Report of the Faculty Senate Task Force on the TCU Promise

Sustaining our Commitments to
Current, Former and Future TCU Faculty and Staff

Task Force Members:

Emily Burgwyn
Blaise Ferrandino
Lynn Flahive
David Grebel
Suzy Lockwood
Steve Mann
Jan Quesada, *ex officio*
Robert Vigeland, *chair*

February 12, 2015

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Introduction

The Faculty Senate Executive Committee appointed the Task Force on the TCU Promise to conduct a thorough review of the change in employee compensation and benefits resulting from the change in retiree medical benefits announced in February 2013 and going into effect June 1, 2013. The Task Force received four specific charges (see Appendix A-1).

Description of the change

Prior to the change in policy, TCU employees whose age plus years of service were equal to or greater than 75 were eligible to continue to participate in the TCU medical insurance programs available to active employees. Under the new program, retirees who are 65 or older, are participating in the University's medical insurance at retirement, and who enter into a contract to purchase medical insurance to supplement their Medicare coverage through a private exchange run by the brokerage firm known as OneSource will receive a fixed monthly University contribution of $202.72 into a Health Reimbursement Account toward the cost of that insurance. If the insurance premiums are less than the contribution amount, the employee may use the excess for other health-related expenditures not covered by their insurance or may carry the excess forward to use in future periods. Eligible retirees who are not yet 65 may continue to be covered under the medical insurance available to employees until they become Medicare-eligible.

The TCU annual report to the Board of Trustees described the change as follows:

> As of May 31, 2013, the prior self-insured postretirement benefits plan was terminated. Effective June 1, 2013, all current and future retirees who are Medicare eligible will be moved to an insured health plan under which the University provides Medicare eligible retirees with a fixed monthly benefit amount toward the purchase of individual medical and prescription drug coverage through a private Medicare exchange. **The University's cost for the plan is a fixed monthly contribution amount per participant that is not projected to increase in the future.** (emphasis added)

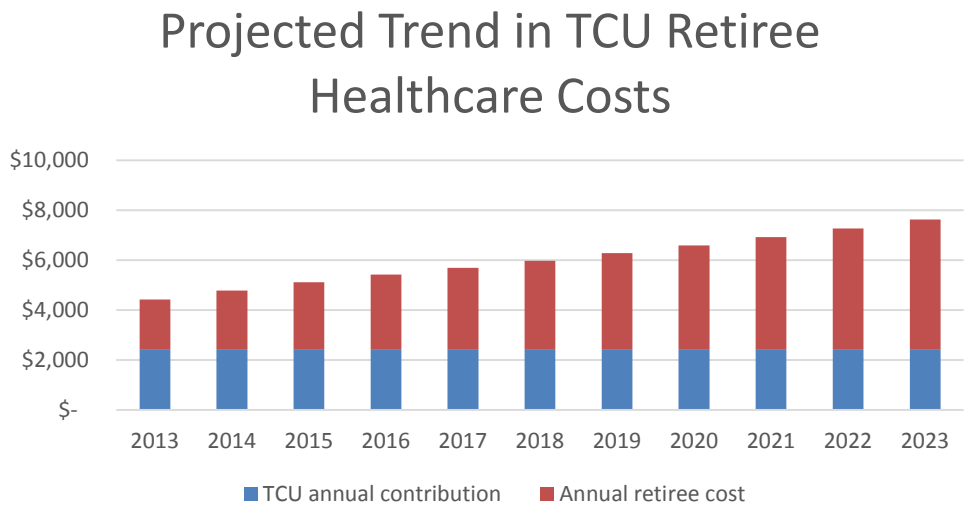
This change was made to address a growing liability for postretirement benefits on TCU's financial statements. Under U.S. accounting rules, promises to pay retiree benefits must be recognized as a liability in the employer's financial statements. By May 31, 2012, TCU's liability had grown to $78 million and was projected to reach $100 million within a few years. This liability could potentially make it more expensive for TCU to borrow the funds necessary to fund construction projects and the trend was viewed as "unsustainable" by the audit committee of Board of Trustees and the administration. The change in the retiree healthcare benefit policy had the desired effect on the reported liability for postretirement benefits, reducing it by $43 million.

The university will contribute a fixed monthly amount of $202.72 to a Health Reimbursement Account with which eligible retirees can purchase insurance to supplement their Medicare coverage. This is the same amount the university paid toward premiums under the old plan. If the monthly contribution under the new plan is the same as the monthly contribution under the old plan, how can the change have achieved a $43 million reduction in the liability for postretirement

benefits? Because the monthly contribution is fixed and "not projected to increase," the university will not have to bear increased future medical costs for retirees, just the promised $202.72. But if the university is not bearing the higher cost of future medical costs, this of course implies that retirees will be bearing them. While the administration has pledged to annually review the monthly contribution amount, it is very unlikely that this amount will ever increase. In the very unlikely event that the university decides to increase the monthly contribution in the face of rising healthcare costs, the liability for postretirement benefits will immediately increase substantially, thereby defeating the purpose of the policy change in the first place.

Some healthy retirees are better off now under this new plan since their supplemental insurance costs less than $202.72 per month and any amounts they do not spent on insurance premiums may be used to pay for other medical expenses. However, a significant number of retirees with serious health issues report they are currently unable to secure equivalent coverage primarily due to their prescription drug costs and they are much worse off.

In the long run, **all employees and retirees will be worse off** due to the university's fixed contribution in the face of rising health care costs. To illustrate, consider the following simple illustration. For the fiscal year ended May 31, 2013, the total CARES employee-only monthly premiums were $368.58 with TCU paying $202.72 and retirees paying $165.86. TCU's consulting actuaries estimated that healthcare costs would increase annually by 8% in 2014, 7% in 2015, 6% in 2016, and 5% thereafter. We can apply these expected increases to the previous monthly healthcare costs of $368.58 ($4,423 per year in 2013) to anticipate future healthcare costs to project future annual healthcare costs. But the university's contribution will remain fixed at $202.72 per month ($2,433 per year). The result is shown below. By 2023, total annual healthcare costs are projected to rise from $4,423 to $7,624 with retirees picking up all of the increase. If we continue our projections out to 2033, total annual healthcare costs will increase to $12,418, of which retirees will have to pay $9,985. Therefore, the university is able to reduce its liability for postretirement benefits by increasingly shifting the burden to retirees.



Introduction

This report is organized as follows. We first provide a summary and the main conclusions of our findings. Following that, we provide details of the work performed to address each of the four charges. We also provide certain supporting documents and information in the Appendices.

In short, the Task Force recognizes that rising medical costs create a serious economic burden for employers and employees. We believe the Administration's decision to reduce retiree medical benefits was a good faith attempt to deal with this issue. However, we conclude that this decision was made without adequate consideration of its consequences. It has imposed an immediate significant economic burden on many retirees and will adversely affect all retirees in the long run. The University has broken a promise and shifted its economic burden to the retirees at a time when they are most vulnerable. We feel this is inconsistent with the University's mission emphasizing ethical leadership and responsible citizenship. The decision was made with no significant consultation with faculty, staff, or retirees, with no transparency and contrary to the notion of shared governance. Moreover, it does not provide a lasting solution to the problem of the high cost of employee medical benefits.

Summary and Conclusions

Summary and conclusions:

1. The administration's purpose in changing the retiree medical benefit policy was to reduce the university's liability for postretirement benefits reported on its financial statements. The liability for postretirement benefits reported on May 31, 2012 was $78 million and was projected by the university's consulting actuaries to grow to $100 million within a few years. The policy change reduced the liability by $43 million.

2. Under the new policy, the university promises eligible retirees a fixed monthly contribution of $202.72 to a Health Reimbursement Account, an amount equal to the amount the university previously contributed for the cost of employee medical care. The reduction in the liability is due to the fact that this monthly contribution is not expected to change and the University will no longer be liable for covering the costs of medical expenses for retirees. While the administration has pledged to annually review the monthly contribution, any increase in the contribution is highly unlikely because it would cause the liability for postretirement benefits to increase, thereby defeating the original purpose of the change. Thus, retirees will bear an increasing proportion of their medical costs in the future under the new policy.

3. Although the rising cost of employee and retiree medical benefits has been an issue for some time, why this issue required the urgent and precipitous action taken remains unexplained. No evidence was provided that the University's debt rating or cost of borrowing faced imminent adverse effects if the magnitude of the liability for postretirement benefits were not immediately reduced. Also, no evidence was provided to support the contention that the University is currently unable to afford to pay retiree medical benefits as it had previously done. Apparently, the Audit Committee of the Board of Trustees has been concerned about this issue for a number of years, feeling that the growth in this liability was "unsustainable" and would ultimately impair the university's ability to borrow funds. While the task force acknowledges that all employers are concerned about the rising costs of medical benefits for employees and many universities have reduced or eliminate retiree medical benefits, the action taken by the administration remains unjustified, particularly given rather lavish expenditures observed in other areas.

4. The policy change appears to have been made without careful consideration of (1) the consequences for existing retirees, (2) the consequences for existing employees, and (3) the consequences for the university. The administration has been unwilling to acknowledge that many retirees are facing significant increases in their medical expenses. At present these increases appear primarily in area of prescription drug costs, but increases in Medicare Part B supplemental coverage may be looming. Moreover, there is no evidence the administration considered how their decision would affect the retirement plans of existing employees.

5. The change was made without any meaningful consultation with faculty and staff. While the change was apparently announced to the University Compensation Advisory Council (UCAC), the decision had already been reached by that point. None of the constituent

bodies, the Faculty Senate, the Staff Assembly, or the Retiree Association, had any opportunity to provide input into the decision. Virtually all employees and retirees found out about the change when it was announced in February 2013.

6. The policy change is not effective in providing a long-term solution to the underlying problem. While the policy change reduced the liability for postretirement benefits as intended, the liability still exists and it will continue to grow as the TCU workforce ages. If the growth in the cost of retiree medical benefits is indeed unsustainable, it is only a matter of time before further benefit reductions will become necessary to control the growth in the liability for retirement benefits.

7. We believe this situation could have been addressed by the administration jointly with the faculty, staff, and retirees in a manner that would have produced a lasting, mutually acceptable solution to the problem. The rising cost of medical benefits for employees and retirees is well known and understood. The administration's approach to the problem imposes far too high a burden on current retirees and senior employees. The university missed an opportunity to obtain consensus among the TCU community on this issue and instead created an atmosphere of mistrust.

8. We ask the Administration to commit to revisiting this issue in good faith from the beginning, in an open and inclusive manner. All affected constituents should participate in the decision-making process to arrive at an effective but humane way to control the costs retiree medical benefits over time. This will require a committee comprised of faculty, staff, and retirees, appointed by the Faculty Senate, Staff Assembly, and Retiree Association, respectively, as well as appropriate members of the administration in Human Resources and Business and Finance. Because of the complexity of the issues, it will certainly be necessary to engage consultants to quantify the costs and benefits of various options available to the University. This is an urgent issue. Retirees are suffering and senior employees are facing difficult decisions relative to retirement planning. We ask for a prompt response.

Charge 1

Charge 1: Obtain and review the opinions the administration acquired from outside consultants in commissioned studies related to the shift of TCU retirees from CARES to an HRA funding plan for their medical benefits, and to understand the process these outside experts followed when generating these opinions.

To fulfill this charge, the Task Force made the following request to VC Gutierrez:

I am requesting that you provide the following information related to the shift of TCU retirees from the university's health insurance plan to the current model that relies on health reimbursement accounts to fund insurance to supplement coverage for Medicare-eligible retirees:

- copies of reports and analyses received from outside consultants on this issue,
- copies of internally-developed reports and analyses generated on this issue, and
- copies of internally and externally developed reports, presentations, and analyses provided to the TCU Board of Trustees, including any separate items provided to the Finance Committee of the board, on this issue.

What we received from VC Gutierrez consisted of the following (see Appendix 8):

- "Texas Christian University Postretirement Medical and Dental Valuation 2013 Plan Changes as prepared by Sheryl Henry, F.S.A., M.A.A.A, of Willis."
- "A calculation prepared by TCU controller Cheryl Wilson in August 2014 for the purposes of outlining the expenses and liability for the University relative to post-65 retiree medical expenses for the Fiscal Years 2008-2014."
- "Pertinent pages from the communication prepared and presented by Human Resources in multiple sessions for an audience that consisted of retirees, TCU Administration, and other campus governance leaders in the Spring of 2014. The purpose of this presentation was to provide an overview of the key factors relative to the transition to the new Health Reimbursements Account (HRA) model, and to set the stage for more collaborative communication on retiree healthcare issues on a forward-going basis."
- "Pertinent pages (data collected as of May 2012) from comparative benefit research done by the Human Resources team during the time that the change to the HRA model was initially considered. This includes data on retiree health plan availability and funding from a variety of peer and aspirant schools as well as Big 12 data. It should be noted that information from other institutions has changed in some instances, most notably with Baylor's transition from their prior model to a new model utilizing OneExchange and an HRA account similar to TCU's structure."

The initial view of the Task Force in reviewing these documents was (1) there was no evidence that any alternative means of dealing with the rising cost of retiree healthcare and the resulting liability were considered, (2) there was no evidence that the effects of this change on faculty, staff, and, especially, retirees had been considered, and (3) there was no evidence that unintended

consequences, such as faculty and staff delaying their retirement decisions to avoid loss of medical insurance, had been considered. To pursue these issues further, the Task Force scheduled two meetings. First, we invited Faith Perkins, Associate Vice Chancellor and Director of Human Resources, to make the same presentation to the Task Force that she had made to the TCU Retiree Association in the summer of 2014 when the Retiree Association's request to reconsider the policy change was denied. Second, we invited Brian Gutierrez, Vice Chancellor for Finance and Business, to meet with the task force to answer questions about the documents provided and to provide more information about the policy change.

On Thursday, September 18, 2014, the Task Force met with Faith Perkins, Associate Vice Chancellor and Director of Human Resources. Also attending were was the Karen Baker, Vice Chancellor for Human Resources, Tracy Thompson, Retirement Program Manager, Kristen Taylor, Associate Director of Benefits, and Debby Watson, Director of HR Services..

On Tuesday, September 30, 2014, the Task Force met with Brian Gutierrez, Vice Chancellor for Finance and Business. Brian graciously and frankly answered the Task Force members' questions for a two hour period and provided the following information.

- The principal reason for the change was the increasing liability for postretirement healthcare benefits. The Audit Committee of the Board of Trustees had, for a number of years, expressed concern about the magnitude of this liability, which had grown to $78 million by May 31, 2012 and was projected to reach $100 million in several years. The Audit Committee apparently regarded the growth in this liability as "unsustainable" and of such a magnitude that it would potentially limit the University's ability to borrow the funds necessary to finance its ambitious construction plans. The policy change certainly had the desired effect. The liability was reduced by $43 million (55 percent) as a result. Why it was necessary to sharply and quickly reduce the liability immediately rather than slow its growth or phase it out gradually is not clear but apparently it was done in response to pressure from the Board of Trustees. No evidence was provided that the liability for postretirement benefits was affecting the University's cost of borrowing.
- Although the issue of the growing liability for retiree benefits has been an issue under discussion with members of the Audit Committee of the Board of Trustees for a number of years, the decision to change the retiree healthcare benefit plan appears to have been made in haste. Many important issues appear to have been given little or no consideration at all, resulting in surprise on the administration's part that retirees and current employees were not happy with the change. For example, retirees' ability to secure prescription drug coverage under the new plan seems to have been overestimated and/or the provisions of Medicare Part D were not well understood. The effect of the change on employees' incentive to retire appears not to have been considered at all nor was the effect of the change on employee morale.
- The administration apparently considered the possibility of "grandfathering" current retirees and those faculty and staff who already met the "rule of 75" (although no supporting documents were provided), but dismissed it because it would not sufficiently reduce the reported liability for postretirement benefits. Again, it is not clear why the size of this liability had become such an immediate problem.
- The administration did not want to have a retiree benefit plan with multiple tiers. That is, a plan for current retirees that was different than a plan for active employees or a plan for

new employees that was different than a plan for employees already meeting the "rule of 75" was viewed unfavorably by the administration. This thinking ignores the fact current retirees and older employees close to retirement are in the worst possible position to respond to a reduction in benefits. We note that several of the universities that have terminated or reduced retiree healthcare benefits allowed for differential benefits depending on age, years of service, and employment status (working or retired), but this approach was ruled out by the administration. We believe such an approach would have been preferred by the TCU community.

- VC Gutierrez acknowledged that the change was poorly communicated and implemented and while there apparently was a vague announcement to the University Compensation Advisory Committee (UCAC) of a pending change in retiree healthcare benefits made in late 2012 or early 2013, it was too vague for the committee members to understand the full impact of the change and too late to respond since the decision had already been made.
- We discussed with VC Gutierrez the fact that in the fiscal year ended May 31, 2013, while faculty and staff received an average 3% increase in salary and a reduction in retiree medical benefits, compensation of the 10 highest paid university employees increased by 63.8%, contradicting the notion that the University is unable to afford to pay retiree medical benefits. See Table 1. VC Gutierrez replied that the Board of Trustees' motive in granting these large compensation increases was to maintain its top leadership team intact.

In addition, the Task Force has reached the following conclusions after studying the documents provided and discussions with VC Gutierrez.

- Based on a review of comments provided in response to the TCU Retiree Association's survey questionnaire, the difficulty that retirees would face in understanding the new program and getting themselves enrolled in a medical insurance plan on their own was badly underestimated and the helpfulness of the OneSource advisors seems to have been overestimated.
- There was no meaningful consultation with faculty or staff when this issue was under consideration. Most employees knew nothing of the change until it was announced by an email memo from HR followed by a letter from Chancellor Boschini. We believe that UCAC was created to allow faculty and staff to participate in all compensation and benefit decisions, not just be informed once such decisions have been made.
- The announcement of the change was made in such a vague and misleading way that the vast majority of employees ignored the announcement. Employees were repeatedly told that these changes represented no cut to their benefits. This is untrue as one's retirement benefits are a significant part of earned compensation. If one's retirement benefits are cut, even before the time of retirement, then one's benefits have been cut. We have discovered in our focus groups that many employees still do not understand the implications of the change in retiree benefits.
- It appears likely that the impetus for this change came from the poor financial results in the fiscal year ended May 31, 2012, when the university suffered decreases in net assets from non-operating activities in excess of $114 million.

Charge 1

- Accompanying the announcement of the change, assertions were made that employee benefits had not changed. We find this to be misleading at best. Postretirement benefits are indeed a significant part of employee benefits that just happen to be paid after retirement. This change amounted to a reduction in benefits for all employees of TCU.

Table 1
Compensation of the 10 Highest Paid TCU Employees in Fiscal 2013
(Data from TCU Form 990, Schedule J)

	Year ended		Pct.
	5/31/2013	**5/31/2012**	**Increase**
Gary Patterson, Head Football Coach	4,008,150	3,063,619	30.8%
Trent Johnson, Head Men's Basketball Coach(a)	2,213,784	560,992	294.6%
Victor Boschini, Chancellor	1,486,229	876,924	69.5%
James Hille, Chief Investment Officer	1,401,973	687,958	103.8%
Christopher Del Conte, Athletic Director	811,527	540,564	50.1%
Michael Garrison, Alternative Assets Sr. Manager	621,086	412,601	50.5%
Nowell Donovan, Provost	603,834	442,318	36.5%
Brian Gutierrez, VC Finance and Administration	578,787	395,784	46.2%
James Schlossnagle, Head Baseball Coach	466,303	376,777	23.8%
Donald Whelan, VC University Advancement	445,217	356,119	25.0%
TOTAL	12,636,890	7,713,656	63.8%

(a)Trent Johnson was hired in the year ended May 31, 2013. The prior year amount was paid to his predecessor, James Christian.

Charge 2

Charge 2: Gather comparative information regarding TCU's peer and aspirant universities and their compensation packages, relative to their financial profiles, including administrative costs.

The apparent justification for the change in TCU's retiree healthcare benefits was the perception that TCU's employee benefits package was in some sense "too rich," i.e., TCU offered a better benefits packages than that offered by peer institutions and, therefore, better than necessary in a competitive labor market. Employee benefits are, of course, only one component of employee compensation and the Task Force believes that a more appropriate analysis would focus on total compensation, salaries plus benefits, rather than just benefits. We undertake such an analysis below.

At the heart of any comparative analysis is the selection of an appropriate comparison group. There seems to be no official list of peer and/or aspirant schools used by the University so the Task Force considered three possible comparison groups. First, we note two very distinctive features of TCU. First, it is a private university offering all of the associated benefits that the University touts in its recruiting literature: quality faculty offering personalized attention to students in small classes with excellent facilities. Second, it has made a major commitment to NCAA Division 1 intercollegiate athletics as evidenced by its NCAA FBS football program and its membership in one of the "Big 5" athletic conferences. There are 17 private universities with NCAA FBS football programs and this is our first comparison group.

Private Universities with NCAA FBS Football Programs

Baylor University
Boston College
Brigham Young University
Duke University
Northwestern University
Rice University
Southern Methodist University
Stanford University
Syracuse University
Texas Christian University
The University of Tulsa
Tulane University
University of Miami (Florida)
University of Notre Dame
University of Southern California
Vanderbilt University
Wake Forest University

Charge 2

In one or more of its presentations to employees, the administration chose to compare TCU with other schools in the Big 12 athletic conference. (Note: Baylor, a Big 12 school, was included in the comparison group above.) Except for the obvious fact that our student athletes compete against each other, there is no compelling reason why the 10 schools in the Big 12 conference are an appropriate comparison group. Baylor is the only other private university in the Big 12. All of the other schools are very large state-supported public institutions with student enrollments that dwarf TCU's. The college experience offered by such schools is so fundamentally different than that offered by a private university such as TCU or Baylor that the Task Force considers them to be an inappropriate comparison group. We also note that, as far as any of the task force members can recall, such schools have never appeared on any lists of peer or aspirant schools used for accreditation or program review purposes. Moreover, if the large public universities in the Big 12 conference were peers in academic rather than athletic terms, we wonder how TCU could justify its much higher tuition cost to prospective students. Nevertheless, because the administration chose to compare TCU's employee benefits with those of the other Big 12 schools, the Task Force decided to conduct a comparative analysis in terms of total compensation at Big 12 schools.

Universities in the Big 12 Conference

Baylor University
Iowa State University
Kansas State University
Oklahoma State University
Texas Christian University
Texas Tech University
University of Kansas
University of Oklahoma
University of Texas
West Virginia University

The third comparison group simply combines the first two groups and consists of private universities with NCAA FBS football programs plus the public universities in the Big 12 athletic conference.

The compensation data analyzed by the Task Force was obtained from the 2013-2014 AAUP Faculty Salary Survey, publicly available through the *Chronicle of Higher Education* website. For each participating institution, the AAUP survey provides average (1) salary and (2) total compensation by academic rank. We infer that the average value of employee benefits is simply the difference between total compensation and salary. Not all of the universities in our comparison groups participated in the AAUP survey.

Charge 2

Comparison of Faculty Compensation at Private Universities with NCAA FBS Football Programs (Table 2)

Of the 17 private universities, 14 participated in the AAUP salary survey and are included in our analysis. Panel A of Table 2 reports on average salary, benefits, and total compensation at the full professor rank. Of the 14 private universities with available information, TCU ranked 12th in average salary and total compensation and 10th in benefits for full professors. Panel B of Table 2 reports on average salary, benefits, and total compensation at the associate professor rank. TCU ranked 11th in average salary, 12th in total compensation, and 6th in benefits for associate professors. Panel C of Table 2 reports on average salary, benefits, and total compensation at the assistant professor rank. TCU ranked 12th in average salary, 10th in total compensation, and 8th in benefits for assistant professors.

The AAUP compensation data includes faculty in professional programs such as law and business but excludes medical school faculty. Of the private universities included in Table 2, only TCU and Rice University do not have a law school. Data collected by the College and University Professional Association for Human Resources (CUPA-HR) confirms that faculty in the Legal Professions and Studies discipline are the highest paid of the 31 academic disciplines they examined. Therefore, TCU's lack of a law school may contribute to its relatively low rankings reported in Table 2. The magnitude of the "law school effect" is not determinable from the available data but we note that the number of law school faculty members is typically not great and, therefore, not likely to have a large effect on the university-wide averages reported in Table 2. We also note that even without a law school, TCU's average total compensation is greater than that reported by two universities with law schools (Baylor and Tulsa) for full professors, greater than that reported by four universities with law schools (Wake Forest, Baylor, Tulane, and Tulsa) for associate professors, and greater than that reported by four universities with law schools (Tulane, Baylor, Wake Forest, and Tulsa). Therefore, we conclude the "law school effect" is likely to be small.

In summary, relative to all private universities with major commitments to NCAA intercollegiate athletics, the average total compensation of TCU faculty falls $33,350 below the median for full professors, $6,450 below the median for associate professors, and $9,450 below the median for assistant professors. Average benefits at TCU were close to the median for associate and assistant professors but below the median for full professors. In the select group of private universities with NCAA FBS football programs, there is no evidence that the TCU faculty is too highly compensated in terms of salary, benefits, or total compensation. We also note that the *U. S. News and World Reports* (USNWR) ranking of national universities for TCU (#82) is near the bottom in this group and well below the median ranking of 31.

In contrast, Table 5 reports 2014 salaries (paid by the universities) for the head football coaches at the same set of private universities with NCAA FBS football programs, obtained from a USA Today survey. The TCU head football coach is the highest paid coach among the 12 coaches with salary information available, earning more than $1 million above the median coach's salary in this group.

With this comparison, the Task Force does not mean to begrudge Coach Patterson his salary. He is extraordinarily good at what he does and we acknowledge that his salary reflects his

market value as a coach who achieved a Rose Bowl victory and number 2 national ranking a few years back. We also readily acknowledge that the success of the TCU football team under his leadership has likely done more to raise the national profile of the university than anything else in recent history. Rather, we simply point out that a football coach with the highest compensation among private universities and a faculty with total compensation below average at all ranks reveals the administration and board of trustees' preference for athletic excellence over academic excellence, something that appears at odds with the University's mission. This conclusion is further supported by TCU's relatively low academic ranking among this comparison group.

Comparison of Faculty Compensation at Universities in the Big 12 (Table 3)

Of the 10 Big 12 universities, 9 participated in the AAUP salary survey and are included in our analysis. Panel A of Table 3 reports on average salary, benefits, and total compensation at the full professor rank. Of the 9 private universities with available information, TCU ranked 2nd in average salary, total compensation and benefits for full professors. Panel B of Table 3 reports on average salary, benefits, and total compensation at the associate professor rank. TCU ranked 2nd in average salary, 1st in total compensation, and 1st in benefits for associate professors. Panel C of Table 3 reports on average salary, benefits, and total compensation at the assistant professor rank. TCU ranked 3rd in average salary, 3rd in total compensation, and 2nd in benefits for assistant professors.

Table 6 reports 2015 salaries (paid by the universities) for the head football coaches at the Big 12 universities, obtained from the USA Today survey. The TCU head football coach is the fourth highest paid coach among the 10 conference coaches, earning more than $400,000 above the median coach's salary in this group.

The reason the TCU administration employs the Big 12 schools as a comparison group is apparent in Table 3. Average compensation of TCU faculty, whether measured as salaries, benefits, or total compensation, ranks near the top for all faculty ranks. We note, however, that most of the Big 12 schools are fundamentally different in terms of size, mission, and academic reputation. In this comparison group, TCU's USNWR ranking is the third highest and well above the median ranking.

We also observed a fundamental difference in retiree healthcare benefits among the Big 12 schools. While Baylor has adopted a retiree healthcare program similar to TCU's, all of the public universities allow retirees to remain eligible for medical insurance through the university or state health insurance program, a very significant benefit.

Comparison of Faculty Compensation at Private Universities with NCAA FBS Football Programs and Public Big 12 Universities (Table 4)

This comparison group includes the public Big 12 schools and the private universities with a major commitment to NCAA intercollegiate football. Of the 25 universities in this comparison group, 21 participated in the AAUP salary survey and our included in our analysis. Panel A of Table 4 reports on average salary, benefits, and total compensation at the full professor rank. Of the 21 universities with available information, TCU ranked 13th in average salary, 13th in total compensation, and 11th in benefits for full professors. Panel B of Table 4

reports on average salary, benefits, and total compensation at the associate professor rank. TCU ranked 12th in average salary, 10th in total compensation, and 6th in benefits for associate professors. Panel C of Table 4 reports on average salary, benefits, and total compensation at the assistant professor rank. TCU ranked 14th in average salary, 12th in total compensation, and 9th in benefits for assistant professors.

In terms of total compensation in this comparison group, the average TCU full professor is paid $9,900 less than the median amount, the average TCU associate professor is paid $2,000 above the median amount, and the average assistant professor is paid $3,200 less than the median.

Conclusion

The Task Force finds the evidence presented here inconsistent with the notion that TCU's total compensation packages for faculty are too rich. Data on staff compensation levels are not as readily available, but we believe a similar conclusion would apply there as well. Furthermore, and perhaps more troubling, this comparison has led the Task Force to question whether the University is spending its resources in a manner that is consistent with its mission statement.

Table 2
Comparison of Faculty Compensation at Private Universities with NCAA FBS Football Programs
(Faculty Compensation Amounts from the 2013-2014 AAUP Faculty Salary Survey)

Panel A		Full Professors					
	USNWR	Salary		Benefits		Total comp.	
School	rank	$	Rank	$	Rank	$	Rank
Baylor University	71	120,700	13	34,000	11	154,700	13
Boston College	31	168,400	6	43,600	6	212,000	6
Brigham Young University	62						
Duke University	8	186,400	2	53,900	1	240,300	2
Northwestern University	13	182,000	3	48,100	4	230,100	3
Rice University	19	171,500	5	44,400	5	215,900	4
Southern Methodist University	58	146,000	10	38,300	9	184,300	9
Stanford University	4	215,200	1	48,700	3	263,900	1
Syracuse University	58			-			
Texas Christian University	76	127,400	12	37,000	10	164,400	12
Tulane University	54	147,100	9	33,400	13	180,500	10
University of Miami (Florida)	48	151,100	8	39,800	7	190,900	8
University of Notre Dame	16			-			
University of Southern Cal.	25	164,600	7	51,100	2	215,700	5
University of Tulsa	88	111,600	14	39,200	8	150,800	14
Vanderbilt University	16	174,800	4	29,800	14	204,600	7
Wake Forest University	27	140,300	11	34,000	11	174,300	11
Median	31	157,850		38,750		197,750	

Table 2 (continued)
Comparison of Faculty Compensation at Private Universities with NCAA FBS Football Programs
(Faculty Compensation Amounts from the 2013-2014 AAUP Faculty Salary Survey)

Panel B		Associate Professors					
	USNWR	Salary		Benefits		Total comp.	
School	rank	$	Rank	$	Rank	$	Rank
Baylor University	71	92,000	12	26,700	11	118,700	12
Boston College	31	105,900	7	34,100	5	140,000	5
Brigham Young University	62						
Duke University	8	120,800	2	39,900	3	160,700	2
Northwestern University	13	115,100	3	36,200	4	151,300	4
Rice University	19	106,400	6	28,000	9	134,400	6
Southern Methodist University	58	100,300	8	28,700	8	129,000	9
Stanford University	4	140,200	1	40,400	2	180,600	1
Syracuse University	58						
Texas Christian University	76	93,500	11	29,800	6	123,300	10
Tulane University	54	92,000	12	23,300	13	115,300	13
University of Miami (Florida)	48	99,400	9	29,800	6	129,200	8
University of Notre Dame	16						
University of Southern Cal.	25	110,000	4	42,400	1	152,400	3
University of Tulsa	88	82,200	14	27,700	10	109,900	14
Vanderbilt University	16	107,500	5	22,800	14	130,300	7
Wake Forest University	27	95,500	10	25,800	12	121,300	11
Median	31	103,100		29,250		129,750	

Table 2 (continued)
Comparison of Faculty Compensation at Private Universities with NCAA FBS Football Programs
(Faculty Compensation Amounts from the 2013-2014 AAUP Faculty Salary Survey)

Panel C		Assistant Professors					
	USNWR	Salary		Benefits		Total comp.	
School	rank	$	Rank	$	Rank	$	Rank
Baylor University	71	78,200	13	21,500	11	99,700	12
Boston College	31	89,600	7	25,900	4	115,500	7
Brigham Young University	62						
Duke University	8	103,500	2	24,900	5	128,400	4
Northwestern University	13	102,700	3	33,000	2	135,700	2
Rice University	19	95,500	6	24,200	7	119,700	6
Southern Methodist University	58	97,900	4	24,500	6	122,400	5
Stanford University	4	117,500	1	31,500	3	149,000	1
Syracuse University	58						
Texas Christian University	76	78,400	12	23,900	8	102,300	10
Tulane University	54	79,800	10	20,400	12	100,200	11
University of Miami (Florida)	48	83,500	9	22,000	10	105,500	9
University of Notre Dame	16						
University of Southern Cal.	25	95,600	5	36,900	1	132,500	3
University of Tulsa	88	72,800	14	22,400	9	95,200	14
Vanderbilt University	16	88,900	8	19,100	13	108,000	8
Wake Forest University	27	79,000	11	17,300	14	96,300	13
Median	31	89,250		24,050		111,750	

Table 3
Comparison of Faculty Compensation at Big 12 Schools
(Faculty Compensation Amounts from the 2013-2014 AAUP Faculty Salary Survey)

Panel A		Full Professors					
	USNWR	Salary		Benefits		Total comp.	
School	rank	$	Rank	$	Rank	$	Rank
Baylor University	71	120,700	5	34,000	5	154,700	4
Iowa State University	106	122,300	3	35,000	3	157,300	3
Kansas State University	142	104,000	8	25,300	8	129,300	9
Oklahoma State University	145	103,300	9	34,200	4	137,500	8
Texas Christian University	76	127,400	2	37,000	2	164,400	2
Texas Tech University	156	116,000	7	24,300	9	140,300	7
University of Kansas	106	121,200	4	29,400	6	150,600	6
University of Oklahoma	106	116,500	6	37,200	1	153,700	5
University of Texas	53	145,400	1	26,700	7	172,100	1
West Virginia University	168						
Median	106	120,700		34,000		153,700	

Panel B		Associate Professors					
	USNWR	Salary		Benefits		Total comp.	
School	rank	$	Rank	$	Rank	$	Rank
Baylor University	71	92,000	3	26,700	3	118,700	2
Iowa State University	106	88,900	4	29,600	2	118,500	3
Kansas State University	142	75,500	9	17,700	9	93,200	9
Oklahoma State University	145	78,200	7	25,400	4	103,600	6
Texas Christian University	76	93,500	2	29,800	1	123,300	1
Texas Tech University	156	78,300	6	19,100	8	97,400	8
University of Kansas	106	82,300	5	23,200	6	105,500	5
University of Oklahoma	106	77,000	8	23,500	5	100,500	7
University of Texas	53	94,400	1	21,000	7	115,400	4
West Virginia University	168						
Median	106	82,300		23,500		105,500	

Table 3 (continued)
Comparison of Faculty Compensation at Big 12 Schools
(Faculty Compensation Amounts from the 2013-2014 AAUP Faculty Salary Survey)

Panel C		Assistant Professors					
	USNWR	Salary		Benefits		Total comp.	
School	rank	$	Rank	$	Rank	$	Rank
Baylor University	71	78,200	4	21,500	3	99,700	4
Iowa State University	106	78,800	2	27,700	1	106,500	2
Kansas State University	142	65,600	9	13,600	9	79,200	9
Oklahoma State University	145	72,200	6	21,100	4	93,300	6
Texas Christian University	76	78,400	3	23,900	2	102,300	3
Texas Tech University	156	68,500	7	15,600	8	84,100	8
University of Kansas	106	73,300	5	20,300	5	93,600	5
University of Oklahoma	106	67,800	8	20,100	6	87,900	7
University of Texas	53	88,500	1	19,600	7	108,100	1
West Virginia University	168						
Median	106	73,300		20,300		93,600	

Note: West Virginia University did not participate in the 2013-2014 AAUP Faculty Salary Survey.

Table 4
Comparison of Faculty Compensation at
Private Universities with NCAA FBS Football Programs and Big 12 Schools
(Faculty Compensation Amounts from the 2013-2014 AAUP Faculty Salary Survey)

Panel A		Full Professors					
	USNWR	Salary		Benefits		Total comp.	
School	rank	$	Rank	$	Rank	$	Rank
Baylor University	71	120,700	16	34,000	14	154,700	15
Boston College	31	168,400	6	43,600	6	212,000	6
Brigham Young University	62						
Duke University	8	186,400	2	53,900	1	240,300	2
Iowa State University	106	122,300	14	35,000	12	157,300	14
Kansas State University	142	104,000	20	25,300	20	129,300	21
Northwestern University	13	182,000	3	48,100	4	230,100	3
Oklahoma State University	145	103,300	21	34,200	13	137,500	20
Rice University	19	171,500	5	44,400	5	215,900	4
Southern Methodist University	58	146,000	10	38,300	9	184,300	9
Stanford University	4	215,200	1	48,700	3	263,900	1
Syracuse University	58			-			
Texas Christian University	76	127,400	13	37,000	11	164,400	13
Texas Tech University	156	116,000	18	24,300	21	140,300	19
Tulane University	54	147,100	9	33,400	16	180,500	10
University of Kansas	106	121,200	15	29,400	18	150,600	18
University of Miami (Florida)	48	151,100	8	39,800	7	190,900	8
University of Oklahoma	106	116,500	17	37,200	10	153,700	16
University of Notre Dame	16			-			
University of Southern Cal.	25	164,600	7	51,100	2	215,700	5
University of Texas	53	145,400	11	26,700	19	172,100	12
University of Tulsa	88	111,600	19	39,200	8	150,800	17
Vanderbilt University	16	174,800	4	29,800	17	204,600	7
Wake Forest University	27	140,300	12	34,000	14	174,300	11
West Virginia University	168						
Median	58	145,400		35,000		174,300	

Table 4 (continued)
Comparison of Faculty Compensation at
Private Universities with NCAA FBS Football Programs and Big 12 Schools
(Faculty Compensation Amounts from the 2013-2014 AAUP Faculty Salary Survey)

Panel B		Associate Professors					
	USNWR	Salary		Benefits		Total comp.	
School	rank	$	Rank	$	Rank	$	Rank
Baylor University	71	92,000	13	26,700	12	118,700	12
Boston College	31	105,900	7	34,100	5	140,000	5
Brigham Young University	62						
Duke University	8	120,800	2	39,900	3	160,700	2
Iowa State University	106	88,900	15	29,600	8	118,500	13
Kansas State University	142	75,500	21	17,700	21	93,200	21
Northwestern University	13	115,100	3	36,200	4	151,300	4
Oklahoma State University	145	78,200	19	25,400	14	103,600	18
Rice University	19	106,400	6	28,000	10	134,400	6
Southern Methodist University	58	100,300	8	28,700	9	129,000	9
Stanford University	4	140,200	1	40,400	2	180,600	1
Syracuse University	58						
Texas Christian University	76	93,500	12	29,800	6	123,300	10
Texas Tech University	156	78,300	18	19,100	20	97,400	20
The University of Tulsa	54	82,200	17	27,700	11	109,900	16
Tulane University	106	92,000	13	23,300	16	115,300	15
University of Kansas	48	82,300	16	23,200	17	105,500	17
University of Miami (Florida)	106	99,400	9	29,800	6	129,200	8
University of Oklahoma	16	77,000	20	23,500	15	100,500	19
University of Notre Dame	25						
University of Southern Cal.	53	110,000	4	42,400	1	152,400	3
University of Texas	88	94,400	11	21,000	19	115,400	14
Vanderbilt University	16	107,500	5	22,800	18	130,300	7
Wake Forest University	27	95,500	10	25,800	13	121,300	11
West Virginia University	168						
Median	58	94,400		27,700		121,300	

Note: Brigham Young University, Syracuse University, the University of Notre Dame, and West Virginia University did not participate in the 2013-2014 AAUP Faculty Salary Survey.

Table 5
Comparison of Head Football Coaches' Salaries at Private Universities with NCAA FBS Football Programs
(2014 Salary amounts from *USA Today* survey)

	USNWR	Football coach's salary	
School	**rank**	**$**	**Rank**
Baylor University	71	3,135,346	2
Boston College	31		
Brigham Young University	62		
Duke University	8	1,840,341	6
Northwestern University	13	2,480,967	3
Rice University	19	780,243	8
Southern Methodist University	58	2,019,718	5
Stanford University	4		
Syracuse University	58		
Texas Christian University	76	4,008,150	1
The University of Tulsa	54	758,436	9
Tulane University	48		
University of Miami (Florida)	16	2,250,943	4
University of Notre Dame	25	1,457,284	7
University of Southern California	88		
Vanderbilt University	16		
Wake Forest University	27		
Median	31	2,019,718	

Coaches salaries obtained from USA Today survey, available here:
http://sports.usatoday.com/ncaa/salaries/

Table 6
Comparison of Head Football Coaches' Salaries at
Big 12 Universities
(2013 Salary amounts from *USA Today* survey)

School	USNWR rank	Football coach's salary $	Rank
Baylor University	71	3,135,346	5
Iowa State University	106	1,800,125	10
Kansas State University	142	2,900,000	7
Oklahoma State University	145	3,500,000	4
Texas Christian University	76	4,008,150	3
Texas Tech University	156	2,605,300	8
University of Kansas	106	2,500,000	9
University of Oklahoma	106	5,058,333	1
University of Texas	53	5,000,270	2
West Virginia University	168	3,080,000	6
Median	106	3,107,673	

Coaches salaries obtained from USA Today survey, available here:
http://sports.usatoday.com/ncaa/salaries/

Charge 3

Charge 3: Reflect on the impact of this benefits/compensation issue in terms of TCU's mission, vision, culture, employee morale, stated strategic priorities, cardinal principles and TCU's standing in the community.

The Task Force conducted three focus group sessions with faculty and staff members from across campus to discuss the impact of the change in retiree medical benefit policy on the TCU culture and employee morale in light of the university's stated strategic priorities, cardinal principles and TCU's standing in the community. Findings from these focus groups include the following.

- Disappointment with the change in policy is widespread and the degree of a participant's disappointment increases with his or her years of service at TCU.
- The effects of the policy change were less well understood by younger employees.
- The initial communications regarding the policy change were regarded as incomplete and misleading, particularly statements to the effect that employee benefits had not been reduced.
- Many participants expressed concern that the change has had the worst effect on the most vulnerable retirees – those with the most serious health problems. Several participants described this as a moral issue and at odds with the university's stated mission to promote ethical leadership and inconsistent with the university's Christian heritage.
- Many participants indicated that the policy change would cause them to defer their planned retirement from the university.
- Some participants indicated their willingness to participate in the university's faculty/staff fundraising campaign has changed as a result of the policy change.
- Many participants described the policy change as a broken promise.
- The lack of any "grandfather" provisions for existing retirees and those employees already meeting the "Rule of 75" was widely criticized.
- The necessity for the change is not well understood, particularly in light of the lack of evidence that the university is facing financial difficulty.
- The policy change is inconsistent with other observed expenditures: lavish and extensive spending on facility construction projects, athletics, and compensation of top administration.
- Several participants commented that the policy change, made to allow the university to borrow at affordable rates to finance construction, sends the message that buildings are more important than the people of TCU.
- One participant noted that she and her spouse had elected to stay on TCU's healthcare plan due to the promise of retiree coverage even though her spouse's plan from a different employer was otherwise more attractive.
- Most participants felt that the policy change had been made without any significant participation by or consultation with faculty, staff, and retirees and that it was made hastily without adequate consideration of its consequences.
- Most participants felt the reduction in employee benefits had not been adequately justified by the administration.

Charge 3

In early 2014, the TCU Retiree Association sent a questionnaire to their membership asking about their experiences with the new retiree medical benefit plan. The Retiree Association provided the Task Force with copies of the responses to question 18 on the questionnaire, which read as follows:

"Please add any comments that you wish to make concerning the purchase of your prescription medications, in particular if you will reach the so-called "donut hole" either this year or next year."

A transcript of these responses is included in Appendix A-5. The comments indicate that many retirees are facing substantial hardships resulting from the change in retiree medical benefits. The administration has been logging calls to the Human Resources office about the new retiree medical benefit plan and, we are told, the number of complaints has been very small, a number interpreted to mean widespread satisfaction with the new arrangement. The responses to the Retiree Association questionnaire belie this assertion. The Task Force members found the retirees' comments to be heart-breaking and difficult to read as retirees report higher drug costs and in some cases, an inability to afford their prescription drugs and other medical costs.

The Task Force believes that if these comments were widely distributed, the TCU community would be outraged and TCU's standing in the community would certainly suffer.

Charge 4

Charge 4: Propose possible remedies for the negative consequences of the change on both retirees and current employees.

Recommendation

The Task Force recognizes that the costs of employee and retiree medical insurance are likely to continue to rise and will impose a growing economic burden on the University, its employees, and its students and their families. Measures to control these costs are necessary and appropriate. However, the solution adopted by the Administration imposes too harsh a burden on the most vulnerable constituents: existing retirees and those employees close to retirement, some with serious health problems. Moreover, it provides only a temporary reduction in the University's liability for retiree benefits. Even without an increase in the university's monthly contribution of $202.72, the liability will continue to grow as the number of retirees and employees approaching retirement grows.

We ask the Administration to commit to revisiting this issue in good faith from the beginning, in an open, inclusive manner. All affected constituents should participate in the decision-making process to arrive at an effective but humane way of controlling the growth in the cost of retiree medical benefits over time. This will require a committee comprised of faculty, staff, and retirees, appointed by the Faculty Senate, Staff Assembly, and Retiree Association, respectively, as well as appropriate members of the administration in Human Resources and Business and Finance. Because of the complexity of the issues, it will certainly be necessary to engage consultants to quantify the costs and benefits of various options available to the University. The situation is made even more complex due to the dynamic environment with the possibility of changing legislation and new products being introduced by insurers.

We would like to see the existing retirees returned to the University's existing group coverage or to a new group coverage plan. If it is determined that the growth in the cost of retiree medical benefits is indeed unsustainable, it may be necessary to follow the strategy adopted by many other universities and announce a gradual phasing out of retiree medical benefits. Admittedly, such a strategy would not provide such a large one-time reduction in the liability for retiree benefits as the Administration's approach achieved, but it would allow for a gradual **elimination** of this liability without imposing a harsh burden on current retirees. Such a strategy could be implemented in a variety of ways. For example, the old retiree medical benefit plan could be terminated for all except for existing retirees and current employees approaching retirement. Existing retirees and senior employees who had been promised medical coverage in retirement would receive it and younger employees would have ample time to make other arrangements. Such a proposal could be coupled with various options available to promote savings plans to provide an incentive for employees to save for their future medical costs in retirement, e.g., Health Savings Accounts.

The situation is made more complicated by the action already taken by the Administration. Returning retirees to the University's group medical insurance program or a new program may not be economically feasible at this point but that is far from clear. Surely some remedy for the plight of those retirees who are currently unable to afford their medical costs can be found.

This is an urgent issue. Retirees are suffering from higher than expected medical costs as a result of the policy change and senior employees are facing difficult decisions relative to retirement

planning. All retirees will ultimately be in the same situation if, as we expect, the University's monthly contribution does not increase in the future. We urge the Faculty Senate to move quickly in formulating its recommendation and ask for a prompt response from the Administration.

Appendices

Appendix 1: Task force charges from Faculty Senate Executive Committee

Task Force on the TCU Promise:
Sustaining our Commitments to
Current, Former and Future TCU Faculty and Staff

During the spring of 2013, the University abruptly changed the healthcare benefits for TCU retirees. In consideration of the unsettling dimensions of this event, its material effects, and its broader implications, the 2014-15 TCU Faculty Senate Executive Committee has formed a Task Force—composed of current and former TCU faculty and staff—to conduct a thorough review of this change in compensation and benefits.

The charges of this Task Force are:

1. To obtain and review the opinions the administration acquired from outside consultants in commissioned studies related to the shift of TCU retirees from CARES to an HRA funding plan for their medical benefits, and to understand the process these outside experts followed when generating these opinions.
2. To gather comparative information regarding TCU's peer and aspirant universities and their compensation packages, relative to their financial profiles, including administrative costs.
3. To reflect on the impact of this benefits/compensation issue in terms of TCU's mission, vision, culture, employee morale, stated strategic priorities, cardinal principles and TCU's standing in the community.
4. To propose possible remedies for the negative consequences of the change on both retirees and current employees.

The Task Force on the TCU Promise will produce a report that will be the basis for a wider conversation among current and retired faculty, staff, and administrators.

Jan Jaynes Quesada, Ph.D.
Chair, TCU Faculty Senate
June 17, 2014

HEALTH INSURANCE

Pre-Age 65

Retirees who are pre-age 65 and meet the Rule of 75 may continue in their current TCU Group Medical coverage provided through CARES. Human Resources bills retirees for medical premiums on a monthly basis or online payments are available via credit card or debit card. Instructions for establishing an online payment may be found at http://hr.tcu.edu/retireebenefitpayments.pdf . Please note if you cancel your medical coverage or fail to make the premium payment in a timely manner, the coverage is terminated and you will not be allowed to enroll again.

Post-Age 65

Retirees who are post-age 65 and meet the Rule of 75 have access to individual plans which compliment Medicare through OneExchange, a Towers Watson company. TCU partners with OneExchange, whose licensed benefit advisors and knowledge of the Medicare market combine to make them a valuable advisor for TCU retirees. OneExchange will help you and your spouse (if applicable) choose the health care coverage that best matches your medical requirements and budget. Upon enrollment in a medical plan through OneExchange, you will have access to a TCU funded Health Reimbursement Account (HRA) to help reimburse you for eligible expenses.

For more information regarding Retiree Health Insurance, contact Human Resources at 817-257-7790.

Appendix 3: **TCU Retirees Ad Hoc Committee Report on Health Care Changes in 2013**

I. Prolog.

A. TCU Retiree Health Care Benefits prior to June 1, 2013 – Commitments Kept.

For decades, TCU retirees have remained in the same health plans (with adjusted premiums) that they accessed as employees. This allowed TCU to use its negotiating power to maximize benefits in the market place.

B. TCU Retiree Health Care Benefits after June 1, 2013 – Commitments Broken.

On February 4, 2013, TCU announced that TCU retirees would be moved out of the TCU benefits system and were required to negotiate as individuals in the health care market (albeit with a set amount of money put in health benefit accounts for each retiree and covered spouse). This announcement was presented to retirees as a fait accompli with no prior consultation. It also contradicted the Retiree Handbook at the time of announcement. Additionally, it appears that the decision was made with no regard, or lack of understanding, of the degree to which the new arrangement would provide significantly less benefits to retirees, particularly in terms of pharmacy benefits.

II. Feedback From Retirees.

A. Anecdotal Evidence.

Soon after the announcement of the TCU Retiree Health Care changes and throughout the fall, the Officers of the TCU Retirees Association, received calls, emails, letters and visits from concerned retirees. These retirees voiced strong concerns about the change in terms of lack of consultation, higher co-pays, lack of coverage of certain drugs, and the "doughnut hole."

B. Creation of Ad Hoc Committee.

To address these concerns, the Retiree Association Board appointed an Ad Hoc committee to look into the changes in the TCU Retiree Health Care benefits and the concerns of retirees.

C. Creating and Administering a Survey

After meeting with the Vice Chancellor for Finance and Administration and a meeting with the Chancellor, the Vice Chancellor for Finance and Administration, the Provost, and a group from Human Resources, the Ad Hoc Committee created a survey to distribute to all retirees. A copy is attached.

D. Survey Results.

In general, the survey results show that many retirees are dissatisfied or greatly dissatisfied with the insurance coverage in the new program, with the out-of –pocket costs for purchased drugs, and with the manner in which the new coverage meets their expectations for retirement. In short, when over half of the constituency of a program is dissatisfied with a program, it is difficult to call it a success. This assumes that some degree of satisfaction with the program is desired.

E. Conclusions.

If TCU desires to have TCU retirees to continue or regain the respect and admiration that they hold or held for TCU during their active days at TCU, the TCU administration will need to do something to fix the Medicare Part D issue for retirees. The Ad Hoc committee and the Officers of the TCU Retirees Association believe that almost all retirees and current employees came to TCU and stayed at TCU because they believed that it was, and still is, a special place that emphasizes caring, helping and nurturing of students and all in the TCU community. It will be hard to retain that belief if retiree and current employees perceive a movement from its past culture to one more like that of Walmart.

III. Equivalence of Health Care Benefits in CARES and Health Care Benefits in Medicare Supplements.

A. The Nature of Medicare Parts A, B and D.

The Medicare Supplements Part A & B are essentially identical to the plans that were offered through CARES to retirees. This is so because federal law requires Medicare Supplement Part A & B plans offered by insurance companies to be structured consistent with <u>a small number of benefit formats designated by federal law</u>. This is called "creditable coverage" of employer/union or other group health plan.

The creditable coverage requirement for Medicare Part D is much less demanding. The only requirement for a Medicare Part D offering is that it not systematically discriminate any "class of people." There is not standardization as there are in Medicare Parts A & B. Consequently, no two plans are the same and insurance companies appear to make sure that they are not the same. This means that you can not comparison shop for identical coverage as you can in Medicare Parts A & B.

B. The Problem – Medicare Part D.

In short, forcing TCU retirees into the Medicare Parts A & B has little or no impact on the health care of the retirees. The only exception is that it forces them into a risk pool

that is composed of only people over 65. In CARES TCU retirees were in the same risk pool as TCU employees.

The problem is Medicare Part D. Without going into a detailed list of all the differences, consider the following:

(1) In most cases, co-pays are much higher than they were in CARES.
(2) All Medicare Part D plans have many drugs that simply are not covered.
(3) The lack of standardization makes selection of a Part D plan a "crap shoot."
(4) You can only select a Part D plan based on your current health conditions without regard to any future conditions.
(5) Insurance companies can change the required co-pays at any time with 60 days notice, while individuals can only change their plans once a year.
(6) Each individual is his/her own risk pool. According to the Medicare.gov website, "in 2014, once you and your plan have spent $2,850 on covered drugs (the combined amount plus your deductible), you're in the coverage gap." This is the donut hole. Once you reach the coverage gap, you'll pay 47.5% of the retail price for covered **brand-name prescription drugs**. Also, "Medicare will pay 28% of the price for **generic drugs** during the coverage gap. You'll pay the remaining 72% of the price." When one retiree spends nothing on drugs it does not help another retiree in anyway.

C. Conclusion.

In short, Medicare Part D costs as much or more that CARES Drug coverage and delivers significantly less benefits. This means <u>both TCU and retirees</u> spend more and get less. Below, are examples of major problems with drug purchases by current retirees that would not have happened under the CARES prescription program. It is also important to remember that in 2013, TCU retirees were only on Medicare Part D for 7 months. In 2014 TCU retirees will be on Medicare Part D for 12 months. Because the donut hole calculation is reset each year on January 1, the donut hole problem will be much worse in 2014 than it was in 2013.

IV. Analysis and Examples of Survey Comments

A. Dissatisfaction with Medicare Part D.

At the time of tabulation, 185 survey responses had been returned. This represented 279 of 427 (65%) Extend Health enrollees. Satisfaction with Medicare Part D was evenly split (50 +/- 1%) between satisfied and dissatisfied. The committee had heard complaints about being dropped from CARES, but was shocked to find that one-half of the respondents were unhappy with their new, <u>TCU-subsidized</u> ($202.72/person/month) insurance coverage.

B. Cost of Prescriptions and Forgoing Medication

Sixty-four percent of respondents reported that prescription costs were more expensive with Medicare Part D than with CARES. Twenty percent of respondents reported that they had not filled a prescription because of the cost! Other respondents reported they reduced or skipped the recommended dose. Ninety-four percent of respondents who were dissatisfied with Medicare Part D also mentioned that their medications were more expensive in Medicare Part D compared to CARES.

V. Extreme Hardship Cases

A. Cause of Extreme Hardship Cases.

The Nature of Medicare Part D allows for extreme hardship cases that are not possible in a real insurance program such as CARES or any insurance program in the US except those that are available to people who are less than 65 years old. There are several reasons for this:

(1) Medicare Part D does not have a true risk pool. The use of the donut hole means that only the costs incurred by the individual are considered. When an individual reaches the donut hole, he/she will pay full retail price for his/her prescription drugs. This is true even if every other person in that plan has not cost the insurance company a single penny.
(2) When the donut hole is reached, the individual must pay "full retail price." Because the federal government cannot negotiate price with the pharmaceutical companies and the federal government must subsidize the cost of Medicare Part D expenditures with a fixed percentage of "full retail price," it is rational for pharmaceutical companies to set the "full retail price" extremely high.
(3) Because Medicare Part D plans can be sold without any requirements in terms of their formularies, each available Part D plan is different and all exclude many expensive drugs. All other buyers of pharmaceutical drugs can negotiate price and formularies (e.g., CARES)
(4) An individual can only change Part D plans once a year, but the insurance companies can change their formularies and prices at any time with 60 days notice. This means that there is no rational method for choosing a Medicare Part D plan unless you assume that your health care needs will not change for a year.

B. No Ability to Predict Extreme Hardship Cases.

The nature of health care is such that there is no method to predict the future needs of an individual. An individual's health can literally change in a heartbeat.
It can be predicted, however, that older people will use more medications than younger people.

C. Survey Comments on Drug Availability and Costs.

<u>The following examples are from some who were dissatisfied with the new drug coverage (question #16)</u>

"Not all my drugs were covered by any of the plan options"
"No generic versions of my drug are available leading to greater costs"
"Our 2013 experience only covered 7 months so the chances of reaching the "donut hole" in the full 12 months of 2014 will be greater"
"I live on a tight budget and no longer trust how much [it] will cost"
"Since I lost my TCU insurance I have not been to my doctor or the dentist"
"More hassle, more expensive, no more giving to TCU"
"Please return to the previous system"
"At least one of our prescriptions is no longer covered so it is purchased at full price for $176 instead of $20 under CARES"
"Through our plan's mail order pharmacy our co-pays went from $70 to $253 for a 3-month's supply"
"Last month my doctor called in some meds for me and the plan would not pay for it."
"To prevent reaching the donut hole I only take ¾ of my prescribed dosage"
"The extra cost may be considerable and have a serious impact on our monthly income"
"My doctor prescribed a brand name drug with out of pocket monthly cost of $98 so I dropped it and hope the condition won't return"
"I would quickly reach the donut hole if I continued the expensive ($2500 retail) medication which was unsustainable on my budget…consideration of costs vs. consequences caused considerable anxiety"
"There is a significant increase in premiums in 2014 without much decrease in co-pays"
"Coverage for a name brand medication that worked well was denied and I was switched to a less effective generic without choice…my appeals were denied"
"Already in donut hole in 2013 and will reenter in March 2014"
"While in the "donut hole" one med was $600/month or $900/3 months. I went to Canada (with my doctor's approval) and got the identical drug at $138/3 months and it worked!
Similar comments about monthly out of pocket drug expenditures (not counting premiums) claimed costs of $900, 800, 750, 721, 700, 480, 430, 380, 340, 315, 300, 300, 270, 180, and 100.

<u>The following examples are from some who were satisfied with the new drug coverage (question #16)</u>

"…we use all generic drugs..." (a common response in this group)
"…use no prescription drugs" (another common response in this group)
"…costs are down due to reimbursements" (another common response in this group)
"…too soon to judge; ask me again next year…"(another common response in this group)
"At 88 I use no prescription drugs."

"Prescriptions provided by Veteran's Administration & TRI-Care"
"…was never on CARES"
"'…both of us take very few prescription drugs…"
''…one of my wife's drugs is being dropped from the formulary which may present problems"
"…insurance required change to generics…doctor Okayed"

From the nature and distribution of the survey comments it seems clear that the main determinant of satisfaction or dissatisfaction with the new retiree's health insurance is based on experiences with available prescription drug plans.

VI. Suggested Solution.

Restore the Retirees Drug Benefit to CARES!

Appendix 4: **Chancellor's Response to Retiree Association Request**

April 23, 2014

To our retiree community,

As you know, the TCU Retiree Medical plan changed to a Health Reimbursement Account (HRA) model in 2013 for participants who are 65 or older, and the University contributes $202.72 monthly to each eligible participant in the plan (including a participating retiree's spouse/partner or other eligible dependents). Since that time, there has been valuable conversation about the HRA model, including concerns discussed through the Retirees' Association about the potential impact the change specifically had on prescription drug coverage for some retirees.

In mid-March, I met with the ad hoc committee on healthcare appointed by the Retirees' Association regarding results of a survey they initiated and tabulated. Foremost among their findings were concerns about changes to the prescription drug benefit under the HRA structure, particularly when the "doughnut hole" is reached. The committee recommended to me that the prescription drug benefit for eligible retirees over 65 be returned to the CARES model. After careful consideration of their survey results, the uncertainty of the national healthcare environment, and review of the financially-based reasons the University was compelled to make the transition, I notified the ad hoc committee at a meeting on April 22 that TCU plans to continue with the HRA structure currently in place. I also assured them that the University will maintain its focus on ensuring that our covered retirees and future retirees understand and maximize the benefits available to them.

The retiree benefit change to the HRA structure was made only after significant research, evaluation and thought. TCU partnered with outside consultants such as Willis Atlanta and Extend Health (now OneExchange, a Towers Watson company) to ensure we were making informed decisions. The review and discussion of the subsequent feedback from retirees has been taken just as seriously, and TCU has continued to explore and vet other vendors for consideration as part of our ongoing work on this topic. Additionally, in the coming months, TCU will field a survey of retirees through an outside vendor to gather satisfaction level data in regard to the HRA model.

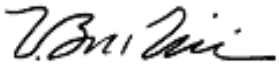
The dialogue with our retiree community has been, and will continue to be, an important part of our decision-making process. The concerns have been listened to and actively discussed and weighed in recent months. However, it is important to note that while we understand this change has presented a shift in routine and/or cost for some, the University remains confident that this move was an appropriate decision to support the long-term sustainability of our healthcare plan for current and future participants.

TCU continues to take steps to help support our goal of providing competitive benefits not only today, but also for the next generation of retirees and beyond. We routinely evaluate our benefit offerings to ensure that we are able to effectively meet the diverse needs of our active and retiree population in the midst of a challenging healthcare environment. The current

contribution of $202.72 places TCU in the top third of 300 retiree healthcare clients serviced by OneExchange. For the next fiscal year, that amount will remain in place.

Our retirees have played an important role in creating the strong heritage of our university. I value the strong relationships TCU has with you and current faculty and staff. We will continue to monitor and evaluate the healthcare landscape with a strong focus on finding new ways to educate retirees and active employees to be more informed health care consumers. Please watch for additional healthcare plan tools and resources in the near future so that you have every opportunity to maximize the value of these benefit offerings in response to your personal needs. As always, I encourage you to reach out to Human Resources whenever you have questions or need assistance.

Warm regards,



Victor J. Boschini, Jr.
Chancellor

Appendix 5: Responses to Retiree Association survey question 18

"Please add any comments that you wish to make concerning the purchase of your prescription medications, in particular if you will reach the so-called "donut hole" either this year or next year."

- "As of 1st of January I switched to Medicare advantage to try and save, but it costs me $49.90 per month where Med D was only $18.00 per month. I don't like it at all, my Insulin was $500.00 for my part and my other insulin was $221.00 for my part. With TCU's insurance, it was a copay of $40.00 for each. I take two insulins and 9 other meds a day, I was not planning for this when I retired in March—2011."

- "Under Cares our cost was within the realm of what one would expect. Under Cares, I never paid more than $35 per month supply. If I purchased the medication that I've given up because of cost, it alone was $100.00 per month…general coverage is terrible, I didn't pay a copay for my primary care. What Medicaid didn't…[rest is cut off]."

- "Definitely reached the donut hole for one member not the other."

- "I'm not at all satisfied by the secrecy surrounding the changes to our medical program—Administrative hubris!"

- "Might be forced to change some medications because of donut hole."

- "I will be in donut hole this year. ☹"

- "At the end of November, we have reached the 'donut hole.'"

- "We will not hit the donut hole, but my wife was just informed that one of her drugs is being dropped from the coverage. It's the uncertainty that is a particular issue. We're good today, but who knows what tomorrow might bring."

- "Concerned that from January 2014 on, the increases for Plan D prescription drugs will rise as will my share, in dollars, of the total cost because of drug-tier changes, price increases for the same drug, restrictions on quantity per fill and refill, etc."

- "After carefully comparing our costs for prescriptions under CARES and our current plan, we found that costs were about the same. Neither of us expect to reach the "donut hole" in the next year. Needless to say, the process all retirees had to endure to change providers for prescription drug insurance was indeed stressful!"

- "Chancellor Boschini said at Town Hall Meeting [Fall 2012] that faculty staff members 'should be willing to spend an hour on the phone talking about their health.' His statement about the process revealed he was ludicrously clueless about what he was requiring of his colleagues. My spouse and I spent a minimum of 10 hours on the phone with ExtendHealth after all the hours attending TCU campus meetings and researching…[REST CUT OFF]"

Appendix 5: Responses to Retiree Association survey question 18

- "We will definitely hit the donut hole mid-2014."

- "I'm fortunate in that I don't take expensive prescription drugs. The least expensive Part D drug plan was $30.10 per month. I'm switching to a Medicare advantage program for 2014. I don't know why ExtendHealth pushes the medical policies for us who are healthy and take few prescriptions."

- "Yes, I will reach the donut hole when about 35% of my annual cost of prescription drugs has been met. This is using a generic form of a drug whenever available. Ignores lower cost under catastrophic coverage. Monthly out of pocket is relatively unimportant compared with the sum of out of pocket plus plan payments that count in determining the coverage gap entry point."

- "Currently taking 2 prescriptions not covered by Medicare Part D. One is $110 a month, the other is $65 a month. I have eye problems and my medication changes as doctors feel need."

- "Both of us expect to reach donut hole in 2014. Extremely difficult (confusing) to determine best, most reasonable plan. Was not able to get appointment with ExtendHealth until 1 day before deadline."

- "No—only 7 months on new plan. It will be close; at least $2500 if drug costs do not increase."

- "Co-pays are higher and medical costs would be much higher if we had real health problems and/or hospitalization."

- "I don't know whether I have had a donut hole issue. Can TCU go back to CARES?"

- "Have to negotiate with provider to cover drugs CARES covered. The extra cost may be considerable and have a serious impact on monthly income."

- "The reason that the cost of our drugs for this year, compared with costs for last year, is not greater is because we have quit taking one drug and we have switched to generic drugs if they are available."

- "We reached the donut hole very quickly this year and will again next year. Our medications are all ones we will need for the rest of our lives. None have been for a temporary illness."

- "1) At least one of our standing prescriptions is no longer covered (we have Part D insurance) so it has to be purchased by us at full price from a local pharmacy. (Under CARES, the co-pay was $20.00 for 3 months, now I will pay $176.00 for same amount.)

Appendix 5: Responses to Retiree Association survey question 18

- 2) For these prescriptions we can still purchase through our plans mail-order pharmacy, our co-pays have more than tripled. For example, one went from $70.00 for a three-month supply to $253.00 for three months."

- "Last month, I got sick and my doctor called in some medicine for me and the prescription plan would not pay for it. I never had a problem like that before. I also do not like paying five different payments to be able to have insurance."

- "1) Retirees were blindsided and many are mentally or physically unable to figure it out fast enough.
- 2) ExtendedHealth is polite and helpful but TCU is paying too much in fees. Why not add staff at TCU.
- 3) I worked for retirement benefits and I am happy to have anything reasonable. Despite Dr. Adams and his request that we work hard at being informed it is often a worry.
- 4)Glad I could fit with anonymity."

- "To prevent reaching the "donut hole" I take only about ¾ of my prescribed dosages. I can't pay for all the dosages as directed with my monthly budget—this vs. living expenses-Insurance premiums are more than 50% of my resources. Also, now I'm told that the Part D supplemental drug policies will only cover 5-6 drugs; therefore, I must choose ONE of my 7 Rxs that I will now pay 100% for in 2014. What if I can't pay 100%? The new plan is very time consuming with time wasted on the phone trying to determine the best plan with ExtendHealth. [Part cut off]"

- "I use CVS and have for several years. WellCare plan now states that CVS is not on the preferred list. If I wish to continue with CVS, I will be required to pay a fee per prescription for each renewal in the year 2014."

- "The major difference with the new plan vs. last year's is the additional cost of the AARP/UnitedHealthcare drug insurance. The new plan is $89 per month (for both) and some drugs are not included for my wife. Our concern is for the future. Where will this lead?"

- "Paperwork has been impressive. The trauma of choosing new insurance and Plan D was horrible and I would hate to ever have to do it again. Don't know after only 6 months if we will reach the "donut hole.'"

- "Won't reach the 'donut hole' this year because not in the plan for a full year but have been warned we will be next year."

- "We are currently spending more than double what we paid for CARES."

- "I reached the donut in October 2013. One essential drug went from $88/month to $338/month."

Appendix 5: Responses to Retiree Association survey question 18

- "Premium increase for 2014—40%! This is ridiculous."

- "Beside the medications, my expected cost for hospital stay is expensive. On my TCU plan, I was in the hospital for two weeks. The x-rays, tests and blood and there was no cost to me. The committee needs to look at other medical costs [indecipherable]"

- "Sorting through all the plans for comparisons and best fit is difficult. Multiply this effort by all the TCU retirees individually is big, but the ExendHealth website is very helpful."

- "I got off of the two really expensive drugs—Savella and Nexium. Under CARES the prescriptions were part of the $197 per month (including dental). I now pay $31.10 for Part D, SS take $29.90 more for drug coverage (in addition to Medicare amount) and of course dental ($30+) is paid directly to TCU. Part B is $216.50 and will increase to $227 in June."

- "I have refrained from medical treatment thus far but will do so in November and will have more comments then. Cost is an issue."

- "Ask me again next year and I may have a very different answer—my monthly premium is [going] up and I'll be paying $3 for generics and $88 for the $70 drug. I've tried to figure out whether or not I'll hit donut hole, but Coventry's monthly statements arrive very late, so I can't tell. [Rest cut off.]"

- "I wish the Tier 3 copay was not as much but I feel blessed because I do have insurance."

- "Some of this will change when a whole year is covered. E.g. the 'donut hole' for very expensive prescriptions. My expenses for all of 2014 will be much higher."

- "PLEASE RETURN TO THE PREVIOUS SYSTEM."

- "We started the new prescription drug plan June 1st. I bought the very best plan ExtendCare offered and I reached the donut hole status by August 7th. My meds have become VERY expensive."

- "I have already reached the donut hole in 6 months when Medicare was primary it was much better, this plan is not as good. I am very much dissatisfied."

- "What a mess. And what a surprise to me after believing TCU for about 38 years that they would help take care of us after we retire. We had some "bad years" $$ at TCU but the same health care as faculty/staff would be there for us. Now they change it. This does NOT sound like the TCU I worked so hard for and loved. Shame on TCU now."

- "I hate Part D—wish I had express scripts back you knew where you were with that—it doesn't seem necessary to be so complicated!"

Appendix 5: Responses to Retiree Association survey question 18

- "I expect to reach the 'donut hole' about September of 2014."

- "It took most of this year before I met the deductible. I guess that's a good problem to have. Filling each prescription is more expensive, however. I am very appreciative of the efforts of the Ad Hoc Committee. While I understand TCU's reasons for these changes, I cannot help but feel that TCU let us down."

- "I was in the donut hole when the switch was made. Will most certainly reach it within six months. Medicare Part D doesn't come close to the coverage of Cares. I have had 1 drug canceled by Part D…a drug I had been using from the beginning of an illness 17 years ago."

- "We are hitting the "doughnut hole" this month—ouch! We have switched to "generic" as available, but some have no generic."

- "I am changing prescription plans in January so do not know how this will impact 'donut hole.' I suspect I will reach it, however."

- "My husband was in the donut hole after one or two months. Thank you for your concern."

- "Shame on TCU!"

- "Based on prices subject to change without notice, my spouse reached the donut hole in August 2014. Best estimate for his Rx drugs next year is $3,248.00 per the estimate by Humana which is the plan ExtendHealth steered us to accept. This is more than double the cost from Express Scripts. Our cost for the last 5 months of 2013 was not terrible because the order and received a 3 month of supply of everything and we did not reach the donut hole."

- "I'm sure when I go to the doctor I'll probably be given one or more prescriptions. I live on a tight budget and I no longer trust how much out of pocket expenses will cost since I lost my TCU insurance, so I have not been to my doctor or the dentist. In my heart I will never understand how TCU could do this."

- "Next year, I will likely reach the "donut hole" with my first round of prescription in the initial coverage stage. Although TCU is not obligated to provide retirees with health and coverage, I am disappointed in the manner in which the mid-year (2013) changes was made. I thought TCU would be the last employer to create a hardship for its people. We very much appreciate the Retirees Association's efforts on our behalf."

- "I was very disappointed in the ExtendHealth's RX division's definition of "appointment." My understanding was that the representative of ExtendHealth who made the phone appointment with me at a definite time in three weeks would be available then and as she

said, she researched the availability of the Rx I needed (It was not included in my current plan.) Instead, after waiting 40 minutes, I hung up without the information. Later, I was told the Rx is still not available through any of their plans. It was included in our previous BlueCross/BlueShield coverage."

- "The 'donut hole'—my two allergy medications have almost tripled. I stopped taking one medication due to higher cost."

- "I will reach the donut hole next year as I will be on the insurance for the entire year."

- "Some health costs have gone down so prescription costs raise. Haven't figured out how the total will come out."

- "The elderly who are the largest group needing the most medical care due to aging, accidents, falls, diseases (arthritis, cancer, Alzheimer's, heart disease, Parkinson's and diabetes) and others receive a few breaks from the public such as parking and ticket prices but NOT for TCU retires who have given their younger and vigorous years to the old Guard and are tossed overboard in the Ocean of Medical Insurance where the sharks of old age are attacking them from every side; such as loss of hearing, vision, health, memory, energy, et al, have diminished. Does the board want us to walk the plank?"

- "Already in donut hole 2013. Will enter donut hole in March 2014."

- "There is a significant increase in the premiums for 2014 without much decrease in co-pays. I had been taking a name brand medication that worked well. Coverage was denied and I was switched to a generic without choice. My appeals were denied. [REST CUT OFF]"

- "Medical coverage more expensive than thru CARES. Rx is not included with medical premium and although copay is zero, the cost of premium has doubled the amount I paid for co-pay in 2012 which was #364.00—premium for some drugs will be $799.00 for 2014."

- "TCU has sold us out to reduce their long-term liability."

- "The HR department of TCU is unable to answer any questions, have not familiarized themselves (Martha and her manager) with the ExtendHealth website and just advise to call ExtendHealth. ExtendHealth's first responder is a Customer Service rep who takes info but cannot answer any questions. [Rest cut off]"

- "Spouse reached "donut hole" in August. Which cost was more evenly distributed? That's the cause of dissatisfaction."

Appendix 5: Responses to Retiree Association survey question 18

- "This year our coverage began June 1 and we reached the donut hole in October. We've been told by ExtendHealth that we'll reach the coverage gap in May 2014 and we'll be facing several thousand dollars of out-of-pocket drug costs."

- "The 'doughnut hole' comes with #1 batch (3 month supply) of 3 MEDS. This is TERRIBLE. Plus, I am in the hole on premiums. TCU does NOT pay for my coverage fully. I am out over $500/year for my medical and prescription coverage."

- "With ExtendHealth, more hassle! Now more expensive—about $2,000 more out of pocket expense for drugs! No more annual giving to TCU!"

- TO: Ad Hoc Committee on Retiree Health Insurance
  FROM: XXXXXXX
  DATE: November 6, 2013
  RE: TCU's action with regard to retiree health insurance

  I have not previously provided my reaction to TCU' s discontinuance of group health insurance for retirees. Initially I was dismayed, thinking that there is no way that retirees can obtain on the individual insurance market anything like the coverage available to a group.

  Since receiving the information contained in the September and October Retirees' Newsletter, I am even more appalled. It seems that to reduce an <u>accounting liability on the balance sheet</u>, the trustees are willing to place upon the retirees a very <u>real economic burden</u> with a possibly major impact on their ability to pay for a reasonable level of health care. No one seems to be saying that the university lacks the current ability to pay the portion of retiree health cost that it has been paying, but, rather, that the balance sheet liability item that results from actuarial tables and various related assumptions is a figure that they would like to make look better.

  In my case (and the effect of this decision is, after all, the sum of all of the individual cases) I was very dissatisfied with the insurance plans offered by Extend Health. I did not initiate any search beyond the companies offered by Extend Health because it was my understanding that TCU was going to offer a premium subsidy to be administered by Extend Health, and plans offered by them seemed the best way to go, administratively speaking. Now it seems that even the subsidy is open to question.

  The Medicare Supplement F plan was noted in the Retirees' Newsletter as the Medicare supplement that would come closest to equaling the CARES coverage that retirees had. Extend Health offered me only four plans. One of the companies had had an underwriting

loss in each of the last two years. It did not take much imagination to see what would be likely to happen to their premium in the future. One company had an extremely poor claims record, and misrepresentation was cited in a large percentage of the appeals. Even if not relevant to Plan F, this does reveal a possible ethical lapse. Therefore the company was not one on which I would want to be dependent. A third insurer, with the highest premium, operated in only two states. Although that company would have to honor claims incurred in other states, its limited geographical range of operation might make it less "portable," less acceptable to medical providers in other states if I were to move. (As it happened, my primary physician, an internal medicine practitioner, retired from private practice just as TCU dropped our existing CARES coverage. I was unable to find another internal medicine practitioner, and had some difficulty finding an acceptable primary physician who was taking new patients; most physicians here are restricting the number of Medicare patients they will take, and are simply turning away those who don't have what they consider to be acceptable Medicare supplement insurance. With my former CARES coverage, I had not been aware of this problem.) I was left with the fourth alternative, a small former life insurance company, taken over in the recent past by a major multi-line insurance company, and converted into a health insurance company (97% of premiums written). In this case, there were no relevant data with regard to financial history, claims adjustment history, etc., and I can only hope for the best. The parent company, at least, was acceptable to local physicians as a Medicare supplement provider, and the company assured me that the policy would go with me if I move. However, the generally low quality of the alternatives offered by Extend Health gives me cause to be concerned about the quality of the coverage that will be forthcoming from this company, new to the health insurance business.

Of course, I do not know what criteria Extend Health used in choosing insurers to be offered on the exchange. Initially, I assumed that TCU would have investigated that question, and determined that the Extend Health offerings were of reasonable quality. Now, I am not at all certain of that.

Among the seventeen Medicare Part D drug insurance plans listed by Extend Health, I was unable to find one that covered all of my prescription drugs. All of the plans omitted one or another from their formularies. My "best choice" involved compromise. Because I have had a very adverse reaction to generic forms of one drug, I need the brand form of it. I could not find a company that offered this brand and also offered the brand form of another one for which my primary physician had recommended against my even trying a generic form. I am left with the choice of obtaining one of the brand drugs at the retail price, or ignoring the advice of my physician. I am almost certain to hit the dreaded expensive "donut hole," and I have already received notice that my premium will be 16 per cent higher next year.

Appendix 5: Responses to Retiree Association survey question 18

I do not know whether or not there is a plan "out there" that might include all of my prescription drugs in its formulary. The companies listed by Extend Health certainly seemed to be representative of the industry.

It appears to me that the Texas Christian University Board of Trustees made its decision to revoke the CARES coverage for retirees not only without consulting the Retirees Association or any other representative of the retirees, but without considering the hardship and/or difficulties that this decision was likely to create for some retirees. I suspect that if the retirees had been consulted they might have preferred to pay higher premiums for the CARES plan as opposed to being thrown on the individual insurance market where they may pay more for less, with the added burden of a great deal of paper work and administrative effort. Of course, I do not know what effect this alternative might have had on the health insurance liability item on the TCU balance sheet.

The Retirees' Ad Hoc Committee on Retiree Health Insurance wanted our feedback, so here is mine.

Thanks.

Appendix 6: **Letter from Bill Koehler, retired Provost and Vice Chancellor for Academic Affairs**

Dear Colleagues,

As you may have observed, I have avoided any significant involvement in the life of the University since I left in 2004. This has been very deliberate; I left TCU determined not to try to influence its future. But recent events compel me to reengage.

I write to you because during my tenure at the University I had significant profession interaction which each of you which lead to my great admiration and respect for you. Additionally, each of you is a tenured, senior faculty and as such has a special responsibility to preserve and protect the Institution.

The event that prompts this correspondence is the elimination of certain healthcare benefits. In my opinion, the process and the outcomes were not transparent, there was no faculty involvement and there are negative, long term consequences for the University.

Three issues of utmost concern to me are:

1. The process by which the elimination of benefits decision was made,

2. The outcomes which have humiliating and unnecessary consequences for some of our colleagues and

3. The adverse impact on future retirements.

The outcome of the process was that some of your healthcare benefits were eliminated without any faculty consultation. Many may consider the action as affecting only retirees. If you think about the outcome this is simply not the case. Every current employee's future healthcare benefits were cut! In the not too distant past, the Faculty Senate was very involved in many decisions affecting the life of the University. Past administrations worked mostly harmoniously with the Faculty Senate Executive Committee in a mutual spirit of transparency, candor and trust. During those times, the faculty wanted to be involved actively in the governance of the University. My question to each of you is, "Will the TCU faculty re-establish its proper role and influence in the governance structure?" If the faculty turn away now, they may silence the voice of future faculty and abdicate its rightful place in the governance structure. This will diminish the future of TCU.

The shift of retirees from TCU/CARES to Medicare and a supplement policy has worked fairly well; I acknowledge the financial support of the University and hope it continues. But the shift from TCU/CARES to Medicare Part D for pharmaceuticals has had a major financial impact on retirees. We are all aware that 80% of an individual's healthcare costs occur during the final 20% of life. And we recognize that seniors consume more drugs than the younger population. But to shift the financial burden to retirees at a time in life when they require more drugs and have less income is a double hit. The retirees know the benefit plans of many universities, including area private institutions. But when have the policies and practices of other institutions been our touchstone? There was a time

when we all felt a sense of pride and purpose when TCU was referred to as “a special place.” You may have read the report of the work of Reinecke, Adams, Downey and Burgwyn. What you have not heard are the stories of decisions some retirees have had to make. A highly respected and beloved member of our community is suffering from a dreadful, debilitating disease. The medications are so expensive that the family had to declare financial hardship with a pharmaceutical company to reduce the cost. A retired staff member, living on a very modest fixed income, has to choose each month whether to pay rent and utilities, buy food, or buy medications. There was a time when I could not imagine that happening to a member of the TCU community. Has someone reset the moral compass of the University? Perhaps this is the case. A ranking Board member told me that the University’s benefits were “far too generous.” If Trustees want some of the TCU community to suffer, we can verify that their wish has been fulfilled.

Finally, the best education experience TCU can offer future students is a learning community informed by a faculty of blended disciplines, age and experiences. All are well served to have young, enthusiastic faculty who relate well to students blended with senior faculty who provide perspective, temper audaciousness and provide continuity to institutional history. In the best interest of Institution’s future, the administration should be providing incentives that encourage retirement. Unfortunately, these recent decisions do just the opposite; they discourage retirement. TCU will not well served by an aging faculty whose energy, interest and impact naturally diminish year after year.

What am I asking? Only that you examine your conscience and your commitment to the best interests of TCU and act accordingly.

Your colleague,
Bill

Our Mission

To educate individuals to think and act as ethical leaders and responsible citizens in the global community

Our Vision

To be a world-class, values-centered university

Cardinal Principles

There are five cardinal principles derived from *Vision in Action.* In spirit, these principles (called *cardinal goals* in the first planning process) have remained constant during both rounds of strategic planning, though minor modifications were made in the second phase. The five cardinal principles will determine the shape of the total TCU experience for at least a decade to come. What follows is a list of strategic priorities that support these principles. They are subject to further assessment and the availability of resources.

1 CARDINAL PRINCIPLE

Recruit and retain outstanding students, faculty and staff who can thrive intellectually, personally and professionally at TCU

- Enhance the quality of the undergraduate student academic experience
- Strengthen graduate programming
- Develop a strong and safe campus community
- Be the workplace of choice

2 CARDINAL PRINCIPLE

Design a vibrant, strong and brave learning community that is characterized by outstanding teaching, high-quality research, exceptional creative activity, and distinctive curricular, co-curricular and residential programs

- Improve integration and communication between curricular and co-curricular programs and services
- Support exceptional research and creative activity

3 CARDINAL PRINCIPLE

Enhance TCU's learning community by providing outstanding facilities and appropriate technology

4 CARDINAL PRINCIPLE

Accelerate TCU's connections with the greater community: Fort Worth, Texas, the nation and the world

- Enhance opportunities that support TCU's connections with the world at large through teaching, research, creative activities and service
- Embrace the changing demography of the region, state and nation to contribute to responsible global citizenship

5 CARDINAL PRINCIPLE

Couple wise financial stewardship with a well-planned entrepreneurial approach to academic opportunities

- Align and integrate all aspects of university planning and allocate financial resources to reflect priorities
- Develop advancement strategies that match these priorities
- Reconstitute the Strategic Initiative Fund
- Seek and obtain significant external funding

Appendix 8: Documents Received from VC Gutierrez

The Task Force sent the following information request to Vice Chancellor Brian Gutierrez, requesting information about the change in retiree medical benefits.
July 25, 2014

Mr. Brian Gutierrez
Vice Chancellor for Finance and Administration
Texas Christian University
Box 297041
Fort Worth, TX 76109

Dear Brian:

As you may be aware, the Faculty Senate Executive Committee has formed a task force to conduct a thorough review of the change in retiree healthcare benefits that was put into effect last year. Although the task force will report to the Faculty Senate, our members represent faculty, staff, and retirees. I have been asked to chair the group and have enclosed a copy of the charges to the task force. On behalf of the task force, I am requesting that you provide the following information related to the shift of TCU retirees from the university's health insurance plan to the current model that relies on health reimbursement accounts to fund insurance to supplement coverage for Medicare-eligible retirees:

- copies of reports and analyses received from outside consultants on this issue,
- copies of internally-developed reports and analyses generated on this issue, and
- copies of internally and externally developed reports, presentations, and analyses provided to the TCU Board of Trustees, including any separate items provided to the Finance Committee of the board, on this issue.

Once we have had an opportunity to review these documents, it is likely that members of the task force will have questions and we hope you would be willing to meet with us. We understand that this is a substantial request but a necessary one if affected faculty, staff, and retirees are to fully understand this significant change in employee benefits. Thank you in advance for your cooperation in our efforts. Please let me know if you have any questions.

Sincerely,

Robert L. Vigeland
Professor of Accounting

Documents received from VC Gutierrez follow.

VICE CHANCELLOR FOR FINANCE AND ADMINISTRATION

To: **Dr. Robert Vigeland**

From: **Brian G. Gutierrez**

CC: **Chancellor Victor Boschini**
Vice Chancellor Karen Baker

Date: **August 28, 2014**

Re: **Post-retirement Medical Benefits**

Bob, per your request on behalf of the Faculty Senate Executive Committee Task Force, attached please find several documents for your review. These include:

- **Attachment 1:** Texas Christian University Postretirement Medical and Dental Valuation 2013 Plan Changes as prepared by Sheryl Henry, F.S.A, M.A.A.A. of Willis.
- **Attachment 2:** A calculation prepared by TCU Controller Cheryl Wilson in August 2014 for the purposes of outlining the expenses and liability for the University relative to post-65 retiree medical expenses for the Fiscal Years 2008-2014.
- **Attachment 3:** Pertinent pages from the communication prepared and presented by Human Resources in multiple sessions for an audience that consisted of TCU Retirees, TCU Administration, and other campus governance leaders in the spring of 2014. The purpose of this presentation was to provide an overview of the key factors relative to the transition to the new Health Reimbursement Accounts (HRA) model, and to set the stage for more collaborative communication on retiree healthcare issues on a forward-going basis.
- **Attachment 4:** Pertinent pages (data collected as of May 2012) from comparative benefit research done by the Human Resources team during the time that the change to the HRA model was originally considered. This includes data on retiree health plan availability and funding from a variety of peer and aspirant schools as well as Big 12 data. It should be noted that information gathered from other institutions has changed in some instances, most notably with Baylor's transition from their prior model to a new model utilizing OneExhange and an HRA account similar to TCU's structure.

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The information contained herein was instrumental in helping the University's administration, with the support of the CARES board, make an informed decision to allocate the amount of University funding previously paid for post-retirement medical insurance premiums directly to eligible retirees via HRA.

The amount of funding previously contributed by the University was $202.72 per month, which along with retiree contributions of $165.86 per month, served to fund the Medicare-supplement premium total at the time of $368.58 per month (please reference Attachment 3, slides 4 and 5). Corresponding amounts for each eligible covered dependent of the retiree were funded by the University and retiree respectively. As you know, under the new plan the University funding of $202.72 per month remains the same for each retiree and additional funding of $202.72 per eligible dependent of each retiree is also paid by the University to the retiree's HRA. As you will see in Attachment 4, both the funding amount provided to each employee and the availability of coverage and funding to eligible dependents places TCU in the top tier of benefits offered, particularly with other private institutions.

The shift from post-65 retiree participation in the CARES plan significantly alters the future liability (e.g. future expenses to be paid) by the University and leverages the economies of scale the insurance exchange market place affords making it possible for retirees to choose from more plans and potentially spend less on insurance premiums (see Attachment 2).

While the University continues to carry eligible retirees who are not yet 65 on the CARES plan, the 65+ retirees transfer over to the exchange utilizing HRA monies to fund their selection of insurance policy. The change from CARES to the HRA-funded model at age 65 allows for a dramatic reduction in the future expenses the University will incur and thus a dramatic reduction in the accrued liability which is reflected in Fiscal Year 2013 on Attachment 2. This exhibit also shows the buildup of the liability as determined by actuarial estimates from 2008 to 2014. As you can tell the liability begins to grow significantly over the years until 2013 when the new plan was implemented. Please note in Attachment 3, Slide 3, you can see how this liability was projected to rise above $100,000,000 under the previous post-retirement medical benefit structure. The details of that projection can be found on Attachment 1. Attachment 1 represents the analysis prepared by Willis, (http://www.willis.com/), the benefits brokerage engaged by TCU to assist with benefit strategy, selection and implementation. This analysis was prepared based on the enrollment data and discount rate from May 31, 2012 as well as other relevant factors as detailed in Attachment 1.

Each year the University engages Willis to perform a similar actuarial valuation whereby Willis estimates the amount of the future liability. However, the annual analysis only looks at the accrued liability for the current year end under audit. Nevertheless, each year the calculation is prepared by Willis and audited by the University's independent accountants, Grant Thornton. As a part of the audit process, Grant Thornton's actuarial team reviews the assumptions and the calculation to determine the reasonableness of the

accrued liability as of a particular year end. Attachment 2 represents a summary of each element reviewed by Grant Thornton, and the Attachment helps show the progression of the liability to the current fiscal year ending May 31, 2014.

Finally, you will see in Attachment 4 how TCU's plan compares to several public and private schools. Please note that Attachment 3, Slide 7, reflects a more recent survey of other private universities with regard to post-retirement medical benefits that was conducted by the Human Resources team.

Please note that unless otherwise noted, the information provided is primarily based on research conducted on or about the time that the decision to transition the post-65 retirees to a new health care delivery model occurred.

I hope that this information is helpful to you in performing your review. Per your request, I will be happy to meet with members of the task force to discuss details of this documentation at your convenience. Please feel free to contact me if you have additional questions, or if I can assist in any way.

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Attachment 1

Summary

Texas Christian University provides a retiree medical program for employees who meet the eligibility requirements upon retirement.

Under the current plan, participants are covered under the self-insured CARES plan. The cost for that plan is projected to increase in the future at health care cost trend as listed in the assumptions section.

Effective 6/1/2013, all current and future retirees who are Medicare eligible will be moved to the insured Extend Health plan. The cost for that plan to TCU will be $202.72/month per participant and will not increase in the future. Any future increases will be the responsibility of the retiree.

The decrease in liability due to this change is projected to be $47.3M as of 5/31/2013. The decrease in TCU's payments to the retiree plan will decrease by $218,000 in FY2014. The decrease in cost is due to the lower monthly cost of the Extend Health plan compared to the CARES plan and the removal of any future cost increases on a per participant level to TCU in the future for the Medicare eligible retirees.

Shown is a 5 year projection of costs under the current plan and the proposed plan.

No New Employees	Fiscal Year					
	6/1/2012 5/31/2013	6/1/2013 5/31/2014	6/1/2014 5/31/2015	6/1/2015 5/31/2016	6/1/2016 5/31/2017	6/1/2017 5/31/2018
APBO Beginning of fiscal year	$78,109,393	$83,082,910	$87,897,612	$92,590,654	$97,088,283	$101,401,817
EPBO Beginning of fiscal year	$102,631,556	$105,177,815	$107,574,964	$109,891,926	$112,093,687	$114,221,063
Service Cost	$3,470,345	$3,357,640	$3,213,599	$3,032,534	$2,825,300	$2,611,810
Interest Cost	$3,281,852	$3,487,869	$3,688,702	$3,883,707	$4,071,361	$4,250,421
Amortization of Unrealized Actuarial Loss	$2,249,482	$2,011,625	$1,873,992	$1,733,870	$1,592,766	$1,459,316
Annual Expense	$9,001,679	$8,857,135	$8,776,293	$8,650,111	$8,489,427	$8,321,547
Pay-as-you-go	$1,778,680	$2,030,808	$2,209,258	$2,418,612	$2,583,127	$2,783,832
Unrealized Actuarial Loss Beginning of fiscal year	$33,027,627	$30,778,145	$28,766,520	$26,892,528	$25,158,657	$23,565,891
Amortization	$2,249,482	$2,011,625	$1,873,992	$1,733,870	$1,592,766	$1,459,316
Unrealized Actuarial Loss End of fiscal year	$30,778,145	$28,766,520	$26,892,528	$25,158,657	$23,565,891	$22,106,575

W

04/09/13

Texas Christian University

Postretirement Medical and Dental Valuation 2013 Plan Changes

No New Employees Remain in Current Plan until Age 65 Ages 65+ Receive $202.72/month No Trend Beginning 6/1/2013	Fiscal Year 6/1/2012 5/31/2013	6/1/2013 5/31/2014	6/1/2014 5/31/2015	6/1/2015 5/31/2016	6/1/2016 5/31/2017	6/1/2017 5/31/2018
APBO Beginning of fiscal year	$78,109,393	$35,761,664	$36,658,903	$37,567,132	$38,467,729	$39,424,233
EPBO Beginning of fiscal year	$102,631,556	$43,792,151	$45,086,083	$46,545,336	$48,195,573	$50,093,846
Service Cost	$3,470,345	$1,228,931	$1,272,158	$1,322,705	$1,393,156	$1,489,003
Interest Cost	$3,281,852	$1,481,344	$1,518,012	$1,554,598	$1,591,774	$1,630,945
Amortization of Unrealized Actuarial Loss	$2,249,482	$2,355,150	$2,156,542	$1,964,201	$1,781,836	$1,612,673
Amortization of Unrealized Prior Service Cost Gain	$0	($4,097,078)	($3,765,171)	($3,443,193)	($3,137,265)	($2,854,040)
Annual Expense	$9,001,679	$968,347	$1,181,540	$1,398,311	$1,629,502	$1,878,581
Pay-as-you-go	$1,778,680	$1,813,036	$1,881,941	$1,976,706	$2,028,427	$2,098,094
Unrealized Actuarial Loss Beginning of fiscal year	$33,027,627	$30,778,145	$28,422,996	$26,266,453	$24,302,253	$22,520,417
Amortization	($2,249,482)	($2,355,150)	($2,156,542)	($1,964,201)	($1,781,836)	($1,612,673)
Unrealized Actuarial Loss End of fiscal year	$30,778,145	$28,422,996	$26,266,453	$24,302,253	$22,520,417	$20,907,744
Unrealized Prior Service Cost Gain Beginning of fiscal year	$0	($47,321,246)	($43,224,169)	($39,458,997)	($36,015,804)	($32,878,538)
Amortization	$0	$4,097,078	$3,765,171	$3,443,193	$3,137,265	$2,854,040
Unrealized Prior Service Cost Gain End of fiscal year	$0	($43,224,169)	($39,458,997)	($36,015,804)	($32,878,538)	($30,024,499)

Change in Benefit Obligation		
Benefit Obligation as of 6/1/2012	$	78,109,393
Service Cost	$	3,470,345
Interest Cost	$	3,281,852
Expected Return on Assets	$	-
Benefits Paid (Net of Participant Contributions)	$	(1,778,680)
Prior Service Cost Gain	$	(47,321,246)
Benefit Obligation as of 5/31/2013	$	35,761,664

There are currently 292 retirees aged 65 and over who will be moved from the CARES plan to the Extend Health plan.

This report has been prepared by Sheryl Henry, F.S.A, M.A.A.A.

W

04/09/13

Plan Participants

All regular, full-time employees hired prior to January 1, 2005 who retire at or beyond age 55 with at least 5 years of service are eligible to participate in the postretirement medical and dental benefit programs provided that age plus years of service equal at least 75.

All regular, full-time employees hired after December 31, 2004 who retire at or beyond age 55 with at least 10 years of service are eligible to participate in the postretirement medical and dental benefit programs provided that age plus years of service equal at least 75.

Retirees who become eligible for coverage as an active employee under the plan of another employer lose coverage under the Texas Christian University plans.

The valuation includes all active employees, retirees and their covered spouses, disabled individuals, and surviving spouses who are currently receiving benefits under the plans.

Count of Active Participants

	Service								
Age	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35+	Total
Under 25	21	0	0	0	0	0	0	0	21
25 - 29	88	10	0	0	0	0	0	0	98
30 - 34	107	34	4	0	0	0	0	0	145
35 - 39	87	38	16	1	0	0	0	0	142
40 - 44	70	42	31	14	1	0	0	0	158
45 - 49	59	52	38	21	6	0	1	0	177
50 - 54	42	59	54	25	19	10	2	0	211
55 - 59	42	58	46	23	33	19	17	1	239
60 - 64	23	34	34	22	38	20	20	3	194
65+	8	11	19	11	30	19	30	20	148
Total	547	338	242	117	127	68	70	24	1,533

Statistics for Active Participants

Average Age	49.4
Average Service	11.0
Percentage Male	48.5%

Count of Retired Participants

Age	Single	Married	Total
Under 55	0	0	0
55 - 59	2	4	6
60 - 64	11	11	22
65 - 69	33	25	58
70 - 74	39	43	82
75 - 79	30	29	59
80 - 84	21	16	37
85+	46	10	56
Total	182	138	320

Assumptions

1. Discount Rate: 4.25%
   The Citibank Pension Liability Index 20 year spot rate as of 6/30/2012 is 4.11%.

2. Mortality: RP-2000 Combined Mortality Projected to 2015 using Projection Scale AA

3. Sample Annual Termination Rates:

Age	Service		
	0	2	5+
25	0.326	0.246	0.197
30	0.290	0.214	0.168
35	0.254	0.181	0.139
40	0.218	0.149	0.110
45	0.182	0.116	0.080
50	0.146	0.084	0.051
55	0.110	0.051	0.022
60	0.074	0.012	0.000

4. New Employees: None

5. Disability Rate: N/A

6. Retirement Rates

Age 55-61:	1 %
Age 62:	10 %
Age 63-64:	5 %
Age 65:	20 %
Age 66-69:	15 %
Age 70+:	100 %

7. Salary Increases: N/A

8. Monthly Per-Capita Claim Cost at age 65
   - Pre-Medicare Health: $1,024.61
   - Post-Medicare Health (6/1/2012-5/31/2013) : $309.52
   - Dental $ 42.73

   Costs are trended by health care cost trend

   - Post-Medicare Health (6/1/2013 and later) : $202.72

   Future post-Medicare cost is fixed.

9. Assumed Rate of Return on Plan Assets: n/a

10. Health Care Cost Trend:

	8 %	2013
	7 %	2014
	6 %	2015
	5 %	2016 and later
Dental Cost Trend:	5%	2013 and later

11. Administrative Expenses:

    Included in claim cost

12. Attribution Period:

    The attribution period is the portion of a participant's service to which the expected postretirement benefit obligation is assigned. The beginning of the attribution period is the date of hire and the end of the attribution period is the earliest eligibility date.

13. Valuation Date: June 1, 2012

14. Eligibility Requirements:
    - Age 55 with 5 years of service provided age plus service equals at least 75 for employees hired prior to January 1, 2005
    - Age 55 with 10 years of service provided age plus service equals at least 75 for employees hired after December 31, 2004

15. Benefits:

    Medical, prescription drug, and dental benefits are provided by the plan. Surviving spouse can continue coverage upon death of retiree with certain restrictions.

16. Retiree Contributions:

    Medical:

Retiree	$179.57
Retiree and Spouse	$389.91

    Dental (per participant): $29.05

17. Plan Participation of Future Retirees: 75%

18. Percent of Future Retirees with Coverage Who Elect Coverage on Spouse: 50%

19. Age Difference in Spouses: Male is 3 years older

Attachment 2

ATTACHMENT 2

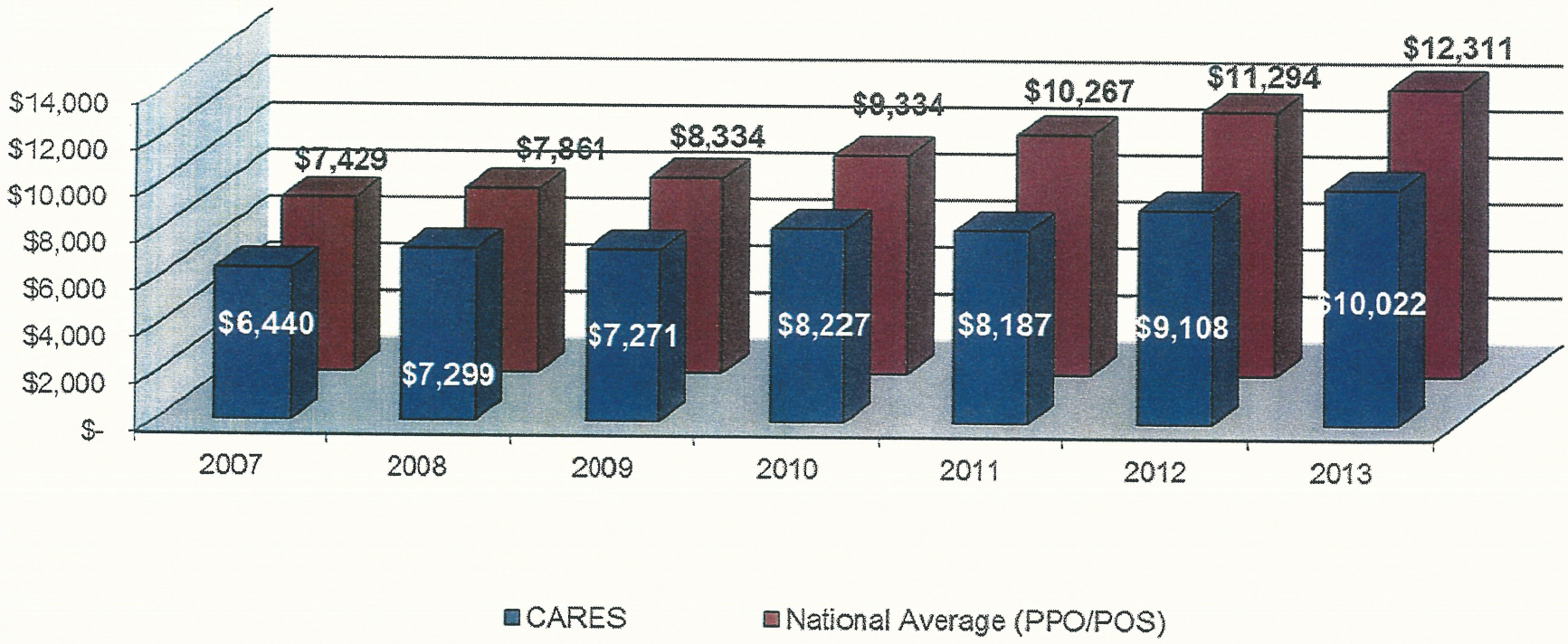
	EXPENSES				LIABILITY		
				5/31/2007	$ 38,121,746		$ 38,121,746
FY08	COMBINED	BRITE	TCU				
Service cost	$ 1,516,301						
Interest cost	2,345,552						
TCU contributions (recorded as healthcare expenses)	(1,040,314)						
Amortization of actuarial loss	746,854						
Unrecognized actuarial adjustment (not included in net periodic benefit cost)	(460,760)						
	$ 3,107,633		$ 3,107,633.00		$ 3,107,633		$ 3,107,633
				5/31/2008	$ 41,229,379		$ 41,229,379
FY09	COMBINED	BRITE	TCU				
Service cost	$ 1,681,315						
Interest cost	2,439,921						
TCU contributions (recorded as healthcare expenses)	(1,263,938)						
Amortization of actuarial loss	684,142						
Unrecognized actuarial adjustment (not included in net periodic benefit cost)	990,934						
	$ 4,532,374		$ 4,532,374.00		$ 4,532,374		$ 4,532,374
				5/31/2009	$ 45,761,753		$ 45,761,753
FY10	COMBINED	BRITE	TCU				
Service cost	$ 1,856,167						
Interest cost	2,709,936						
TCU contributions (recorded as healthcare expenses)	(1,719,045)						
Amortization of actuarial loss	741,850						
Unrecognized actuarial adjustment (not included in net periodic benefit cost)	4,504,607						
	$ 8,093,515		$ 8,093,515.00		$ 8,093,515		$ 8,093,515
				5/31/2010	$ 53,855,268		$ 53,855,268
FY11	COMBINED	BRITE	TCU				
Service cost	$ 2,214,905						
Interest cost	3,056,361						
TCU contributions (recorded as healthcare expenses)	(1,583,142)						
Amortization of actuarial loss	1,059,506						
Unrecognized actuarial adjustment (not included in net periodic benefit cost)	(1,421,977)						
	$ 3,325,653		$ 3,325,653.00		$ 3,325,653		$ 3,325,653
				5/31/2011	$ 57,180,921		$ 57,180,921
FY12	COMBINED	BRITE	TCU				
Service cost	$ 2,302,751						
Interest cost	3,241,504						
TCU contributions (recorded as healthcare expenses)	(1,767,136)						
Amortization of actuarial loss	981,467						
Unrecognized actuarial adjustment (not included in net periodic benefit cost)	16,169,886						
	$ 20,928,472		$ 20,928,472.00		$ 20,928,472		$ 20,928,472
				5/31/2012	$ 78,109,393		$ 78,109,393
FY13	COMBINED	BRITE	TCU				
Service cost	$ 3,470,345	$ 121,748	$ 3,348,597				
Interest cost	3,281,852	97,218	3,184,634				
TCU/Brite contributions (recorded as healthcare expenses)	(1,934,587)	(54,613)	(1,879,974)				
Amortization of actuarial loss	2,249,482	37,273	2,212,209				
Unrecognized actuarial adjustment (not included in net periodic benefit cost)	(8,922,165)	(32,958)	(8,889,207)				
Brite's portion of obligation at beginning of year	-	2,313,840	(2,313,840)				
	$ (1,855,073)	$ 2,482,508	$ (4,337,581)		$ (1,855,073)	$ 2,482,508	$ (4,337,581)
Unrecognized prior service cost gain *	$ (42,811,862)	$ (1,393,767)	$ (41,418,095)		$ (42,811,862)	$ (1,393,767)	$ (41,418,095)
* Fiscal year in which One Exchange (Extend Health) was implemented.							
				5/31/2013	$ 33,442,458	$ 1,088,741	$ 32,353,717
FY14	COMBINED	BRITE	TCU				
Service cost	$ 1,044,882	$ 43,603	$ 1,001,279				
Interest cost	1,627,647	52,266	1,575,381				
TCU/Brite contributions (recorded as healthcare expenses)	(1,789,598)	(52,675)	(1,736,923)				
Amortization of actuarial loss	1,929,481	41,166	1,888,315				
Unrecognized actuarial adjustment (not included in net periodic benefit cost)	(583,824)	(157,192)	(426,632)				
	$ 2,228,588	$ (72,832)	$ 2,301,420		$ 2,228,588	$ (72,832)	$ 2,301,420
				5/31/2014	$ 35,671,046	$ 1,015,909	$ 34,655,137

Attachment 3

CARES Plan Costs Continue to Rise

Average Net Medical/Rx trend for CARES since 2007 is 8.8%

Average Net Claim / EE / Year

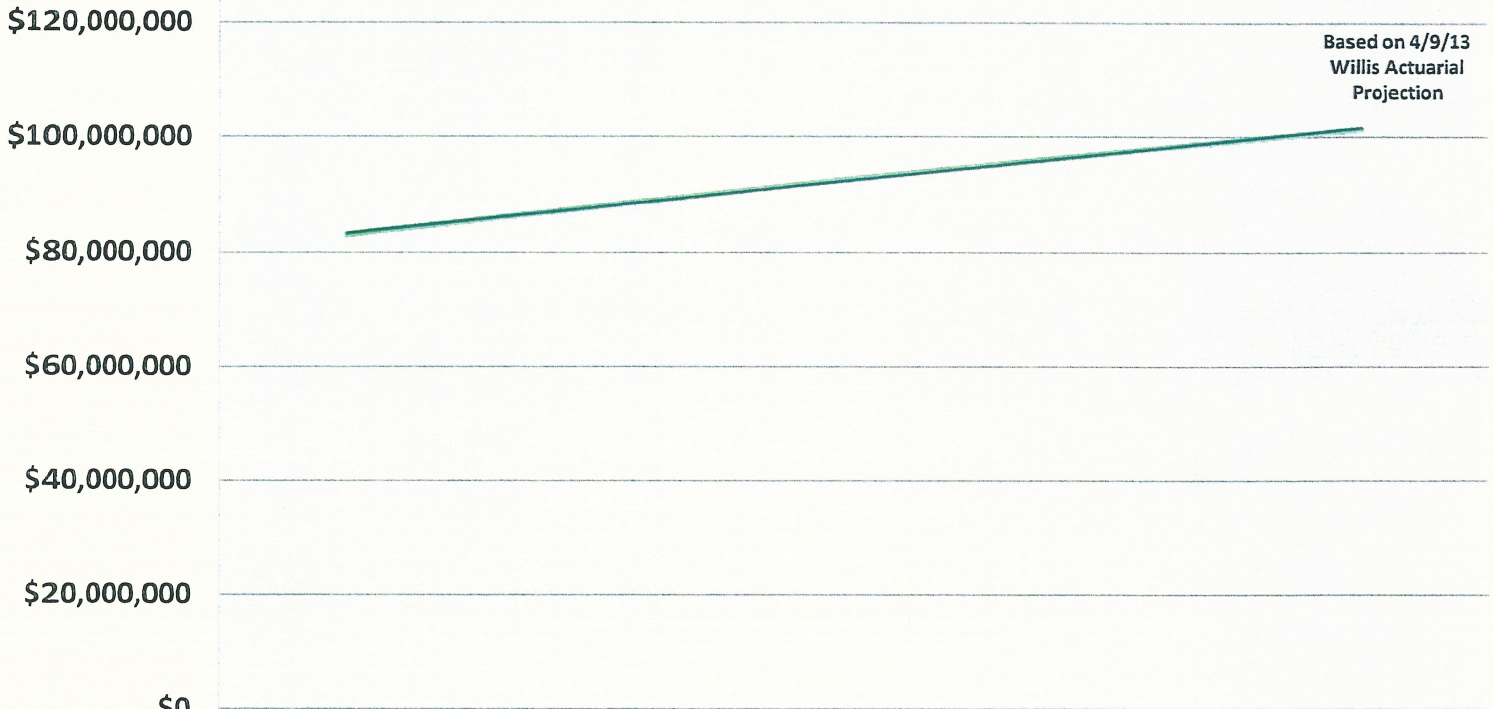


- CARES data provided by Willis, BCBS and Express Scripts and shows actual utilization
- Includes ESI and Stop Loss Reimbursements
- Adjusted for outlier large claim reimbursements
- National Average Data Source: 2011 Mercer National Survey of Employer Sponsored Health Plans

TCU

The Growing Impact of Medical Liability

FAS 106 Actuarial Projections



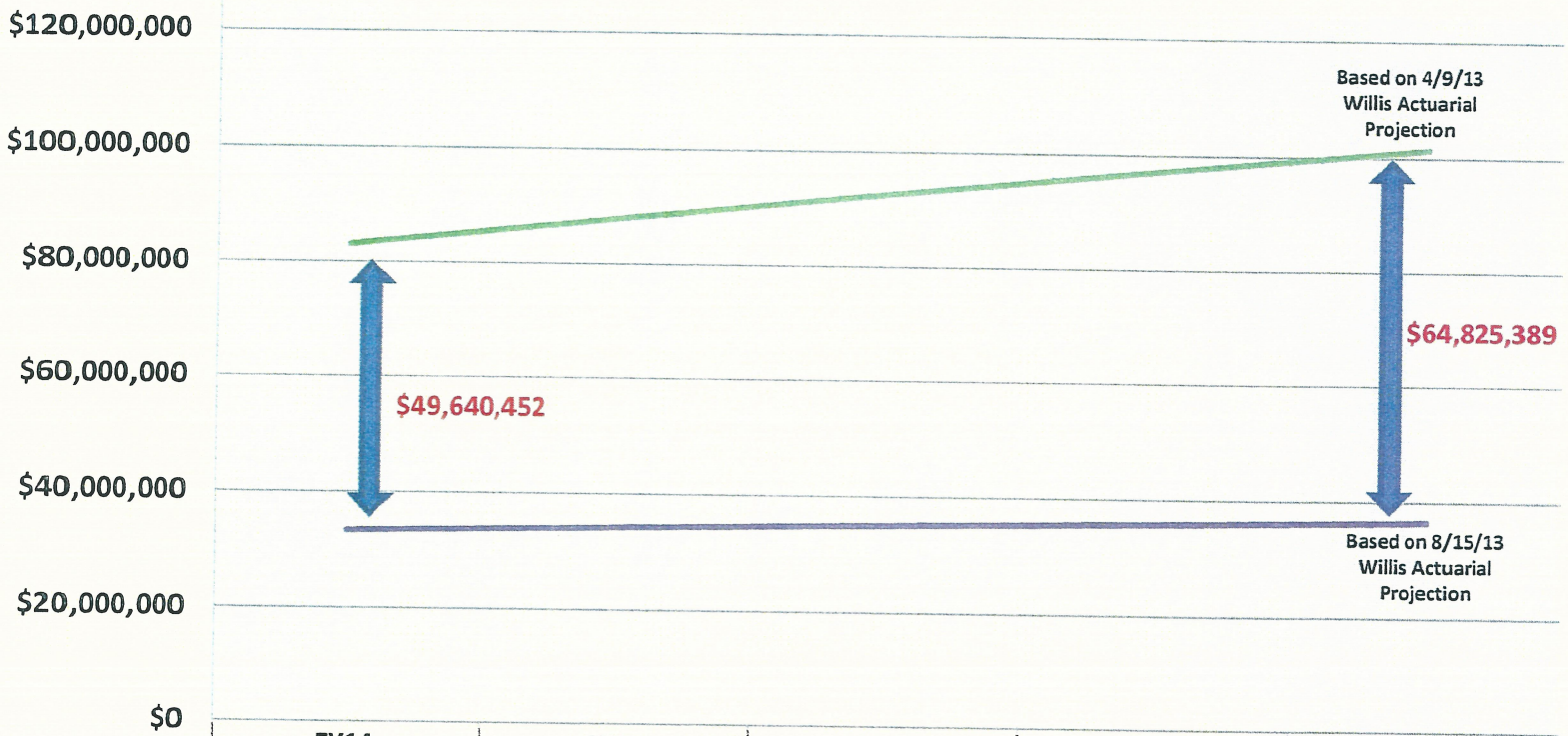
	FY14	FY15	FY16	FY17	FY18
CARES Plan (Pre-6/1/13)	$83,082,910	$87,897,612	$92,590,654	$97,088,283	$101,401,817

All actuarial projections and analysis performed by Willis Actuarial Services.

TCU

The Growing Impact of Medical Liability

FAS106 Actuarial Projections



	FY14	FY15	FY16	FY17	FY18
CARES Plan (Pre-6/1/13)	$83,082,910	$87,897,612	$92,590,654	$97,088,283	$101,401,817
CARES Plan (Post-6/1/13)	$33,442,458	$34,335,967	$35,175,447	$35,903,868	$36,576,428

**All actuarial projections and analysis performed by Willis Actuarial Services*

TCU

Cost Sharing Scenario

Example: 90 Buy up Plan for a Pre-6/1/13 TCU Retiree

Retirees >65 CARES Medicare Companion	Total	Retiree	TCU
Employee Only Premium	$368.58	$165.86	$202.72
Cost Share	100%	45%	55%

Summary of CARES Rx Benefits

Retail	Retiree Cost: 30 Day Supply
Generic	$10
Preferred Formulary	$20
Non-Preferred Drugs	$35

Home Delivery	Retiree Cost: 90 Day Supply
Generic	$20
Preferred Formulary	$40
Non-Preferred Drugs	$70

TCU

Retiree Medical - Today

- **Pre-65** retirees stay on the CARES plan until Medicare eligibility is attained

  2014 monthly premium for a Pre-65 TCU Retiree 90 Buy up Plan (Employee Only):
  Employee pays $278.48 TCU pays $319.09

- At **age 65**, Medicare becomes primary for retirees

- Effective June 1, 2013, TCU contributes $202.72 per participant/month into a Health Reimbursement Account (HRA) to be used at retiree discretion for eligible medical expenses

Retirees >65 CARES Medicare Companion	Total	Retiree	TCU
Employee Only Premium	$368.58	$165.86	$202.72
Cost Share	100%	45%	55%

Pre-6/1/13 Retiree Premium Rates on the 90 Buy up Plan

  - Consumer advocacy and enrollment assistance provided by OneExchange

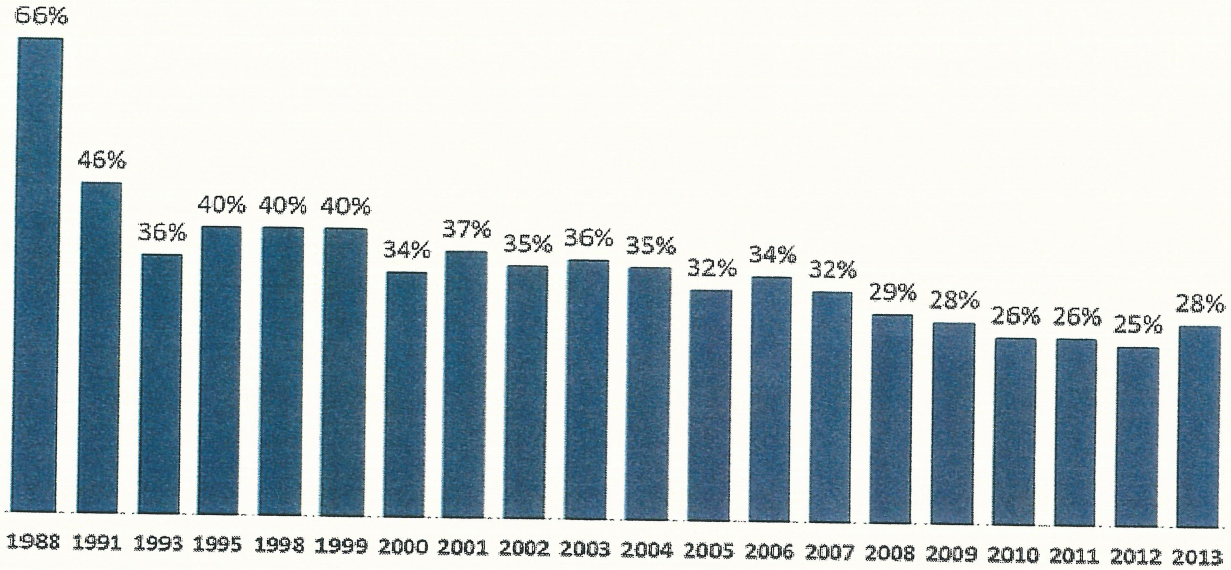
  - Premium costs for single coverage Medicare plans range from $0 to $306 per month.

TCU

Sustaining Retiree Healthcare is a significant, nationwide challenge

Figure 1

The share of large firms (200 or more workers) offering retiree health benefits to active workers has declined, 1988-2013



NOTE: Tests found no statistical difference from estimate for the previous year shown ($p<.05$). No statistical tests are conducted for years prior to 1999.

SOURCE: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 1999-2013; KPMG Survey of Employer-Sponsored Health Benefits, 1991, 1993, 1995, 1998; The Health Insurance Association of America (HIAA), 1988.

THE HENRY J. KAISER FAMILY FOUNDATION

TCU

Peer Institution Data

- Primary peer organizations' approach to retiree healthcare
  - Baylor: OneExchange with $220 in HRA funding
  - SMU: Defined Contribution model through Emeriti. SMU contributes $63/month to actives over the age of 40 until they reach retirement. Requires employee match.
  - Tulane: No retiree medical benefits offered
  - Vanderbilt: No retiree medical benefits offered
  - University of Dallas: No retiree medical benefits offered
  - Austin College: OneExchange with $110 in HRA funding for retiree and spouse; spouse coverage is being dropped later this year

Source: Information collected and vetted through TCU HR in 2013

Attachment 4

TCU Benefit Comparison

Big XII

University of Minnesota

Retiree Healthcare Benefits

Retirement Healthcare Benefits

University	Minimum Age Requirement	Minimum years of service	Rule of 75	Additional Notes
Baylor	55	5 categories	No	Eligible retirees have two options: 1. Retirees retain medical benefits under the Baylor group health plan. **Baylor contributes on average $215/month** to retirees choosing this option. Under this option, surviving spouses would retain medical coverage. 2. The second option applies to employees only. A retiree can enroll in a BCBSTX Medicare supplemental plan through which **Baylor contributes up to a maximum of $180**. Under this option, spouses would not receive coverage.
Iowa State University	55	None	No	Retirees get the same healthcare options as actives. There are five plan options for ages 55-65. Once over age 65, you have six plan options. **Retirees pay 100% of the premium** and this can range from **$424-713** for a retiree only. If your spouse is covered under your State of Iowa's health and/or dental plans at the time of your death, he or she can continue health and dental coverage as a surviving spouse.
Kansas State University	55	10	No	Retirees may continue to participate in the State Employee Health Plan., but **retirees pay 100% of the premium** (non-Medicare premium: **$511-$573/month**) or Medicare-eligible premium (**$161-$367/month**). Surviving spouses can continue coverage.
Oklahoma State University	62	10	80 & 90	Retirees may continue health care insurance with the Oklahoma State and Education Employee Group Insurance Board, also known as the State Plan. **Retirees pay 100% of the premium** which can range from **$455-$1,653** for under 65 retirees and **$107-$221** for over 65 retirees, depending on the plan. The Teachers' Retirement System of OK pays out a premium credit of **$101-105** to eligible retirees depending on age and years of service.
TCU	55	5 (10 if hired on or after 1/1/05)	75	Qualified retirees are offered a Health Reimbursement Arrangement (HRA) into which **TCU contributes $202.72/month** for both employee, spouse, and/or Medicare eligible child. Retirees are given the option of Medicare Supplement or Medicare Advantage Plans through Extend Health. Non-Medicare eligible retirees remain on the TCU plan. Surviving spouses will continue to receive both medical coverage and their TCU contribution indefinitely.

Retirement Healthcare Benefits Part 2

University	Minimum Age Requirement	Minimum years of service	Rule of 75	Additional Notes
Texas Tech University	65	10	80 (or age 65 whichever comes first)	Retirees can continue health insurance under the state of Texas Employees Group Benefits Program and the **State pays 100%** of the premium **($400-470/month).** Surviving spouses and eligible dependents can continue coverage at 100% cost to the employee.
University of Kansas	60 to 65	1 to 30	85	Retirees from the University have the right to remain in the State's group health insurance but **retirees pay 100% of the premium** (non-Medicare premium: **$511-$573/month**) or Medicare-eligible premium **($161-$367/month).** Spouses and qualified dependents are eligible for health insurance, as are surviving spouses.
University of Oklahoma	62	10	80	1. Employees **hired before 1/1/08** remain on the OU health plan. **OU pays 100% of the premium for retiree only**. **Dependent coverage is paid 100% by the retiree**: Dependent rates range from **$258-$1,208/month.** 2. Employees **hired after 1/1/08** can continue to participate in the OU medical plan, but **retirees pay 100% of the premium.** Rates range from **$258-$1,208/month.** 3. Current OU retirees and employees eligible for retirement on or **before 12/15/15** will continue to receive retiree medical benefits that include **100% employer-paid premiums for the retiree only.** 4. Retirees **after 1/1/15** will receive a premium subsidy. **OU will pay 55% to 95% of the total premium** depending on age and service. **Surviving spouses** can remain on the plan if they pay 100% of the premium (average cost: **$427/month**)
University of Texas	55 & 65	5 & 10	80	**The University of Texas at Austin and the State of Texas pays 100%** of your premium for retiree only basic coverage **($483/month).** The university and the state then subsidize up to 50% of the premium for your dependent's medical coverage. Surviving spouses are eligible to continue health insurance but at full premium cost to the employee ($461/month).
West Virginia University	N/A	N/A	N/A	**No Retirement Healthcare Benefit Offered**
University of Minnesota	50 to 55	5 to 15	No	Eligible faculty and staff who are retiring from the University may continue medical and dental coverage through the University **at their own expense.**

TCU Benefit Comparison

Peer and Aspirant Universities

Retiree Healthcare Benefits

Retiree Healthcare Benefits

University	Minimum Age Requirement	Minimum years of service	Rule of 75	Additional Notes
Baylor	55	10	No	Eligible retirees have two options: 1. Retirees retain medical benefits under the Baylor group health plan. **Baylor contributes on average $215/month** to retirees choosing this option. Under this option, surviving spouses would retain medical coverage. 2. The second option applies to employees only. A retiree can enroll in a BCBSTX Medicare supplemental plan through which **Baylor contributes up to a maximum of $180**. Under this option, spouses would not receive coverage.
SMU	60	10	No	SMU transitions all Medical/Rx coverage for Medicare-eligible retirees from BCBS of TX to the Emeriti Health. Emeriti medical coverage is administered through Aetna and is available for surviving spouses of SMU retirees. **SMU contributes $119/month** to current retirees age 65-69: **$140** for age 70-74, and **$169** for age 75+. All current employees, age 40+, are required to contribute $60.83/month into an Emeriti account to save for retirement medical expenses. SMU matches this $60.83/month for each current employee over age 40 to be increased at 4% per year.
TCU	55	5 (10 if hired on or after 1/1/05)	Yes	Medicare-eligible retirees are given the option of Medicare Supplement or Medicare Advantage Plans through Extend Health. A Health Reimbursement Arrangement (HRA) is opened into which **TCU contributes $202.72/month** for each member, whether it be an employee, spouse, and/or Medicare eligible child. Surviving spouses will continue to receive both medical coverage and their TCU HRA contribution indefinitely All non-Medicare eligible retirees remain on the TCU plan.
Tulane	No benefit offered	No benefit offered	No	**Tulane provides no retiree healthcare coverage.** The only option is Cobra for a maximum of 18 months following retirement.
Vanderbilt	No benefit offered	No benefit offered	No	**Vanderbilt provides no retiree healthcare coverage**. The only option is Cobra for a maximum of 18 months following retirement.