

Employee Benefits Committee Meeting Minutes

December 7, 2016 10:30AM – 12:00 PM

Room 100 Hardymon – Windstream Solutions Center

Presiding: Harris, Bill, Chair, EBC

Present:

Sigler, Pam, Agriculture Program and Staff
Development
Ellis, Christy, IBU – Surgical Areas
Matuszak, Stella, Arts and Sciences
Campbell, Susan, Agriculture Cooperative Extension
Flowers, Melody, Finance and Administration
Poston, Lance, Office for LGBTQ Resources
Bender, Patty, Institutional Equity and Equal
Opportunity
Tearney, Michael, Retiree

Ex Officio:

Stamper, Shannan, University Legal Office
Wilson, Kimberly, VP Human Resources
Amos, Richard, Chief Benefits Director
Carbol, Gail, Benefits Manager

Recorder: Cara Tackett, Employee Benefits

Agenda Item & Speaker	REPORT	ACTION
Call to order – Bill Harris	Mr. Harris called the meeting to order at 10:35 am.	No action needed.
October 18, 2016 Minutes - Bill Harris	Mr. Harris asked for review and approval of minutes. Lance Poston requested the letters in his department name be corrected. Lance Poston motioned for approval, seconded by Shannan Stamper.	Approved
Benefits Poll – Richard Amos	<p>Mr. Amos explained the Benefits Poll that was sent out to the committee. He stated that the poll is not comprehensive, as it does not include leave time, parking, or other benefits not administered by the Benefits Office. Mr. Amos also stated that the survey is not for academic research, but to have a snapshot of how the committee ranks the importance of various benefits.</p> <p>Mr. Amos reported the findings. Medical Coverage was ranked number one and Mandatory Retirement ranked number two, which is consistent with his experience over the years. He also noted that dental and vision were ranked third and fourth, respectively. Ms. Wilson stated that she was surprised to see that two benefits that had no employer contribution ranked higher than benefits that require funding, like Health and Wellness. Mr. Amos commented that he believes there is an expectation to offer dental and vision by the employees. Ms. Wilson told the committee that she learned from Eastern Kentucky University peers their health insurance premiums are increasing 400%. Ms. Flowers said she has heard complaints from employees that the cost of parking is more than the cost of health insurance. She said employees don't realize both benefits are subsidized, one is just more so.</p> <p>Mr. Amos stated he was surprised by the placement of Health and Wellness benefits and education benefits, saying they were lower than he anticipated them to be. Mr. Amos concluded by stating we may attempt a more comprehensive benefits survey for a stronger sampling of employee opinion.</p>	No action needed.

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<p>Life Insurance Renewal – Gail Carbol and Richard Amos</p>	<p>Mr. Amos started by explaining that Sun Life Financial is our current Life Insurance vendor and during the previous RFP they bid very low. He stated Sun Life is now proposing to raise rates from \$0.04 per \$1000.00 to \$0.11 per \$1000.00 for basic life coverage. MPM is trying to work out premium rates with Sun Life.</p> <p>Ms. Carbol stated that the new proposed Basic Life rate of \$0.11 per \$1000.00 of coverage would be effective until 6/30/2020 and that there were no proposed changes to the Optional Life rates. Ms. Carbol then showed a slide of premiums versus incurred claims. For the fiscal year of 7/1/2014 – 6/30/2015, premiums were \$0.52 million versus \$1.68 million in claim payouts. For the fiscal year of 7/1/2015 – 6/30/2016, premiums were \$0.71 million versus \$2.78 million in claim payouts. Ms. Carbol explained that the Optional Life Insurance premiums outweighed the cost of claims incurred. Ms. Carbol said we will be putting the renewal out for bid.</p> <p>Next, Ms. Carbol discussed some of the proposed Life Insurance changes that may result in more competitive Basic Life rates. These proposed changes include increasing the amount of Optional Life Insurance that can be purchased to from 5 to 8 times the employee’s salary, implementing and an Age Reduction schedule that would reduce coverage upon reaching certain age milestones, require Medical Evidence of Insurability (MEOI) for any increase in optional life insurance coverage, outside of salary increases and the initial election, and adding additional coverage levels for dependents.</p> <p>Ms. Flowers asked Ms. Carbol to explain the MEOI process and asked, “what is the frequency of coverage denial.” Ms. Carbol explained that currently, new hires can enroll up to 3 times their salary without completing an MEOI and upon hire they must complete the form for 4 or 5 times their salary. She then stated that currently, employees who wish to increase more than one coverage level during the annual Open Enrollment period must complete the MEOI form while employees increasing only one times their salary level are not required to submit an MEOI. She finally explained that any employee wishing to obtain more than \$375,000 in coverage is asked to complete the MEOI form. Ms. Carbol stated that there are still denials, but that the process is simple and employees who are denied are still covered for the guaranteed issue amount. <i>[Note: after the meeting it was verified that only 6% of MEIOs are declined]</i></p> <p>Ms. Flowers stated that we must consider who these changes will most impact, to which Ms. Carbol agreed and stated that we ensure any changes will be communicated to employees. Ms. Wilson stated that for young, healthy individuals, it may be less expensive to obtain an outside policy, rather than enrolling in the University policy. Ms. Ellis asked if denials have an appeal process, and Ms. Carbol said they do not. Ms. Stamper asked about premium adjustment for employees waiting for approval through MEOI completion. Ms. Carbol explained that employees are capped at the guaranteed issue amount and if they are approved, the premiums are increased.</p>	<p>No action needed.</p>

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	<p>Mr. Amos concluded by stating that while a person with no medical issues may pay less through an outside vendor, the University policy helps by providing coverage to fill in the gaps for any employees with previous, or current medical issues.</p>	
<p>Review of Cammack Services – Denise Burns, Tim Irvin, and Jeff Levy</p>	<p>Mr. Amos explained the basics of the retirement plan. He stated that administration of the University’s retirement plans and fund offerings can be complex and require outside assistance, which is where Cammack comes in. Mr. Amos said that the plan is designed for the greatest potential to save money, but that he wishes enrollment and savings with the Voluntary Retirement were higher. Mr. Levy explained that Cammack is a benefits consulting firm that specializes in tax exempt institutions and that they are currently working with over 50 higher education institutions, both public and private. Mr. Levy then stated that UK has a good practice of reviewing and performing due diligence in order to work in the best interest of its employees.</p> <p>Mr. Levy went on to describe current lawsuits against private institutions. He explained that many of the claims in the lawsuit were in regards to fund price communication and education but were found to be inaccurate. Mr. Levy stated that there was an example of this with the dismissal of a case against Chevron because claims were found to be non-accurate, incomplete and undocumented. Ms. Stamper wanted to ease any worries the committee may have and explained that the lawsuits have been brought against private institutions that are subject to ERISA, which the University is not. She also explained that the role of the EBC would never be involved if a lawsuit was to be filed. Mr. Levy stated that a lawsuit would have to attack a state fiduciary law, which Kentucky doesn’t really have and that the University has good processes which makes it less susceptible.</p> <p>Mr. Levy, Mr. Irvin, and Ms. Burns then introduced themselves and explained their job duties with Cammack Retirement to the committee. Mr. Levy began to review an executive summary slide for the committee. Mr. Irvin explained that the executive summary being shown was only a partial view, as it only looks at individual accounts to show how the plan is changing. He explained that we want to see how assets are changing. Mr. Irvin stated that the University enjoys very low fund fees due to its high plan assets of roughly \$4.3 billion. Mr. Irvin then explained that they check to see if any of the current funds being offered should change or go on watch. He then stated that approximately 2/3 of the University’s assets are in TIAA, 40% of which are in the TIAA Traditional. Ms. Carbol clarified that current contributions are about 50/50 but TIAA used to be the only option available so they have more of the assets. Mr. Levy explained that TIAA and Fidelity don’t offer one another’s funds on their platforms. Cammack watches and compares our core fund lineup to ensure UK is offering “best in class” in each fund category.</p> <p>Mr. Irvin then went on to explain the Business Planning Update which is a way to stay on track. Some items are repetitive and appear in the update each year, and some are specific to that calendar year. Mr. Irvin explained that goal dates are set and that each step of the process is documented. Mr. Levy explained that even though we are not mandated to follow ERISA, the committee decided to follow the some of the ERISA guidelines that make sense as best practice. Mr. Irvin then stated they go over compliance with each plan and committee. He stated that maximum 415c contributions are increasing from \$53,000.00 to</p>	<p>No action needed.</p>

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	<p>\$54,000.00 per year. He then went over the legislative update, which is given each quarter. Mr. Irvin explained that the rules for hardship withdrawals have been updated to account for victims of Hurricane Matthew, making it easier for these participants to access their funds. Mr. Levy explained that the IRS has jurisdiction over our plans, even if the Department of Labor does not.</p> <p>Mr. Levy showed the committee our assets and contributions. 8% of assets and 34% of new money is in a Target Date Fund at TIAA. In Fidelity, 26% of assets and 49% of new money is in a Target Date Fund. Mr. Levy explained the characteristics of a Target Date Fund and said they have become by far the most popular investment fund. Ms. Stamper stated for the committee that if a new employee comes in and does not enroll, they are defaulted into TIAA's appropriate Target Date Fund. Previously, the investments defaulted into a Money Market fund. Ms. Burns stated that TIAA Traditional is an insured product with a diverse pool of assets that are managed by TIAA and provide a guaranteed 3% minimum crediting rate. Mr. Irvin followed up by explaining that 3% is very high compared to other fixed plans. Mr. Levy stated the downside to this plan is investors must withdraw money in 10 payments over 9 years. Ms. Burns said the liquidity issue is the reason they can guarantee a return.</p> <p>Ms. Burns talked about a scoreboard, explaining that it details the investment policy statement and the fund's performance versus the index. If a certain fund has several issues, the committee will meet to determine if the fund should be watched or replaced. Mr. Levy explained that teams will dig deep to attempt to determine why a fund failed that specific item, if it is a bad fund or if it has differing qualities.</p> <p>Mr. Irvin explained that funds are watched continuously and that if a fund is to be replaced, they attempt to find similar funds in which they will map the assets to a similar fund on the investors' behalf. He also explained that communication is sent out prior to fund changes and then all changes are made seamlessly.</p> <p>Ms. Burns explained the characteristics of the Target Date Funds as well as the glide path that these funds follow. Mr. Irvin explained that Target Date Funds haven't been around that long but they are becoming popular because it takes reallocation out of the hands of the participant. Mr. Amos stated that Target Date Funds allow the participant to be passive and the majority of employees want to allow the carrier to handle the balancing of investments. Mr. Levy explains that TIAA is adding real estate investments to Target Date Funds and Ms. Burns adds that TIAA is the only place that participants can invest in real property.</p> <p>Ms. Wilson stated that Cammack helps come up with recommendations brought to the committee to reduce costs and improve the plans, such as RIA cap, the different fund tiers, loan changes, etc. Mr. Levy explained that the vendors look at all attributes of the plan to save money and reduce administrative costs.</p> <p>Ms. Wilson then explained that we have been receiving calls and questions about changes we anticipate with the election of Donald Trump. She explained the number one question concerns maternity leave increasing to 6 weeks paid leave in addition to current FMLA, but the paid leave would not include men or adoptive parents. She explained that since this is not inclusive, it may not pass. Ms. Wilson then stated that</p>	

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	the Affordable Care Act (ACA) provisions that allow children to be covered on a health plan to age 26 and the waiving of pre-existing conditions will most likely not change. Ms. Wilson briefly touched on the FLSA changes, and e-verify for electronic I-9s, as well as a possible change in the issuance of H1B visas.	
Meeting convened-Bill Harris	Mr. Harris ended the meeting at 11:50 am.	No action needed.