

MINUTES

BENEFITS COMMITTEE

June 18, 2020

ATTENDEES: Phil Phillips, Connie Horton, Lauren Cosentino, Danny DeWalt, Gary Hanson, Lee Kats, Hung Le, Rick Marrs, Matthew Midura, Nicolle Taylor, Donna Nofziger, Michael Feltner, Maretno Agus Harjoto, Larry Bumgardner, Pete Peterson, and Joseph Fritsch.

GUESTS: Jim Gash and Thomas Knudsen

ABSENT: Marc Goodman

Together, the University Management and Retirement Plan Committees form the Benefits Committee.

I. BENEFITS COMMITTEE CALL TO ORDER:

Chief Operating Officer Phil Phillips called the Benefits Committee meeting to order. The meeting was held via Zoom on Thursday, June 18, 2020. Dean Feltner opened in prayer.

II. CADILLAC TAX — Update

Vice President Lauren Cosentino presented an update on tax measures that were previously announced as a result of federal health care reform. The measures were not implemented, and the Cadillac Tax is now repealed. The repealed tax changes included a 40% Cadillac Tax, 4% Health Insurance Tax effective January 1, 2021, and a 2.3% medical device tax. She reminded the Committee that the previously imposed tax would have incurred a 40% excise tax on high-cost health plans, which, based on overall premiums, would have included almost all of our plans.

III. EMERITI BENEFITS — Discussion

Vice President Cosentino presented changes to Emeriti benefits. She reminded the Committee that the Emeriti benefit plan was implemented in 2005 to address issues related to retirement group health benefits, and it was also intended to serve as a savings vehicle for employees to use tax-free upon retirement from the University. A couple of years ago, a change was approved to allow the University to contribute after the employee became at least 40 years of age and has incurred three-years of University service. In Fiscal Year 18, this Committee decided to reduce the contributions from \$148 per month to \$10 to offset large increases in employee medical plans.

Vice President Cosentino reported a \$241,000 current forfeiture balance that either could be distributed to participants in two ways. 1) Distribute \$200 per participant, leaving the remaining \$80,000 as the forfeiture balance available in the event a former employee who previously forfeited their balance reclaims it upon rehire within three

years. 2) Continue to distribute \$10 to each participant per month, equating to about \$100,000.

Vice President Cosentino stated the Committee could decide to vote on which of the two options to move forward with at the next Benefits Committee meeting or after the medical benefits update. Chief Operating Officer Phillips agreed.

IV. BENEFITS RENEWAL — Discussion

Vice President Cosentino presented the proposed medical plan for Fiscal Year 21 to the Committee. The proposed budget would increase to \$34,840 per benefited employee for Fiscal Year 2021, from \$33,527 in Fiscal Year 2020. The total benefit package includes health plans, retirement plans, taxes, tuition discounts, and other benefits. Pepperdine's current medical plan line-up includes Anthem Vivity, Anthem High Deductible Plan, Anthem Advantage HMO, and Kaiser HMO. The Anthem Vivity plan was implemented to reduce premium costs as Kaiser and Anthem imposed premium increases. Additionally, the University implemented several other safety measures such as dropping the EPO plan, redistributing costs, adding Anthem's Vivity plan, and seeding high deductible plans to reduce the financial impact on our employees.

Vice President Cosentino then discussed Pepperdine's total premium costs and cost per employee for each plan. The total premium cost for Pepperdine's medical insurance is \$18.9 million, averaging \$13,627 per benefited employee. The Committee discussed key observations of the Anthem medical plans from 2019 including the average age of members and employees, medical costs increases, and claim trends. They continued to discuss key observations of the Kaiser medical plans from 2019, including change in membership, medical costs increases, and the maximum amount of a single paid claim, and claim trends.

Vice President Cosentino stated that due to Anthem's renewal of -4% and Kaiser's 6.5% renewal, the University would have a flat renewal for medical coverages decreasing our projected cost by \$209,981 from Fiscal Year 20 to Fiscal Year 21. If we continue with the current HSA Contribution in 2021, the medical cost to Pepperdine will increase by \$377,463. Vice President Cosentino proposed making no plan changes for Fiscal Year 21, including keeping premiums the same for all employees. Chief Operating Officer Phillips explained the reason we spread the savings across the plans is to prevent one group from experiencing significant increases and causing some employees to have drastic changes that will affect their household income.

The Committee discussed various views on the proposed HSA seeding and the need for careful messaging if a change is made to prevent employees from having the perception they are losing a benefit.

Chief Operating Officer Phillips proposed voting on the premium changes and postponing voting on the remaining items until the next meeting in July. A Committee member moved to approve the premium changes, as presented. The motion was seconded and approved.

V. ADJOURNMENT

There being no further business, the meeting was adjourned. Unless otherwise notified, the next meeting will be held on July 16, 2020.