

University Of Washington  
Faculty Council on Benefits and Retirement  
2:30 p.m. – 4:00 p.m, November 26, 2012  
36 Gerberding

**Meeting Synopsis:**

- 1) Call to Order
  - 2) Approval of minutes from the October 22nd 2012 FCBR Meeting
  - 3) Discussion of topics to be considered or reports to be drafted by FCBR
  - 4) Adjourn
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**1) Call to Order**

The meeting was called to order at 2:35 p.m. by Chair Ashley Emery.

**2) Approval of minutes from the October 22nd 2012 FCBR Meeting**

Minutes from the October 22<sup>nd</sup> FCBR meeting were approved as revised.

**3) Discussion of topics to be considered or reports to be drafted by FCBR**

**Opt-Out Increase in matching retirement contribution at Age 50**

Katy Dwyer, Executive Director of UW Benefits, discussed a handout that she had generated for the Council on regarding participation in the UWRP plan. She presented historical data across multiple years, breaking out participants by age and amount of participation. UW employees have an optional period for retirement plans, where they are not participating during their first two years, becoming mandatory afterwards. Mandatory rate increases from 5%, to 7.5% at age 35.

The trend is a stagnant percentage of those choosing not to increase their matched contributions from 7.5%.to 10% at age 50; the number has remained around 400 for many years. Such members can return to a 7.5% at any time. Surveys had been conducted in the past to determine why people were not electing to participate at 10% by increasing their matched contributions, and reasons identified were to put a child through college, buying a new house, or otherwise. The impact of the 7.5% versus the 10% election also has an impact on those eligible for the UWSRP calculations, since remaining at 7.5% makes the calculation factor 1.5% versus 2% if someone uses the 10% election. Participants are notified of this difference at the time they are offered the opportunity to move to 10%. The UWSRP is closed to new participants however.

Estimated costs to eliminate the two-year optional period without matching for newly eligible UWRP participants, would anticipate increased costs of \$309,000 per month to the UW (\$4-5 million annually). The change from an opt-in increased contribution at age 50 to opt-out, in comparison, would increase UW's matching contributions by \$79,000 per month if everyone opted in (around \$1 million annually). Last year, FCBR expressed that they thought it was the right thing to do for the University to shift behavior to increasing matching contributions.

Discussion followed on the structure of voluntary contributions within tax law, noting that the current structure reduces the voluntary limit for individuals. The example was given that Central Washington University and Western Washington University mandate matching contributions for employees who are age 50 and over at a rate of 10%, protecting employees' voluntary investment limit. This would be a step further changing the "opt-out" policy currently being proposed. Removing the optional period would allow employees to have a larger voluntary contribution, but would be more expensive than changing the increase in matching contributions at age 50. It was suggested to conduct another survey for faculty, staff and librarians on rationale for not participating. Around 6,500 employees participate in the UW Voluntary Investment Program.

Dwyer offered to gather data on the UW Retirement Plan and Voluntary Investment Plan in preparation for the next meeting, such as how many use VIP to its maximum, how many participants are enrolled in both UWRP and VIP simultaneously, and how many of those over 50 enrolled in the VIP are enrolled at a 7.5% matching rate. Another survey could determine the number of people who would be unhappy with mandating matching contributions.

Faculty Senate Vice Chair Jack Lee informed that the Provost Ana Mari Cauce had just been presented a letter advocating to make the increased matching contributions opt-out during the Senate Committee on Planning and Budgeting earlier in the day. Grandfathering or opting out was noted to potentially decrease additional costs. The Provost suggested that this sounded like a good idea, but wanted to do some further research on the impacts of such a policy, and SCPB voted unanimously for the Provost to pursue this. Dwyer requested visibility as such motions are pushed forward; she can help with statistics.

Questions arose whether there should be a two-stage process, determining first faculty support for an opt-out strategy to later determine potential demand for a mandatory matching program. The Council briefly debated the differences between retirement plans at the University.

### **Flexible Spending**

Discussion followed on changes within Flexible Spending Account (FSA) plans at the University, and a question was posed if limits have decreased. FSA limits were decreased within "traditional" health plans due to the healthcare reform, however high deductible health plans allow for higher limits. Concerns were expressed with the clarity regarding eligibility for Medicare on flexible healthcare account access. UW attempts to spell out the eligibility for such account. Health savings accounts are different than flexible spending accounts, as they do not require a traditional medical plan and do not expire. Impacts of the "use-it-or-lose-it" policy within FSAs were described.

Concern was expressed of the attraction of low-income employees to low-deductible health plans. The Council considered ways to improve understanding regarding benefits, and it was noted that an online calculator is available to help project how much money to reserve for FSAs on the vendor's website, ASIFlex.

One positive point is the replacement of the UW Human Resources/Payroll system, which will ensure that employees are entered into the benefits programs when they are added to the payroll system. In

the future, employees will have benefits explained to them and enroll through an online enrollment system, though in-person orientations will still exist. Due to consolidation within the Public Employees Benefits Board, UW no longer has significant influence on healthcare providers.

### **UW Retirement Transition**

The transition went overall well, and only a handful of complications out of 19,000 people. She considered that the group meetings to be particularly effective. One remaining item was that information does not show up on the Fidelity website for participants with all their money in TIAA-CREF accounts. This will be resolved.

### **Potential items for the Council to consider:**

- Supplementary Benefits
- Employee enrollment in healthcare plans (high versus low deductible plans)
- Potential for mandatory benefits orientations for employees
- Utilization of Flexible Spending Accounts and Health Savings Accounts

### **4) Adjournment**

The meeting was adjourned at 4:02 p.m. by Chair Emery.

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*Minutes by Jay Freistadt, Faculty Council Support Analyst. [jayf@u.washington.edu](mailto:jayf@u.washington.edu)*

**Present:**           **Faculty:** Emery (Chair), Mittler, Govin, Breidenthal  
**Ex-Officio Reps:** J. Ray Bowen, Navarette, Deardorff  
**Guests:** Dwyer, Jack Lee

**Absent:**           **Faculty:** Nowell, Holt  
**President's Designee:** Kornberg