**Faculty Affairs Committee Report, April 2014**

1. FAC will meet once more this year, on April 28. Among other items, we will evaluate this year’s grant allocation procedures, discussing such items as whether the deadlines need to be changed, and other details.
2. Our final meeting will also be the first opportunity to look at the agenda for next year’s FAC. If you have specific proposals or suggestions, please send them to any member of this year’s committee.
3. Below is a copy of our report on health care and Emeriti accounts. It has already been distributed by e-mail (faculty-info), and we hope that most people have had a chance to read it. It contains relatively few recommendations, but we hope that it will serve as the basis for further discussion by FAC, by the faculty at large, and perhaps by a future “Benefits Committee” with elected representation of both staff and faculty. The report is primarily intended to help clarify the current state of our health care benefits, especially the Emeriti retirement accounts. Director of Human Resources Jennifer Cabral has kindly agreed to attend the faculty meeting in order to answer questions.

Respectfully submitted,

Mort Guiney, chair

**Faculty Affairs Committee**

**Report to the faculty on health care benefits and Emeriti accounts**

**April 21, 2014**

**Introduction**: Several faculty members have contacted FAC over the last two years, asking us to provide a concise summary of the changes made seven years ago to Kenyon’s plan for providing health insurance to retirees. In general, there seems to be a high level of uncertainty and even anxiety associated with these changes. People want to know: how does the present system differ from what was available prior to 2007, when the Emeriti accounts were instituted? Will I be able to afford health care in retirement? Should I be saving more for retirement health care and if so, how? While we cannot answer every question, and much depends on individual circumstances, we hope that the following information will be a useful starting point as people make important decisions concerning retirement.

**Essential links**: Answers to a lot of individual questions can be found by consulting the documents that Human Resources, Emeriti, and Aetna have placed on line. Here are some links:

**Table of costs of Kenyon’s health plan for eligible employees**:

http://documents.kenyon.edu/humanresources/healthinsurancecosttable.pdf

**Summary of benefits and coverage, Kenyon Premium Health Care Plan**:

http://documents.kenyon.edu/humanresources/healthplansummary\_premium.pdf

**Table of costs for Aetna’s supplemental insurance plans for retirees available through Emeriti**:

http://documents.kenyon.edu/humanresources/2014\_emeriti\_rates.pdf

**Summary of benefits and coverage, Emeriti-Aetna supplemental insurance plans**:

http://documents.kenyon.edu/humanresources/emeretispd.pdf

http://custom.aetna.com/Emeriti/

Our report begins with a brief summary of recent changes to the health care plan for current employees. In putting together this entire document, we relied heavily on information provided by HR Director Jennifer Cabral, and are very grateful for her help. All information that comes directly from Jennifer Cabral is preceded by the letters “HR”; other information was gleaned by FAC from Emeriti on-campus presentations, facpacs from previous years, e-mail communication with colleagues, and other sources.

**I. Recent and upcoming changes to Kenyon’s employee health insurance plan:**

**1. What changes in coverage have occurred, and are expected to occur, because of implementation of the Affordable Care Act or other factors?**

HR: Kenyon’s health plan already far exceeds the “minimum essential coverage” required by the Affordable Care Act but we did make certain adjustments to our plan such as offering coverage for adult dependent children up to age 26; removing the $2,000,000 lifetime claim limit; offering annual open enrollment beginning in 2015; and paying the required fees to the government which are levied on employer sponsored health plans (even self-funded plans such as Kenyon’s) to help fund the federal healthcare exchanges. The extent to which these changes will affect the long-term cost of our plan is as yet undetermined.

**2. What increases in costs, both to Kenyon and to employees, have occurred or are expected to occur?**

HR: For the 2014-15 academic year, employees can expect modest increases to health insurance premiums. Health insurance premiums are based on the plan chosen by the employee (Premium or Basic Plan then Single, Single+1 or Family coverage) and are further determined by salary tiers (under $42,999, $43,000-$71,999 and over $72,000 annual).

HR: The increase in the employee portion of the health insurance premium for the Basic Plan will range from a low of $4.00 per month (Single Plan, low salary tier) to $20.00 per month (Family Plan, high salary tier.) The increase in the employee portion for the Premium Plan will range from $12.00 per month (Single Plan, low salary tier) to $47.00 per month (Family Plan, high salary tier.)

HR: The 2014-15 Fringe Benefit Cost Sheet is posted on the Human Resources web page and contains full cost information for the health plan (as well as other fringe benefits) for both the Employee and Kenyon cost share (where applicable.)

**II. Emeriti Retiree Health Care Accounts and Insurance Plans**

**1. What health care benefit did Kenyon provide retirees prior to 2007, the year Emeriti was adopted?**

Kenyon adopted the Emeriti plan in 2007 because the Board of Trustees determined that the previous method of providing health insurance to retired employees was financially unsustainable.

HR: Prior to adopting the Emeriti Plan in 2007, Kenyon allowed eligible retirees to remain on our self-funded health plan (and still allows early retirees, before age 65, to remain on our plan.) In 2007 the total monthly premium for retirees over age 65 on our self-funded plan was $232.16 per individual with the retiree paying approximately 70% of that amount (approx. $162) and Kenyon paying the remainder. Kenyon also paid 30% of the premiums for the spouse/partner and eligible dependents of the retiree.

By way of comparison, the monthly cost of the “Traditional Choice” health plan available to current retirees through the Emeriti/Aetna partnership ranges from $134 per individual (ages 65-69) to $222 (age 75 and up), plus mandatory prescription coverage ranging from $31 to $187. Dental coverage is optional, and costs an additional $44 (see link to Emeriti-Aetna “table of costs” sheet, above).

**2. What other institutions besides Kenyon have switched to Emeriti?**

HR: Here is the list of institutions that currently participate in the Emeriti Plan: Baylor College of Medicine, Claremont McKenna College, Colgate University, Colorado College, Community College System of New Hampshire, Connecticut College, Denison University, Dickinson College, Emeriti Retirement Health Solutions, Five Colleges, Inc., Franklin and Marshall College, Gettysburg College, Gordon College, Hampden-Sydney College, Harvey Mudd College, Hastings College, Haverford College, Illinois Wesleyan University, Ithaca College, Kalamazoo College, Kenyon College, Lycoming College, Marlboro College, Mills College, National University, Northwood University, Pepperdine University, Point Loma Nazarene University, Reed College, Saint Mary's College, California, Saint Mary's College, Indiana, Sarah Lawrence College, Seattle Pacific University, Sewanee: University of the South, Shenandoah University, Southern Methodist University, St. Olaf College, The Andrew W. Mellon Foundation, The Georgia Foundation for Independent Colleges, Tiffin University, Trinity University, Union Theological Seminary, University of Evansville, University of Indianapolis, University of the Pacific, University of San Francisco, University of the Incarnate Word, Ursinus College, Washington and Lee University, Wheelock College, Whittier College, & Whitworth University.

Only two other institutions on this list are also members of the GLCA (Denison and Kalamazoo). When Jennifer Cabral asked Emeriti why so few GLCA schools are on the list, she received this reply: “. . . every institution has a different history and philosophy towards retiree healthcare benefits. Not all of the GLCA member institutions have had the same legacy defined benefit retiree healthcare issues that Denison, Kenyon and Kalamazoo have had to tackle [i.e. unsustainable costs], using Emeriti as the solution. Each one of Emeriti members has been able to design the program to address the needs of existing retirees, those approaching retirement (sometimes grandfathering them into existing benefits or doing transition funding) as well as other cohorts within their employee populations. And of course, not all these institutions are in a position to address retiree healthcare issues in the ways in [which] Kenyon, Denison and Kalamazoo have [i.e. they don’t have enough resources to participate].” (Barbara Perry, Vice President for Marketing and Membership, Emeriti)

**3. What is Emeriti?**

The Emeriti plan has three components:

1) **Emeriti Health Accounts**: Emeriti manages individual investment accounts for benefit-eligible employees, to which Kenyon makes monthly contributions beginning at age 35, currently in the amount of $1,300 per year (going up to $1,430 for 2014-15), for up to 25 years prior to a person’s retirement. Active employees must have an account for at least ten years in order to have access to the funds after retirement;

2) **Medicare supplement plans** (guaranteed issue Medicare supplement plans for eligible retirees and their spouses or domestic partners and eligible dependents): Emeriti partners with Aetna to provide several health insurance plans designed for retirees, with varying levels of coverage, the premiums for which can be paid out of one’s individual Emeriti account. Participants are not obliged to enroll in any of these plans; one can choose another company, or forgo supplemental insurance entirely. If one chooses an outside plan, one can use Emeriti funds to pay for it, but one then cannot switch back to one of the Aetna plans;

3) **Reimbursement benefit**: Emeriti accounts can be used to pay for out-of-pocket medical expenses (such as Medicare part B premiums; Medicare supplement insurance premiums; medical expenses that are not covered by Medicare, etc.). (Medicare currently covers only about 62% of health care expenses on average, according to the Employee Benefits Research Institute.) The account functions a bit like a “Flex Plan”.

When Emeriti funds are disbursed, they are NOT taxed as income (unlike TIAA-CREF retirement accounts).

**4. How is Emeriti different from the pre-2007 health benefits for retirees?**

HR: Prior to the implementation of the Emeriti Plan, a retiree enrolled on Kenyon’s plan would lose any benefit from the College (the 30% College contributions to the premium) if they were to drop the plan or pass away. Any surviving spouse/partner/dependent(s) on the plan would be eligible for continued coverage, but only for up to one year. With the Emeriti plan, the retiree could drop the insurance but use the money in their Emeriti account to pay for other medical expenses or a different Medicare supplement plan. If the retiree passes away, remaining money in the Emeriti account can be used by their spouse/partner/dependent(s) to pay for qualified medical expenses.

By switching from the pre-2007 plan to Emeriti, Kenyon went from a defined-benefit system to a defined-contribution system. Previously, Kenyon provided a 30% subsidy for post-retirement health coverage to all qualified retirees and their spouse/partner/dependent(s) until they canceled the plan or passed away. Now, Kenyon funds an investment account that was intended, upon plan inception, to cover approximately 50% of supplemental insurance premiums for one person, from age 65 until their average life expectancy, after 25 years of contributions and vesting (see sec. 10). The difference is similar to the one between a pension fund and an individual retirement account.

**5. What happens to voluntary supplemental contributions that have been made if the employee leaves Kenyon before ten years have elapsed?**

HR: Voluntary employee contributions are immediately vested. If the employee leaves Kenyon before retirement age and 10 year vesting, the Kenyon contributions (plus interest) are forfeited, but any contributions the employee made (plus interest) can be used immediately upon termination for reimbursement of qualified medical expenses.

**6. At what age, and under what conditions, can a participant start using his or her Emeriti funds?**

HR: Most commonly folks begin using the Emeriti funds at age 65 (assuming they are already retired) to pay for one of the Emeriti Medicare Supplement Plans. There are certain other ages and conditions under which one can access the funds – such as disability or catastrophic medical expenses. These situations are outlined in detail in the Emeriti Plan Document on the Human Resources website (see link above).

**7. If one retires before the age of 65, does one remain on the regular Kenyon health plan until age 65?**

HR: Yes, and **eligible** early retirees pay the same monthly health insurance premiums as active employees.

Currently, for the premium plan, those costs range from $106 monthly (single, earning less than $43,000) to $556 monthly (family, earning more than $72,000). (See link to Kenyon Health Plan cost sheet above).

**8. Should I be making voluntary, supplemental contributions to my Emeriti account?**

Employees can make voluntary, post-tax contributions to their Emeriti account. While unused funds in one’s retirement account at the time of death go to one’s beneficiaries as a taxable distribution, unused funds in the Emeriti account are not taxable, but may only be used by the surviving spouse, partner or dependent children for qualified medical expenses. If there is no surviving spouse, partner or dependent children, then the remainder in the Emeriti account is forfeited back to the Plan.

Each employee must decide whether to make additional contributions based on his or her needs and circumstances. Currently, only a handful of Kenyon employees are making such contributions. When asked, the reason colleagues gave for **not** making additional contributions to Emeriti was that unused funds cannot go to one’s heirs.

**9. Currently, the amount of money the average 65-year-old retiree, and his/her partner or spouse, can expect to pay out of pocket for health care during the remainder of their lives is approximately $220,000, according to insurance industry estimates. Assuming that a person has enjoyed the full twenty five years’ worth of Kenyon contributions to his or her Emeriti account, approximately how much money will that person have accumulated, if she or he has not made any supplementary contributions?**

The $220,000 is an estimate of total health care related expenses for **a couple** (not just the cost for a Medicare Supplement Plan). It does **not** include estimated costs of nursing home care (source CNBC/Fidelity).

The College declined to provide us with an estimate of the amount a person might have in his or her account at the time of retirement, since this will vary according to fund performance and other factors. In order to know approximately how much your Emeriti account will have at the end of the full 25 years, we recommend making an estimate based on how much is in there now, how much the College contributes per year, and the interest earned by the fund(s) in which the money is invested. Kenyon’s contribution of $1,300 per year presumably will increase in the future; of course, so will the monthly rates for supplemental insurance plans, as well as health care costs in general.

**10. How did the College determine the amount of money to contribute to people’s Emeriti accounts?**

According to Vice President for Finance Joe Nelson, the sum contributed by Kenyon into Emeriti accounts at plan inception was determined as follows: if a person retires at age 65 after receiving 25 years of college contributions, that person should have enough in his or her account to pay for approximately **50% of the Emeriti supplemental insurance plan for the remainder of his or her life**. Such estimates are based on national averages, and actual health care insurance premiums in retirement will vary from individual to individual.

As mentioned in section 4, the cost of premiums for spouses/partners/dependents was **not** included in the 50% calculation, even though such people received a 30% subsidy from Kenyon under the old system.

HR: When the Emeriti plan was introduced in 2007 and Kenyon retroactively funded eligible employee accounts, the amount placed in the Emeriti accounts was actuarially determined by the accounting firm PricewaterhouseCoopers, LLP using a number of assumptions such as expected mortality rates, estimated investment returns, estimated health insurance increase trend rates, etc. At that time, it was expected the amount Kenyon contributed for those individuals who had already served 25 years after age 35 (thereby receiving the full 25-year College contribution) would cover approximately 50% of a single Emeriti Medicare supplement plan for the actuarially determined remainder of a 65 year old retiree’s life.

**11. Currently, Emeriti investment accounts are administered by TIAA-CREF; unlike the wide range of investment options in our retirement accounts, however, only “Lifecycle” funds are available. Why don’t participants have access to the full range of TIAA-CREF investments?**

HR: Emeriti contracts directly with TIAA-CREF and determines the investment lineup offered to Emeriti plan sponsors and their participants. Currently, in addition to the Lifecycle Funds, there are a very limited number of investment options offered through the Emeriti Plan [but not available to Kenyon employees at this time]. We have just added oversight of the Emeriti Plan investments to the purview of the Retirement Plan Operating Committee. That committee reviews investment performance, vendor fees and overall plan operation. Upon review of the additional investment options offered by Emeriti, the committee may consider adding them to the lineup.

The RPO Committee currently consists of Steve Archer (Director of Investments), Todd Burson (Associate Vice President for Finance), Jennifer Cabral (Director of HR), and Shirley O’Brien (Controller**). The committee plans to add faculty representation to its membership.** As stated above, one of the committee’s tasks will be to decide whether to make the additional investment options available to Kenyon employees.

**12. Why doesn’t Kenyon simply increase its contributions to our retirement accounts instead of contributing separately to Emeriti accounts?**

As already mentioned, there is a tax benefit for Emeriti accounts that is not available for retirement accounts. During retirement, when an individual spends money from his or her Emeriti account, the disbursed funds are not taxed. Funds disbursed from one’s retirement account are taxed as regular income.

It is also true, however, that one can itemize health care costs on one’s income tax return (if they exceed a certain amount), that both Emeriti and TIAA-CREF charge monthly fees on the accounts (see section 13 below), and voluntary contributions made to one’s Emeriti account are post-tax, whereas voluntary contributions to one’s retirement account (up to a certain percentage of one’s salary) are pre-tax. The extent to which these factors negate the tax advantage of using Emeriti for one’s health care costs, rather than one’s retirement account, has to be determined on a case by case basis.

HR: Each retiree needs to look at their own financial situation to determine the best savings method for retirement including saving for health care expenses. Advantages of using the Emeriti Plan (as opposed to one’s retirement account) for health care expenses include: a coordinated approach to providing tax-advantaged accounts; guaranteed access to Medicare supplement insurance; and a tax-free method to pay for or get reimbursed for qualified out-of-pocket medical expenses.

**13. How do we know that Emeriti is the best option available on the market? For example, are the fees that Emeriti and TIAA-CREF charge for managing the investment accounts competitive?**

HR: The TIAA-CREF Lifecycle Funds currently offered by the Kenyon sponsored Emeriti Plan charge a fee of between 0.64% and 0.74% of the amount in the account per year. This is below the industry median Lifecycle fund average of 0.91% (Source Morningstar.) Because the TIAA-CREF retirement funds are many times larger than the funds it administers for Emeriti, the Lifecycle Funds in Emeriti cost slightly more to administer. The Lifecycle funds in our TIAA-CREF retirement accounts charge between 0.54% and 0.74% per year.

**Additional costs of Emeriti**: “If you are an active (currently employed) Participant, you are charged a total fee of $6.67 monthly, which is comprised of a $5.00 Emeriti services fee, $1.00 Savitz services fee, and $0.67 fee charged by TIAA for trust and other services. . . . If you are a retired Participant or a Participant who has severed service with your Employer, you are charged a total fee of $11.67 monthly, which includes the $5.00 Emeriti services fee, the $0.67 TIAA-CREF services fee, and the $6.00 Savitz services fee. . . .” (http://documents.kenyon.edu/humanresources/summarymm\_emeriti.pdf) See section 15 (below) for comments on the overall costs of the Emeriti accounts to participants.

**14. What advantages and disadvantages are there to participating in the various Aetna health insurance plans that are available through Emeriti? How can one determine whether there are better and/or cheaper insurance plans available on the market?**

HR: The Emeriti/Aetna Medicare supplement plans are guaranteed issue for the eligible retiree and spouse/partner/dependents. There are a variety of plans offered and the retiree can change plans each year during open enrollment. The premiums for the plans are withdrawn directly from the Emeriti health accounts so the retiree doesn’t need to worry about sending a monthly payment. Emeriti is committed to providing cost-effective plans and is able to leverage the purchasing power of the 50+ institutions participating to keep the rates competitive and affordable.

HR: Many retirees have already comparison shopped during open enrollment. One can consult with an insurance broker, or research Medicare supplement plans on the internet, to look for better options.

Once a participant enrolls in a non-Aetna plan, however, it is not possible to go back to one of the Aetna plans.

**15. So far, what has the experience of retired faculty been with Emeriti and Aetna?**

FAC polled a small group of recent retirees at the end of last year. Here is what they said:

**PROS:**

Convenience of having TIAA-CREF for both retirement and the Emeriti account.

Enrollment in Aetna plans is easy, and the help available by phone or e-mail from both Emeriti and Aetna has been excellent. The web site is useful and easy to navigate. Statements sent out by Aetna are clear and helpful for tracking one’s expenses.

The “Lifecycle Funds” have a low management cost. One colleague compared the “Lifecycle 2015” fund to other mutual funds, and found that it did well. However, other colleagues are frustrated by the lack of investment options under Emeriti, and claim to receive much higher returns on their other investments.

**CONS:**

Of all the responses we received, the one that raised the most serious concerns was the following:

“1) The Emeriti Plan is offered in a VEBA (Voluntary Employee Benefits Association) framework, which has the benefits that are described, but also the costs of vesting and forfeit of benefits. Section 3 of the report recognizes that if a retiree passes away, they lose the College’s contributions to Emeriti, and the interest earned on those contributions. I interpret the College’s contributions as originating in the Total Compensation paid by the College to the employee. Faculty contracts make that very clear as the College lists the value of benefits provided as well as direct salary. So my point of view is that all these funds are due to the employee, and that if the College did not make these contributions to Emeriti, it could make equal payments to some other benefit or to salary – that is, the contributions by Kenyon are not “over and above” compensation to the employee, but rather a part of that Total Compensation. When those benefits are lost, they are definitely lost to the employee. If a retiree passes away, the remaining funds in Emeriti can be used by a spouse or partner or dependent child. I suggest that we determine what percent of Kenyon employees, at retirement age, are either never married, widowed, divorced or without dependent children. That would help to know how large of a cost this is (that VEBA funds cannot be inherited). If they are a large percent of Kenyon employees, then that limitation of the VEBA framework is large.

2) Those who leave Kenyon employment before 10 years with an Emeriti account would keep only their voluntary contributions plus earned interest. In Section 8, this is described as only a “handful” of employees who are voluntarily contributing. So the fact that those who leave Kenyon employment can keep their voluntary contributions seems a small benefit.

3) The administrative expenses of Emeriti seem high. In contrast, the Lifecycle Funds are “no load” (no fee to make a contribution) and have very low annual administrative expenses (0.74% of assets at most), as noted in Section 13 of the report. Other mutual funds have loads of 3-5%, and much higher annual fees. I understand that Emeriti charges $6.67 per month in fees for active employees and $11.67 per month for retirees. If an employee who is age 35 begins paying $6.67 per month for 25 years, with an interest rate of 5% that would accumulate to $3988 by age 60. We should not lose sight of the fact that these fees are paid from the Total Compensation due to an employee. This seems to me a very large cash flow (per employee), for the provider of the account and a large cost to Kenyon employees. If employees paid directly into a Lifecycle Fund, they would have that much more in their retirement savings by the time they retire. In my case, there have been no contributions to my Emeriti account since June 2009, and I have made no benefit reimbursement claims (or any other claims) since then. But I am charged $11.67 every month for administration of the account in which there have been no transactions for 5 years. Against the backdrop of the low cost Fidelity fees, that seems expensive. If Kenyon is contributing $1300 per year, or $108 per month, fees of $6.67 per month are just over 6% of the contribution. Compared to a no-load mutual fund, a “load” of 6% is very high, so we are paying these costs before our contributions ever begin to earn interest. Since we are already paying Fidelity fees of 0.64% to 0.74% of the asset balance, isn’t there a lower cost way to provide retirement savings? The tax advantages of the VEBA seem to be significantly reduced by high fees.

4) On Section 8, given the apparently high fees of administration, costs of forfeiting Kenyon contributions if an employee changes jobs, and the cost of limited opportunities to inherit the VEBA account, I would not recommend additional voluntary contributions to Emeriti. As noted in Section 12, voluntary contributions to a different type of retirement account can be pre-tax, and while there would not be a tax advantage for health care use of the funds, the funds would not be restricted to health care. Yes the appropriate decision is case-by-case, but Kenyon has made a choice for all employees to use a VEBA, with its advantages and disadvantages.”

**Additional concerns expressed by retired colleagues** include the following:

There is a one-year wait to sign onto to the Aetna dental plan unless one can prove previous coverage under Kenyon’s insurance. This has caused hardship for some retirees who did not have continuous coverage, and had to pay for emergency dental work out of pocket for one year.

There is a learning curve for knowing how to file reimbursement claims, but it is fairly easy once one gets used to it. Though not “crazy difficult”, one has to print out forms from the website, copy one’s bills and insurance reimbursement statements, and mail everything to Aetna in order to get reimbursed (similar to managing a Flex account).

**III. Some conclusions and recommendations**

If 25 years’ worth of Kenyon’s contributions to an Emeriti account, plus interest, covers 50% of a person’s supplemental insurance premiums for the remainder of their life expectancy, as the College claims, then the current system is certainly comparable to the benefit that it replaced in 2007, when the college paid 30% of retirees’ premiums for the remainder of their actual lives. However, there are some important differences that make the Emeriti system less beneficial to a significant number of retirees. For example, spouses/partners and dependents are not part of the “50%” calculation, which means that for couples and/or people with dependent children, the actual value of the Emeriti benefit is likely to be only 25% or less of the projected cost of supplemental insurance, not 50%. Under the previous system, 30% of the premiums for spouses/partners and dependents were paid by the college (for up to one year after the retiree’s death), so the new system is likely to be less advantageous than the old one in the (very common) case of retirees with a spouse/partner, or the (less common) case of ones with dependents.

Another group that is disadvantaged under the new system consists of those who live well beyond the standard life expectancy; for them as well, the “50%” figure will be lower, and in some cases, much lower. All Kenyon employees have the potential to exceed their life expectancy (and we hope all of them do), potentially ending up with far less than 50% of their insurance costs in their Emeriti accounts.

A third disadvantaged group consists of those people who work fewer than 25 years for the College after turning 35, and who therefore will not have enough in their accounts to cover 50% of premiums for the remainder of their life expectancy. As stated earlier, people who work fewer than ten years after turning 35 lose **all** of the benefit.

For those who were already employed by Kenyon in 2007, the switch to Emeriti therefore represented a cut in total, non-salary compensation.

There are two other important concerns raised by our retired colleague quoted in section 15 above: 1) the fact that some people will have to forfeit some or all of the money deposited by Kenyon in their Emeriti accounts contradicts the principle that the benefit is a part of our total compensation package; and 2) that the monthly fees charged by Emeriti (equivalent to about 6% of the College’s monthly contributions for active employees, almost twice that amount for retirees) are high. In order to address the first concern, it seems at the very least that the College’s contributions to Emeriti accounts should not be included in the “total compensation” figures on our contracts, but listed as a separate item, and described as a benefit that the employee will receive only under certain conditions.

**Three final points:**

In order to preserve the value of this benefit, the Retirement Plan Operating Committee and Senior Staff must continue to ensure that the College’s contributions to Emeriti accounts keep pace with rising premiums and other variables. In order to select a faculty representative on the RPO committee, we recommend that it be an elected position. We also propose that there should be a “Benefits Committee” to discuss all aspects of faculty and staff non-salary compensation, not just retirement accounts; perhaps the RPO committee can serve that broader function.

In order to increase employee turnout at the on-campus presentations given every year by Emeriti representatives, we recommend that they be scheduled at common hour or lunch hour or late afternoon, so that more faculty and staff can attend. We would also like to see the option of individual appointments with company representatives, as we have with TIAA-CREF.

Finally, while Medicare together with supplemental insurance may well cover most of our health costs in retirement, they will not cover everything. Several of our retired colleagues have told us that health care takes up a larger percentage of one’s retirement savings than one might expect. Clearly, health care costs in retirement are a huge expense, especially if one includes nursing home care, which regular health insurance plans do not cover, and which is not included in the industry estimates of out-of-pocket health care expenses in retirement (currently about $220,000 per couple). College employees should therefore expect to devote a large part of their retirement savings to health care and nursing home care.

**The 2013-2014 Faculty Affairs Committee**: Ross Feller, Mort Guiney (chair), Judy Holdener, Drew Kerkhoff, Rosemary O’Neill, Jan Thomas (Associate Provost)