



Faculty and Staff Benefits at The University of North Carolina at Chapel Hill

A Comparison to Benefits
Offered by Peer Institutions



“People used to come to work at
Carolina FOR the benefits.

Now they leave BECAUSE OF the
benefits.”



What do we mean by “benefits”?

- For purposes of this presentation, we will include:
 - Health Insurance
 - Retirement
 - Dental Insurance
 - Long-Term Disability Insurance
 - Life Insurance



UNC-Chapel Hill Peer Institutions

- Univ. of California
 - Berkeley
 - Los Angeles
- Univ. of Florida
- Univ. of Illinois
- Univ. of Michigan
- Univ. of Texas
- Univ. of Virginia
- Univ. of Washington
- Univ. of Wisconsin
- Univ. of Chicago
- Duke University
- Emory University
- Johns Hopkins Univ.
- Ohio State University
- Vanderbilt University

Institutions selected by the Office of the President, UNC System, as official peers for UNC-Chapel Hill.



UNC-Chapel Hill Benefits

- The University does not control any employer-paid benefit plans (health, retirement, disability)
- The University does not have the statutory authority to use employer money to enhance benefits
- The State of North Carolina uses benefit programs in other southern states for peer comparison, rather than peer institutions of higher education.



Health Insurance

- Permanent faculty and staff working 30 hours a week or more* are eligible to participate in the State Health Plan
- State Health Plan includes all University and state agency employees, public school employees, legislative employees, etc. (404,457 members as of 08-09-03)
- Benefits and costs are determined by General Assembly
- University pays the full cost for employee coverage*
- Employees pay the full cost for dependent coverage
- Three categories of coverage: employee only, employee plus child/ren, or family (employee plus spouse or employee plus spouse and children)

* Employees working 20 or more hours (but less than 30) can participate by paying the full cost for both employee and dependent coverage



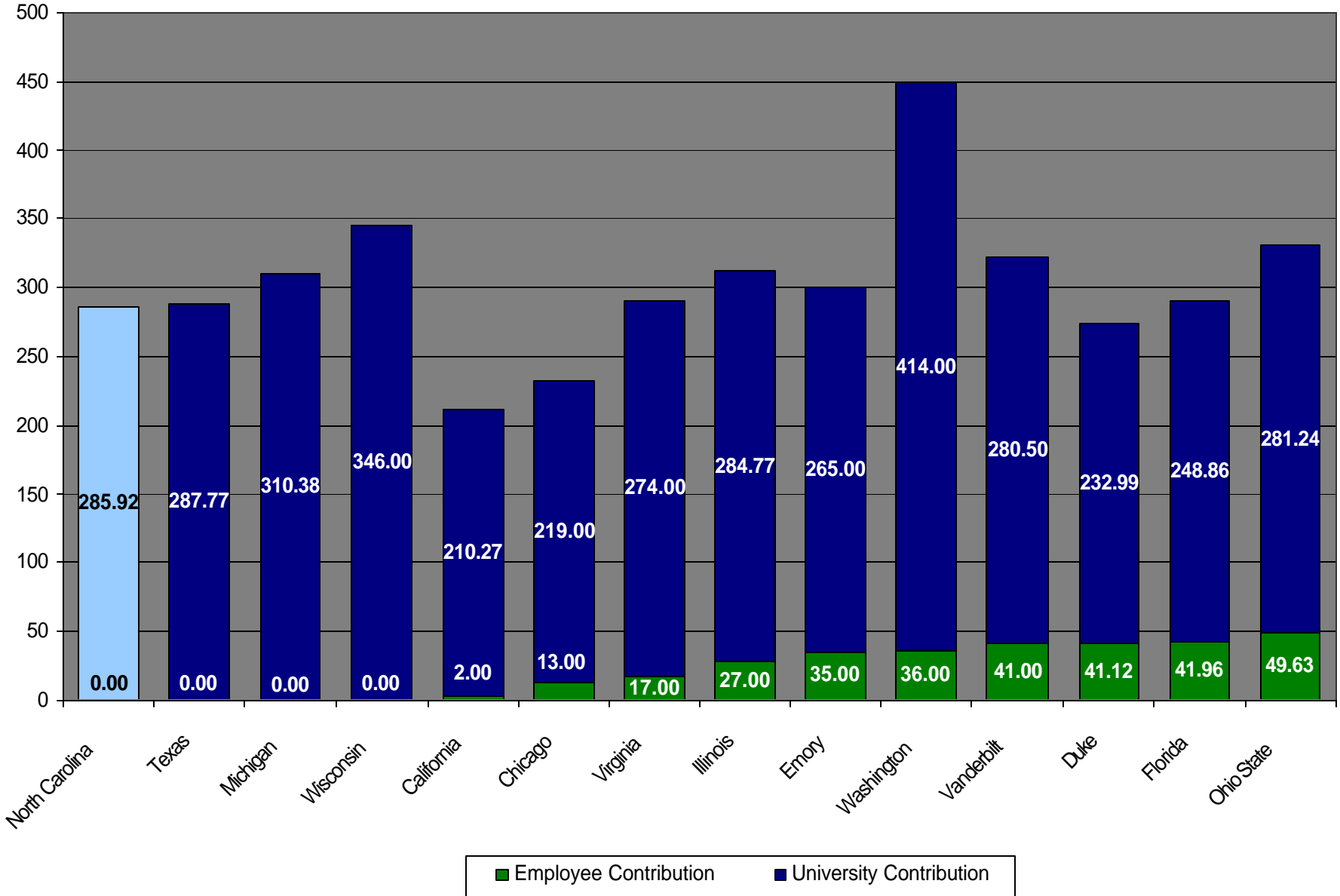
HEALTH INSURANCE COMPARISON WITH PEERS

Number of Plans Offered to Employees

University	Number of Health Plans
California	9
Wisconsin	8
Illinois	7
Washington	7
Michigan	6
Ohio State	4
Chicago	4
Vanderbilt	4
Duke	3
Emory	3
John Hopkins	3
Texas	3
Florida	2
Virginia	1
North Carolina	1
Average Number of Plans Offered	4.3
UNC-Chapel Hill Ranking	8 / 8

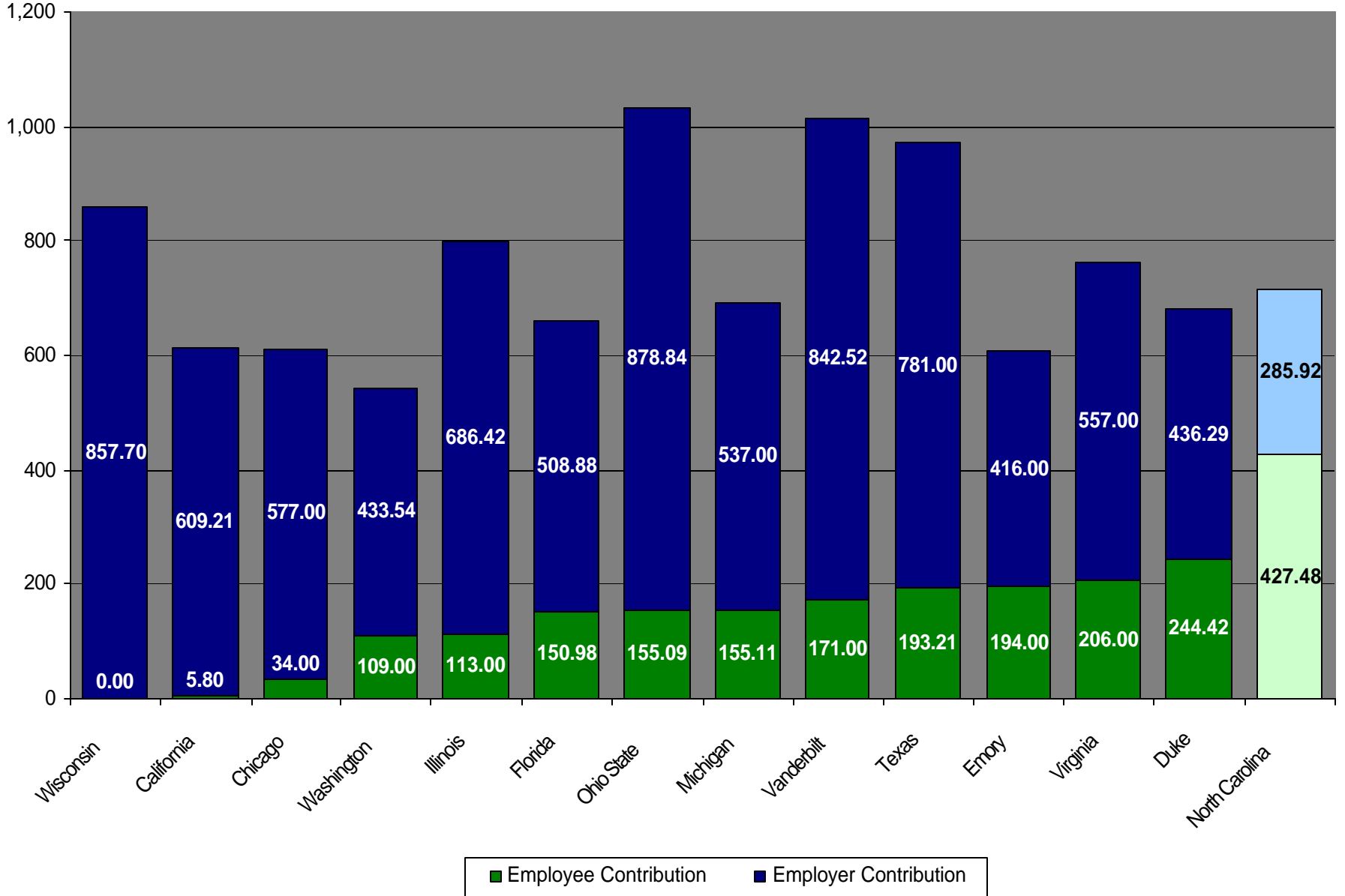
Health Plan Comparison

Employee-Only Coverage, Ranked by Monthly Employee Cost



Health Plan Comparison

Family Coverage, Ranked by Monthly Employee Cost



HEALTH INSURANCE COMPARISON WITH PEERS

Monthly Contributions and Total Annual Cost per Employee

RATES	EMPLOYEE-ONLY			FAMILY			Type of Plan*
	University	Employee	University	Annual	Employee	University	
Duke	\$41.12	\$232.99	\$3,289.32	\$244.42	\$436.29	\$8,168.52	HMO
Emory	\$35.00	\$265.00	\$3,600.00	\$194.00	\$416.00	\$7,320.00	HMO
Ohio State	\$49.63	\$281.24	\$3,970.40	\$155.09	\$878.84	\$12,407.20	EPO
California	\$2.00	\$210.27	\$2,547.24	\$5.80	\$609.21	\$7,380.12	HMO
Chicago	\$13.00	\$219.00	\$2,784.00	\$34.00	\$577.00	\$7,332.00	HMO
Florida	\$41.96	\$248.86	\$3,489.84	\$150.98	\$508.88	\$7,918.32	HMO
Illinois	\$27.00	\$284.77	\$3,741.24	\$113.00	\$686.42	\$9,593.04	HMO
Michigan	\$0.00	\$310.38	\$3,724.56	\$155.11	\$537.00	\$8,305.32	HMO
North Carolina	\$0.00	\$285.92	\$3,431.04	\$427.48	\$285.92	\$8,560.80	PPO
Texas	\$0.00	\$287.77	\$3,453.24	\$193.21	\$781.00	\$11,690.52	PPO
Virginia	\$17.00	\$274.00	\$3,492.00	\$206.00	\$557.00	\$9,156.00	PPO
Washington	\$36.00	\$414.00	\$5,400.00	\$109.00	\$433.54	\$6,510.48	HMO
Wisconsin	\$0.00	\$346.00	\$4,152.00	\$0.00	\$857.70	\$10,292.40	HMO
Vanderbilt	\$41.00	\$280.50	\$3,858.00	\$171.00	\$842.52	\$12,162.24	PPO
Average	\$21.69	\$281.48	\$3,638.06	\$154.22	\$600.52	\$9,056.93	
University of North Carolina	\$0.00	\$285.92	\$3,431.04	\$427.48	\$285.92	\$8,560.80	
UNC Compared to Average	0.0%	101.6%	94.3%	277.2%	47.6%	94.5%	
UNC-Chapel Hill Ranking	1 / 14	5 / 14	11 / 14	14 / 14	14 / 14	7 / 14	

John Hopkins was not included because they have a full cafeteria plan and could not provide actual cost figures University of California Berkeley and Los Angeles were combined since their benefit packages are identical

*Plan selected most: HMO (Health Maintenance Organization); EPO (Exclusive Provider Organization); PPO (Preferred Provider Organization)



HEALTH INSURANCE COMPARISON WITH PEERS

Out of Pocket Expenses

University	Out of Pocket Expenses
Ohio State	\$ 157
Wisconsin	\$ 160
Chicago	\$ 210
Florida	\$ 233
Illinois	\$ 260
Michigan	\$ 278
Virginia	\$ 282
Washington	\$ 320
Vanderbilt	\$ 320
California	\$ 330
Duke	\$ 375
Emory	\$ 395
John Hopkins	\$ 640
Texas	\$ 740
North Carolina	\$ 740
Average Out of Pocket Expenses	\$ 363
UNC-Chapel Hill Ranking	13 / 13

(Assumes family of four, four office visits at \$75/visit, one emergency room visit at \$200, and 24 generic prescriptions at \$25/prescription.)



Retirement

- Faculty may choose to participate in the Teachers' and State Employees' Retirement System (defined benefit plan) or the Optional Retirement Plan (defined contribution plan)
- Staff must participate in the Teachers' and State Employees' Retirement System
- Faculty and Staff must contribute 6% of gross pay on a pre-tax basis
- Employer Contribution level set by General Assembly for both plans
- Employees may participate in voluntary 403(b), 401(k), and 457 plans (no employer match).



Retirement Plans

■ **Defined Benefit plans**

- Benefits based on salary, years of service and retirement factor. Benefit does not depend on amount of contribution.

■ **Defined contribution plan**

- Benefits based on amount of money contributed to the plan and the interest or income earned on that investment

RETIREMENT PLAN COMPARISON TO PEERS

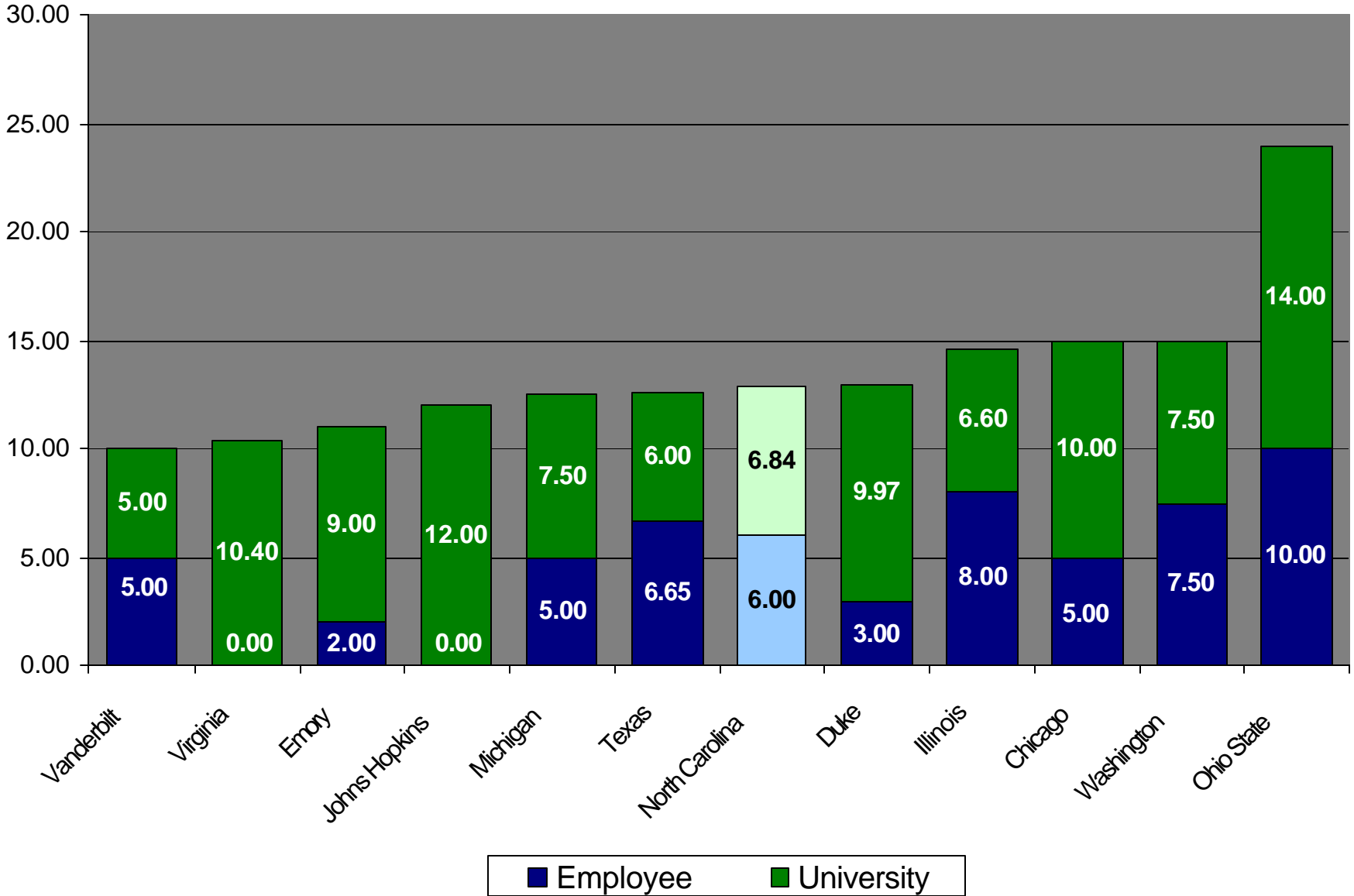
Defined Contribution Plans (Contribution as a percentage of salary)

University	Employee	University	Total	Vesting
Duke	3.00	9.97	12.97	immediate
Emory	2.00	9.00	11.00	5 years
Johns Hopkins	0.00	12.00	12.00	immediate
Ohio State	10.00	14.00	24.00	365 days
Chicago	5.00	7.50	12.50	immediate
Illinois	8.00	6.60	14.60	5 years
Michigan	5.00	10.00	15.00	immediate
North Carolina	6.00	6.84	12.84	5 years
Texas	6.65	6.00	12.65	1 yr + 1 day
Virginia	0.00	10.40	10.40	immediate
Washington	7.50	7.50	15.00	immediate
Vanderbilt	5.00	5.00	10.00	immediate
Average	4.85	8.73	13.58	
UNC-Chapel Hill Compared to Average	123.8%	78.3%	94.6%	
UNC-Chapel Hill Ranking	5 / 12	6 / 12	9 / 12	4 / 4

RETIREMENT PLAN COMPARISON - Optional Retirement Plan

University and Employee Contributions

(Contributions as a percentage of salary)

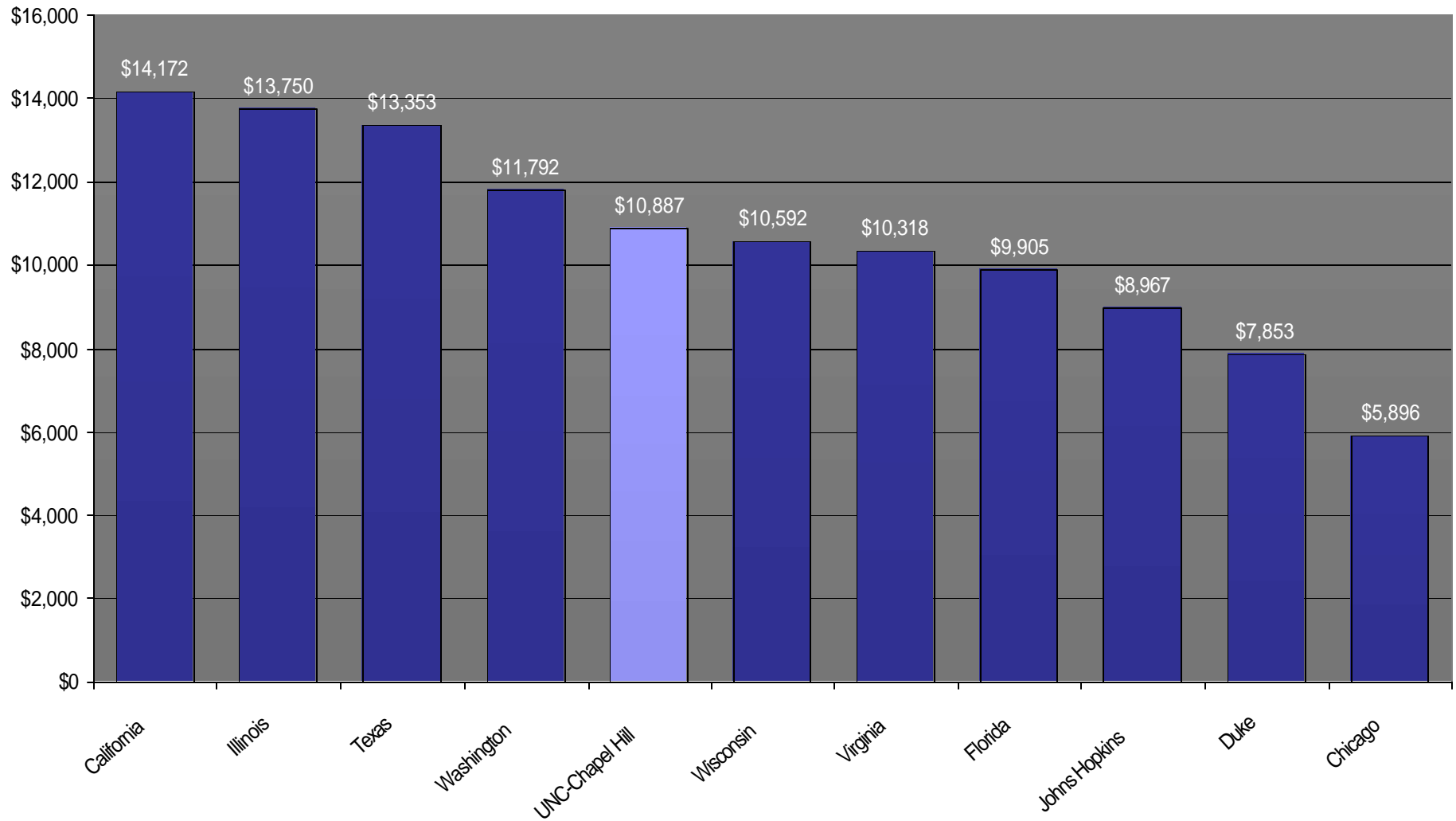


RETIREMENT PLAN (TSERS) COMPARISON TO PEERS

University	Benefit Formula	Retirement Amount \$25K	Retirement Amount \$75K	Employee Contribution as Percent of Gross Pay
Duke	1.25% of average final compensation, best 5 consecutive years out of 10, times years of credible service up to 20 years + 1.66% of same for years of service in excess of 20	\$7,853	\$23,561	0.0 %
Johns Hopkins	2% of average earnings times credible service	\$8,967	\$26,903	0.0 %
California	Calculator on web	\$14,172	\$44,520	0.0 %
Chicago	1% of Final Average Pay, last 5 consecutive years times years of service	\$5,896	n/a	0.0 %
Florida	1.68% of Final Average Pay, last 5 consecutive years times years of service	\$9,905	\$29,717	0.0 %
Illinois	2.2% of final salary times years of service	\$13,750	\$41,250	8.0 %
North Carolina	1.82% times average of 4 highest years	\$10,887	\$32,662	6.0 %
Texas	2% of highest three years of salary times years of service	\$13,353	\$40,060	6.4 %
Virginia	1.7% of average last 36 months of salary times years of service	\$10,318	\$30,955	0.0 %
Washington	2% times average last 60 months of salary times years of service	\$11,792	\$35,378	6.0 %
Wisconsin	1.765% times average last 36 months of salary times years of service prior to 2000 plus 1.6% times same average salary times years of service 2000 and after	\$10,592	\$31,778	0.0 %
Average		\$10,680	\$33,678	3.2 %
UNC-Chapel Hill Compared to Average		102%	97%	202.6%
UNC-Chapel Hill Ranking		5 / 11	5 / 11	8 / 12

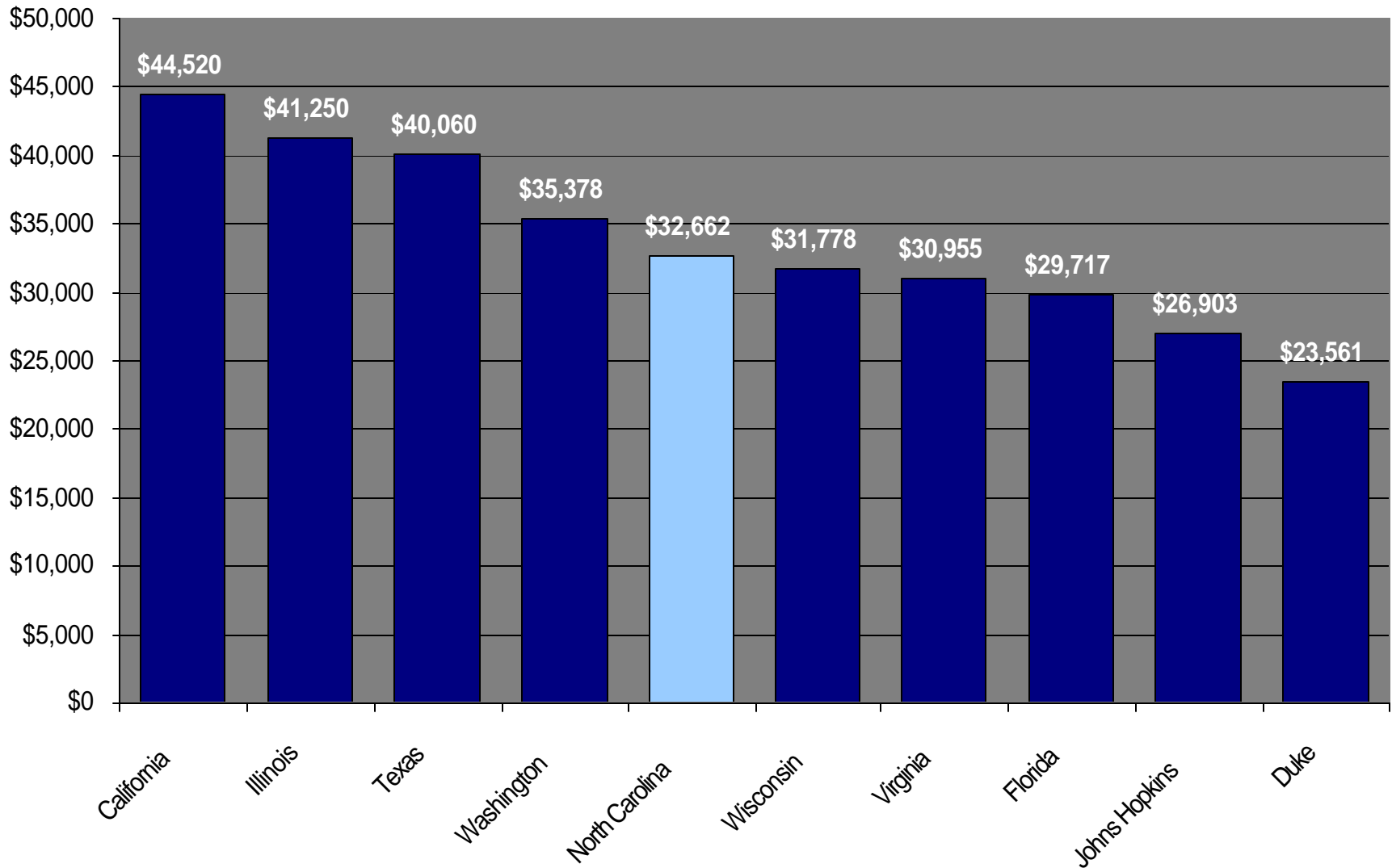
(Assumes retirement at 25 years of service, age 65 in 2003, final salary of \$25,000/\$75,000, having received 3% salary increases each year of employment)

Retirement Plan Comparison, Defined Benefit, Annual Benefit, Final Salary is 25K



(Assumes retirement at 25 years of service, age 65 in 2003, final salary of \$75,000, having received 3% salary increases each year of employment)

Retirement Plan Comparison (TSERS) Defined Benefit, Annual Benefit, Final Salary of 75K



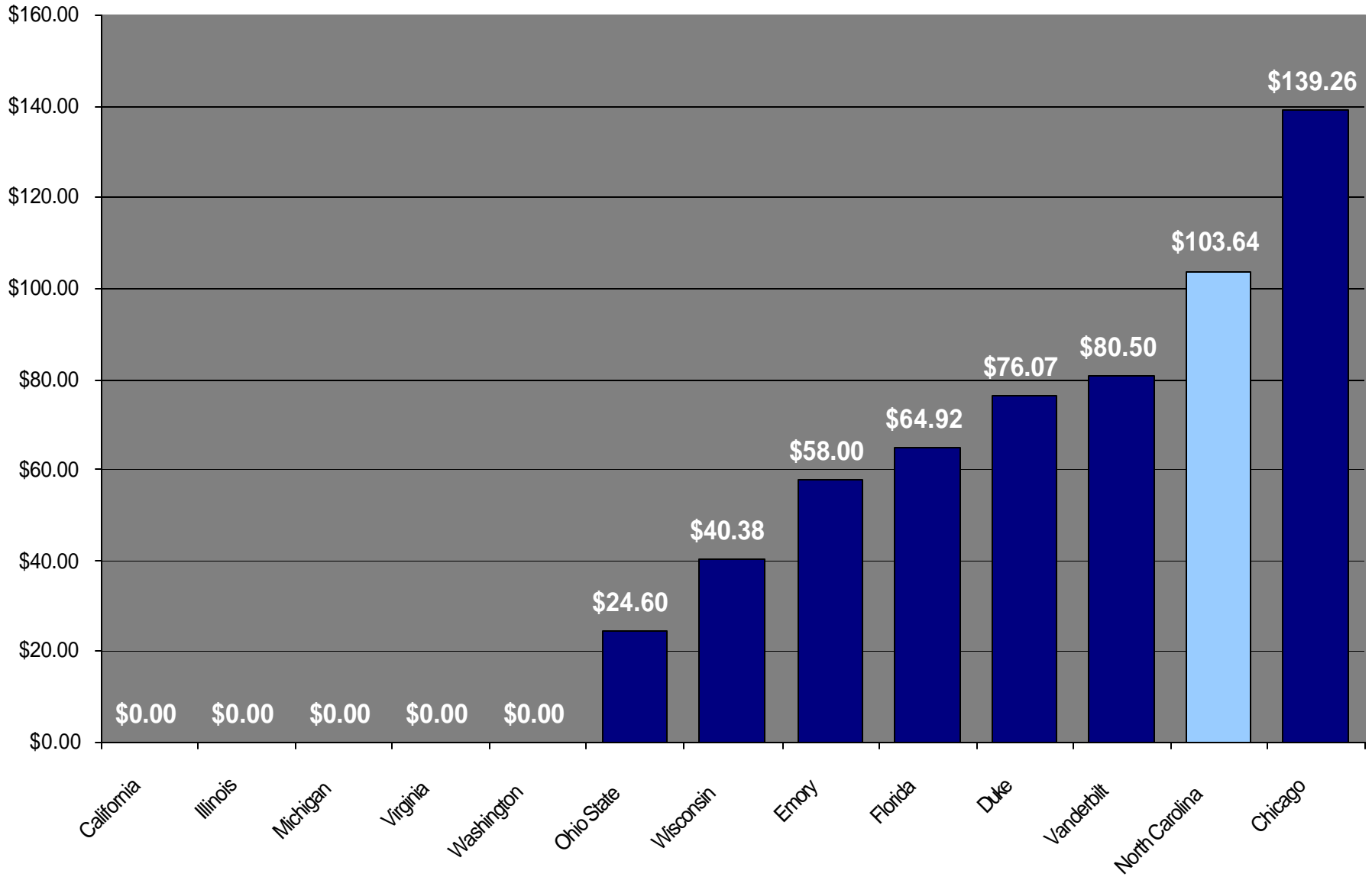
(Assumes retirement at 25 years of service, age 65 in 2003, final salary of \$75,000, having received 3% salary increases each year of employment)



Dental Plan Comparison to Peers

- No employer contribution
- Faculty and staff may participate in a dental plan offered as part of NC Flex on a pre-tax basis
- University sponsors a dental plan, but does not have authority to offer it on a pre-tax basis

Monthly Employee Cost for Family Dental on a Pre-Tax Basis





DENTAL PLAN COMPARISON TO PEERS

University	Monthly Employee Cost For Family Dental on a Pre-Tax Basis
California	\$0.00
Illinois	\$0.00
Michigan	\$0.00
Virginia	\$0.00
Washington	\$0.00
Ohio State	\$24.60
Wisconsin	\$40.38
Emory	\$58.00
Florida	\$64.92
Duke	\$76.07
Vanderbilt	\$80.50
North Carolina (NC Flex)	\$103.64
Chicago	\$139.26
Average Employee Cost	\$45.18
UNC-Chapel Hill Employee Cost Compared to Average	229.4%
UNC-Chapel Hill Ranking	12 / 13



Long-Term Disability

- State provides long-term disability benefits for employees with five or more years of service
- Optional additional long-term disability benefits may be purchased by employees



Life Insurance

- State provides no life insurance for employees
- Participants in the Teachers' and State Employees' Retirement System receive a death benefit of not less than \$25,000 and not more than \$50,000 if they die while in service
- University sponsors an employee-paid term insurance plan
- Employees may purchase up to five times salary



Employee Cost of Benefits Package

- For the following comparisons, benefit package and costs include:

- Health Insurance
- Retirement
- Dental Insurance
- Life Insurance
- Long-Term Disability
- Parking
- Federal Income Taxes
- Social Security Taxes

- For the following comparisons, assume the following employee status:

- Age 40
- Salary of \$25,000/\$75,000
- Family Coverage
- State and Local Taxes were not calculated



Employee Cost of Benefits Package

■ Employee Earning \$25,000

- Peer Average monthly take-home: \$1,622
- UNC-Chapel Hill take home: \$1,280
- UNC-Chapel Hill compared to Average: 78.9%
- UNC-Chapel Hill ranking: 13th out of 13

■ Employee Earning \$75,000

- Peer Average monthly take-home: \$4,720
- UNC-Chapel Hill take home: \$4,376
- UNC-Chapel Hill compared to Average: 92.4%
- UNC-Chapel Hill ranking: 13th out of 13



Employee Cost of Benefit Package as a Percentage of Gross Pay

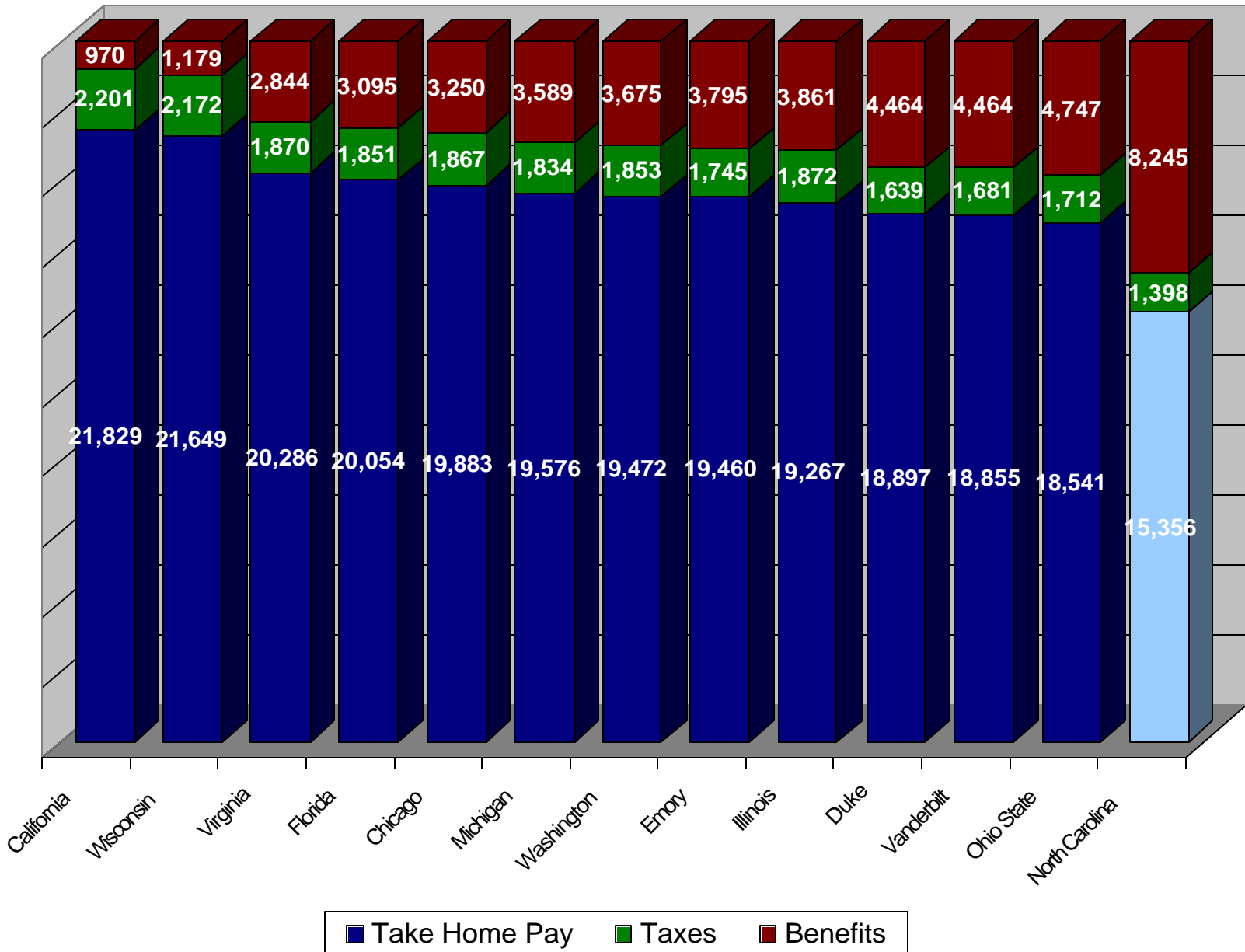
■ Employee Earning \$25,000

- Peer Average employee cost: 13.5% of gross pay
- UNC-Chapel Hill employee cost: 33.0% of gross pay
- UNC-Chapel Hill ranking: 13th out of 13

■ Employee Earning \$75,000

- Peer Average employee cost: 7.6% of gross pay
- UNC-Chapel Hill employee cost: 15.3% of gross pay
- UNC-Chapel Hill ranking: 13th out of 13

Comparison of Annual Amount After Benefit Costs, FICA and Federal Taxes Salary of \$25,000





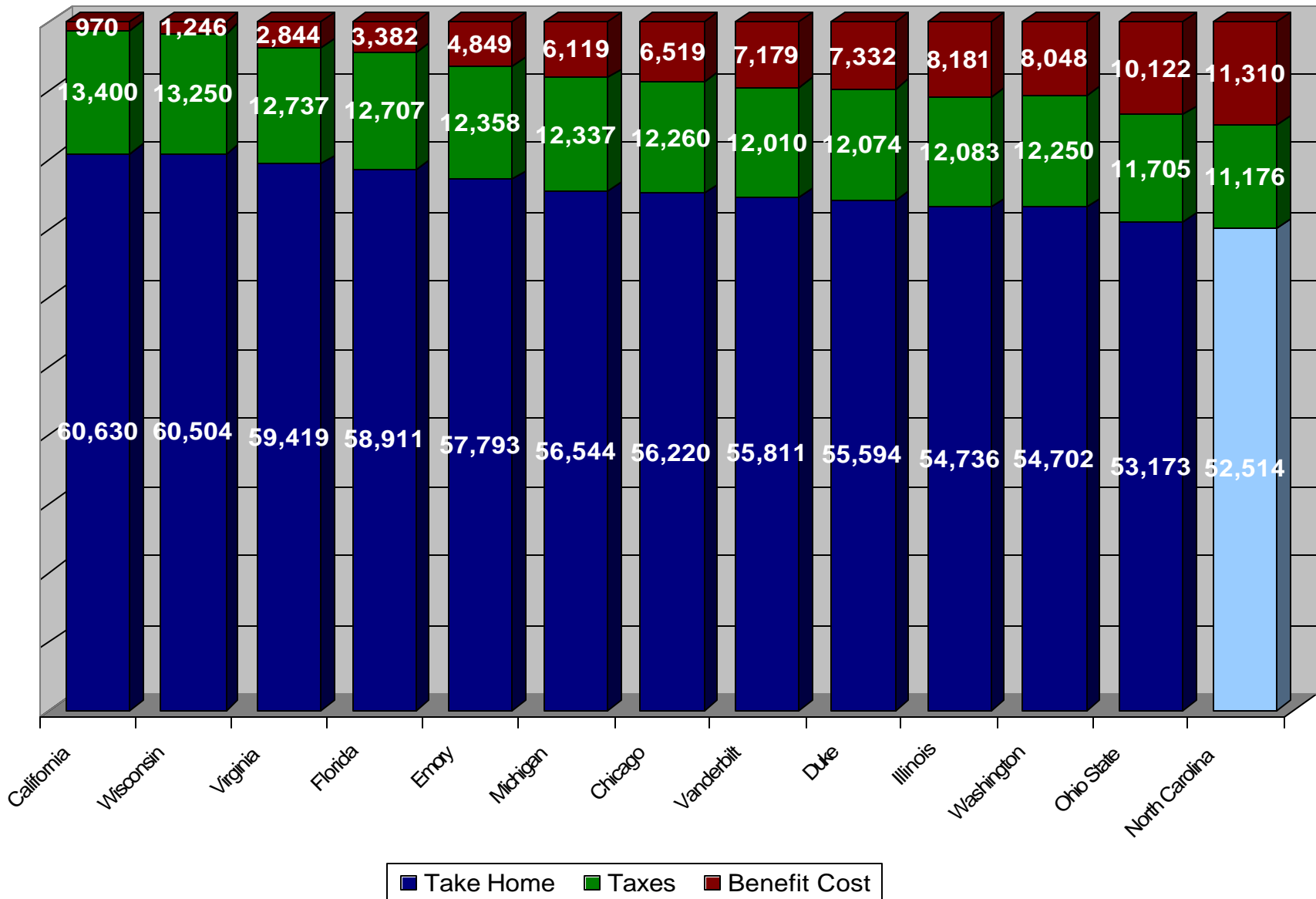
Comparison of Employee Cost of Benefit Package Employee Earning \$25,000 (\$2,083.33 per month)*

University	Medical	Life	Dental	Disability	Retirement	Parking	Net Pay	Employee Cost	Percent of Gross
California	5.80	0	0	0	0	75.00	1,819.12	80.80	3.88%
Wisconsin	0	2.00	40.38	1.70	0	54.17	1,804.10	98.25	4.72%
Emory	194.00	2.25	58.00	0	41.67	20.33	1,621.64	122.25	5.87%
Virginia	206.00	0	0	0	0	31.00	1,690.49	237.00	11.38%
Ohio State	155.09	0	24.60	0	177.08	38.85	1,545.05	240.53	11.55%
Florida	150.98	0	64.92	11.98	0	30.00	1,671.18	257.88	12.38%
Chicago	34.00	1.17	139.26	3.94	62.50	30.00	1,656.91	270.87	13.00%
Michigan	155.11	0	0	0	104.17	39.83	1,631.37	299.11	14.36%
Washington	109.00	0	0	6.84	125.00	65.44	1,622.67	306.28	14.70%
Illinois	113.00	0	0	13.33	166.67	28.75	1,605.60	321.75	15.44%
Duke	244.42	25.75	76.07	0	0	25.75	1,574.78	371.99	17.86%
Vanderbilt	171.00	0	80.50	0.36	104.17	16.00	1,571.26	372.03	17.86%
North Carolina	427.48	2.00	103.64	0	125.00	29.00	1,279.69	687.12	32.98%
Average	151.22	2.55	45.18	2.93	69.71	37.24	1,622.60	281.99	13.54%
UNC Ranking	13 / 13	9 / 13	12 / 13	1 / 13	10 / 13	5 / 13	13 / 13	13 / 13	13 / 13

Assumes age 40, salary of \$25,000. State and Local Taxes were not calculated. Benefits considered were medical, life, parking (as pre-tax), retirement, life, and long-term disability.

Comparison of Annual Amount After Benefit Costs, FICA and Federal Taxes

Salary of \$75,000





Comparison of Employee Cost of Benefit Package

Employee Earning \$75,000 (\$6,250 per month)*

University	Medical	Life	Dental	Disability	Retirement	Parking	Net Pay	Employee Cost	Percent of Gross
California	5.80	0	0	0	0	75.00	5,052.50	80.80	1.29%
Wisconsin	0	6.00	40.38	3.30	0	54.17	5,042.00	103.85	1.66%
Emory	194.00	6.75	58.00	0	125.00	20.33	4,816.12	210.08	3.36%
Virginia	206.00	0	0	0	0	31.00	4,951.61	237.00	3.79%
Florida	150.98	0	64.92	35.94	0	30.00	4,909.24	281.84	4.51%
Michigan	155.11	2.50	0	0	312.50	39.83	4,712.01	509.94	8.16%
Chicago	34.00	5.67	139.26	21.85	312.50	30.00	4,685.02	543.28	8.69%
Vanderbilt	171.00	0	80.50	18.28	312.50	16.00	4,650.91	598.28	9.57%
Duke	244.42	77.25	76.07	0	187.50	25.75	4,632.87	610.99	9.78%
Washington	109.00	7.50	0	20.00	468.75	65.44	4,558.46	670.69	10.73%
Illinois	113.00	0	0	40.00	500.00	28.75	4,561.31	681.75	10.91%
Ohio State	155.09	0	24.60	0	625.00	38.85	4,431.08	688.45	11.02%
North Carolina	427.48	6.00	103.64	0	375.00	30.34	4,361.31	957.34	15.32%
Average	151.22	8.59	45.18	10.72	247.60	37.34	4,720.34	474.95	7.60%
UNC Ranking	13 / 13	10 / 13	12 / 13	1 / 13	10 / 13	7 / 13	13 / 13	13 / 13	13 / 13

Assumes age 40, salary of \$75,000. State and Local Taxes were not calculated. Benefits considered were medical, life, parking (as pre-tax), retirement, life, and long-term disability.



Erosion of Take Home Pay

- Take Home Pay has eroded over time due to:
 - Increased cost of dependent medical insurance
 - Increased cost of dental insurance
 - Increased cost of parking



Erosion of Take Home Pay

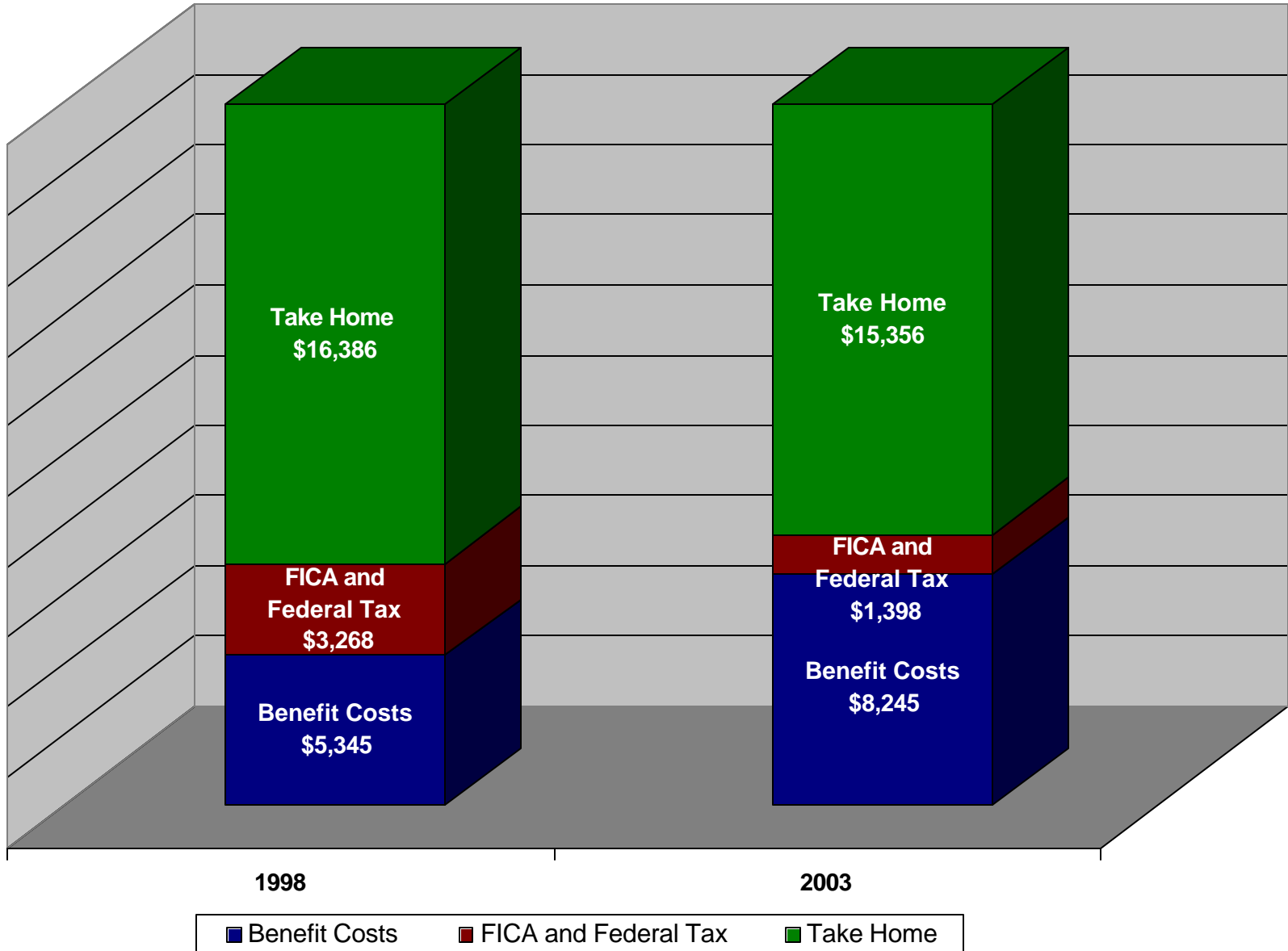
■ Employee Earning \$25,000

- In 1998, benefit costs were 21.0% of gross pay
- In 2003, benefit costs are 33.0% of gross pay

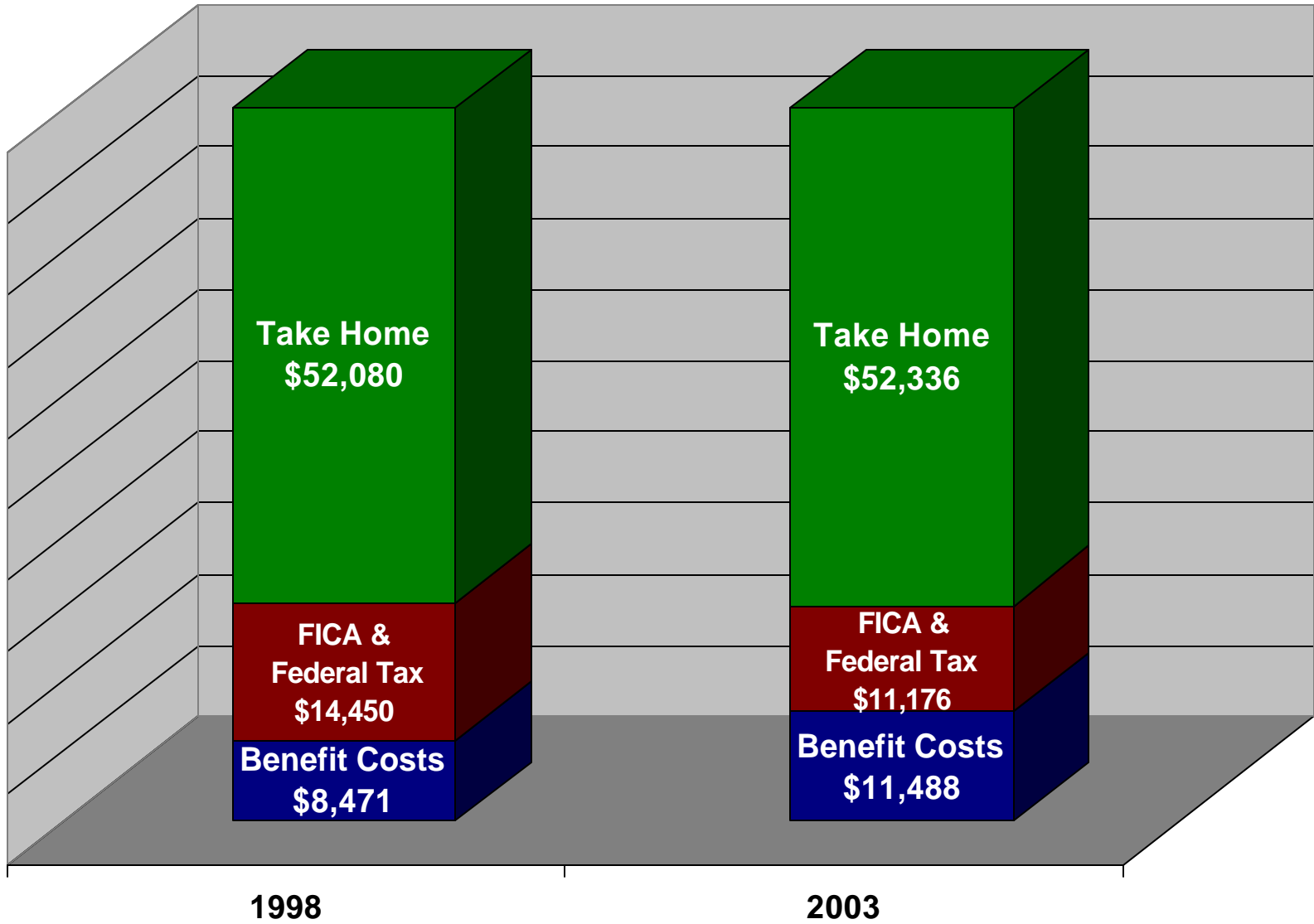
■ Employee Earning \$75,000

- In 1998, benefit costs were 11.3% of gross pay
- In 2003, benefit costs are 15.3% of gross pay

Erosion of Take Home Pay - \$25,000



Erosion of Take Home Pay - \$75,000



■ Benefit Costs ■ FICA and Federal Tax ■ Take Home



Key Findings

- Employees “take home” a significantly smaller share of their pay checks than employees at peer institutions
- Family health insurance coverage is the biggest driver of high employee benefit costs
- Employees also pay the highest out-of-pocket medical expenses of employees at peer institutions
- Employees pay a higher than average share of retirement contribution



Moving Toward our Peers— Items for Consideration

■ Health

- How can we increase University contribution for dependent coverage?
- Should we implement sliding scale for premiums based on salary?
- Can we increase number of plan options offered?

■ Retirement

- How can we decrease employee contribution to retirement plans?
- How can we increase University contribution to defined contribution plan?
- Should we decrease vesting period for defined contribution plan?

■ Other

- Should we subsidize dental insurance?
- Should we provide employer-paid life insurance?
- Should we consider a cafeteria style benefit plan?

■ Benefits Structure

- Should our benefits be comparable to programs offered to government employees in southern states or should they be comparable to universities with whom we compete for faculty and staff?