

EXECUTIVE COMMITTEE MINUTES

Present: Flowers, Konecky, LaCost, Lindquist, Nickerson, Shea

Absent: Anaya, Berg, Fech, Franti, McCollough, Schubert, Stock

Date: June 30, 2010

Location: Faculty Senate Office, 420 University Terrace

Note: These are not verbatim minutes. They are a summary of the discussions at the Executive Committee meeting as corrected by those participating.

1.0 Call to Order

Lindquist called the meeting to order at 3:00 p.m.

2.0 Vice President Keith Dietze and Greg Clayton, Director, Benefits & Risk Management

Lindquist stated that questions were raised at the April 27 Faculty Senate meeting and at a recent Executive Committee meeting with Professor Hope. He stated that the first question is about the active and retirement/inactive pools. He asked how much it would cost and what benefits would be gained if these two pools were combined.

Dietze reported that discussion regarding two pools started in 2001. At that time, all university medical and dental insureds, whether active or inactive, were in the same pool for determining the annual medical and dental insurance premium. In 2002, the Government Accounting Standards Board (GASB) proposed new guidelines that required governments to account for their "other post employment benefit" (OPEB) obligations (GASB no.35 and no.45). Large state and local governments would be required to begin accounting for these obligations in 2006. Prior to this legislation, OPEB obligations were paid for out of current revenues on a pay-as-you-go method.

The new GASB regulations were intended to improve transparency in governmental accounts by making it easier to understand the future medical claims liability and to assess whether the employer had a strategy for meeting these financial obligations. Legislation required employers to post a liability to their financial statement relating to unfunded post retirement obligations. This new liability would have a significant impact on the university's bond rating for building and borrowing funds.

Dietze reported that then President Smith created a President's Health Care Advisory Committee with representatives from each of the campuses, to review the situation and its impact on the university. He noted that Professors Dick Fleming and Bob Works, plus LaChelle Bailie were on this committee from UNL. In 2002 the committee recommended to split the pool into two groups, i.e. active and inactive insureds.

In 2005 President Milliken reconvened the President's Health Care Advisory Committee to review the university's health care plan including the decision to split the pools. UNL had two representatives on the committee; Robert Works from the College of Law and Warren Luckner from Actuarial Science. The recommendation from the committee was the same, to keep the pools separate. Dietze noted that Penn State did not take any significant action to address retiree health coverage and the corresponding OPEB liability. As a result, their current OPEB liability is \$4.7 billion. He stated that some universities are actually eliminating retiree health insurance due to the financial burden.

Dietze stated that Milliman, the university's benefits consulting actuary, was hired to help calculate the OPEB future liability costs. Based on the plan design, eligibility, retiree contribution, and census, the 2004 liability was estimated at \$189 million. The annual contribution by the university was equal to \$17 million.

Clayton stated that one of the benefits that retirees had was the university's prescription drug program, but when Medicare started the drug prescription program it became more affordable for many retirees. He pointed out that the university's prescription drug program could not compete with the open market.

Lindquist asked if anything has changed in regards to reporting GASB. He asked if the pools were combined whether the \$17 million contribution would still be required to fund the university's Health Care Trust Fund each year. Dietze pointed out the contribution to the Health Care Trust Fund would most likely be higher now because the \$17 million was based on a 2004 calculation.

Konecky stated that she would like to hear what the up to date figures would be if the pools were combined. Dietze stated that it would cost \$10,000 to obtain this information from the consultants. He reported that a review was conducted based on fifty non-Medicare disabled retirees and the premium impact on active employees if this group were placed in the active pool. He stated that medical insurance premiums would increase approximately \$9 per month for Employee Only and \$26 per month for Employee & Family coverage. He pointed out these figures are based on a group of only 50 retirees and there are currently 900 retirees. He stated that a health care premium increase to active employees would be unpopular given that no salary increases would be provided this year.

Clayton noted that the bigger issue is the unfunded liability. He stated that Michigan State has been discussing the issue and it would cost them \$1 billion to cover retirees. He reported that a lot of institutions are phasing out over a period of years the health insurance plans for retirees. He pointed out the potential liability costs are driving these changes.

Lindquist asked Dietze to provide a summary of this information so it can be distributed to the Faculty Senate in the fall.

Nickerson asked if active employees saw a decrease in the cost of their health insurance when the insurance pool was split in 2006. Clayton pointed out that claims were much lower back then and rates have not gone up as much because of the split in the pools.

Konecky asked how large the retiree pool is. Clayton stated there are approximately 900 to 1,000 retirees with little fluctuation each year. He noted that retirees now have other health care options available to them. He stated the “open formulary” drug plan is costly to the university because there are no limits on what drugs are covered.

Nickerson asked when the switch in the pools actually occurred. Dietze stated the actual split occurred in 2006. Dietze stated the university did not want to create different pools but was forced to in order to comply with the GASB regulations.

Lindquist asked if there is any information or data that compares our health insurance rates to our peer institutions. Clayton stated that Institutional Research and Planning has information and comparisons of the different universities. He pointed out that some institutions are in areas that have strong HMOs which makes a difference in the health care plans.

Nickerson asked if there will be any benefits or significant changes that will occur with UNL joining the Big Ten conference. Lindquist noted that all of the Big Ten schools offer employee plus one programs and asked if we will be offering this option. Dietze reminded the Executive Committee that changes regarding health care eligibility must be approved by the Board of Regents. Clayton noted that a lot of things are based on our peer institutions but it is ultimately the Regents decision.

Lindquist reported that Professor Hope stated that an audit will be conducted for those employees with dependents enrolled in the university’s medical and dental insurance plans. Dietze stated this is something that has been done in the private sector for awhile but is relatively new to the public sector. He stated that each employee who has a spouse and/or dependent child enrolled in the medical and/or dental coverage will be required to verify their relationship to the employee. He noted the University of Michigan and the University of Colorado recently completed a dependent eligibility audit and found significant savings due to ineligible dependents.

Lindquist asked what designates eligibility for dependent children. Dietze stated the university NUFlex guidelines include a dependent child who is natural-born or legally adopted or a stepchild who is living in the employee’s home and chiefly dependent on the employee for financial support. Lindquist asked if parents who are divorced can both claim a child as a dependent. Dietze stated that if the child satisfies the university’s definition of a dependent child both parents can claim the child. He stated that some of the savings (due to ineligible dependents) at other institutions have been significant.

Clayton pointed out that beneficiaries on life insurance policies are not subjected to the audit. He stated that ex spouses can be listed on Firefly for Cobra insurance reasons.

Dietze reported the dependent eligibility audit will begin in August 2010. Lindquist asked what documentation will be required to prove legitimacy. Dietze stated that a marriage certificate and a 1040 tax form are several of the documents that can be used for verification. He stated that any savings will hopefully have an impact on the cost of future premiums. Lindquist asked if the current cost of premiums will go down if significant savings are found. Dietze stated that premiums will not decrease because of Health Care Reform changes which will impact the university's group plan, e.g. extension of eligibility for dependent children from age 24 to age 26.

LaCost asked if the expectation is for the auditor to find more savings than the program audit cost. Dietze stated there is a guarantee the savings resulting from ineligible dependents will be equal to or greater than the cost of the audit, or the audit fee will be waived.

Nickerson asked if there can be anything done to benefit or help the retiree pool since it is unlikely they would be combined with the active pool. Dietze stated a new savings plan could be added which would provide active employees an opportunity to participate in a health care savings plan through TIAA CREF or Fidelity. After-tax contributions to this savings plan could be used to pay future health care premiums during retirement. He noted there is a significant start-up cost with this type of program. Clayton noted that something similar can be done with the Supplemental Retirement Account which allows people to save more for retirement.

3.0 Announcements

No announcements were made.

4.0 Minutes of 6/16/10

No major changes were made to the minutes.

5.0 Unfinished Business

5.1 Faculty Apportionment Guidelines

Lindquist stated that the Executive Committee needs to respond to the Chancellor on the proposed faculty apportionment guidelines. He noted that the colleges will need to put together metrics using these guidelines to determine faculty apportionments.

Lindquist pointed out that it is important to review Regents Bylaw 4.3 about apportionment when considering the guidelines. He noted that Bylaw 4.3 allows for a faculty committee to act as a mediator in the event that a faculty member and unit administrator cannot come to an agreement on the faculty member's apportionment of responsibilities.

Lindquist stated that he feels it is important that the guidelines include a timeframe when apportionments need to be agreed upon. He suggested that the agreement should be made before the end of the previous semester from when the apportionment changes. Flowers noted that apportionments are typically stable from year to year unless there are substantial changes in a faculty member's duties and time allocation.

The Committee agreed that some areas of the draft guidelines need further clarification. Shea stated that the wording needs to reflect not only the time that has been expended but the effort involved. He pointed out that some responsibilities require a certain amount of time, such as teaching and grading, and show a significant amount of product while other responsibilities require a variable amount of time but produce fewer products.

Lindquist stated that he will draft the suggested changes and copy his response to the Executive Committee.

5.2 Update on Academic Rights & Responsibilities Committee Membership

Lindquist reported that he is still waiting to hear back from a faculty member about serving on the ARRC. The Executive Committee suggested another faculty member if no response is received.

6.0 New Business

6.1 Executive Committee Retreat

The Executive Committee suggested having the retreat before classes begin or the second week of classes. Griffin stated that she will contact Executive Committee members to see which date works best.

6.2 Upcoming Executive Committee Meetings

Lindquist noted that he will be out of town on July 14 and July 28. LaCost stated that she will be here on the 14th but not on the 28th. Griffin stated that she will contact Fech to see if he will be here for the 28th meeting.

The meeting was adjourned at 4:33 p.m. The next meeting of the Executive Committee will be on Wednesday, July 14, 2010 at 3:00 pm. The meeting will be held in the Faculty Senate Office. The minutes are respectfully submitted by Karen Griffin, Coordinator and Pat Shea, Secretary.