

Personnel and Benefits 5-6-2014

Tom Zwirlein, Don Morley, Bob Durham, Pam Carter, and Guest Robyn Marschke

1. Salary Analysis

Note: Our current Peer CUPA classification will not be reviewed until 2020 when the Carnegie Classifications are due for an update.

Robyn is gathering data to use in the TZ/Braza, CUPA and Delaware models. The models compare UCCS salaries to peers. The models include variables for rank, years in rank, merit and CUPA comparison. The idea is to find the gaps or the largest distance between a UCCS salary and the corresponding CUPA salary. This may turn out to be an ongoing effort over the summer. More work is needed before the analysis is ready for prime time.

Robyn is currently working on tenure track faculty salaries. The analysis will be done for both the tenure track and non-tenure track faculty.

2. Medical Benefits

Don Morley is concerned that Kaiser is creating a lot of unnecessary problems by having a different address where CU medical claims are sent. Doctors are having trouble getting paid and enrollees are spending too much time trying making sure the billing is completed correctly. Pam Carter agreed that she had the same problem when she was using Kaiser.

3. Vendor Consolidation Advisory Committee

Tom is on a committee to review the University's 401a and 403b retirement plans. The current focus is the 403b plans but the 401a plans will also be reviewed. Over the years, the number of options available to eligible employees has grown tremendously and this appears to be confusing many people who might want to contribute to a 403b. Many people who could contribute are not doing so.

Many other universities are simplifying their options and plans and find that enrollments in the 403b's increase when these changes are made. Another important industry trend is to go with a single vendor who provides all record keeping. This reduces overall fees which saves participants money and means more

of their money goes directly to investments. Having a single vendor does not mean choices among different fund families is eliminated. A single vendor can select and offer funds across families. In addition, the amount of financial planning and education should increase if a single vendor is selected. We anticipate an education component would be written into an RFP for services if we go to a single source provider.

Here is a tangible example of the problem.

In our current set of mutual fund options for the 401a mandatory retirement plan, there are no less than 18 Large Cap Core funds available to participants. Large Cap Core falls is the same as the Large Blend category as defined by Morningstar:

“Large blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios’ returns are often similar to those of the S&P 500 Index.”

The 18 Large Cap Core funds essentially all track the S&P 500 index. We really don’t need 18 choices to track this one index. It actually gets worse in the 403b plans where there are 36 Large Cap Core funds available. In addition, there are 32 Large Cap Value funds available and another 48 Large Cap Growth funds in the 403b plans. Large Cap Value and Large Cap Growth are subsets of Large Cap. Value funds invest in any Large Cap stocks which are viewed as underpriced while Large Cap Growth stocks are viewed as having good growth prospects over the next 12 to 36 months. I believe we have the Large Cap sector covered.

Behavioral economists refer to this as the “Paradox of Choice.” Essentially when we are confronted with too many choices we simply freeze up and do nothing. This may help explain why many people do not take advantage of the university’s 403b plans.

In total, the University of Colorado currently has 319 investment choices in the 401a plan and 552 investment choices in the 403b plan. This leads to duplication, higher costs and a good deal of confusion by both participants and non-participants alike.

The changes being examined will simplify the available choices while providing an improved set of choices with higher expected return, lower cost, easier

administration, easier access and more education. All participants are expected to benefit from these changes.

Tom was elected chair of P&B for the next year.