



# Benefits Task Force

Campus Open Forum



# Benefits Task Force Charges

Benefits Task Force members are asked to think broadly and institutionally in fulfilling a charge to **represent the best interests of the university as a whole rather than the interests of any one constituent group**. Task Force members will be charged to address the following:

1. **Benefits Philosophy:** Early in the process, review the university's benefits philosophy statement and provide any recommendations for review and consideration by the Vice President for Finance and Administration in consultation with the President's Cabinet.
2. **Communication:** Communicate with the broader campus community about its charge, general timeline, approach to the work, opportunities for input, progress toward fulfilling the charge, and ultimately its recommendations and supporting rationale.
3. **Benefits Value and Priority:** Evaluate Puget Sound's overall benefits structure and benefits components relative to the university's Benefits Philosophy. ***Seek input from the broader campus community to understand faculty and staff members' benefits interests and to determine how they value and prioritize components of the university's benefits program*** relative to the other components to gain a clear sense of priority.

# Benefits Task Force Charges

4. **Cost and Market Comparison:** Evaluate the cost of Puget Sound's overall benefits structure and major benefit components relative to peers and other applicable market data. Consider cost of total benefits and major benefits components as a percentage of salaries and/or per FTE in comparison to available peer data and general market data as applicable/appropriate.
5. **Specific Benefit Requests:** Consider and address questions, concerns, and requests for new or enriched benefits that have come forward from applicable Faculty and Staff committees or individuals, in keeping with Benefits Philosophy and fiscal parameters.
6. **Modeling:** Test the ongoing financial viability of the benefits program, including any recommended changes, by forecasting the cost of total benefits in comparison to forecasted available funding within the university's overall budget model.
7. **Recommendations:** Develop and prioritize recommendations for review and consideration by the President's Cabinet. Any significant new benefit or significant change in existing benefits requires Board of Trustee approval. *Recommendations must be cost-neutral and fit within projected budget availability within the university's long range budget modeling tool that reflects projected enrollment, revenues, and costs to achieve a balanced budget.*
8. **Written Report:** By December 15, 2018, deliver a written report that responds to the Task Force charge.

# Then & Now

- **Last BenTF (2012)**
  - Education benefits crisis - Demise NIC Exchange
  - Healthcare benefits
    - Group Health to Premera
    - Shift to high deductible with university-funded HRA
- **Current BenTF**
  - No immediate 2012-style crisis, some new needs/demands from faculty, significant budgetary challenges and the budget neutrality mandate
  - Areas of Interest/Groups that BenTF has engaged with so far:
    - Family Leave Ad Hoc Committee
    - Education Benefits Committee

# Timeline



- Fall 2017 – Review benefits and educate committee members
- Spring 2018 – Obtain community feedback; Benchmarking - gather comparative data on benefits plans
- Fall 2018 – Deliberate and formulate recommendations
- December 15, 2018 – Final Report to Cabinet
- January 2020 – Benefits package in effect



# Benefits Task Force Members

## **Co-Chairs (ex officio):**

Cindy Matern P'09, P'11, Associate Vice President for Human Resources / Career and Employment Services  
Katie Holmes '01, Director of Compensation and Benefits

## **Faculty members:**

Sara Freeman '95, Associate Professor, Theatre  
Benjamin Lewin, Professor, Sociology and Anthropology  
David Sousa, Professor, Politics and Government

## **Staff members:**

Ricky Nieto '07, Purchasing Clerk, Dining and Conference Services  
Anne Smith '06, Associate Director of Database Records, University Relations  
Kristen Spiese '92, Development Manager, Technology Services

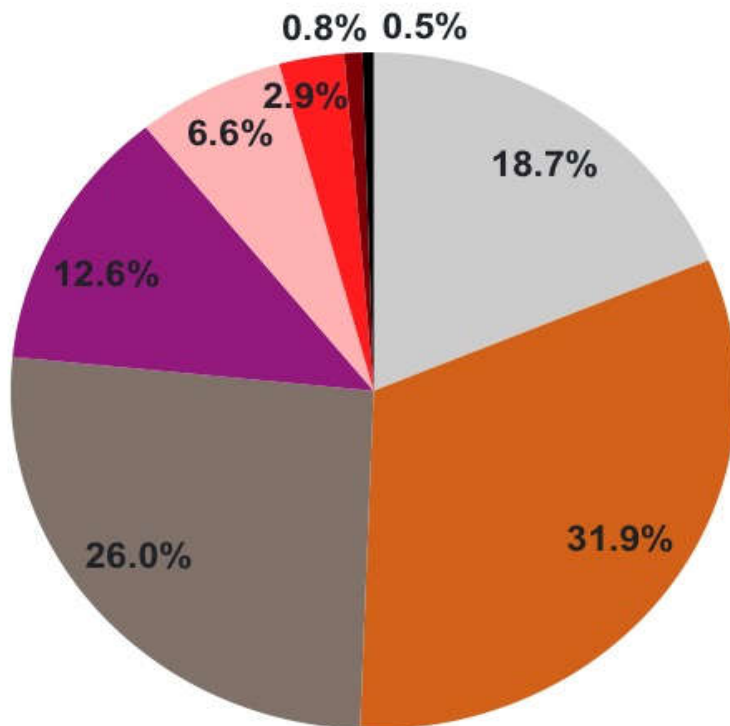
## **Supporting roles:**

Administrative support: Lori Johnson, Finance and Administration  
Subject matter support: Kenni Simons, Benefits Manager  
Financial modeling support: Janet Hallman '84, Associate Vice President for Financial Planning and Analysis  
Survey and data support: Ellen Peters P'19, Director of Institutional Research and Retention

# Review of Current Benefits

- Largest components take over 70% of benefits budget
- The “Big Three” categories, 2018-19
  - **Medical insurance:** 31.9% of benefits budget, \$6.71 million
  - **Retirement contributions:** 26.0% of benefits budget, \$5.47 million
  - **Education benefits:** 12.6% of benefits budget, \$2.65 million

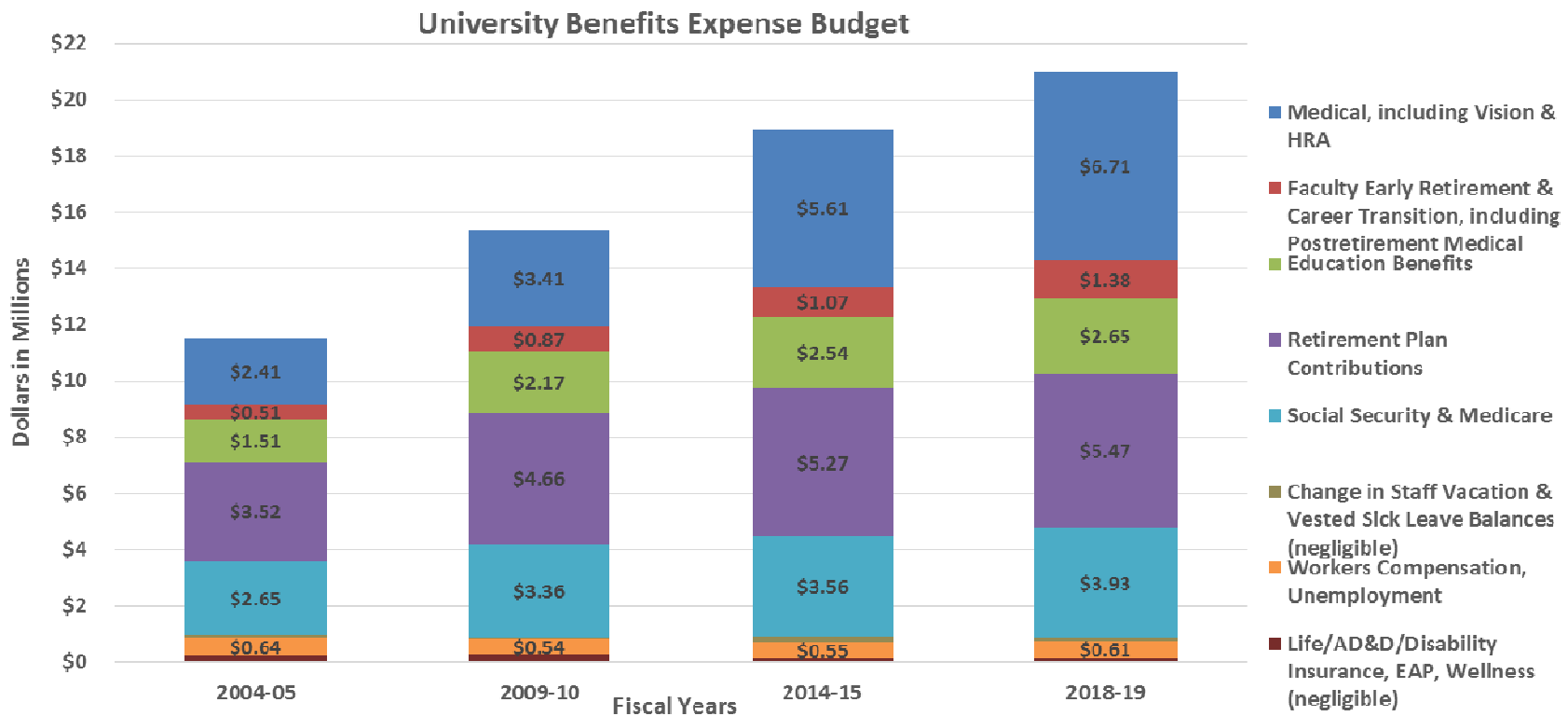
# 2018-19 Benefit Budget: \$21 Million



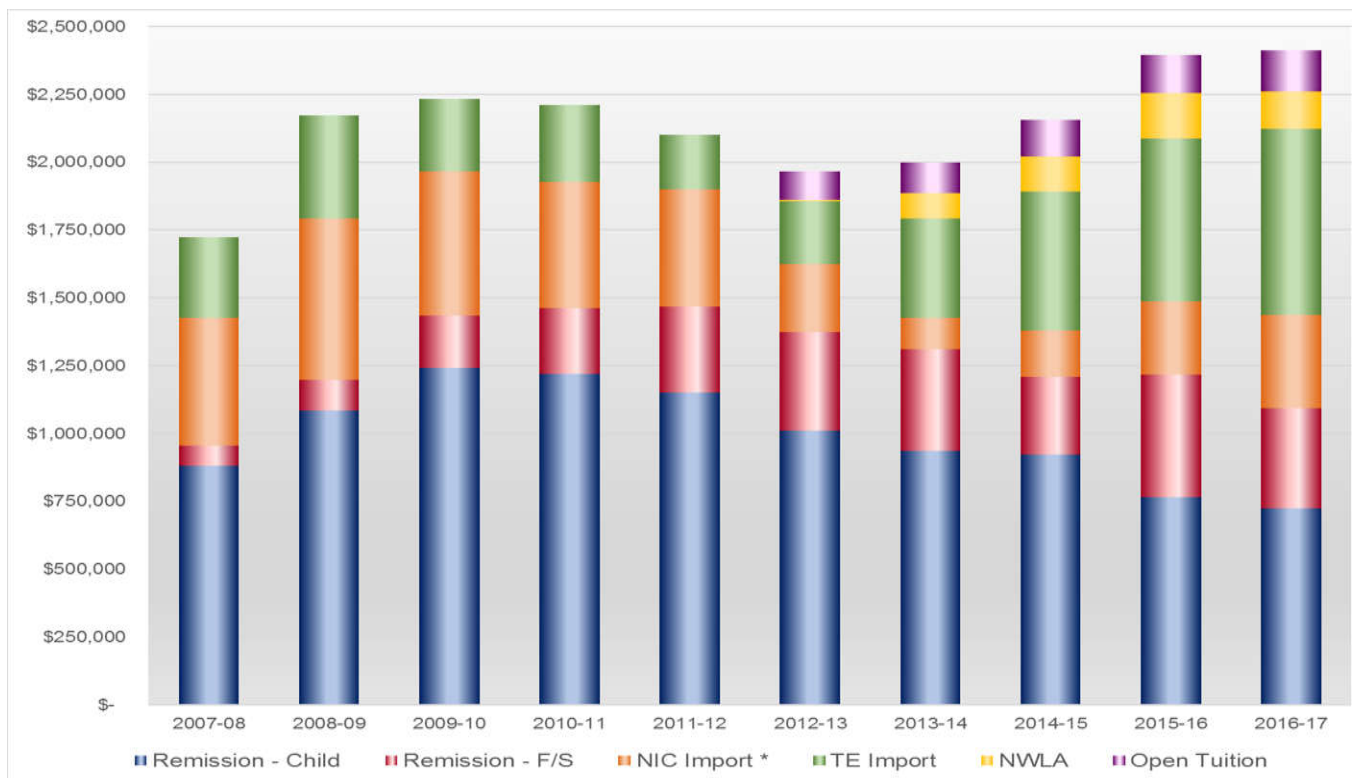
- Social Security & Medicare (Employer Share): \$3.93 mill
- Medical, incl. Vision & HRA: \$6.71 mill
- Retirement Plan Contributions: \$5.47 mill
- Education Benefits: \$2.65 mill
- Faculty Early Retirement & Career Change & Postretirement Medical Plans: \$1.38 mill
- Workers Comp, Unemployment: \$.61 mill
- Life/AD&D/Disability Ins., EAP, Wellness: \$.15 mill
- Change in Staff Vacation & Vested Sick Leave Balances: \$.1 mill



# How have benefit expenses at Puget Sound changed over time?

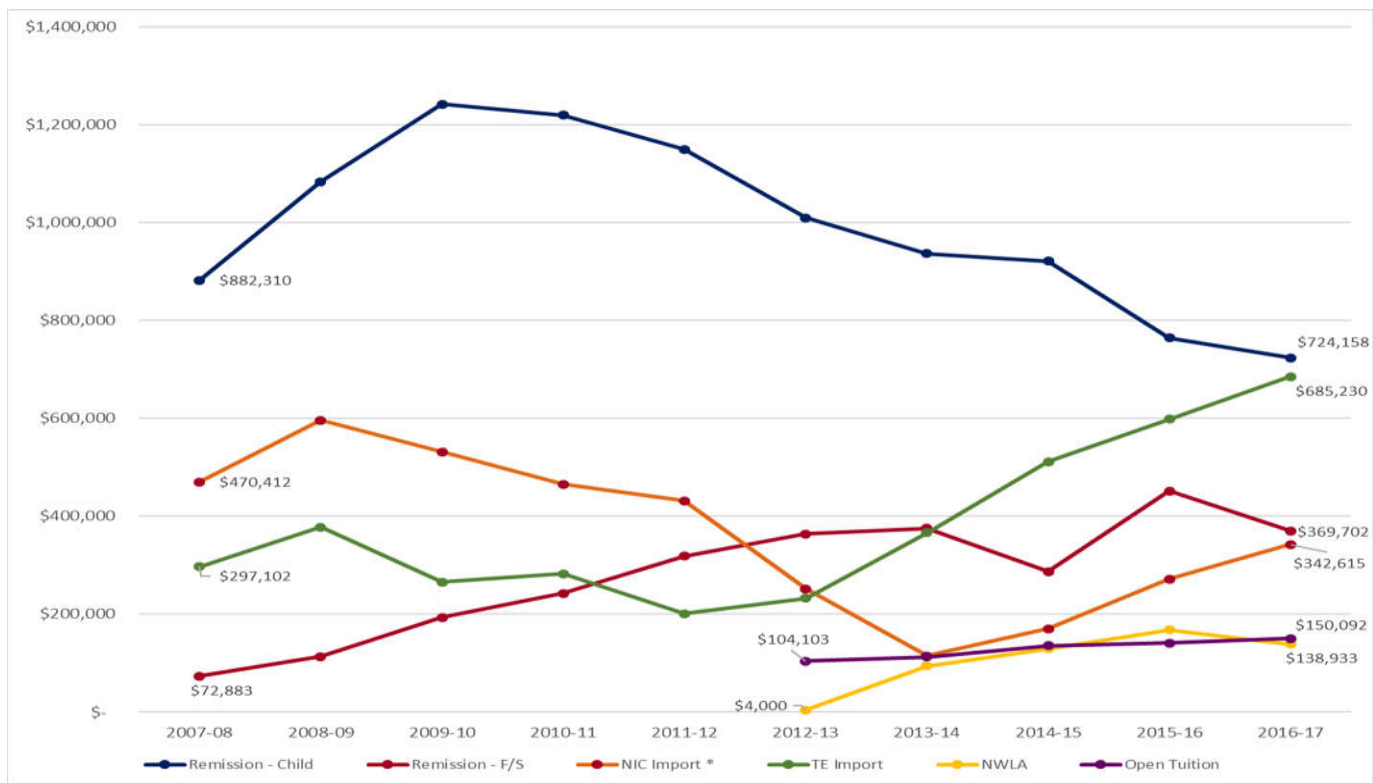


# Education Benefits Expense by Year



\* NIC exchange program sunset and is no longer open to new applicants

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# What has caused benefit expenses to increase?



|  | 14-Year    |         |
|--|------------|---------|
| Source of increase:  | Cumulative | Average |
| Increase in cost of benefits (benefits per faculty and staff member) | 75.8%      | 5.4%    |
| Increase in number of benefits-eligible faculty and staff            | 6.1%       | 0.4%    |
| Total increase   | 81.9%      | 5.8%    |

|   | 14-Year    |         |
|---|------------|---------|
| 2004 - 2017 Inflation (change in Consumer Price Index): | Cumulative | Average |
| National  | 33.2%      | 2.4%    |
| Regional  | 36.6%      | 2.6%    |

# Why are benefits costs increasing at more than double the rate of inflation?



| Average annual increase in individual benefit costs, highest to lowest:        | 14-Year Average |
|--|-----------------|
| Medical, in line with medical trend (medical cost inflation in the U.S.)       | 12.1%           |
| Faculty early retirement & career transition, including postretirement medical | 11.4%           |
| Education benefits (Puget Sound tuition increases averaged 4.5% )              | 5.0%            |
| Increases linked to salary budget increases that averaged 3.4%:                |                 |
| Retirement plan contributions  | 3.6%            |
| Social Security and Medicare   | 3.1%            |
| Change in staff vacation and vested sick leave balances                        | 2.9%            |
| Workers compensation and unemployment  | -0.5%           |
| Life/AD&D/disability insurance, EAP, wellness                                  | -2.6%           |

# Salary and Benefits Increases

Over the past 14 years:

- Benefit expenses increased by an average of 5.4% per year because of cost increases
- Salary budgets increased on average by 3.4%
- Annual inflation averaged 2.4% nationally and 2.6% regionally

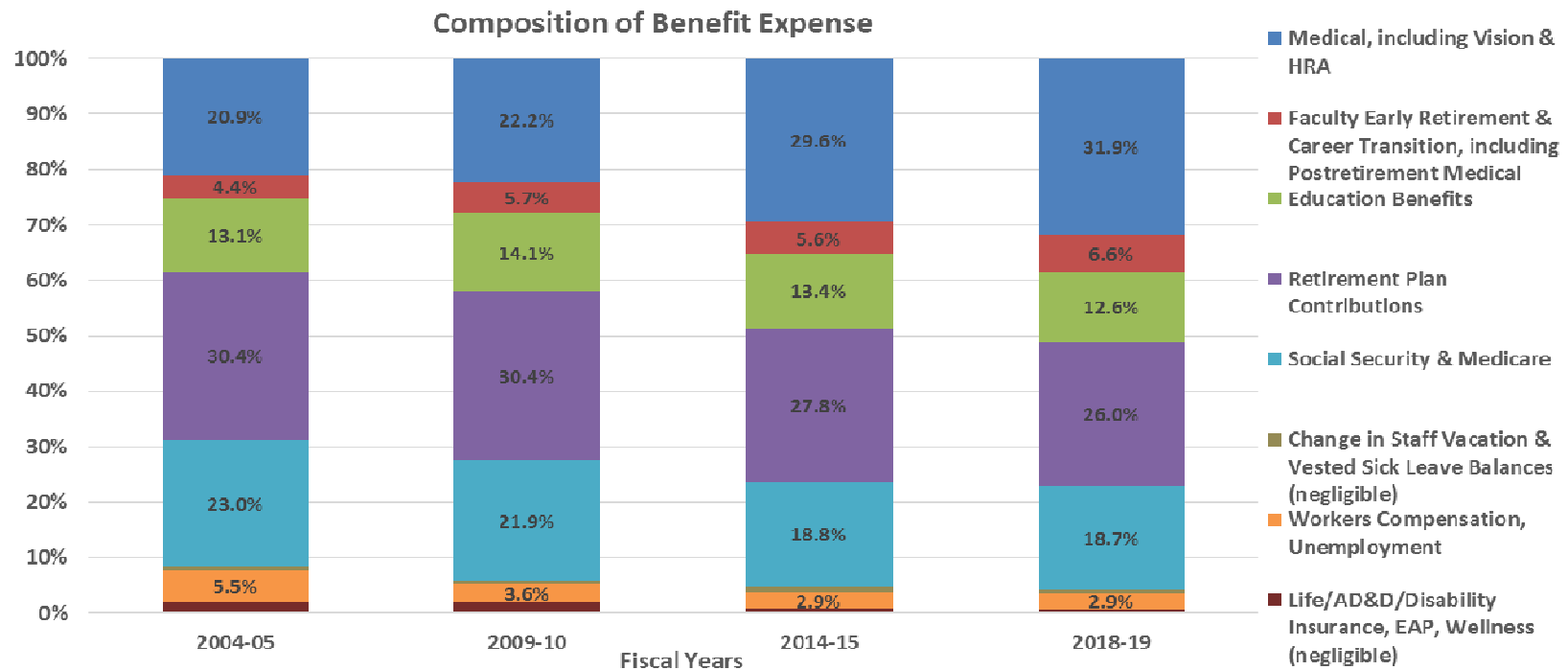
# Faculty and Staff Benefit Rates

- With the cost of benefits increasing at a faster pace than salaries, Puget Sound faculty and staff benefit rates\* have increased.

\*Benefit Rate = Benefits as a % of Salaries

| Benefits as a % of Salaries by Fiscal Year |         |                  |         |         |
|--|---------|------------------|---------|---------|
|  | 2004-05 | 2009-10          | 2014-15 | 2018-19 |
| Faculty with full benefits                 | 32.4%   | 35.3%            | 38.0%   | 40.4%   |
|  |         | 14-year increase |         | 8.0%    |
| Staff with full benefits                   | 35.4%   | 37.1%            | 41.9%   | 42.2%   |
|  |         | 14-year increase |         | 6.8%    |

# How have the different rates of increase changed the composition of benefits expense?





# How have the different rates of increase changed the composition of benefits expense?



- Puget Sound has spent significantly more over time to provide the same level of benefits.
- Medical-related benefits have become a much larger part of the total benefits budget because medical costs have increased at a much faster rate than other benefit costs.
- The increase in Puget Sound's medical benefits is in line with medical cost inflation in the U.S. (medical trend).

# Preliminary Benchmarking Example: Health Insurance



2017 Educational & Institutional Insurance  
Administrators(EIIA) Employee Benefits Benchmark  
Report, Milliman Northwest Benefits Survey, and  
College & University Professional Association for  
Human Resources (CUPA-HR)

# University of Puget Sound: 2017 Individual

## Deductible \$1,500

**INDIVIDUAL DEDUCTIBLE** – For the health plan with the majority of members enrolled, what is the **INDIVIDUAL** in-network deductible?



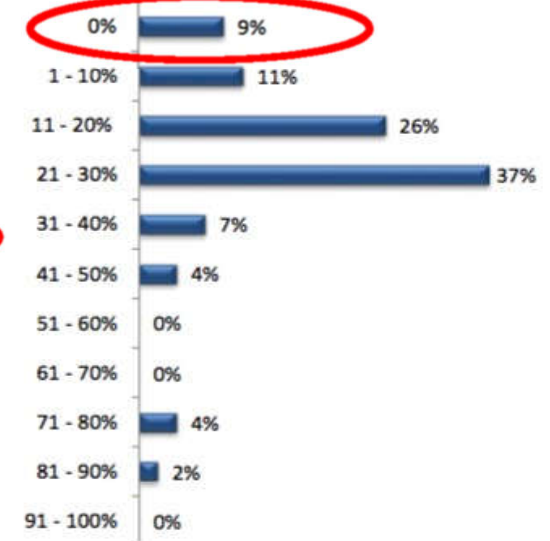
## Premium \$7,980

**SINGLE PREMIUM** – For the health plan with the majority of members enrolled, what is the average annual total (employee and employer) premium for **SINGLE** coverage?



## Employee Contribution 0%

**EMPLOYEE CONTRIBUTION FOR SINGLE** – What average percent of the total premium is paid by the employee for **SINGLE** coverage?



# University of Puget Sound: 2017 Family\*

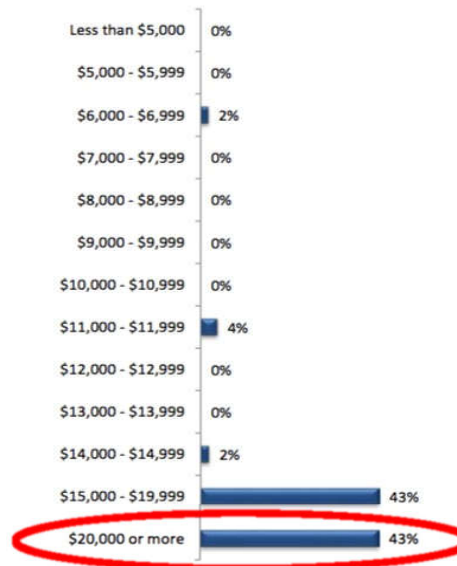
Deductible  
**\$3,000**

**FAMILY DEDUCTIBLE** – For the health plan with the majority of members enrolled, what is the FAMILY in-network deductible?



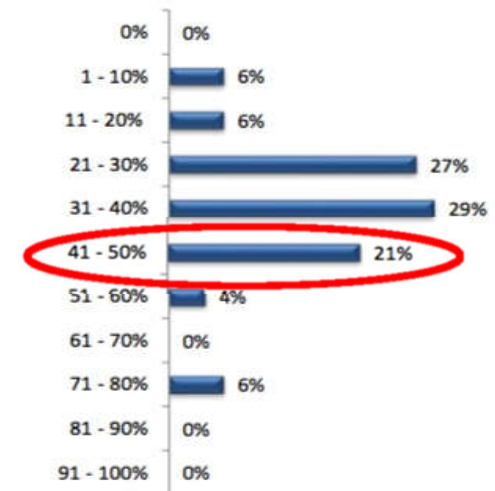
Premium  
**\$23,952**

**FAMILY PREMIUM** – For the health plan with the majority of members enrolled, what is the average annual total (employee and employer) premium for FAMILY coverage?



Employee Contribution  
**41.6%**

**EMPLOYEE CONTRIBUTION FOR FAMILY** – What average percent of the total premium is paid by the employee for FAMILY coverage?



\*Spouse/Partner & Child(ren)



# Additional Benchmarking

- Retirement Contributions
- Education Benefits

# Example 1

## Medical Premiums

Support the funding of medical premiums for family members by increasing the amount the university contributes towards spouse/partner, child and family premiums

Budget Impact – Moves \$550,000 in funding from employee only coverage to families

- Increase spouse/partner contribution from 25% to 50%
- Increase child(ren) contribution from 50% to 75%
- Decrease contribution to employee coverage from 100% to 90%

## Example 2a

### HRA Funding/Retirement

Increase funding contribution to the Health Reimbursement Arrangement (HRA) to fully fund the annual cost of individual and family deductibles

Budget Impact – Moves \$490,000 in funding from the retirement plan to the HRA

- Increase annual individual HRA contribution to \$1,500; annual rollover cap remains \$1,500
- Increase annual spouse/partner, child and family HRA contribution to \$3,000; annual rollover cap remains \$3,000
- Reduce faculty and exempt staff retirement contributions from 12% to 10.75%
- Reduce nonexempt staff retirement contributions from 10% to 9.5%

## Example 2b

### HRA Funding/Spouse Coverage

Increase funding contribution to the Health Reimbursement Arrangement (HRA) for individuals

Budget Impact – Moves \$180,000 in funding from spouse/partner medical premium contributions to individual HRA contributions

- Increase annual individual HRA contribution from \$750 to \$1,300; HRA annual maximum balance of \$1,500
- Family HRA contribution remains \$1,500
- Eliminate university contribution to spouse/partner medical and vision premiums
- May still enroll spouse/partner in benefit by paying 100% of premiums



## Example 2c

### Open Tuition/HRA Funding

Reduce education benefits to fully fund Health Reimbursement Arrangement (HRA) contributions for individuals

Budget Impact – Moves \$280,000 in funding from the education budget to individual HRA contributions

- Increase annual individual HRA contribution to \$1,500
- Eliminate the open tuition scholarship (dependent benefit)
- Reduce overall faculty/staff tuition remission budget by \$40,000 (faculty/staff benefit)

## Example 3

### Open Tuition Scholarship

Make the full open tuition scholarship available to staff and faculty dependents as soon as the individual employee has completed 5 years of service

Budget Impact – Shifts allocation of funds within the existing open tuition scholarship budget

- All staff and faculty dependents will be eligible for the maximum open tuition scholarship benefit after 5 years of service
- Maximum annual benefit will decrease from \$10,800 to \$8,000

## Example 4 – In Development

### Faculty Retirement

We are in the process of exploring a model that might modify or cap the current faculty Early Retirement plan, create a faculty phased retirement plan, and fund faculty parental leave benefits to make the new Washington State parental leave law functional in faculty teaching schedules.

- Grandfather Faculty Early Retirement Plan
- Introduce Faculty Phased Retirement Plan
- Fund faculty parental leave benefits



## Additional Voluntary Plans

In 2018, the university switched our vision plan from Premera to Vision Service Plan (VSP). A voluntary buy-up option was added for those who wanted to add coverage for glasses/contacts.

Please consider if there are other voluntary options or plans that you would be interested in purchasing. Some examples would be:

- Buy-up dental plan that increases the orthodontia coverage
- Long-Term Care Insurance
- Pet Insurance
- Aflac

Questions?



# Look for the Benefits Task Force Survey in April

Additional questions or comments? Contact us at  
[benefits@pugetsound.edu](mailto:benefits@pugetsound.edu)