

Retirement, Health and Other Benefits Advisory Committee

Feb. 28, 2013

Turner Ave Parking Garage

Items discussed:

Chair Doris Littrell called the meeting to order. Those present included: Lisa Wimmenauer (Who also serves as a member of the University of Missouri Retirement and Staff Benefits Committee), Doris Littrell, Stephen Pallardy, Jack Batterson, and Mary Ann Rotert.

Following the introduction of one new member, Mary Ann Rotert, to the rest of the committee, Lisa Wimmenauer answered questions that Jack Batterson sent in advance and answered other questions brought up during the meeting.

Retirement and Staff Benefits Committee:

Lisa provided background information on this committee and what it does. The overall committee charge is to administer the University of Missouri retirement program. It also serves as an advisory to University of Missouri President, Timothy M. Wolfe. HR Committee members are appointed by the President. Betsy Rodriguez is chair and Kelley Stuck is secretary. The committee worked actively on the implementation of the new retirement plan that went into effect on October 1, 2012. It now meets quarterly and is presently discussing the various aspects of the Affordable Care Act.

Lisa agreed to send communication points issued by this committee to Doris.

For a list of current members of this committee, please see:

<http://www.umsystem.edu/ums/hr/committee>

Affordable care act:

After holding several sessions to understand the law and its requirements, The Retirement and Staff Benefits Committee is now looking at which requirements are already covered and which ones need to be implemented into the University benefit and health plans.

Changes to the University plans in 2011:

*Expanded eligibility to age 26.

Changes made to the University health care plan in 2012 included:

*2012: The university must report the cost of the health plan reportable on W2 forms.

*Coverage for preventative care.

*Employers are required to provide a summary of benefits and stated in plain English.

*The act mandates 100% coverage to women for preventive services such as diabetes screening, sex counseling, and birth control.

There are also several changes for 2013 (From the University of Missouri Benefits website):

- An increase in the cost of receiving maintenance medications when purchased at a retail pharmacy under the myChoice Health Plan. The cost remains the same as 2012 for those medications if filled through the mail order program.
- A decrease in the Health Care Flexible Spending Account maximum limit from \$4,500 to \$2,500 for 2013 as required by law.
- An increase in the 2013 University contribution to the Health Savings Account (associated with myOptions) to \$400 individual or \$800 when two or more are covered.
- An increase in 2013 Health Savings Account maximum contribution limits to \$3,250 individual/\$6,450 family as determined by the IRS.
- The opportunity to earn \$100 through the Wellness Incentive for 2013.
- The elimination of the Long Term Care program due to no comparable plan being available to replace the previous plan.
- The right to decline or refuse coverage for contraception and sterilization coverage under Section 191.724, RSMo, contained in Senate Bill 749.

Steve asked if the UM health plan might eventually be considered a Cadillac plan and be taxed as such? Lisa replied that this is a big concern to the members of the Retirement and Staff Benefits Committee.

Finance Dept. updates:

The Finance Dept. meets with the Retirement and Staff Benefits Committee upon request to discuss the retirement plan. These are not regular meetings.

Long term care(LTC) insurance:

This industry is in a mess, and the committee is still trying to find a good product that will deliver something of value to employees. There will most likely not be any LTC plan in the next year or two. The committee will continue to monitor the options and will offer a plan if one becomes available. Long-time employees can still participate in the previous group plan. Very few vendors are even taking new participants, as the premium structure is not sustainable.

Why health plan premiums go up each year:

Claim experience accounts for 95% of cost increases. A big reason for the higher premiums is that a lot of the money goes to treat orthopedic issues with most of it going toward back problems. Depression is another major expense for the medical plan.

Nationwide, healthcare costs go up 10% a year while UM's costs are increasing at an average of 6% a year. Future costs will go up based on average age of employees at UM (average age is mid 40s), use of plan (higher educated seek more care), and employee bad habits. The University pays 73% or more of health care premiums to any employee group. Most recently, the employee premium increase was limited to 3% while the university's cost went up 7%. The difference in cost was subsidized by using the funds held in reserves. The best way to cut healthcare costs is to keep employees well.

Online cost comparison tools:

The University is seeking a tool that would provide employee cost estimates for operations or procedures in advance. These tools hard to find, costs in tools often lag by 6 to 12 months. Medicare covered procedures are negotiated and are easier to estimate.

Retirement Plan changes/conversation:

One positive as the result of employee contribution to the retirement plan is that employees are more engaged and trying to understand how it all works

The University received good employee feedback about the external management of the funds and the counseling offered without any incentive to sell a product. The electronic enrollment is also a huge benefit to employees.

The UM retirement plan had a 13.9% gain last year with the year ending on September 30, 2012. This compares to a 1.1% gain for the year ending on June 30, 2012 according to the Finance Office.

The plan's contribution rate is calculated by annual returns. The annual performance in excess or below 8% is smoothed over a 5 year period. This means UM recognized only 1/5 of the gain this year. This is a legal method of lowering the volatility of retirement plans. Also there has been discussion (nationally even) about that 8% rate and whether it should be lowered to keep funds viable for the long run. The committee frequently looks at the 8% number and evaluates it. The University has six employees in the retirement plan are that are more than 100 years old.

Steve expressed concern that the upside gain of the retirement plan is capped at 120% but there is no cap or protection on losses. Lisa emphasized more than once that the University is very committed to funding the retirement plan fully.

Doris said that cost of living raises (COLA) are rare for retirees. Lisa replied that very few employees choose to take the lower pension payment in return for getting automatic COLA each year. One committee member chose the COLA option. When the university announces a COLA for the retirement plan, those who choose the COLA option for their monthly check would get two COLAs in one year.

Lisa does not expect UM retirees would see any retirement plan COLA increases in the near future. It is better to retirement on or after October 1 because it counts as a full year when the university calculates the highest five years of earnings.

Communication:

Steve and Doris expressed concerns to Lisa about the lack of 2-way communication between our committee and the system-wide Retirement and Staff Benefits Committee that actually determines changes in the university benefits package.

Retirement buyouts (early retirement incentives):

This is one of the worst ways to manage deficits and is a short sighted solution. It is an act of desperation with long-term consequences. This will probably not be done again. The University does not want to downsize the employee population further because it causes disruption in staffing when several people retire within one department.

Voluntary Retirement Plans:

16% of UM employees are participating in the 403b and 457 voluntary retirement plans. An additional 600 employees signed up as the result of the new retirement plan. The focus is on getting current employees properly transitioned into the plan.

UM employees cannot buy stocks or ETFs within the retirement plan's brokerage window at Fidelity.

Steve expressed the concern about how the voluntary retirement plan is focused on going forward. For example, an employee cannot change the allocation in the old Fidelity plan. The money has to be transferred to the new Fidelity platform before any allocation changes can be made. Also there are differences in the withdrawal structures in each type of retirement plan (457, 401, and 403b). With the 403b, the employee can withdraw any amount at any time in lump sum or annuity payments. Lisa said that most people take the lump sum option even though the annuity option would give the employee more money in the long term.

Next meeting:

Doris will ask for a Fidelity representative to come and visit our committee in May, 2013. The committee agreed to meet after each quarterly meeting of the Retirement and Staff Benefits Committee.

Most useful links for the committee (provided by Jack Batterson):

<http://mura.missouri.edu/benefits-committee/>

Our committee meeting minutes are posted on the MU Retirees Association (MURA) web page. Also see the list of useful web sites and MURA's newsletters.

<http://committees.missouri.edu/retiree-benefits/index.php>

Our committee meeting minutes are also posted on the University of Missouri Standing Committee's web page.

<http://www.umsystem.edu/ums/hr/committee>

This is the system-wide Retirement and Staff benefits committee page with the link to the latest issue of the communication point "newsletter."

<http://www.umsystem.edu/curators/meetings/>

Retirement, benefit, and finance documents are posted in advance of each Board of Curator meeting.

<http://www.umsystem.edu/ums/fa/treasurer/retirement/>

Retirement plan information and returns are posted here.

<http://www.umsystem.edu/totalrewards/retirement>

UM Retirement info (on the right side is the list of upcoming retirement planning workshops)

<http://www.umsystem.edu/totalrewards/retirement/retiree-estimate/>

The University Retirement plan calculator that estimates your retirement benefits.

<http://www.moga.mo.gov/htmlpages/indexnew.html>

For information on the current Missouri House and Senate bills as well as the section on possible changes to public retirement plans in Missouri.

<https://uminfopoint.umsystem.edu/sites/hr/Benefits/2013/myChoice%20Formulary.pdf>

See this for the most common drugs found in the 2013 Express Scripts Formulary.

<http://www.aarp.org/health/>

See this for updates on the new health care plan along with other useful health information.

<https://www.smart911.com>

Anyone may put their health information in the 911 web site so that Police, Fire and EMS will already know your health situation when they respond to 911 calls.

Respectfully submitted,

Jack Batterson

Secretary Pro Tem (With Thanks to Mary Rotert for providing her notes to me)