

Human Resources Policies Assessment Task Force (HRPAT)

Preliminary and “Fast Track” Recommendations

September 9, 2009

Preliminary Benefits Recommendations

- Implement previously approved UBAT recommendation to transition current 403(b) plan to a safe harbor plan effective 1/1/2010
- Eliminate Retiree Tuition Remission benefits: Savings = \$600,000 to \$1 million
- Limit employee and spouse/DP to one degree at each level under TR
- Eliminate spouse/partner TR; Savings = \$814,175
- Increase employee TR eligibility waiting period from 3 months to 6 months plus pass probation: Savings projected to be \$250,000
- For all object codes, dependent children who apply for tuition remission benefits for undergraduate or graduate study or portable tuition benefits for undergraduate study must be matriculated and enrolled in a degree program by the end of the calendar year in which age 25 is attained. (Rationale: this parallels eligibility for medical and dental coverage.)
- Implement revised TR benefits upon layoff
- Eliminate 50% subsidy for registration fees for employees who use grad & undergrad TR; this is a recent change (Spring, 2007) without a long legacy; Savings = \$550,000
- Redesign Retiree Medical for active employees under age 40 and future hires.

Total possible savings = \$2,214,175

Approved by UBAT and Re-approved by HRPAT

Alternative Plan Design Consideration: 10% “Safe Harbor” Model

An alternative design that includes employees earlier in their career, provides greater flexibility, and eliminates risk of discrimination testing.

- 5% NYU non-matching contribution to all eligible employees satisfying waiting period (1 year)
- Up to an additional 5% matching NYU contribution based on employee contributions (e.g., 1% employee contribution = 1% matching NYU)
- NYU does not have risk of failing non-discrimination testing because of “safe harbor” design
- Implement a variable non-matching contribution, allowing the University to potentially reduce the plan’s overall cost in future years.

Note: all proposed plan designs subject to legal review

Current

NYU Basic	Employee Voluntary*	NYU Matching	Total
0%	N/a	0%	0%
0%	N/a	0%	0%
0%	N/a	0%	0%
0%	N/a	0%	0%
0%	N/a	0%	0%
0%	5%	10%	15%

Alternative

NYU Basic	Employee Voluntary	NYU Matching	Total
5%	0%	0%	5%
5%	1%	1%	7%
5%	2%	2%	9%
5%	3%	3%	11%
5%	4%	4%	13%
5%	5%	5%	15%

* Mandatory at age 35

Retiree Medical Recommendations

Proposed Changes:

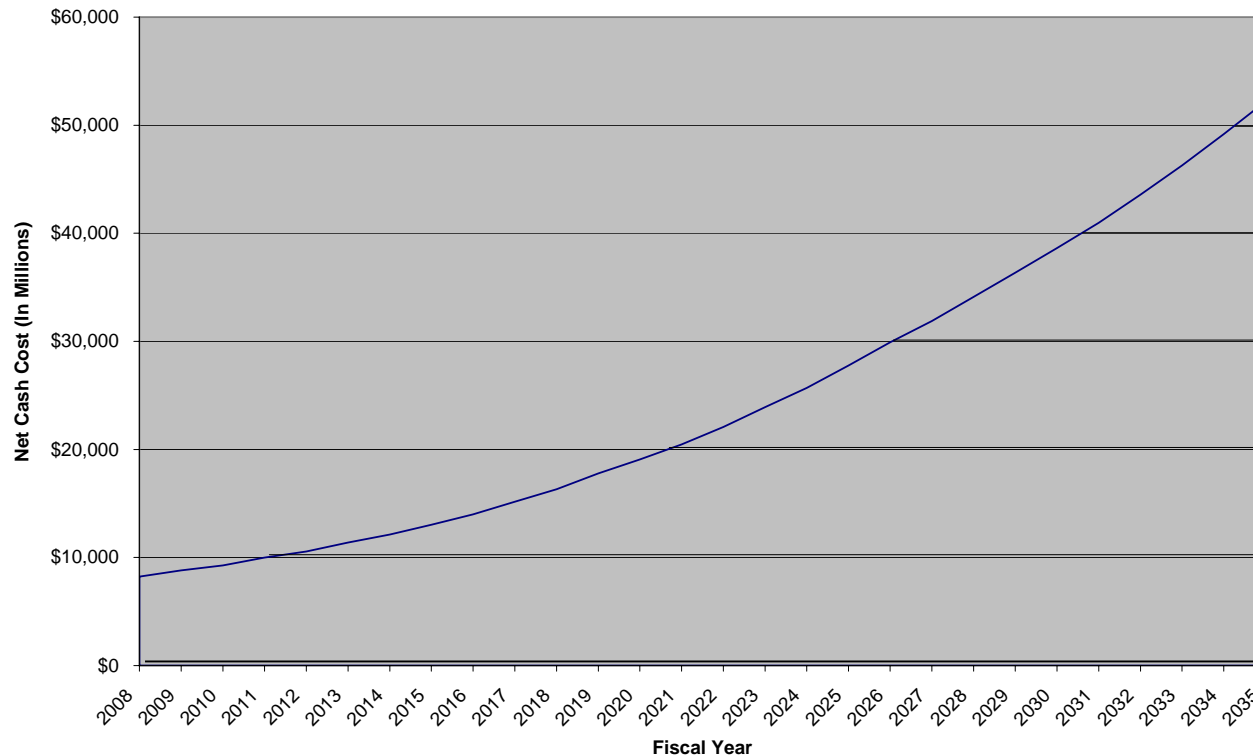
- Tighten eligibility: raise minimum age/service requirement to Rule of 75 minimum age 55 minimum service 15 (future hires & those < age 40)
- Increase retiree's contribution to the cost of premium and/or increase out of pocket cost sharing in the plan design (current and future retirees)
- Cap NYU's contribution to the cost of retiree health care (Defined Contribution Approach) (future hires & those < age 40)
- Eliminate subsidized health coverage for future retirees, based on hire dates in future
- Offer Medicare Rx only coverage to those who do not meet rule of 70 but are working past age 65 retire
- Eliminate NYU Retiree Medical Plan (NYU's self funded indemnity retiree plan) and replace with Medicare HMO plans that are fully insured

•**HRPAT RECOMMENDATION:** HR PAT endorsed a package of retiree benefit changes inclusive of the above with the exception of the elimination of the NYU Retiree Medical Plan for those currently retired.

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- Based on current designs and cost sharing, the net cash cost will increase more than six-fold, to over \$50 million per year, by 2035
 - Costs will increase both due to increasing numbers of retirees and increasing medical costs

Net Cash Cost* - All

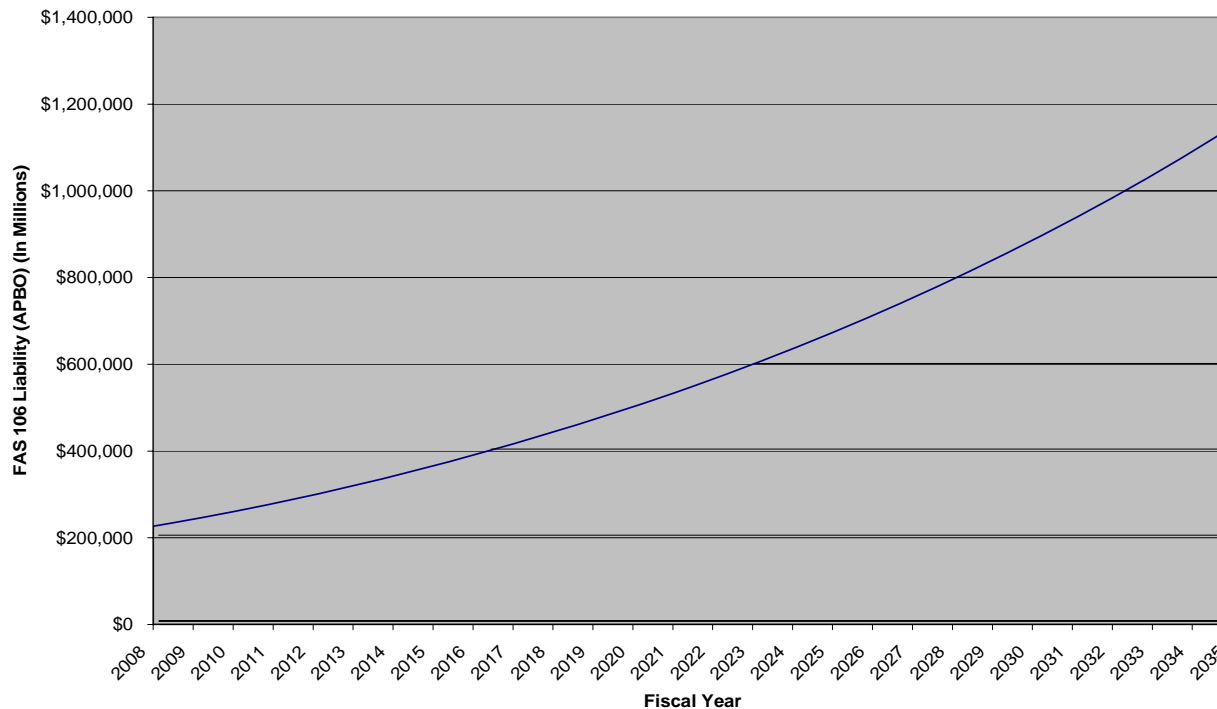


* Net annual costs to NYU for current pre and post 65 retirees; gross benefit payments minus retiree contributions minus Medicare Part D subsidy

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- The Accumulated Postretirement Benefit Obligation (APBO) is the balance sheet liability representing the cumulative value of the benefits promised to retirees
- Based on current designs and cost sharing, the APBO will increase to more than \$1 Billion by 2035

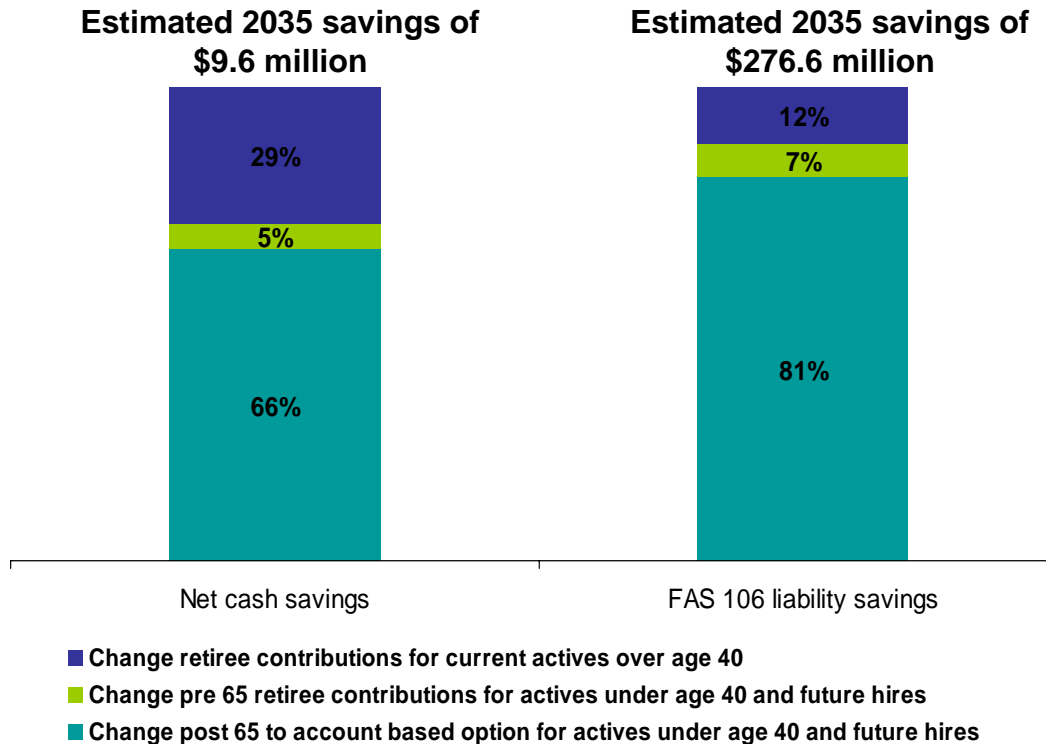
FAS 106 Liability (APBO)* - All



* Present value of the “promise” for future benefits for current and future retirees and their dependents

Projected 2035 Savings

- Over 65% of the estimated 2035 cash savings and more than 80% of the decrease in APBO is attributable to the change to an account based approach



2035 savings estimated based on Mercer's projected FAS 106 liabilities. Above analysis: Towers Perrin

Best Practice Endorsement: Dependent Audit

- Employees will be asked to confirm that any enrolled dependents meet the plan's eligibility requirements
- Employees will be allowed to voluntarily drop those who don't meet the requirements within a designated time.
- In exchange for this voluntary disclosure, NYU will not penalize past violations of the plan's eligibility rules (most common situations are covering a divorced spouse or a child who has married).
- After amnesty period has expired, NYU will engage a third party in a random sample verification of dependent eligibility
- Going forward, NYU will regularly conduct random sample audits

Fast Track Recommendations

- Extend rollout of UNUM Received Core approval- implemented effective 4-1-09
- Amend existing severance policy for implementation 1/1/2010
- Amend existing Vacation Accrual to front load days and cap rollover.
- Implement Career Banding-needs RAC and Core Approval
- Implement HRPAT, UBAT and Core-approved 403(b) plan change for 1/1/10
- Amend TR policy at Layoff for implementation 9/1/2010

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Projected Financial Impact Of Full Rollout Of Integrated FMLA/Short-Term Disability To NYU Non-faculty ONLY

Assumptions: Average NYU Salary \$72,400 # of non-faculty eligible - 5400	Pre-integration with Unum	Post-integration projection with Unum
Average annual # of employees who take leave (10% based on UNUM Book of Business)	a) 540	a) 513 (a 5% decline in utilization)
Duration of leave (in days, based on UNUM book of business)	b) 72	b) 68
Lost work days FT equivalency (lost work days/# of work days in calendar year (260))	c) 38,880 = days lost X # of employees on leave (axb) d) 149 (axb/260)	c) 34,884 = days lost X # of employees on leave (axb) d) 134 (axb/260)
Total Direct cost to NYU (sick pay, temp workers, overtime, and productivity loss)	\$10,804,248 (lost days (c) x average daily salary (72400/260))	\$9,713,798 (lost days(c) x average daily salary \$72400/260))

A savings of \$1.1 million

Note: After the pilot, one unit experienced a 51% decline in overtime over the previous year. The overtime savings were about \$1.1 million.



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Current Policy: **Severance Policy**

<http://www.nyu.edu/hr/policies/anp06000.html>

Proposed Language to be added to existing policy.

You are eligible to receive one full week of severance pay per completed year of service for the first ten years of service. For all completed years of service beyond 10 years, you are eligible for two weeks of severance pay for each year up to a maximum of 52 weeks. You must sign an agreement and release to receive this pay.

An employee (employees) is (are) not eligible for severance if he or she (they) leave the University under the following conditions:

- 1. Voluntary Resignation**
- 2. Discharge for Cause**
- 3. Disability covered by Worker's Compensation for NY State Disability Insurance Retirement**

In the event a University function or service is contracted, assigned or otherwise transferred to another entity and University employees in that function or service are hired as employee (employees) by the other entity within thirty (30) days of the contract, assignment or transfer, provided the employees receive substantially similar salary (compensation).

Employee Population: ✓ Administrator



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Current Policy: www.nyu.edu/hr/policies/timeoff2.html
Vacation Accrual / Employee Relations

Inconsistencies/Problems: Complicated; Inconsistently applied; Inflexible for employees and departments, including inability to take vacation during probation

Proposed Change: For code 100s: front-load vacation and allow employees to take vacation during first six months

Pros: Consistency; Efficiency; Aligned with best practices; More flexibility for employees and departments

Cons: Risk more time used than would have accrued upon separation (but recoverable from final pay)

Employee Population: ✓ Administrator ✓ Staff

TR Upon Layoff: Current Policy

Type of TR Benefit/ Length of Service	Employee	Spouse/ DP	Dependent Child
< 3	NA	Spouse/DP gets benefit for one semester beyond the semester in which the employee was laid off	Child gets benefit for one semester beyond the semester in which the employee was laid off
> / = 3	NA	Spouse/DP can complete degree program in which they were enrolled & matriculated at time of layoff	Child can complete degree program in which they were enrolled & matriculated at time of layoff
< 10	TR benefit continues to end of semester in which layoff occurs		
> 10	Employee can complete degree program in which they were enrolled & matriculated at time of layoff		Children under college age can complete an undergraduate degree when they reach college age

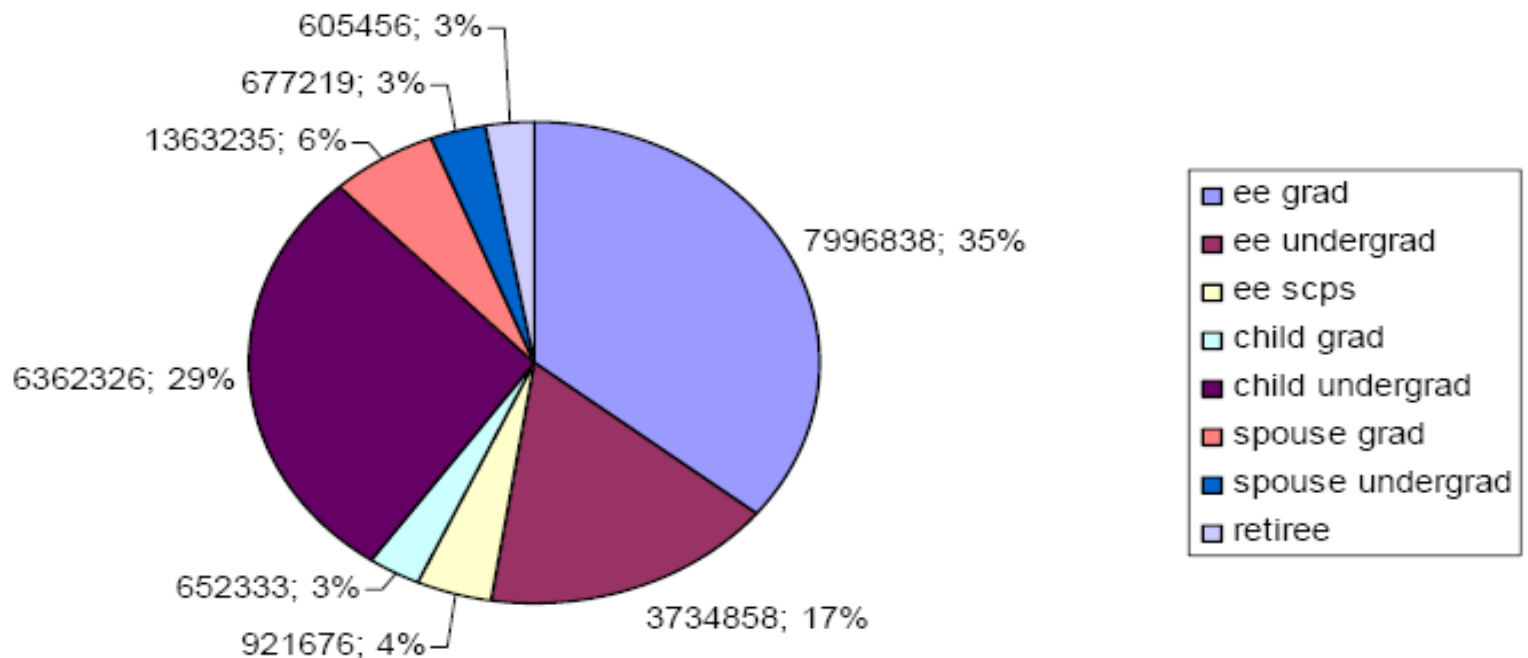
TR Upon Layoff: New Policy

< 3	Employee's entitlement continues for one semester beyond the semester in which layoff occurs	Spouse/DP gets benefit for one semester beyond the semester in which the employee was laid off	Child gets benefit for one semester beyond the semester in which the employee was laid off
> / = 3	Employee can complete degree program in which they were enrolled & matriculated at time of layoff	Spouse/DP can complete degree program in which they were enrolled & matriculated at time of layoff	Child can complete degree program in which they were enrolled & matriculated at time of layoff

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2008-2009 Allocation of Tuition Remission Spending (includes all object codes)

TR \$22.3 m spend allocation 0809



Note: 65% of spend is incurred by code 100, 102 and 103; 32% incurred by 104,106,107; 3% by retirees

Possible Savings Tally

- UNUM Enterprise-wide: \$1,100,000
- Eliminate Retiree TR: \$600,000
- Eliminate Spouse/Partner TR: \$814,175
- Eliminate 50% subsidy for Registration fees for grad and undergrad TR: \$550,000
- Increase waiting period for TR eligibility: \$250,000
- Reduce 403B Match by 1%: \$4,000,000

Potential Total Savings= \$7,314,175