



Faculty & Staff Benefits Committee

DRAFT 1

Minutes

Tuesday, November 8, 2016

3:30pm to 4:30pm

Herzstein Latin American Reading room, Zimmerman Library

Attendees: (taken from sign-in sheet – for those who signed in)

Carol Bernhard	College of Education
Dorothy Anderson	VP Human Resources
Elaine Phelps	Dir. University Benefits
Pamina Deutsch	Policy Office
Mark Maddaleni	Arts & Sciences
Shawn Berman	Anderson School
Marcia Sletten	Health Science Center
Emily Arzate	Biology

Excused: Fran Wilkinson Sr. Associate Dean, University Libraries

Guest: Michael Duran Human Resources

Absent: Theresa Ramos Faculty Contracts & Services
 Josie Ruybal Abeyta Payroll
 Condruta Soneru Anesthesiology
 Glen Effertz UNM Retiree Association

Minutes: Dennis Dunn Office of University Secretary

Meeting called to order – 3:35pm.

Fran Wilkinson was excused from this meeting to present at the Faculty Senate Operations Committee. Carol Bernhard chaired today’s meeting.

Quorum was met.

Carol reviewed today’s Agenda for the Committee.

Addition to the Agenda: Marcia Sletten will report on the Johnson Center remodel project. Gene Henley moved to approve the Agenda and Marcia Sletten second the motion.

October 11, 2016 Minutes:

Approved, no abstentions. One correction: Add Gene Henley as present on Attendees. Gene Henley moved to approve the Minutes and Shawn Berman second the motion.



Faculty & Staff Benefits Committee

New Committee Members:

No new committee members were present at today's meeting. At this time the committee needs to add two more faculty members.

Human Resources Update

Elaine Phelps & Dorothy Anderson

(Elaine and Dorothy presented after a presentation by Michael Duran, of UNM Human Resources)

Leave Accrual Analysis –

Michael Duran – Human Resources

Print out of “University of New Mexico Financial Analysis Proposed Vacation Plan” distributed to the committee. Report prepared by Aon, UNM’s HR consulting firm.

Points covered:

- Dorothy began by explaining that this report is the Leave Approval Analysis, that Human Resources had prepared. This is the report she promised to share with the Benefits Committee. It has already been shared with the Executive Vice Presidents, who gave approval for it to be shared with the Benefits Committee.
- Michael Duran took over the presentation at this point. This presentation is a look at UNM's redesign of paid time off for new employees. This will modernize the paid time off policy for new employees and help with the recruitment and retention of employees. *(Please see the report at the end of these minutes.)*
- Included in his report is a projected five-year impact of the cost of vacation accrual and the pay out at termination of new employees.
- Proposed Vacation Schedule for New Employees (as of July 1, 2017):
 - Years 0-4: 10 Days
 - Years 5-9: 15 Days
 - Years 10+ Years: 21 Days
 - No change to Holiday Schedule
 - No change of Sick Days
- To prepare this report Aon compared UNM to 15 private/public universities.
- An electronic copy of this report will be sent out to committee members who could not attend this meeting.
- The committee will report back to Human Resources during the last week of November 2016 on any suggested changes to the Aon report.

Compliance with FLSA Regulations –

Dorothy Anderson

- Dorothy reported that the process is going well.
- The Provost's Office will be notifying exempt employees, who teach part time, that they will now be hourly employees. An email to campus directors, deans and chairs will be sent out in the next day or two informing them of this change.



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Impact of Budget Reduction on Benefits –

Dorothy Anderson

Nothing to report at this time.

Dental RFP –

Elaine Phelps

Elaine reported that a Dental RFP is about to go out and asked if there was anyone from the Benefits Committee who would like to serve on the committee overseeing the Dental RFP. She will need a name emailed to her by November 23, 2016.

Presidential Search –

Dorothy Anderson

Dorothy reported that she will be helping with the search for a new president for UNM. There will be an Open Forum on the search Friday November 11, 2016, from 10:30am to Noon. UNM is also close to choosing a human resource search firm to assist in selecting a new president. A special email was sent out yesterday listing the members of the search committee.

Policy Changes –

Pamina Deutsch

Pamina reported that at this time there are 16 policy changes out for review and comment. Pamina will be meeting with Dorothy Anderson next week to go over pay procedures during the up coming Winter Break.

VEBA Committee Update –

No update to report.

Budget Leadership Team (BLT) –

Shawn Berman

A meeting has not been scheduled so there was nothing to report.

Retiree Association –

Nothing to report.

Johnson Center Remodel –

Marcia Sletten

- Marcia sits on the Johnson Center Remodel Committee as a member of the Benefits Committee. Most of the meetings concerning the remodel were held last spring.
- Following last spring's meeting an RFP has now been sent out. Fanning, Bard & Tatum have been selected as the architects for the project. A second architectural firm, that specializes in recreation center remodels, has also been selected to assist Fanning, Bard & Tatum. The remodel committee has recently met with all architects associated with the project and were shown photos of other projects they have done and the two-year construction schedule. Marcia, and Tracy Biggs, are the only staff members on the committee.



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- The architects will be sending out surveys and forms to show the plans for the remodel and seeking input.
- Indoor soccer walls and climbing walls are part of the proposed changes.
- \$35 million will be invested into the remodel project and, considering the age of the existing building, a lot of these funds will be put into the infrastructure.

Other Business –

None.

Next Meeting –

December 13, 2016

3:30pm – 4:30pm

Zimmerman Library, Herzstein Latin American Reading Room

Adjourn: 4:45pm

Attachments Below

11-8-16



University of New Mexico Financial Analysis Proposed Vacation Plan

November 3, 2016

Prepared by Aon Hewitt
Health & Benefits | National Absence Management Practice



About These Materials*

University of New Mexico (UNM) has engaged Aon Hewitt to assist in the financial analysis and redesign of their paid time off policy for new employees. UNM has defined an alternative vacation design for new employees; Aon Hewitt has modeled a projected five year impact to the cost of the vacation accrual and pay-out-at-termination for new employees effective July 1, 2017.

The following materials summarize our review of the current state of UNM as well as a review of the proposed design approach for new employees.

*Please note that our review and recommendations are not intended as a formal legal review of University of New Mexico's obligations under federal and state leave regulations.

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Contents

- Current State
- Proposed Design
- Financial Impact
- Comparator Data
- Next Steps

Project Goals

- Modernize paid time off policy for new employees
- Competitive benefits that support recruitment and retention
- Create cost appropriate designs



Current State Proposed Design

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Current State Vacation—Baseline Costs

- All Employees

E Class	Employee Count	Average Days		Total Annual Cost
		Accrued		
12 Month Faculty	1,207	20.2		\$15,081,000
Contract Staff	176	21.0		\$1,682,000
CWA Bargaining Unit	533	20.7		\$1,171,000
Executive Faculty	63	20.9		\$897,000
Exempt Staff	2,499	20.6		\$12,101,000
Non-Exempt Staff	965	20.4		\$3,097,000
Police Bargaining Unit	40	21.0		\$145,000
USUNM Bargaining Unit	860	20.5		\$2,353,000
Grand Total	6,343	20.5		\$36,527,000

- Current accrual schedule of 21 days per year for all employees
- Current cost methodology
 - Vacation: current cost based on annual accrual, regardless of utilization
 - No time is assumed to be forfeit
 - Employees scheduled less than 40 hours prorated based on scheduled hours worked

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Current State Vacation—Baseline Costs

- Includes only those employees identified as requiring a replacement worker

E Class	Employee Count	Total Annual Cost
12 Month Faculty	0.00	\$0
Contract Staff	0.00	\$0
CWA Bargaining Unit	55.25	\$97,000
Executive Faculty	0.00	\$0
Exempt Staff	162.00	\$1,156,000
Non-Exempt Staff	30.75	\$125,000
Police Bargaining Unit	40.00	\$145,000
JSUNM Bargaining Unit	20.50	\$38,000
Grand Total	308.50	\$1,561,000

- Current accrual schedule of 21 days per year for all employees
- Current cost methodology
 - Vacation: current cost based on annual accrual, regardless of utilization
 - No time is assumed to be forfeit
 - Employees scheduled less than 40 hours prorated based on scheduled hours worked

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Proposed Design and Financial Implications

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Proposed Vacation Schedule—New Employees

- New employees as of July 1, 2017
 - Three tenure bands for annual vacation accrual:
 - Years 0-4: 10 days
 - Years 5-9: 15 days
 - 10+ Years: 21 days
- Grandfather employees hired June 30, 2017 or earlier
 - Maintain current annual accrual schedule:
 - 21 days regardless of years of service
- No change to vacation plan provisions
 - Carryover, payout at termination, etc.
- No change to holiday schedule
- No change to sick days

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Estimated Vacation Accrual Savings by Year—New Employees

- All Employees

E Class	Year One	Year Two	Year Three	Year Four	Year Five
12 Month Faculty	\$499,000	\$1,211,000	\$1,852,000	\$2,429,000	\$2,948,000
Contract Staff	\$66,000	\$159,000	\$242,000	\$315,000	\$380,000
CWA Bargaining Unit	\$55,000	\$132,000	\$198,000	\$255,000	\$304,000
Executive Faculty	\$10,000	\$25,000	\$39,000	\$52,000	\$66,000
Exempt Staff	\$426,000	\$1,032,000	\$1,575,000	\$2,061,000	\$2,496,000
Non-Exempt Staff	\$159,000	\$380,000	\$567,000	\$724,000	\$857,000
Police Bargaining Unit	\$6,000	\$14,000	\$22,000	\$28,000	\$34,000
USUNM Bargaining Unit	\$117,000	\$279,000	\$417,000	\$535,000	\$635,000
Grand Total	\$1,338,000	\$3,233,000	\$4,912,000	\$6,400,000	\$7,720,000

- Ultimate savings of \$9.5M will be realized in approximately year 10
- Estimated value of vacation time reduced from schedule
- Proposed cost methodology
 - Vacation: proposed cost based on annual accrual, regardless of utilization
 - No time is assumed to be forfeit
 - Employees scheduled less than 40 hours prorated based on scheduled hours worked

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Estimated Vacation Accrual Savings by Year—New Employees

- Includes only those employees that would require replacement workers

E Class	Year One	Year Two	Year Three	Year Four	Year Five
12 Month Faculty	\$0	\$0	\$0	\$0	\$0
Contract Staff	\$0	\$0	\$0	\$0	\$0
CWA Bargaining Unit	\$5,000	\$11,000	\$16,000	\$21,000	\$25,000
Executive Faculty	\$0	\$0	\$0	\$0	\$0
Exempt Staff	\$39,000	\$94,000	\$143,000	\$187,000	\$226,000
Non-Exempt Staff	\$6,000	\$15,000	\$22,000	\$28,000	\$33,000
Police Bargaining Unit	\$6,000	\$14,000	\$22,000	\$28,000	\$34,000
USUNM Bargaining Unit	\$2,000	\$4,000	\$7,000	\$9,000	\$10,000
Grand Total	\$57,000	\$138,000	\$210,000	\$273,000	\$329,000

- Ultimate savings of \$500,000 will be realized in approximately year 10
- Estimated value of vacation time reduced from schedule
- Potential savings from reduced overtime is not taken into account
- Proposed cost methodology
 - Vacation: proposed cost based on annual accrual, regardless of utilization
 - No time is assumed to be forfeit
 - Employees scheduled less than 40 hours prorated based on scheduled hours worked

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Estimated Termination Payout Savings—New Employees

Time Period	Expected Termination Payout for Employees Hired after 1/1/2017		
	Current Plan	Proposed Plan	Estimated Savings
Year One	\$183,000	\$87,000	\$96,000
Year Two	\$428,000	\$204,000	\$224,000
Year Three	\$657,000	\$313,000	\$344,000
Year Four	\$796,000	\$379,000	\$417,000
Year Five	\$937,000	\$446,000	\$491,000

- Ultimate annual savings of \$615,000 will be realized in approximately year 10
- Includes all employees except coaches
- Termination payout savings methodology
 - Actual termination payout by years of service at termination was reviewed for FY 2013/2014 through FY 2015/2016
 - Termination payout assumed to reduce by the same factor as the vacation accrual by years of service

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Estimated Annual Savings: Summary

Annual Savings			
Time Period	All Employees	Replacement Employees Only	Termination Payout
Year One	\$1,338,000	\$57,000	\$96,000
Year Two	\$3,233,000	\$138,000	\$224,000
Year Three	\$4,912,000	\$210,000	\$344,000
Year Four	\$6,400,000	\$273,000	\$417,000
Year Five	\$7,720,000	\$329,000	\$491,000
Year Ten	\$9,500,000	\$500,000	\$615,000

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Assumptions

- Assumed turnover rate based on average turnover rate from FY 2013/2014 through FY 2015/2016

E Class	Employee Count	Annual Turnover
Executive Faculty	63	4.2%
12 Month Faculty	1,207	13.1%
Contract Staff	176	15.0%
Exempt Staff	2,499	13.7%
Non-Exempt Staff	965	20.2%
Police Bargaining Unit	40	15.8%
USUNM Bargaining Unit	860	19.3%
CWA Bargaining Unit	533	18.2%
Total	6,343	15.7%

- Turnover Adjustments
 - Assumed to occur uniformly over the year
 - New employees (hired after 7/1/2017) are assumed to account for a larger portion of the turnover than employees hired prior to 7/1/2017
 - Adjusted turnover results in 2,817 new employees at the end of year five (44% of population)
 - Unadjusted turnover would result in 3,397 new employees at the end of year five (54% of population)
 - Current census indicates 2,950 employees have five or fewer years of service (47% of population)

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Assumptions

- Terminated employees are assumed to be replaced at current salary
- Salary inflation not included in projection
- Part time employees working less than 20 hours per week excluded from analysis (112 employees)
- 9 Month Faculty excluded from analysis (1,113 employees)

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Comparator Data

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Comparator

- Aon Hewitt 2015 and 2016 SpecSelect data was used
- Comparator groups include 15 private/public universities
- Vacation time was compared to the groups noted above
 - Universities offering PTO banks were excluded from comparison to prevent inclusion of sick days in their total count of days accrued/allotted
 - Personal time, holidays, floating holidays, and sick time are also excluded from analysis

Comparator-Universities Included

Flat Accrual

- Exempt/Staff and Faculty
- Kansas State University
 - University of Colorado
 - University of Iowa
 - University of Kansas
 - University of Michigan
 - University of Tennessee

Graduated Tenure Band Accrual

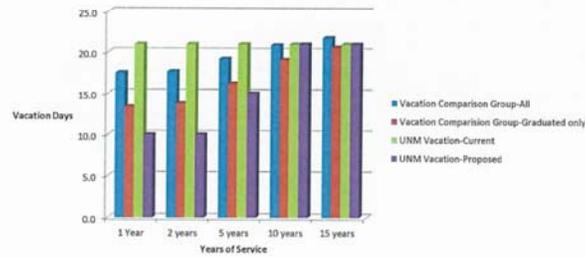
- Exempt/Staff and Faculty
- New Mexico State University
 - Ohio State University
 - Temple University
 - Texas A&M
 - University of Missouri
 - University of Texas

Graduated Tenure Band Accrual Exempt/Staff Only*

- University of Arizona
- University of Kentucky
- University of Utah

*Faculty maintain flat vacation accrual schedule

Average Vacation Accruals/Allotments Comparison-Exempt/Staff



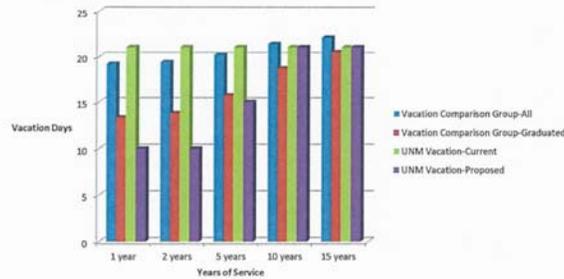
- Numbers represent average vacation days at milestone tenure bands
- Blue Comparator group-includes employers that offer graduated tenure band accruals and employers that offer a flat vacation accrual
- Red Comparator group-only includes employers that offer graduated tenure band accruals

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Average Vacation Accruals/Allotments Comparison-Faculty



- Numbers represent average vacation days at milestone tenure bands
- Blue Comparator group-includes employers that offer graduated tenure bank accruals and employers that offer a flat vacation accrual
- Red Comparator group-only includes employers that offer graduated tenure bank accruals

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Tenure Band vs. Flat Vacation Accrual

- Exempt/Staff Employees
 - 6 of 15 total universities offer a flat vacation accrual with no increase with tenure
 - Remaining 9 universities offer graduated leave accruals
- Faculty
 - 9 of 15 total universities offer a flat vacation accrual with no increase with tenure
 - Remaining 6 universities offer graduated leave accruals

Next Steps

- Identify additional modeling design considerations
- Schedule next meeting

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