

# TIAA-CREF Program

## Board of Control Presentation

January 24, 1997

# Budget Priorities Survey

- ◆ Total Surveyed: 1,178
- ◆ Total Responses: 466 or 39.6%
- ◆ MPSERS Responses: 177 or 33%
- ◆ TIAA-CREF Responses: 289 or 45%

# Budget Priorities Survey Results

## All Participants (weighted totals)

2% + 2% TIAA-CREF increase in contributions	1346
1% Salary Increase	1300
Prefund TIAA-CREF retirees health benefit program	1271
4% Increase in your department's operating budget	1063
Other	460

# Budget Priorities Survey Results

## All TIAA-CREF (weighted totals)

2% + 2% TIAA-CREF increase in contributions	1053
Prefund TIAA-CREF retirees health benefit program	970
1% Salary Increase	674
4% Increase in your department's operating budget	581
Other	167

# Budget Priorities Survey Results

## All MPSERS (weighted totals)

1% Salary Increase	626
4% Increase in your department's operating budget	482
Prefund TIAA-CREF retirees health benefit program	301
2% + 2% TIAA-CREF increase in contributions	293
Other	293

# MTU Benefits Philosophy

**MTU is committed to delivering world-class educational programs designed to prepare its students for the changing needs of a global, technological, diverse, and environmentally sensitive society.**

**Meeting that commitment requires quality people - educators, administrators and support staff - to fulfill the University's mission.**

**We believe that a comprehensive, competitive employee benefits program is essential to ensure that the University has the quality people needed to carry out our mission.**

**At the same time, we believe that a comprehensive, competitive employee benefits program at all times must reflect principles of sound financial management and fiscal responsibility.**

**Therefore, MTU will deliver an employee benefits program that provides flexibility over the design and cost of benefits - in order to deliver the highest quality and value at a reasonable cost for both the individual and the University.**

# MTU Benefits Philosophy

## Continued

To uphold this philosophy, the benefits program shall:

- ◆ Be dynamic, changing as necessary to meet the changing needs of employees and the University
- ◆ Help the University compete successfully for human resources in all areas of the institution
- ◆ Recognize benefits are an important, tax-effective component of each employee's total compensation
- ◆ Provide a basic package of benefits protection, so that employees have protection against the financial impact of catastrophic life events

# MTU Benefits Philosophy

## Continued

- ◆ Offer opportunities to enhance this basic package, so that each employee can address his or her family's particular benefit needs
- ◆ Provide employees with choice over the distribution of the benefit dollars expended by the University on their behalf
- ◆ Help University employees and their family members become better informed, more aware benefits consumers, by identifying actions they can take to help control the rising cost of benefits coverage
- ◆ Be communicated effectively and administered efficiently
- ◆ Support the University's human resource initiatives

# Retirement Benefits Principles

- ◆ Provide employees with adequate retirement benefits.
- ◆ Provide employees the wherewithal to acquire post-retirement health care.
- ◆ Limit the University's liability to assure continued affordability of benefits.

# Current TIAA-CREF Retirees Health Care

## Recommendations

- ◆ Requires an 80 point retirement eligibility (age plus years of service).
- ◆ Assumes Medigap coverage for those eligible for Medicare.
- ◆ Requires a 20% co-pay (subject to change) for participants who retire prior to July 1, 1997.
- ◆ Covers retiree health cost from current operations budget (pay-as-you-go).
- ◆ Plan will be discontinued for all future retirees effective July 1, 1997.
- ◆ Continuation of benefit will be approved annually through budget process.

# Current TIAA-CREF Participants (10.55%)

## Recommendations

One-Time Election  
July 1, 1997

New Employees

Retirees Health Care  
Premium  
Reimbursement Program

2% Matching Contributions

(Option to Participate in  
University Health Benefits  
Program Post-Retirement -  
Guaranteed Insurability)

# Retirees Health Care Premium Reimbursement Program

## Recommendations

- ◆ Requires an 80 point retirement eligibility (age plus years of service).
- ◆ University will reimburse retired employees on a quarterly basis for the cost of their health care premiums up to maximum of the then-current premium applicable to the MTU health benefits program.
- ◆ To assure equity with the current retirees health benefits program, the 20% co-pay of the premium will be waived in recognition of the taxable status of this benefit.
- ◆ Health care insurance may be purchased from a third party or MTU.
- ◆ Guaranteed Insurability at full premium cost under University Health Benefits Program.
- ◆ Covers premium reimbursement costs from current operations budget (pay-as-you-go).

# 2% Matching Contribution

## Recommendations

- ◆ **Current University contribution 10.55%.**
- ◆ **University will match up to 2% in additional contributions by the employee.**
- ◆ **Guaranteed Insurability at full premium cost under University Health Benefits Program.**
- ◆ **Any employee failing to exercise the election will be placed in the 2% matching program. All new employees will be placed in the 2% matching program (all new employees will be in TIAA-CREF).**

# Other Options Considered

- ◆ **Adopt recommendations presented at November meeting (20%/60% co-pay).**
- ◆ **Election between current retirees health benefits program and 2% matching program.**
- ◆ **University imposed bifurcation of benefits (e.g., everyone 55 or older receives retiree health benefits; everyone under 55 receives 2% matching).**
- ◆ **Discontinuation of the current retirees health benefits program.**
- ◆ **Continuation of retirees health benefits program with level prefunding contributions.**
- ◆ **Continuation of retirees health benefits program with no prefunding.**

# Cost Comparison

	20%/60% Plan	Premium Reimbursement
1996	\$20,545	\$25,681
1997	\$68,714	\$96,210
1998	\$81,714	\$119,220
1999	\$79,406	\$110,916
2000	\$88,498	\$127,100
2001	\$121,614	\$159,295
2002	\$184,380	\$290,646
2003	\$174,352	\$255,555
2004	\$184,813	\$270,888
2005	\$375,160	\$399,123
2006	\$378,971	\$421,122
2007	\$406,664	\$458,778
2008	\$569,277	\$486,173
2009	\$566,093	\$510,425
2010	\$605,606	\$530,771

	20%/60% Plan	Premium Reimbursement
2011	\$781,533	\$559,854
2012	\$976,258	\$562,720
2013	\$936,424	\$575,981
2014	\$984,860	\$597,749
2015	\$1,401,677	\$583,857
2016	\$1,418,468	\$545,216
2017	\$1,781,632	\$574,231
2018	\$1,709,617	\$573,175
2019	\$1,751,969	\$536,439
2020	\$2,191,568	\$282,111
2021	\$2,322,838	\$289,421
2022	\$2,747,223	\$306,786
2023	\$2,232,297	\$5,245
2024	\$2,499,669	\$5,560
2025	\$3,234,269	

# Cost Comparison

	20%/60% Plan	Premium Reimbursement
2026	\$3,058,506	
2027	\$3,522,779	
2028	\$3,565,688	
2029	\$3,505,829	
2030	\$3,728,798	
2031	\$3,952,526	
2032	\$4,189,677	
2033	\$3,787,298	
2034	\$4,014,536	
2035	\$3,655,936	
2036	\$3,875,292	
2037	\$4,145,757	
2038	\$3,308,447	
2039	\$3,506,954	
2040	\$2,903,843	
2041	\$3,078,074	

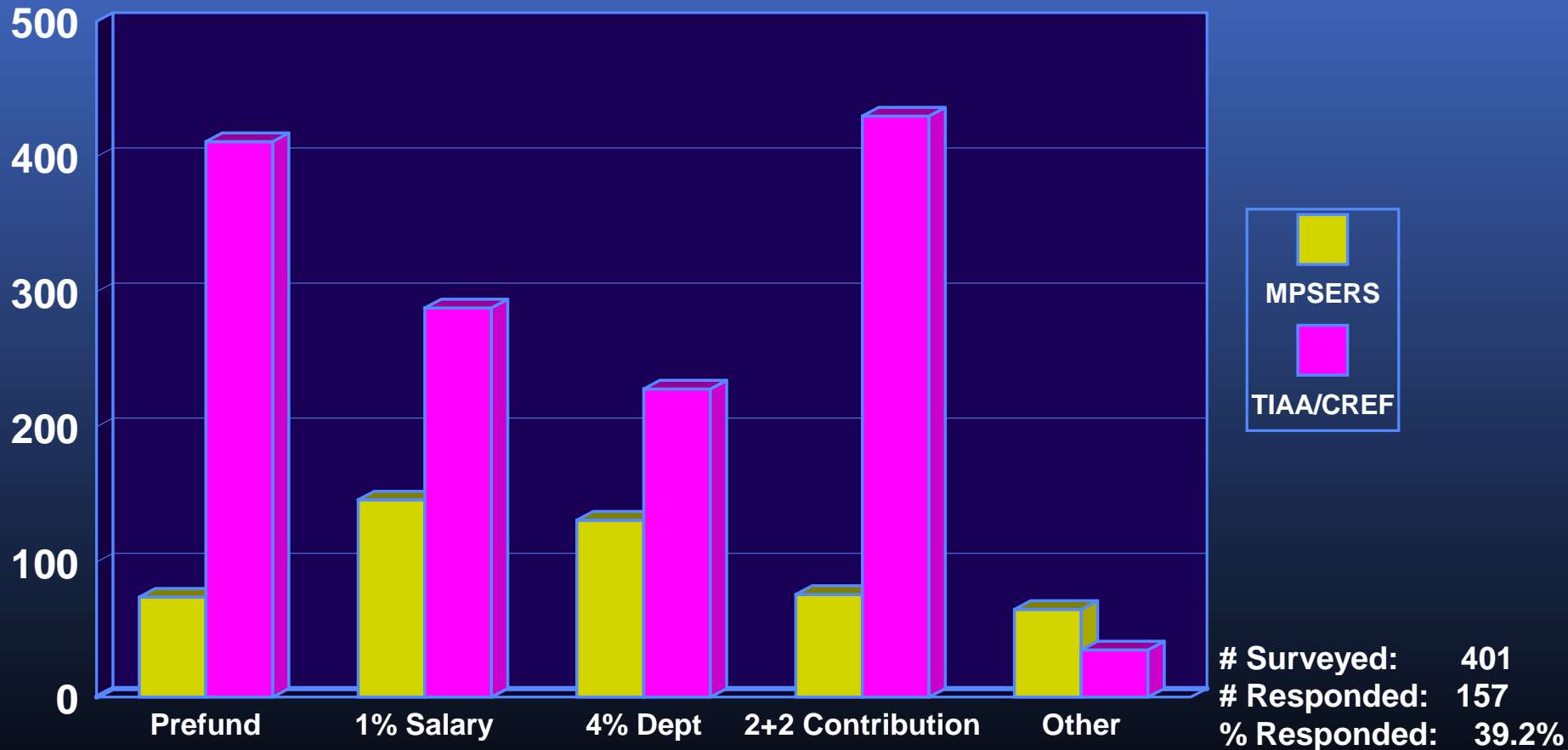
	20%/60% Plan	Premium Reimbursement
2042	\$3,250,062	
2043	\$2,328,111	
2044	\$2,467,798	
2045	\$1,753,991	
2046	\$1,859,230	
2047	\$1,970,784	
2048	\$936,462	
2049	\$992,650	
2050	\$607,044	
2051	\$664,915	
2052	\$704,810	
2053	\$192,800	
2054	\$204,368	
2055	\$108,315	
2056	\$114,814	
2057	\$121,703	

# Summary

- ◆ Election effective July 1, 1997.
- ◆ New TIAA-CREF participants (after July 1, 1997) will be offered opportunity to participate in 2% matching program only.
- ◆ Projected value of benefits will be provided to each participant prior to election.

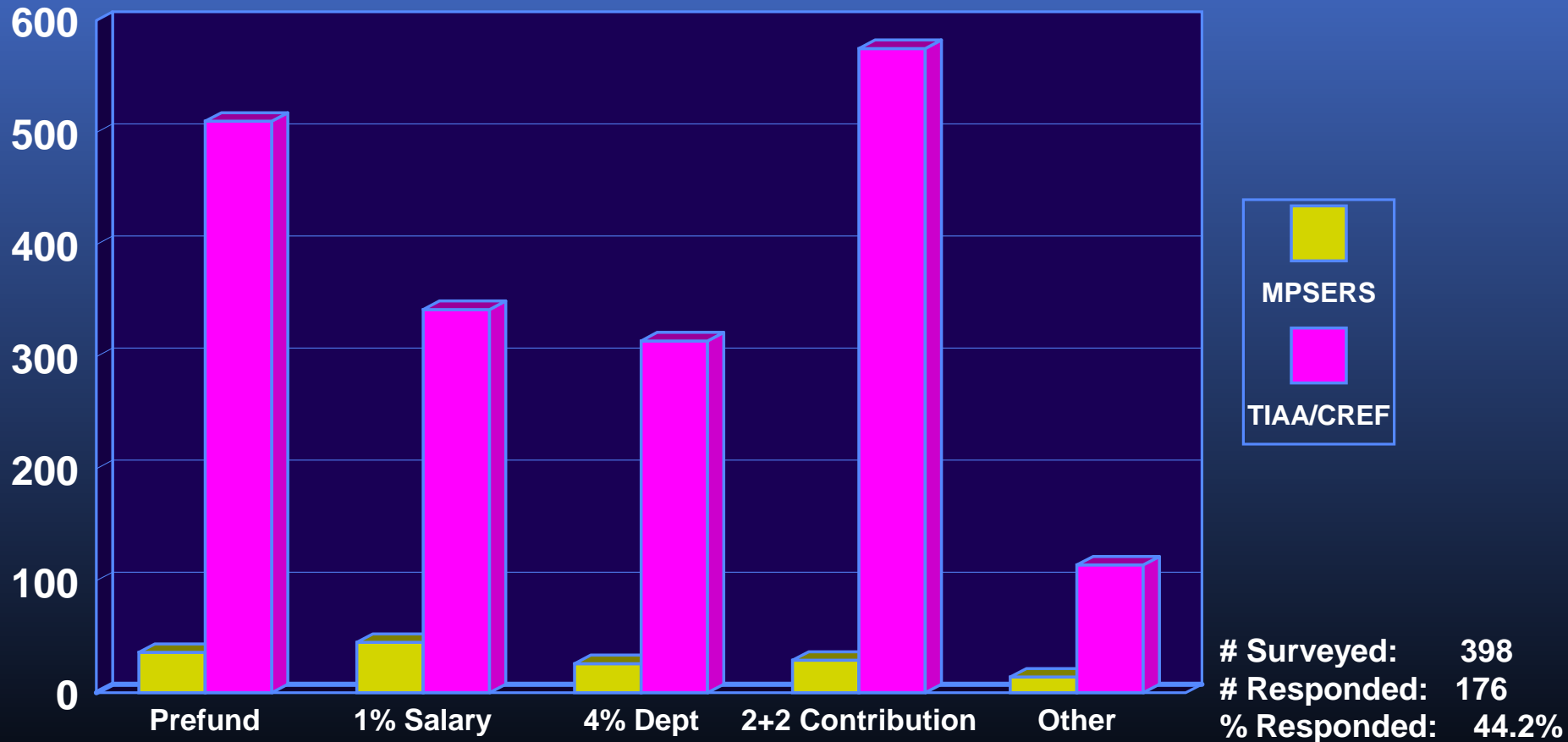
# Budget Priorities Survey Results

## Professional/Non-Union Staff (Weighted Totals)



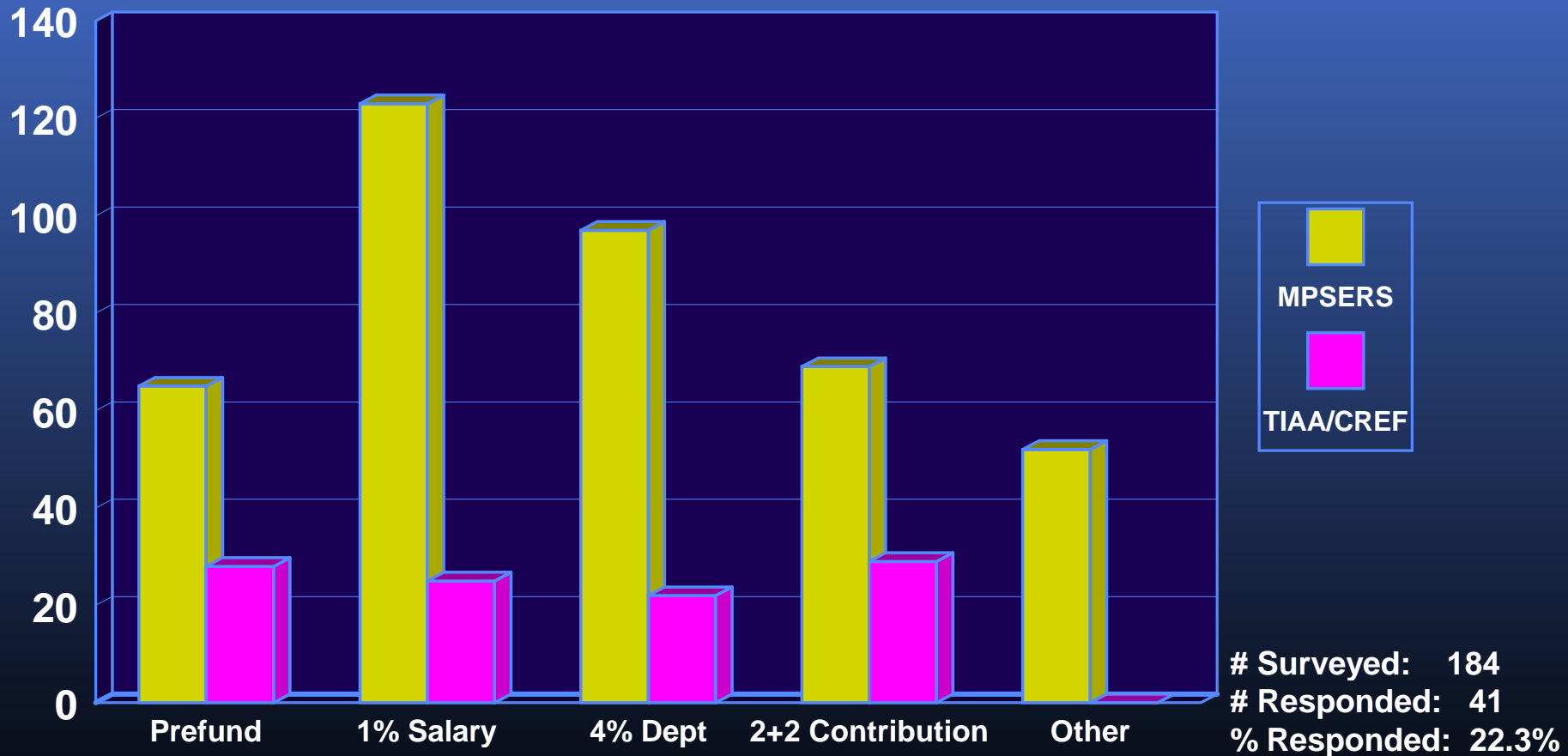
# Budget Priorities Survey Results

## Faculty (Weighted Totals)



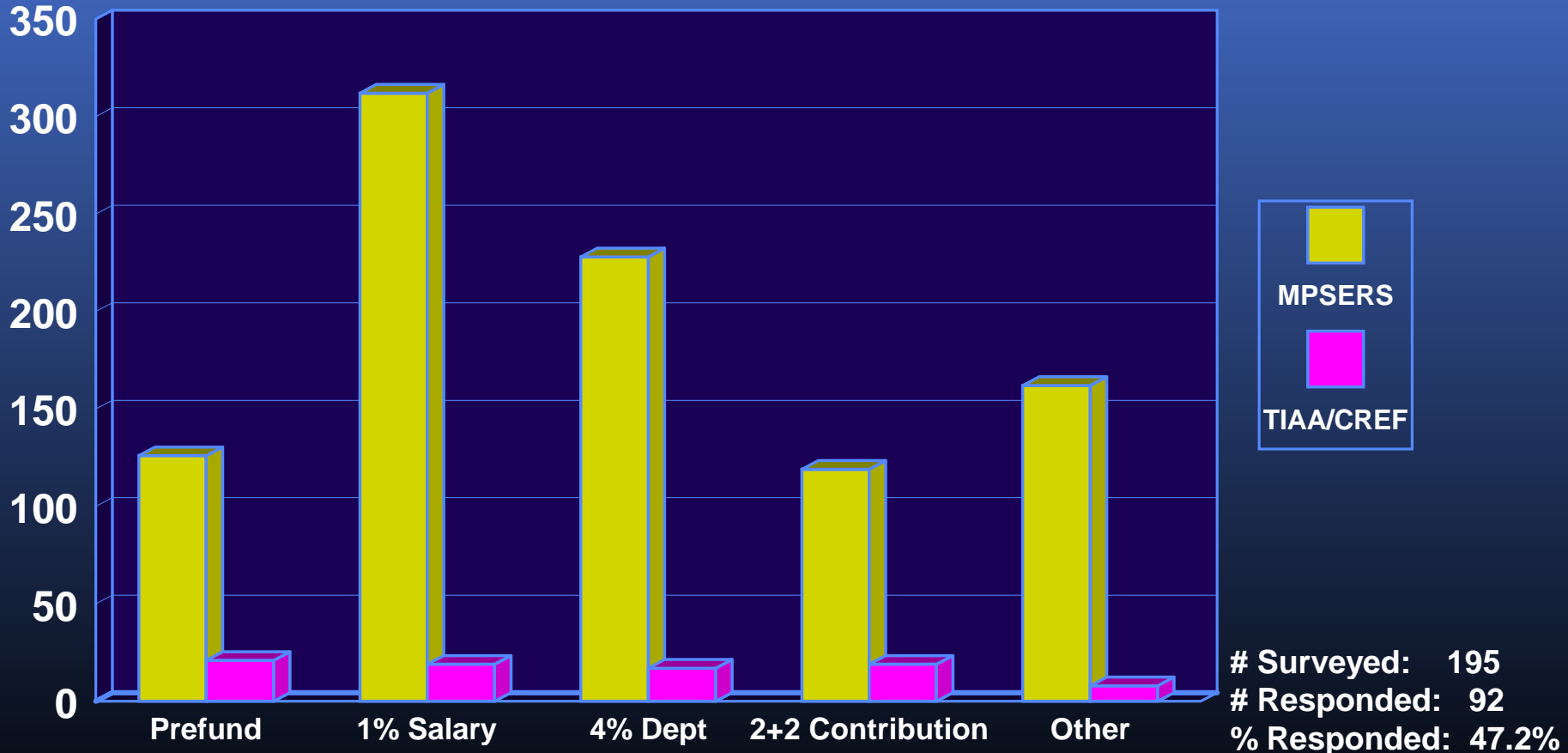
# Budget Priorities Survey Results

## AFSCME (Weighted Totals)



# Budget Priorities Survey Results

## UAW/POA (Weighted Totals)



# Budget Priorities Survey

I am: \_\_\_\_\_ Faculty \_\_\_\_\_ AFSCME  
\_\_\_\_\_ Professional/Non-Union Staff \_\_\_\_\_ UAW/POA

I am a participant in: \_\_\_\_\_ TIAA-CREF \_\_\_\_\_ MPSERS

**The question:** If the University has \$500,000 to commit to improving faculty/staff conditions how would you prioritize the following areas (with 1 being the highest priority and 5 being the lowest priority):

- \_\_\_\_\_ Prefund TIAA-CREF retirees' health benefits program (versus the pay-as-you-go approach currently being used)
- \_\_\_\_\_ 1% salary increase
- \_\_\_\_\_ 4% increase in your department's operating budget
- \_\_\_\_\_ 2% + 2% TIAA-CREF increase in contributions (University would contribute an additional 2% to TIAA-CREF if employee contributes 2%)
- \_\_\_\_\_ Other (please specify) \_\_\_\_\_