

University Of Washington
Faculty Council on Benefits and Retirement
2:30 p.m. – 4:00 p.m., April 22, 2013
36 Gerberding

Meeting Synopsis:

- 1) Call to Order
 - 2) Fund Review Committee Membership
 - 3) Project Proposal –Pre-retirement Calculations of the UW Supplemental Retirement Plan
 - 4) Financial Advisor Costs Paid from the UW Retirement Plan
 - 5) Update to UW VIP Plan Document
 - 6) Other Items
 - 7) Review of Minutes from the January 28, 2013 Meeting
 - 8) Adjourn
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1) Call to Order

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

2) Fund Review Committee Membership [Exhibit A]

Kathleen Dwyer, Executive Director of the Benefits Office, introduced proposed changes to the UW Retirement Plan (UWRP) and the Voluntary Investment Program (VIP) that she will take to the Finance, Audit and Facilities Committee of the Board of Regents. The changes are largely technical, and required by the Internal Revenue Code. However, in addition, the UW administration would like to amend the UWRP and VIP Plan Documents to update the membership of the Fund Review Committee by adding one administrator, the Vice President of Human Resources (VPHR) and balance that addition with one more faculty member. The goal is to add a position which the administration believes is important to the FRC, while balancing the Fund Review Committee membership by increasing faculty representation from the current two to three members. Dwyer was asked how members are selected. She responded that for the staff representative, applicants are asked to provide their resume, disclose conflicts of interest and share any securities licenses, and disclose if they or their family members are brokers. If the Plan Document change is approved then there would be two faculty positions to fill; this new position as well as an opening due to a retirement.

Chair Emery raised a question if the two representatives should come from FCBR or if the Senate Executive Committee (SEC) should find the candidates. In the past there has always been one representative from FCBR who serves a three year term. Breidenthal stated that committee is up and running and working well. Discussion ensued. It was agreed that it would be good to have two representatives from FCBR to be on the committee. Dwyer said that she was looking for input prior to presenting the change to the regents and asked if the FCBR believed it was reasonable to have the VPHR on the committee plus one more faculty member. Discussion ensued about who should nominate candidates. It was agreed that additional faculty representation is good and it would be nice to have a balance between staff and faculty. Dwyer will notify faculty senate leadership that they need to nominate two candidates, but SEC will probably just want FCBR to send suggestions for representatives. FCBR can act as the fall back if additional candidates are not found. Emery will contact senate leadership

and get their response. Dwyer asked the council to confirm that they are okay with the changes. There were no objections.

3) Project Proposal –Pre-retirement Calculations of the UW Supplemental Retirement Plan

Dwyer reported on a conversation she had with the provost regarding the UW Supplemental Retirement Plan (IWSRP) and some proposed changes that are being discussed. She provided an overview of how the UWSRP is calculated. The UWSRP is summarized at the following link:

<http://www.washington.edu/admin/hr/benefits/retirement/plans/uwrp/uwsrp.html>

One important issue that has been raised by faculty over time is providing pre-retirement calculations. Currently, this process is highly manual, and is too cumbersome and time consuming. The UW has worked with their actuaries and they came up with a new pre-retirement calculations model which could be used by the university. The method would be a web-based tool that allows faculty to create estimated benefits which will help them assess when it would be best for them to retire. The website would clarify that these calculations are estimates only, but it would provide a better method for employees to map out their future finances once they retire. The initial cost to implement the system would be approximately \$170,000 plus the cost of UW employees to perform the analysis. The alternative would be to pay the vendor \$240,000 per year but they would also administer the site themselves. Kornberg explained that this is a big issue for potential retirees. When the market is down, and employees are thinking of retiring, this is a very beneficial resource in order to plan for the future. This became very apparent in 2008 when concerns about retiring were heightened due to the economic downturn. Currently, it takes the university 90 days to calculate UWSRP benefits. However, because of the manual nature of the current process, employees have to retire first before they get any idea of what their retirement benefits will look like. This change would outsource the calculation and create a web-based tool to allow faculty to review estimated calculations before making this important decision.

Dwyer went into further detail of the project. It would be approximately eight months to complete once started. The UW would provide data on who is eligible to support the tool, which would allow faculty to request their own estimated benefits.

One question raised asked how many employees are retiring. Dwyer did not have the exact number, but estimated their office is making 100 calculations per year. She reminded the committee that because this tool would support estimates, not simply retirees, the number of faculty using the tool would be well over 1,000. They are expecting an increase once baby boomers begin cycling out over the next ten years or so, but there will be a large wave at first. After the next 10 years the number will drop off, and if they can get through it they might be able to take it back in-house. Breidenthal mentioned that it was a pity that UW could not send out a RFP within the university since this is all being conducted internally. Dwyer commented that while that would have been interesting, this is a large project because creating a web-based tool with on-going support is far more complicated than creating the calculation process itself.

Mitler asked what people are expecting. Dwyer explained that there are no specific expectations because there are no pre-retirement calculations right now. Once the calculations are available the estimate would reflect what the retirement benefits could look like if the employee was retiring that

day. Disclaimers would also be included to clarify that these calculations are estimates only. Emery explained that most employees currently don't understand the UWSRP and would benefit from two calculations. The intent of the creators of the UWSRP in the 1950's was to create a floor below which a retiree's income will not fall. The UW Regents closed the benefit March 1, 2011, and the legislature closed the benefit July 1, 2011. Anyone hired on or after March 1, 2011 is not eligible to participate. Because budget issues are of concern to all, the provost wants the council's sentiment and to get feedback.

FCBR members calculated that to continue with what the UW does now costs \$75,000-\$100,000 per year with no pre-retirement estimates. A great deal of work goes into processing a request for a prospective retiree and it is not really beneficial. The alternate cost for the new system sounds like a better benefit for the price. Discussion ensued about potential cost savings and benefits. The greatest benefit to faculty is that it provides them an opportunity to take advantage of ideal market conditions when deciding to retire. Breidenthal stated that this new system is a good idea and good for constituents. It is a bit expensive but it makes sense if this is a better service. The council would like to see if a lower cost is possible and would like to explore this more, but is supportive of this moving ahead.

4) Financial Advisor Costs Paid from the UW Retirement Plan

Nowell was not present for the meeting but emailed the council requesting that FCBR consider permitting financial advisor costs to be paid by individuals using pre-tax dollars from within the UW Retirement Plan (UWRP). Nowell's reasoning is that rather than restricting those who have cash in hand to pay for advice, any member would be free to choose whether they wish to have advice and discretion on how pay for it. Nowell believes that while the Fund Review Committee has appropriate jurisdiction to look at fund allocations and recordkeeping, he believes that this is a benefit which costs the UW nothing and may help employees which FCRB has a responsibility to address.

Discussion ensued. Dwyer reminded the council that information about this item is being prepared for the May FCBR meeting. The council does not have the details on what the FRC thinks about this matter and are not prepared to put it together at this time. Nowell states that it would just require a change to a few words in the Plan Document. Before the FRC would make any recommendations they need to know the pros and cons, understand what peer institutions are doing and assess the politics that surround the issue. Information about the topic is being prepared for the upcoming Fund Review Committee meeting scheduled for May 29th and the same information will be provided to the FCBR for its May meeting.

Faculty Salaries

Emery provided an update regarding Class A legislation on promotion and tenure that will be discussed during the upcoming Senate meeting on April 25th. Additionally, Jack Lee has a special committee proposing to reintroduce a step system for salaries. This will be worked on throughout the summer and will be introduced to the Senate in the Fall Quarter. Discussion ensued about the provisions in the new proposal and how it could be set up.

5) Update to UW VIP Plan Document

Dwyer explained that this item was already addressed when discussing the Fund Review Committee earlier in the meeting.

6) Other items

Emery brought up a topic to discuss for the next meeting. Flexible Spending Accounts (FSAs) which he believes are low-hanging fruit which employees can take greater advantage of. Discussion ensued about the opportunities available. Dwyer stated that a new FSA vendor has been selected for 2014, and she is hopeful they will do a better job supporting the program and communicating its benefits to participants. The maximum contribution is currently at \$2,500. FSA's have been impacted by federal support for High Deductible Health Plans, which come with a Health Savings Account (HSA). An HSA does not expire each year unlike an FSA which must be used up annually. Emery stated that an agenda item for next month would be a discussion on the future of federal Health Care Reform, health exchanges and other possible changes resulting from national Health Care Reform.

Faculty Salaries

It was noted that the provost is pushing the legislature for a 2% raise for faculty members. The goal is actually 4% for meritorious faculty and the UW may likely get it unless the legislature specifically says no.

7) Review of Minutes from the January 28, 2013 Meeting

Minutes from the January 28, 2013 meeting were approved as written.

8) Adjourn

The meeting was adjourned at 3:30 p.m. by Chair Emery.

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

Present: **Faculty:** Emery (Chair), Breidenthal, Govin, Mittler
 President's Designee: Kornberg
 Ex-Officio Reps: Glenn, Deardorff
 Guests: KathleenDwyer

Absent: **Faculty:** Nihan, Holt, Nowell
 Ex-Officio Reps: Navarrete, Bowen

Finance, Audit and Facilities Committee – University of Washington Voluntary Investment Program

RECOMMENDED ACTION

It is the Recommendation of the Finance, Audit and Facilities Committee that the Board of Regents approve amendments to the University of Washington Voluntary Investment Program (the “Program”) in the form of an amended and restated plan document and to update the membership and purpose of the Fund Review Committee, effective as of the dates set forth below. The other amendments reflect technical changes, including to maintain compliance with federal law by adding a new Section 6.4(d) to describe the treatment of requirement minimum distributions for 2009 under Code Section 401(a)(9)(H).

EXPLANATION OF PROPOSED CHANGES

To maintain compliance of the Voluntary Investment Program with federal regulations, it has been amended to reflect that contribution elections include the addition of Roth after-tax contributions to the Program. In addition, a new Section 6.4(d) has been added to describe the treatment of requirement minimum distributions for 2009 under Code Section 401(a)(9)(H). In addition, the Fund Review Committee is being expanded to include the Vice President of Human Resources, as well as one additional faculty representative. In addition, language defining Fund Review Committee membership that was accidentally dropped during the last review by the Regents has been corrected to accurately reflect appointees.

REVIEW AND APPROVAL

Fund Review Committee language was reviewed with the Provost and Executive Vice President; Faculty Council on Benefits and Retirement; and Senate Committee on Planning and Budgeting. The other proposed changes are technical in nature and are required due to Internal Revenue Code requirements for tax-deferred Section 403(b) plans. The amendments were drafted by the UW Special Assistant Attorney General for 403(b) matters; reviewed and endorsed by the Vice President for Human Resources.