

**Faculty/Staff Benefits Committee  
Meeting Minutes  
December 11, 2012**

Members Present: Fran Wilkinson, Hans Barsun, Carol Bernhard, Sharon Scaltrito, Carolyn Hartley, John Vande Castle, Karin Retskin, Codruta Soneru, Jason Wilby, Suzanne McConaghy, Dr. Lee Brown, Helen Gonzales (ex-officio), Elaine Phelps (ex-officio), Josie Abeyta (ex-officio)

Members excused: Shawn Berman, C. Randy Truman

Members absent: Cenessa Martinez (ex-officio), Theresa Ramos (ex-officio)

Guests: Kathy Meadows, Staff Council, Mary Clark, Staff Council, Amy Neel, Faculty Senate, Barbara Gabaldon, Retiree Association, Tom Long, Faculty Senate, Philip Ganderton, Faculty Senate, Richard Holder, Faculty Senate

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Introductions around the table were done in advance of calling the meeting to order.

The agenda for the meeting was reviewed and approved. With that action, the conversation turned immediately to the resolution signed by the regents today regarding the unfunded liability for health care for retirees under the age of 65.

David Harris, Executive VP, handed out an excerpt from UNM's Independent Audit Report for 2012 (required by the Governmental Accounting Standards Board (GASB)) on the University's post-employment benefits. This documentation records a \$152.6 million unfunded liability as relates to University retirees under the age of 65.

Dr. Frank explained that this population of retirees cost more than any other population for which the University pays benefits, because they're reaching an age where health care needs may go up, but they are not eligible for Medicare.

Mr. Harris noted that this unfunded liability has been an issue for several years although the University has made no move to address it.

Lee Brown posed a question on what percentage of retirees under 65 draw upon the insurance benefit. Helen Gonzales responded with the following data –

UNM pays about \$1 million toward the insurance costs for retirees > 65

UNM pays about \$4 million toward the insurance costs for retirees < 65 who use about 140% of what they pay

UNM pays about \$32 million toward the insurance costs for active employees who use about 90% of what they pay

Two years ago the University put together a committee to develop recommendations for GASB on this same issue, but the recommendations were incorrect in that everyone who is eligible for benefits, whether they use them or not must be factored into the liability scenario.

Mr. Harris commented that GASB-driven audits, such as ours recently completed, happen all across the country, and that the Texas legislature had voted to ignore the findings in that state, but how realistic is that solution.

Barbara Gabaldon suggested the the funds the University holds in reserve to pay out annual leave could be transferred to an account set up to cover the unfunded liability. Helen Gonzales confirmed that prefunding such an account by reducing other fund balances would be feasible.

As general discussion ensued, Dr. Frank wanted to clarify that it is the “active eligible” employees on which the discussion should be focused as related to the unfunded liability issue.

Ms. Gonzales clarified that, as with ERB solvency issues, necessary changes will make some impact.

Dr. Frank reiterated that a new policy will be announced shortly, the changes from which could impact those retiring soon. Ms. Gabaldon posed the question regarding those who have put in their papers already and Dr. Frank responded that they would probably be okay.

Amy Neel, Faculty Senate President, questioned how these changes would fit into the University’s overall strategy and whether the changes could create a disincentive for staff to retire. Dr. Frank responded that changes must be made and stated that his position is that the University should focus on providing adequate salaries and allow individuals to purchase their own benefits.

Dr. Lee Brown commented that such philosophy didn’t work as well with contributors to 401(k) and 403(b) accounts. Some discussion of this point occurred and Mr. Harris stated that UNM should have created a savings account to address the unfunded liability in 1992, but didn’t.

Ms. Gabaldon asked whether the University could purchase a group plan to help with the transition to whatever is to come. She then seemed to challenge Dr. Frank by saying that the end result would be that the <65 retirees would eventually end up with no insurance coverage. Dr. Frank took exception to her comment and stated that everyone will participate in “wherever we end up”. That small steps to make changes were less painful and that cutting people out altogether was where we didn’t want to end up.

Hans Barsun commented that the coming policy change will prevent a safe harbor. Mary Clark, Staff Council President, interjected that Ms. Gabaldon’s comment was based upon hearing Regent Koch’s statements in earlier meetings. Dr. Frank’s goal is a collaborative solution, which is why he and Mr. Harris have joined this committee meeting. Mr. Harris stated that the trajectory of change we want to take will determine the tone of the upcoming policy change.

Dr. Frank stated that this is a \$7 million/year problem and that we must move quickly to craft a solution. He, Mr. Harris and other will put together a list of proposed solutions to present to a task force that must be formed now, using the F/S Benefits Committee (F/SBC) as it’s core. Any changes must be decided in time to become effective with the new fiscal year. Mr. Harris agreed that changes would be effective July 1 and that current obligations should still be met.

Ms. Gonzales referred back to the GASB committee which did similar work two years ago. She stated the actuaries would price out solutions, which could include prepaying into an account, and adjustments to contributions.

Mr. Harris emphasized the the funds for address the current unfunded liability should be put into a trust fund that can’t be raided for other purposes.

Karin Retskin referred back to the regents’ resolution regarding the creation of a task force, and Dr. Frank reiterated that “we” (F/SBC) are the task force and that the time to start working on the solution is now. Mr. Barsun stated that we must have more frequent meetings than the currently monthly schedule. Fran Wilkinson asked whether the task force would be just the F/SBC or should others be added as well. Mr. Barsun reiterated

that we can't wait another month for the next meeting. Dr. Frank charged the group with getting a schedule created.

Dr. Neel suggested that this problem is not unique to UNM and asked whether there might be a/ny resource(s) available for researching other solutions. Dr. Frank commented that the polics are local. Ms. Gonzales confirmed that Elaine Phelps had the documentation generated by the task force formed 2 years ago and that the documentation would be of some help, but not enough.

Ms. Clark asked whether this unfunded liability might be likely to "bite us" in Santa Fe (referring to the legislature). Mr. Harris said no, that it might actually help us, and Dr. Frank concurred that the fact that the UNM community is working together toward a solution would be seen positively by the legislators.

Mr. Harris stated that the next actuarial review would occur in 2 years and that the work done now would affect the outcome of that review.

**Richard Holder asked something about constraints, but I didn't get the gist of what he said. Did anyone else?**

Dr. Neel asked if this liability had anything to do with the University's bond rating dropping. Mr. Harris said no, and clarified that the bond rating dropped because when the Sandoval Regional Medical Center was created, cash resources that should have been held against debt service were used. Dr. Neel asked again if the unfunded liability could affect the bond rating and Mr. Harris said it could if left unaddressed.

Dr. Brown asked if national Health Care Reform could effect the unfunded liability and general discussion on the overall health care issues ensued without his question being directly addressed.

Dr. Frank and Mr. Harris left the meeting about this time and the minutes from last month's meeting were approved. After that the discussion turned to practical matters regarding the make up of the task force. In the general discussion following, Ms. Gabaldon commented that Susan McKinsey (UNM's Governmental Relations liaison) had reported that the Investments and Pensions Oversight Committee (IPOC) had voted to hold steady the contributions of employees making \$20,000/year or less.

Discussion turned to the RFP process for health insurance providers and Ms. Phelps and John Vande Castle commented on the recent committee meetings. Dr. Vande Castle commented that the proposal load was massive and Ms. Phelps said the committee would meet again tomorrow (12/12) and would hear a consultants report at that time. The finalists would be made known in early January.

Ms. Gonzales commented that past claims were merely a picture of what has been and that a 7-8% increase could be expected in the near future. She also said that discounts factor into the overall picture.

Suzanne McConaghy asked whether a low premium/high deductible option for coverage had been considered. Ms. Gonzales responded that the State has such an option and that of the thousands of state employees, only 35 took advantage of it. Mr. Barsun suggested that the University's pay scale would be generally prohibitive of that option.

Ms. McConaghy asked for talking points on the issue for the questions she felt she would face and general discuss ensued. Ms. Gabaldon suggested that HR should publish a statement on the changes that may be coming and Ms. Gonzales quipped that she would issue a statement that said whatever Dr. Frank told her to say.

Ms. McConaghy commented that the staff would be facing additional deductions from our paychecks come July 1 and again without a salary increase. General discussion of our salary issues followed.

The discussion then turned again to whom should be included in the task force and how often meetings should occur. Dr. Lee Brown volunteered for the task force as he's had experience with similar issues. Ms. Retskin asked again if resource reading material was available and Ms. Phelps stated that she had information from peer institutions that she could make available. Ms. Gonzales stated that something could be pulled together and that HR would prepare a statement clarifying the full extent of the problem.

The meeting was adjourned at about 4:15 p.m.