

Human Resources Policies Assessment Task Force (HRPAT)

Preliminary and “Fast Track” Recommendations

May 27, 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 (small population; utilization varies year over year)
- 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 an NYU 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
- Limit employee and spouse/DP to one degree at each level under TR

Total possible savings = \$1,400,000

Tuition Benefits: Codes 100/102/103

Subsequent to the original charge, the Task Force was asked to conduct an exercise to prioritize options that would reduce the fringe by 4 million dollars. The Task Force ranked options for possible TR benefits changes, but is not recommending any change at this time.

Should the University need to reduce costs to the fringe, the following options should be considered in order of preference:

- 1.) Eliminate Spouse/Partner TR: 1 year savings of \$1,628,355 at current level; \$814,175 from 50% benefit level
- 2.) Eliminate non-degree SCPS TR – Savings of \$600,000
- 3.) Reduce employee TR to 90% – \$725,250
- 4.) Limit employee/spouse-DP to one degree at each level (where applicable)

Total possible savings = \$2,953,605

Approved by UBAT and Re-approved by HRPAT

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

An alternative design that might address concerns (e.g., flexibility, discrimination testing) and save NYU money:

- 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

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Retiree Benefits Changes Endorsed by HRPAT

| | Current EEs < 40 | Current EEs > / = 40 | Future Hires, retired < 65 | Future Hires, Retired > / = 65 |
|------------------|---|---|--|---|
| Medical | <ul style="list-style-type: none"> ▪ Dependents those you cover at retirement only ▪ Eligibility Rule of 75 or 80 ▪ Could have a different contribution structure than current retirees ▪ Subsidies should be weighted toward the retiree; less weighted for family members | <ul style="list-style-type: none"> ▪ Dependents are those you cover at retirement only ▪ Grandfathered retiree eligibility & plan offerings | <ul style="list-style-type: none"> ▪ Dependents those you cover at retirement only ▪ Eligibility Rule of 75 or 80 ▪ Account based medical plan ▪ Could have a different contribution structure than current retirees ▪ Subsidies should be weighted toward the retiree; less weighted for family members ▪ Retirees should have ability to protect against catastrophic risk | <ul style="list-style-type: none"> ▪ Dependents those you cover at retirement only ▪ Eligibility Rule of 75 or 80 ▪ Could have a different contribution structure than current retirees ▪ Subsidies should be weighted toward the retiree; less weighted for family members ▪ Account based medical plan ▪ Retirees should have ability to protect against catastrophic risk ▪ Medical Plan option that provides benefits not available under Medicare (ie. Rx coverage) |
| Dental | Access | Access | Access | Access |
| Life | Flat dollar amount | Flat dollar amount | Flat dollar Amount | Flat dollar amount |
| Tuition Benefits | Eliminate | Eliminate | Eliminate | Eliminate |

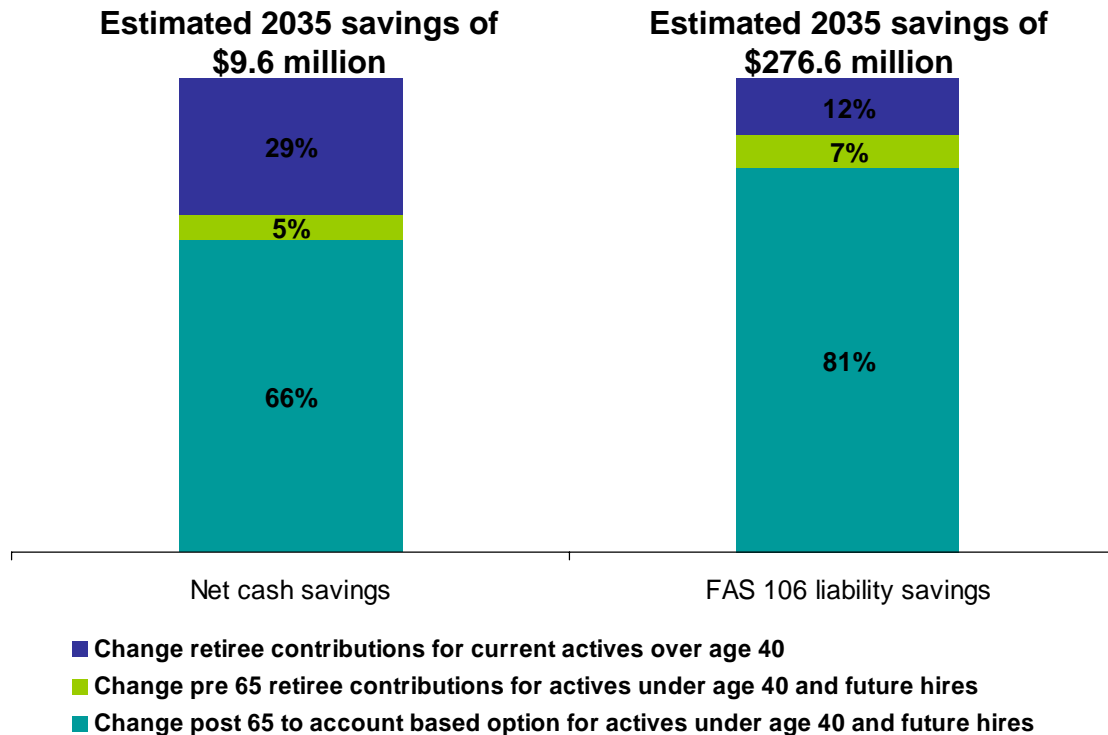
Retiree Medical Recommendations

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 as an incentive to 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:** HRPAT 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.

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 and benefit payments provided to Martin Dorph.
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 - pending presentation by Bob Roach to Sr. Team
- Amend existing Vacation Accrual to front load days and cap rollover - pending presentation by Bob Roach to Sr. Team.
- Implement Banding - needs Core approval
- Implement UBAT and Core-approved 403(b) plan change for 1/1/10

UNUM FMLA Administration Impact on NYU Savings

- Savings occur when non-qualified leaves are eliminated and overtime expense and temp hires are avoided.
- Validation of the leave results in shorter leave duration because intermittent leaves are verified each time.
- NYU may impact medical costs by reducing the duration of the disability leaves.
- Legal compliance is maintained and documentation is available to support an inquiry by the DOL if the need arises.

Projected Financial Impact of Full Rollout of Integrated FMLA/STD to NYU Non-Faculty

| 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: One pilot unit experienced a 51% decline in overtime after the pilot over the previous. The overtime savings were about \$1.1 million.



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Current Policy: **Severance Policy**

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

Approved Language to be added to existing policy

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

1. Voluntary Resignation
2. Discharge for Cause
3. Disability covered by Workers' Compensation or NY State Disability Insurance
4. Retirement
5. 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



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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 |



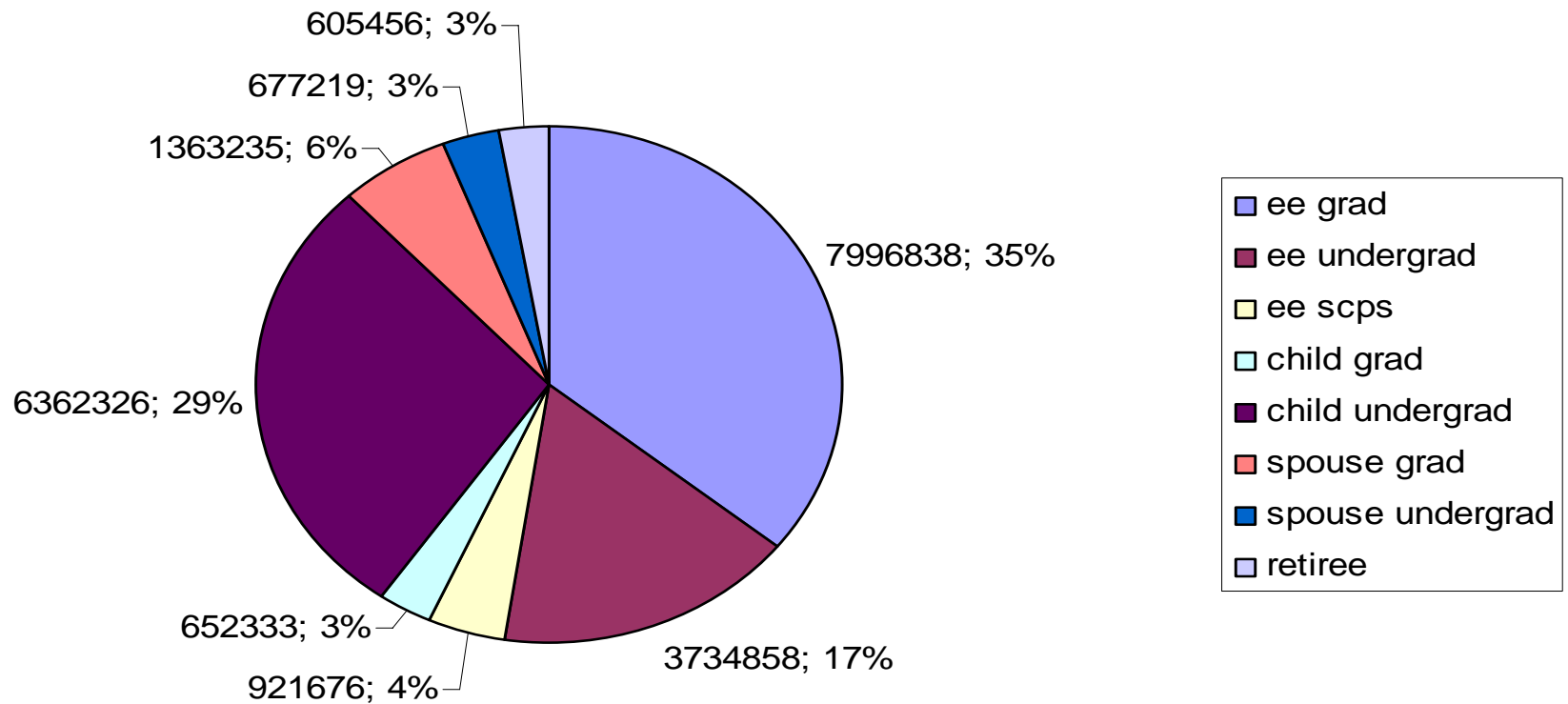
Human Resources Policy Assessment Task Force

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 |

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

Savings Tally

- UNUM Enterprise-wide: \$1,100,000
- Eliminate Retiree TR: \$600,000
- Eliminate 50% subsidy
for Registration fees
for grad and undergrad TR: \$550,000
- Increase waiting period for TR: \$250,000

Total Savings= \$2,500,000