



TO: Faculty and Staff
FROM: Education Benefits Committee (EBC)
DATE:
SUBJECT: Annual Report from the Education Benefits Committee (EBC)

I. Introduction and Overview

The university seeks to minimize abrupt changes in the education benefits program given the importance of the benefit for faculty and staff as they plan for the education of their dependent children. In order to facilitate long-range planning and communication of changes, the Education Benefits Committee (EBC) was formed in fall 2013, in response to the 2012 recommendation of the ad hoc Benefits Task Force (BenTF), which recognized the importance of ongoing monitoring and assessment of education benefits. The committee is charged with analyzing faculty, staff and dependent demographic information, monitoring education benefits utilization and trends, developing short- and long-term cost projections, and making annual recommendations to the vice president for finance and administration (VPFA) in the context of competitive compensation, a balanced benefits budget and university budget.

Committee members are appointed by the VPFA in consultation with the academic vice president and chair of the faculty senate. The committee includes one to two faculty, one to two staff, and one to two human resources representatives. One of the human resources representatives serves as chair. Members typically serve at least two years given the complexity of issues associated with education benefits and the steep learning curve involved. Faculty and staff serving on the committee for FY2019-20 included:

- Kenni Simons (chair), Total Rewards Manager, Human Resources
- Peter Sullivan, Assistant Professor of Economics
- Darci Sak, Enrollment Data Analyst, Admission

The EBC seeks to balance two competing interests. On the one hand, we want to provide the maximum education benefit for current faculty, staff, and their families, consistent with the education benefits budget. On the other hand, we don't want to create an education benefit program that is unsustainable, and then have to cut the program for future recipients.

Benefits Available

There are four categories for education benefits currently available to faculty and staff. A description of each benefit can be found in the Education Benefits Policy, found [here](#).

- University of Puget Sound Tuition Remission (Remission)
- National Tuition Exchange Scholarship (TE)
- Northwest Liberal Arts Scholarship (NWLA) – Available to faculty and staff hired prior to July 1, 2012
- Open Tuition Scholarship (OT)

Current Status

During the last year, the EBC analyzed actual benefit utilization and expense data against an average of the previous five years. Simultaneously, the EBC updated projected benefit usage through AY2030 with the demographic information collected in late 2019. Based on the analysis, the EBC has the following findings:

- Remission is not currently used as heavily as in the past, though it remains the most costly of the benefits. Less than 20% of the benefit-eligible dependents use this benefit and it accounts for approximately 45% of the education benefits expense. We don't anticipate any large changes in average usage over the next few years. We do anticipate that the per student cost of the remission benefit will continue to rise, and we have accounted for this in the model by using the modeled tuition increases in the university's long range financial model, which is subject to change.
- The university is currently in good standing with the National Tuition Exchange (TE), meaning we are importing a sufficient number of students in relation to the number we export to other schools. Human Resources will continue to monitor our status with the TE and make adjustments to the number of scholarships as necessary to ensure the university remains in good standing.
- The EBC will continue to track actual benefit usage and expenses against the budget and future projections and consider whether to recommend changes to the benefit on an annual basis. Detailed utilization information and modeling methods and results may be found in sections II and III, below.
- The EBC also wants to remind parents that children are eligible for education benefits only if they are considered dependents by the IRS; under current IRS guidelines, dependent children must be younger than 24 years old (unless they are permanently and totally disabled).

II. Education Benefits Utilization for 2017-18, 2018-19 and 2019-20

Table 1 below shows the number of dependents who have utilized various types of education benefits over the past three years. Table 2 shows the education benefit expenses for those same years.

Table 1. Education benefits utilization for 2017-18, 2018-19 and 2019-20

ACTUAL UTILIZATION 2017-18	Remission	TE Exports	TE Imports	NIC Exports	NIC Imports	NWLA	Open Tuition	GF Cash Grant	No Benefits Used
Freshman	2	5	3	0	0	2	8	0	
Sophomore	3	1	6	0	0	0	4	0	
Junior	6	1	2	2	4	1	12	0	
Senior	3	1	2	1	6	2	1	0	
Total	14	8	13	3	10	5	25	0	43
Distribution of eligible Puget Sound dependents (98 eligible dependents born 9/2/1995-9/1/1999)	14%	8%		3%		5%	26%	0%	44%
ACTUAL UTILIZATION 2018-19	Remission	TE Exports	TE Imports	NIC Exports	NIC Imports	NWLA	Open Tuition	GF Cash Grant	No Benefits Used
Freshman	7	2	3	0	0	1	11	0	
Sophomore	2	5	2	0	0	2	8	0	
Junior	2	1	8	0	0	0	4	0	
Senior	6	1	2	2	3	1	11	0	
Total	17	9	15	2	3	4	34	0	42
Distribution of eligible Puget Sound dependents (108 eligible dependents born 9/2/1996-9/1/2000)	16%	8%		2%		4%	31%		39%
ACTUAL UTILIZATION 2019-20	Remission	TE Exports	TE Imports	NIC Exports	NIC Imports	NWLA	Open Tuition	GF Cash Grant	No Benefits Used
Freshman	2	1	3	0	0	3	7	0	
Sophomore	4	1	3	0	0	1	9	0	
Junior	2	5	2	0	0	2	6	0	
Senior	2	1	4	0	0	0	6	0	
Total	10	8	12	0	0	6	28	0	40
Distribution of eligible Puget Sound dependents (92 eligible dependents born 9/2/1997-9/1/2001)	11%	9%				7%	30%		43%

Table 2. Education benefits expenses for 2017-18, 2018-19 and 2019-20

Year	Remission	TE Imports	NIC Imports	NWLA	Open Tuition	Other Benefits ^a	Total Expenses	Budget
2017-18	\$644,936	\$455,000	\$478,400	\$146,339	\$172,927	\$358,790	\$2,256,392	\$2,750,000
2018-19	\$823,113	\$432,000	\$99,020	\$115,214	\$240,482	\$396,434	\$2,107,133	\$2,649,000
2019-20	\$467,920	\$407,000	0 ^b	\$194,745	\$206,559	\$219,963	\$1,497,056	\$2,589,000

^a “Other benefits” are tuition remission benefits utilized by faculty and staff members or their spouses/partners.

^b The NIC benefit has sunset. The last remaining seniors eligible for the benefit graduated in 2019 .

Given uncertainties inherent in forecasting, it is possible that education benefit expenses may exceed the budget in some future years, but an education benefits reserve fund (EBRF) was established to handle such situations. Unused funds from the education benefits budget were placed into the EBRF until it reached a cap of \$1,250,000. This fund can be used to handle fluctuations in usage that may result in periods when education benefit utilization exceeds the budget.

III. Modeling Methods and Results

The model incorporates demographic data provided by faculty and staff upon hire or from the survey of dependents that is included as part of benefits enrollment process each year.

We assume that the eligible dependents that reach college age during a given year comprise the pool from which new students accessing the education benefits come (with the exception of dependents from other institutions receiving a tuition exchange scholarship from Puget Sound, i.e., TE imports in the model). We further assume that ongoing students will continue accessing the same education benefits for four years in a row. Both of these assumptions are oversimplifications (e.g., some TE dependents are younger or older than others when they graduate from high school, some dependents take a gap year following high school and then enroll in college). While breakdowns in these assumptions will change the exact numbers that enroll in any given year, the EBC’s modeling approach should provide a reasonable estimate of usage over a multi-year time frame.

Table 3 shows our current projections for the number of benefits eligible dependents reaching college age in each of the next 10 years. “College age” in our model is defined as being age 18-22 as of September 1 of the academic year in question.

Table 3. Projected numbers of benefit-eligible dependents (first-year students)

FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
16	11	21	15	16	16	18	16	17	17

Table 4 below projects the distribution of the first-year students based on the model. The percentages in Table 4 reflect the distribution from the Benefit Eligible Dependents pool, while those expressed as actual numbers (TE Imports) are the numbers of dependent students from other institutions that are attending Puget Sound as part of a tuition exchange program. These tuition exchange “import” students are expensed against Puget Sound’s education benefits budget, while “export” students are expensed by the receiving institution.

Table 4. Distribution of education benefits use for first-year students – actual and model projections

	Remission	TE Exports	TE Imports	NIC Exports	NWLA	Open Tuition	No Benefit Used
Actual Average for FY16-FY20	17%	10%	3	4%	5%	27%	37%
Model for FY21 and beyond	19%	10%	3	0%	5%	29%	37%

