

Faculty Council on Benefits and Retirement (FCBR)

December 3, 2007 Meeting

The Faculty Council on Benefits and Retirement met in Gerberding Hall, room 36, on Monday, December 3, 2007. Robert Bowen, Chair for the Committee, called the meeting to order at 1:00 p.m.

Synopsis:

- Approval of minutes of the November 5, 2007 meeting
 - News on the status of auto-enrollment and tuition waiver legislation
 - Update by Vice President for Human Resources
 - Update by Director of Benefits and Work/Life
 - Supplemental Retirement
1. Motion to pass the November 5, 2007 meeting minutes was unanimously approved.
 2. Update from Dwyer WA State Deferred Compensation Program (WSDCP) is part of the Benefits communication plan in 2008. Benefits office can now support this. There are 305 people in deferred comp plan as of November. A mailing has been sent to approximately 144 others who are highly compensated and may wish to use it since they have little UW VIP limit. Note UW Physicians are in a different program of their own which is why the numbers who received the recent mailing were relatively small.

The following rough UWRP participant data was presented by Katy Dwyer.

UWRP Participants

Employee Type	Participating	Optional Period	Total
Faculty & Librarians	4,745	697	5,442
Professional Staff	5,372	543	5,915
Grand Total	10,117	1,240	11,357

*Sr. Fellow & similar short-term academic appts = 450 of the 1,240 people

UWRP Employees over 50

Employee Type	7.5% Rate	10% Rate	Grand Total
Faculty & Librarians	256	1,960	2,216
Professional Staff	240	1,489	1,729
Grand Total	496	3,449	3,945

Data from October 2007 - requires further analysis & costing.

- Benefits currently sends those approaching age 50 a letter reminding them that they can go to 10%. There is an annual reminder letter sent to those who remain at 7.5% after age 50.
 - Faculty Council suggestion: send out a communication letting them how much money they have lost.
3. Mindy Kornberg now reports directly to the President as a senior member of his team.
 4. Update from Katy Dwyer.

UW Medicine – has requested addition of Medical Residents to UWRP ~ 1200

- No central funding – hospitals and UW Medicine
- Anticipated effective date is July 1, 2008
- Requires regent action

Higher Education Coordinating (HEC) Board - will ask the legislature that their employees be allowed to participate in the higher education retirement plan - thus opening up RCW 28B.10.400 to legislative scrutiny.

- They did not connect with the higher education institutions about political/statutory implications but we are working with them and monitoring legislative activity.

UWRP – Supplemental Benefit

- **IRC 401(a) Plan Document filing – 2008**
 - Advised by legal counsel to create separate plan document and file under IRC 401(a) based on changes in tax law.
 - All state of Washington 4-year schools will participate
 - Defined Benefit (DB) plan such as the Supplemental Benefit does not belong in a 403(b) Defined Contribution plan document
 - *No changes to the benefit* – just split DB off into separate plan document
 - FCBR will receive a draft of the plan document for review once ready
 - Communications & education plan under development at all the schools.
 - Requires regent action in 2008 to be effective January 1, 2009
- **Actuarial Valuation of Supplemental Benefit**
 - Valuations are performed on timeline as directed by UW's external auditors.
 - Valuation is performed for all 4-year institutions and the CTC's by higher education's Actuaries – AON Consulting.
 - Results are reported to OFM in Olympia (Governor's budget office).
 - UW Historical Results
 - 1997 13,553,000
 - 1999 13,786,000
 - 2004 32,454,000
 - 2007 64,215,000

Actuary's notations about reasons for the increases follow:

"Both the Annual Required Contribution (ARC) and the Actuarial Accrued Liability have approximately doubled since July 1, 2004. Since the SBP is an offset plan (it offsets the annuity benefit offset and the WAPERS benefit) costs and liabilities are very sensitive to changes in the components of the benefit calculation. Some major factors that lead to significant increases in plan costs and liabilities are the following:

- Lower market interest rates which lead to a decrease in the interest rate used for TIAA annuity conversion. This results in a lower annuity benefit offset and a larger SBP benefit.
- The assumed rate of future accumulation for TIAA accounts decreased from 6.00% to 5.50%. As in (1) this increases the SBP benefit.
- To reflect an increase in life expectancy, we used a recent mortality table (RP-2000 instead of GAM83).
- Higher pay increases than assumed in the 7/1/2004 valuation, especially for employees who are projected to receive benefits under the plan."

Group discussed the pros and cons of asking for actuarial calculations before retirement. This benefit only affects 5% of the staff.

Cheryl Cameron would be a good person to invite to committee as a guest.

TIAA CREF was discovered by another institution to be allowing Third Party Trading by financial planners and others. This is a violation of the plan rules and we are working with TIAA-CREF and our legal counsel to determine next steps. TIAA-CREF's records show there were 600 -800 people impacted. No fees were being taken from accounts, which is good – no in-service distributions are allowed from UWRP and only IRC "hardship" for VIP.

If UW wished to change this in future, the regents would have to approve it. It would be prudent to evaluate this carefully however. The financial industry has many poor practices and those who claim to be "financial planners" but with no national standards.

Attendees:

Voting Faculty: Robert (Bob) Bowen (Business, Chair), Robert (Bob) Breidenthal (Aeronautics and Steven Demorest (Music)

Voting Representatives: Marilyn Gray (Professional Staff Organization), J. Ray Bowen (Retired Faculty), Charles Chamberlin (Association of UW Librarians)

Regular Distinguished Guest: Katy Dwyer (Director of Benefits and WorkLife) and Erin Roach (Benefits Analyst Benefits and WorkLife)

Representatives: Pat Dougherty (UW Retirement Association)

Notetaker: Liz Mason – Assistant to Mindy Kornberg.