# PROPOSAL 13-00

## SUPPLEMENTAL TIAA-CREF CONTRIBUTION FOR ELIGIBLE EMPLOYEES TO ASSIST WITH POST-RETIREMENT HEALTH INSURANCE COSTS

The Senate proposes that adversely affected employees be assisted by having the University provide additional TIAA-CREF contributions to pay for post-retirement health insurance premiums.

**HISTORY**
As a result of the inconsistency of MTU's health insurance policies for retirees in recent years, the Provost's office has identified the negative impact on certain employees caused by the arbitrary setting of insurance premiums and inadequate TIAA-CREF accumulations under the University's 2+2 program. Recall that the Provost's stated purpose of the 2+2 program, at the time of its presentation to the Board of Control in March 1997, was to replace the University's then-current health insurance retirement benefit. Specifically, the Board was told that the 2+2 program would provide employees with the wherewithal to acquire post-retirement health care. However, the 2+2 program is falling far short of this goal for many employees, as shown by the Provost's Office and the Senate Finance and Fringe Benefits Committees. Their analyses ultimately led to overwhelming Senate support of Proposals 9-99 and 12-99, which aimed at providing assistance to eligible employees nearing retirement.

The recent application of approximately $500,000 by the University to the TIAA-CREF accounts of some affected employees only <u>partially</u> addresses the health insurance deficit problem identified in Proposals 9-99 and 12-99, and then only for employees with salaries below $50,000 per year. This proposal is aimed at providing assistance [consistent with that called for in Proposal 9-00] to ALL remaining adversely affected employees, regardless of salary, who are nearing retirement and have been shown by the Provost's analysis to have insufficient TIAA-CREF accumulations under the 2+2 program to pay for their post-retirement health care premiums.

**FUNDING**
To implement this proposal, funds are requested from the University for each employee which, if invested now, will accumulate under TIAA-CREF to provide a sufficient fund from which to pay for post-retirement health insurance. Each employee's needs have been computed by the Provost's office, taking into account the employee's age, salary, and marital/family status. As this initiative is considered by the Senate to be a high budget priority, the University is requested to allocate the necessary general funds.

**RATIONALE**
Employees approaching retirement, in MTU's present system, are those least prepared for it. MTU has been contributing a sum equivalent to 10.55% of their salary into their retirement program since 1969, a substandard rate given the norm of 15% universally recommended by retirement experts. This figure was only recently increased, in 1998, to 14.55%, of which 2% is being paid by employees. Additionally, studies have shown that, in the upper ranks of faculty and staff, MTU salaries are approximately 10% lower than those at benchmark institutions, leading to grossly inadequate accumulations at retirement.

Consequently, people approaching retirement from MTU have a twofold problem. An inadequate TIAA-CREF accumulation is compounded by unpredictable actions by the University, such as the 1999/2000 "out of pocket" health insurance increase of approximately 70 % experienced by a retiree with 2-person coverage. An employee cannot reasonably be expected to retire in an environment of uncertainty. In fact, retirement will not even be a consideration if an employee is expected to pay ever-growing health insurance premiums together with the myriad other fixed costs faced by prudent retirees. A "graying" population at MTU will not only cause employees financial distress and delayed retirement, but will also render MTU less able to plan new programs. Above all, our retiring employees have earned the respect and gratitude of their working colleagues, and fairness dictates that the University safeguard the standard of living of its retirees.

**Adopted by Senate: April 26, 2000**
**Rejected by the Administration: November 28, 2000**