

4. UNC Benefit Competitiveness..... Matthew Brody/  
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**Situation:** Employees of the University currently participate in a variety of State and University provided employee benefit programs. The University routinely benchmarks benefit programs to ensure that we are offering programs that are consistent with the higher education industry and are competitive with peer institutions.

**Background:** The University maintains several retirement savings plans for employees: the University of North Carolina Optional Retirement Program (ORP), the University of North Carolina Section 403(b) Plan and the University of North Carolina Section 457(b) Plan. The ORP is a defined contribution plan, which functions as an alternative to the North Carolina Retirement System’s defined benefit plan known as the Teachers and State Employees’ Retirement System (TSERS). Both the ORP and TSERS are funded by employer and employee contributions.

Medical benefits are provided by the State Health Plan of North Carolina. Employer funding for the State Health Plan is limited to the “employee only” coverage category. Employees pay the full cost for dependent coverage.

A variety of other supplemental benefits (dental, vision, group life, flexible spending accounts, etc.) are provided on a pre-tax basis through the Office of State Human Resources’ NCFlex Program and on an after-tax basis by UNC campuses. These programs are funded entirely with employee contributions.

**Assessment:** The UNC Optional Retirement Program employer contribution rate has not been increased in over 18 years. UNC hired Buck consultants in 2012 to conduct a comprehensive study of defined contribution and defined benefit plans against UNC peer institution. The study revealed that the employer contribution rate in the UNC ORP is not competitive with other defined contribution plans at public universities

Employer funding for the State Health Plan is limited to the “employee only” coverage category, which has created gaps when benchmarking “total” compensation against per institutions. UNC has encouraged the State Health Plan to adopt a salary banded rate structure and other products like a Health Savings Account and a High Deductible Health Plan to improve the benefit offerings and cost structure.

**Action:** No action required



# UNC Benefit Competitiveness

Update to the Committee on Personnel and  
Tenure of the Board of Governors

October 29, 2015

# Group Benefit Plan Governance

|                 | State Health Plan  | Pre-tax Programs<br>NCFlex Benefits   | UNC System<br>Benefit Programs                                   | UNC Campus<br>Benefit Programs                           |
|-----------------|--|---|--|--|
| Plan Type       | Health Plan  | Group Plans   | Disability   | Miscellaneous Plans                                      |
| Governing Board | Board of Trustees  | Office of State Human Resources   | UNC - President  | UNC Campus Insurance Committees                          |
| Eligibility     | Permanent Faculty, EHRA-Non faculty, SHRA Employees, Full-time Adjunct Faculty and Non-Permanent Employees | Permanent Faculty, EHRA Non-faculty and SHRA Employees                                  | Permanent full-time Faculty, EHRA Non-faculty and SHRA Employees | Permanent Faculty, EHRA Non-faculty and SHRA Employees   |
| Plans           | PPO Basic (70/30)<br>PPO Standard (80/20)<br>Consumer Directed Plan<br>High Deductible Plan                | Dental, Vision, Group Life, Accidental Death & Dismemberment, Cancer, Spending Accounts | Supplemental Disability – wraps around the State Disability Plan | Auto, Homeowners, Legal, Dental and Group Life Insurance |
| Premiums        | Employee Pre-tax premiums  | Employee Pre-tax premiums   | Employee After-tax premiums                                      | Employee After-tax premiums                              |

# Retirement Plan Governance

|                                      | UNC Optional Retirement Program   | Teachers' and State Employees' Retirement System | Supplemental Retirement Plans                                    |
|--------------------------------------|---|--|--|
| Plan Type                            | Defined Contribution  | Defined Benefit                                  | State Plans (401K & 457),<br>UNC Plan (403b)                     |
| Governing Board                      | Board of Governors  | TSERS Board of Trustees                          | State– Supplemental Plan<br>Board of Trustees<br>UNC - President |
| Eligibility                          | Faculty, EPA-Non faculty and<br>new SPA Employees hired on or<br>after 1/1/2013 | Faculty, EPA Non-faculty and<br>SPA Employees    | All Employees  |
| Vesting                              | 5 years   | 5 Years  | Immediate  |
| Contributions<br>(Employer/Employee) | 6.84% Employer<br>6.00% Employee  | 9.14% Employer<br>6.00% Employee                 | Employee Voluntary<br>Contributions                              |

# Competitiveness – Least to Most



Health Insurance  
Defined Contribution  
Retirement Plan  
(UNC ORP)



Group Life Insurance  
Critical Illness  
Cancer  
Disability



State Defined Benefit  
Retirement Plan (TSERS)  
Dental  
Vision  
Flex Accts



# Faculty Specific Benefits

- Faculty and staff have the same general benefit offering of health, life, disability, retirement and other fringe benefit programs.
- The following programs apply explicitly to faculty
  - Phased Retirement for Tenured Faculty Members (*UNC Policy*)
  - Serious Illness and Disability Leave for Faculty (*UNC Policy*)
  - Parental Leave (*included as part of the UNC Policy on Serious Illness and Disability Leave for Faculty*)



# Health Plan Competitiveness

# Health Plan Benefit Study

- In 2004 UNC established a steering committee to develop a pilot health plan that would be offered to UNC employee, in lieu of the State Health Plan
- The proposed pilot was approved by the UNC Board of Governors. Legislation was introduced in the 2005 General Session; however, the bill was never taken up during the session
- Key findings of the steering committee:
  - Less than competitive plan value
  - Lack of benefit choices
  - Higher out of pocket expenses
  - No dependent subsidy
- UNC has advocated for changes in plan design and cost structure to the programs implemented by the State Health Plan.
- Most recently, UNC has encouraged the State Health Plan to adopt a Health Savings Account, in lieu of the Health Reimbursement Account, to improve benefits at lower costs



# Peer Institution Premium Rate Comparison

|                        | State Health Plan<br>Family Coverage<br>(Annual Premiums) | Comments   |
|------------------------|---|--|
| University of Virginia | \$1,800   |  |
| Virginia Tech          | \$2,820   |  |
| Iowa State             | \$4,068   |  |
| UC Berkley             | \$4,964   | Salary Banded Rates (\$51,001 - \$101,000)             |
| Univ. of Michigan      | \$7,332   | Salary Banded Rates (\$50,000)                         |
| <b>UNC</b>             | <b>\$8,760</b>  | Employee premiums can be reduced with wellness credits |

Data illustrated reflects the comparative value of the State Health Plan PPO (80/20 Plan) with comparable plans at other Tier 1 Research Institutions

# Peer Institution Premium Rate Comparison

|                   | State Health Plan<br>Employee Only Coverage<br>(Annual Premiums) | Comments   |
|-------------------|--|--|
| Iowa State        | \$240  |  |
| Univ. of Virginia | \$612  |  |
| <b>UNC</b>        | <b>\$763</b>   | Employee premiums can be reduced with wellness credits |
| Virginia Tech     | \$912  |  |
| Univ. of Michigan | \$1,632  | Salary Banded Rates (\$50,000)                         |
| UC Berkley        | \$2,040  | Salary Banded Rates (\$51,001 - \$101,000)             |

Data illustrated reflects the comparative value of the State Health Plan PPO (80/20 Plan) with comparable plans at other Tier 1 Research Institutions



# Retirement Plan Competitiveness

# UNC Retirement Plan Benefit Study

- UNC retained Buck Consultants in 2012 to study the competitiveness of the UNC Optional Retirement Program (UNC ORP) and the Teachers' and State Employees' Retirement System (TSERS)
- Buck collected data on 36 distinct colleges/universities, randomly selected from each campus' listed of Board approved peer institutions
- The TSERS Plan provides competitive benefits well within the competitive range of peer institutions. TSERS is highly competitive with regard to plan formula, normal and early retirement provisions and required employee contributions
- The UNC ORP tends to be in the bottom third in overall value when it comes to employer contributions, required employee contributions, and portion of the total benefit provided by the employer
- The Board of Governors has recommended increasing the UNC Optional Retirement Program EMPLOYER contribution rate to 8%, and has included this as a legislative priority for the past three fiscal years

# Defined Contribution Retirement Plan – Peer Contribution Rates

|              | Employer Contribution | Employee Contribution | Total Contribution |
|--------------|-----------------------|-----------------------|--------------------|
| Minimum      | 3.30%                 | 0.00%                 | 6.30%              |
| Maximum      | 12.69%                | 11.00%                | 20.50%             |
| Average      | 8.11%                 | 4.37%                 | 12.48%             |
| <b>UNC</b>   | <b>6.84%</b>          | <b>6.00%</b>          | <b>12.84%</b>      |
| <b>TSERS</b> | <b>9.14%</b>          | <b>6.00%</b>          | <b>15.14%</b>      |

# Defined Contribution Retirement Plan – History of Employer Contributions

|          | <b>Employer Contribution</b> |
|----------|------------------------------|
| 1/1/1972 | 6.00%                        |
| 1/1/1989 | 6.10%                        |
| 9/1/1989 | 6.20%                        |
| 7/1/1990 | 6.24%                        |
| 7/1/1992 | 6.46%                        |
| 7/1/1993 | 6.58%                        |
| 7/1/1995 | 6.66%                        |
| 7/1/1997 | 6.84%                        |

Required Employee Contribution is 6%

# Detailed Analysis of Defined Contribution Plan Competitiveness

- See attached Excel Worksheets for detailed Peer Analysis of Defined Contribution Plan Employer and Employee Contribution Rates

**The University of North Carolina  
Retirement Benefit Study of 2012  
Conducted by Buck Consultants**

| Institution  | Employer Contribution |
|--|-----------------------|
| U of Wyoming   | 12.69%                |
| New Hampshire (AAUP Faculty)   | 11.00%                |
| Western Mich   | 11.00%                |
| SUNY Binghamton/Purchase/Oswego  | 10.80%                |
| Wright State/Ohio State/U Cincinnati (Faculty)                         | 10.50%                |
| Saint Cloud State  | 10.00%                |
| UMN  | 10.00%                |
| Iowa State   | 10.00%                |
| U of Maine   | 10.00%                |
| U of Louisville  | 10.00%                |
| Tennessee State/Tennessee State U                                      | 10.00%                |
| Indiana State  | 10.00%                |
| West Chester   | 9.20%                 |
| New Hampshire (Staff and Non-AAUP Faculty)                             | 9.00%                 |
| Albany State   | 9.00%                 |
| U Rhode Island   | 9.00%                 |
| Virginia State/VA Tech/UVA/VA Commonwealth/Old Dominion/William & Mary | 8.90%                 |
| U of Maine   | 8.80%                 |
| Wright State/Ohio State/U Cincinnati (Staff)                           | 8.73%                 |
| Evergreen State  | 8.13%                 |
| Eastern CT State/Central CT State                                      | 8.00%                 |
| Hampton  | 7.50%                 |
| Bowie State  | 7.25%                 |
| U of Maryland  | 7.25%                 |
| New Hampshire (AAUP Faculty)   | 7.00%                 |
| NW Missouri State  | 7.00%                 |
| <b>University of North Carolina</b>                                    | <b>6.84%</b>          |
| West Texas A&M   | 6.00%                 |
| Minnesota State  | 6.00%                 |
| U of Florida/New College of FL, U Central FL                           | 5.14%                 |
| Mass College of Art and Design   | 5.00%                 |
| Clemson  | 5.00%                 |
| SC Aiken   | 5.00%                 |
| Jacksonville State   | 5.00%                 |
| New Hampshire (Staff and Non-AAUP Faculty)                             | 4.00%                 |



**The University of North Carolina  
Retirement Benefit Study of 2012  
Conducted by Buck Consultants**

| Institution  | Employee Contribution |
|--|-----------------------|
| NW Missouri State  | 0.00%                 |
| Bowie State  | 0.00%                 |
| U of Maryland  | 0.00%                 |
| Tennessee State/Tennessee State U                                      | 0.00%                 |
| Indiana State  | 0.00%                 |
| Western Mich   | 0.00%                 |
| U of Wyoming   | 1.43%                 |
| SUNY Binghamton/Purchase/Oswego*                                       | 1.50%                 |
| New Hampshire (Staff and Non-AAUP Faculty)                             | 2.50%                 |
| New Hampshire (AAUP Faculty)   | 2.50%                 |
| U of Louisville*   | 2.50%                 |
| U of Florida/New College of FL, U Central FL                           | 3.00%                 |
| U of Maine*  | 4.00%                 |
| U of Maine   | 4.00%                 |
| Jacksonville State*  | 5.00%                 |
| Minnesota State  | 5.00%                 |
| Hampton*   | 5.00%                 |
| Eastern CT State/Central CT State                                      | 5.00%                 |
| Virginia State/VA Tech/UVA/VA Commonwealth/Old Dominion/William & Mary | 5.00%                 |
| Albany State   | 5.00%                 |
| U Rhode Island   | 5.00%                 |
| West Chester   | 5.00%                 |
| Iowa State   | 5.00%                 |
| Saint Cloud State  | 5.50%                 |
| UMN  | 5.50%                 |
| <b>University of North Carolina</b>                                    | <b>6.00%</b>          |
| New Hampshire (Staff and Non-AAUP Faculty)                             | 6.00%                 |
| New Hampshire (AAUP Faculty)   | 6.00%                 |
| Clemson  | 6.50%                 |
| SC Aiken   | 6.50%                 |
| West Texas A&M   | 6.65%                 |
| Evergreen State*   | 8.13%                 |
| Wright State/Ohio State/U Cincinnati (Staff)                           | 10.00%                |
| Wright State/Ohio State/U Cincinnati (Faculty)                         | 10.00%                |
| Mass College of Art and Design   | 11.00%                |



# Total Compensation Analysis

# Illustration of Total Comp Comparison

|   | University of North Carolina | University of Virginia |
|---|------------------------------|------------------------|
| Base Salary   | \$100,000                    | \$100,000              |
| Additions to Pay for Employer Retirement Contribution | \$6,840 (6.84%)              | \$8,900 (8.9%)         |
| Reductions to Pay for Health & Retirement             | (\$14,760)                   | (\$6,800)              |
| <b>Illustration of Resulting Net Pay</b>              |                              |                        |
| Difference After Additions and Reductions             | \$92,080                     | \$102,100              |

This information is for illustrative purposes only and does not take into account all statutory deductions or differences in state income tax rates. Reductions to pay include health care contributions at the “family coverage level” and participation in the defined contribution retirement plan.

# Illustration of Total Comp Comparison

|   | University of North Carolina | University of Virginia |
|---|------------------------------|------------------------|
| Base Salary   | \$50,000                     | \$50,000               |
| Additions to Pay for Employer Retirement Contribution | \$3,420 (6.84%)              | \$4,450 (8.9%)         |
| Reductions to Pay for Health & Retirement             | (\$11,760)                   | (\$4,300)              |
| <b>Illustration of Resulting Net Pay</b>              |                              |                        |
| Difference After Additions and Reductions             | \$41,660                     | \$50,150               |

This information is for illustrative purposes only and does not take into account all statutory deductions or differences in state income tax rates. Reductions to pay include health care contributions at the “family coverage level” and participation in the defined contribution retirement plan.

# Questions

