

ATTACHMENT #1
UAF STAFF COUNCIL #211
November 12, 2010
SUBMITTED BY: Maria Russell

President's Report

Staff Council Facebook Page:

I am working with Nichole to utilize the UAF Staff Council Facebook Page to get the word out about what is going on with staff council. An invitation will be sent out to all staff in the next staff council newsletter, currently this page has 89 "friends"

Chancellor's Cornerstone Award:

- ❖ This replaces the Chancellor's Staff and Supervisory Awards, which in recent years had limited participation
- ❖ Nominations can be submitted through Feb. 15, 2011
- ❖ As of 11/11/10 there are 14 nominations

Medical Flexible Spending Account

There is a significant change to the Medical Flex spending account due to national healthcare reform. Effective January 1, 2011, medical flexible spending account will no longer be permitted to reimburse expenses for over the counter medicines or drugs unless you have a prescription from your health care provider. Exceptions include insulin and medical items (first aid magnifying readers, incontinence items, canes, etc).

The Internal Revenue Service (IRS) issued two items of guidance, IRS Notice 2010-59 and Revenue Ruling 2010-33, on Friday, September 3, 2010. You can find these notices on the IRS website:

<http://www.irs.gov/pub/irs-drop/n-10-59.pdf>

<http://www.irs.gov/pub/irs-drop/rr-10-23.pdf>

The following are some additional clarifications the Notices provide.

- ❖ A prescription is defined as a written or electronic order for a medicine or drug which meets the legal requirements of a prescription in the state in which the medical expense is incurred. Further, a prescription is issued by an individual legally authorized to issue prescriptions.

- ❖ The January 1, 2011 effective date applies regardless of whether the employer's plan is a fiscal or calendar year, and regardless of any applicable grace period for a medical FSA. This means the University of Alaska's plan will have this change happen halfway through our plan year.
- ❖ Reimbursements for OTC medicine and drug expenses incurred on or after January 1, 2011 are prohibited, even if funds were set aside in 2010, unless you have a prescription.
- ❖ The prohibition on the reimbursement of OTC expenses is not applicable to those items that are not medicines or drugs, including equipment such as crutches, supplies such as bandages and diagnostic devices such as blood sugar test kits. Therefore items that continue to meet the definition of medical care, which includes expenses for the diagnosis, cure, mitigation, treatment or prevention of disease, may still qualify as being reimbursable.

A letter from FBMC and SWHR (10/29/10) was sent to participants in this program.

Faculty Senate Update:

- ❖ A motion to pass the unit criteria for the Department of Alaska Native Studies and Rural Development was approved after some debate.
- ❖ Faculty Senate approved Constitution changed to make Robert's Rules their guidelines, bringing the Constitution more in line with many years of Senate practice.
- ❖ The motion to clarify the use of the +/- grading systems for core classes in the baccalaureate degree program were also approved..

Invited guest speaker, Peter Lewis, the new FNSB Superintendent sparked good discussion and collaborations on how to better prepare K-12 kids for UAF, and how UAF can better serve the needs of the community.

The Registrar announced the end of the printed catalog, faculty were unhappy with the decision,, but it is clear that UAF is not going back to a printed version. There was concern that this decision was made without consulting the Senate in advance.

Governance Council Coordinating Committee

Nichole Carvajal, ASUAF President was elected chair of this group.

Although this group met it did not have a quorum so nothing formally was passed.

Executive leadership motion was denied by the chancellor, John Dehn and Nichole Carvajal. will meet with the chancellor to express concerns about governance representation on the Administrative review committee and the academic/research committee. The GCC

recommendation representation from each governance group, currently there is no student representation on either group, or staff representation on the academic/research group.

System Governance Council

Joe Hayes, UAF Alumni, was reappointed chair, Nichole Carvajal, ASUAF President, was elected vice chair

The Council serves as a think tank for strategic planning and budget, and allows faculty, staff, students and alumni to speak with one voice. The Council has taken action on issues affecting all the groups in areas such as support for the UA budget, and non discrimination and non retention policies. In past years, the Council has conducted in depth surveys of legislative.

This council expressed concerns about the UAF soft closure and are afraid of system creep. Copies of the memo was distributed among this group, they had questions about cost savings vs. service.

November Board of Regents Summary:

The BOR approved FY12 operating and capital budgets, which will be submitted to the Governor.

The operating budget included:

- ❖ Salary Increases:
 - 2 percent salary increase for non-unionized staff to take effect July 1, 2011, followed by an additional 1 percent increase January 2012.
 - 50-cent hourly increase for student employees
 - Not included in the budget currently are potential salary adjustments for UA's four different unions, which expire at the end of December. Once these agreements are reached, the Legislature would have to approve the funding.
- ❖ The board agreed to an FY12 capital budget totaling \$82.5 million in state general funds, matched by \$130 million in university dollars. Most of that money would go toward the university's long list of maintenance and repairs, which includes roof replacements, HVACs, electrical and other major renewal. The plan includes a \$100 million internally funded bond issue proposed by Gamble that would fast-track a good chunk of backlogged maintenance. No new construction projects are proposed.

- ❖ Initiatives that strengthen student retention and graduation; investments in high-demand health, biomedical and teacher education programs; and enhancements to UA's competitive research opportunities in fisheries, energy and the Arctic

Staff Healthcare Committee:

The university is continuing to find cost savings and efficiencies in its health-care plan and other fixed costs.

The bottom line is costs will go up in FY12. This is due to federal legislation (the addition of dependents up to the age of 26), the general rise of health care costs and the over recovery fund is no longer available to lower the costs. The JHCC, SHCC and BOR are all concerned about the costs.

There are many ideas being passed around, please see attached minutes from the 11-4-10 meeting for details. *(I don't normally stress the reviewing of committee minutes, but since this year we can expect major changes I strongly recommend review these minutes). Conviend*

Staff Alliance Compensation Working Group:

This group was formed shortly after the staff union pull out in direct response to the FY12 budget. This group was successful in advocating for a 2% increase in July 2011 and a 1% increase in January 2012. The BOR also encourage statewide to review health care costs, to assist with the impact to staff income.

Please see attached letter of recommendation and written testimony from the BOR meeting, for more information.

Tuition Task Force:

This is a statewide group formed, which includes Staff Alliance Member, Gwenna Richardson. They are currently looking at the impacts of different tuition increase rates for the next academic year. The students support a 7%. This will only fill half of the 16 million dollar hole in the budget.

Initially, they were just looking at undergraduate increase, but this group is now considering an increase in graduate rates. Generally, this is supported by UAA and UAS as it could increase

revenue, but there are concerns among UAF faculty, students and administration. Graduate tuition at UA is higher than comparable schools, and previously there was an understanding that it wouldn't be increasing in AY12/13. This could have adverse effects on department and grant budgets. Currently, it is cheaper for a faculty member to pay a post doc than to pay a graduate student.

This group meets again November 16, 2011 to finalize their proposal to the president.

The board heard an update from an advisory task force reviewing a variety of tuition proposals for 2012-2013; action is expected at the December BOR meeting.

Construction Updates (Life Science):

- ❖ The general obligation bond passed! Thanks to everyone who put effort into getting the word out.
- ❖ Life Science Building:
 - The BOR approved schematic design for the Life Sciences Classroom and Lab facility at the November meeting.
 - UAF expects to have the RPF out next week. UAF expects steel to be in the ground next spring, the building process is expected to take 27-36 months, which puts the opening date sometime in fall 2013 to spring 2014.
 - A new parking lot will be constructed next summer in front of IARC.
 - There will also be work on the utilidor, although the timeline may lag a bit.
- ❖ The green house will be moved for the new Life Science building and should be ready next winter.
- ❖ UAF/UAA Engineering buildings. Will use the same consultant. The planning process is also underway

Administrative Review Committee

The October meeting was cancelled. The next meeting is 11/17/10.

As a part of this committee I attended the Administrative Services workshop on process mapping 10/20 some processes that will be take to the Administrative Review Committee from this workshop include: Pre-award setup, Post-award setup, Internal billing, Travel process, procurement , setting up fund 5, hazmat shipping, chemical purchasing, hazmat disposal, continuation budget process, on boarding – setting up UA username and email/computer/network/Banner system access, representational allowance purchases, cash deposits, and restricted fund purchases.

Reminder for Committee Reports

Please make sure that you submit your committee reports. In the minutes rather than stating “no report available” in all cases it will be recorded as to why there was no report. This is due to concerns raised by the Chancellor during pre-staff that it appeared that committee members weren’t reporting back to Council. The Chancellor feels that staff communication is a vital component to these appointments, and we are not effectively doing our job if we do not report back.

In future minutes we will denote whether or not a committee has convened within that reporting period. We reviewed the minutes with the Chancellor and it was determined that in most of the cases of concern, those committee had not actually met during that particular reporting period.

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Staff Alliance

UA Staff Health Care Committee

Minutes

November 4, 2010 1:30-3:30

1-800-893-8850, participant PIN 4236369#

Attachments: SHCC Roster (p. 3) - *informational*
September 13, 2010 Minutes (p. 4) - *informational*
Summary of Current Medical Plan Design (p. 7)
Summary of Current Pharmacy Plan Design (p. 8)
PowerPoint on Budget Implications for Health Care
PowerPoint on Potential Plan Design Changes
Excel Summary of Potential Plan Design Changes

Participants: Megan Carlson, Linda Hall, Mike Humphrey, Gwenna Richardson, Maria Russell, Carol Shafford, Lisa Sporleder, Elizabeth Williams

1. Call to Order

2. Brief updates

- a. Roster and leadership for SHCC
 - i. Maria will serve as the other UAF voting member
 - ii. Election of chair at next meeting, to allow more time for input at this meeting
- b. Timeline for health care decisions
 - i. JHCC reviewing options in November, add SHCC input to those discussions. Decisions about plan design must be made in December to allow time to build contribution amounts and prepare open enrollment materials for spring.

3. Health Care Framing: Structure of Health Care at UA and Budget Actuals

- a. Funding Structure, Projections, and Over/Under Recovery
 - i. Most of remaining over recovery that has cushioned increases in recent years will be used up in FY11, unlikely to have more than \$500K-\$600K remaining to apply to FY12
- b. Health Care Actuals FY10 Review
 - i. Closed books for FY09 and FY10. Trending at 7% increase for medical and pharmacy claims, 6.37% overall increase from FY09, which compares with Premera and national trends closer to 15%. This is lower than our usual trend, so we estimate conservatively at 10% increase per year.
 - ii. University/employee ratio of share for health care costs is currently 83/17. UA leadership would like to bring this to 80/20, but it's an aspect of ongoing union CBA negotiations.

4. Budget Outlook

- a. If no changes are made to the current plan and budget structure, the HC expenses will double from \$65M by 2017
- b. Health Reform short term mandated benefits will raise our expenses by up to \$3.2M due to the removal of lifetime maximums and the broader eligibility for adult dependent children
- c. Combining a general trend of 10% increase, the plan is looking at a \$9.7M increase to absorb next year, with almost no over recovery to offset these increases. It's important to find ways to control those costs through higher contributions and changes to the plan benefits in the near term, and bringing down claims long term through awareness and wellness activities

5. Potential FY12 Plan Design Changes: Summary of Options and Questions (discussion in the next section)

- a. This complete list of potential changes will not all be implemented. At this point, we are trying to winnow down a broad list of suggestions to a smaller list for further consideration.

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Staff Alliance

- b. Questions and issues addressed will be listed here where they arose. Discussion of the pros and cons of these suggestions is addressed in the next section.
- c. Excluding Nexium on the plan
 - i. Is it possible to get data on the number of people on Nexium who tried other meds in the same drug class
- d. Mail order for maintenance (those taken monthly) meds
 - i. Data on spoilage, but none on things getting lost in the mail. Is data available?
 - ii. Would it be possible to exempt liquid maintenance meds from this requirement, since they're more susceptible to damage?
- e. High Deductible Health Plan/Health Reimbursement Account
- f. Intent is to make employees more aware of the actual cost of services and meds, rather than just the portion or copay they currently pay. The hope is this will drive behavior. With HRAs, funds can be rolled into future years, so conservative decisions would allow them to build a reserve to offset deductibles in ensuing years.
- g. Spousal surcharge
 - i. How would the university know if the spouse had benefits available?
 - ii. How would it work if they had seasonal coverage?
 - iii. How does the surcharge apply when the benefits are available due to retirement coverage (state, military, or otherwise)?
 - iv. How does it apply to health care available through the Native Health Centers?
 - v. Surcharges would not apply to adult dependents
- h. Questions about savings with medical tourism, since current data don't show where the procedures took place in the last plan year. Seems like an additional option to offer our employees that could also save the university money, so it's a no brainer.
- i. Plan Design
- j. HRA/HSA/FSA Plans and Behavioral Based Plan Design
- k. Employee Contributions
 - i. Incenting Healthy Behaviors
- l. Domestic Medical Tourism
- m. Onsite Medical Clinic (likely unfeasible to launch in FY12)

6. Discussion of Plan Design Changes (remainder of meeting)

- a. *Note: please see attached spreadsheet for complete summary of input on proposed changes*

Summary of Proposed Potential Plan Design Changes for FY12				
Pharmacy Potential Opportunities				
Description	Amount Saved	Notes	SHCC Questions	SHCC Comments
Remove Nexium from pharmacy plan	\$ 250,000	Multiple OTC alternatives. Nexium costs the plan 307K. To stay on it, member would have to pay out of pocket.	Would it be possible to implement the reference based drug pricing for this med instead of completely excluding it? Mike to find out number of people on the plan who are on Nexium as a maintenance drugs (at least 2 refills) after having been on others first.	Concerns of medical problems if we take away the drug that works. Don't want to take off the table.
Exclude all Proton Pump Inhibitors from pharmacy plan and implement a \$5 copay for OTC PPIs	\$ 328,800	Multiple OTC alternatives. To stay on it, member would have to pay out of pocket.	Would it be possible to implement the reference based drug pricing for PPIs instead of completely excluding them?	Concerns of medical problems if we take away the drug that works. Stronger concerns with this option than the one above because it affects a lot more drug options.
Exclude all Non-Sedating Antihistamine (NSA) drugs from pharmacy plan and implement a \$5 copay for OTC NSAs	\$ 85,500	Multiple OTC alternatives. Fairly common provision on plans.		Similar concerns as above, and saves us less money.
Reduced generic copays for certain maintenance drugs (cholesterol, cardiovascular, diabetes, COPD) to increase compliance	\$ 44,900	Retail generic \$2, mail order \$5. Cost savings projected on medical health utilization from better maintenance of conditions.	Match DM list of conditions (e.g. asthma)? Look at brand where generic is not yet available too?	Great idea to encourage better health and generic use. Definitely support this one, and suggest the additions to left.
Increase differential between preferred brand name and non-preferred brand name from \$40 to \$60	\$ 140,000	Retail tiers would be at \$5/\$25/\$60		Several recent increases. Understand an increase, but the rate is too large-- would support \$50 instead.
Referenced based drug pricing (maximum plan reimbursements by therapeutic class)		Base maximum amount on therapeutic class, member pays difference between Drug X and Drug Y within the class. Still a very new system not widely adopted.		A stretch to implement this one at this time. Consider whether it could be applied above to a limited class like Nexium or PPIs.
Mandatory Mail Order for maintenance meds (those taken monthly)	\$ 100,400	Refills only covered if filled through mail-order; allow 2 refills before mandatory mail order. Members affected: 2503.	For mail order options, could we exempt liquid medications to avoid weather related issues?	Don't like taking away the choice altogether. Mail order concerns with getting lost in the mail or fixing errors, not just weather-related spoilage.
Non-mandatory Mail Order for maintenance meds: Double retail copay if member does not use mail order starting on third refill	\$ 150,400	Retail copays would be at \$10/50/80. Members affected: 2503	For mail order options, could we exempt liquid medications to avoid weather related issues?	Don't necessarily love this, but if mail order is implemented, this version is highly preferred.

Summary of Proposed Potential Plan Design Changes for FY12				
Medical Potential Opportunities				
Description	Amount Saved	Notes	SHCC Questions	SHCC Comments
Eliminate deluxe plan and continue with standard and economy plans	\$280K to \$360K	.5% savings		Concern with losing orthodontia coverage altogether if deluxe plan doesn't exist.
Eliminate deluxe plan and increase the standard and economy deductibles *Standard \$250 increase to \$500 *Economy \$500 increase to \$1,000	\$1.8M to \$2.1M	3% savings	If we deleted deluxe, could we offer an orthodontia add-on?	Would like to see a middle ground between #2 and #3 that allow three plans and more of an increase for all three. Receptive to an increase, but less than #3. At least one plan should be have a combined OOP & deductible at \$2500, which is the FSA limit. Receptive to converting Economy to HDHP.
Increase deductibles and out of pocket maxes for Deluxe and Standard plans, and convert Economy to a high deductible health plan *Deluxe deductible \$500, out of pocket \$3000 *Standard deductible \$750, out of pocket \$3500 *High Deductible Health Plan (former economy) deductible \$1500, out of pocket \$4000 with \$250 in seed money	\$6M-7M	10% savings		Too big a jump for deductible and OOP. Numbers are the concern, not the intent of moving the deductible and OOP levels.
Introduce new Full Replacement High Deductible Health Plan with HRA account for economy plan	\$7M to \$8M	11% savings. Savings due to reduced utilization and movement of population to economy plan. Doing away with UA Choice altogether.		Way too drastic a choice.

Summary of Proposed Potential Plan Design Changes for FY12				
Employee Contributions Potential Opportunities				
Description	Amount Saved	Notes	SHCC Questions	SHCC Comments
Reduce university share (83%) of total cost to plan		Dependent on CBA negotiations; achieved by increasing employee share		Acknowledging that this is CBA-dependent, we did not discuss this option.
8 Tiers for employee contributions (replaces 4 tiers for employee, employee/spouse, employee/child, and family)		Different tier for dependents 1-3 for employee & employee plus spouse: EE, EE +1, EE +2, EE +3, EE + SP, EE/SP +1, EE/SP +2, EE/SP +3 New way of distributing costs, unlikely to save money but may control the risk.		Supportive of this.
Spousal surcharge for covered working spouses who have another option for health care benefits		Typical amount is \$50/month. Shifts risk, don't know uptake so hard to project savings.	Would like more information about reference to ASEA (20%) plan if this is a concern, and answers to questions about other coverage that might trigger the surcharge (seasonal coverage, retirement coverage, native health care coverage, etc.)	Concerns with this one, particularly as it relates to the numerous areas where we need more information.
Tobacco surcharge		Typical amount is \$50/month. Offer smoking cessation program. Short term savings unclear.	Could it be easily removed if the tobacco user quite?	Decent idea. Would like more information about how it could be ended if the member quit. Surcharge that could be easily removed would be supported.
Charge Part-Time Employees more for benefits than Full-Time employees	\$ 179,000	Part-timers typically cost more to the plan. Members affected: 299.	Need more data on whether our PT employees are actually spending more.	Only supportive if the data actually back this up for our employees. Would this be a straight \$50 surcharge, or more for dependents?
Exclude high risk activities		Sky diving, bungee jumping, operating motorcycle or plane, scuba diving, hang gliding, rock climbing, parachuting, parasailing		Too undefined, concern about the list of activities expanding in the future
Different university contribution (83%) for dental and vision benefits				Don't want to take away the opportunity to catch medical conditions through this care
Employee contributions tied to completion of wellness activities and outcomes		Reduce contributions if you do an annual physical, complete HRA, participate in IHP. Could also have different deductibles for wellness plan and not-wellness plan. Short term savings unclear, greater impact on wellness participation and behavior change.		Would like more information about what this would look like, but generally receptive.

Summary of Proposed Potential Plan Design Changes for FY12			
Other Potential Opportunities			
Description	Amount Saved	Notes	Notes
Implement medical tourism (cover travel expenses for patient & another person to have certain procedures done in Puget Sound)		For each knee replacement done in Seattle and not Fairbanks UA could save \$46K. 43 knee replacements, 29 hip replacements, 26 discectomies in FY10.	Excellent idea, strong support
Pilot onsite medical clinic in Fairbanks or Anchorage		Unlikely to be implemented in FY12 due to startup logistics	Great thing to reduce costs and make health care services more accessible.

Staff Alliance Chair:

Good Morning! My names is Maria Russell and I am the current Staff Alliance Chair.

First, the Staff Alliance would like to thank Board of Regents, President Gamble and the Statewide Administration for all of their work on the FY12 budget. I am here today to testify on behalf of staff and encourage the board to adopt the Staff Alliance Compensation Working Group's recommendation of a 3% salary increase for non-represented staff in the FY12 budget.

We acknowledge the budget process is the difficult practice of balancing various and often times competing interests throughout the UA system, through this we encourage the board and the administration to remember the role staff members play in all sectors of the university. We feel that in light of the current economic situation our 3% recommendation presented as a reasonable compromise, as it only covers a portion of the anticipated in CPI and health care costs.

Unfortunately there is a high level of uncertainty among staff, due to today's economy and the inability to plan on increases from year to year, whereas we used to have a reliable step increase.

There is also a huge concern about the increase in the employee health care contribution in relation to the staff compensation increase in FY11, and how a reduced increase will have a detrimental impact on staff.

(Copies of initial data given to the BOR, it was noted that the staff alliance working group is in the process of reviewing this data with statewide).

So what does this mean for the average staff member? Here is a quick review of the average, median and mode employee, with a spouse and then with a family. This model uses full time employees.

In review of an average and median Employee, at Grade 78 Step 20, this employee with a spouse had a \$30.35 in adjusted gross income per pay period. This employee with a family had a \$19.63 in adjusted gross income per pay period. More than half of our staff fall at or below these earning levels.

Whereas the Mode Employee at Grade 76 Step 11 with a spouse had a \$15.99 in adjusted gross income per pay period. This employee with a family had a \$5.27 increase in adjusted gross income per pay period.

As you can see once all other payroll deductions are made there was a minimal if any increase with the FY11 across the board increase.

Part time employees and employees in lower grades were faced with reduced take home pay if they weren't proactive in changing or able to change their health care contribution. After a quick look at Health Care Plan enrollment for FY10 in comparison to first quarter enrollment in the FY11 plans looks like there is a strong trend towards moving from the deluxe to standard, from standard to economy. From initial feedback it seems that employees made this decision purely to keep the paychecks status quo.

Staff Alliance is working with the JHCC to address concerns with increased health care costs and we have a dedicated group (Staff Compensation Working Group) looking at the complete picture of staff compensation to assist with these issues.

Employees have reported different ways of adjusting to the effects of health care costs and CPI increasing faster than their wages. Some report that they have reduced or eliminated their annual gift to the UA Foundation, which they had done through a payroll deduction. Many others have reduced their level of care, dropping benefit levels or taking their spouses and/or children off their plans completely.

As one employee in Juneau explained, "Even though no one in my family currently has a serious or chronic health issue, health care is my most important benefit. When it came down to deciding whether to continue my payroll deduction in support of scholarships at the UA Foundation, lowering coverage, or having a lower take home pay amount, we decided to end the payroll deduction. While we did make a gift, it was smaller because we could not space the gift out over the year.

The Staff Alliance Compensation Working Group requested testimony from staff from across the state to find out the on-the-ground impacts of compensation changes in recent years. The responses were varied but overwhelmingly showed frustration and deep apprehension on the part of staff. We have taken all of these responses and consolidated them to focus on the key themes, while setting the emotions aside.

Two overarching themes emerged from the dozens of responses we received: the cost of employee health contributions in relation to the salary increases received and the issue of gross income not keeping up with the cost of living. The Staff Compensation group has invited local UAA staff members to voice the consolidated concerns of staff across the state.

This group is open for discussion!

Staff Speaker #1 : Staff Compensation increase in relation to Salary Increases

There is heightened concern over the increased health care costs this last year and with the significant increase on the horizon for FY12. Although staff aren't certain what the employee contribution for health care will be, we do know that the system no longer has the over recovery fund to pull from, federal health care legislation will make an unknown impact, and in general the costs are rising for health care.

Here are a couple of stories that I would like to share with you on the impacts of health care costs.

"I reluctantly dropped my insurance coverage for my husband and myself down to the lowest level because I couldn't afford to keep the higher level of coverage at the new premiums. I would've ended up with a smaller paycheck (after my annual raise) than I had the previous year. Of course, by dropping to the lowest level of coverage, I potentially end up with more out-of-pocket costs – so that, again, moves my raise into the negative category.

My other choice, which I decided against, was to drop my husband from my insurance and keep myself at last year's higher level.

By dropping back to the lowest level of coverage, my paycheck stayed almost even – I only make a dollar or two more each paycheck this year over last year (barring the effects from the potentially higher out-of-pocket costs)."

Another Staff members shares:

"My family was already at the Economy level to save money. And at that lowest level, my health benefits costs more than doubled. In comparing the cost of my health contribution for the last paycheck of FY10 to the cost at the first paycheck of this fiscal year went up 132%, more than double what it had been, causing a drop in my taxable gross income. And I am at the Economy coverage level with only my spouse and one child. You can't go any lower than that level and still have any coverage at all."

Many shared with us stories on how they dropped coverage for dependents or moved to a cheaper plan in order to keep their take home the same. This was often viewed as taking on a financial and personal health risk. In reducing plans employees have planned to reduce eye care and dentist appointments, and although these are considered diagnostic, the benefits of early detection and preventative care can in the long run provide for a costs savings to the university.

Staff Speaker #2: Salary Increases not keeping up with the cost of living

Cost of living affects are especially prominent for lower earning employees.

A staff member from UAS summed up how she was dealing with this issue when she wrote the committee saying,

"Yes, I did notice my paycheck was smaller. I will not be contributing to any UA Foundations or UAS requests by the development office this year."

Other employees discussed making similar changes - dropping UA Foundation payroll deductions to preserve the size of their paycheck.

Cost of living increases are not limited to health care. Employees are faced with significant increases in rent, mortgage/property taxes, electricity, gas, heating fuel and groceries. A Fairbanks employee responded to the committee with concerns about meeting the basic living expenses of her family in the face of compensation that does not keep up with actual costs of living. As an example, she tells us about the cost of fuel:

"When we purchased fuel at the end of December 08 it was 2.07 per gallon, in December 2009 it was 2.87 per gallon, today it is \$3.07, with an expected 15 cent increase in the coming days. That is a 55% increase in the cost of bulk heating fuel in the course of two years."

"During this time my family went through an energy audit and found ways to reduce heating fuel consumption from 2000 gallons to 1600 gallons. Even with my family's efforts to reduce heating costs we are looking at an additional \$1000 in heating fuel when we fill up this December, that is still a 24% increase in two years."

"That is just the heating. That does not include the cost of shipping food up here or the cost per kilowatt hour of electricity that keeps going up keeping pace with the heating oil. Nor does it include the cost of just getting to work as the cost of gasoline has gone up over \$1.00 per gallon too. Cost of living has indeed gone up a lot more than the statistics show when you trying to balance everything out so you can still afford to live here."

Another Fairbanks employee expressed concern over the rise in the cost of electricity. Last January, Fairbank's Utility Company GVEA raised their rates. In comparing his January 2010 bill with the previous year, he noticed that even though it was the same approximate kilowatt usage from the previous year, the bill was 20% higher.

{Here is the testimony that was provided to the regents right after the public testimony in written form}

Good Morning Regents

I work at the Matsu Campus, and I am a Member of the Classified Council

I would like to address you this morning in regards to the staff pay INCREASE of 3%

I have worked at the University of Alaska for 8 yrs. During this time I have watched the benefits decline and the pay decrease while the health care costs continue to escalate. In July of 2006 the Announcement of the PERS Tier 4 retirement left new employee's with very little retirement.

Then in March 2008, instead of the proposed 2% grid increase and 2.6 % step increases. The University adjusted salaries for eligible staff to an increase of 4.5% leaving employees with a .1% deficit. However, health insurance increased 78% during that year. Let me give you an example:

In 2008 the average person in the university system was making \$30,264.00 per yr. Our Health Care that year raised \$614.52 for a person paying for a spouse's coverage; this is 2.05% of their total wages. The University increased wages by 3% that YEAR, leaving this employee with only a .95% pay increase to cover all other cost of living increases.

In 2009 our Health Care costs raised \$696.28 for a person paying for a spouse's coverage; this is 2.3% of the persons pay. The University again gave us a 3% increase that YEAR, leaving this employee .7% net pay increase, to cover all other cost of living increases.

In 2010 the 4.5% increase has been cut to a 3% annual increase. Our Health care coverage has increased 124% in the last two years.

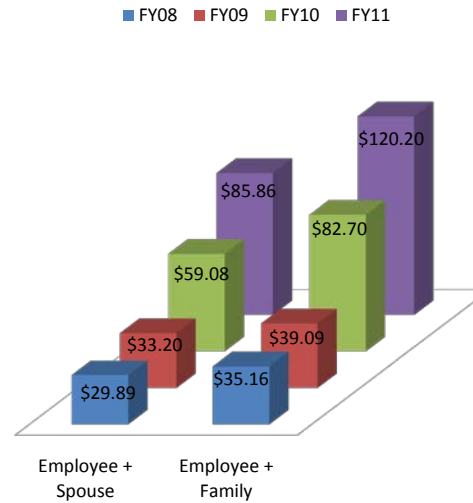
Now here we are facing 2011, with a request for another 3% to cover our Annual Costs. This we will acknowledge is a 6% increase over the last 2 years. However, our cost of living has increased at alarming rates with health care taking up 5% alone.

University employees work primarily for the benefit package, as the University does not match pay scales of the private sector. I would like you to consider these facts as you reflect on the proposed 3% increase. How long can employees afford declining benefits?

Thank you

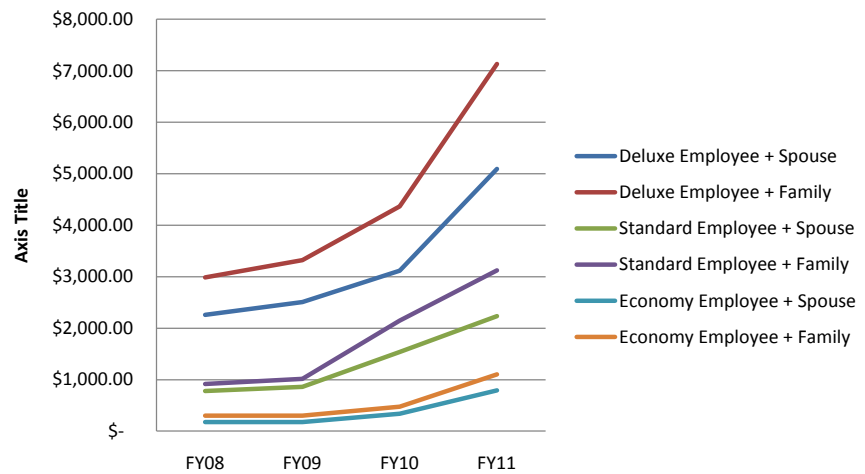
	Standard Plan			
	FY08	FY09	FY10	FY11
Employee + Spouse	\$ 29.89	\$ 33.20	\$ 59.08	\$ 85.86
Employee + Family	\$ 35.16	\$ 39.09	\$ 82.70	\$ 120.20

**Staff Health Care Contribution
Standard Plan Example**



	FY08	FY09	FY10	FY11
Deluxe Employee + Spouse	\$ 2,257.00	\$ 2,508.00	\$ 3,118.00	\$ 5,094.00
Deluxe Employee + Family	\$ 2,988.00	\$ 3,320.00	\$ 4,365.00	\$ 7,131.00
Standard Employee + Spouse	\$ 777.00	\$ 863.00	\$ 1,536.00	\$ 2,232.00
Standard Employee + Family	\$ 914.00	\$ 1,016.00	\$ 2,150.00	\$ 3,125.00
Economy Employee + Spouse	\$ 180.00	\$ 180.00	\$ 341.00	\$ 790.00
Economy Employee + Family	\$ 300.00	\$ 300.00	\$ 478.00	\$ 1,106.00

Annual Employee Health Care Costs



Difference in Adjusted Gross Income for Employee + Spouse Standard Plan

	Biweekly Hours																											
Grade	S 1	S 3	S 5	S 7	S 9	S 11	S 13	S 15	S 17	S 20	S 21	S 23	S 25	S 27	S 29	S 31	S 33	S 35	S 37	S 39	S 41	S 43	S 45	S 47	S 49	S 51	S 53	S 55
73 Total	0.20	-0.05	0.48	2.02	2.48	2.82	3.42	4.42	5.04	5.89	6.22	7.16	7.28	8.49	9.22	9.34	10.07	11.41	11.66	12.44	13.74	14.43	14.65	15.99	16.85	16.93	19.09	19.31
74 Total	3.60	4.42	5.04	5.22	6.22	7.04	7.28	8.49	9.22	9.70	10.07	11.41	11.66	12.44	13.74	14.43	14.65	15.99	16.85	16.93	19.09	20.01	20.28	21.22	22.16	23.15	24.68	25.29
75 Total	7.47	8.29	9.22	9.22	10.07	11.09	11.66	12.63	13.74	14.81	15.25	16.04	16.85	16.93	19.09	20.01	20.28	21.22	22.16	23.15	24.68	25.00	26.04	27.10	28.71	29.32	30.45	31.62
76 Total	11.81	12.16	13.53	14.43	14.65		16.85	16.93	19.09	19.80	20.28	21.22	22.16	23.15	24.68	25.00	26.09	27.16	28.71	29.32	30.45	31.52	33.50	34.27	35.83	36.57	37.84	39.62
77 Total	16.71	16.88	18.82	19.73	20.42	20.90	21.84	23.33	24.42	26.29	26.39	27.46	28.60	29.22	30.35	31.62	32.80	34.00	35.63	36.64	37.92	39.64	40.59	41.94	43.85	44.32	45.75	47.56
78 Total	20.76	22.16	22.48	23.48	24.31	26.29	26.92	27.60	29.16	30.35	31.56	32.53	33.72	34.94	36.70	37.03	38.72	40.04	40.89	42.80	43.52	45.43	46.88	48.36	49.88	51.42	53.13	54.57
79 Total	25.20	26.24	27.32	28.40	29.51	30.64	31.80	32.97	34.17	36.03	36.65	37.93	39.22	40.55	41.90	43.28	44.70	46.13	47.60	49.09	50.62	52.17	53.76	55.38	57.03	58.72	61.38	62.67
80 Total	29.52	30.70	31.41	33.12	34.33	35.56	36.57	37.84	39.56	41.08	41.76	43.68	44.72	46.15	47.62	49.12	50.64	52.77	53.93	55.56	57.61	58.85	60.57	61.90	63.23	66.30	68.16	69.17
81 Total	34.78	36.52	37.28	38.98	40.30	41.08	42.45	43.52	45.43	47.62	48.36	49.88	51.42	53.13	54.74	56.37	58.00	59.71	61.02	62.79	64.96	67.23	68.50	70.98	72.42	74.73	76.76	78.64
82 Total	42.60	43.53	45.43	46.88	48.36	49.88	51.42	53.13	54.74	57.61	58.00	59.71	61.02	62.79	64.96	67.23	68.50	70.98	72.42	74.73	76.76	78.27	80.42	82.80	85.00	87.56	90.29	91.97
83 Total	51.39	53.13	54.74	56.37	58.00	59.71	61.02	62.79	64.96	68.16	68.50	70.98	72.42	74.73	76.76	78.27	80.42	82.80	85.00	87.56	90.29	91.97	93.64	96.84	98.89	101.98	104.56	106.82
84 Total	58.73	60.44	62.20	63.46	66.12	67.99	69.27	71.77	73.30	76.72	77.18	79.70	81.98	83.68	85.90	88.40	91.16	93.53	95.23	98.02	100.53	102.97	106.20	108.62	110.86	113.63	116.25	119.43

Difference in Adjusted Gross Income for Employee + Family for Standard Plan

	Biweekly Hours																											
Grade	S 1	S 3	S 5	S 7	S 9	S 11	S 13	S 15	S 17	S 20	S 21	S 23	S 25	S 27	S 29	S 31	S 33	S 35	S 37	S 39	S 41	S 43	S 45	S 47	S 49	S 51	S 53	S 55
73 Total	-10.52	-10.77	-10.24	-8.70	-8.24	-7.90	-7.30	-6.30	-5.68	-4.83	-4.50	-3.56	-3.44	-2.23	-1.50	-1.38	-0.65	0.69	0.94	1.72	3.02	3.71	3.93	5.27	6.13	6.21	8.37	8.59
74 Total	-7.12	-6.30	-5.68	-5.50	-4.50	-3.68	-3.44	-2.23	-1.50	-1.02	-0.65	0.69	0.94	1.72	3.02	3.71	3.93	5.27	6.13	6.21	8.37	9.29	9.56	10.50	11.44	12.43	13.96	14.57
75 Total	-3.25	-2.43	-1.50	-1.50	-0.65	0.37	0.94	1.91	3.02	4.09	4.53	5.32	6.13	6.21	8.37	9.29	9.56	10.50	11.44	12.43	13.96	14.28	15.32	16.38	17.99	18.60	19.73	20.90
76 Total	1.09	1.44	2.81	3.71	3.93	5.27	6.13	6.21	8.37	9.08	9.56	10.50	11.44	12.43	13.96	14.28	15.37	16.44	17.99	18.60	19.73	20.80	22.78	23.55	25.11	25.85	27.12	28.90
77 Total	5.99	6.16	8.10	9.01	9.70	10.18	11.12	12.61	13.70	15.57	15.67	16.74	17.88	18.50	19.63	20.90	22.08	23.28	24.91	25.92	27.20	28.92	29.87	31.22	33.13	33.60	35.03	36.84
78 Total	10.04	11.44	11.76	12.76	13.59	15.57	16.20	16.88	18.44	19.63	20.84	21.81	23.00	24.22	25.98	26.31	28.00	29.32	30.17	32.08	32.80	34.71	36.16	37.64	39.16	40.70	42.41	43.85
79 Total	14.48	15.52	16.60	17.68	18.79	19.92	21.08	22.25	23.45	25.31	25.93	27.21	28.50	29.83	31.18	32.56	33.98	35.41	36.88	38.37	39.90	41.45	43.04	44.66	46.31	48.00	50.66	51.95
80 Total	18.80	19.98	20.69	22.40	23.61	24.84	25.85	27.12	28.84	30.36	31.04	32.96	34.00	35.43	36.90	38.40	39.92	42.05	43.21	44.84	46.89	48.13	49.85	51.18	52.51	55.58	57.44	58.45
81 Total	24.06	25.80	26.56	28.26	29.58	30.36	31.73	32.80	34.71	36.90	37.64	39.16	40.70	42.41	44.02	45.65	47.28	48.99	50.30	52.07	54.24	56.51	57.78	60.26	61.70	64.01	66.04	67.92
82 Total	31.88	32.81	34.71	36.16	37.64	39.16	40.70	42.41	44.02	46.89	47.28	48.99	50.30	52.07	54.24	56.51	57.78	60.26	61.70	64.01	66.04	67.55	69.70	72.08	74.28	76.84	79.57	81.25
83 Total	40.67	42.41	44.02	45.65	47.28	48.99	50.30	52.07	54.24	57.44	57.78	60.26	61.70	64.01	66.04	67.55	69.70	72.08	74.28	76.84	79.57	81.25	82.92	86.12	88.17	91.26	93.84	96.10
84 Total	48.01	49.72	51.48	52.74	55.40	57.27	58.55	61.05	62.58	66.00	66.46	68.98	71.26	72.96	75.18	77.68	80.44	82.81	84.51	87.30	89.81	92.25	95.48	97.90	100.14	102.91	105.53	108.71

A Full Time Employee

Average and Median Employee is at Grade 78 Step 20

This employee with a spouse had a \$30.35 increase in adjusted gross income per pay period

This employee with a family had a \$19.63 increase in adjusted gross income per pay period

Mode Employee is at Grade 76 Step 11

This employee with a spouse had a \$15.99 increase in adjusted gross income per pay period

This employee with a family had a \$5.27 increase in adjusted gross income per pay period