

FRIC Minutes
11/16/07

A special meeting of the University of Iowa Funded Retirement and Insurance Committee was convened at 11:40 am on November 16, 2007, in Room 302 USB.

Present: Jane Chalmers, Jon Garfinkel, Mary Greer, George Herbert, Dan Holub, Melanie Kenney, Sheldon Kurtz (via telephone), Lynette Lancial, Forrest Nelson, Dorothy Persson, Bernard Sorofman, Ruth Wachtel, Sue Buckley, Richard Saunders, Charles Drum, Debra Hughes, Susan Klatt, Christine Miller, Joni Troester, Diane Wasson, and Nancy Williams.

1. The minutes of November 2 were approved as submitted.
2. Long Term Disability Insurance: The Committee again discussed the Hewitt proposal to drop coverage from 70% of salary to 60% of salary, while providing immediate coverage to new employees instead of an optional wrap around policy for the first 5 years of employment. The two changes combined would be cost neutral. The value of 60% of salary is standard for most employers. If coverage were dropped to 60%, individuals would be able to purchase additional coverage from Principal to bring them up to 70%, but no higher. Premiums would be age adjusted. An individual could also purchase a private policy, although payments may be offset by amounts received from any other policy. Most policies will not pay 100% of salary because they want to encourage return to work. Some members of the Committee expressed concern over the impact of loss of an additional 10% of salary on those collecting disability. Others did not favor reducing a benefit for approximately 75% of employees in return for conferring an added benefit on only 25% of employees.
3. Life Insurance: Flex credits currently fund purchase of life insurance at 2½ times salary, which costs the University \$10M annually. Employees must elect a minimum of either 1 times salary or \$50,000, whichever is less. Richard Saunders distributed a handout on the number of employees with salaries above \$100k - \$400k. These people have the option of buying large amounts of life insurance and represent considerable risks should their beneficiaries collect on the insurance. The handout also showed the cost of funding fixed amounts of life insurance for each employee instead of a multiple of salary. Costs ranged from \$3.9M annually for \$50k per person to \$16M for \$200k per person. If life insurance were funded at a pre-determined level for each employee, the cost could be removed from the flex credits pool if desired.
4. Benefit Savings: Richard Saunders distributed a handout listing programs that could potentially benefit from savings derived from reducing flex credits. Joni Troester briefly discussed some of the options, which included contributing to employee participation in the Recreation Center and expanding programs to include spouses/partners.
5. Dental Insurance: Richard's handout listed the number of contracts in each of the dental plans for each family category. The University currently provides a contribution to flex credits to fund Dental 1 insurance at the family status for the first 3 years of employment. The contribution is increased after 3 years to fund Dental 2. The Committee briefly considered whether the 3 separate plans could be consolidated.

6. Double Spouse Credit: As of November 15, 1,778 individuals were members of dual spouse couples employed by the University. The Committee briefly discussed the double spouse credit. Employees benefiting from the current policy may consider the credit to be part of their total compensation package, without regard to the rationale behind it. Any change would be perceived as a cut in benefits. The issue of whether both partners “deserved” the credit would be irrelevant. A Committee member questioned whether existing employees could be “grandfathered in,” while new employees would not receive the dual spouse credit. A problem could then arise if a new employee realized he was receiving a less favorable compensation package compared to a co-worker.

No decisions were made on any topic and discussions will resume at the next meeting.

The meeting was adjourned at 1:00 PM.

The next scheduled meeting is December 7, 2007, in Room 302 USB.

Submitted by Ruth E. Wachtel, November 30, 2007