

**WORK-LIFE COMMITTEE
DOMESTIC PARTNER BENEFITS
REPORT
January 15, 2007**

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Committee’s Mandate

This report represents the work of the University of Kentucky Domestic Partner Benefits Committee as established by Lee T. Todd, Jr., President of the University of Kentucky, in the fall of 2006. The Domestic Partner Benefits Committee consisted of members from various University areas – faculty and staff, central campus and medical campus, as well as members of the Office of Legal Counsel, Athletics, and the University of Kentucky Employee Benefits Office. Specifically, the committee was charged to examine the feasibility of offering these benefits, as well as potential scope, costs, and eligibility, and to develop recommendations accordingly.

The committee was formed in response to the Work-Life Survey, administered during academic year 2005-2006. In that survey, faculty and staff were asked about their needs in terms of work-life programs, benefits, and policies not currently offered by the University of Kentucky. Twenty-eight percent (28%) of the written comments from faculty, and 8% of the written comments from staff, in response to this section, indicated the desire that the University offer domestic partner benefits. Additional respondents either reiterated or added similar comments at the end of the survey.

During the fall of 2006, in response to this information as well as the evolving policies at our benchmark and competitor institutions, the Senate Council as well as the full University Senate each approved resolutions expressing to President Todd their support for offering benefits to both same-sex and opposite-sex domestic partners. Additionally, the Staff Senate in the fall of 2006 endorsed consideration of these benefits.

These resolutions endorse the work of other committees at the University who have recommended that the University offer domestic partner benefits:

- Health Benefit Task Force, 2001
- Faculty Senate Council Ad Hoc Committee on the Status of Women, 2001
- President's Commission on Women, 2002
- President's Work-Life Task Force, 2003
- Faculty Senate Ad Hoc Committee on Faculty Salaries, 2003
- President's Commission on Diversity, 2005

Recommendation

Given the University's need to maintain a competitive workplace, and taking into consideration the expressed concerns and wishes of a significant percentage of the University community as well as the minimal budgetary impact of this policy, the committee recommends that healthcare and other benefits generally available to University employees and their households be extended to include domestic partners, both same-sex and opposite-sex, as well as their children. The committee bases this recommendation upon an examination of feasibility that included University benchmark data, enrollment patterns at other institutions and corporations, and the existing University benefits structure.

Rationale

In campus discussions held in relation to the work of the aforementioned committees, the rationale for offering domestic partner benefits to University employees and their households has consistently focused on two issues:

- competitive recruitment and retention, and
- equity of fair compensation to employees.

Benefits often constitute a sizeable portion of an employee's compensation. For University employees, benefits constitute almost one-third of the overall compensation package. To attract and retain quality workers, many companies are structuring their benefits and employee policies to take into account the great variety of household structures within the American workforce today. Indeed, the 2000 Census found that 5.5 million American households consisted of unmarried domestic partners. This figure is up from 3.2 million households in 1990 and compares to the 54.5 million households made up of married couples.¹ Pragmatically, companies now employ a workforce where 49% of households are maintained by unmarried men or women, instead of the married-couple household model upon which benefits were historically based.²

¹ <http://www.census.gov/prod/2003pubs/censr-5.pdf>

² http://www.census.gov/Press-Release/www/releases/archives/facts_for_features_special_editions/007285.html

Competitive Recruitment and Retention: House Bill 1 has mandated that the University of Kentucky place itself among the top twenty public universities in the country, and competition for the most outstanding faculty and staff is intense both at the local and national levels. Our benefits and compensation packages must remain competitive with those of research universities at a national level. Of the top 20 public research universities identified by the University of Kentucky Business Plan,³ 65% currently offer medical health insurance benefits to domestic partners (either same-sex domestic partners or same- and opposite-sex domestic partners). Another 10% provided some other type of limited benefits to the domestic partners and children of employees. Of the 25 top-ranked universities in the 2006 *U.S. News and World Report*, 92% offer domestic partner healthcare benefits.⁴ Among the 62 American research universities belonging to the Association of American Universities (AAU), 84% provide health care benefits for domestic partners.⁵ The Association of American University Professors (AAUP) also supports the provision of these benefits by universities.⁶

By 2006, over half of the Fortune 500 companies also provided domestic partner benefits to their employees.⁷ In the area of advanced technology, where private sector opportunities are highly competitive, leading companies such as Microsoft, Apple, Dell, Oracle, Nokia, Motorola, Lotus, Intel, Xerox, Google, Cisco and others offer domestic partner benefits.⁸

Domestic partner benefits have become commonplace not only nationally, but across the Commonwealth of Kentucky. Locally, the University must compete for workers with Centre College, Berea College, the University of Louisville, Toyota, Ford, Ashland Inc., ACS, Lexmark, the Lexington Herald-Leader, Lowes, Home Depot, Best Buy, IBM, UPS, and at least forty other employers who offer some form of domestic partner healthcare benefits.⁹

The University also regularly cites the practices of 19 benchmark universities of similar size and ranking, for comparative and aspirational purposes.¹⁰ Of those universities, 10 offer same-sex partner healthcare benefits as well as other partner benefits, and an additional 4 offer same-sex partner benefits apart from healthcare. Of those 19 benchmark universities, 4 offer opposite-sex partner healthcare benefits, and an additional 4 offer opposite-sex partner benefits apart from healthcare.

Equity of Compensation to Employees: The University, as an equal opportunity/affirmative action employer, complies with all applicable federal and state laws regarding nondiscrimination and affirmative action, including Title IX of the Education Amendments of 1972 and Section 504 of the Rehabilitation Act of 1973. The University is committed to a policy of nondiscrimination and equal opportunity for all persons, as stated in the Governing Regulations, Part I: *Equal opportunities shall be provided for all persons throughout the University in*

³ http://www.uky.edu/OPBPA/Top20/Top_20_Feb06.pdf

⁴ http://www.usnews.com/usnews/edu/college/rankings/brief/t1natudoc_brief.php and http://www.hrc.org/Template.cfm?Section=About_HRC_WorkNet

⁵ <http://www.aau.edu/aau/aaufact.cfm> and http://www.hrc.org/Template.cfm?Section=About_HRC_WorkNet

⁶ <http://www.aaup.org/AAUP/protectrights/legal/Updates-speeches/partners.htm>

⁷ <http://www.washingtonpost.com/wp-dyn/content/article/2006/06/29/AR2006062902049.html>

⁸ http://www.hrc.org/Template.cfm?Section=About_HRC_WorkNet

⁹ http://www.hrc.org/Template.cfm?Section=About_HRC_WorkNet and company websites.

¹⁰ <http://www.uky.edu/OPIE/benchlist.shtml>

*recruitment, appointment, promotion, payment, training, and other employment and education practices without regard for economic or social status and will not discriminate on the basis of race, color, ethnic origin, national origin, creed, religion, political belief, sex, sexual orientation, marital status, or age. The University does not discriminate on the basis of uniform service, veteran status, or physical or mental disability when an individual otherwise meets the minimum qualifications for application or participation. All University members are expected to comply with the institution's nondiscrimination policy. The President is responsible for the development of an affirmative action plan by which full implementation of this policy shall be effected in the University.*¹¹ The University actively cultivates a diverse workforce and is in the midst of hiring a new Vice President for Institutional Diversity to further highlight the importance of diversity among the students, staff, and faculty. Currently the University provides specific benefits to individuals based on a number of different types of relationships with an employee: legally recognized spouse, minor child, adult child, roommate, surviving spouse, divorced spouse, and household member. As regards all benefits and the healthcare benefit in particular, the committee recognizes that access to healthcare for workers with domestic partners benefits the employee and, ultimately, the employer. The recent resolutions by the governing bodies which serve as the voice of the faculty and staff demonstrate that providing these benefits equally to all University employees and their households is seen as part of the University's commitment to equal compensation and diversity.

It is important to note that the significance of this issue has been stressed not only by those who are in domestic partner situations, but by faculty and staff who are single or married. Their strong sentiment about the extension of benefits to domestic partner households is based, in part, on concern for their colleagues. Perhaps more significantly, the acceptance of domestic partner benefits is seen as a barometer for the climate of tolerance and support that the University, as a workplace, extends to its employees. Thus, this issue matters not only to those currently or potentially in a domestic partnership household, but to the University community as a whole, as expressed in its several resolutions of Fall 2006.

Benchmark Policy Research: The committee compared the policies of our 19 benchmarks and other universities who have domestic partner benefits in order to arrive at a set of “best practices” for implementing domestic partner benefits most effectively at the University of Kentucky. The proposed eligibility criteria reflect the best practices from other institutions, adapted to our unique benefits structure.

Cost

The committee surveyed benchmark institutions and reviewed materials from Mercer Human Resources Consulting (Mercer)¹², and has determined that the incremental cost for adding domestic partner health insurance is directly related to the additional number of employees who add dependent coverage. Current employees who are seeking domestic partner coverage are likely to be enrolled already at the “single” coverage level, meaning that the additional cost of domestic partner healthcare benefits is limited to the additional amount of the University

¹¹ <http://www.uky.edu/Regulations/GR/gr1.pdf>

¹² Mercer Health & Benefits LLC, *Domestic Partner Benefits Guide for Employers*, May 2006.

contribution for the coverage level (i.e. single, family, etc.) selected. The actual cost to the employee varies according to the particular plan options selected (i.e. UK-HMO, UK-PPO, etc.). Regardless of plan, the University subsidizes dependent coverage for current employees who add dependent coverage to their health plan at the following rates:

TABLE 1

<i>UK-HMO Example Coverage Level</i>	<i>Single Coverage UK Contribution</i>	<i>Incremental Subsidy for Dependent Coverage</i>	<i>Employee Contribution</i>	<i>Total Premium</i>
Single	\$355.00	n/a	\$25.00	\$380.00
Employee plus children	\$355.00	\$87.00	\$126.00	\$568.00
Employee plus spouse	\$355.00	\$157.00	\$246.00	\$758.00
Employee plus family	\$355.00	\$231.00	\$363.00	\$949.00

The University budgets its benefits for each position based on an overall percentage for employee type (e.g. faculty- 31%, non-exempt staff- 37%, etc.). Since the University has approximately 2,400 new hires annually, it is difficult to budget by position for the cost of the health credit; for example, an employee with single coverage may potentially be replaced by an employee with family coverage. For this reason, an average overhead rate for benefits is used in initial budgetary allocations. Thus, the potential funding for domestic partner healthcare benefits already exists in the University budget.

Based on benchmark data, the number of employees who may enroll in domestic partner benefits is projected to be initially low, and eventually to stabilize at approximately 272, out of a total of 13,600 benefits-eligible employees (see the attached spreadsheet). This figure can be broken into two parts: opposite-sex domestic partner coverage (204) and same-sex domestic partner coverage (68). These projections are based on Mercer’s estimates for domestic partner coverage by category (opposite-sex 1-2%) and same-sex (0.5%). Benchmark data confirms the Mercer estimate for same-sex partner coverage. However, only 4 benchmark institutions provide opposite-sex domestic partner coverage. Two of those institutions have common law marriage available in their states, which skews the enrollment figures since the institutions have combined these enrollees with the category of “legally married employees”. Since the opposite-sex partner benchmark data are not statistically meaningful, the committee has relied on the Mercer estimates which are based on 10 years of historical data from large employers throughout the country.

Utilizing the University scale of healthcare contributions and Mercer’s estimates of potential domestic partner enrollees, and using current healthcare figures, the committee projects the eventual cost of adding domestic partner health plan coverage to be approximately \$633,000 annually. Of this figure, approximately \$253,000 (40%) would be paid from the University’s

undesignated General Funds,¹³ and \$380,000 from designated sources such as grants, contracts, Athletics and hospital revenues, etc. This amount constitutes less than 1% of the overall healthcare budget allocation of \$68.2M (\$68,200,000) and is, in fact, already calculated into the healthcare budget, due to the use of an average overhead rate in initial budgetary projections as mentioned above. The committee recommends that the University follow historical enrollment and budget estimates and not cost-shift the additional funds needed to the employee portion of the health plan premium.

Adverse Selection: Mercer indicates that the employers' claims experiences, when enrollment parameters are in place as outlined in this recommendation, are not greater for domestic partner dependents than for non-domestic partner dependents. Additionally, employees who select domestic partner coverage will be subject to the same enrollment / dis-enrollment procedures (open enrollment and qualifying events) as those of employees who have non-domestic partner dependents. The measures outlined above and in the attached *Affidavit of Domestic Partnership* will mitigate potential adverse selection of additional plan members, and are therefore necessary for the implementation of domestic partner benefits.

TABLE 2
ESTIMATED BUDGETARY IMPACT OF DOMESTIC PARTNER BENEFITS

<i>Benefits-Eligible Employees</i>	<i>Opposite- Sex Projected Enrollment</i>	<i>Enrollment Percent 1</i>	<i>Same-Sex Projected Enrollment</i>	<i>Enrollment Percent 2</i>
13,600	204	1.5%	68	0.5%
<i>Monthly Family Health Credit 3</i>	<i>Annual Cost</i>	<i>Monthly Partner Health Credit 4</i>	<i>Annual Cost</i>	<i>Average Estimated Annual Cost 5</i>
\$231.00	\$753,984.00	\$157.00	\$512,448.00	\$633,216.00

¹³ In 2006-2007, undesignated General Funds consisted of the following: 57% state appropriations, 33% tuition, 10% other sources.

Notes

1) Mercer indicates enrollment for opposite-sex partners should be estimated between 1-2% of the total benefit eligible employee group.
2) Mercer indicates enrollment for same-sex partners should be estimated at approximately 0.5% of the total benefit eligible employee group.
3) "Family Health Credit" is the incremental subsidy paid by the University, towards the difference between single and employee-plus-family coverage; this figure does not include the Employee Contribution (see Table 1).
4) "Partner Health Credit" is the incremental subsidy paid by the University, towards the difference between single and employee-plus-spouse coverage; this figure does not include the Employee Contribution (see Table 1).
5) "Average Annual Cost" is calculated by taking the average between the annual cost calculation for the <i>Family Health Credit</i> scenario and the <i>Partner Health Credit</i> scenario.

Proposed Benefits in addition to Healthcare Benefits

In order to comply with the University's policies on non-discrimination, the committee recommends that the University extend all current employee-household benefits to the partners and dependants of employees whose households meet the criteria for domestic partnership outlined in this report. The addition of most of these benefits is cost-neutral, and therefore quite feasible. These benefits include but are not limited to:

- Life Insurance and Accidental Death and Dismemberment Program
- Dependent Life Insurance
- Dental Insurance
- Vision Plan
- Health and Wellness Program
- Health Care Flexible Spending Account Program (if applicable)
- Long Term Care Insurance
- Universal Life Insurance
- Temporary Disability/Sick Leave
- Bereavement Leave

Eligibility Parameters for Domestic Partner Benefits

In outlining the parameters that would define an eligible domestic partnership, the committee was careful to consider the potential documentation and financial challenges imposed on employees seeking such benefits. We reviewed the criteria set forth by a range of universities, and rejected those which appeared to impose undue hardship or create bureaucratic hurdles in the registration of domestic partnerships. The committee attempted to construct criteria for eligibility in a way that best reflects the practices of University employees who share financial responsibilities for their households, and that will effectively discourage adverse selection or casual enrollment of partners. The committee's proposed *Affidavit of Domestic Partnership* and *Affidavit of Termination of Domestic Partnership* outline those parameters.

The University of Kentucky
Affidavit of Domestic Partnership
CONFIDENTIAL

We, _____, and
(Print Name of Employee)

_____ certify that
(Print Name of Domestic Partner)

1. We are each other's sole domestic partner, and have been in this relationship for at least six (6) months.
2. Neither of us is currently married to or legally separated from another person, as recognized by the laws of the Commonwealth of Kentucky.
3. We are both eighteen (18) years of age or older, and mentally competent to consent.
4. We are not related by blood to a degree that would prohibit legal marriage in the state where we legally reside.
5. We are in a close and committed relationship of mutual financial and emotional support, and intend to remain in the relationship.
6. We understand that domestic partners are subject to the same window period governing other employees who are covered by or applying for benefit plan coverage. Any children, new employment, adoptions, new marriages and domestic partnerships are all subject to a thirty (30) day limit on the enrollment period beginning on the date of the event.
7. We are jointly responsible for each other's common welfare, and our shared financial obligations may be demonstrated by the existence of the following documents, at least one (1) of which demonstrates our shared obligations during a period of at least six (6) months preceding the execution of this declaration. We have circled below the types of documentation submitted with this form. We understand that this *Affidavit* will not be processed without the documentation.

At least TWO (2) of the following:

- A. evidence of a common household or shared address (may include address on tax returns, driver's license, household bills, lease agreement, public assistance documents);
- B. bank statement indicating joint ownership of a checking or savings account, or authorized signatory authority on the other's bank account;
- C. evidence of joint obligation on an automobile loan or joint ownership of a motor vehicle;
- D. ownership of a joint credit card, or authorized signatory authority on the other's credit card;
- E. evidence of other joint responsibility, such as child care (e.g. school documents)

AND

At least ONE (1) of the following:

- A. beneficiary designation (primary or secondary) under the other's life insurance policy, retirement benefits account or IRA, or will;
- B. documents demonstrating that one is executor of the other's will;
- C. power of attorney for health care or financial management;
- D. a jointly held mortgage or home ownership;
- E. adoption papers or legal guardianship demonstrating shared responsibility for minor children
- F. one is claimed as a dependent on the other's federal tax return

8. I, an employee of the University of Kentucky, agree to file an *Affidavit of Termination of Domestic Partnership* with the University of Kentucky Employee Benefits Office, and mail a signed copy to my previous domestic partner, within 31 days of either of the following events:
 - A. There is any change in the circumstances attested to in this *Affidavit* that would make my domestic partner ineligible for coverage under the terms of the University's health plans; or
 - B. We terminate our domestic partnership.
9. I, an employee of the University of Kentucky, understand that another *Affidavit of Domestic Partnership* cannot be filed for at least six (6) months from the date that an *Affidavit of Termination of Domestic Partnership* is filed with the University of Kentucky Employee Benefits Office.
10. We provide the information in this affidavit to be used by the University of Kentucky Employee Benefits Office for the sole purpose of determining our eligibility for domestic partnership benefits. We understand that the University will take reasonable steps to limit access to this information.
11. We understand that, by signing this *Affidavit* and as a result of the University of Kentucky providing benefits to us, there may be legal and tax implications; therefore, we have been advised to consult with a legal/tax advisor regarding these implications. We also understand that if the domestic partner qualifies for pre-tax benefits, and subsequently this situation changes, the employee shall notify the University of Kentucky Employee Benefits Office in order to have this change reflected in the employee's federal tax withholding.
12. We understand that any person, employer or company who suffers any loss because of false statements contained in this *Affidavit of Domestic Partnership* may bring a civil action against us to recover their losses, including reasonable attorney fees. We understand that a false declaration of domestic partnership, material omission of information on this *Affidavit*, or failure to inform the University of Kentucky of the termination of a domestic partnership in a timely manner is considered fraud and may result in disciplinary action of an employee up to and including termination of benefits and/or employment.
13. We affirm that the information we have provided is true and correct to the best of our knowledge. We know that any person who knowingly and with intent to defraud any insurance company or other person files an application for insurance or statement of claim containing any materially false information, or conceals for the purpose of misleading, information concerning any fact material thereto, commits a fraudulent insurance act, which is a crime.

 (Signature of Employee)

 (Signature of Domestic Partner)

 (Employee's Social Security Number)

 (Domestic Partner's Social Security Number)

 (Date)

 (Date)

 (Employee's Date of Birth)

 (Domestic Partner's Date of Birth)

The University of Kentucky
Affidavit of Termination of Domestic Partnership
CONFIDENTIAL

I, the undersigned employee of the University of Kentucky, declare that my former partner and I are no longer in a domestic partner relationship, and I am hereby notifying the University of this change. I realize that my former domestic partner will no longer be eligible for continued participation in the University's benefits programs, but will be eligible for continuation of coverage through the Consolidated Omnibus Budget Reconciliation Act (COBRA). As asserted in my earlier Affidavit of Domestic Partnership, I agree that this notification shall be mailed to my former domestic partner within 31 days of this date.

Date _____

Signature _____
Employee

Address to which notification should be mailed: