

MURA Benefits Committee 2009

Meeting Minutes: January 13, 2009

Faculty and Staff Benefits Office Bldg. 7, Woodrail Centre

Chairman Hahn called the meeting to order at 10:35 a.m.

In addition to the chair, those present included: June DeWeese, Jack Batterson, Roger Heath, John Bauman, Lisa Wimmenauer, Barbara Savio, and Mike Paden.

The revised minutes of the November 18 meeting were emailed everyone on Dec. 15, 2008. The Chair assumed that everyone approved them.

The Chair announced that Nikki Krawitz (UM Vice President for Finance and Administration) said, in an email note, that **none** of the University's retirement fund was invested with the Madoff fund. Madoff founded the Wall Street firm Bernard L. Madoff Investment Securities LLC in 1960 and was its chairman until December 11, 2008, when he was charged with perpetrating what may be the largest investor fraud ever committed.

Paden announced that the pension fund is now worth \$2.1 billion and it was worth \$2.9 billion on October 1, 2007. That is a decline of about a 27.59%. The University pays about \$13-\$15 million on investment advisor fees. The University currently contributes 5.8% of salaries and wages every pay period to the retirement fund. This contribution might rise to 9% depending on the outcomes of the pension plan's actuarial study. The results of the study and a recommendation will be presented to the Board of Curators in the near future.

The 2008 Annual Report of the University of Missouri Retirement Disability, Death Benefit will be made available **online** by early February, 2009. The University faculty and staff will be notified via email. The annual report will have extra information that was not covered in the previous reports, such as some information on investment managers.

President Forsee asked the University to look at different budget scenarios and assumptions to help the University cope with the possible 15% to 25% budget cuts from the State. Everything is on the table. There is a slim possibility of early retirement this year. However, offering early retirement increases the liability of the pension plan. The last two VERIPS

(Voluntary Early Retirement Incentive Program) increased the plans liability by \$100,000,000.

Paden announced that the contract problems with Vanguard have been corrected. People now should be able to transfer 403b money from a plan such as TIAA-CREF to Vanguard. The new PDP (Prescription Drug Plan) that MU started on January 1, 2009 as a Plan D plan through Express Scripts is working well. The only reported problem is that people are showing up at pharmacies with their old drug insurance cards.

The pension plan system is still healthy.

Savio asked if there was discussion on adopting the four-day workweek and the 80 and out concept. Paden said that the issues have not been discussed.

The University is working on how to deal with the potential 10-25% budget cuts. This is difficult to do because 75% of the costs are salary and wages.

Bauman asked about the "carve-out" provision in the medical benefits that affects mostly retirees. This is when the Medicare payment is carved-out (or subtracted) from the MU Payment, rather than the MU payment being calculated as a supplement to the Medicare payment. In simplified terms, the carve-out approach is one way of coordinating benefits with Medicare.

Hahn asked why charges from a recent hospital bill were removed from the final bill. Paden explained that MU may charge the full price for services, but with Medicare, the doctors get only the Medicare allowed rate. MU agrees to accept this lower rate of payment from those people with Medicare.

The committee discussed the article "Who's the Doctor? Insurers reject prescriptions to save money" that was in the January 12, 2009 issue of the Columbia Daily Tribune. The University of Missouri faculty and staff probably would not experience the same problems mentioned in this article because certain drugs can be grandfathered or patients can get waivers that would allow them to take exactly what the doctor ordered.

The next meeting is **Tuesday, February 24, 2009**, at 10:30 a.m. at the Faculty-Staff Benefits Office Conference Room, Building 7, Suite 210, Woodrail Center on Nifong. It is

hoped that Dr. Betsy Rodriguez, the Vice Pres Human Resources, will be able to attend this meeting.

Respectfully submitted,

Jack Batterson

Secretary Pro-Tem

Meeting Minutes: February 24, 2009

Faculty and Staff Benefits Office Bldg. 7, Woodrail Centre

Chairman Hahn called the meeting to order at 10:35 a.m.

In addition to the chair, those present included: Jack Batterson, John Bauman, Deb Denham, June DeWeese, Jere L. Gilles, Roger Heath, Marj Leavene, Jatha B. Sadowski, Barbara Savio, Lisa Wimmenauer, with guests Mike Paden, Betsy Rodriguez, Bob Stewart, and Toni Monsen.

The Chairman introduced guests attending the meeting today: Betsy Rodriguez, Vice President for Human Resources, Bob Stewart, a member of the Retirement and Staff benefits Committee and Board of MURA, who is also a Professor Emeritus from the College of Education and an Adjunct Faculty member in the School of Nursing; and Toni Monsen, the Chair of the UM Staff Advisory Council.

Betsy Rodriguez showed the committee a PowerPoint presentation to explain the pension situation in a more visual format. Rodriguez answered several questions during this presentation. She explained that furlough is the same as unpaid vacation or time off without pay. She believed that it is highly unlikely that there will be furloughs, because the University is not in a crisis mode this year. If there are furloughs, the University will try to spread them to one day per pay period if possible. The University took those early steps to reduce costs (e.g. hiring freeze, and expense reductions), and those steps placed our university on a much better footing.

The University is in a much better situation than many of our peers at other universities around the country. For example, Arizona State University was forced to take 15 days of furlough in addition to the layoff of about 200 faculty members. There are no plans to offer an early retirement package, because it is too expensive and too disruptive. In the FY 2010 (starts on July 1, 2009), there will be no merit raises.

The pension plan's actuarial study considers the plan contributions in five-year increments when it projects how much to put into the plan. The study dated October 2008 assumed 0% investment return for 2009/10 and 8% return over the next four years. Using these assumptions, the **required** contributions will increase dramatically over the next four years.

At some point in the next five years, a 12% contribution will probably be required. As of Oct. 31, 2008, the plan had a net worth \$2.427 billion, down from \$2.9 billion a year ago. Today (Feb., 2009) it has a net worth about \$2.1 billion. Even with the significant losses, it is important to note that the investment performance of the pension has **outperformed** the market. The important thing is that the University was not forced to sell any assets during this downturn in the market. This is an especially difficult market because there were no safe investments. Importantly the University pension plan is 100% funded which also protects the plan from even higher required future contributions.

Below are the actual and projected pension plan contributions required to maintain a fully funded plan (based on the actuarial study of October, 2008):

Fiscal Year	UM % Contribution
2009	5.87%
2010	6.12%
2011	8.8%
2012	10.7%
2013	12.29%

Originally, the plan was for everyone to contribute 1.4% to the pension plan. Later the plans were revised to have 1% of the first \$50,000 of salary and 2% on salary above that amount. This would start July 1st 2009. This contribution is unlikely to go away due to the significant investment decline and expected length of recovery.

The University budgets about 7% for the retirement plan, and that will continue. The difference between the University budget and the required pension contribution will be set aside in a reserve fund for the years when the budgeted amount will not cover the required contribution.

There is no guarantee that the employee contribution will stay at 1 or 2% of gross salary. It is hoped that the employee contributions will not change, because there is hope that the economy will improve later this year and that the recent stimulus funding will enable the University to contribute more to the plan.

The idea of having employees contribute 1% or 2% to the plan is better than having salary cuts. Salary cuts for employees within 5 years of retirement could reduce their lifetime pension benefit. The pension contribution changes do not apply to part-time employees who are not eligible for University benefits.

A few suggestions came from committee members. One suggestion was to have graduated contributions into the pension based on salaries in much the same way the IRS has graduated taxes based on income. Another suggestion was that the University should give serious thought not to require the 1% contribution from those employees making less than \$50,000 and to raise the contribution for those making more than \$50,000.

Rodriguez confirmed the newspaper reports that a person's 1% or 2% contributions will be returned with interest if that person left the university before being vested in the pension plan. She also mentioned that someone at the first open meeting said that he would like to contribute to a "University food bank" to help some people who cannot meet their every day expenses.

There was further discussion about the 1% contribution to the pension plan starting July 1, 2009. One person mentioned how this 1% contribution will hurt those people living pay check to pay check.

A probable dollar amount of contributions to the plan is projected to be:

Annual Salary	Monthly contribution to the pension plan
\$36,000	\$30.00
\$50,000	\$42.00

\$150,000	\$208.00
Hourly wages	
\$10.00/hour	\$8.00

For more information about the recent changes, see the document "University Pension Plan Changes" at: <http://www.umsystem.edu/ums/departments/hr/benefits/>

One person asked about the transition assistance procedure for people who are laid off. Rodriguez explained that this procedure would provide some salary and benefits for a defined period while they found another job either here or somewhere else.

Bob Stewart (stewartb@missouri.edu) talked about the work of the System Retirement and Staff Benefits Committee in amending the UM Retirement, Disability, and Death Benefit Plan document. The document is part of the UM Collected Rules and Regulations. He explained that the committee is advancing the formal language needed to enact what the Board has already approved in regard to requiring employee contributions to the UM pension plan.

Mike Paden spoke briefly about what was going on around Missouri with respect to benefit plans. He discussed two bills in the legislature. The first focuses on prescription drugs and would place restrictions on management practices that are currently in place. The end result would be an increase in costs. The second is an effort to have UM's medical benefits and those of other public employers in Missouri consolidated into one plan. This would result in UM giving up control over the design, pricing, and management of its own medical plans. That comment garnered little support from those attending.

The next **two** meetings are **Tuesday, April 7, 2009**, and Tuesday, May 12, 2009 at 10:30 a.m. at the Faculty-Staff Benefits Office Conference Room, Building 7, Suite 210, Woodrail Center on Nifong Blvd. It is hoped that Ms. Betsy Rodriguez, UM Vice Pres Human Resources, will be able to attend this meeting.

Respectfully submitted,
Jack Batterson
Secretary Pro-Tem

Meeting Minutes: April 7, 2009

Faculty and Staff Benefits Office Bldg. 7, Woodrail Centre

Chairman Hahn called the meeting to order at 10:35 a.m.

In addition to the chair, those present included: Jack Batterson, John Bauman, Debra Denham, Roger Heath, Marjorie Leavene, Doris Littrell, Lisa Wimmenauer, with guests Richard Oliver, Meichele A. Foster, and Toni Monsen.

The Chairman introduced guests attending the meeting today: Richard Oliver, Dean of the School of Health Professions; Meichele A. Foster, Development Officer, School of Health Professions; and Toni Monsen, Chair of the UM Staff Advisory Council.

Oliver and Foster answered questions from the committee about The Health Connection, a community health wellness and research center that has been run by the Missouri School of Health Professions for about 19 years.. This committee invited Oliver and Foster to today's meeting because many retirees expressed a deep concern that The Health Connection is scheduled to close June 30, 2009, because of budget cuts. Hahn mentioned how difficult it is to bring back something that has been cut. In 2003, the National Council on the Aging (NCOA) selected The Health Connection as one of ten programs in the country to receive a \$1,000 award and a certificate of achievement.

The Health Connection is located at Stephens College, at 1507 E. Broadway, Hillcrest Hall, Columbia Mo. 65215. The School of Health Professions would like to relocate The Health Connections to the University of Missouri campus to save money on rent, salaries, and wages. Also, the center would be more accessible to the MU students who can work at the center between classes. The downside to the campus location is that there would be no free parking. However that should not be a major problem as many of the university retirees already have low cost parking on campus.

Leavene stated that she did not think the argument against being off campus was a valid one. She thought if the students offer a valuable service or if the clients feel it will help keep The Health Connection open, they will arrange their scheduled to be there. She gave a Tuesday Pilates class as an example. Tuesday was not a day that most members opted to come to exercise, but they were excited about the new class, and there was almost not enough room for everyone. She also gave the example of the Engineering School students

who do undergraduate research at the RTF (Remote Test Facility), which is located on Hwy 63S, a little south of Lenoir Homes.

The center provides a wonderful service to the university retirees in many ways. There is a registered nurse on site who monitors the members during their workouts to be sure they do not hurt themselves. The site provides a wonderful social atmosphere for its members who do not otherwise interact with other people. The \$27 a month fee is very reasonable and the center caters primarily to retirees recovering from surgery and other illnesses. There is no other place in Columbia that offers what The Health Connection offers.

June 30th was selected as the closing date because the lease ends on that date. Several committee members expressed the hope that perhaps the closing date could be postponed a year so the parties involved could come up with a long term solution to the funding problem. The school did not attempt to get any stimulus money for this because that money would provide only a short term solution to the funding problem. It would be wonderful if the center could find more members with long term contracts. Yes, the school talked to the Athletic department. They also considered working with retirement homes around Columbia. This would not be a viable solution because of liability issues and transportation issues. So far, none of the retirement homes has reached out and asked to work with The Health Connection. There is also the need to pay all or part of the \$400,000 deficit, or the \$100,000 annual deficit.

However, there is some hope that the center will remain open. Oliver created a committee to explore ways to keep the The Health Connection open. The committee is made of 5-10 members and Meichele Foster. It has 30 days to discuss the issue, and Oliver will make a final decision by May 15. Oliver needs to find a way to have a balanced budget and to keep The Health Connection open.

Someone asked how Eldercare is doing. Oliver said that it is doing well. Elder Care is doing well partially because it gets \$71 per day per person from Medicaid. It would be wonderful if enough space could be found on campus that would allow them to combine The Health Connection with Elder Care. One person mentioned that it would be ideal to have the center next to the new MU orthopedic building. She was told that there was not enough space on that land for another building.

Hahn asked how the committee could help save The Health Connection. Oliver suggested that the committee write a letter of support to be sent to Foster. The committee will also

send letters of support to President Forsee, MU Chancellor Brady Deaton, and the MU Health Care Vice Chancellor, Harold Williamson Jr. This letter of support will express our feelings that the center is needed and that it would lower health care costs because of the beneficial effects of the exercise.

Marj Leavene mentioned that there would be a The Health Connection table at the Chancellor's Luncheon on April 28. She will be out of town but was hoping to have MU retirees there to man the "booth". Al Hahn volunteered to be there to assist.

Hahn said that he also invited Marion Minor to this meeting today. She was responsible for the creation of The Health Connection.

The next meeting is **Tuesday, May 12, 2009** at 10:30 a.m. at the Faculty-Staff Benefits Office Conference Room, Building 7, Suite 210, Woodrail Center on Nifong Blvd.

Respectfully submitted,
Jack Batterson
Secretary Pro-Tem

Meeting Minutes: May 12, 2009

Faculty and Staff Benefits Office Bldg. 7, Woodrail Centre

Chairman Hahn called the meeting to order at 10:30 a.m.

Those present included: Jack Batterson, Roger Heath, Lisa Wimmenauer, June DeWeese, Toni Monsen, Jatha Sadowski, Marj Leavene and Mike Paden.

Hahn announced that this would be the last meeting of the academic year unless there was a need for a special meeting.

Mike Paden reported that it appeared that current HR measures being considered in the Missouri legislature would not pass during this session. Those measures include the bills on autism, prescription management and health care management that could include combining MU insurance with the State of Missouri.

At the request of the Board of Curators, an all day meeting to discuss benefits has been scheduled for later this summer. The agenda has been expanded to include direct and indirect benefits. Two of the main concerns involve moving from a defined benefit plan to a defined contribution plan and health care for retirees. Mike reported that most universities have gone to a defined contribution plan. Some universities offer a combination of the two plans. The Board is looking at options at this point. No changes have been suggested. In the event changes would occur, it would likely affect new employees only.

Hahn distributed copies of the letter Gordon Christensen, a University physician and member of this committee, composed on behalf of the committee at Hahn's request regarding The Health Connection facility (THC); and the response from Dr. Hal Williamson, Vice Chancellor for Health Affairs. Dr. Williamson did not deny the benefits or usefulness of THC. The issue seems to be one of finances. A committee composed of THC members is scheduled to meet with Dr. Richard Oliver, Dean of the School of Health Professions later this day. There are other possible partnerships also under consideration. Dr. Oliver is to make a decision by Friday, May 15. Hahn will keep the committee informed of the outcome of these deliberations.

(On Monday morning, May 18, Dr. Oliver announced to the Health Connection members assembled, that he was recommending **keeping the facility open** and taking the counsel of the Committee recommendations.)

Hahn polled members about the frequency and timing for next year's meetings. The current committee agreed that 6-week intervals seemed to be working fine, especially if the option to call a special meeting was a viable one. It appears that meetings will continue on Tuesday mornings at 10:30 a.m. Jatha Sadowski reported that she has budget meetings that may interfere with that time frame and has asked Bonnie Gregg from her office to cover for her on those occasions.

Mike Paden reported that it was too early to estimate future benefit contributions. The next evaluation will occur in October for July 2010.

The meeting adjourned at 11:05 a.m.

Respectfully submitted,
Marjorie Leavene

Meeting Minutes: October 28, 2009

Retiree, Health and Other Benefits Advisory Committee

Al Hahn called the meeting to order at 11:00 a.m. on Wednesday, October 28, 2009. Those present included: Steve Pallardy, Barb Savio, Doris Littrel, Bonnie Gregg, Michael Paden and Marj Leavene.

Paden reported that this is the first benefit enrollment period using internet access. Roughly 6-700 people have taken advantage of this technology option.

Paden told of the comprehensive presentation to the Board of Curators program benefits and compensation in August, 2009. Prior to the presentation, Curators thought the UM system topped peer institutions in their support of employee benefits and compensation. Actually UM falls in a mid-line position. Employees contribute 43%, UM provides the other 57%. (This data includes tax deferred annuities.) There has been no response from Curators at this point but Paden does not feel this is a concern. Discussion followed with regard to the federal health care options. Paden believes that it is too early in the process to develop a plan of action.

Committee members also discussed the state plans to roll the UM system into the state benefits plan. UM continues to fight the merger; this merger would probably cost the UM system an additional \$60M/year more. Other items of concern are pharmacy management and coverage of autism costs (medical costs vs research costs).

Marj Leavene gave a brief update on The Health Connection. THC was successful in remaining open but partner negotiations have stalled

There was some discussion about the maximum age for dependents to be covered under an employee's medical insurance, i.e., Is principal support a valid requirement? This discussion was in response to an employee claim and request for an appeal process.

Future meeting date is to be determined. Hahn will contact members for possible dates in early December.

The meeting adjourned at 11:15 a.m.

Respectfully submitted,
Marjorie Leavene

Meeting Minutes: Dec. 17, 2009

Retiree, Health and Other Benefits Advisory Committee

Clydesdale Hall

Chairman Hahn called the meeting to order at 10:35 a.m.

In addition to the chair, those present included Jack Batterson, John Bauman, June Deweese, Bonnie Gregg, Marj Leavene, Michael Paden, Steve Pallardy, Leanne Peace, and Peter Wilden.

Hahn asked those present at the meeting to let him know if they get a ticket for parking in the AV16 parking lot to the west of Clydesdale Hall.

Leavene reported no news on the status of the Health Care partnership. Leavene and Hahn are assuming that everything is going as well as expected.

The new committee members, Steve Pallardy (Professor of Forestry) and Peter Wilden (Associate Professor of Medical Pharmacology), introduced themselves and the other committee members gave introductions.

Mike Paden answered questions about the pension plan. The total contribution, which includes both the UM and employee contributions, will be at about 7.6 to 7.7% next year, compared to the 6.12% for this year. In future years, the contribution rate will be much higher. The value of the pension plan has recovered nicely from the lows to about \$2.4 billion.

He went on to offer a brief comparison between the UM and the State of Missouri MOSERS (MO State Employee's Retirement System) Plan. UM contributes 6.12% while MOSERS contributes 13.75%. UM uses the 2.2 multiplier versus the 1.7 multiplier used by MOSERS. The MOSERS plan has more generous early retirement provisions and offers generous COLAs (Cost of Living Adjustments).

Some other universities require their employees to contribute as much as 5% to 5.5% versus the 1.25% that UM employees contribute. Batterson asked if there is an early indicator that would alert people to future pension cuts. Paden replied that, by law, the University is required to disclose to pension holders any serious discussions of any changes.

Another early indicator would be if discussions of pension matters appear on the agenda of the Board of Curators. For more information about the UM pension, please see "A review of salary and benefit programs", by Betsy Rodriguez and Michael Paden from the August 2009 Board of Curators' meeting.

For those people who might not know what a DB or DC is:

- A Defined Benefit Plan (DB) is a retirement program that provides the employee with a specific benefit at retirement. This plan calculates a benefit based on a formula, often a percentage of final average pay multiplied by the years of service. Benefits are payable as an annuity for the lifetime of the member, possibly continuing for the lifetime of his or her beneficiary. The retirement plan typically funds the cost of providing these benefits through a combination of employee contributions, employer contributions and investment return.

- A Defined Contribution plan (DC) is a retirement program where members each have an individual account that accumulates employee contributions and/or employer contributions and investment return. At termination of employment or retirement, the retirement benefit is solely determined by the account balance. Payment options often include lump sums as well as annuities that are limited by the account balances at the time of the annuity purchase

Among the peer institutions, only Texas, Texas A&M, Illinois, Penn State, and Ohio State offer a DB plan as well as a DC plan for faculty and staff, according to Mike Paden.

The University's plan offers a portability feature for people leaving the University prior to retirement. Funds can be transferred to a rollover IRA or to an eligible pension plan of a subsequent employer provided that that plan allows for the transfer of funds. UM does not allow new employees to transfer pension funds to the UM defined contribution plan.

Wilden asked what was being done to educate the faculty and staff about the various issues related to retirement and the retirement plans. Paden said that University Benefits offers a series of pre-retirement workshops where they bring someone in from Social Security, a financial planner, an estate planner and UM Representatives to discuss various issues that impact people upon their retirement. He went on to say that UM Faculty and Staff Benefits is not staffed to provide financial planning services for the faculty and staff. UM Faculty and

Staff Benefits, however, does provide workshops for faculty and staff on UM's overall benefits programs as well as giving talks at faculty and staff orientations.

Hahn asked how the healthcare discussions in Washington D.C. would impact UM. Paden said that if and when the new healthcare plan in Washington passes, it would impact the UM healthcare in some way. However it is too early to predict the ultimate outcome. UM has assembled a group from both the healthcare provider and purchaser sides to monitor the legislative process and outcomes. Included in this group are representatives from UM's Government Relations Office, led by Steve Knorr.

Every year there is discussion about ending the Defined Benefit plan. This would be a Board of Curator decision and most likely, if it ever happens, it would apply only to new employees hired after a certain date.

UM Faculty and Staff Benefits will be conducting an employee benefits survey using Hewitt Associates early next month. The goal is to measure Faculty and Staff perspectives on their benefit programs that are most meaningful to Faculty and Staff. Paden stressed that this survey is not being done as a way to see where the UM faculty and staff benefits budget can be cut, but rather, it is to help the university to put money and resources where it will do the most good.

When asked the status of a proposed merger of UM and State health and pension plans, Paden reported that the University continues to oppose the proposition. Combining the programs would cost UM an extra \$44-45 million per year.

Pallardy briefly discussed the Asset Liability Study that lead to a revised asset allocation for the Retirement, Disability, and Death Benefit Plan. The study determined that that adding new asset classes would help lower the market volatility and still provide stock-like returns. The major changes include increasing TIPs from 7% to 15%, increasing high yield bonds from 0% to 12%, and increasing emerging market debt from 0% to 5%. Thus the total fixed jumped from 24% to 47% of total assets in the plan. The stock exposure was reduced from 58.5% to 37% with the biggest change in allocation being in U.S. stocks from 32% to 15%. The results with the added asset classes (high yield bonds, emerging market debt) are better diversification and lower correlation. Paden reported that this is a normal process that occurs every few years. Paden reported that he is pleased with the new UM treasurer, and thinks he will do a good job. For more information about the asset allocation changes,

please see the Finance Committee's Oct. 22, 2009 PowerPoint presentation at the Board of Curators website.

Chairman Hahn proposed that the committee meet in late January, early to mid April, and again in May. He polled members for possible times and will work on possible dates after the holiday season.

The meeting adjourned at 11:30 a.m.

Respectfully submitted,
Jack Batterson, with the assistance of
Secretary Pro-Tem