

**The University of Washington
Faculty Council on Retirement, Insurance & Benefits**

The Faculty Council on Retirement, Insurance & Benefits met Tuesday, **January 09, 2001** in 36 Gerberding. Chair Diane Martin presided.

PRESENT: Professors Bliquez, Briedenthal, Kochin, Waaland, Frey, Lamont and Martin. *Ex officio* *Baylor, *Stowitschek, *Henley, Dwyer, Olswang, *Chamberlain, Dougherty and Winsor. (*with vote).

ABSENT: Professors Boxx, Brandt, Kuhr and Whittaker.

Minutes from November 9 and December 14, 2000 will be approved by email. Chair Martin asked the Recorder to remind council members to please review the minutes and respond via email with approval or corrections.

Discussion of Action Items for Maintaining Benefits and Increasing Salaries

Report from Education Subcommittee - Frey reported that FCRIB needs to do its best to advise faculty, especially younger faculty, about the ramifications of not contributing to their retirement plans early on. Losing even a few years of contributions could have profound negative impacts on the amount of money these faculty retire with. FCRIB also needs to better inform faculty about the ramifications of early retirement and of opting to receive Social Security benefits prior to age 65. Frey asserted that FCRIB is supposed to be the expert on these matters and he feels confident that the council agrees that FCRIB needs to do its best to fulfill this obligation to inform faculty of benefits issues on a regular basis. He suggested sending email queries to find out what issues faculty are most concerned about so the council could better meet the specific needs of its constituents.

Dwyer said Human Resources (HR) is open to modifying the way it disseminates information and would like to know how faculty want to receive information on benefits. Lamont submitted that he had received a letter from TIAA-CREF outlining some "Do's and Don'ts" of retirement investment that helped him out tremendously. Martin asked the council to help provide some specifics of how faculty could receive updates on benefits from FCRIB. The council suggested web-based surveys, email queries, hard-copy mailings, U-Week articles, departmental visits, and benefits fairs. Olswang noted that the Faculty Senate Office now has the capability to do web-based surveys. The Chair pointed out that surveys are a good way to gather information as long as they are used sparingly; she stressed the importance of doing outreach work because it is more pro-active and is a good way to get meaningful feedback from faculty.

The Chair suggested selecting certain departments based on median salary and asking those faculty their opinions about salary and benefits. Olswang noted that there are such diverse conditions across campus that it may be hard to establish a unified position on the salary/benefits issue. Several council members pointed out that younger faculty are less likely to focus on benefits than they are on salaries because of issues like high mortgage payments, school-age children, and the general high cost of living in Seattle. Dwyer suggested breaking down benefits contribution data by job class to explore some of the reasons why some new faculty do not participate in retirement plans. The UW has a two-year exemption option for retirement

contributions that about 800 faculty a year choose to exercise. Dwyer said that Human Resources has been trying to integrate at least some of those 800 faculty into the retirement contribution pool without a lot of success.

Frey asked if the UW is prepared to pay its portion of the retirement contribution if those 800 exempt faculty decide to start contributing to the retirement fund. Dwyer noted that not all of the UW's contribution dollars to retirement come from state funds--a lot comes from grants and contracts; therefore, while the UW's contribution would be significantly large, it might not be as unmanageable as one might think. Olswang advised that the last time the UW tried to eliminate the two-year exemption, the cost estimate for the University's contribution was around \$3 million a year. Dwyer said that even decreasing the 800 by 200 faculty would be helpful. Kochin asked how many faculty were actually eligible for this exemption. Olswang said there were approximately 1500, but about half of them chose to participate in a retirement plan.

Olswang noted that many faculty who opt out of a retirement plan for the first two years are post-docs working on NIH (National Institute of Health) grants, which typically pay an R1 (Researcher Level 1) around \$28,000 a year. These people are not earning a lot of money, and the roughly 10% of their salary that would be going into a retirement fund is equivalent to rent money for many of them. Winsor asked if HR had considered an automatic opt-out system where faculty would be automatically enrolled in a retirement plan unless they specifically opted out. Dwyer explained that the current system operates much like an automatic opt-out system: instead of faculty having to fill out paperwork to opt-out of a retirement system, they have to fill out paperwork to opt-in. Kochin stressed that younger faculty need to know that enrolling in a retirement plan will add 5% to their compensation because of the UW's contribution.

Dwyer asked the Recorder to send her a list of all the departments on campus so she could begin gathering salary and benefits information from a sample of faculty. Chamberlain asked what kinds of characteristics Dwyer would be looking for. Dwyer asked the council what they thought she should check for. The council suggested getting the high and low salaries, with a mix of departments--from Business to Humanities, Science to Arts. Gender issues should also be a part of the query as well as different ages. Baylor suggested contacting Academic Personnel to get a core sample of Professional Staff salaries. Dwyer advised that HR was working on the benefits comparison with peer institutions that the council had requested; she should have those available by the end of Winter Quarter.

Frey suggested some possible questions to put before the Benefits Office or faculty and staff, or both:

1. What are the consequences of naming dependent beneficiaries in one's retirement contract versus naming one's estate as the beneficiary?
2. What are the estate planning factors to be considered in deciding whether to cash out one's retirement benefits versus taking an annuity? Use varied retiree and investment scenarios.
3. What percentage of retirees, in various classifications, have chosen cash out versus annuity? In what time periods? For what reasons? With what results? And what are the policies of TIAA, Vanguard, etc., in recommending annuities over cash-outs?

4. How may one best chart out the long-term consequences of varying levels of contribution to the same retirement plan by faculty of the same age ranges?
5. What are the truly accurate figures for comparative benefits (retirement, health, and other) among the UW and its peer institutions?
6. How best to compare the possible *long-term* consequences of accepting a benefit retention or increase at a certain level versus accepting a salary raise at a supposedly "equal" level? In other words, how does one best calculate a supposed "tradeoff"?
7. What are the factors to consider in deciding upon the financial consequences of taking early retirement? Of taking Social security at age 65 before retirement?

Report from Information Committee - Chamberlain updated the council on the ATM's on campus and said that the UW Real Estate Office is in charge of handling the contracts with banks who install ATM's on campus. The current contract is with USA Bank but does not include athletic facilities or the Medical Center. The contract with USA Bank is up for renegotiation this March/April 2001 and Jeanette Henderson, Director of the Real Estate Office, said she has received numerous complaints regarding the fees that USA Bank charges non-member ATM users. Several council members wondered why the UW doesn't use non-fee Credit Union ATM's. Olswang said it has a lot to do with USA Bank's willingness to put a bank in the HUB--the contract between the UW and the bank very likely stipulates that in order for USA Bank to place a branch office in the HUB the bank must be allowed to place fee-based ATM's on campus. Olswang also noted that only those who do not have accounts with USA Bank are charged fees and faculty, staff, and students are free to bank with USA Bank.

Henley reported on the University's decision to switch from American Express cards to Visa. He said many faculty disliked the limited acceptability of the Amex card and that the UW did not like the fees Amex charged. Ann Anderson from the Travel Office gave a presentation to the Faculty Council on Research regarding this switch and pointed out that the new Visa offers wider acceptance, lower fees, cash withdrawal capability, improved customer service, and the vendor has offered to help the UW implement an online travel reimbursement system that would have cost the University nearly \$500,000 to implement on its own. Stowitschek said he had not noticed any difference in customer service yet--it is still taking several weeks for him to be reimbursed for his expenses. Olswang said there was supposed to be a 10-day turnaround on reimbursements (once the paperwork leaves a faculty member's office). Chamberlain commented that he was glad faculty were at least apprised of the changes at the FCR meeting.

Discussion of the Upcoming U-Week Article on FCRIB

Chair Martin reminded the council that she was due to write an article for the next edition of U-Week and asked whether she should write the article now or wait until everyone has a clearer idea of the state budget and write the article in February. If the council agrees that the article should be more of an 'expose' on the FCRIB, then she should write the article now, but, if the council thinks the article should focus on the legislative crisis, then The Chair suggested she wait until February. Olswang suggested going ahead and writing the article now because it would let faculty know that FCRIB is paying attention to the legislative crisis and is working diligently to communicate the faculty's wishes to UW's legislative reps.

Several members suggested going ahead with the article and using the current discussion regarding benefits and salaries to introduce the work of the FCRIB and to inform faculty that the council is pulling together data to present the legislative reps with some options for salary/benefits tradeoffs. The Chair asked for the council's input on prioritizing the issues FCRIB is working on so she could include them in the U-Week article. Council members pointed to item III. D. of the Chair's outline for the newspaper article that indicated the following priorities: improving retirement, insurance, and benefits (RIB) information to faculty and staff; providing improved financial counseling; obtaining information about peer institutions' offerings in RIB; and obtaining summary information of specific retirement options and benefits chosen/used by UW faculty and staff (grouped by salary level, family status, age and sex).

The council felt the article should also state that FCRIB is actively seeking faculty input on salary and benefits issues and stress that faculty can influence how the situation plays out in Olympia. Dwyer suggested that the article mention that FCRIB serves the interests of Professional Staff, retired faculty, and librarians, as well as faculty. Frey said he would like to see the council move away from using the phrase "tradeoff between salary and benefits" because he does not want to perpetuate the idea that UW employees are willing to "trade" away any of their benefits or salary. Baylor and other council members agreed.

Technical Assistance Subcommittee - Kochin imparted that he realizes it is not a good idea to try to persuade the Legislature to maintain current benefits levels as opposed to raising salaries, because the state may view this as an opportunity to take funds away from the UW by increasing benefits costs to employees without raising salaries. He also noted, however, that raising salaries will result in increased taxable income while raising benefits levels will not. Kochin stressed that FCRIB's job is to help faculty make informed decisions about their salary and benefits. Olswang pointed out that the Governor's budget is not proposing any additional employer contribution to benefits--the state will absorb the increase.

The Chair observed that the Legislature will likely respond to the group that "yells the loudest," and state higher education employees need to make sure their voices are heard. Olswang advised that the Governor is also proposing to raise faculty and staff salaries by 2.2 to 2.5%, though the UW believes the numbers will, more realistically, be 1.8%. Bliquez asked about discussions regarding tuition increases. Olswang explained that tuition increases are tied to statutes, though the University is trying to gain broader control over some areas of tuition, especially in the professional schools.

Action Items for FCRIB

The council felt it was important to find out what lower-paid faculty want to do in terms of salary and benefits levels. Reductions in benefits will hurt lower-paid faculty the most by increasing their out-of-pocket medical expenses and may prevent some families from seeking medical and dental attention because of the higher cost. Frey noted that, on the other hand, lower salaries will hurt younger faculty over the long run because lower salaries mean less contribution to their retirement funds--the council needs to make sure faculty realize how this decreased contribution might lead to serious decreases in their retirement funds. Olswang said Frey had hit on the essential problem: younger faculty are penalized by lower salaries and lower-paid faculty are hurt by reduced benefits. No matter what happens, one group of employees is going to "lose."

Martin pointed out that it was unusual in private industry for median salaries to fall, but benefits do fluctuate. Along those same lines, it is easier for the Legislature to take away benefits by maintaining current levels and raising premiums or co-pay levels. Based on the peer institution benefits comparison that FCRIB saw last year, the UW looks good, and it would be a shame to lose ground in that area, especially since UW salary levels are comparatively lower (esp. in relation to the cost of living in Seattle). Chamberlain said he does a lot of hiring and prospective employees are constantly amazed by the strength of the UW's benefits package--weakening those benefits would make it even harder to recruit and retain new employees.

Olswang asserted that President McCormick's highest priority is to raise faculty salaries while maintaining current benefits levels. Chamberlain pointed out that much of the discussion around benefits is specific to *health benefits*. He feels the University could do a lot with retirement benefits--there must be ways to put more money in employees' pockets. The council agreed that most universities do much better in terms of retirement contribution rates. Dwyer observed that there are ways for people to lower, for example, their housing costs via housing subsidies and similar programs; however, medical benefits cost increases are what really hurt lower-paid employees. Dougherty pointed out that retired employees suffer greatly as well. Dwyer advised that "cafeteria-style" benefits plans are not necessarily the "be-all and end-all" either because the Legislature is more apt to tell employees to pull funds from one benefit and apply it to another benefit to offset an increase.

Kochin asked the council what information he needed to gather. They suggested using Frey's list of questions as a starting point. Chamberlain said it might be helpful if the council focused not so much on trying to answer all these questions but on formulating statements that employees need to consider like, "Lower-paid employees may be hurt more in the short term by increases in benefits costs." The Chair suggested that the Information Subcommittee meet with the Technical Assistance Subcommittee to formulate some of these statements. She agreed that the council should focus more on framing these issues than on attempting to answer the questions they raised. The Chair mentioned that February 6 is the next scheduled FCRIB meeting and wondered if the subcommittees might like to use this time to meet in lieu of the regular FCRIB meeting. *The council agreed to communicate its preference to the Chair via email.*

The Council asked the Recorder to find the date of Higher Education Day in Olympia and pass that information along to the all FCRIB members (**Thursday, February 15, 2001**).

The Chair asked that Breidenthal be added to the Education Committee.

Meeting adjourned at 3:55 p.m. Minutes by Todd Reid, Recorder.