MINUTES
EMPLOYEE BENEFITS COMMITTEE
June 19, 2008

Members Present
Darryl McCullough, Chair           Stacy Anderson
Frances Ayres                      Dick Bennett
Debbie Copp                        Dunn Cumby
Susan Marcus-Mendoza               Nancy Matthews
Will Wayne

Members Absent
Brenda Freese                     Karan Glickman
Simin Pulat                       Charla Rae

Ex Officio Members
Julius Hilburn                    Nick Kelly

The meeting was called to order by the Chair at 1:32 pm.

I. Approval of Minutes

Minutes of the April 11th and May 15th meetings were approved without discussion.

II. RFP Update (Julius Hilburn)

The Regents meet Monday and Tuesday, June 23rd and June 24th, and on the agenda is the recommendation to select BlueCross BlueShield of Oklahoma for our medical insurer and Delta Dental as our dental insurer beginning in January. We expect the Regents to approve the recommendation as submitted. We have not finalized all of the individual rates as of yet. We expect individual rates to be at last year’s level with no increase. We are still looking at what the dependent rates will be but are comfortable that these will not go up, and we will continue to look for ways to reduce some of these rates, as well. Since our last meeting, we did conclude price negotiations with BCBS. There were some minor concessions in our favor on the three-year rate guarantees.

The Tulsa issue is still outstanding. Our plan is as soon as the Regents approve BCBS, we will follow up immediately by issuing an RFP to determine if there is a viable HMO alternative for Tulsa. The RFP will also be for George Nigh Rehabilitation Institute in Okmulgee. We put on alert those companies we think might be interested bidders. We give the bidders three to four weeks to respond to the RFP. Our expectation is we will know what the final answer is in time to provide a recommendation to the Regents at their September meeting.
Julius noted the absence of communication broadly to campus. We are prepared to communicate, but as we spoke with the administration, the feeling was until we had something approved by the Regents, we probably should not make the information public. After the meeting on Monday, we will have something that goes out to campus explaining the changes.

Nick stated there was a question at the last meeting that was not answered regarding BCBS’ philosophy on its physical therapy network. He explained BCBS is different from Aetna. Aetna has really narrowed its physical therapy network to those facilities which are associated with hospitals and don’t contract with any free-standing facilities. BCBS has a much broader network, and they are willing to negotiate with some of those free-standing facilities.

Questions/Comments from Committee (Answers in bold)

- Dick asked if any concessions were made for the post-65 retiree group. Julius responded the original proposal from BCBS for this group was in the 24% increase range, and we were able to negotiate that down to 17%. The University will pay this for the retiree, but we are sensitive to the fact that for dependents, the retirees will have to bear the increase.

- Darryl asked for an update on the cost of dependent coverage. Originally last fall, the University had budgeted for a fairly significant increase in premiums. At some point then it was expected that would be used toward lowering dependent premiums. Will this be difficult under the budget?

  Julius answered given the budget situation, we will not get all of the difference between what was budgeted and what this offer will provide. Our original notion was that the second phase of the salary-tier program would involve both some increase in employee contributions, as well as some additional money from the University to get us closer to the benchmarks. Given we have negotiated a deal which will not have any employee increases, what we are going to focus on is how many University dollars we can get to start getting some additional contribution on dependent rates. That part of it is not yet final.

- Darryl continued that first of all we are concerned about our employees having as generous a benefit as possible under the budget. However, part of the idea of changing the contribution strategy was the coverage has to get to a certain critical level of affordability or it doesn’t have as much effect. Is it being emphasized to the University the importance of following through on the plans to reach that level?
Julius stated we are continuing with this emphasis. We just don’t have a final number yet, because we need to understand what is going to happen with Tulsa, whether we get a proposal that is around the same price as what we have for the other campuses. If so, this will give us a predictable budget to know what we have to work with. We just need to understand that full piece before a final dollar amount can be given. The expectation is the University will contribute some extra dollars to further support reductions in some of the dependent rates. It is just a question of how many dollars will be available for this. In addition, we are trying to identify some budget from the University to fund wellness. As we look at what to ask for in addition to what it takes to support the premiums, one item is some number of dollars for wellness, and the second is some number of dollars beyond what we have to pay to chip away at that dependent contribution level. The one thing the negotiation with BCBS and Delta Dental provided was an avoidance of any increase for this year, for the University or for employees, which is a one-year hiatus which may give us some flexibility.

- Debbie asked as we have more and more issues competing for the smaller amounts of dollars that are available, if it comes to the point where a decision has to be made between an emphasis on wellness programs for employees or helping with spouse and dependent contributions, what would be the priority?

Julius responded this has not been discussed. Our discussions at this point have been on the need to do both, so it has not been a one or the other type of discussion. It’s a question of how much. In the wellness area, BCBS has made available $500,000 over three years of contract for certain types of testing. We have a wellness committee in place, and BCBS representatives will be included in our next meeting to discuss the range of options and things we might do. As a follow-up to that, we will develop some type of reasonable, phased approach that says we need a certain amount of dollars to supplement what BCBS gives us, and that is how we will develop the wellness budget. As we understand that number and understand what is going to happen in Tulsa, it will give us a sense of how much would be a reasonable amount available to spread out over the dependent categories to reduce those rates. Our pitch to the administration has been a consistent one that both of those issues are critical for us to make progress on.

- Debbie asked if the $500,000 for wellness from BCBS will have to be matched dollar for dollar by the University.

Julius responded BCBS will provide $500,000 for biometric testing as part of their contract. We are also going to talk to BCBS about their entire wellness program. They have some incentive programs built into our contract with them. We just need to sort through what makes the most sense in terms of how we spend those dollars. We may look to match them; we are just not
sure at this point what it takes for an overall budget to be able to support a wellness program which is effective and meets our needs.

- Susan mentioned there is a clinic available to OU faculty and staff at Tulsa which employees can go to for free once a week. They are doing so much building in the OU clinic and now a physician assistant program online. She said she was unsure if any of that is comprehensive enough to be part of a medical plan.

Julius stated there are some different options available to our employees who work at different health centers. If we find an HMO through the RFP for Tulsa, we can have programs which are very similar on each campus; that is our preference. If we are unable to find an HMO, we will look at what alternatives will make sense for our Tulsa employees beyond just the PPO option. They have a real focus on community health programs in that area, so they have clinics in the community, some of which are geared toward low-income people and provide free services. They have some programs of which OU employees can take advantage.

- Susan asked if BCBS’ network would be broader in general, as far as providers.

Julius responded that compared to Aetna, BCBS has about 95% of the providers Aetna has in place. So it is comparable, but it always comes down to whether a person’s doctor or hospital is in the network.

- Debbie stated the philosophy with BCBS with how they build their network seems to be different and more inclusive than Aetna.

Nick said it is not like the state plan network where everyone is in, but BCBS does seem more willing to negotiate with more providers than Aetna.

III. Discussion of 403(b) retirement plan regulations (Julius Hilburn)

Last meeting we began talking about changes in the regulations that govern 403(b) defined contribution plans. The IRS has decided to provide some guidance on how 403(b) defined contribution plans are administered and managed. The bottom line is they are now putting an additional level of responsibility on the plan sponsors. The University has sponsored a 403(b) plan for quite some time. Under the old regulations, we basically allowed any vendor who wanted to offer an option to our employees to do that. We did not have much responsibility to monitor the actions of the vendors or our employees who were investing in those different benefits. In the past, plan sponsors did not have to have a written plan document to describe how the plan was going to be set up and run. We did not have to monitor what the different investment options did in the way of performance or monitor their fees. What we are now required to do is to manage those assets like other organizations have had to do when they manage 401(k) or other types of retirement
plans. It is going to require a higher level of oversight and administration by the University to be in compliance.

As was reported last time, there was an effort to create a single omnibus 403(b) plan for all state college and universities. That effort was sponsored by the State Regents. OU looked at whether it would make sense for us to participate in that plan or not, but we chose to continue down an independent path. We believe the plan design and the options should be very specific to OU needs. Also, we have for some time understood that this requirement was coming, so we have already put some things in place to be prepared for the new regulations.

We have hired an investment consulting firm to work with OU. We did a competitive bid process last year and selected RV Kuhns. They have a lot of experience working with plans sponsors on setting up defined contribution plans, evaluating the plan options, and negotiating fee structures so plan participants get the best available terms for the investments they make. RV Kuhns have helped us identify some best practices for complying with 403(b) regulations and for overall administration of defined contribution plans. At OU, our defined contribution plans have assets of more than $1 billion. It is enough dollars and it is a complicated enough issue that we have looked to RVKuhns for guidance on how to structure administration of those kinds of plans. Based on their recommendations and on what we have seen in other organizations, we have developed a structure for managing into the future OU’s defined contribution plans.

President Boren has appointed a retirement management committee which will look at what options are available in our defined contribution plans. The committee will also review what fees are paid to the companies which offer those options and will monitor how those options perform. To the extent we need to make changes to meet the new regulations, this committee will guide those efforts. Chris Kuwitzky, Chief Financial Officer and Associate Vice President on the Norman campus, is going to chair the committee. The other committee members are people with backgrounds and experience in finance or investments. They include Terry Henson, Chief Financial Officer and Associate Vice-President at the Health Sciences Center; Dean Kenneth Evans from the College of Business; Julius Hilburn, Associate Vice-President and Chief Human Resources Officer, and Guy Patton, Chief Executive Officer of the OU Foundation. This committee, with the aid of the investment management consultants and others, will be in a position to take a hard look at what is available in our plans and how they perform, as well as to ensure we do the things we need to do in order to come into compliance with the new 403(b) regulations.

We can expect over time, not immediately, to see some changes in our defined contribution plans and how they are administered. We have all these options out there for our employees, but the administration of the plans and the services available are not as good as what is available in, for example, the 401(k) market, where there is the ability to get consolidated statements, as well the ability to move money and have efficient processing of transactions. It is very difficult to get that done in the environment we operate in now with multiple vendors and no exchange of information. We believe there
are some things we have observed in terms of best practices at other universities and other organizations where we can improve what we are doing now and do it in a way that will encourage greater participation by our employees and enhance their experience. We want to bring some transparency to what is going on within those plans.

Committee members expressed concern over the lack of communication and education for employees participating in the defined contribution plans. Julius responded when we look at best practices, there is a strong component of communication and education for participants. The committee will research and review these practices to find what best meets the needs of our employees.

Julius stated employees can be overwhelmed with the amount of options available to them for the defined contribution plans. There are employees enrolled in almost all of the options offered. When we start talking about consolidating plans or reducing options or even changing options, we recognize there will likely be some resistance. What we see typically in state-of-the-art plans now are life cycle funds where people do not have to make the investment allocations themselves; there are also funds which can be mixed and matched to achieve the proper balance between risk and return; lastly, there is an approach for that group of employees who want a broader selection of funds from which to choose. Part of the approach is going to be figuring out how to balance the needs of these diverse groups in ways that meet the needs of most of our employees.

RV Kuhns is on an aggressive timeline to work through all the issues we need to in order to be in compliance with the 403(b) regulations, which start in January 2009, and also to get us positioned toward improving communication and education, as well as making the administration of the plans better for participants. As we work through this, we will come back to the EBC to keep the committee aware of the issues and what the plans are for moving these programs forward.

**IV. Presentation of Annual Report (Darryl McCullough)**

Darryl stated he drafts an annual report each year so there is a record of what the EBC has done. This year’s report summarized the main issues discussed this year, which almost all had to do with healthcare. Other issues included the bylaws update and the EBC website implementation.

Debbie pointed out the annual report did not mention Delta Dental under the RFP evaluation committee’s recommendations.

Darryl stated he would rewrite the annual report to include Delta Dental. The corrected annual report will be presented at the next meeting.
V. Updates from Director

Darryl asked about the progress on the EBC website. Nick replied the website is being worked on.

Julius said the contribution strategy committee continues to meet to discuss the retiree medical options. There is no sense that anything is imminent; there has been a lot of discussion and debate, and the discussion has been thoughtful. We have some thoughtful people who are trying to sort through the data and clearly look out for the interests of our retirees and our employees. No decision has been made. The committee is trying to decide what to communicate to campus. We are sensitive to the fact that if we send out something saying there has been discussions but no decisions yet, there will be a reaction to that, but if we don’t send anything out, then there would be a reaction because we have not sent anything out. A draft communication for campus has been prepared that the contribution strategy committee is reviewing. This communication, when it goes out, would be sent to all employees, and it would invite people to provide feedback to the website.

VI. Other Business

Darryl stated several people will be out of town during July, including him. Since there is not any new business expected or any updates which could not wait until the August meeting, he suggested the July meeting be canceled. The committee will resume meeting again at the regularly scheduled time in August (1:30 p.m. Thursday, August 21st). The committee was in agreement.

The meeting was adjourned at 2:50 p.m.