

Welfare Committee Report November Senate meeting

I. Health care premiums and university benefits

The welfare committee has been actively working on several items for the senate. In response to a question from a faculty member concerning the increase in “two EKV employee+family” health care insurance premium, we met with Wally Skiba in benefits and his response is listed below. The premium rate structure was discussed and approved at last year’s university benefits committee.

-----Original Message-----

From: "Skiba, Wally" <Wally.Skiba@EKU.EDU>
To: "Collins, Larry" <Larry.Collins@EKU.EDU>
Cc: "Barksdale, Gary" <Gary.Barksdale@EKU.EDU>; "Tyree, Tarena" <Tarena.Mills@EKU.EDU>
Sent: 10/25/06 2:55 PM
Subject: Health Benefit Cost

As I understand the question; Why did the Two Employee's and Family go up so much?"

The Benefits committee received the rates and agreed to add greater deduction for the Employee + Child(s), and increase the rates according to the following :

- * We are Self Insured, therefore the rates we charge are based upon utilization (Dr's, RX, Hospitals, and Mental Health) and administrative fees.
- * This year we expect to pay out 11 Million dollars. The funds to pay these bills come from the Universities contributions and the Premium paid by the participants.
- * The past year actual expenses are reviewed by our Health Care Consultants (Neace Lukens and Artemetrx) and based on the utilization of each group (Single, Employee + Spouse, Employee + child(s), Employee + family and Two Employees + family, Premiums are recommended.
- * The Premium for Two Employees + family is significantly less than that of an Employee + family (\$180.10 vs. \$415.42). Both receive the same level of coverage.
- * Each employee receives the same contribution from the University as a Single Employee \$333.48 x 2= \$666.98. This group also incurred the highest level of usage and cost of the plan.

Therefore the rates for 2006 -2007, based on their utilization for the prior year, required us to go up significantly. The two employees working at EKV still receive a significant deduction in cost of \$225.32 for same level of coverage and benefit.

Wally Skiba, SPHR
Manager Benefits and Compensation
Eastern Kentucky University
859-622-5893

Its worth mentioning that the university benefits committee has been charged with conducting a comprehensive review of the compensation and benefit package for all university employees and comparing that to our benchmarks. The committee has already started that process and by the time senate meets, we will have met twice on that task.

II. Unfunded Liability of the Optional Retirement Program (ORP)

In a second matter, the unfunded liability of the optional retirement program was discussed. Mr. Gary Barksdale described the problem in the following letter to explain the situation:

Date: October 12, 2006
To: Dr. Larry Collins, Chair Faculty Welfare Committee
From: Gary Barksdale, Director Human Resources
Re: Optional Retirement Plan (ORP)

Prior to July 1, 1996, faculty and professional staff at five of Kentucky's institutions (Eastern Kentucky University, Kentucky State University, Morehead State University, Murray State University, and Western Kentucky University) were required to participate in the Kentucky Teachers' Retirement (KTRS) as a condition of employment. Recognizing the importance of a retirement plan that was portable with new faculty and staff, the 1994 General Assembly authorized the creation of the Optional Retirement Plan (ORP). The University of Kentucky, University of Louisville and Northern Kentucky University all offer portable defined contribution retirement plans and do not participate in KTRS. The ORP is also a defined contribution plan.

The ORP was designed as a defined contribution plan which provides separate retirement accounts for each participant. Retirement benefits to participants are based solely on plan contributions (employer and employee) and provided by the funding (investment options) selected by the participant.

Originally, the selection of the ORP (as an alternative to KTRS) was an irrevocable decision made upon initial employment. Effective, July 1, 2004, and as authorized by the Kentucky General Assembly, ORP participants have the option of making a "one time life time" decision to terminate participation in the ORP and elect KTRS as their retirement plan. Upon terminating participation in the ORP, there is no transferable service credit or funds from the ORP to KTRS.

As a condition of the creation of ORP, state statute created an unfunded liability (or debt) to KTRS to replace the funds that would be lost by those potential members electing to participate in the ORP. This debt is to be repaid by July 1, 2018. The statute did not specify the terms of the repayment of this debt and allows KTRS to change the contribution rate (the amount contributed to KTRS) based upon an annual third party actuarial study. As the amount of this unfunded liability increases, the amount contributed to the individual accounts of the ORP participants decreases. It is important to note that the increase in the unfunded liability to the ORP is designed to shore up KTRS and does not have a current or future benefit to the ORP participants. As such, KTRS benefits from the mandated unfunded liability contribution.

The table presented below indicates the ORP contribution history July 1, 1996 to present.

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Date	Total Employer Contribution %	% to Employee's ORP Account	% to KTRS as unfunded liability
1 July 1996	13.84	8.10	5.74
1 July 1997	13.84	7.90	5.94
1 July 1998	13.84	7.98	5.86
1 July 1999	13.84	10.71	3.13
1 July 2000	13.84	10.76	3.08
1 July 2001	13.84	10.06	3.78
1 July 2002	13.84	9.26	4.58
1 July 2003	13.84	8.21	5.63
1 July 2004	13.84	7.23	6.61
1 July 2005	14.84	6.66	8.18
1 July 2005	16.09	6.66	9.43

Optional Retirement Plan Document

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The University's contribution to KTRS (noted above at 13.84%) has remained constant through these years. This 13.84% is broken down as follows: 10.59% goes to each KTRS member's account and 3.25 to a KTRS unfunded liability. **

Comparing the 10.59% that each KTRS member is credited to the 6.66% ORP participant contribution demonstrates that the KTRS members are not being adversely affected by the University's decision to augment the ORP employer contribution.

As we work to recruit and retain faculty, it is critical that we maintain a retirement plan that is competitive. Many new faculty members desire a retirement system that is portable and does not require 27 years of service with the same institution or system for full retirement. This is especially the case when recruiting faculty for associate, full professors, and chair positions. By comparison, under the 5/10 plans of the University of Kentucky, University of Louisville, and Northern Kentucky University have a 5/10 plan (which appears to be a conservative contribution rate), the faculty member contributes 5% and the universities contribute 10% to the retirement plan.

All of the regional universities have expressed concerns that the increasing cost of the unfunded liability is adversely affecting faculty recruitment. Western Kentucky University has also augmented the WKU's ORP contribution for the past two years.

The Kentucky Council on Postsecondary Education has established an Optional Retirement Workgroup to propose recommended solutions to the ORP problem. This group which is comprised of legal counsel and human resource personnel from each of the affected universities is set to begin work on October 20th.

I will keep you apprised of any further developments on this matter.

** From White Paper "The Declining Status of the Optional Retirement Plan (ORP) at Kentucky's Comprehensive Universities as presented by Western Kentucky University.

C: President Joanne Glasser
Dr. James Chapman, Provost
Debbie Newsom, Vice President Financial Affairs
Virginia Underwood, Executive Director, Policy, Compliance & Governance

III Trend Analysis of Faculty Lines, Staff positions and Administrative Positions

Finally, the committee is also working on the trend analysis of faculty lines and administrative/staff positions for the past several years. We are pursuing this along three different lines:

- (1) We consulted the university roster and are attempting to acquire a copies of or access to it for several recent years.
- (2) Dr. Bethany Miller in Institutional Research is in the process of providing us with a copy of the IPED and AAUP data that ECU reports annually describing the number of employees in various faculty and administrative/staff positions by rank, ethnicity, gender, etc.
- (3) One suggestion from Provost Chapman was to run banner reports for several years concerning faculty FTE lines, etc. I am talking with Jennifer Allen in the EEOC and Jeremiah Duerson in Information Technology to determine if they can run these types of reports for us. Mr. Duerson believes its possible to run full-time faculty, full-time staff, etc. so I am optimistic that we may have better information for the senate in future meetings.