The Senate of Michigan Technological University

PROPOSAL 1-92

RETIREMENT BENEFITS PLAN

Currently TIAA-CREF participants have no retirement benefits other than their pension. The option for retirees to continue their existing medical coverage at their own expense is not a viable benefit in today's climate of exponentially increasing medical costs. Similarly, retirees are able to continue life insurance coverage at their own expense. If present rates of inflation in health care costs continue, the cost to the individual of such a retirement option will be excessively large for the current pension recipients and will become an extreme burden in future years.

Beginning of retirement is often an expensive, difficult and stressful stage of one's life due to sudden decrease in income, potential relocation expenses, etc.

The faculty and professional staff who have given a lifetime of faithful and dedicated service to MTU should have security and a decent standard of living upon retirement.

The proposed program will benefit the faculty and the University alike. It will allow the orderly, timely, and affordable retirement for the faculty and professional staff and yet, as a consistent strategy, enhance the long term planning and financial health of the University.

Also, it will eliminate the general resentment resulting from special personal retirement programs and place all University personnel on an equal footing.

In view of the above concerns we propose the following program.

I. **Eligibility**

Faculty and professional staff who are eligible for the Retirement Benefits Program (RBP) should have accumulated a minimum of 80 points (age + years of service at MTU) or have attained age 65 with a minimum of 10 years of service at MTU.

II. **Benefits**

A. Full medical coverage for the retiree and spouse for their lifetime with 20% co-pay.

B. Paid up life insurance for the retiree equivalent to 2X annual salary at retirement and

C. An annuity equal to 10% of their annual salary at retirement for each year of service at MTU.

III. **Discussion of Benefits**

For the annuity program there will, of course, be a cost bulge in the first year (due to the 66 eligible retirees, dropping to 15 in the 2nd year). The impact of this can be minimized by a 20 year loan at an interest rate of 8.75%. By borrowing the money from the Tech Fund this expense can be reduced even further. It should be noted that the assumption that all people with 80 points retire has maximized the costs. This is undoubtedly the most expensive option but, even so, the maximum cost to the University is only 0.68% of the University budget. Even by the year 2002 this cost should be less than 1.6% of the projected University budget.

IV. **Discussion with Administration**

We have discussed this proposal with the Administration on December 11, 1991 and both the administrative officers and the committee were surprised by the affordability of this proposed program.

Adopted by Senate: 15 January 1992
Part A (Health Benefits): Approved by Board of Control: 17 July 1992

Adopted by the Senate 13 January 1993
Parts B & C (Life Insurance & Annuity)
Rejected by Provost 16 February 1994