

DRAFT - Faculty Staff Benefits Committee Minutes of April 10, 2012

Regular Meeting time: 2nd Tuesday of each month, 2:30-4:00 p.m., Latin American Reading Room, Zimmerman Library

Meeting Date: April 10, 2012

Members Present: Fran Wilkinson (co-chair, faculty), Hans Barsun (co-chair, staff), Helen Gonzales (ex-officio), Elaine Phelps (ex-officio), John Vande Castle, Loretta Serna, C. Randall Truman, Carol Bernhard, Karin Retskin, Sharon Scaltrito

Members Excused: Nancy Beck (past Faculty Senate Rep., leaving committee), Suzanne McConaghy, Jacqueline Zander-Wall, Melissa Varga, Carolyn Hartley

Members Absent: Elena Plis, Cenissa Martinez (ex-officio), Josie Ruybal Abeyta

Guests Present: Kathy Meadows-Staff Council, Timothy Ross-Faculty Senate

Minutes submitted by: John Vande Castle

	Subject	Notes	Follow-Up
1	Meeting called to order @ 2:31 pm		
2	Approve Agenda Approve Minutes	Moved follow-up of Catastrophic Leave discussion to next meeting in May. Approved.	Catastrophic Leave discussion to be on agenda for next meeting in May.
3	Retiree Association update	Karin Retskin provided information on the upcoming Board Retreat May 4 & 5th to tie up business for the year and lay the groundwork for the incoming board as well as the Annual Meeting of the members with board elections May 15. Her full report is included in Appendix 1.	

<p>4</p>	<p>Review ERB Potential Changes</p>	<p>Update on Santa Fe Meeting - PERA discussions: The committee continued discussion on differences between ERB and PERA.</p> <p>Current recommendations for changes to PERA retirement plan include reducing the multiplier to from 3% to 2.25% and reduce to current and future COLA to 2% and implement a rule of 80. There will also be a 90% cap on PERA vs. no cap on the ERB. These are fairly large changes. The changes come from a consultant agency analysis of potential ways to keep PERA solvent. The committee discussed potential influences on the ERB retirement plans resulting from any changes in PERA. The other issue is the retirement expense fund, which is very underfunded and relies on State funding for solvency The FSB will need to continue to monitor the situation. The full text of the PERA letter is included in Appendix 2.</p>	<p>FSBC members who can, will attend future PERA meetings and report back. The FSB will need to continue to monitor the situation. Will revisit next month.</p>
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5	Health Insurance update - A	<p>A: Snell resolution: Timothy Ross provided information that was originally presented at the last Faculty Senate meeting regarding a resolution proposed by Biology Professor Howard Snell. The point of the discussion is the fact that cost for health care through UNMH are higher than those for the private sector, namely Presbyterian and Lovelace. Since UNM negotiates with the private companies for their rate, it would seem UNM could negotiation costs with UNMH in the same way. At this point the issue is in the fact finding stage. Third party administrators are used to negotiate discounts and sign contracts for UNM, as well as pay the bills. Discount rates are still proprietary to the third party, but the rates are used to evaluate proposals for coverage. The reality of the situation is that the research-based coverage provided by UNMH is more expensive because of associated costs related to its research-based operation. There is some cost associated with indigent care as well as costs associated with being the only Level 1 trauma care facility in the State. So the question is, can we negotiate directly with our own (UNMH) hospital? HR uses a benefit consultant service to evaluate costs. The full text of the Snell Resolution is included in Appendix 3.</p>	<p>HR will work with their consultants to analyze details pertaining to the Snell Resolution. HR will provide an “executive summary” of the findings to the FSBC</p>
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6	Health Insurance update - B	<p>B: Cost/structure update: As reported in the previous FSBC minutes of March 6, 2012, HR is proposing a change in rates , the salary tier schedule for premiums as well as a minor change in benefits. In general rate increase and salary tiers are the largest proposed changes. Education sessions are also available which include representatives from Presbyterian and Lovelace. Both providers can provide a breakdown of how much a person has spent vs. their personal limits. A discussion of UNM billing problems as well as Presbyterian billing problems suggested these have improved. There was a discussion about suggesting a potential 4th tier, a proposed “Executive” tier to modify the amount paid by top salary-earners as well as the distribution of salary tiers. Further discussion mentioned the impact of potential changes on current professor and other’s contributions, changes to contributions already in place, negative impacts on modification of the tiers and lack of information on the history of the tier changes and impacts, and number of employees in the respective tiers. Information is also needed on the utilization vs. salary structure as well as institutions that have removed any tier structure.</p>	<p>The committee requires more information regarding the number of people in each current tier, as well as those in any new proposed tier are needed before further discussion in a future FSBC meeting.</p>
7	Open Enrollment Update	<p>Open Enrollment for UNM’s medical, dental, vision, accidental death and dismemberment (AD&D), life insurance, and disability plans is scheduled for Wednesday, April 25, 2012, through Wednesday, May 9, 2012. Representatives from the private providers will be on campus too. More information on the open enrollment is on the HR website at: http://hr.unm.edu/, specifically at: http://hr.unm.edu/benefits/open-enrollment.php</p>	
8	Honors College discussion	<p>Timothy Ross mentioned that the Senate passed the formation of the Honors College on March 24, 2012</p>	

9	Next Meeting	<p>Tuesday, May 8, 2012</p> <p>Minutes for the FSBC meetings of January 24, and April 10 are needed on the Faculty Council web site: http://facgov.unm.edu/committees/meetings.html#16</p> <p>Nancy Beck, the Faculty Senate Representative for the FSBC has moved to Texas and will need a replacement. Fran Wilkinson has been appointed to serve another term on the FSBC. The FSBC roster on its website needs updating, including a listing of the co-chairs: http://facgovapp.unm.edu/committee.php?comm=16</p>	Meeting Adjourned at 3:37pm.

Appendix 1 – Retiree Association Report from Karin Retskin:

April 2012 UNM Retiree Association Updates

Board:

Board retreat May 4 & 5th to tie up business for the year and lay the groundwork for the incoming board

Annual meeting of the members with board elections May 15

Social:

Pauline Eisenstadt, former NM legislator and the first woman to serve in both houses, is the guest speaker at the annual meeting.

Tradition of 1st Thursday continues with a board member hosting an informal coffee/breakfast gathering for whoever shows up at Denny's across from UNM 9-10:30

Benefits Committee:

Chair Gloria Birkholz and I attended a meeting in Santa Fe on March 22 with Jan Goodwin of ERB to join the discussion of potential criteria for solvency scenarios that our members can support; that same day we met with Marc Saavedra's staff in an attempt to gain insight into next year's legislative session as it relates to the ERB, solvency and retirees. Gloria then attended the campus meeting with Jan and UNM constituent leaders on March 26.

April 4th Retiree Association president Scott Obenschain, Benefits Committee member Barbara Gabaldon and I attended the meeting held at AFT for ERB constituent leadership and you have my report-and corrections-that I emailed previously.

Appendix 2 – Text of letter from the PUBLIC EMPLOYEES RETIREMENT BOARD to PERA Members, Retirees and Stakeholders: Re: PERA Board to Propose Retirement Plan Changes in 2012

Posted at::

<http://www.pera.state.nm.us/pdf/Chavez%20letter%20Open%20Study%2012%2030%202012.pdf>

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January 30, 2012

Dear PERA Members, Retirees and Stakeholders:

Re: PERA Board to Propose Retirement Plan Changes in 2012

Significant and meaningful changes are needed to the PERA retirement plans for funding promised retirement benefits for the future. As the Board works with its actuaries, Cavanaugh Macdonald Consulting, the realization of the urgency for these plan changes is not an option, but more so, necessary reform for the benefit of all its membership and stakeholders. In November of 2011, the Board adopted a goal of developing a plan of achieving 100% funding by the year 2041.

The results of the most recent study by Cavanaugh Macdonald Consulting gives testimony to the fact that if we all share in the burden, active members, future members, retirees and employers, PERA's goal is not far-fetched, but rather a reasonable and obtainable goal. The Board's stance is that in 2012 we will develop a plan that is reasonable, all encompassing, and all inclusive that stretches within the realm of fair sacrifices throughout all of its membership groups. The Board has withstood criticism and pressure from Legislators that we should have developed a plan sooner, or that we are not acting soon enough. Our belief is that we are acting responsibly, reasonably and rationally because the type of changes necessary will affect 80,000 members. We need to communicate, engage in dialogue and educate all stakeholders along the path of developing our plan.

Actuarial Analysis

Cavanaugh Macdonald recently completed a projection on the long-term solvency of the PERA Fund. Under the current plan, the PERA Fund will have enough assets to pay pensions until 2061.

Along with this projection, the actuary utilized the Board's goal of becoming 100% funded by 2041 as a benchmark in which to analyze realistic and necessary plan changes.

“Open Group” Projections

In its preliminary analysis, the actuaries projected that:

- PERA will be able to pay all of its retirement obligations through 2061.
- Although PERA will be able to pay obligations for the next 50 years, the rapid rate of decline in the plan's assets indicates the assets would be expected to deplete at a point beyond 2061.
- It will be necessary for PERA to make changes to benefits and/or contributions to maintain funding progress.

The Open Group study provides the baseline data for assets and liabilities based on projections of current benefits and contributions. Over the next 10 months, the PERA Board will be requesting additional studies to determine how various combinations of benefit and contribution changes will achieve their stated goals.

PERA's Funding Status

PERA was funded at 70.5% as of June 30, 2011, with an unfunded actuarial accrued liability of \$4.9 billion. Without changes to the retirement plans, PERA's funding status will steadily decline from 52.8% funded in 2041 to 19.9% funded in 2061. These facts merit the necessity of developing plan changes. However, our question is what plan changes are needed to get there.

PERA assets are made up of returns on investments and employee and employer contributions. Liabilities are made up of all the pension promises that are being paid now and will be paid to active members who will be retirees in the future. Nominal costs to administer the trust fund are also a liability against fund assets.

The PERA Board has been proactive in looking at ways to shore up funding since the worldwide financial market downturn of 2008-09. During that time, the PERA fund went from a high of \$13.3 billion on June 30, 2007 to a low of \$7.2 billion on March 3, 2009. PERA is still making up for the initial \$6.1 billion loss in assets.

The PERA Board is scheduled to present its recommended plan changes to the Pension and Investment Oversight Committee (IPOC) in October 2012 so that legislation can be crafted incorporating plan changes for the 2013 legislative session.

Suggested Actuarial Changes

With the goal of becoming 100% funded and subsequently eliminating the unfunded actuarial accrued liability, PERA's actuaries ascertained that the following changes are necessary to make a long-term positive impact. The recommendation from the actuary is the starting point for meaningful discussion, thoughtful deliberation and serious consideration for developing a plan to meet our goal.

Cost-of-Living-Adjustment (COLA)

The current 3% COLA must be reduced across all groups – active members, future members and current retirees. The PERA Board may consider tying COLA to how well the PERA Fund is doing.

The PERA Board is urged to look at setting age and/or a combination of age and service credit for when a COLA can first be awarded.

According to the actuaries, a COLA reduction is the quickest way to reduce PERA's unfunded liability. The impact of reducing the COLA is so significant that if a 1% reduction is made (from 3% to 2%) across the board, retired, active and future hires, the unfunded accrued actuarial liability will be reduced by \$1.4 billion within the first year.

New Tier Retirement Plans

The Board is also considering creating new retirement plans for new hires and members who have not vested with 5 or more years of service credit, in which members must work longer and receive a lower pension factor to be eligible for retirement at reduced benefits. A minimum retirement age or a combination of age and service credit would need to be considered for retirement eligibility. Even with reduced benefits, PERA still will be offering solid retirement plans to new members.

Reducing Pension Factors

Going forward, reducing the pension factors of current plans with pension factors varying from 2.0% to 3.5% by 0.5% would provide a significant positive impact on the funded ratio of PERA plans. For example, the 3.0% for State General Member Coverage Plan 3 would be reduced to 2.5% for all service credit earned going forward from a date set in the future.

Contribution Increases

Plan changes alone may not make up the Plan's underfunding. A combination of employee and employer contribution rate increases over time also must be considered.

Proactive PERA Board Actions

During the 2011 legislative session, Sen. Steven P. Neville (R), Dist. 2 (San Juan), introduced SB 268 known as PERA's "Ideal Plan," which would have provided a second tier of member coverage plans with reduced benefit structures for new members hired on or after July 1, 2011.

The legislation did not pass. Although PERA took a proactive stance in the 2011 legislative session, the Board realized that the "Ideal Plan," did not go far enough. The types of changes necessary to address true and long-term solvency of the plan could only be served by developing a plan that encompassed the sacrifices of all membership groups.

Going Forward

Throughout 2012, the Board will continue to work with its actuaries, communicate with members and stakeholders while encouraging dialogue and collaboration to develop a plan in meeting its goal. During the 2012 legislative session, the PERA Board is proposing a Memorial sponsored by Representative Jim Trujillo (D), Dist. 45 (Santa Fe). The purpose of this Memorial is to identify the

aggressive yet admirable goal of PERA to develop a plan within calendar year 2012 of becoming 100% funded, relieving all unfunded actuarial accrued liability by 2041.

The intent of this Memorial is to gain support from Legislators that will allow the PERA Board the remainder of 2012 to work with its actuary in developing a plan that will directly affect all membership groups. If any membership groups are exempt from sharing in the sacrifice, or if “quick fix” changes are implemented through legislation, there will still remain the unfinished business of further plan changes necessary to realize immediate funding improvement and immediate relief from the unfunded actuarial accrued liability.

Be it the janitor, the street maintenance worker, the water/sewer utility worker, the corrections officer, the public safety officer (firefighter/police officer), the administrative or professional services worker etc., we are all public servants who provide the citizens of the State of New Mexico crucial and vital services each and every day. This Memorial represents the spirit of fairness and recognition to the equal value of each and every member. This Memorial is calling upon Legislators to support our belief that the timeframe necessary to develop our plan will be best served by assuring that there is no immunity of burden by any one membership group through possible legislation as a result from this year’s session.

The PERA Board will update its progress on PERA’s website at www.pera.state.nm.us and with periodic mailings to members, retirees, employers and legislators.

The Board is tasked with making hard choices and tough decisions within its fiduciary duty to the fund and for PERA members. Even with these proposed changes, PERA will continue to have top-tier retirement plans in comparison to other public pension plans across the country.

For detailed information on the Open Group study, please refer to PERA’s website: Cavanaugh MacDonald’s report on the 50-Year Open-Group Projections of PERA Valuation Results, dated January 24, 2012. This is the actual study that was presented to the Board at its January 26th, 2012 meeting.

Keep in mind, that these recommendations from the actuary do not define one specific solution in meeting our goal. However, they do give the Board a realistic view of the state of our fund and a starting point for meaningful discussion, thoughtful deliberation and serious consideration in developing a plan to assure long term sustainability and solvency.

Respectfully,

Gerald L. Chavez

PERA Board Chairman

Appendix 3: Snell Resolution:

Resolution on negotiations for the cost of employee healthcare provided by UNM Health Sciences (Hospitals?)

Whereas the costs of health insurance as a benefit for the UNM community continues to rise, and

Whereas UNM's notable achievements in containing prior potential increases in the costs of health insurance through self-insurance appear stagnated in the face of future increases, and

Whereas negotiations for the costs of actual employee-healthcare (not insurance) provided by UNM Health Sciences (Hospitals?) are carried out by third party insurance administrative organizations, and

Whereas those third parties also have their own providers of healthcare that actually compete with UNM Health Sciences (Hospitals), and

Whereas that situation appears to cause UNM Health Services to be the most expensive provider of employee-healthcare for UNM employees,

Be it resolved that the Faculty Senate of the University of New Mexico requests that UNM's Human Resources Department negotiate the cost of employee healthcare provided to UNM by UNM Health Sciences (Hospitals?) directly, and that UNM envisions the provision of employee healthcare by UNM Health Sciences (Hospitals?) similarly to the provision of educational opportunities to employees by the main campus community.