collegiate Professor of Economics, LSA, and Research Professor, Survey Research Center, Institute for Social Research
Paul Castillo, Chief Financial Officer, U-M Health System
Jeff Frumkin, Associate Vice Provost for Academic and Faculty Affairs, and Senior Director, Academic Human Resources
Kyle Grazier, Chair and Richard Carl Jelinek Professor in Health Services Management and Policy, School of Public Health, and Professor of Psychiatry, Medical School
LaShon Hart, Voices of the Staff, Clinical Nurse, UMH East Ann Arbor MPU
Jim Hines, L. Hart Wright Collegiate Professor of Law, Law School, Richard A. Musgrave Professor of Economics, LSA, and Professor of Business Economics, Stephen M. Ross School of Business
Rich Holcomb, Interim Senior Director for Benefits, and Director of Total Compensation, U-M Health System
Kenneth Langa, Professor, Department of Internal Medicine, and Associate Director and Research Professor, Institute of Gerontology, Medical School, Professor of Health Management and Policy, School of Public Health, Research Professor, Institute for Social Research; Co-Investigator, Health and Retirement Study (HRS)
Helen Levy, Research Associate Professor, Institute for Social Research, and Research Associate Professor and Adjunct Associate Professor of Public Policy, Gerald R. Ford School of Public Policy
Dana Muir, SACUA, Arthur F. Thurnau Professor of Business Law, Stephen M. Ross School of Business

The Committee may choose to establish concurrent subcommittees for retirement savings and retiree health benefits. Subcommittees could examine clearly defined areas such as optional retirement savings vehicles.

**Staff**

Hinke Jansen, Compensation Manager, U-M Health System
Etta MacDonagh-Dumler, Associate Director for Strategic Initiatives and Senior Project Manager
Steve Sindlinger, Assistant Director for Benefits Administration – Retirement
Jean Buck, Administrative Assistant, Benefits Administration Office

**Timeline**

September 2013: Committee meetings begin
December 2013: Draft recommendations due to the Committee sponsors

**Progress Reports**

- Agendas and meeting notes
- Status updates
- Final report

09/17/2013