Faculty Staff Benefits Committee Minutes

Regular Meeting time: 2nd Tuesday of each month, 2:30-3:30 p.m., Zimmerman

Meeting Date: March 6, 2012

Members Present: Fran Wilkinson, Helen Gonzales (ex-officio), Elaine Phelps (ex-officio), Suzanne McConaghy, John Vander Castle, Loretta Serna, Randy Truman, Hans Barsun, Josie R. Abeyta, Carolyn Hartley, Sharon Scaltrito

Members Excused: Nancy Beck, Karin Retskin, Carol Bernhard, Melissa Vargas, Jacquiline Zander-Wall

Members Absent: Elena Plis

Guests Present: Kathy Meadows, Staff Council

Minutes submitted by: Suzanne McConaghy

	Subject	Notes	Follow-Up
1	**Meeting called to order @ 2:34 p.m.**		
2	**Approve Agenda** **Approve Minutes**	Added follow-up to the Catastrophic Leave discussion. Approved.	
3	**ERB potential changes**	Both SB 150 and HB 269, though not passed this session, reflect benefit reductions. **Ideal Outcomes**: 1. Merge ERB and PERA, 2. Hold employees harmless, 3. Look to PERA instead. (Comparison of PERA vs. ERB attached in following page.) **Possible reduction areas**: 1. Contributions, 2. Retirement Age, 3. COLAs SB 150 was supported by FSBC	Prepare for next year's session, coordinating with Staff Council, Faculty Senate, and HR, to come to consensus on what reductions in benefits are agreeable. **Homework**: Consider options personally and with constituents. Will revisit next month.
4	**HSC Faculty Concerns**	ERB did not understand the HSC Faculty Incentive program, causing alarm re benefits taken out, but perhaps not included in "salary" for payout. They aren't bonuses, such as the ones athletic coaches receive, which are excluded.	Dr. Roth is handling this with the ERB, the understanding to be that the faculty incentives be included in salary calculations.
5	**Health Self-Insurance Balance Update**	Forums *(sic)* are being held on Main and North Campuses to explain and prepare for higher costs of health care. The shortfall of premiums *(sic)* with respect to costs cannot continue to be covered from the reserve.	Proposals for covering the shortfall: 1. Transfer $1M from the reserve, 2. Add $2.5M in co-insurance payments, 3. Take $$ from UNM budget, 4. Increase in premiums
6	**Change in Health Insurance Premium Salary Tier Schedule**	In the budget going to the Regents, HR proposed changing the salary tier schedule for premiums: Current: Proposed: <$25K, UNM 80% <$35K = 80% UNM/20% employee, $25-35K, UNM 70% $35-50K = 70% UNM/30% employee, >$35K, UNM 60% >$50K = 60% UNM/40% employee	Regents will consider.
7	**Discussion re how employees can save $ on health care**	Using mail order for prescriptions would save money. Have people pay for options they might use. Offer low premium/high deductible plan. Put in place a program for no smoking, normal weight, etc. qualify for reduced premiums.	Plan design changes can be implemented with the FY 2013 RFPs.
8	**Standard Short-Term Disability Insurance**	Although only 890 are enrolled, the company will honor this for a year. Formally, the requirement is to have 20% of the workforce enrolled.	
9	**Catastrophic Leave Follow Up**	Tabled until next month.	Place on agenda for April.
10	**Next Meeting**	Tuesday, April 10, 2012	Meeting Adjourned at 3:41 p.m.

Comparison of ERB and PERA (Educational Retirement System and Public Employee Retirement System)

The following information is based on information taken from the 2007 House Memorial 92 study:

	ERB Retirement (Educational Emp.)	PERA (Other State Employees)
Employee Contribution	11.5% of salary	10.67% of salary
Employer Contribution	10.9% of salary	15.09% of salary
Multiplier	2.35%	3%
Final Salary; both @ $43,444	Highest Consecutive ***5 Years***	Highest Consecutive ***3 Years***
COLA (Cost of Living Adjustments)	At ***age 65***, ½ of CPI (av. ~ 1.5%)	***3% after 2 yrs*** of retirement *(any age)*

	ERB Contributions		PERA Contributions	
	Employee	**Employer**	**Employee**	**Employer**
FY 2006	7.675%	9.4%	7.42%	16.59%
FY 2007	7.75%	10.15%	7.42%	16.59%
FY 2008	7.825%	10.9%	7.42%	16.59%
FY 2009	7.9%	11.65%	7.42%	16.59%
FY 2010	9.4%	10.9%	8.95%	15.09%

How multipliers + COLAs affect benefits: Example: Employees retire after 25 years and each have an ending salary of $43,444:

Both employees have a final salary of $43,444, but the **ERB 5 year average is $41,000**, the **PERA 3 year average is $42,179**, so PERA has a higher salary base used with the multiplier to calculate the pension. This example used 3% per year raises for 5 years.

	ERB Retirement @ age 58	PERA Retirement @ age 58
Final Average **Salary:**	**$41,000** (5 year average)	**$42,180** (3 year average)
Multiplier:	.0235	.03
Years of Service:	25	25
Benefits paid per year:	**$24,088** a year in retirement @ age 59	**$31,634** a year in retirement @ age 59
	$24,088 @ age 65	**$36,672 @ age 65**
	$25,950 @ age 70	**$42,513 @ age 70**
	$27,955 @ age 75	**$49,285 @ age 75**
	$30,115 @ age 80	**$57,135 @ age 80**

Employee/Employer Contributions

- These two retirement systems were about equal in funding and membership until 14 years ago when the state legislature doubled the **employer contribution** for PERA employees, from 8% to 16.59% of employees' salaries.
- In 2005, the state legislature was to increase the employer contribution to approach the 16% put into the ERB retirement system. The ERB employer contributions were to rise gradually from 2006 to 2012, to a final employer share *of 13.9% in FY 2012*.
- Due to the downturn in financial markets, the ERB employer contributions were actually *diminished* in FY 2010 to 10.9% *and the* ***ERB employees paid an extra 1.5% of their salaries*** to make up the difference.

Under the present circumstances:

- **ERB employees pay *more* towards a retirement that is worth 1/3 *less* in benefits payout than a comparable PERA employee**
- **ERB employees pay a higher percent of their salaries towards their pensions than do PERA employees.**
- **The compounding effect of the av. salary, multiplier and the COLAs result in huge difference in payout as years go by.**

Possible Solutions…Combine the 2 retirement systems as suggested by House Memorial 92 in 2007, or:

1. Lower the PERA multiplier from 0.030 to the 0.0235 multiplier that is used for ERB members.
2. Lower the PERA COLA to match ERB rates, and
3. Change the PERA COLA to start at age 65, the same as the ERB system.
4. Lower the 16.09% PERA employer contribution to 13.9%.

The savings in PERA benefits to the state could be used to raise ERB employer contribution closer to the 13.9% to which the state committed in 2005.

These solutions could be revenue neutral for the State of New Mexico and both pension funds could be both solvent in the future and equitable in their benefits for state employees.

Prepared by Staff Council Compensation Committee, March 2012