Part-Time Employees Forum
Wednesday, May 12, 2010
Beering Hall, Room 2280
2-3 p.m.

Summary

SLIDE 1 – AGENDA

President France A. Córdova:

• Welcome. We do not have any new information today about changes to benefits for part-time employees, but at the request of you and your employers we are holding this forum to help answer some questions.
• Overall, we are addressing our budget challenges:
  o We have a plan in place to meet the Governor’s challenge of $45.5 million for the Purdue system with minimal impact to the workforce. This plan requires that we return economic stimulus funding that we received from the State.
  o The second part of our challenge – the projected $67 million deficit – still lies ahead of us.
• Purdue prides itself on a history of fiscal discipline, and we intend to remain prudent.
• Over the last several months we have conducted several studies, we have several committees in place to guide our initiatives, and we have been communicating through forums.
• The task force is also working on a plan to transition their work to the units.
• Executive Vice President Al Diaz will give a brief introduction and Ken Sandel, project manager for the Sustaining New Synergies (SNS) Task Force will present information about our assessment of benefits for part-time employees. We’ll leave a lot of time for Q&A at the end.

Al V. Diaz, executive vice president for business and finance, treasurer:

• As stated a few weeks ago, President Córdova determined that full elimination of benefits for part-time employees should no longer be considered.
• Some benefits will be modified, as they are modified for all employees.
• Some details will be discussed at the conclusion of Ken Sandel’s remarks.
Presentation by Ken Sandel, managing director, Office of the Executive Vice President for Business and Finance, Treasurer; and project manager, SNS Task Force:

SLIDE 2 – PART-TIME EMPLOYEE GROUPS

- The SNS Task Force, along with HR and Staff Benefits, has been looking at several aspects of benefits for part-time employees through internal assessments and a study conducted by Hewitt Associates. Today I will review:
  - Composition of our part-time employee population
  - Overall costs of part-time employee benefits
  - Comparison of part-time employee benefit programs and eligibility to other higher education institutions, Big Ten universities, and the local market
- Purdue employs 710 part-time faculty and staff that are eligible for benefits system-wide.
  - West Lafayette: 601
  - Calumet: 24
  - Fort Wayne: 80
  - North Central: 5
- Slide 2 shows the job classifications of our part-time employees.

SLIDE 3 – PART-TIME TOP 10 OCCUPATIONS

- Slide 3 shows the top 10 occupations among part-time employees system-wide. Some examples include:
  - 100 family nutrition advisors from the College of Consumer and Family Sciences (CFS), who provide education programs state-wide
  - 14% of the total population of part-time employees (96) are secretaries
  - 8% (56) are continuing lecturers
  - 7% (53) are clerks
  - 6% (40) are account clerks
  - 3% (24) are academic advisors

SLIDE 4 – PART-TIME EMPLOYEE DISTRIBUTION

- Part-time staff positions are distributed throughout the organization and regional campuses. For example:
  - CFS has the most part-time employees (137), which includes 100 family nutrition advisors.
  - College of Agriculture: 104
  - Fort Wayne: 80
  - College of Liberal Arts: 62
  - School of Veterinary Medicine: 44
- It is evident that most areas employ part-time positions to perform a variety of roles.
SLIDE 5 – PART-TIME STAFF BENEFITS COSTS

- Purdue’s 710 part-time employees represent $8.9 million in benefit costs for the University.
  - 55% of these employees are paid from the general fund accounts.
  - 45% are paid from restricted funds.
- Two categories of benefits make up nearly all of the costs:
  1. Nearly 75% of benefits costs are dedicated to medical benefits.
     - The University and its employees pay $150 million toward employee care each year.
  2. Nearly 25% of benefits costs are dedicated to retirement plans.

SLIDE 6 – HEWITT SURVEY

- A critical part of our assessment included Hewitt’s comparison of Purdue’s benefit offerings for part-time employees to our peers’ offerings.
- The column on the left lists the benefits. The middle column represents the percentage of institutions surveyed that offer that benefit. The column on the right shows whether Purdue offers that benefit or not. For example:
  - Medical, Retirement and Paid Time Off (PTO) are offered at 73.7% of the institutions that were surveyed.
  - 63.2% of the institutions surveyed offer dental. Purdue offers dental as a voluntary benefit.
  - Purdue’s only “no’s” are Long-Term Care and Adoption Benefits.
- Note that the percentages on this slide represent part-time employees’ access to benefits. This slides does not reflect differences in cost and service levels between full- and part-time employees.
- Based on this data, Purdue’s offerings for part-time staff are among the most generous.

SLIDE 7 – BIG TEN COMPARISON: MEDICAL BENEFIT ELIGIBILITY

- This slide focuses on medical benefits in comparison with other Big Ten institutions.
- Our peer institutions typically provide benefits for part-time employees who have an ongoing employment relationship. Some institutions have service requirements:
  - Iowa, Wisconsin, and Minnesota: 1 month of service
  - Penn State: 2 years of service
  - The exception is Indiana University, which does not provide medical benefits for part-time employees.
- Slide 7 does not list the various practices for charging premiums at peer institutions.
  - Some universities are moving away from providing the full employer subsidy for health care coverage for part-time employees.
  - Part-time employees often pay more for their medical insurance or have access to the coverage by paying the full cost.
The most common arrangement is that part-time employees pay the full employee premium plus a percentage of the employer premium based on the level of the part-time effort.

- Purdue currently provides part-time employees with access to coverage with premiums based on their cash pay, which often results in receiving lower premiums if pay is less than $40,000.

**SLIDE 8 – LOCAL EMPLOYER COMPARISON: PART-TIME BENEFITS**

- Slide 8 focuses on benefits offered to part-time employees compared to local employers.
  - Government employers (State of Indiana and City of West Lafayette) offer no benefits or only PTO.
  - The remaining employers vary by FTE requirement, but provide medical, dental, vision, some retirement, and other options.
- As we compare further, a key factor is that it is not uncommon for local employers to charge part-time employees a higher rate on medical premiums. This is true for:
  - Evonik
  - Home Depot
  - Lowe’s
- Sears Holdings and Wabash National charge part-time employees the same as full-time employees.

**SLIDE 9 – BENEFITS FOR PART-TIME EMPLOYEES**

- In summary, Purdue’s offerings for part-time staff are among the most generous in terms of the menu of offerings and the portion that is paid by the institution.
- Full elimination of benefits for part-time employees is no longer being considered.
  - Existing benefits will continue.
  - Some benefits will be modified, as they are modified for all employees. For example:
    - Recent change to TIAA-CREF retirement (University contribution reduced to 10%, rebalancing, and required employee contribution of 4%)
    - Future adjustments to health care premiums
- Luis Lewin, vice president of human resources, is leading an effort to look at ways to minimize health care costs moving forward.
  - The Health Plan Advisory Committee is meeting regularly.
  - Information on premium rates will be presented to the Board of Trustees in July.
SLIDE 10 – Q&A

Q1: Can you give a quick breakdown of the transition plan?
A1: Much of the work being done by the SNS Task Force will need to be operationalized, or transitioned to the units. For example, our strategic sourcing initiatives will have to be incorporated into how our purchasing organization does their work.

Q2: You mentioned changes to the retirement program for employees that participate in TIAA-CREF. What happens to people on PERF?
A2: There is no change for employees on PERF.

Q3: You mentioned that we gave back stimulus funds. Why aren’t we using the stimulus funds?
A3: We are using the stimulus funds to the extent that we’ve been authorized by the State. We returned the majority of stimulus funding that was earmarked for repair and rehabilitation (R&R) projects in order to meet the $45.5 million challenge called for by the Governor.

Q4: Isn’t the stimulus funding federal money? Why did you return it to the State?
A4: It is federal money given to the State.

Q5: Can we raise tuition for international students?
A5: Any increases in fees would involve further discussion with legislators, the Indiana Commission for Higher Education (ICHE), and other parties. The last time we raised fees we differentiated between in- and out-of-state.

Q6: Is a consulting firm addressing tuition?
A6: No, tuition and fees are a separate issue. We are currently collecting benchmarking data regarding fee increases, and have communicated that to the Governor.
Q7: Can you detail specific changes to the health care plan?
A7: We began our health care program with CIGNA last year (using their networks and health care management programs), and are projecting cost increases for next year. We can no longer assume that the University will continue to subsidize those increases.

Other assessments include:
- Combining the three health care plan options into two
- Changing pharmacy benefits (mandatory generics and mail-order)
- Modeling an increased number of pricing tiers (from two tiers up to six), to reduce the impact of increased costs on lower paid employees

No decisions have been made. The Health Plan Advisory Committee will be meeting regularly to further consider the 2011 plans. They are looking at long-term strategies (a ten year plan) to encourage healthy behaviors among employees.

Q8: Will changes be different for part-time employees?
A8: No. There will be no changes in the benefits that are offered to part-time employees. The full suite of benefits will still be available, but pricing for medical benefits will change. In the end it may cost more, but it will cost more for all employees. We are working with statewide experts, and we are working to reduce the impact of the increased cost by first eliminating cost from the system. We have no conclusions yet.

Q9: Will employees be informed of an increase in cost ahead of time so that they can plan accordingly?
A9: Our current plan is to provide information about employee and employer premium rates and medical plan changes to the Board of Trustees in July. We plan to share the information with employees at that time.

Q10: As you calculate increased cost as related to percent of salary/time, will you take into account the significant impact to part-time salaries?
A10: Yes, we are sensitive to that and are considering those factors.

Q11: Is it true that one way the University plans to save money is to mandate that everyone who is 65 and older go on Medicare?
A11: That information is false. A mandate of that nature is illegal.
Q12: Has the University considered opening a campus medical clinic?
A12: We are in preliminary stages of evaluating a campus medical clinic. No decisions have been made. We recently formed a committee to begin assessing the full range of topics associated with a campus clinic. In the future, the committee may utilize a feasibility study and employee survey as part of their evaluation of size and services.

Q13: Are the various changes that you have mentioned the only direction being considered or is there another plan?
A13: The committees working on our budget challenge are comprised of employees from across campus. We ask for their reactions and whether they have other ideas.

Q14: Will the various changes that you have mentioned apply to next year?
A14: As we address our budget challenge, our goal is to be nimble and flexible while maintaining essentials. The future is uncertain, and it is possible that something may happen that will cause us to reconsider our options.

Q15: Do you plan to hold another forum in the morning?
A15: No, but we will post the slides and a summary to the SNS website.

Q16: You mentioned the reduction in the University’s contribution to TIAA-CREF (from 15% to 10%), and that employees now will be required to contribute 4%. Where does that extra 1% go?
A16: There may be a misunderstanding due to the rounding up to 15%. There is no extra 1%. The average retirement contribution is 14.6% (11 percent on the first $9,000 of salary and 15 percent on salary over $9,000). Employees whose average exceeds 14% will see the difference in their paychecks.

Q17: I was vested in PERF, then my status changed to A/P (TIAA-CREF). If I retire after only 3 or 4 years, will the company let me take the money? It seems like there will be virtually no return. And is there a choice to put it in my current accounts instead of a new 401a?
A17: There is no difference in company. The difference is in accounts. You have the same investment options; it is your money and you are fully vested. Funds placed in the new account will generate the same returns as funds invested in the same investment options in other accounts.

Q18: Of the projected $67 million deficit, what are the major expenses?
A18: There are two major parts: (1) “Unavoidables” such as utilities, insurance premiums, and other items that are largely out of our control, and (2) compensation increases, which we have addressed by giving no raises (last year and this year).
Q19: Isn’t medical the biggest expense?
A19: Historically medical is included in “unavoidables.” Aside from salaries, medical is one of the largest expense items we have.

Q20: I read in a Purdue publication that staff salaries are lower than our peers (some are 86% of peers). Will you keep that in mind when looking at changes to health benefits?
A20: In the Hewitt study on total compensation, data showed that there are some differences in certain salary bands. We are being mindful of those situations.

Q21: Will the tuition discount (remissions) be affected?
A21: The tuition discount is not being eliminated.

Q22: Will you have more incentives for preventative health care?
A22: We are working on that now. We are looking at several things:
   - Unit Cost – The West Lafayette/Lafayette area is higher than national norms and surrounding municipalities
   - Utilization Rate – Utilization largely depends on how healthy we are, leading us to look at ways to incentivize healthy behavior and de-incentivize unhealthy behavior.
   - Distribution of Cost

Q23: Why do we re-issue our health care cards for one minor change? Wouldn’t using a sticker save cost?
A23: New cards have to be issued due to information required for billing. We will explore all options to save costs in the future.

Q24: Are we spending $500,000 on outside consulting firm? Why?
A24: Yes, outside consultants bring a specific set of skills and access to proprietary data through their experience with other institutions. The goal of the reviews and studies that are being conducted is to generate significant long-term recurring savings. Before investing we always look at and evaluate the return on investment. Additionally, external third-party consultants bring a level of independence.

Q25: Can’t we utilize people from Krannert, etc.?
A25: We have done a lot of in-sourcing, including utilizing expertise from Krannert and political science students, members of the treasurer’s organization, participants from across campus who serve on committees, and countless more who have contributed time and effort to assist with the various initiatives. There has been a lot more effort internally than apparent, which means a lot of attention has been diverted from our employees’ regular jobs.

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