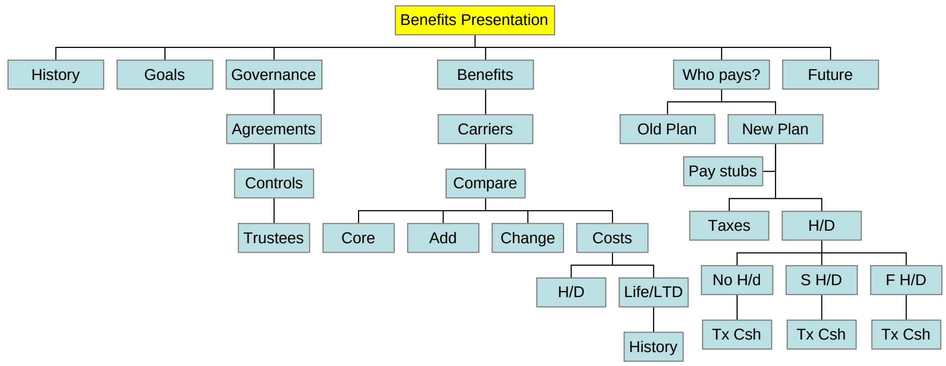
# Saint Mary’s University Faculty Union Health and Wellness Trust (Trust)

March 2008



I want to welcome you to this meeting. As there are more than 50 slides, and many tables, it would probably be better if you asked questions during the presentation than to wait to the end.

I am making handouts available; the whole of the presentation will also be available including the notes from which I am reading. I am going to stick close to these notes so that you can read them and think about them afterward.




SMUFU Health and Wellness Trust R. J. Konopasky 2

To help you stay clear about where I am in the presentation, I will return to this slide frequently to show how a particular slide fits into the overall presentation.

After presenting a short history, how we come to be here now, I will talk about governance of the old benefits plan, and the new plan.

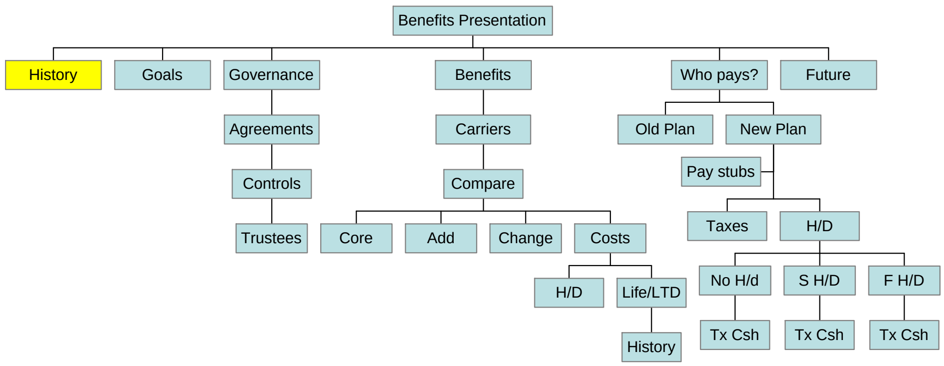
The Union and the Trustees were guided by certain goals in creating a new plan. We think that the new plan matches or improves the core benefits of the old plan. Better yet, we added some benefits.

The old and new plan differ in terms of the costs of the new plan:The costs of the new plan are lower, but they are not uniformly lower over all the parts of the plan. This is an important issue because not everyone has the same coverage.

I will talk about how you can track your deductions in your pay stub.

Given that there are tax implications if the employer pays for premiums or you pay for premiums, I will explain in detail the different ways in which we use employer money to pay for premiums for those who have H/D insurance, and those who don’t.

We believe that we chose the most tax-efficient way to pay for premiums.


Benefits Presentation
History
Goals
Governance
Benefits
Who pays?
Future
Agreements
Carriers
Old Plan
New Plan
Controls
Compare
Pay stubs
Trustees
Core
Add
Change
Costs
Taxes
H/D
H/D
Life/LTD
No H/d
S H/D
F H/D
History
Tx Csh
Tx Csh
Tx Csh



History.

## Benefits: Our history

- SMU, the employer was the benefits plan sponsor
- Employer was solely responsible for plan management
- SMU Benefits Committee was advisory only
- We could not improve benefits.
- We negotiated control over benefits, SMU to pay a percent of salary base for benefits
- Union formed a Trust

SMUFU Health and Wellness Trust | R. J. Konopasky | 4

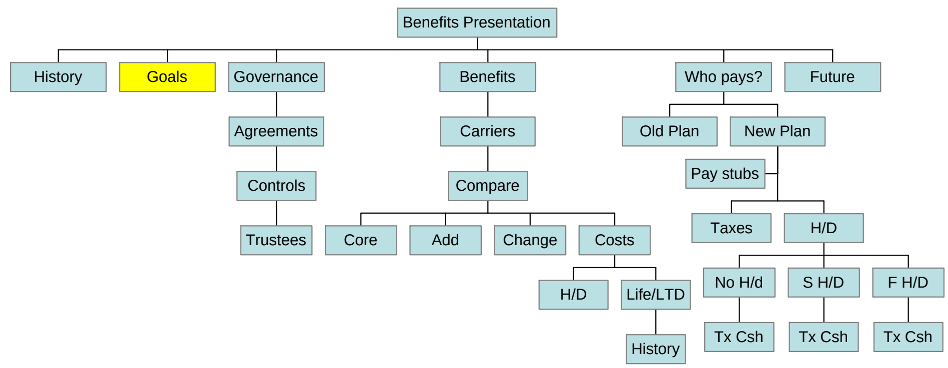
Briefly, in the past SMU was the benefits plan sponsor, and was fully and solely responsible for its management. Benefits were purchased through Interuniversities Services Inc. (ISI), a university consortium, with advice from Morneau Sobeco, a consulting group for both ISI and SMU. It caused the faculty, who served on the University's benefits committee, concern that our consultant was also a consultant to, or worked for the group recommending the benefits plan.

There is an SMU Benefits Committee and faculty and librarians are represented on it, though we are vastly outnumbered by administrators and staff; this advisory Committee serves at the pleasure of the President.

As the benefits plan at SMU is the same for all faculty, librarians, administrators and staff, and as the University is committed to paying 50% of the premiums, and as the combined numbers of administrators and staff is larger than the number of faculty and librarians on the Committee, we worried that faculty and librarians' benefits would never improve. And, there wasn't strong interest by the committee members in improving benefits, in part because many of the staff are not paid enough to be able to afford higher premium payments.

With these constraints in place, benefit caps that made some sense years ago were not increased to match inflation; many of the current "caps", for example, $40.00/ lifetime for orthotics, do not make sense.

After the last negotiation, the Union elected to form a Trust: SMU will pay a percent of the salary base for benefits, and SMU will withhold money for premiums from the faculty and librarians. The Trust will purchase benefits in the market place. Please note that this is our faculty and librarians' Union Plan. When I use the term "employees" I am referring to faculty and librarians only, not other employees of SMU. At this time we do not contemplate allowing other employees to participate in the Plan.




SMUFU Health and Wellness Trust R. J. Konopasky 5

Goals.

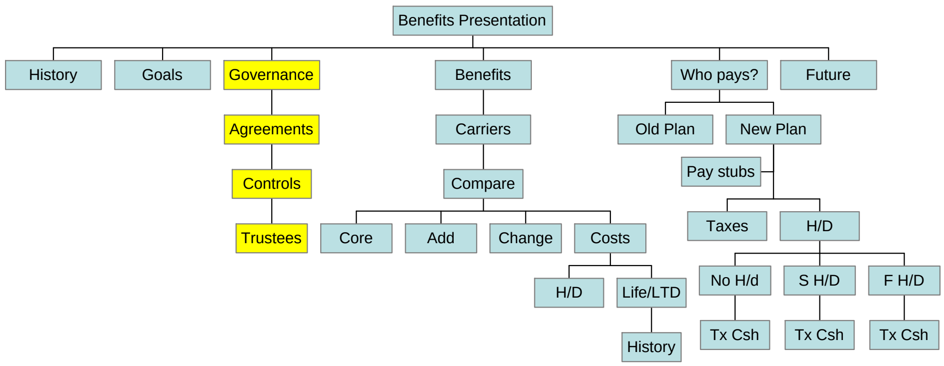
# Benefits: Goals

- Equal or better benefits
- Cost efficiency
- Lower Costs
- Control
- Transfer surplus to our control

SMUFU Health and Wellness Trust R. J. Konopasky 6

We set 5 basic goals. The last one, the transferring of the surplus we accumulated under our current plan, is currently being negotiated.

In my opinion, we have chosen a Plan that will allow us to reach four of the goals; as soon as we can, we will accomplish the fifth, the transfer of the surplus.




SMUFU Health and
Wellness Trust

R. J. Konopasky

7

Governance.

## *OUR* Plan: The Agreements

### Rules for governance/management

- The Collective Agreement
- Benefits Agreement between SMUFU and SMU
- Trust Agreement between SMUFU and the Saint Mary's University Health and Wellness Trust (Trust)
- Agreement between the Trust and Canadian Benefits Consulting Group (CBCG)

SMUFU Health and Wellness Trust R. J. Konopasky 8

There are four agreements that refer to our benefits and specify their management:

1. A Memorandum of Understanding( MOU) in the Collective Agreement that describes the process for the Union assuming control of benefits.
2. A benefits agreement between the Saint Mary's Faculty Union and Saint Mary's University,
3. A Trust agreement between the Union and the Saint Mary's University Faculty Union Health and Wellness Trust. The Trust will manage a fund, aptly named the Saint Mary's University Faculty Union Health and Wellness Trust Fund (Trust Fund).
4. An agreement between the Trust and Canadian Benefits Consulting Group (CBCG), the company that will provide general advice, help us negotiate with a carrier, or carriers, and provide some of the human resources (HR) services currently provided by SMU's HR. SMU's HR will continue to provide very limited services, for example, it will enroll new faculty members and new librarians.

As they do now, SMU's payroll office will withhold premium payments from faculty and librarians and forward this money to the Trust Fund.

SMU's payroll office will provide Canadian Benefits Consulting with data regarding payroll, deductions, etc. In regard to confidentiality, the Trustees will have access to summary payroll data, not personal data. While CBCG will be able to link names, birthdates, salaries and coverage, there will be a firewall between the Trust and CBCG such that the Trust will not be able to link personal data to particular faculty or librarians.

Copies of agreements 1. - 3. will soon be available through the Union office; see <http://www.smufu.org/>. The first agreement, the Collective Agreement, is already available.

# Plan: Checks and balances

- SMUFU Control
  - Trustees
- Trust Control
  - Trust Fund
  - Suppliers
  - The Plan

SMUFU Health and Wellness Trust    R. J. Konopasky    9

Who controls whom? Who controls what? The Union appoints the Trustees and the Alternate Trustees. The Trustees serve at the pleasure of the Union and the Union can "fire" the Trustees or Alternate Trustees without reason.

The Trustees have the sole power for negotiating the benefits plan and for administering the plan. If the Union disapproves of decisions taken by the Trustees, then the Union can "fire" them and replace them.

It goes without saying that if the members of the Union disapprove of the performance of the Trustees, and the Union will not fire and replace the Trustees, then the Union members can "fire" the Union Executive, and replace the Executive with one that will fire the Trustees.

The Trustees will act as managers of the Plan, though small "a" administration will be carried out by CBCG.

To protect the Union and the Trustees from law suits as a result of honest mistakes, both the Union and the Trustees are now covered by fiduciary insurance, a necessary "topping up" of the Directors and Officers insurance coverage enjoyed by the Union for some time. While the Trustees have your best interests at heart, this insurance covers the Trustees for honest mistakes. And, such insurance is standard for such Trusts.

There is no ratification vote in regard to the Plan. If you ratified our choice of plan, the members of the Union would be subject to litigation by the members. As you are not covered by Fiduciary insurance, you would be in jeopardy. Your protection from such litigation is that the Trustees choose the Plan. The Union Executive's protection is that the Trustees choose the plan. Our protection is that we have fiduciary insurance.

# The Trustees

- Trustees
  - Bob Konopasky, Chair
  - Francis Boabang
  - Nicole Conrad
- Alternate Trustees
  - Dave Bateman
  - Susan Bjornson
  - Debra Gilin Oore



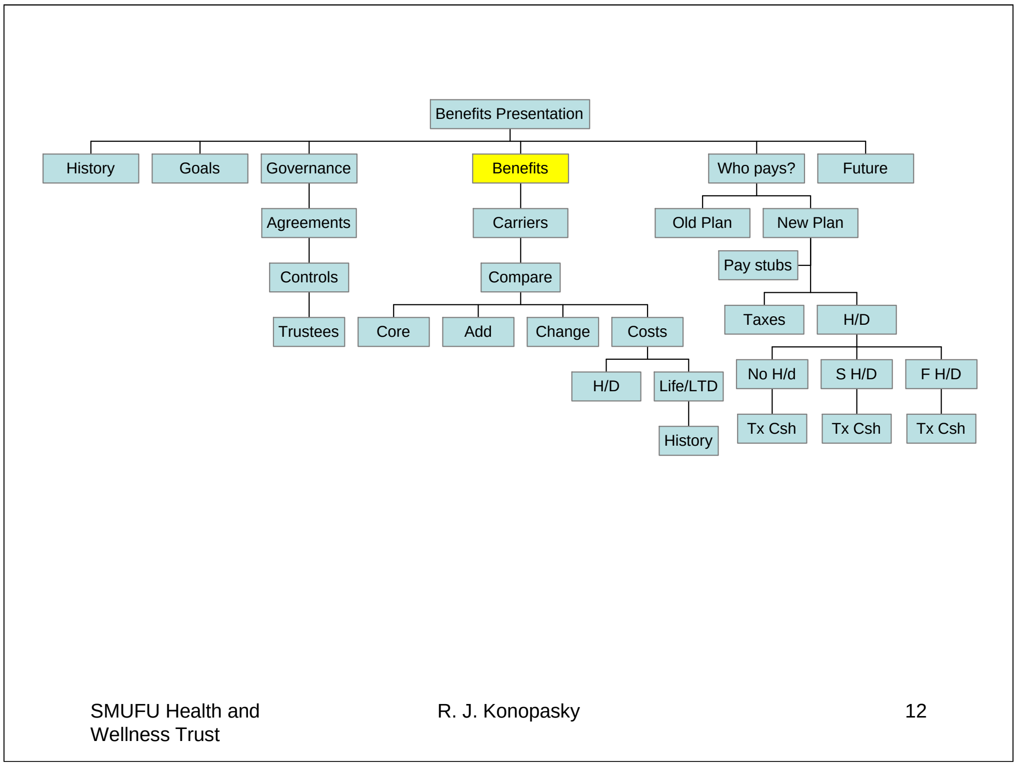
These are the current Trustees and Alternate Trustees.

# Work of the Trustees

- Management of the Trust and the Plan
  - Meet quarterly (or more often)
  - Remain current in regard to relevant legislation
  - Performance reviews of carrier, consulting group
  - Manage finances
  - Communicate with the Union and the members



The Trustees will keep a sharp eye on the functionality of the Plan, administer the Trust Fund, be sensitive to relevant legislation, appraise the performance of the carrier, and the consulting group, manage the finances of the Trust Fund, and, finally, communicate the status of the Plan, especially the claims in relation to the premiums on a regular basis.


Benefits Presentation
History
Goals
Governance
Benefits
Who pays?
Future
Agreements
Carriers
Old Plan
New Plan
Controls
Compare
Pay stubs
Trustees
Core
Add
Change
Costs
Taxes
H/D
H/D
Life/LTD
No H/d
S H/D
F H/D
History
Tx Csh
Tx Csh
Tx Csh
SMUFU Health and
Wellness Trust
R. J. Konopasky
12

Benefits.

# Our Benefits

- Life (Term)
  - Optional Life
- LTD (Long-term Disability)
- H/D (Health and Dental)
- EAP (Employee Assistance Programs)
- ETA (Emergency Travel Assistance)



I am sure that you know what benefits you have, but on the off chance, the small chance that some do not, I am listing them here.

And, naturally, I am going to refer to them repeatedly throughout the presentation using the acronyms; it's an insurance industry thing.

Most people will know that at SMU we have Life, LTD, H/D, EAP and ETA. You might note that Great West Life (GWL) refers to ETA as Global Medical Assistance.

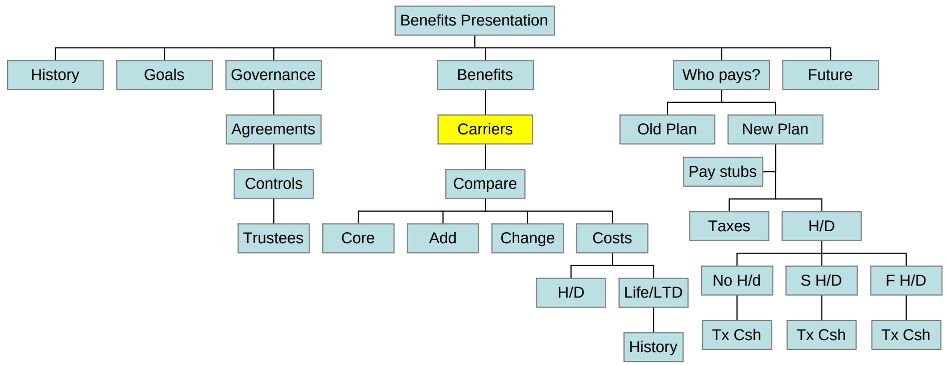
Just in case you are unsure about what coverage is optional and what is mandatory: What is mandatory is normal Life, or 3X salary to a maximum of $300K, LTD, EAP and ETA.

H/D is optional. The majority of faculty and librarians, about 200 of us, have S H/D or F H/D ; 44 have neither health nor dental insurance; and, a few have health but not dental insurance. Until recently you could choose to have one or both parts of the Plan; now, the choice is to have both, or not to have H/D insurance.

Of course, for H/D insurance, one chooses single or family coverage.

We will continue to offer H/D insurance as a conjoint option through the next 12 months.

Along the way, we will review our experience and then let you know if there is a change.

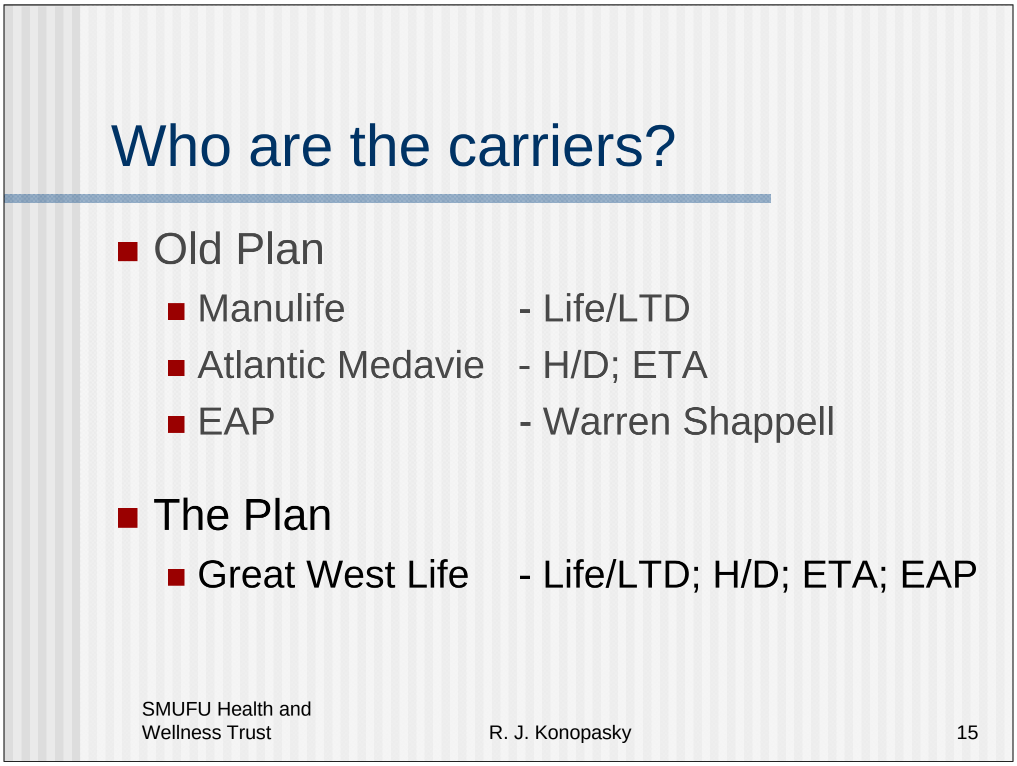



SMUFU Health and Wellness Trust

R. J. Konopasky

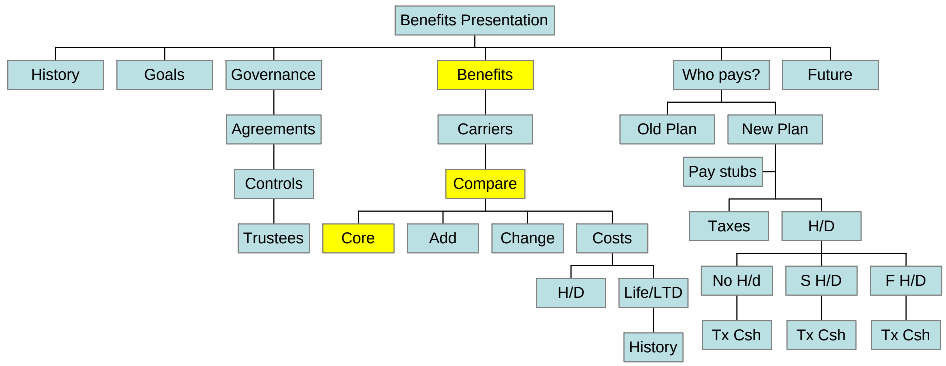
14

The carriers.




Until now, we have had three carriers: Manulife for Life and LTD, Atlantic Medavie for H/D, and ETA, and Warren Shapell Family Guidance for EAP.

The Trustees chose GWL for all coverage. While GWL is our carrier, they employ Warren Shapell Family Guidance for EAP.




SMUFU Health and Wellness Trust

R. J. Konopasky

16

Comparing the core benefits.

# Core Benefits

- **Life**
  - **Same normal life: 3x salary to a maximum of $300K**
  - **Optional life increased from $115K to $200K**
- **H/D**
  - **Gain: Best Doctors - Diagnostics**
    **Option: Best Doctors - Treatment**
- EAP: Same
- ETA: Same

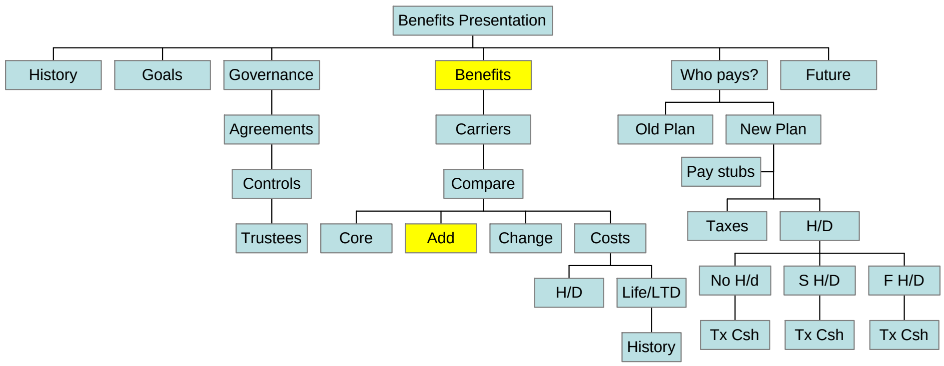


The big-picture statement of the core of our benefits plan is that the coverage we are going to have for Life, LTD, H/D, EAP, and ETA is similar to what we have now.

There are a couple of exceptions to the broad statement: The maximum you can buy for optional life insurance is higher: You can buy up to $200K over the maximum regular life insurance of $300K, rather than the maximum of $115K over the maximum of $300K under the old plan. If you have taken the option of the maximum under the old plan, for example, $415K, and want the new maximum under the new plan, for example, $500K, then a screen is required.

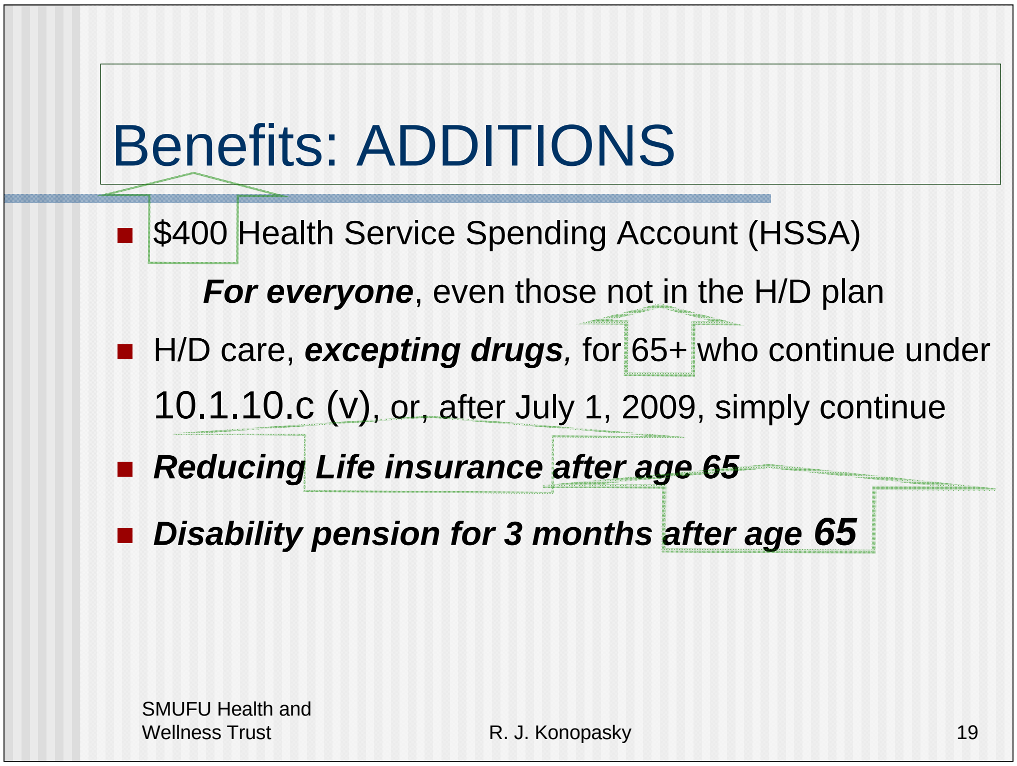
With the new plan, if you are diagnosed with a serious illness, you can opt to send medical test results to any of the three best facilities on the continent for their consultation in regard to diagnoses made locally. This is called “Best Doctors” coverage.

There is an option of buying very expensive, out-of-country coverage - Solace - for attending any of the three best facilities on the continent for treatment of serious illnesses. To use this coverage, you have to be be seriously ill. Remember, though, it’s optional, it’s costly, very costly, and you have to be medically screened to buy this option.






There are some additions to benefits.




As there are different needs, we decided that it would be more equitable if we offered a health service spending account (HSSA) that one could use to pay for health/dental costs of any kind rather than raising caps. We think that the $400 HSSA is a very, very important improvement in our benefits. *And, this benefit will be for all of faculty and librarians, even those who do not have H/D insurance.*

It is important to note that this benefit is not taxable. Put simply, you would have to earn about $800 more per year to have $400 more per year to spend on health/dental related costs. This is a big “win”. The costs to the Plan are high of course, about $104K plus 10% for the administrative fee or about $114K per year.

This account will be available at the inception of the Plan. Now, as the HSSA account will “roll-over” at the beginning of the calendar year, your HSSA account will be pro-rated for the portion of the year we have left after we begin, for example, if we begin on May 1, 2008, then you will have in this year, the 2008 calendar year, 2/3rds of $400.

We appreciate that it may be better for some faculty and librarians to use this account for a major expenditure so we have arranged that you can save it for a maximum of 24 months, or a maximum of $800.

I know that there is a lot of information here, but I want to add that GWL administrative fees for the HSSA depend on the number of HSSA transactions they process, or they charge us about $6.00 to process each receipt unless you bundle them and send them at the same time; in that case, they charge $6.00 for the bundle. The worst strategy would be for members to send in receipts for small amounts every other day; the best is for each of us to send in receipts totaling $400 at one time. If everyone followed this strategy, it would save us about $6K per year.

## Benefits: ADDITIONS

- $400 Health Service Spending Account (HSSA)

  ***For everyone***, even those not in the H/D plan
- H/D care, ***excepting drugs***, for 65+ who continue under 10.1.10.c (v), or, after July 1, 2009, simply continue
- ***Reducing Life insurance after age 65***
- ***Disability pension for 3 months after age 65***

SMUFU Health and Wellness Trust R. J. Konopasky 20

We will cover faculty and librarians who are still working past the age of 65. As you know we are in something of a transition in regard to faculty and librarians who work past the age of 65.

At this time, faculty can be appointed under 10.1.10.c (v) for a period of three years. These faculty do not have benefits under the University's Plan.

Those who are appointed under 10.1.10.c (v) are not required to be part of our Plan. After all that is their current condition; they are not provided benefits. We will not require them to change their status.

If they want to be part of our Plan, then they can take up *all* of the following coverage: Life insurance that reduces by 20% per year until age 70; a total of 3 months of disability pension; ETA, EAP, H/D, but not coverage; for drugs and, the HSSA. They are not offered optional Life. About the last point, H/D insurance *not including drugs*: We know that faculty and librarians over the age of 65 can join the Nova Scotia Pharmacare Program for Seniors (www.nspharmacare.ca),the provincial drug plan, Assured Access, the FollowMe Health plan, the Association Plan through CAUT, other plans, or some combination of the above. As the Pharmacare program is subsidized by about 75% of the total cost of the plan by the province (Department of Health, 2008), the prudent course for the Union is to encourage those faculty and librarians who work past the age of 65 to join Pharmacare, and to use their HSSA accounts to help pay for these premiums.

Mandatory retirement is schedule to be abolished on July 1, 2009; we understand that faculty or librarians whose 65th birthday falls *after* that point in time at which the current contract would require a faculty member or librarian to retire, can, simply, continue working. After July 1, 2009, those faculty and librarians who are 65+ years of age and continuing under their current appointment, not under 10.1.10 c (V), will have: Life insurance that reduces by 20% per year until age 70; a total of 3 months of disability pension; ETA, EAP, H/D, but not coverage for drugs; and, the HSSA. They are not offered optional Life.

# Benefits for retirees

- 65+, faculty/librarians, working
- Faculty/librarians who have retired
  - Cost
  - Term of promise

SMUFU Health and Wellness Trust — R. J. Konopasky — 21

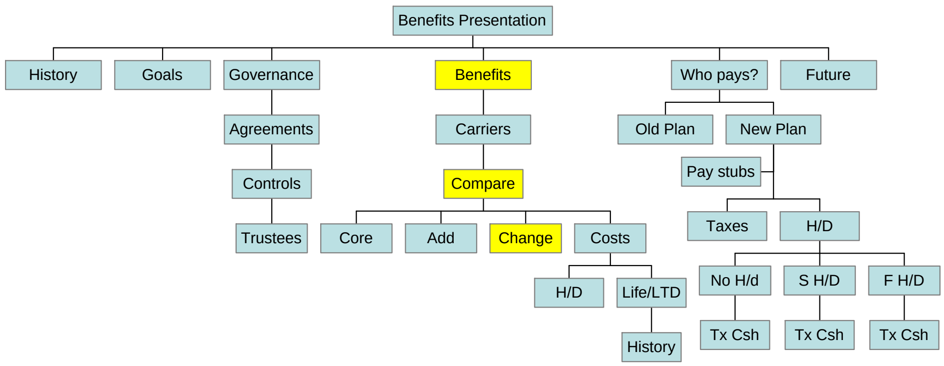
I have been pressed by faculty and librarians in regard to benefits for retirees.

Personally, I would like retirees to have benefits after retiring. After all, my white hair, and many wrinkles make it painfully clear that I am not so long from retiring.

However, offering benefits to retirees is expensive and must be considered very carefully.

Please accept that in doing what we are doing now, we are changing everything: We are changing who is responsible for the Plan, creating a Trust that will manage the Plan, changing the carrier for the benefits, changing some of the benefits in the Plan, improving benefits in the Plan, adding benefits for faculty and librarians who work past the age of 65, changing how we pay for benefits in the Plan, and changing the portion of premiums paid by SMU and the faculty and librarians.

Still, the Trust will investigate the viability of providing faculty and librarian retirees who have given more than 10 years of service to the University with an HSSA to help them pay for H/D premiums.




SMUFU Health and Wellness Trust R. J. Konopasky 22

There is a change in one benefit.

## Change

**Out-of-country health**

SMUFU Health and Wellness Trust R. J. Konopasky 23

There is a reduction in “Out of Country” insurance.

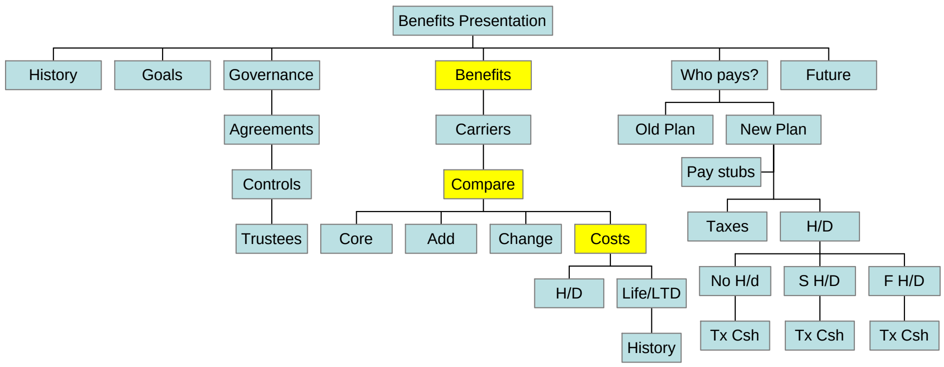
This coverage is not insurance for emergencies when you travel. Remember that ETA, or Global Medical Assistance is the insurance that covers emergencies when you travel.

Our current plan *seems* to allow you to go out of-country if you are seriously ill, if the treatment you need is not available in Canada, and if it’s not considered experimental. The reason I say it seems to allow you to go out of country for treatment, rather than saying it allows you to go out of country, is that our understanding is that it has never been used by anyone because no one has met all of the conditions; if the treatment is not available anywhere in Canada, normally, it is considered to be experimental.

The coverage has not been eliminated, but it has been reduced from $500K to $50K. However, we don’t think that it is really a reduction since it seems that we were not able to use it.

Can we use the $50K in coverage? Accessing the $50K is only slightly easier than it was to access the $500K, which I just discussed. Time will tell whether anyone can meet all the conditions necessary to access this $50K.

As I said earlier, if you want to be able to travel on your physician’s diagnosis of a serious illness, this coverage is available as an option. It’s called “Solace’, its costly, and you need to be screened before you can buy it.

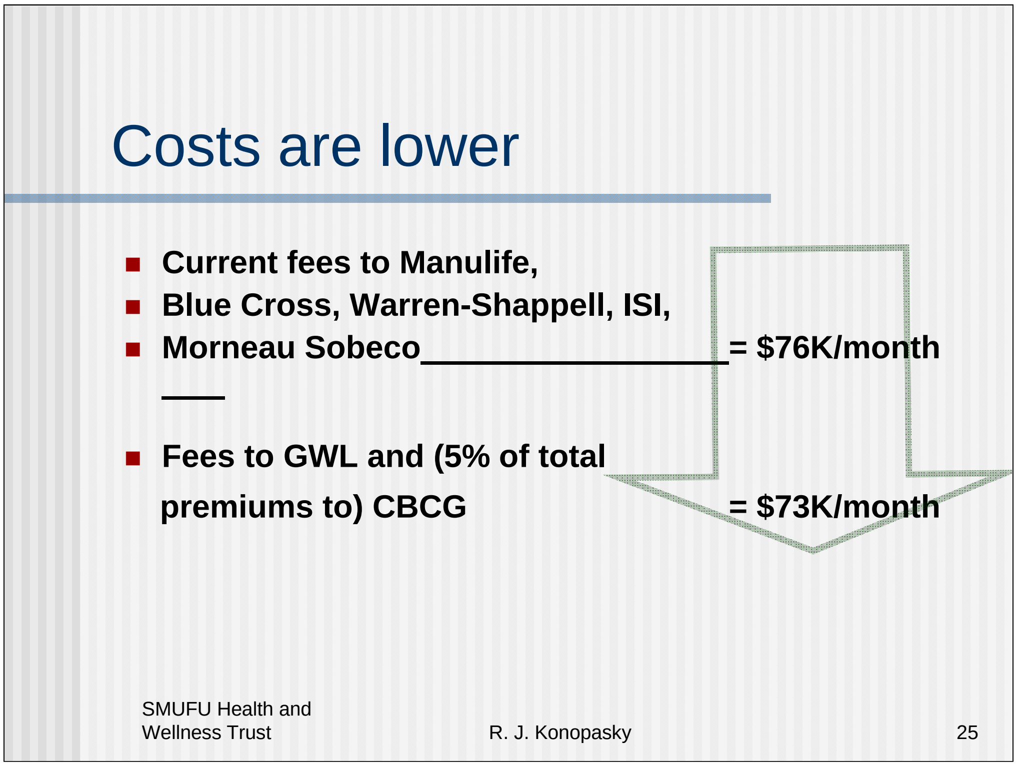



SMUFU Health and Wellness Trust

R. J. Konopasky

24

What are the overall costs?



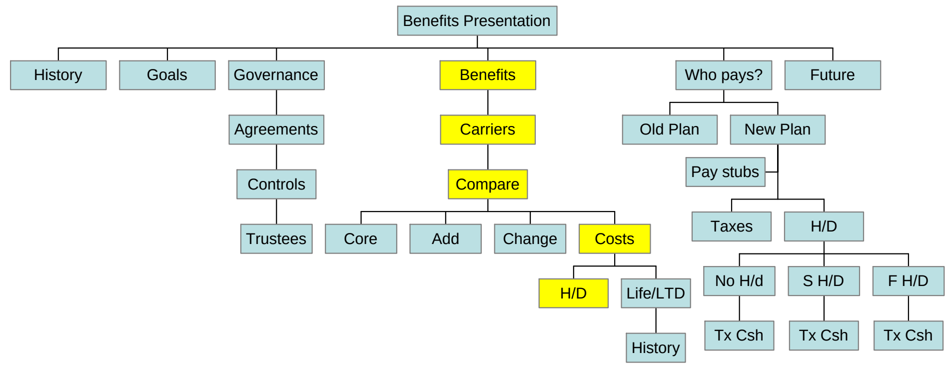

We do not lose benefits as a result of moving to GWL. (I have just discussed the change in out-of-country coverage.)
Overall, our new rates are about $73K/month, rather than the current rates of about $76K per month.
The current SMU rates do include some fees to ISI and Morneau Sobeco, although it is unclear whether the costs are actually higher because it is unclear whether some administrative fees are being paid in ways that we cannot track.
The GWL rates include the fees to CBCG.
We think that we have done well with GWL. And, by the way, GWL thinks that they are doing well by us because they think that other universities will follow suit; they want it to work for us so that they can sell similar plans to other universities.

## … the same for less?

- **We pay less with the GWL Plan**
  - **Some rates are up, some down**
    - **Life rates are very significantly higher**
    - **LTD rates are about the same**
    - **H/D rates are very significantly lower**
- Overall, we pay less, *but the reduction is not spread evenly over premiums*.



While the GWL rates are a little lower, rates do not go down equally; some rates go up. Of course, there is an extra cost for the $400 HSSA, or about $114K per year.






Let’s look at the rates that are less.

## *Good news:* H/D rates are down

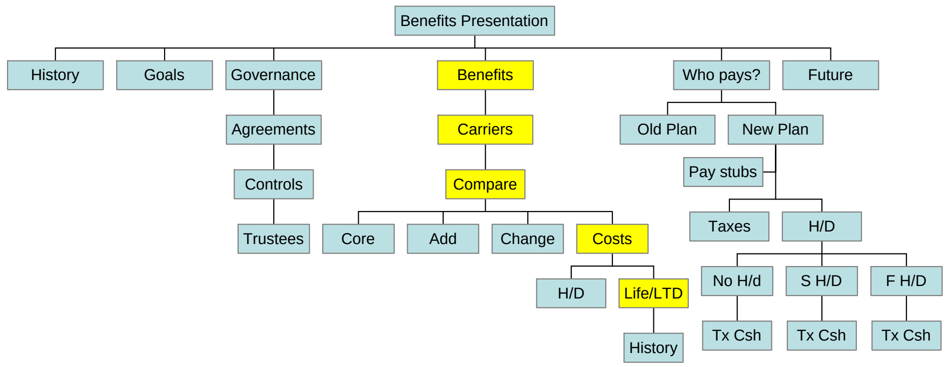
| | Health | | Dental | |
|---|---|---|---|---|
| | Manulife | GWL | Manulife | GWL |
| Single | $60.48/mo | $47.88/mo | $38.20/mo | $28.75/mo |
| Family | $164.08/mo | $128.18/mo | $74.84/mo | $56.32/mo |

SMUFU Health and Wellness Trust R. J. Konopasky 28

The H/D rates are significantly lower.

The rates that I show here are not what you see on your pay stub. At this time, SMU pays for 50% of the H/D premiums. You should see half of the costs for the current premiums on your stub.

Under the new Plan, there would be no costs at all showing for these premiums because the Trust will use employer money to pay for the entirety of these premiums. And, the Trust will use employer money to pay for the entirety of the HSSA accounts; you won't see deductions for that benefit either.




SMUFU Health and Wellness Trust R. J. Konopasky 29

The rates go up for Life insurance.

Bad news: Life rates are up; LTD, same

| | **Life Rates** | | **LTD Rates** | |
|---|---|---|---|---|
| | Manulife | GWL | Manulife | GWL |
| **2008/2009** | | **$0.32/$1000** | | **1.820/$100** |
| **2007/2008** | | | | |
| **2006/2007** | **$0.163/$1000** | | **1.806/$100** | |



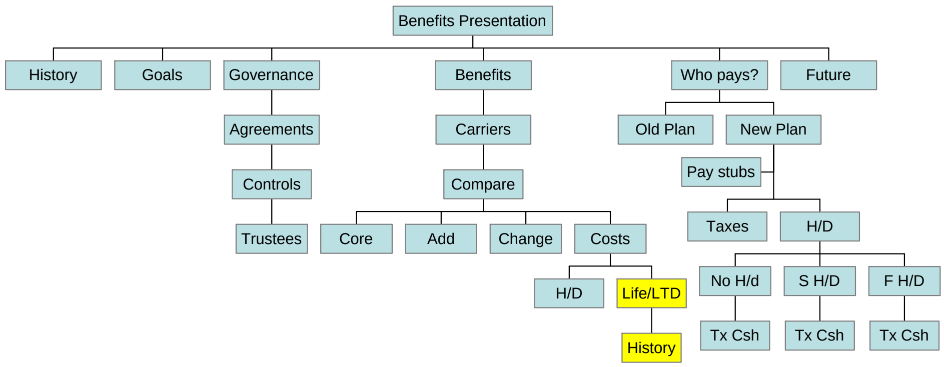
The Life rates are higher. The current rates are about 16 cents per thousand, whereas the new rate, the GWL rate, is about 32 cents per thousand.

The rates for LTD are about the same, though it is noteworthy that they fell sharply in the last few years.

One last point on the LTD rates: For those of us who pay for all of the LTD premiums, the cost of this coverage will be less even though the rate is slightly higher because less of your earnings are insured. Still, keep in mind that your benefit will not be taxed. Even though less of your earnings are insured, your “take-home” will be similar to what it is if a higher percentage of your salary is insured, because you won’t have to pay income tax on the benefit.

For those for whom we use employer money to pay some part of the premium, a greater percentage of your earnings will be insured because you will have to pay tax on the benefit.

I will make clear in a few minutes for which faculty and librarians we use employer money to pay for all or half of the LTD premiums, and which faculty and librarians to pay all of their LTD premiums.






Let’s look at the history of our Life rates.

# History of Life rates

| | Manulife | |
|---|---|---|
| | Life | LTD |
| **2002/2003** | **$0.330/$1000** | **$2.520/$100** |
| **2003/2004** | **$0.330/$1000** | **$2.520/$100** |
| **2004/2005** | **$0.281/$1000** | **$2.510/$100** |
| **2005/2006** | **$0.197/$1000** | **$1.186/$100** |
| **2006/2007** | **$0.163/$1000** | **$1.806/$100** |



If we look at the history or the Manulife life rates, we see that it wasn't so long ago that their rates were the same as the current GWL rates.

First, I draw your attention to 2003 and 2004, the point of decline for Manulife's Life and LTD rates.

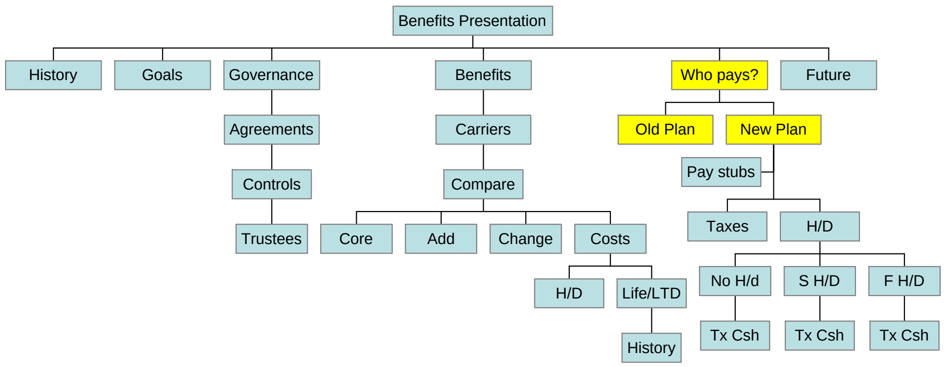
Why did they go down? Larry Haiven and I joined the University's Benefits Committee in 2004, a year in which the Life rates were 33 cents per thousand. We complained that the surpluses we had accumulated with Manulife were unnecessarily high and that we should lower the rates by spending out some of the surplus. Is this the reason for the lowering of the rates? I don't know. Still, the lowering of the rates is coincidental with these challenges.

Similarly the LTD rates were much higher and, like the Life rates, were reduced after 2004. Let me repeat what I said earlier: The current Manulife LTD rates are about the same as the GWL LTD rates.

The difference in Life rates, the much higher Life rate that we will pay, causes a couple of problems:

1. It makes the new Plan look bad. The appearance is deceiving. I understand that in the marketplace, the GWL Life rates are competitive. And, they are the same as the rates we paid prior to 2004.

2. Apart from the appearance of it, the doubling of the Life rate means more money out of your pocket. I really believe that eventually the Manulife Life rates will go back up to the GWL rate. Still, the increase in these rates made it  more difficult to achieve better benefits and not take more money out of your pocket






To make sense of the ways in which the new plan is better than the old, one must look at who pays for what in the old plan compared to the new one, and then consider the income tax consequences of the different ways of paying premiums.

# Payments: Who paid what in the old plan?

- **SMU and faculty/librarians paid equal amounts of all premiums (excepting optional life; faculty/librarians paid for all optional life).**

- **Amounts paid were determined by the cost of the premiums, inflation, and experience. Benefits were flat-lined and caps were set years ago**.



Cost-sharing between the university and the faculty/librarians is common across universities in Canada, some universities paying for a greater percentage of the premiums, some less.

We had the same policy: SMU and the faculty/librarians shared the costs of all premiums equally, excepting optional life insurance; you always paid the full amount of optional life premiums.

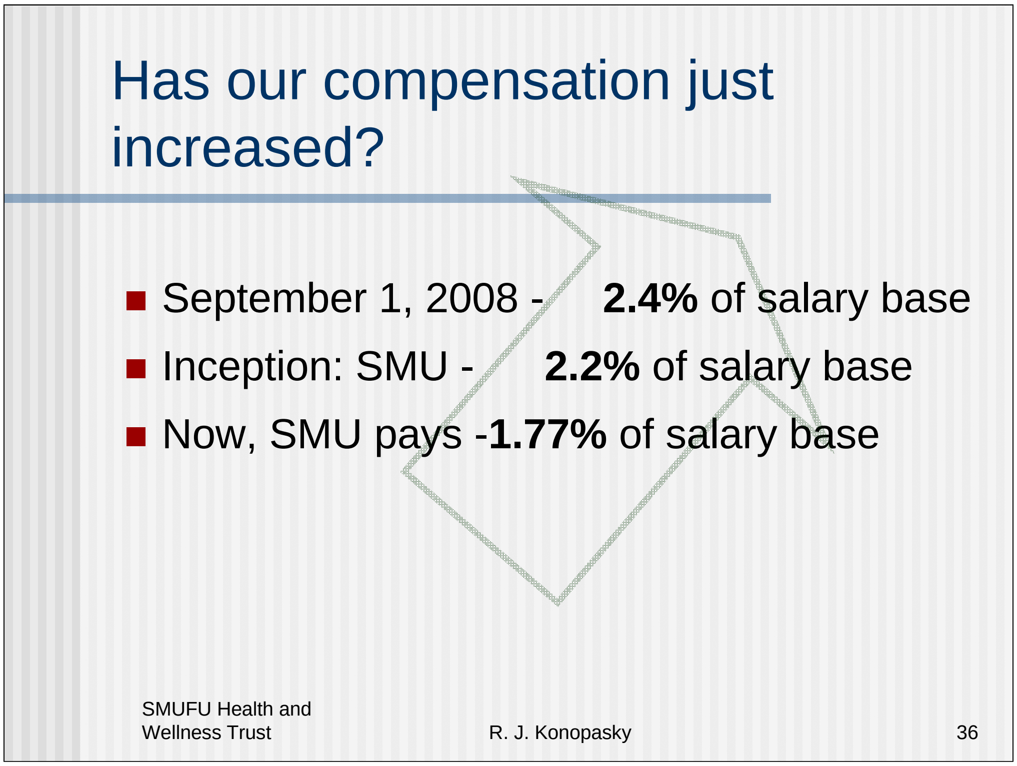
## Payments: Who pays what in the new Plan?

- **Inception - SMU pays 2.2% salary base**
- **September 1, 2008 - SMU will pay 2.4%**
- **Faculty/librarians pay the rest**
  - **Premium payments withheld from cheques**
- **Costs are determined by:**
  - **Claims utilization/Administration**
  - **Improved benefits**
  - **Inflation**

SMUFU Health and Wellness Trust R. J. Konopasky 35

From now on, SMU will pay a negotiated percent of the salary base to the Trust for benefits. In our last negotiation the rate negotiated was 2.2% of the salary base. On September 1, 2008, it will be 2.4%. Money will be withheld from faculty and librarians' cheques, and, together with the contributions from SMU, these funds will be used to pay for benefit premiums.

A very important difference in this new arrangement is that the amount that SMU pays is independent of the premium costs. The amount that SMU provides is negotiated between SMUFU and SMU; it is not determined by the costs of the premiums. If we don't negotiate for an appropriate amount, then we will pay for more than half of the sum total of our premiums. If we negotiate for more from SMU, then we will pay for less than half of the sum total of our premiums.

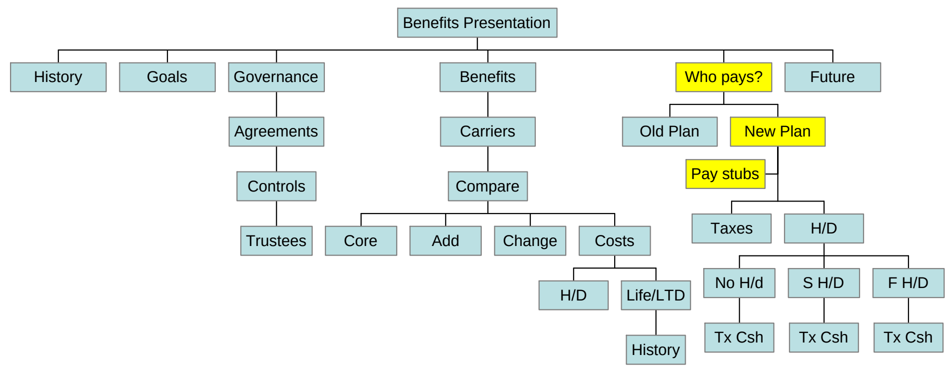



SMU has been paying for 50% of our premiums, with the exception of optional life premiums, the total of these payments by SMU being about 1.77% of the salary base. As I mentioned when showing the previous slide, at the inception of the new Plan, the extra compensation to the faculty and librarians as a whole is about $100K. (I am going to use round numbers through the presentation, but you can trust that we have created our Plan looking at the pennies, not just the large numbers.)

And, on September 1, 2008, Saint Mary's will pay 2.4% of the salary base, an additional increase in income of about $48K to the group.

In short, by adopting the new policy and Plan, compensation to the faculty and librarians will increase by about $148K as of September 1, 2008.

Of course, we are using this increase in our total compensation to increase benefits, and to increase them in a way that minimizes the tax bite.






You can track your deductions.

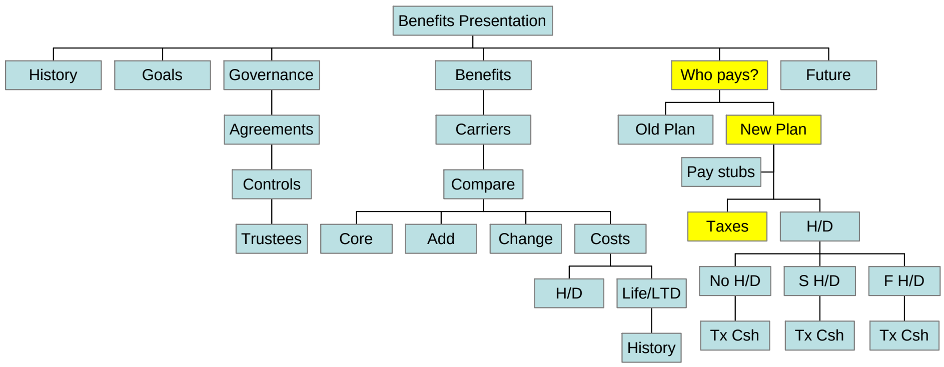
# Tracking my pay stubs, benefits

- Look at the site now
  - Banner
  - Faculty/librarians
  - Personal
    - Stubs
    - Benefits
    - etc



Your pay stubs will look similar and will be available through Banner: At “Pay information”, you will see “Earnings History”, “Pay Stub”, “Taxes”, Miscellaneous”,  and, “Deductions History”.

The other information that you currently access from Banner, specifically, “Benefits”, “Beneficiaries and Dependents”, and, “Benefit Statements”, will be available though GWL.






There are tax consequences depending on who pays what premiums.

## Income tax consequences of premium payments

- If employers pay for H/D, EAP, or ETA premiums, you are not taxed on those payments; you are not taxed on the benefits.
- If employers pay for Life premiums, you are taxed on those payments, but not the benefits.
- If employers pay for LTD premiums, you are not taxed on the premium payments, but you are taxed on the benefits.



There are four rules that count in terms of income tax on premium payments and benefits:

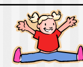
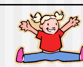
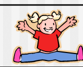
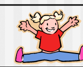
1. If we use employer money to pay for H/D, EAP and ETA premiums you are taxed on neither the amount paid for premiums, nor the benefits.

2. If we use employer money to pay the Life premiums, you are taxed on those payments.

3. If we use employer money to pay the LTD premiums, or any part of the LTD premiums, you are taxed on the LTD benefits.

4. Any premiums paid by you are paid with after-tax dollars.

# Tax bite if employer pays

| | Income taxes | | | |
|---|---|---|---|---|
| | PREMIUMS | | BENEFITS | |
| | Tax | No-Tax | Tax | No-Tax |
| Life |  | | |  |
| LTD | |  |  | |
| H/D | |  | |  |
| ETA | |  | |  |
| EAP | |  | |  |

SMUFU Health and Wellness Trust R. J. Konopasky 41

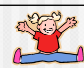
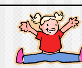
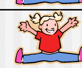
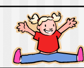
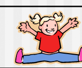
This is a graphic illustration of what I just said.
The part of the LIFE premium paid with employer money is fully taxable, for example, income taxes, CPP etc.
If employer money is used to pay for any part of the LTD premium, then the LTD benefit, what you receive if you are disabled, is taxable.
Remember that we used to share the cost of the premiums: You paid income tax on the part of the Life premium SMU used to pay. We used to share the costs of the LTD premiums. As such, faculty or librarians, who were disabled and drew LTD benefits, paid income tax on the LTD benefit. In order to keep your LTD benefit high enough, your “take-home” pension, we had to insure a larger amount of your salary and this higher percentage of insured earnings came with a high price.
To avoid taxes on premiums paid with employer money, faculty must for all of their Life premiums. To avoid taxes on the LTD benefit, faculty must pay for all of their LTD premiums.
If employer money is used to pay for all of the H/D premiums, you don’t have to pay taxes for those premium payments. If employer money is used to pay for H.D premiums, you don’t have to pay taxes on the H/D benefits.
If everyone had F H/D insurance, we would have everyone pay for their Life and LTD premiums and use employer money to pay for all of the H/D premiums. It is the case, however, that not everyone has F H/D insurance; some faculty do not have H/D insurance and do not want it. If everyone paid for their Life and LTD premiums, these faculty and /or librarians would paying for more of their Life and LTD premiums than they are paying now, and would not benefit at all from the Trust using employer money to pay for their H/D premiums.

Everyone pays for all of their Life premiums.

The Trust uses employer money to pay for all of the H/D premiums.

Depending on whether you have H/D insurance, and if you have H/D insurance whether you have single or family H/D insurance, the Trust uses more or less employer money to pay for LTD premiums.

## Tax bite if employer pays

| | Income taxes | | | |
|---|---|---|---|---|
| | PREMIUMS | | BENEFITS | |
| | Tax | No-Tax | Tax | No-Tax |
| Life |  | | |  |
| LTD | |  |  | |
| H/D | |  | |  |
| ETA | |  | |  |
| EAP | |  | |  |



For those who do not have H/D insurance, we use employer money to pay for *all* of your LTD premiums There are, however, the income tax implications of the Trust using employer money to pay for your LTD premiums: You will have to pay taxes on the benefits - what you receive if you are disabled. Now, as you will have to pay taxes on the LTD benefit, you are insured at a higher volume of your earnings than those who pay for all of the LTD premiums.

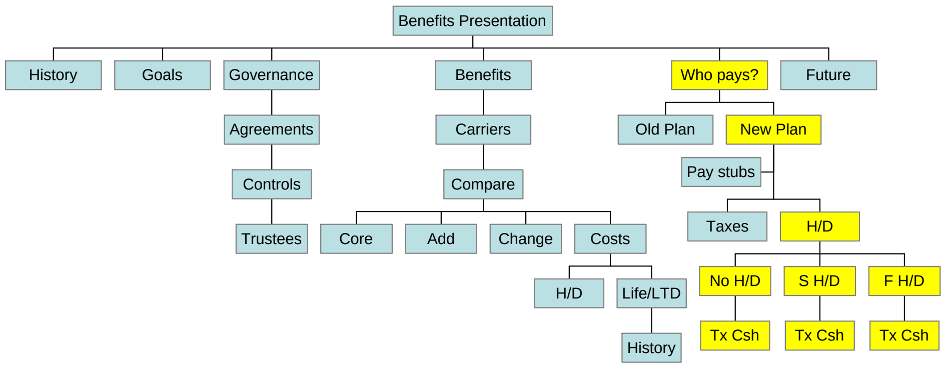
Is there a better option for this group? No, if you don't want H/D insurance, then this is *the* best option to keep your costs low.

For those who have Single H/D insurance, the Trust uses employer money to pay for *half* of your LTD premiums. Of course, there are tax consequences in making theses payments; You are taxed on all of the LTD benefits (even though employer money is used to pay for only half of the LTD premiums). Like the group who does not H/D, and for whom we use employer money to pay for LTD premiums, you are insured at a higher volume of your earnings than those who pay for all of their LTD premiums.

Those who have F H/D pay for all of their LTD premiums. While the Trust uses employer money to pay for your H/D premiums, you are charged a flat fee of $25./month for H/D. This charge was necessary to make the Plan more equitable and to pay for all or part of the LTD premiums for those who do not have H/D insurance or have S H/D insurance.

Would it be better for these members to to pay their Family H/D premiums and use employer money to pay for their LTD premiums? No, this is your best option: Neither the employer money used to pay your H/D premiums, nor the H/D benefits, nor the LTD benefits are taxable if you pay for the premiums in this way.

Anyone wanting to add or drop their H/D insurance or change their status from S H/D insurance to F H/D insurance will be able to do so within 30 days of the inception of the Plan. The next opportunity to make these changes will come in September 2009, *if at that time we choose to have everyone pay for all their Life and LTD premiums, effectively to make H/D insurance mandatory*. We will review these policies before that time and report our decision to you in a timely manner.




SMUFU Health and Wellness Trust R. J. Konopasky 43

I created tables that help you to have an idea of changes to your cash flow with the new Plan. By cash flow, I mean that if we take into account, the premiums for which you pay, the HSSA of $400, and your savings in income tax, this savings based on a rate of 48% on the last $500 earned, then the following tables provide a reasonable picture of the improvement in cash flow. Remember that this is meant to be an idea of such changes; changes in any of the variables on which we are basing the projection, will change the end result.
The tables show what is likely to happen for someone who earns $85K in each of the H/D groups, that is, No H/D, S H/D, and F H/D.
There is one more important variable to consider as you think about the changes in your cash flow, and that is the amount you earn: Those who earn less will see a greater improvement in cash flow, and those who earn more will see less improvement in cash flow.
The first table shows cash flow for those who do not have H/D insurance. It is important to remember that this table represents what would happen were this Plan to be in place for a year, were the rates for the old plan to be the same for that year as they are now, and were you able to access the full HSSSA of $400 in that year. In actuality, as we are starting at about the mid-point of the calendar year, and the HSSA "rolls over" at the beginning of each year, you won't have $400 in your HSSA at the inception of the Plan; you will have a pro-rated amount of $400./yr or about $33.00 per month until January 1, 2009.

### No H/D . Employee Benefit Costs

| P | Sal/yr | Life/LTD/mo | EAP/mo | H/D/mo | Tx/mo | Prm/Tx/mo | Diff/yr | HSSA/yr | Csh/Fl/yr |
|---|---|---|---|---|---|---|---|---|---|
| NP | $85K | $81.60 | SMU Pd | $0 | $0 | $81.60 | $50.28 | -$400 | $349.72 |
| OP | $85K | $65.25 | $2.20 | $0 | $9.96 | $77.41 | | | |

| | |
|---|---|
| Sal | Salary/yr |
| Sum of Life, LTD premiums/mo. | Note: All of LTD paid with employer money |
| EAP/mo | Amount paid by employee |
| H/D/mo | Premiums paid by employee |
| Tx/mo | Employee taxes paid on premiums paid by SMU |
| Pre/Tx/mo | Sum of premiums and taxes paid by employee/mo |
| Diff/yr | Difference between total paid by faculty/librarians in old/new plan/yr |
| HSSA/yr | HSSA/yr shown as a negative |
| Csh/Fl/yr | improved cash flow for faculty/librarians/yr |



As you can see for someone who is not taking H/D, the sum total of what you paid per month is slightly larger under the new plan than the old plan. Why? The principal culprit is the increase Life rates. As I mentioned earlier, the current Manulife Life rates are half of the current GWL Life rates.

There is a column, the one entitled “HSSA/yr”,that shows the extra $400/ yr in cash flow for spending on health; this money more than makes up for the slight increase in your costs. It is this final column, the numbers to which the arrow points, that shows an estimate of the improvement in cash flow.

Again, please remember that this table is illustrative. You won’t have $400 in your HSSA account when the Plan starts, you will have a pro-rated amount that depends on the time we start the Plan compared to the end of the calendar year.

And, please remember that, generally, those who earn less should see a greater improvement in cash flow;  generally, those who earn more will see less improvement in cash flow.

| Single H/D . Employee Benefit Costs | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| P | Sal/yr | Life/LTD/mo | EAP/ETA/mo | H/D/mo | Tax/mo | Prm/Tx/mo | Diff/yr | HSSA/yr | Csh/Fl/yr |
| NP | $85K | $126.72 | SMU Pd | $0 | $0 | $126.72 | $5.16 | -$400 | $405.16 |
| OP | $85K | $65.25 | $2.40 | $49.54 | $9.96 | $127.15 | | | |

| | |
|---|---|
| Sal | Salary/yr |
| Sum of Life, LTD premiums/mo. | Note: .5 of LTD paid with employer money |
| EAP/mo | Amount paid by employee |
| H/D/mo | Premiums paid by employee |
| Tx/mo | Employee taxes paid on premiums paid by SMU |
| Pre/Tx/mo | Sum of premiums and taxes paid by employee/mo |
| Diff/yr | Difference between total paid by faculty/librarians in old/new plan/yr |
| HSSA/yr | HSSA/yr shown as a negative |
| Csh/Fl/yr | improved cash flow for faculty/librarians/yr |



This table is illustrative of the changes for those who have S H/D insurance.

**Family H/D . Employee Benefit Costs**

| P | Sal/yr | Life/LTD/mo | EAP/ETA/mo | H/D/mo | Tax/mo | Prm/Tx/mo | Diff/yr | HSSA/yr | Csh/Fl/yr |
|---|---|---|---|---|---|---|---|---|---|
| NP | $85K | $151.20 | SMU Pd | $25.00 | $0 | $176.20 | -$254.00 | -$400 | $654.00 |
| OP | $85K | $65.25 | $2.40 | $119.66 | $9.96 | $197.27 | | | |

| | |
|---|---|
| Sal | Salary/yr |
| Sum of Life, LTD premiums/mo. | Note: All of LTD premiums paid by faculty/librarians |
| EAP/mo | Amount paid by employee |
| H/D/mo | Premiums paid by employee |
| Tx/mo | Employee taxes paid on premiums paid by SMU |
| Pre/Tx/mo | Sum of premiums and taxes paid by employee/mo |
| Diff/yr | Difference between total paid by faculty/librarians in old/new plan/yr |
| HSSA/yr | HSSA/yr shown as a negative |
| Csh/Fl/yr | improved cash flow for faculty/librarians/yr |

SMUFU Health and Wellness Trust    R. J. Konopasky    46

This table is illustrative of the changes for those who have F H/D insurance.

## Best Estimates

| | Resources | | | Expenses | | | Deficit/Surplus |
|---|---|---|---|---|---|---|---|
| | Emp. Pays | SMU Pays | Total Resources | Expenses: HSSA/400 yr | Expenses: Premiums | Total Costs | |
| May 08 - Aug 08 | $158,560 | $171,720 | $330,280 | $33,660 | $303,528 | $337,188 | ($6,908) |
| Sep 08 - Dec 08 | $158,560 | $193,140 | 351,700. | $33,660 | $303,528 | $337,188 | $14,512 |
| May 08 - Dec 08 | | | | | | | $7,604 |



These are our best estimates of the total resources available for the Plan, and the costs of the Plan.

A couple of points: We have not included the costs of administering the HSSA. As there will be some costs even during the next few months, this part of the expenses will greater than we have shown.

As you can see, we are running a small deficit in the first few months, and a small surplus in the second four months of this calendar year.

The overall surplus is a modest $7600 if there are no administrative costs for the HSSA. As there will be some administrative costs, possibly as high as 10%, our surplus might be as small as $1K.

There is a cost that we have not included and that is the cost of administering the Trust. To date, the Union has paid for our costs. Still, it makes sense to accept that there are administrative costs for the Trust, for example, training for the Trustees, long-distance telephone calls, etc. We will try as best we can to keep costs low, to lean on the Union, and to wait until September 1, 2009, for larger contributions from SMU for benefits o create a reasonable administrative budget.

All in all, we think that we have met our fiduciary duties.

# More *is* better

- We need more money for benefits
- More can be negotiated
- More money for benefits means more compensation … *if we avoid the tax bite*

SMUFU Health and Wellness Trust R. J. Konopasky 48

It’s not too early to inform the Union and the members that to maintain our Plan we need to negotiate much higher amounts of compensation by way of contributions to benefits. H/D costs are inflating at about 15%. While there are caps on many health items, for example, vision care, there is no cap on drugs.

More important, we need more of our total compensation for benefits if we are to have better benefits.

There are bench marks in the market that inform us that we don’t have enough employer-money for benefits. Certainly, most employers pay much more than 2.2% or 2.4% for benefits. We should aim for something on the order of 5% of salary base as a contribution from SMU, and hit this mark soon.

My advice to the Union is that we should increase the employer contribution to 3.9% of the salary base over the three years of the 2009-2012 contract.

## How well did we do?

- Good plan
- Control
- Benefits for working faculty/librarians over 65
- A flexible HSSA is money in your pocket



While it is tempting to focus only on money, we think that we have achieved the following important goals:
1. A good plan.
2. Control of benefits.
3. Benefits for faculty/librarians who are working past the age of 65.
4. A flexible HSSA.

| | Tax on premium | Tax on benefit | Amount insured |
|---|---|---|---|
| All LTD SMU Pd | None | All benefit taxed | 70% to max of $6K/month |
| Part LTD SMU Pd | None | All benefit taxed | 70% to max of $6K/month |
| All LTD Ee Pd | None | Benefit not taxed | 60% of $30K + 50% balance to max of $6K/month |



This slide is linked to an earlier slide, and summarizes the amount of earnings insured as a function of whether or not employer money is used to pay for any part of LTD premiums.