

FINANCE & BENEFITS COMMITTEE MINUTES

August 15, 2012

Attending: Jim Manaro, Chair, Mitchell Reiss, Emily Chamlee-Wright, Joe Holt, Alan Chesney, Karl Kehm, Eugene Hamilton, Lansing Williams, Cathy Naundorf, Shirley Haymaker, Peggy Fulton, Ed Guseman and Anna Krotee. Guests present were Derek Henry (TIAA-CREF), Dave Rinehart (401(k) Advisors), Dean Mariaca (Willis of Maryland), Michael Harvey and Harriet Olsen (403(b) subcommittee members).

Dr. Reiss informed the Committee that during the recent conference call meeting of the Board of Visitors and Governors, he spoke to them about a draw down from the Endowment for some specific purposes. Former President Tipson had requested a draw of approximately \$500,000 to allow the Advancement Office to begin plans for a capital campaign. However, those funds were never used as the College decided to delay plans for a campaign in response to the economic downturn. The College is now ready to begin plans for a campaign and the Advancement Office will need significant funds to achieve a successful campaign. An additional amount of funds from the draw will be used to place at least one "satellite" admissions officer outside of Chestertown. These funds will allow Admissions to not only purchase additional names from lists of potential students, but Admissions has found that it is important for recruiting efforts to be embedded where the students are. The majority of WC students are not coming from local areas, but cities such as New York, Boston, Miami and the West Coast. The last piece of funds from the draw down will be used to make salary adjustments for employees who are not being paid at the minimum salary level of their job classification. Human Resources researched the median salaries for every job classification (both faculty and staff) and identified some employees who were not being paid even the minimum salary in the range for their job classification. This is a small segment of employees and will not constitute a significant increase in salary, but it is important for morale and matters of equity that the adjustments be made to reflect the work being done. The Board approved Dr. Reiss' request for the draw down of funds from the Endowment for the purposes outlined above.

Dr. Reiss also provided an update on the current enrollment figures. The budget assumption was to enroll 460 new students. The current numbers reflect 435 new students. Final numbers including retention will not be firm until mid-September. At that time, the budget will be updated. Any consideration of salary increases will be deferred until the final budget numbers are compiled.

Jim Manaro reviewed some recent governmental changes in how pension plans are managed. Under the new ERISA (Employment Retirement Income Security Act) guidelines, employers must accept additional fiduciary responsibility for pension plans offered to their employees. A Washington College committee was put together consisting of Jim Manaro, Alan Chesney, Dr. Melissa Deckman and Dr. Michael Harvey to work with advisors in developing a Retirement Plan Committee Charter and an Investment Policy Statement (sent to all members of the Finance and Benefits Committee). The Committee retained 401(k) Advisors to partner with the College and share the fiduciary responsibility. The current plan with TIAA-CREF is an individual contract plan and the College has no management authority for those plans. Under ERISA, the College must take full fiduciary responsibility pertaining to the College's

pension plan. The additional responsibilities include annual audits, negotiation of contracts with providers (TIAA-CREF), reviewing provider expenses, evaluating current investment providers, providing investment diversity, and monitoring the performance of the selected investment vehicles. One significant result of these new regulations is that the College will be transitioning from individual plans to an institutional plan. In other words, rather than each participating member having a contract with TIAA-CREF, the College will have a contract with TIAA-CREF. Employees will have different goals, different risk tolerances, etc., and the plan must accommodate all. In order to accomplish that, the current pension plan will be changed from an individual contract to a group plan. The College, along with 401(k) Advisors, will monitor performance, fees and expenses. The College will NOT tell employees what to invest in and will NOT move an employee's money. There may be times when a fund is deemed unsuitable for our plan and removed after thorough due diligence, but it will be replaced with another fund with similar investment style. However, new investment in the closed fund will be prohibited.

This is a very complicated matter and will require a significant amount of communication and education for all employees. Focus groups and individual investment counseling sessions will be offered to help employees begin to understand their pension investments. There will be a need for employees to interact in order to move old investments into the new contracts and communication will be extremely important. Charlie Kehm provided the best analogy for the College's responsibility: "The College is akin to a restaurant and they provide the menu that the customer (employee) is able to choose from. The menu changes from time to time, but the choice is always the customer's". Given the complexity of the matter, it will be important to communicate information in terms that employees will understand. This matter will be discussed in more detail at the next Committee meeting.

Dean Mariaca of Willis of Maryland, the College health insurance brokers, gave the Committee a brief overview of the health insurance market. For new members, he reviewed the cost drivers that include group experience (the actual claims/amounts); age/sex demographics; large claims; healthcare trend; and healthcare reform. The College has done fairly well over the last 12 months in managing claims, but despite that if the renewal quote was issued this day, we could expect an 8.5% premium increase. Increased premiums will continue to be the norm and the only way to manage the cost curve is through other cost saving measures. These might include contribution strategies; plan alternatives; consumer driven health plans; wellness initiatives and smoker/non-smoker rates. The College undertook some plan modifications last year to reduce its premium increases and further discussion will be required by the Committee this year to start developing cost saving measures. Shirley Haymaker briefly introduced the "Simply Engaged" wellness program that will be rolled out through Human Resources. This is a plan to engage employees in managing their health care costs and participate in health improvement programs. More details will be provided when HR has the program in place.

The meeting was then adjourned.