

Executive Summary: Revised Employee Grouping for Retirement Eligibility

Issue

The cost of the URS Tier 2 Retirement plan is excessive in relation to the benefit it provides and in comparison to UVU's other re. Currently, other state institutions are opting to redefine their eligibility classifications as per Regents policy and state statute. By modifying the retirement eligibility classifications the University can save on the cost of providing retirement benefits while providing new employees with a more attractive retirement plan.

The proposed change does not affect the retirement plan for any UVU employee enrolled in a retirement plan prior to December 1, 2015.

Regents Policy R851 requires Board of Trustees approval for all retirement eligibility classification changes.

Proposed Change

Establish retirement eligibility classification criteria and employee grouping as follows:

An eligible person who enters employment with the University shall (except as otherwise required or allowed by Utah law) be enrolled in the retirement program applicable to the group to which his or her position is classified by the University. Effective December 1, 2015, in accordance with the Utah System of Higher Education Guidelines for Retirement Programs, the University classifies the following groups to be eligible for participation in either (a) the appropriate URS system and/or plan or (b) the 401(a) Plan:

- a) All employees who begin eligible employment with the University who have previously participated in URS and who make a timely, irrevocable election to participate in URS as a University Employee shall be enrolled in URS. An eligible person employed by the University on or before November 30, 2015 and enrolled in URS, whose employment classification is changed on or after December 1, 2015, to a classification eligible to participate in the 401(a) Plan, shall remain enrolled in URS.
- b) All other employees eligible to participate in a University-funded retirement program shall be enrolled in the 401(a) Plan.

Benefits of the Proposed Change

- Nonexempt employees will receive a greater contribution into a defined contribution retirement plan.
- Cost savings to the University. Estimated UVU cost savings based on 2014-2015 data would have been \$269,733.
- Ease in administration and communication.
- No change to current employees.

Timeline

- November 3 -6: Consult with UVU Legal Counsel
- November 5-13: Consult with Vice President Administration
- November 19: Present proposal to President's Council
- December 1: Effective date of new classification
- December 3: Present to Board of Trustees (or present earlier to Executive Committee for approval with Board ratification on December 3)
- November/December: HR will coordinate with supervisors and the hiring of new employees regarding the communication of their retirement benefits. As appropriate, HR will recommend supervisors establish new hire start dates of December 1, 2015, or after to minimize impact of change.

Utah Valley University Retirement Eligibility Classifications

Current Eligibility Classifications

URS Plan Types				TIAA-CREF or Fidelity	
Tier 1 Eligible if hired before July 1, 2010		Tier 2 Eligible if hired after July 1, 2010			Eligible if hired in an Exempt Staff Position
Defined Benefit (Pension) Rate					
Contributory	Non-Contributory	Hybrid DB (Pension)	Defined Contribution 401(k)		Defined Contribution Plan 401(a)
UVU's Current Cost	23.70%	23.69%	20.02%	20.02%	14.20%
Eligibility - person must be hired into a full-time position identified as .75 FTE or greater	•Eligible Faculty, Exempt Staff & Nonexempt Staff with previous service credits	• Eligible Faculty, Exempt & Nonexempt Staff with previous service credits	•Newly hired eligible Nonexempt Staff •Faculty and Exempt Staff with previous Tier 2 service credits	•Newly hired eligible Nonexempt Staff •Eligible Faculty, Exempt Staff and Nonexempt staff with previous Tier 2 participation in DC plan	•New eligible exempt employees
Vesting	• Requires 4 years	• Requires 4 years	• Requires 4 years	• Requires 4 years	• Immediately vested upon hire date
Benefit	• Basic Yearly Pension Benefit • Number of Years of Service • Multiplied by 2% • Multiplied by 5 highest year's of salary	• Basic Yearly Pension Benefit •Number of Years of Service •Multiplied by 2% •Multiplied by 3 highest year's salary	• Basic Yearly Pension Benefit •Number of Years of Service •Multiplied by 1.5% •Multiplied by 5 highest year's salary	•10% is contributed to a 401(k)	•14.2% is contributed into a 401(a)

Proposed Eligibility Classifications

URS Plan Types				TIAA-CREF or Fidelity	
Tier 1		Tier 2			Eligible if hired on or after 12/01/2015
Defined Benefit (Pension) Rate		Eligible if hired after 7/1/2010 and before 12/01/2015			
Contributory	Non-Contributory	Hybrid DB (Pension)	Defined Contribution 401(k)		Defined Contribution Plan 401(a)
UVU's Cost	23.70%	23.69%	20.02%	20.02%	14.20%
Eligibility - person must be hired into a full-time position identified as .75 FTE or greater	•Eligible Faculty, Exempt Staff & Nonexempt Staff with previous service credits	•Eligible Faculty, Exempt Staff & Nonexempt Staff with previous service credits	•Eligible Faculty, Exempt Staff and Nonexempt Staff with previous Tier 2 service credits	•Eligible Faculty, Exempt Staff and Nonexempt Staff with previous Tier 2 participation in the URS DC plan	•Any new eligible employee who is hired into a full-time position identified as .75 FTE or greater
Vesting	• Requires 4 years	• Requires 4 years	• Requires 4 years	• Requires 4 years	• Immediately vested upon hire date
Benefit	• Basic Yearly Pension Benefit • Number of Years of Service • Multiplied by 2% • Multiplied by 5 highest year's of salary	• Basic Yearly Pension Benefit •Number of Years of Service •Multiplied by 2% •Multiplied by 3 highest year's salary	• Basic Yearly Pension Benefit •Number of Years of Service •Multiplied by 1.5% •Multiplied by 5 highest year's salary	•10% is contributed to a 401(k)	•14.2% is contributed into a 401(a)