

3-6-2012

Staff Council Faculty Staff Benefits Committee Meeting, 3/6/2012

UNM Staff Council

Follow this and additional works at: https://digitalrepository.unm.edu/staff_council

Recommended Citation

UNM Staff Council. "Staff Council Faculty Staff Benefits Committee Meeting, 3/6/2012." (2012). https://digitalrepository.unm.edu/staff_council/226

This Minutes is brought to you for free and open access by the Archives & University Administrative Records at UNM Digital Repository. It has been accepted for inclusion in UNM Staff Council by an authorized administrator of UNM Digital Repository. For more information, please contact disc@unm.edu.

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, Jacqueline 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 (<i>sic</i>) are being held on Main and North Campuses to explain and prepare for higher costs of health care. The shortfall of premiums (<i>sic</i>) 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 (<i>any age</i>)

	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.