
TIAA-CREF Retirement Benefits

Board of Control Presentation

March 14, 1997

Retirement Benefits Principles

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

Recent History

- **November proposal - capped program (no new participants); increase co-pay to 60% for retirees prior to eligibility for medicare. One premise of this proposal was that the plan was not intended to be an early retirement plan.**
- **January proposal - proposed a choice between the 2+2 matching program and participation in the TIAA-CREF Retirees Health Care Premium Reimbursement Program. An alternative option presented to the Board was an imposed bifurcation which would not make benefits taxable.**

Recent History (cont.)

- **February Senate Meeting - passed a proposal to include all TIAA-CREF employees in the matching program while phasing out the health care premium co-pay over a period of time.**
- **March Proposal - taking into consideration the response of Board members in January and the Senate in February a new proposal has been developed.**

March Proposal

Recommendations

March Proposal

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graph TD; A[March Proposal] --> B[Phased in Matching Program (2+2)]; A --> C[Phased out Retirement Health Care Premium Subsidy Program];
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**Phased in Matching
Program (2+2)**

**Phased out Retirement
Health Care Premium
Subsidy Program**

2% Matching Contribution

Recommendations

- **Current University contribution 10.55%.**
- **In 1997-98, University will match up to 1% in additional contributions by TIAA-CREF participants. In 1998-99, the University will match up to an additional 1% (2% total).**
- **Guaranteed Insurability at full premium cost under University Health Benefits Program. (Premium cost will be the group rate for all MTU employees.)**
- **All new employees will be placed in the matching program (all new employees will be in TIAA-CREF).**

TIAA-CREF Retirement Contributions Schedule

- **July 1, 1997**
 - **Implement 1%+ 1% Contribution**
 - **Minimum 1% across-the-board salary adjustment (no net loss in take-home pay)**
- **July 1, 1998**
 - **Additional 1% + 1% Contribution (total of 2% + 2%)**

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 (not intended to be an early retirement program).
- Requires a 20% co-pay for participants who retire prior to July 1, 1999. The co-pay will increase by 10% of the premium amount per year thereafter; in 2006, retirees will be paying 100% of the premium. (Under this proposal, the benefit is guaranteed at the scheduled co-pay to those retiring while the plan is in place.)
- Covers retiree health cost from current operations budget (pay-as-you-go).

Annuity Computations

Based on Average Salary of 70 Points or Age 55 TIAA-CREF Participants
Calendar Year 1996 inflated by 3%

Year	Base Salary	2% University Contribution	2% Employee Contribution	8% Return Invest. Base Contributions		Annuity Annual Increase	Annuity Value
				Curent Year	Prior Year		
1	\$65,511	\$1,310	\$1,310	\$105		\$2,725	\$2,725
2	\$65,511	\$1,310	\$1,310	\$105	\$218	\$2,943	\$5,669
3	\$65,511	\$1,310	\$1,310	\$105	\$453	\$3,179	\$8,847
4	\$65,511	\$1,310	\$1,310	\$105	\$708	\$3,433	\$12,280
5	\$65,511	\$1,310	\$1,310	\$105	\$982	\$3,708	\$15,988
6	\$65,511	\$1,310	\$1,310	\$105	\$1,279	\$4,004	\$19,992
7	\$65,511	\$1,310	\$1,310	\$105	\$1,599	\$4,325	\$24,317
8	\$65,511	\$1,310	\$1,310	\$105	\$1,945	\$4,671	\$28,988
9	\$65,511	\$1,310	\$1,310	\$105	\$2,319	\$5,044	\$34,032
10	\$65,511	\$1,310	\$1,310	\$105	\$2,723	\$5,448	\$39,480
11	\$65,511	\$1,310	\$1,310	\$105	\$3,158	\$5,884	\$45,363
12	\$65,511	\$1,310	\$1,310	\$105	\$3,629	\$6,354	\$51,718
13	\$65,511	\$1,310	\$1,310	\$105	\$4,137	\$6,863	\$58,580

Annuity Computations

Based on Average Salary of 70 Points or Age 55 TIAA-CREF Participants
Calendar Year 1996 inflated by 3%

Year	Base Salary	2% University Contribution	0% Employee Contribution	8% Return Invest. Base Contributions		Annuity Annual Increase	Annuity Value
				Curent Year	Prior Year		
1	\$65,511	\$1,310	\$0	\$52		\$1,363	\$1,363
2	\$65,511	\$1,310	\$0	\$52	\$109	\$1,472	\$2,834
3	\$65,511	\$1,310	\$0	\$52	\$227	\$1,589	\$4,424
4	\$65,511	\$1,310	\$0	\$52	\$354	\$1,717	\$6,140
5	\$65,511	\$1,310	\$0	\$52	\$491	\$1,854	\$7,994
6	\$65,511	\$1,310	\$0	\$52	\$640	\$2,002	\$9,996
7	\$65,511	\$1,310	\$0	\$52	\$800	\$2,162	\$12,158
8	\$65,511	\$1,310	\$0	\$52	\$973	\$2,335	\$14,494
9	\$65,511	\$1,310	\$0	\$52	\$1,160	\$2,522	\$17,016
10	\$65,511	\$1,310	\$0	\$52	\$1,361	\$2,724	\$19,740
11	\$65,511	\$1,310	\$0	\$52	\$1,579	\$2,942	\$22,682
12	\$65,511	\$1,310	\$0	\$52	\$1,815	\$3,177	\$25,859
13	\$65,511	\$1,310	\$0	\$52	\$2,069	\$3,431	\$29,290

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 (not intended to be an early retirement program).
- Requires a 20% co-pay for participants who retire prior to July 1, 1999. The co-pay will increase by 10% of the premium amount per year thereafter; in 2006, retirees will be paying 100% of the premium. (Under this proposal, the benefit is guaranteed at the scheduled co-pay to those retiring while the plan is in place.)
- **Covers retiree health cost from current operations budget (pay-as-you-go).**

TIAA-CREF Retirees Health Care

Premium Co-Pay Schedule

- 20% - retire on or before June 30, 1999
- 30% - effective July 1, 1999
- 40% - effective July 1, 2000
- 50% - effective July 1, 2001
- 60% - effective July 1, 2002
- 70% - effective July 1, 2003
- 80% - effective July 1, 2004
- 90% - effective July 1, 2005
- 100% - effective July 1, 2006

Cost Comparison

Net University Health Care Costs

	November 20%/60% Plan (capped)	February 70 pts/Age 55 Choice/ Bifurcation	March 10 yr Phase-out Program		November 20%/60% Plan (capped)	February 70 pts/Age 55 Choice/ Bifurcation	March 10 yr Phase- out Program
1998	\$81,714	\$117,346	\$101,401	2011	\$781,533	\$738,721	\$315,137
1999	\$79,406	\$134,984	\$104,480	2012	\$976,258	\$820,069	\$313,648
2000	\$88,498	\$126,056	\$119,294	2013	\$936,424	\$872,201	\$309,067
2001	\$121,614	\$157,490	\$128,508	2014	\$984,860	\$885,416	\$322,645
2002	\$184,380	\$178,356	\$212,437	2015	\$1,401,677	\$933,275	\$297,351
2003	\$174,352	\$416,710	\$231,070	2016	\$1,418,468	\$939,738	\$266,414
2004	\$184,813	\$308,922	\$242,160	2017	\$1,781,632	\$928,088	\$273,525
2005	\$375,160	\$325,620	\$246,600	2018	\$1,709,617	\$977,502	\$260,577
2006	\$378,971	\$538,771	\$259,058	2019	\$1,751,969	\$992,113	\$238,019
2007	\$406,664	\$540,539	\$272,950	2020	\$2,191,568	\$996,152	\$139,583
2008	\$569,277	\$573,409	\$278,821	2021	\$2,322,838	\$689,009	\$140,488
2009	\$566,093	\$701,073	\$293,696	2022	\$2,747,223	\$726,391	\$144,959
2010	\$605,606	\$702,809	\$305,414	2023	\$2,232,297	\$769,975	\$22,029

Cost Comparison

Net University Health Care Costs

	November 20%/60% Plan (capped)	February 70 pts/Age 55 Choice/ Bifurcation	March 10 yr Phase-out Program		November 20%/60% Plan (capped)	February 70 pts/Age 55 Choice/ Bifurcation	March 10 yr Phase- out Program
2024	\$2,499,669	\$326,914	\$23,351		2037	\$4,145,757	
2025	\$3,234,269	\$341,814	\$20,037		2038	\$3,308,447	
2026	\$3,058,506	\$362,323	\$6,247		2039	\$3,506,954	
2027	\$3,522,779	\$192,031	\$6,622		2040	\$2,903,843	
2028	\$3,565,688	\$203,553	\$7,019		2041	\$3,078,074	
2029	\$3,505,829	\$215,766	\$3,720		2042	\$3,250,062	
2030	\$3,728,798	\$110,413	\$1,577		2043	\$2,328,111	
2031	\$3,952,526	\$66,879	\$1,672		2044	\$2,467,798	
2032	\$4,189,677	\$70,891	\$0		2045	\$1,753,991	
2033	\$3,787,298	\$75,145			2046	\$1,859,230	
2034	\$4,014,536	\$0			2047	\$1,970,784	
2035	\$3,655,936				2048	\$936,462	
2036	\$3,875,292				2049	\$992,650	

Cost Comparison

Net University Health Care Costs

	November 20%/60% Plan (capped)	February 70 pts/Age 55 Choice/ Bifurcation	March 10 yr Phase- out Program
2050	\$607,044		
2051	\$664,915		
2052	\$704,810		
2053	\$192,800		
2054	\$204,368		
2055	\$108,315		
2056	\$114,814		
2057	\$121,703		
2058	\$0		
Total	\$106,864,642	\$18,056,465	\$5,933,423

March Proposal

Benefit Costs by Year

	Full Health Care Costs	Less: Employee Co-Pay	Net Health Care Costs	Phased In Matching Annuity Contribution	Total
1997	\$29,807	(\$5,961)	\$23,846	-	\$23,846
1998	\$126,751	(\$25,350)	\$101,401	\$363,082	\$464,483
1999	\$130,601	(\$26,120)	\$104,480	\$747,949	\$852,429
2000	\$152,207	(\$32,913)	\$119,294	\$770,387	\$889,681
2001	\$170,096	(\$41,588)	\$128,508	\$793,499	\$922,007
2002	\$334,589	(\$122,152)	\$212,437	\$817,304	\$1,029,740
2003	\$371,018	(\$139,948)	\$231,070	\$841,823	\$1,072,893
2004	\$389,812	(\$147,651)	\$242,160	\$867,078	\$1,109,238
2005	\$532,663	(\$286,063)	\$246,600	\$893,090	\$1,139,690
2006	\$568,518	(\$309,460)	\$259,058	\$919,883	\$1,178,941
2007	\$629,472	(\$356,522)	\$272,950	\$947,479	\$1,220,429
2008	\$616,901	(\$338,080)	\$278,821	\$975,903	\$1,254,725
2009	\$651,597	(\$357,902)	\$293,696	\$1,005,181	\$1,298,876
2010	\$683,312	(\$377,898)	\$305,414	\$1,035,336	\$1,340,750

March Proposal

Benefit Costs by Year

	Full Health Care Costs	Less: Employee Co-Pay	Net Health Care Costs	Phased In Matching Annuity Contribution	Total
2011	\$708,671	(\$393,535)	\$315,137	\$1,066,396	\$1,381,533
2012	\$723,623	(\$409,975)	\$313,648	\$1,098,388	\$1,412,036
2013	\$737,791	(\$428,724)	\$309,067	\$1,131,340	\$1,440,407
2014	\$775,852	(\$453,206)	\$322,645	\$1,165,280	\$1,487,925
2015	\$753,424	(\$456,073)	\$297,351	\$1,200,238	\$1,497,589
2016	\$732,424	(\$466,010)	\$266,414	\$1,236,245	\$1,502,659
2017	\$765,277	(\$491,752)	\$273,525	\$1,273,333	\$1,546,858
2018	\$768,125	(\$507,548)	\$260,577	\$1,311,533	\$1,572,109
2019	\$760,240	(\$522,221)	\$238,019	\$1,350,879	\$1,588,898
2020	\$462,380	(\$322,797)	\$139,583	\$1,391,405	\$1,530,987
2021	\$480,786	(\$340,298)	\$140,488	\$1,433,147	\$1,573,635
2022	\$504,684	(\$359,726)	\$144,959	\$1,476,142	\$1,621,100
2023	\$94,411	(\$72,382)	\$22,029	\$1,520,426	\$1,542,455
2024	\$100,077	(\$76,726)	\$23,351	\$1,566,039	\$1,589,390

March Proposal

Benefit Costs by Year

	Full Health Care Costs	Less: Employee Co-Pay	Net Health Care Costs	Phased In Matching Annuity Contribution	Total
2025	\$100,187	(\$80,150)	\$20,037	\$1,613,020	\$1,633,057
2026	\$31,235	(\$24,988)	\$6,247	\$1,661,410	\$1,667,657
2027	\$33,110	(\$26,488)	\$6,622	\$1,711,253	\$1,717,875
2028	\$35,095	(\$28,076)	\$7,019	\$1,762,590	\$1,769,609
2029	\$22,320	(\$18,600)	\$3,720	\$1,815,468	\$1,819,188
2030	\$7,887	(\$6,310)	\$1,577	\$1,869,932	\$1,871,509
2031	\$8,360	(\$6,688)	\$1,672	\$1,926,030	\$1,927,702
2032	\$0	\$0	\$0	\$1,983,811	\$1,983,811
2033				\$2,043,325	\$2,043,325
2034				\$2,104,625	\$2,104,625
2035				\$2,167,764	\$2,167,764
2036				\$2,232,796	\$2,232,796
2037				\$2,299,780	\$2,299,780
2038				\$2,368,774	\$2,368,774

March Proposal

Benefit Costs by Year

	Full Health Care Costs	Less: Employee Co-Pay	Net Health Care Costs	Phased In Matching Annuity Contribution	Total
2039				\$2,439,837	\$2,439,837
2040				\$2,513,032	\$2,513,032
2041				\$2,588,423	\$2,588,423
2042				\$2,666,076	\$2,666,076
2043				\$2,746,058	\$2,746,058
2044				\$2,828,440	\$2,828,440
2045				\$2,913,293	\$2,913,293
2046				\$3,000,692	\$3,000,692
2047				\$3,090,713	\$3,090,713
2048				\$3,183,434	\$3,183,434
2049				\$3,278,937	\$3,278,937
2050				\$3,377,305	\$3,377,305
2051				\$3,478,624	\$3,478,624
2052				\$3,582,983	\$3,582,983

March Proposal

Benefit Costs by Year

	Full Health Care Costs	Less: Employee Co-Pay	Net Health Care Costs	<i>Phased In Matching Annuity Contribution</i>	Total
2053				\$3,690,472	\$3,690,472
2054				\$3,801,187	\$3,801,187
2055				\$3,915,222	\$3,915,222
2056				\$4,032,679	\$4,032,679
2057				\$4,153,659	\$4,153,659
Total	13,993,304	(\$8,059,881)	\$5,933,423	\$118,040,424	\$123,973,847

Total Cost Comparison

Total Costs by Year 2057

November Plan	February Plan	March Plan
\$106,864,642	\$124,123,000	\$118,040,424

March Proposal

Recommended Action:

- That the Board of Control approve this plan for implementation effective July 1, 1997.