Call to Order

The meeting of the Faculty Benefits Committee (FB) was called to order at 8:30 am.

Attending: Susan Basso, Greg Roth, Daniel Nugent, Robin Haas, Peter Jurs, Jamie Myers, Amy Dietz, Petra Tschakert, Matthew Woessner and Willie Ofosu

Absent: Chris Muscarella, Rebecca Craven

Guests: Geri Recht, Dave Eisenreich

With changes to the minutes of the September 9, 2014 meeting completed, the minutes were approved.

General discussion of whether we should begin the meeting early - Members expressed concerns about starting early. The committee decided the meetings should start at 8:30 am and run past the planned ending time if necessary.

Update on the business of other committees was provided, derived from the Officers and Chairs’ meeting.

Old Business

Towers Watson Presentation
Towers Watson representatives offered a presentation on how benefits are calculated. They used pie and bar charts, and tables in their presentation. Copies of these were not distributed to the committee members for copyright reasons.

A lengthy discussion was engaged in between the committee members and Tower Watson representatives about how the rates were determined, and the rationale for these. They made reference to benchmark of other institutions and businesses that have PPO Blue and PPO Savings Account, and how the change in rates had progressed over time, anticipating that the situation will be similar for PSU. Towers Watson provided figures that the PPO Savings plan costs 5% less than the PPO Blue plan. Additionally it is projected to grow at a slower rate. Over time this will help to control Penn State’s benefits costs.

Matthew Woessner distributed a table, synthesizing data Towers Watson provided to the chair and vice chair on October 14th concerning changes in benefits contributions by income. The table included the following information.
Net benefit contributions from 2013 to 2014 increased by $234,000 (<1%) overall.
Net benefit contributions increased by $4.7 million (averaging $865 per person) on 5,428 employees on PPO Blue who earn more than $50,000.
Net benefit contributions decreased by $1.4 million (averaging $256 per person) on 5,423 employees on PPO Blue who earn less than $50,000.
Net benefit contributions decreased by $760 thousand (averaging $1,433 per person) on 530 employees on PPO Savings who earn less than $50,000.
Net benefit contributions decreased by $2.3 million (averaging $1,481 per person) on 1,559 employees on PPO Savings who earn more than $50,000.

Matthew Woessner asked the Towers Watson group to provide a justification for why the PPO Blue plan cost employees between 3 to 4 times more than the PPO Savings plan given that the plan costs are similar. Towers Watson explained that the long-term savings from the PPO Savings plan justifies the different rates. They argued it is standard practice in the industry to price the high deductible plans more competitively to encourage employees to switch plans. Over time, they argued, the price discrepancies would be gradually reduced, bringing the savings plan in line with market prices. Towers Watson does not anticipate that the price change would happen suddenly. The price of the PPO Savings plan would always be lower than the PPO Blue plan.

Matthew Woessner raised concerns about the use of the tiered contributions based on income to encourage employees to switch plans, as the Faculty Benefits committee only consented to differential rates for the purposes of supporting lower paid employees. Since half the $4.7 million in new revenue was being used to underwrite cheaper rates in the PPO savings plan for employees earning more than $50,000, HR may have exceeded their mandate concerning tiered benefits contributions. HR argued that the higher rates for the PPO Blue plan were necessary to encourage higher paid employees to take a careful look at the advantages of the PPO Savings plan. They further argued that the new rates were in the long-term interest of the University.

The point was raised about the possibility of Towers Watson making a presentation to the full Senate, and this was accepted. This is to be preceded by an extra meeting between Towers Watson and the FB committee to examine further, the points that had been raised. While said meeting is being arranged, a conference call will be conducted to continue the on-going discussions.

Jamie Myers and Matthew Woessner agreed to begin to draft a report based on the committee’s independent work and the Towers Watson presentation.

Advisory/Consultative Report on HR 37
Jamie Myers brought forward a draft report on possible changes to HR37. Committee members recommended changes to that Advisory and Consultative report.

Committee members expressed concerns that accepting all of HR’s recommendations to HR37, but rejecting an age cap creates a burden on the budget.
Jamie Myers moved to leave HR37 in place with respect to no age limit. Matthew Woessner seconded the motion. The chair called the question to move the report forward based on Jamie Myers suggestion. The vote was 4-3 in favor of the motion. The age cap limit was raised.

The committee discussed the adverse impact of the age cap limit will have on women. The committee agreed to continue to discuss the issues to find a cost savings alternative.

Fixed-Term Salary Data in Faculty Salary Report
The question was raised that data on salary for Fixed-Term faculty were not presented in the Faculty Salary Report. Daniel Nugent assured the committee that was not the case.

The meeting was adjourned at 11:00 AM

Minutes submitted by
Willie Ofosu, Committee Chair