TO: Faculty and Staff Community
FROM: Ora Hirsch Pescovitz, Martha E. Pollack, Timothy P. Slottow and Laurita Thomas
SUBJECT: Committee to recommend changes to retirement savings and retiree health benefits

Colleagues,

Our goal as an employer has been and continues to be remaining competitive as we contend for top faculty and staff. Doing so means ongoing evaluation and benchmarking of our individual plans and overall benefits package so that the university’s continuing investment stays aligned with the changing marketplaces for higher education and health care.

While we have been tracking our health care costs against the market for quite some time and have made adjustments, changes to our retirement savings plan have been modest, amounting to the addition of a one-year waiting period for faculty and staff hired after the start of 2010. Yet, the university contributed $236.5 million to faculty and staff retirement savings accounts in 2012, and that expense grows each time salaries increase since the deposits are a percentage of faculty and staff wages.

While we are deeply committed to continuing to invest in this vital benefit, a more comprehensive review of the retirement savings portion of our benefits package is needed to better ensure that rising costs do not restrict the funds available for mission-driven purposes and place increasing pressure on tuition.

**Committee on Retirement Savings Plan and Retiree Health Benefits**

We’ve appointed a faculty-led committee to propose specific ways to reduce the cost of U-M’s retirement savings plan while maintaining a competitive benefits package. Matthew D. Shapiro, Lawrence R. Klein Collegiate Professor of Economics, chairs the Committee on Retirement Savings Plan and Retiree Health Benefits.

The team will use current market data for higher education and health care as part of its work to develop recommendations. Since faculty and staff consider both their retirement savings balances and the availability of affordable health care when planning for retirement, we’ve asked the committee also to consider retiree health benefits, as the committee name indicates. However, recommendations for changes to eligibility or contributions toward retiree health benefits will apply only to future employees.
Changes will be carefully considered because we know these benefits are simply too important to the welfare of faculty and staff to do otherwise, but we understand that changes need to be made. Benchmarking shows that our retirement savings plan leads the markets for both higher education and health care employers. The degree to which we exceed the average is greater in the U-M Health System so we’ve set separate cost-reduction goals for the committee.

Recommendations are to result in minimum recurring annual savings of at least $5 million to the General Fund, at least $8.5 million for Hospitals and Health Centers and $8.7 million for other non-General Fund sources. The committee will provide us with its report at the end of the year and the changes we decide to adopt will become effective starting in 2015, allowing a significant amount of time for advance notice of any aspects of change that will impact current faculty and staff.

Additionally, plans are underway for a university-wide online survey in early October to collect feedback and community preferences about these benefits. That data will go to the committee as part of its discovery process.

For more information
A new Web site offers more information including the committee charge and membership, questions and answers and a form for comments and questions.
Visit: http://www.hr.umich.edu/retirementchanges