Board of Curators Meeting

Total Rewards Task Force
Recommendations
April 10-11, 2014
Total Rewards Task Force charge: Develop directional recommendations

- Concerns related to faculty and staff
  - Even with competitive benefits, less competitive pay levels negatively affect employee perceptions of Total Rewards
  - A significant number of employees rate themselves as “unhealthy,” with low participation in personal wellness, placing their engagement and productivity at risk

- Financial concerns
  - More than $1 billion unfunded pension and retiree medical liabilities
  - Rising health costs and a looming 40% medical plan excise tax
  - These factors among others are making it difficult to fund University priorities

- Further vetting with input from employees and retirees is required prior to any action
Task Force guiding principles

**Retirement**
- Retirement plan benefits should not be reduced for current employees and retirees
- Viability of retirement trust fund should be maintained

**Competitiveness**
- Pay should be competitive
- Benefit costs should be consistent with peers in each major employee group
- Impact on recruitment and retention must be considered

**Value of Total Rewards**
- Total Rewards should be perceived as valuable
- Package must achieve cost and competitiveness objectives
- Focus should be on goals, objectives and types, not design details

**Funding of Total Rewards**
- Cost predictability should be increased for both UM and employees
What faculty and staff value

- Pay
- Benefits
- Career
- Work Content
- Culture
Key themes for enriching our University experience

- Efficiency / Sustainability
- Strategic Competitiveness
- Shared Responsibility
- Education / Communication
- Flexibility to Address Diverse Needs
- Interplay between Pay and Benefits

Task Force Discussions
Treat benefits and pay as interrelated parts of overall Total Rewards strategy

RECOMMENDATION 1

- Identify new funding sources and reallocate from lower priorities to improve pay
- Update traditional practices and committees
- Include all employee-perceived benefits in the marketing of Total Rewards
- Direct any funds reallocated from benefits to pay
Establish a benefits rate cap

**RECOMMENDATION 2**

- Set cap as a % of pay to ensure the appropriate balance between benefits and pay
- Benchmark benefit offerings, plan designs, and pay on a systematic basis

Incidences in both employees, and the number of students they serve, have far outpaced any upward trend in revenue and salaries.
Increase flexibility within Total Rewards programs

RECOMMENDATION 3

Flexibility for Individuals
- Recognize our population is increasingly diverse; what is valued differs among workforce segments and life stages
- Revise “one size fits all” approach to benefits

Flexibility for Campuses
- Align Total Rewards to support campus strategic priorities for recruitment and retention
  - Competitive pay
  - Targeted recruitment and retention by campus
  - Part-time staffing needs of MU Health Care
Utilize medical plan options to encourage healthy behavior and efficient use of health care services

RECOMMENDATION 4

• Improve access to primary care and health management
• Provide tools for cost and quality transparency
• Take advantage of new care delivery and pricing models

Medical plan cost trend

Incentives for healthy behavior

• Link employee health behaviors to medical plan premiums
• Engage line managers in creating a supportive environment for health and well-being
• Embed healthy practices across the campuses
Leverage marketplace opportunities for retiree medical benefits

**RECOMMENDATION 5**

- Align practices with peer institutions to better serve retirees
- Ensure the availability of accessible and affordable retiree medical coverage
- Continue to guide and support retirees with education and personal support
Evaluate additional retirement plan options

**RECOMMENDATION 6**

- Maintain commitment to a financially viable retirement trust fund
- Consider simplifying the retirement plan for future employees
- Consider allowing current employees to opt out of the DB plan to another plan
Evaluate time-off plans for staff

RECOMMENDATION 7

- Align the leave benefits with the Total Rewards strategy and healthy campus initiatives
- Simplify leave policies as much as possible
- Provide short-term disability income replacement
- Emphasize value and flexibility through an integrated time-off benefit program
- Encourage appropriate use of time-off benefits
Invest in communication and education about Total Rewards that promotes informed decision-making

**RECOMMENDATION 8**

- Increase employee understanding/appreciation for value of Total Rewards
- Provide tools to help employees make optimal choices at times of key decisions
- Tailor resources to diverse needs, learning styles, and behaviors
- Coach managers to support employees in leveraging Total Rewards
Summary of recommendations

1. Treat pay and benefits as interrelated parts of the overall Total Rewards strategy
2. Establish a benefits rate cap
3. Increase flexibility within Total Rewards programs
4. Utilize medical plan options to encourage healthy behavior and efficient use of health care services
5. Leverage marketplace opportunities for retiree medical benefits
6. Evaluate additional retirement plan options
7. Evaluate time-off plans for staff
8. Invest in communication and education about Total Rewards that promotes informed decision-making
Next steps

April 10
Board of Curators Meeting

April 14 through May
Campus constituent groups discussions

2014 and Beyond
Retirement and Staff Benefits Committee further develops designs with faculty/staff/retiree input