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


Discussion of Plan to Offset Possible Increases in Medical Costs with Vice-Chair Brad Holt

Background

Holt explained that this year the Governor's budget proposes that State employees pay an increased portion of the cost of their medical benefits. The proposed change would increase the current portion of 6% to 8% and then later to 10%; this is on an increasing base amount. In effect, increased medical costs would subtract from any raise approved by the legislature for meritorious faculty. Also, because a meritorious raise would be a percentage of salary and the medical benefit cut would be uniform, the raise would be felt differently among different meritorious faculty depending on their salaries. Furthermore, Holt pointed out that merit salary increases for UW faculty are desperately needed, as they are falling further and further behind in salaries compared with their peers at other institutions.

Explanation of Faculty Salary Policy

Holt explained that the University salary policy allots a pool of money for salary increases. Money for this pool comes from: 1.) State contributions (the governor can propose to fund a percentage-based raise for all faculty), 2.) Recruitment Retention Funds (allotted by the legislature to recruit new employees), 3.) Salary Recapture Funds (the difference between the salary of a new hire and the person that the new hire replaced) and 4.) Budget cuts and other reallocations of funds within the University.

Once the Senate Planning and Budgeting Committee determines the size of the pool, they then distribute the pool according to the University's policy on distribution of salary increases. The policy states that they must: 1.) Give 7½% increases upon promotion, 2.) Pay everyone the minimum 'floor' for specific job titles, and 3.) Give meritorious faculty a 2% salary increase (note: the actual figure is a Presidential commitment, provided that the University does not have 'an emergency'). Once they have distributed the pool to meet these three requirements, they may 1.) Match salary offers, 2.) Conduct unit adjustments (decide that a unit-wide salary adjustment is justified) 3.) Provide all meritorious faculty with an across-the-board or fixed percentage increase or 4.) Give extra salary increases to particular meritorious.

The Plan

To offset the increase in medical costs, Holt has devised a plan that he presented to FCRIB for feedback. Holt proposed that after the required distributions have been made, the next step would be to distribute money from the pool to make up for different felt increases in medical costs. For example, if $500 is determined to be the average dollar amount increase in medical costs, $500 could be distributed to all meritorious faculty. This would balance out the 'cut' and restore the effect of the merit raises so that a 2% raise would mean a 2% raise. He pointed

* = with vote

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out that the money would simply be redistributed among the group of meritorious faculty, and would not take away from any other University program or activity. The balance of the funds remaining in the salary pool would be available for other distribution according to the policy.

Chair Martin asked if the Council members had any questions.

Dwyer asked how the average dollar amount of increase in medical costs could be determined, given that different medical plans have different premiums and different employees have different needs for medical care? She added that this plan does not really serve its purpose of equalization. Holt answered that it is better to do something that may average out to be fairly equitable rather than do nothing. He suggested that the amount could be calculated based on the University's average contribution per employee for medical benefits costs, a number that could be determined easily.

Frey asked if this flat rate (of $500 or whatever amount determined) was fair given that salary adjustments are traditionally given as percentages of salary? Holt replied that the benefit cut, because it is done on fixed terms, distorts percentage salary increases; this plan just puts a fixed amount back.

Whittaker asked whether this plan would affect the University's position in arguing for salaries or benefits in general? Holt replied that the University's position would be the same in any case, i.e. try to get as much money as possible for salaries and benefits, but that there are different opinions on how it would be perceived by the legislature among the University's legislative representatives.

At this point Olswang presented the administration's concerns about the proposed plan. Their first concern pertains to the budget. This year's budget is so strained that the administration does not expect to get more than a 1.8-2% increase for salaries. Second, this plan is not consistent with historical, traditionally percentage-based meritorious salary increases. Third, and of greatest concern to the administration, is how this plan would be perceived publicly. Other State employees may resent the fact that this group of meritorious faculty would be the only State employees to have the increased costs of their medical benefits offset. Internally, the professional staff may wish to adopt this type of plan but the classified staff could not receive any such offset. Classified staff have a completely different salary system and do not have any flexibility in how pay is distributed. As a group they receive across-the-board raises set by the State, independent of merit, and annual raises based on seniority (until they reach the top of the pay schedule). This proposal may increase resentment and produce the feeling of being "second class" employees. In any case, Olswang said that the plan is currently being considered by the administration along with all of its ramifications both externally and internally.

Martin raised an additional concern, brought to her attention by one of Health Care Authority staff members, which is that if the State perceives that the benefits cuts are not really felt, they may continue to make cuts in the future. This could set a dangerous precedent.

Dwyer expressed her deep concern that this plan could cause a serious division between faculty and the other 15,000 employees who would not receive any special compensation for the increased costs. She warned that this my cause great alienation and might encourage people to appeal directly to the legislature rather work with the administration.

Martin asked what the timeframe for this proposal is in terms of what FCRIB would need to do next? Holt said that there is no timeframe per se, but that he would continue to present the idea to faculty and faculty councils. Also he said there would be a better idea of what pool of money would be available after the budget is decided.
Olswang added that the Provost's office would be issuing merit review process guidelines to the departments around early April.

Martin thanked Holt for coming and addressing the Council and asked that if any FCRIB members have thoughts about this or questions to please send an email message to Holt (holt@cheme.washington.edu).

**Legislative Update**

Dwyer informed the Council of current legislative activity in Olympia that could have an effect on the University's retirement, insurance and/or benefits programs. She specifically mentioned the following bills being considered by the legislature:

SSB 5937 - Modifies the elimination of all post-retirement work limitations, by adding a limit limit of 1500 hrs per calendar year (still allows greater-than-50%); provides an end date of 12/31/04 for this change; provides requirement that the JCPP review the impact of the change and report to the legislature.  The University still supports this including the changes.

SSB 5325 - Allows retirement for PERS 2 members w/ 20 years service credit at age 55 with actuarial reduction of 3% per year of age under 65 (retirement at 55 w/20 already allowed, but current reduction is much greater). Impacts UW employees, but reduction in benefits will make this less appealing to many.

SSB 5232 - Rescinds PEBB Action in May 2000 extending Medical/Dental/Life insurances to same-sex domestic partners. The University opposes this bill and is watching to evaluate level of support in legislature.  Will require high-level statement of UW position.  Bill is stated in terms of maintaining controls on rising costs.

FCRIB members went on record opposing SSB 5232. The Council voted in opposition to SSB 5232 or any other similar legislation. One Council member present abstained from voting.

**Education Subcommittee**

Dwyer reported on the meeting of the Faculty Education Subcommittee (a subcommittee of FCRIB appointed to investigate ways of informing the faculty about available retirement options and benefits that they may not be taking advantage of). The group would like to send faculty members of FCRIB along with a representative from the benefits office to individual department meetings to discuss benefits issues. At the meetings they could disseminate information about all types of benefits including retirement, insurance, the voluntary investment program, etc. Boxx suggested that employees in each department could relate benefits 'success stories' (e.g. a staff member in her department recently attended a very successful education program on eldercare benefits). Chamberlin proposed that the meetings could also serve as a recruitment tool to faculty to serve on FCRIB. The subcommittee suggested providing some written information on benefits issues, given the limited time available at department meetings.

They began constructing a simple survey with some questions to help faculty think about benefits issues (questions aimed at discovering whether they are aware of their choices, what they think about their benefits, what they care about, etc.). The questions could be used a starting point for further discussion in the departmental meetings and to hone in on what is most important to the particular departments. The answers themselves would also convey meaningful information to the benefits office and FCRIB. Frey asked whether sociometric questions
would be asked in the questionnaire? Martin responded that a few sociometric questions could be included but not too many, as they wish the questionnaires to remain anonymous.

Whittaker suggested that some statistics about utilization of benefits be presented during the departmental meetings, especially if the statistics are particularly eye-catching, interesting, or have potential to generate further discussion. Dwyer stated that it would be very easy to collect such statistics thanks to the new Data Warehouse, and that they could be included. Whittaker asked that a benefits utilization comparison by group be included. Martin noted that she thought those types of statistics would be of interest to faculty, especially concerning medical/dental costs, general financial planning, and retirement. She thought it would also be interesting to see how many people have visited MyUW, motley fool, and other web-sites promoted by FCRIB and the benefits office. In addition, it was suggested that a short summary of information about each benefit and what FCRIB does be taken to the faculty meetings.

The subcommittee is developing the questionnaire and will send it to FCRIB members via email for comments. Martin suggested that the questionnaire and meetings serve as a pilot study, and that if this approach works with the faculty, a similar method be used to reach professional and classified staff. She asked for a suggestion from Dwyer as to how and when the meetings might be scheduled. She suggested that FCRIB start with its own members' departments. All FCRIB members present replied that they would like to do this. Martin asked that they return to their departments, see if their departments would like to schedule meetings, if so, determine the dates and times of the meetings, and send email messages to the recorder (kwimble@u.washington.edu) to complete the scheduling.

On a related note, Martin reported that earlier she had attended a meeting of the UW Retirement Association. At the meeting, Martin asked if the retirees would be willing to fill out a survey from FCRIB about retirement (the decisions they made, if they felt they were good ones, other retirement funds that they hold, and how things were going for them). They thought that people would be likely to fill out a survey on these topics if it was concise and easy to read.

Future FCRIB Items

Martin asked FCRIB members to consider who might like to be the chair of FCRIB next year and if they could think of potential new members. She told the Council that she had several inquiries from faculty about serving on FCRIB following the publication of her article on FCRIB in U-Week (http://depts.washington.edu/~uweek/archives/2001.01.JAN_25/FacultySenate.html).

Martin reminded the members that they only have one quarter left to address some of the issues that they would like to address, and that it might be wise to put some long-term agenda into place, so any momentum they have going on certain projects won't be lost for the group next year.

In the future, FCRIB might wish to consider retirement issues at the University level and develop a policy on early retirement, define the term 'retiree', assess the impact of the Instructional Responsibility Policy on partial retirement, and discuss the Retirement Plan Task Force report (http://www.washington.edu/faculty/facsenate/councils/fcrib/tfreport.html), etc.

Meeting adjourned at 4:00 p.m. Minutes by Katherine Wimble, Recorder.