The UA System Benefits Committee met in Sid McDonald Hall in the Tuscaloosa Office, Thursday, February 12, 2015.

On roll call, the following offices and members were present:

Mike Boyd, Director of Benefits, UAB
Sandra Parton, Director of Benefits, UAHuntsville
Patricia Ackers, Assistant Director for Benefits and Compensation, UAHuntsville
Laurel Long, Associate Vice President of Human Resources, UAHuntsville
David Bertanzetti, Director of Benefits, UA
Sandra Abrams, Manager of Benefits, UA
Jon Garner, Director of Human Resources, UAS
Norma Lemley, UA Office of Counsel
Terri Alexander, UAB Office of Counsel
Katie Osburne, UAS Office of Counsel
Scott McDuffie, Willis
Tania Barfield, Willis
9:30 – 10:30  System Office Building Tour

10:30 – 11:30  System Rx RFP
Medical and wellness for some of the entities
Sponsored Dependent Definition and Eligibility

11:30 – Noon  Group Life and AD&D Coverage for Individuals on
LTD Retirement

Noon – 12:45  Lunch

12:45 – 1:45  Retirement Plan Review
• 4th Quarter 2014 Investment Review (Larissa)
• Due Diligence RFI (Larissa)
• 403(b) Plan Employer Discretionary Contributions (Jon)
• Plan Sponsor Survey Results - VALIC

1:45 – 2:30  The Standard
• Benefits Solver and Benefit Focus – Eligibility
• Voluntary Life/AD&D Open Enrollment Spring 2015

2:30 – 3:00  Other Discussion
System Rx RFP
(Open discussions - Committee and Scott McDuffie with Willis)

Scott stated they would get the RFP out by February 20th, allowing participants about two weeks to respond if they want to participate. They will then have about another week and a half to send proposals. Discussions could be started by early May to narrow down to three presentations.

The Committee, Scott and System Legal attendees discussed concerns of the confidentiality of Willis’ questions. If the System was sent an open records request would their questions for RFP be disclosed because Willis holds those private/confidential. Legal stated that contracts awarded are always made available. They asked that Willis mark the questions provided as “Confidential” to help keep that private. Usually a breakdown of fees and discounts is considered proprietary and they don’t hand over that information.

Scott answered questions from David Bertanzetti: PRIME falls fourth as far as he remembers, the RFP will compare apples to apples, and they will request a list of rebates for the companies to compare and makes sure the formulary includes specialty drugs.

Scott stated that the contract they request is for 24 months. Rx contracts become stale if you do longer than 24 months. Sometimes it is good to do a 36 month contract and market after 24 months to give them the option to match a lower bid. Doing the price match option after 24 months on a 36 month contract is a better option in his opinion. Large clients usually receive a “slush fund” to cover costs of implementation, clinic programs and other items. Scott asked the committee if they were okay with presenting two or three presentations. The committee confirmed that they would like three presentations.

The target would be to decide in May to change and choose a vendor with an effective date for the new carrier of January 1, 2016.

Sandra Parton asked if the BCBS administration fees remain the same if we carve out drugs which Scott stated yes. BCBS could charge a date fee but that is undecided depending on what type of file feeds, etc. would be needed by the new vendor.

Medical and Wellness HRA and HSA Plans
(open discussions with Committee and Scott McDuffie with Willis)

Committee discussed what each campus was doing in regards to Health and Wellness initiatives.
Scott stated they are seeing a large shift in Alabama to Health Savings Plans. Committee asked Scott to breakdown the differences:

**HRA (Health Reimbursement Plan)**
Lower threshold to get in  
No requirements  
Always employer funded  
Co-exist with a current plan  
Can have an FSA with an HRA  
Employer increase deductible and allow them to use HRA for deductibles

**HSA (Health Savings Plan):**
HC Reform  
Have more savings  
Employers avoiding Cadillac tax  
Like a 403b pretax – not taxed when pulled out for health expenses  
Downside is a $1300 single and $2600 family minimum deductible  
If you have a spouse you can’t choose their health plan and contribute to the HAS  
Limited Flex Plan only allowed for Dental and Vision

The shift to an HAS in Alabama has gone to about a 60/40. David Bertanzetti asked if Scott could give them something on paper showing the funding strategy to see what it would do for them.

Scott told the committee they are seeing more spousal carve outs. David Bertanzetti told Scott they did not want to be the last to do spousal carve out.

**Sponsored Dependent Definition and Eligibility**
*(open discussions with Committee and Scott McDuffie with Willis)*

Committee had open discussions about how to handle the new laws for marriage in Alabama. Norma Lemley stated that Auburn had a case now they had to approve and was waiting to see what the System was doing. Ray Hayes had joined the group during those discussions and stated that PEEHIP/TRS had just made a decision on that. Ray obtained that information and TRS would follow that if an employee handed them a valid marriage license they would allow the person to add the spouse to the insurance/benefit plans. Katie Osburne with UAS Office of Counsel stated that the legal office would draft a system wide policy which will be distributed and made as an official policy for the entire system. Until that time it was agreed that if someone brought a valid marriage certificate and asked for the spouse to be added to coverage they would continue to keep
them added under the sponsored life dependent language we already had in place.

**Sageview Review**
*(Larissa Whittle with Sageview)*

Larissa went over their Investment Committee Update on Page 19 of the TIAA CREF Quarterly Review report, moving to the Legislative Update on Page 21. She then reviewed TIAA’s Plan Summary, with Plan assets at 1.956 billion. Average account balance for 403(b) at $119,022 and 457(b) at $56,152.27. Jon asked if this included Callahan which Larissa confirmed it does. She then reviewed Page 30, the Historical Portfolio Composition. She then reviewed the Investment Summary for our plan on Page 36, reviewing our Sageview Rankings, Investment Options and other items on the page.

The Asset Allocation by Plan by Fund was reviewed on Page 37, then reviewing the Fund Performance Summary which showed really no changes for this quarter. The only thing they are doing is proposing adding one fund to the watch list – JP Morgan Investor Balanced Select due to manager changes. Other funds on watch list to remain to watch list (CREF Bond Market, TIAACREF Large-Cap Value Premier, RidgeWorth Mid=Cap Value Equity I, Voya Global Real Estate I, Thornburg International Value R6). They will automatically watch list a fund after a manager change to watch it and make sure there are no big fund changes.

Looking at TIAA CREF slide, at the last meeting we discussed they were doing reductions in the share class. It really depends on your size of plan, we are at an R3 share classes which means our CREF annuity asset total are more than 400 million. They are changing the structure which will result somewhere between 7.5 to 8.6 decrease in the expense ratios of our CREF funds in our plan which are a substantial amount of holdings. She suggested that we have an offline on this discussion because of time constraints today. Part of that expense ratio goes to the investment management part of TIAA and they take part of that fund and give that to TIAA which is revenue credit. They are retaining more now on the investment management side which means your revenue credit going back to the plan is decreasing by 14 basis points. Even though you are getting a decrease in your expense ratio you are now going into your Revenue Credit will be impacted by this. Currently all that money is going back to participants and they have talked to TIAA about what their philosophy is about that and smaller plans are paying higher rates, in the past it was one size fits all. Sageview has done an analysis of how that will affect our Revenue Credit Expense Account and she will provide that. Ray Hayes asked that when you look at total basic point expense for all of our TIAA assets what is that number, Larissa stated this is only for CREF, she did not have the TIAA but she can look and see what that is. Historically TIAA CREF was separate entities and CREF accounts are annuity accounts technically they are not considered mutual funds.
Ray Hayes asked how does cost for our employees match up to other employees in higher education. She stated that a few years ago she wouldn’t say yes but as of today yes we are equal to or better than other institutions on fees. Ray Hayes asked about impact of costs providing multiple providers. Larissa stated that very few companies have gone to one single vendor at this point. From an expense standpoint single vendor is the way to go. Some participants like certain aspects of the other vendor even with higher costs, maybe they like the advisor, the website, different tools available, etc. Ray Hayes added that the service of the single vendor we had has become much better which Jon Garner added the plan is now getting more oversight.

Larissa then reviewed VALIC’s quarterly summary for 12/31/2014. Plan Summary on Page 6 showed Plan Assets in the 403(b) at $17 million with an average account balance of $32,359. Page 7 reviewed plan assets in the 457(b) plan of $2.117 million with an average account balance of $38,485.

She reviewed the investment recommendations, but with the upcoming RFI she suggested that no changes be made with the upcoming RFI in process. While reviewing the numbers they noticed Callahan Eye 401(a) numbers were not included, she will add that in the future.

Larissa handed out a sample Request for Proposal to give an idea of the questions they would ask in the RFI. Our current vendors have been given a listing of what they are to provide.

TIAA CREF has asked about doing single vendor pricing. Larissa asked if the committee was interested in letting them quote as a single vendor. Committee discussed and agreed that yes it would let everyone sharpen their pencils more. Still accepting quotes as a single vendor and a dual vendor.

This type of RFI would be something good to do every 3 to 5 years to reduce fees if possible.

Larissa asked about counseling availability and all campuses were okay with current counseling set ups with TIAA CREF and VALIC and could remain the same as they currently have in place.

Larissa said there are usually 180 questions on a typical RFP but with this as and RFI they have scaled these down to 35 questions. She said that if the committee has any additional questions they would like to add please send those to her. Mike Boyd did ask that they add if the vendor can do tracking for 8 month faculty. Larissa asked if the responses need to be reviewed by the full committee or a sub-committee. Jon Garner stated he would get her a response on who would review the responses.
Larissa provided a handout on how companies compare to one another, comparing total assets, total clients, average size, number of higher education clients and other comparisons.

**Benefit Solver Files to Benefit Focus and Spring 2015 Open Enrollment**
*(Leslie Huffman and Dianne Ross with The Standard via conference call)*

The conference call began by discussing UA’s issues with the file transfers between Benefit Solver and Benefit Focus, which UAH was having the same problems. UAB was concerned because they were advised all the issue were taken care of which was not the case. UA explained it was garbage in/garbage out issue and that they payroll and current enrollments were all incorrect. The Standard was not able to see future changes, premium changes and Benefit Focus could not see old data and history of changes. There was discussion that training needed to be done by the Standard for using Benefit Focus transfers which Leslie Huffman stated she would look into.

The committee agreed and told Standard that until the current issues are resolved they did not want to do the planned open enrollment for Spring 2015, they also did not want to see the presentation or materials concerning the open enrollment until all sites were working properly and issues were resolved. Leslie Huffman said they would reach out to each campus and resolve issues that were going on.

**Plan Sponsor Survey Results and 403(b) Plan Employer Discretionary Contributions**
*(Jon Garner, UAS and Committee)*

Jon reviewed the Key Survey Findings Survey from VALIC which was distributed as a handout.

Jon advised the committee that a new Employer Discretionary 403(b) plan was in place and would be a good tool for recruitment. Each campus would need to get with the office of counsel to draw up a memorandum of understanding on the terms of the plan before utilizing. He also added it is good to do the contributions at the end of the year when you can see what their limits are and what contributions can be made, adding language to the memorandum that contributions would be done in December. The amendments are on their way for signature for implementation of the plan. They are also working on a 415m plan which he provided an information handout for, this is not currently in place, in process. The committee discussed why the plans were added in addition to the 457(f) in place. Jon discussed that the 457(f) was less attractive because of the tax liabilities and forfeitures. When plan amendments are all executed Jon will distribute a short summary of the plans to the committee.
Group Life and AD&D Coverage for Employees on LTD  
(Jon Garner, UAS and Committee)

Jon asked which campuses were providing Life and AD&D coverage for employees that had gone on LTD. UA and UAB stated they are and that they understood our rider with The Standard said we are supposed to pay for the sponsored coverage for LTD employees. Committee discussed that every campus needs to be doing the same and consistent. David Bertanzetti will design a spreadsheet to send around to the Committee for them to complete showing what benefits they provide LTD employees. This will then be discussed at the next benefit committee meeting so the office of counsel can assist with handing out a policy for all campuses to follow.

Additional Discussions  
(Jon Garner, UAS and Committee)

Norma Lemley stated that John Kasberg asked to check with the committee on a change to our Health Insurance Coverage. He had a case where an employees’ spouse had an accident while on his job (self-employed, not eligible to get workers comp). He wanted to know if we wanted to change our policy to not cover anyone on a workers compensation injury whether they were eligible for workers compensation or not. The committee had discussions and stated that they did not want to change the policy, if the spouse of a covered employee was injured and not eligible for workers compensation our insurance will pay the claim.

With no further business before the Committee the meeting was adjourned at 4:00pm.