

**UNIVERSITY OF WASHINGTON
FACULTY COUNCIL ON RETIREMENT, INSURANCE AND BENEFITS**

The Faculty Council on Retirement, Insurance, and Benefits met on January 9, 2003, at 1:30 p.m. Chair Jim Whittaker presided.

PRESENT: Professors: Bliquez, Brandt, Dugdale, Frey, Haley, Kochin, Martin, Whittaker
Ex-officio: Chamberlin, Dougherty, Dwyer, Henley, Olswang, McKenzie, Guerrero

ABSENT: Professors: Boxx, Johnson
Ex-officio: Guerrero, McKenzie

Guest: Dick Thompson, Dir. of Government Relations

Synopsis:

1. Approve agenda
2. Approve minutes
3. Benefits issues in the upcoming legislative session (Dick Thompson)
4. Revised re-employment policy: Dissemination strategies (Olswang)
5. Benefits update (Dwyer)
6. Retirement Office update (Dougherty)
7. Workgroup updates

The meeting was called to order at 1:30 p.m.

Approval of Agenda

The agenda was approved.

Approval of Minutes

The December minutes will be approved online.

Benefits issues in the upcoming legislative session (Dick Thompson)

Dick Thompson, Director of Government Relations for the University, visited the Council to talk about Benefits issues on the current legislative agenda and into the future, plus ways the Council can support Dick in his work with the legislature.

Thompson reported that the state budget is nearly 3 billion dollars out of balance, and this has far-reaching effects. Taking existing services (K-12 enrollment, Corrections populations, Medicaid, nursing home reimbursements, Initiative 732 teacher salary increases) alone and "growing" them by their entitlements results in a 2 billion dollar shortfall. This assumes the state would fully fund the inflationary growth in medical benefits for public employees. The governor's budget does not assume that.

There is also a 500-600 million dollar shortfall in the Health Services account that funds the Basic Health Plan. These revenues have never been able to keep pace with the Basic Health Plan. General Fund contributions and the tobacco settlement monies have contributed to the Health Services account.

In addition, revenues are expected to be down from prior years due to the current recession.

The governor proposes to solve the problem by:

- Not using General Fund support for the Health Services account
- Not funding Initiative 738 (class size limits) and 722 (teachers' salary increases)
- Not funding general salary increases for any public employees
- Not fully funding employee medical benefit increases for the next two January'
- Reducing higher education funding by 168 million dollars
- Reducing Human Services funding by close to one billion dollars (GAU, Adult Dental, and medically indigent programs are to be reduced or, in some cases, eliminated)

If the House refuses to reverse Initiatives 722 and 738, that will trigger another half billion dollars in budget cuts.

The UW budget hit in the governor's budget would be about 60 million dollars, not including the reduction in charity reimbursements for charity work by the UW hospitals (expected to be about 20 million dollars between the two hospitals).

There would also be significant cuts in the Corrections budget. Lower risk offenders would be released and 80% of those on active probation would no longer be on probation. This would increase the threat to the safety of communities.

These decisions were arrived at by a process called "Priorities of Government," which asks "what do we want to buy and what do we not want to buy." Given the limited resources, K-12 and Higher Education fared better in this process than Human Services or Corrections.

Chip Haley observed that the only savings in the Probation programs would come by firing state employees. Thompson confirmed that, under this budget, the state workforce is expected to be reduced by 2500 employees overall.

UW tuition is expected to increase by 9% per year, for each of the next two years, and there are 2.5% cuts in FTE levels expected as well. Thompson has tried to reconcile these budget numbers for the University, but has had trouble doing so. He believes there will still be a 28 million dollar shortfall for the biennium.

Thompson reported that the governor has said that the budget tries to protect higher education by punishing it less than other programs. While this is true, said Thompson, the bottom line is that the UW was not kept anywhere near whole. Interim President Lee Huntsman will appear before the legislature on this matter to testify on the differences the UW has with the governor's budget.

Benefits have been affected by the employer's share of benefit costs going up. More of the cost of health benefits will be borne by an increase in employees' burden. There will likely be an increase in the cost to retirees as well. There is no provision for salary increases, but there is 10 million dollars in the entire higher education budget for recruitment and retention – the UW's share of that is 4.6 million dollars.

The UW does have some friends in the legislature. Rep. Helen Sommers is chair of House Appropriations and talks to Thompson regularly about what is being done. She is very happy about the favorable series of articles that has recently appeared in the Post-Intelligencer supporting higher education in Washington State. Jim West, of the Republican leadership, is supportive of higher ed., as is Don Carlson. No tax increases are expected, however, so this still makes things difficult.

Thompson has heard that there will be an early retirement bill, but there doesn't seem to be any movement on that issue from the governor's office – it does not seem to be part of their legislative package. There

may be a reduction in the actuarial penalty for PERS 2 so that people could retire at age 61 or 62, but this is just speculation at this point. The last two early retirement bills, particularly in DSHS and Transportation, have been perceived as getting rid of the most valuable people and keeping those who were not so desirable. This has had a chilling effect on early retirement bills.

Steven Olswang commented that the UW recaptured 3 million dollars in 105 faculty members who retired under a TIAA-CREF reduction in the minimum retirement age from 62 to 55 with no actuarial penalty. Most of those either came back for 5-year re-employment or took a job at Harvard, Olswang added. Katy Dwyer said that this would be the first time PERS 2 would be considered for such a move, since the program is only 25 years old.

Thompson mentioned the pension supplementation issue, which FCRIB has supported for the past two years, but which the current Faculty Senate legislative liaisons are opposing. This would remove the current supplementation for faculty retirement income, leaving the figure at the maximum 60% retirement benefit found in a true "defined contribution" plan. Rep. Sommers believes the supplementary floor and ceiling should be eliminated. Olswang added that the current laws governing the faculty and the UW retirement plan are out of date in other respects, such as mandatory retirement, and need to be revised.

Whittaker will follow up with the legislative reps to see why they do not want to support the provision that was signed off on by both FCRIB and the Faculty Senate.

Thompson reported that there has been some negative feedback on the Flexible Spending Account pilot program, mostly because it appears to make the UW "special". Dwyer said she thought the program startup had been successful. Staff have been relating the FSA's to their health plan choices, with about 5.5% initial signup for the FSA program.

Thompson said he will continue to work with the legislature in terms of their support for core funding for higher education. In the past ten years, the UW is \$2600 behind the average of our peers in state funding, despite a productivity increase that has seen a 21% increase in students while faculty have increased by only 10% and staff have not increased at all.

Unless there is some major revenue increase, Thompson said he is just going to concentrate on avoiding major cuts such as the ones the UW took in the 90's. He is supported in this by the Washington Business Roundtable. It would also be helpful if FCRIB members would be willing to help gather anecdotal information and stories about successes at the UW, and the potential adverse affects of budget cuts.

Discussion of Supplemental Pension Benefit

Whittaker asked that FCRIB discuss the new legislative representatives' stance on the supplemental pension benefit, which reverses the vote taken last year by FCRIB and communicated to the SEC. Olswang reminded the Council of the State Actuary's report of two years ago, which posited that state law precludes the UW from providing support to the UWRP where the result will be that faculty can retire with more than 60% of base salary. The UWRP provides for a supplement for any faculty member retiring below 60% of base salary; however, no one has benefited from supplementation. It was therefore deemed that the entire 60% provision should be removed from the statute. FCRIB has supported this position for the past two years – Olswang suggested that FCRIB so advise the current legislative reps or look into their reasons for the change.

Martin would like to know the rationale for the change in the legislative reps' position. Whittaker will pursue this information to see what, if anything, may have changed and whether FCRIB should change its position to reflect any new developments.

Revised Re-employment Policy: Dissemination strategies

Olswang provided FCRIB members with a mockup of the Retirement Policy brochure. When printed for distribution, it will be sent to everyone on the Deans, Directors, and Chairs list, and to the Librarians. It can also be targeted to other populations of interest; for example, those who are close to retirement. The general UW Reference Station system does not exist in its broad form, so distributing to Reference Stations is not a good option. Olswang suggested that the brochure be sent out in electronic form with the next Faculty Senate electronic mailing to all faculty.

Whittaker concurred, but expressed a preference that the brochure also be distributed to all faculty members in hard copy since there is so much misinformation out there. Frey asked that the title be changed to Policy on Faculty Retirement, Partial Re-Employment, and Partial Reduction in Appointment.

Olswang agreed to do an institutional mailing of the brochure to all faculty members. This will clarify the policy to everyone, and increase collegiality. Dwyer suggested that the mailing include the information that FCRIB asked for the revision and for the general mailing.

Whittaker asked whether the re-employment policy is in jeopardy. Olswang said he has had that conversation with Lee Huntsman and the program is not in jeopardy.

Benefits update (Dwyer)

Dwyer reported that the recent Benefits Open Enrollment period saw the Benefits Office handling 7000 changes, 5166 of which were done on the Web. Seventy-six percent of medical benefits changes were done online, and were eighty-five percent of dental benefits changes. Five percent of staff members enrolled in the Flexible Spending Account program.

The Benefits Office assumed responsibility for the Graduate Appointee Insurance program, and have changed a lot about the program including online enrollment. The students received the changes well.

Dwyer said the big push in her office for the next six months is for full online medical and dental benefits enrollment year-round. This will begin in June 2003. This will involve intense education across campus, especially for payroll coordinators, plus the setup of kiosks for online access for hospital employees who do not now have online access.

Other project include adding a new life insurance vendor, and new brochures for UWRP and VIP that will help with online enrollment and also provide good core information about the programs. Dwyer is also working on a new plan summary document.

Retirement Office Update (Dougherty)

Pat Dougherty announced the Grand Opening of the new University House Issaquah Retirement Facility on Sunday, January 12, 2003. Keynote Speaker will be Steven Olswang. There will be refreshments and Big Band music by Tuxedo Junction. All are encouraged to attend.

The meeting was adjourned at 3:05 p.m. *Minutes by Linda Fullerton, recorder.*