

University of Washington  
Faculty Council on Benefits and Retirement  
October 28, 2013, 2:30 pm – 4:00 pm  
Gerberding 36

**Meeting Synopsis:**

- 1) Call to Order
  - 2) Introductions
  - 3) Advisor Payments from Plan Assets – Recommendation from the Fund Review Committee
  - 4) Opt-in vs. Opt-out
  - 5) Tuition Benefits for Faculty and Staff
  - 6) The Whole U
  - 7) Future Agenda Items
  - 8) Review of the Minutes from May 20, 2013
  - 9) Adjourn
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**1) Call to Order**

The meeting was called to order at 2:30 p.m. by Chair Emery.

**2) Introductions**

Members introduced themselves to the council.

**3) Advisor Payments from Plan Assets – Recommendation from the Fund Review Committee (Exhibit A)**

Robert Breidenthall, past member of FCBR and current member of the Fund Review Committee, reported on a recent decision by the committee regarding a proposal that would allow participants to pay their personal financial advisors from the balance of their UWRP or VIP accounts. Those who support the proposal argue that the money belongs to the individual and can be used to hire whoever they want to provide financial advice. Opponents of the proposal argue that such a plan would expose the university to liability risks because UW is not in the position to vet every financial advisor who might be hired. While there are honest advisors, one can also anticipate that participants would be inundated with advertisements from advisors seeking clients. The Fund Review Committee unanimously voted against the proposal largely citing liability concerns. Several issues that were cited included the inability to screen financial advisors and the possibly outrageous fees that participants would be required to pay. Participants already pay for a similar service that is provided online.

A question was raised asking if there has been a UW study on participants within these benefit plans. There have been national reports on how well participants perform when they invest privately or through a financial advisor. However, there has not been an evaluation of the UW plan because it would require a significant amount of work. Additionally, it would require participants to self-identify which would be difficult to conduct. While the Benefits Office has information about participants, there is no information about whether or not they have a financial planner. Katy Dwyer reported that her office will be rolling out a new service that will provide an annual summary statement for employees who are anticipating potential retirement. This new service will be available in December 2013.

Dwyer expressed interest in receiving the council's feedback regarding this recent decision by the Fund Review Committee. An electronic copy of the committee's recommendations will be distributed to members after the meeting and the council will provide feedback at the upcoming November meeting.

#### **4) Opt-in vs. Opt-out**

This discussion came up last year at the Senate Committee on Planning and Budgeting. The Provost asked for a delay to assess the legal questions and issues, including concerns with the ramifications of the proposed changes, grandfathering individuals already participating, movement within the plan, and compliance with IRS regulations. Another issue that has been recently discussed is mandating participation. The analysis is still not complete but should be done by the next November meeting. A comment was made that the Provost is supportive of the proposal but wants to know the costs associated with the possible changes. Changes would require high costs to the university and the state has limited the amount of state funds which UW can use towards retirement plans. For example, UW can match up to 6% in the deferred compensation plan but the state can only contribute 3.5%, the rest must be covered by UW.

A question was raised asking if there is data on the rate of new hires signing up to the plan. There are not many and the office continues to educate new hires during orientation. The Benefits Office has a small staff which is mostly focused on the aging payroll system to ensure all deductions are handled correctly, making it difficult to provide one-on-one service for participants.

Dwyer mentioned that a new HR payroll system project has begun and the vendor will be announced shortly. The replacement process will begin in 2014 and will take 3-5 years to complete.

#### **5) Tuition Benefits for Faculty and Staff (Exhibit B)**

Jack Lee, Chair of the Faculty, asked the council to review a proposal that would allow tuition waiver benefits for faculty and staff. Prior to this meeting the council was provided a link to past proposals ([http://www.washington.edu/faculty/facsen/memrec\\_reports.html](http://www.washington.edu/faculty/facsen/memrec_reports.html)) as well as recent survey of peer institutions conducted by the Senate Office. There is quite a difference between peer institutions but it provides an idea of what is happening at other universities. Tuition waivers cover a variety of dependents including children and spouses/domestic partners. Additionally, waivers can cover undergraduate and/or graduate-level courses. UW has expressed interest in tuition waivers as a method to attract and retain faculty as salary has fallen. Discussion ensued. There is also a difference between allowing professional staff versus classified staff having access to tuition waivers. In a 2007 report the tuition waivers would cost the university \$1 million to cover dependents of faculty, professional staff and librarians (costs were determined by the reduction in regular tuition paid to the university if these waivers were provided). However, if classified staff were to be included in the calculation the costs would have doubled.

Discussion ensued on the topic of same-sex partners. With the recent legalization of same-sex marriage the state will be converting the status of domestic partnerships to a marriage status starting in June 2014. The state will continue to recognize domestic partnerships for couples 62 years and older, but for

those who fall below that age their registered status will be converted to marriage. The only exception is domestic partnerships that petition to keep their current status.

An additional issue to tuition waivers is whether a dependent can take courses at the home campus of the employee, or if they have the ability to apply the waiver to other campus locations within the university system.

Katy Dwyer expressed interest in providing more information about possible tuition waivers at UW and requested the council provide her with issues that are important for this proposal. For example, the council may want to cover just children or spouses of UW faculty/staff/librarians. An email will be sent out after the meeting to collect feedback from council members.

Currently, state employees can take up to 6 credits per quarter which can be used at community colleges or universities. This is really not a faculty benefit because faculty members already have an advanced degree. At the minimum, the proposal could offer faculty the ability to apply the tuition waiver towards their spouses or children. Discussion ensued. The survey brings up the important question about the overall objective in providing tuition waivers to dependents. Primarily, the proposal is meant to attract new faculty because professor salary is much lower compared with peer institutions that compete with UW. Additionally, retaining good faculty is a problem especially once their children are getting ready to enter college.

## **6) The Whole U**

Kornberg reported on a new rollout on a service called "The Whole U". This will be a new program starting in January 2014 that will emphasize community building within the UW community by providing an online platform that connects employees and students to health and wellness initiatives throughout campus. This online platform will act as a portal for participants to learn about issues and activities that improve wellness in a variety of areas. There are many examples of current activities that are occurring across campus that Kornberg's office never knew about, but through this new program people across the entire campus will be able to participate in these activities.

Participants will be able to self-identify their interests through a survey which will allow the program to provide them updates on events that may interest them. For example, if a participant is interested in astrology they would receive announcements when seminars occur across campus. This service is an attempt to reinvest in employees and get them engaged with the university community. Employee surveys in the past have shown low morale and this is an opportunity to engage employees while tapping into their interests.

Two individuals with extensive experience in social/user engagement and grassroots activism have been hired to coordinate this program, along with the help of staff in Human Resources to support the platform. Kornberg mentioned that while there are health and wellness platforms out there, there are none which focus on higher education. Additionally, this new program separates itself by focusing on community building and allowing participants to interact together as much as they want. The program will also provide additional benefits by connecting participants with discounts to programs and services

outside the UW community, such as hotels, businesses and health facilities. The Whole U is closed to just the UW community, but due to its large size it will be able to leverage its buying power to attract businesses to participate in the program.

**7) Future Agenda Items**

The council discussed possible agenda items for future meetings. Dwyer can provide an update on the Affordable Health Care Act, UW open enrollment, and updates from the state legislature at the next meeting.

**8) Review of the Minutes from May 20, 2013**

Several revisions to the minutes were suggested prior to the meeting. In order to fully review the revisions the council decided to wait until the November 25<sup>th</sup> meeting to approve the changes.

**9) Adjourn**

The meeting was adjourned at 3:50 p.m. by Chair Emery.

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*Minutes by Grayson Court, Faculty Council Support Analyst, gcourt@uw.edu*

- Present:**           **Faculty:** Emery (Chair), Fernandes, Govin, Mittler, Siegel  
                          **President’s Designee:** Kornberg  
                          **Ex-Officio Reps:** Chamberlin  
                          **Guests:** Robert Breidenthall (Fund Review Committee), Katy Dwyer (Executive Director of Benefits, Benefits Office)
- Absent:**           **Faculty:** Joseph  
                          **Ex-Officio Reps:** Navarrete, Deardorff

**W** UNIVERSITY of WASHINGTON

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UWRP & VIP FUND REVIEW COMMITTEE

Fund Review Committee

Prof. Robert Breidenthal, Chair  
*Department of Aeronautics &  
Astronautics*

Susan Ball  
*UW Treasury Office*

Prof. Emeritus J. Ray Bowen  
*UW Retirement Association*

Kathleen Dwyer  
*UW Human Resources  
Executive Director of Benefits*

Prof. Paul Malatesta  
*UW Foster School of Business*

T. Aaron Morello  
*UW Professional Staff  
Organization*

Gary Quarfoth  
*Office of Planning & Budgeting*

Dorothy Smith  
*Association of Librarians UW*

V'ella Warren  
*UW Treasurer, Board of Regents*

Central Washington University  
representative\*

Western Washington University  
representative\*

*\*non-voting members*

October 25, 2013

Ana Mari Cauce  
Provost & Executive Vice President  
Provost's Office, Box 351237

Subject: Payment of Advisor Fees from Plan Assets

Dear Provost Cauce:

The UWRP and VIP Fund Review Committee (FRC) has considered the question of whether or not it would be advisable for the University to allow participants to pay their personal financial advisors from the balance of their UWRP or VIP accounts.

The request is based on the tax advantage to a participant of making such payments from pre-tax dollars. Financial advisors often urge their clients to request this arrangement from the employer, because the advisor can withdraw their fees quarterly, and the client does not have to cover these costs from current savings.

The initial discussion occurred at the May 30 meeting. The result of that discussion was a request for additional information from UW legal counsel. This was obtained over the summer, and the FRC reviewed the topic once again at its October 11, 2013 meeting. Please note that we are aware that the Faculty Council on Benefits and Retirement (FCRIB) also considered this question at their June 2013 meeting, and that they deferred their conclusions on the matter until the FRC could complete its evaluation. We have copied them on this summary of our conclusions and recommendation.

At the conclusion of our discussions, it was moved and seconded that the FRC recommend that the University continue to prohibit payments to financial advisors from Plan assets.

In favor: 7  
Opposed: None  
Absent: 3

Supporting commentary to this recommendation follows.

- **UW has specifically stated over many years that best practices as**

**stated under the federal ERISA law provides the basis for UW Plan decisions and practices.**

These include maintaining Plan Documents that specify Plan rules; spousal consent for participant withdrawal elections; requiring quarterly statements, etc.

As a governmental plan, UW is not subject to ERISA, which holds private employers accountable for administration of their 401(k) retirement plans. ERISA not only provides best practices, but also outlines substantial penalties for subject employers who do not meet the federal standards. Our attorneys found no specific state of Washington statutes to govern fiduciary role. As such, typically the federal statutes will provide guidance for the states. Under ERISA, the role of a Plan fiduciary is specific and requires actions that are in the best interests of Plan participants. ERISA plans rarely allow payment of advisors from Plan assets. Plans typically do not want the liability associated with payments to advisors, because of the potential for legal actions by participants who did not have a good experience with an advisor or who believe they were charged excessive fees.

To determine at this point that UW will vary from its long-standing philosophical practice is inconsistent. There is not sufficient evidence of a positive benefit to participants to warrant such a change in direction. In fact given that there is limited regulation of advisors, and no consistent professional standards, allowing payments from Plan assets puts participants at undue risk.

- **Advisor screening is not practical and creates liability for the UW.** UW attorneys advise that if the UW wished to offer this service, some degree of monitoring would be expected by UW. This is not practical, and creates an undue administrative burden that could be costly to Plan participants.
- **Excessive fees.** Many advisors charge a percentage of the retirement plan balance for their services. Fees are typically around 1% of the plan balance per year, however some charge as high as 2%. While UW could place a limit on the percentage allowed for fees, this also creates some challenges. The range of balances based on junior to senior participants make it challenging to find an equitable way to provide for fees within the plan.
- **Recent recordkeeping changes allow a broad range of personalized services for participants at very low cost.** The recent change in funds and simplified recordkeeping structure of the UWRP and VIP, allow an individual to more easily manage their own retirement accounts. Robust support is available including individual counseling with a Planning and Guidance counselor; online tools to assist in creating or updating investment allocations, or phone-based assistance, all make it easier than ever to manage retirement savings and to adapt over time to meet savings and market changes.
- **Participants' UWRP and VIP savings should be used only for Plan-specific services.** Participant accounts are currently charged \$55 per year for recordkeeping which includes education and individualized services; and \$5 per year for Fund Review Committee investment consulting support. By comparison, considering a \$500,000 balance for a mid-career employee with 20 or so years of participation, a 1% advisor fee would generate an annual payment of \$5,000 per year, dwarfing the current Plan fees. For most participants, an experienced financial planner should only need to spend at most a few hours providing analysis and recommending any

rebalancing specifically for the participant's UWRP and VIP assets, leading to the conclusion that the bulk of any advisor fees would not relate to assistance with the UWRP and VIP.

We appreciate that there are some very fine financial advisors who provide excellent services and long term support for their clients. Some UWRP and VIP participants have complex financial arrangements, and can truly benefit from advisor assistance. However we do not believe that describes the vast majority of UWRP and VIP participants, whose primary life savings will be housed in these two Plans. At this time we believe the possible downside for the majority of participants outweighs the advantages to a small number of those with complex financial holdings, and who are likely in a better financial situation to pay the fees required for those additional services.

In conclusion,

*The UWRP and VIP Fund Review Committee recommendation is that the University continue to prohibit payments to financial advisors from Plan assets.*

We appreciate this opportunity to provide our thoughts on this matter. Please let us know if you have any additional questions.

Sincerely,



Robert Breidenthal  
Professor and Chair, UWRP/VIP Fund Review Committee

Cc: UWRP/VIP Fund Review Committee  
Faculty Council on Benefits and Retirement

## PAC 12 Tuition Waivers for Faculty and Staff

**Oregon State University****OAR 580-022-0030  
Staff Fee Privileges**

Employees of the Department of Higher Education may register for courses at special rates subject to the following conditions:

- (1) Graduate teaching and research assistants may register for credit hours during any term of their appointment and during an intervening summer term under the terms and conditions approved by the Board and described in the Academic Year Fee Book. Graduate assistants are students admitted to a graduate degree program and appointed to an assistantship while working toward a graduate degree. Appointment as an assistant may not be for less than .15 FTE for the term of appointment. Institutions may establish minimum and maximum numbers of credit hours for which graduate assistants may register, provided that the president's or designee's approval is required prior to registering for credit hours in excess of 16 in any one term.
- (2) On approval of the president or designee, employees of the Oregon University System, appointed at half-time or more (not including temporary classified employees, graduate assistants, and other student employees), may register for a maximum of twelve hours of credit per term at the staff fee rate under the terms and conditions approved by the Board and described in the Academic Year Fee Book. Chancellor's Office employees must have approval of the Chancellor or designee before registering for courses at the staff fee rate.
- (3) Auditor privileges are accorded to employees under the terms and conditions approved by the Board and described in the Academic Year Fee Book.
- (4) For purposes of this rule, the term "employee" may include persons with full-time courtesy appointments who provide a benefit to the institution in the form of teaching, research, or counseling, under the direction of the institution and using the facilities of the institution.

Information specific to Oregon State University is online at <http://oregonstate.edu/admin/hr/benefits/stafffee>:

Eligible OSU employees appointed at half-time or more may register for classes at special rates. Upon approval of the university president or designee, an eligible employee may register for a maximum of twelve (12) credit hours per term at staff fee rates, under the terms and conditions described in the OUS Academic Year Fee Book. To qualify for staff fee privileges, the employee must meet the eligibility criteria no later than the first day of classes of the term of enrollment.

**Tuition Rates**

Employees and their dependents may register for courses at 30% of the per credit resident undergraduate tuition. Academic, professional and classified employees whose appointment is equivalent to 0.50 FTE or more may take up to 12 credits a term at this rate. Payment of staff fees entitles the employee instructional and library privileges only. The applicable course fees and resource fees are charged at 100%, and family members are subjected to the mandatory enrollment fees. 3670  
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Eligibility for staff fee privileges must be approved by the Office of Human Resources. Refer to the Academic Year Fee Schedule for details on fees. If your family member is attending an institution other than OSU, contact the institution for tuition and fees.

The Academic Year Fee Book is online at [http://www.ous.edu/sites/default/files/dept/budget/files/13-14\\_OUS\\_Feebook\\_FINAL\\_20130812\\_errata.pdf](http://www.ous.edu/sites/default/files/dept/budget/files/13-14_OUS_Feebook_FINAL_20130812_errata.pdf). The OSU 2013-2014 Base Tuition is found on page 67. It's difficult to tell you the exact rate because there are differential undergraduate program rates (business, engineering, forestry, health & human sciences and the University Honors College) on page 69. Page 68 contains the mandatory fees that all students pay at 100%.

As you can determine, the cost is dependent on the particular program one chooses, but the percentage is 30% for undergraduate courses. You may also notice that the base tuition is somewhat less at the OSU-Cascades branch campus in Bend (page 72).

## **University of Colorado Boulder**

Valued members of the university community:

The tuition benefit continues to cover 9 credits per year at any CU campus for our employees. Recent changes allow for the benefit to be transferred from our faculty and staff to their eligible dependents for use only on the employee's campus of employment. Details on the tuition benefit are available at the CU Employee Tuition Benefit website: <https://www.cu.edu/pbs/tuition-benefit/>. More information about using the benefit at the Boulder campus can be found at: <http://bursar.colorado.edu/resources/tuition-benefit/>.

If you or an eligible dependent are interested in taking classes this summer, complete a Tuition Benefit Form and submit it to Payroll and Benefits for processing by the priority deadline for each session:

- Maymester: May 6
- Sessions A, C, and D: May 27
- Session B: July 1

No forms will be accepted after August 9th.

The Tuition Benefit Form and more information are available online at <https://www.cu.edu/pbs/tuition-benefit/documents/TuitionBenefitApplicationForm.doc>.

If you would like more information, please join us for an interest session on Wednesday, March 27 from 12:00-1:00 p.m. in UMC 353. Please RSVP to [bursar@colorado.edu](mailto:bursar@colorado.edu) by March 26 if you or your dependent plan to attend.

### **Eligibility:**

Employees must be in non-temporary, retirement-plan eligible faculty or staff positions with appointments of 50% or greater in order to qualify for this benefit. Though supervisor approval is not required to use the tuition benefit, supervisor approval is required for class attendance during normal work hours (as for any absence). Approval does not need to be documented in HRMS or ISIS.

For more information on who qualifies as a dependent for tuition benefit purposes please refer to the [Tuition Benefit Policy](#) or contact [Payroll and Benefit Services](#).

### **Before registration:**

- You can search for courses using the guest course search: <http://www.colorado.edu/academics/course-search>.
- Non-degree students must "TERM ACTIVATE" before enrolling in courses. Instructions are available on our website at <http://bursar.colorado.edu/wp-content/uploads/How-to-term- authorize-non-degree-students-052412.pdf>.
- Please be aware that there is still a financial obligation when using the tuition benefit. The tuition benefit only covers tuition. Mandatory student fees are assessed in addition to course and program

fees. More information is available on our website at <http://bursar.colorado.edu/resources/tuition-benefit/financial-obligation/>.

#### Restrictions:

- At this time, a full-time student on the Boulder campus is not permitted to utilize the tuition benefit during the fall or spring terms, only during the summer term. Part-time students may use the benefit throughout the year. Full-time is considered to be more than eleven credit hours.
- Faculty, staff, and their eligible dependents must wait to register for the class you are using the benefit for until the first day of the session (Maymester, A, B, C, or D) to qualify for the benefit. If registration occurs prior to this date you or your dependent will be responsible for paying full tuition. The first day of classes for each session are:
  - Maymester: May 13
  - Sessions A, C, and D: June 3
  - Session B: July 9
- Dependents of Boulder employees may use the waiver only on the Boulder campus, and only for undergraduate courses (1000-4000 level). Dependents cannot use the benefit for graduate level courses.
- Credits may not be used for Continuing Education, Executive MBA, Extended Studies, the 11-month MBA program, the audit program, Study Abroad, or courses taken for no academic credit.
- Each registering undergraduate student must apply for and authorize the College Opportunity Fund (COF) or pay an additional \$62 per credit hour.
- The maximum tuition benefit a dependent can receive in one year is nine credit hours.

For answers to frequently asked questions, please visit our website at <http://bursar.colorado.edu/resources/tuition-benefit/common-questions-faculty-staff-dependent-tuition-benefit/>

#### University of Arizona

The University of Arizona provides a Qualified Tuition Reduction (QTR) program which enables eligible individuals to enroll in courses of study at reduced registration fees. The QTR is reciprocal among the three state universities. Regular Classified Staff employees who work .50 FTE through 1.0 FTE are eligible.

Eligible individuals and their spouses may register for one to nine (1 to 9) credit hours per regular semester or for one to six (1 to 6) credit hours per summer session at the reduced tuition rate of twenty-five dollars (\$25.00), plus any laboratory or course fees. Eligible dependent children who register for one (1) or more credit hours will pay twenty-five percent (25%) of resident tuition plus any laboratory or course fees.

To see the specific eligibility guidelines, please visit our Human Resources page at: <http://www.hr.arizona.edu/policy/217>. This page will also guide you to a tuition and fees calculator from the Bursar's Office.

Washington State University

Staff can take a course for \$5. No family may use this just staff. It does not apply to graduate courses.

- staff?

## **Arizona State University**

Employee	up to 9 credit hours for \$25 over 9 full price
Spouse	Same
Dependent Children	75% off of all credit hours taken

<http://www.asu.edu/aad/manuals/spp/spp505.html>

## **University of Utah**

The University of Utah offers 50% tuition reduction for eligible employees and their families, but the employee must be employed in a full-time position (75% FTE or greater) to be eligible for tuition reduction benefits. <https://www.hr.utah.edu/benefits/tuition.php>

The complete rule is available on the website [http://regulations.utah.edu/human-resources/rules/rule\\_5-305A.php](http://regulations.utah.edu/human-resources/rules/rule_5-305A.php)