

**Minutes of a Special Meeting  
Eastern Kentucky University  
Board of Regents  
September 21, 2016  
10:00 a.m.  
Center for the Arts  
Stage**

**Call to Order**

A special meeting of the Eastern Kentucky University Board of Regents convened at 10:01 a.m. on September 21, 2016 at the Stage, Center for the Arts at Eastern Kentucky University, Richmond, Kentucky. Mr. Craig Turner, Chair of the Board, presided. Mr. Turner noted the presence of a quorum. The following members were present:

**Present:**

Ms. Janet Craig  
Mr. Alan Long  
Mr. Bryan Makinen  
Mr. Collin Potter  
Dr. Richard Day  
Mr. Lewis Diaz  
Mr. Craig Turner  
Mr. Ramakrishna "Vasu" Vasudevan  
Mr. Craig King  
Ms. Nancy Collins

**Absent:**

Ms. Holly Wiedemann

**Other persons present at the meeting were:**

Dr. Michael Benson, President  
Dr. Janna Vice, Provost & Senior Vice President of Academic Affairs  
Dr. Laurie Carter, Executive Vice President & University Counsel  
Mr. Barry Poynter, Vice President for Finance & Administration  
Mr. Stephen Lochmueller, Director of Athletics  
Mr. David McFaddin, Vice President of Engagement, Regional Stewardship & Gov. Relations  
Mr. Nick Perlick, Vice President for Development and Alumni Relations  
Ms. Sarah Pitt, Chief Human Resources Officer  
Ms. Dana Fohl, Deputy University Counsel & Secretary to the Board of Regents  
Mr. Jeremy Raines, Executive Assistant to the President and Board of Regents  
Members of the faculty & staff  
Members of the media

## Action Items

### **A. Review, discussion and/or action on health insurance benefit plans and options**

Chairman Turner made the following opening comments:

I want to remind everyone that all of this came about because of the pension situation in Kentucky. To give you a taste of the dynamics, I want to read an excerpt from an article called "PAIN Pensions now certain to cripple Kentucky" from the Paducah Sun by Jim Paxton. According to a survey cited by Paxton, Kentucky has "the worse funded pension system in the nation." Accounts of the news of Kentucky's pension situation were found as far as the Miami Herald. In a report issued by S&P Global Ratings, Kentucky has \$31.2 billion in unfunded pension liabilities. The state's pension funds have only 37.4% of the money needed for current and future obligations for retirees. Funding of the main pension fund has slipped to 17% of what is needed. Contributions are not sufficient to cover amounts being paid out to current retirees, and retirees grew by 4% last year. According to Paxton, Kentucky's pension fund "is not merely in a death spiral; it has descended below 1000 feet." Where the state colleges are concerned, "You ain't seen nothing yet." Nothing is sacred. We do not want to be in a position that we are paying out more than we are taking in. Disaster has arrived. Pain is coming in education and elsewhere. Our goal is to stay solvent, viable. We have a lot of momentum but a lot of challenges lie ahead. Chairman Craig requested David McFaddin, Vice President, Office of Engagement, Regional Stewardship and Government Relations, to explain where things stand in Frankfort relative to the budget.

David McFaddin delivered the following report:

Higher education is not immune to these type of pressures regardless of where you are in any state. In Kentucky, it has come faster and more fervent than in any other places. With performance based funding, \$155 million of funding for all public into a funding pool. That means \$16 million is at stake for ECU. While we are participating in the process of developing the guidelines, they are not finalized yet. We will be expected to produce at a faster rate to be responsive to economy if we want to participate in these funds. There has been a \$7 million cut in this budget biennium. The government says if there is funding available, we would love to fund higher ed. ECU has to position itself to compete for these dollars. There are not new dollars. We must position ourselves to protect what we have at this base. The state has made it clear now that it is looking for degrees; Universities are expected to produce degrees. We must be responsive to this new way of doing business to keep our dollars.

President Michael Benson made the following report:

The state appears to have adopted the motto that we are "Stronger by degrees." There is a school of thought brewing to simplify the whole performance-based funding formula and to simply base it on degree production. This is a double edged sword. We are going to be incentivized to go back and get those students that left us and get them their degree. This challenge is exacerbated

when 25% of our total funding is placed into a pool and we must earn it back based on how we put out degrees. UK has cut 75 positions. We have eliminated 34. Murray State has eliminated 57. Morehead has eliminated 50. NKU has eliminated 105. WKU has eliminated 228. KCTCS has eliminated 506 positions. To date, approximately 1000 people are unemployed in higher education in Kentucky due to these budget cuts. Today, we are talking about changes to healthcare to prevent layoffs on this campus. We are looking at every possible way to lessen the direct impact on our students. That's what we are about. Forces beyond our control have created the situation. We are responsible to respond. We must place ourselves in a sound financial position.

David McFaddin made the following remarks:

This floor of 25% by 2020 is indeed a floor. There is a desire to put more funds into this pool. Some legislators want 100% of funds for public higher education in a performance pool. ECU has to position itself to compete.

Chairman Turner made the following comments:

There is no new funding expected for universities. So our goal is not to lose what we have. That's our challenge. We are at the top of the heap. We are the only university with new growth. But, unfortunately, we are in a pool. Today is a new game, and we must start all over. We must continue to be successful. We must keep moving forward.

As for today's process regarding the healthcare issue, there will be a presentation by Barry Poynter and Richard "Budd" Carr, our insurance broker and consultant. After the presentation, I will open up the floor for public comment. I'd like to stay around the 30 minute range. There is a sign-up sheet going around if you would like to speak to the Board. You have 3 minutes. We are doing our best to give you input. You may make a statement, but this isn't a question and answer period. After that, I will ask Bryan Makinen and Richard Day to make comments on behalf of their constituents. Then the Board will go into discussion and we will make a decision.

Barry Poynter, Vice President for Finance and Administration, made the following remarks:

This proposal has been seen by several groups. A copy of the materials provided to the Board are attached and incorporated herein. As the Board knows, claims have been on the increase. We are on track with an \$18.4 million claims spend for the trailing 12 months. Approximately 50% of employees are spending \$1,000 or less in healthcare costs each year. A HDHP would be a beneficial plan for those folks to save money. The University proposes to contribute \$450 per employee and \$600 per family as a defined contribution. We plan to implement a tobacco surcharge. ECU has been a tobacco free campus now for 2 years. This initiative will be aimed to help employees become healthier. We will follow ACA guidelines. We plan to fully implement Healthy U at ECU into the insurance. We are proposing funding the dental plan 50%. These changes will find a \$1.2 million savings, with half of that realized in first year as healthcare is on a calendar year basis. It is important to note that we did not change our provider network. We are still in the Anthem network as changes to the network can cause a lot of disruption. We propose 2 PPOs and one consumer driven health plan. This brings us in line with similar packages

enrollment a longer period this year. We had not looked at healthcare plans for a number of years. These changes will require education.

Richard Carr, Neace Lukens broker:

EKU's total healthcare package is at \$17.2 million, with \$16 million is claims and the rest is a stop loss premium. There is approximately \$840,000 in administrative costs. The health plan is currently funding at 86% ECU and 14% Employee. The average is probably 80% / 20% looking at the total state. For the public sector, probably 84%-85%. As to the 2016 benefits, ECU's is richer than WKUs. WKU made this move two or three years ago. Now, with these changes, you are right in line. ECU will still be in the prescription coalition.

Chairman Turner yielded the floor to those individuals that had signed up to make a public comment. Approximately 6 faculty members made comments related to the proposed changes to the healthcare plan. Comments included concerns regarding a lack of faculty involvement in the process, increases in premiums to employees (especially families), lack of consultation with university experts in the field, lack of communication, and forcing employees to take on more risk or paying more money.

After the public comment period, Chairman Turner yielded the floor to Richard Day and Bryan Makinen to make statements on behalf of their constituents.

Richard Day, Faculty Regent, made the following remarks:

First, David just shared the worst information I have heard in some time. In performance based funding, 25% is the floor. I don't think people realize the magnitude of what we are talking about. There is a lot of anxiety today about healthcare. In December, there will be anxiety about a host of things that we will have to consider to bring ourselves in line with the budget cuts. If indeed performance based funding goes through, anxieties will be twice as bad the next time around. Faculty and administration have been working on a plan for the past three years for across-the-board increases for faculty in an effort to attract better faculty to the University. That plan had been going nicely until we were derailed by the budget cuts. We had a richer benefits package than our peers, and the benefits package went a distance in attracting faculty. The benefits package made paying us lower salaries tolerable. The University has to find \$7.4 million. I hope we don't find too much in the pockets of the faculty and staff. But, clearly, health insurance is one of many areas under review. The healthcare proposal, however, tends to hit families the hardest, and in my view, a bit too hard. This seems true for those families in the economy plan where premiums skyrocket by more than 300%. We looked at a range of options, including one that supplemented families by an additional \$50.00. This is the one I think we should pass. It is true that plan will only save the University \$1 million as opposed to \$1.2 million. This is better and fairer, particularly for retaining young faculty with families.

Bryan Makinen, Staff Regent, made the following remarks:

It's an honor and pleasure to serve with the Board and serve as the voice of the staff. In the times of financial burden, the staff recognize it is often the students upon whose backs these burdens are placed. The students will bear the burden of the programs that remain and will dictate how we operate. As part of the process, administration met with Staff Council. As a result of those meetings, Staff Council representatives sent out an email to their constituency groups. We received 31 responses. In large part, the voice we are hearing is the large impact to the family of staff and faculty. We need to be best positioned in the performance based cutting or funding environment. The issues that have arisen are the transparency and communication. The end user is expressing frustration with not having the information. Employees fear they will have to opt out of preventative screenings. The CDHP does raise concerns if this will prevent people from going to the doctor. Staff have stepped up, but we didn't see that today. We will pass out the comments for you to read. As we press forward, the one thing I have been continually asked is how do we preserve staff jobs. If it comes down to staff layoffs or sharing the burden, I have been asked by my contingency groups to cast the vote to share the burden. I have been asked to consider how we can keep our people. So, do we move forward with a plan that shares a burden but perhaps people leave on their own, or do we move forward with a plan that makes people leave us. That's what I was asked to consider.

After a brief break, Chairman Turner called the meeting back to order. Chairman Turner noted there was a proposal that had been presented by administration regarding the health insurance benefit plan. He opened up the issue to the Board for discussion.

Chairman Turner noted the Board had tried from the beginning to get as much information as it could. We are the only University that did not make all its cuts early and move forward. We plan to make cuts December 5. Chairman Turner noted that Richard Day had made a suggestion regarding an additional contribution to the family plan, and requested Barry Poynter to explain. Per Mr. Poynter, adding \$50 to the family plan would take the University's contribution to \$650, reducing the calendar year savings to barely over \$1 million. Adding the \$50, would equate to an additional \$600 a year to the family.

Richard Day requested to make a comment and a motion. Dr. Day noted that he appreciated the University allowing this conversation to take place. The AAUP definition of shared governance do not cover administrative functions at all, it covers academic programs and areas where the faculty have authority. I could find health insurance nowhere in that description. Thank you for not having us read about this and providing a forum for discussion. We also have a system based on representative governance. There are faculty representatives that did participate throughout the summer. My thanks to the administration for allowing the discussions to go on.

With that, Dr. Day made a motion that the Board of regents authorize administration to proceed with healthcare options as outlined in healthcare scenarios and amended for the category "Family" to add +\$50 a month. The motion was seconded by Janet Craig.

Regent Janet Craig noted how difficult this is to everyone, but we are in an environment where we have to make some changes. We have looked at making changes to the health plan for

years, knowing it was richer than other universities and other employers in the private sector. We are taking this step reluctantly and maybe later than we should have. The Board requested a review. We are self-insured. We are cognizant for our responsibilities in that area. I want to thank administrations for coming forward with this plan. It's an area we had to look at.

Regent Bryan Makinen made one final comment. One of the reasons that staff did not step forward is they are fearful of repercussions, so please review the notes that were passed around from staff council, which will be added to the official minutes. While staff are fearful to step forward, they do appreciate the opportunity to be heard.

Chairman Turner noted that for anyone that spoke or for anyone that speaks in the future we will not allow any retaliation.

Chairman Turner noted there was a motion on the floor and a second and called for any final discussion.

Regent Lewis Diaz commented that he will support the motion, but he wanted to explain why he will support it. ECU can't pay for what an employee is worth. The University is paying for healthcare and this is not a measure of worth of the employee. Fairness of a process is a subjective standard. I have to judge that through the lens and data I was provided. I am an employer. I have employees and I offer healthcare to my employees. I compared the ECU to my employees' plan. The ECU plan is better than my employees' plan. I also evaluated what employers are doing on my other public board. This plan is better. We are competing with all of state government for funding. We have a good plan. It's better than others. That's how I am judging this, and I will support Dr. Day's motion.

Regent Mr. Ramakrishna "Vasu" Vasudevan indicated that he will support the motion on the health plan, as amended, to increase support to families.

Chairman Turner noted we will continue to look at the health care plan in the future. As there were no other discussions, Chairman Turner called for a roll call vote. The roll was called and the following members voted "aye": Nancy Collins, Janet Craig, Richard Day, Lewis Diaz, Craig King, Alan Long, Bryan Makinen, Collin Potter, Ramakrishna "Vasu" Vasudevan, and Craig Turner. No members voted "nay". Holly Wiedemann was absent. The motion passed.

### **Executive Session:**

Mr. Turner entertained a motion pursuant to KRS 61.815 to enter closed session for the purposes stated in KRS 61.810(1)(c), regarding discussions of pending litigation against the University. A motion was made to go into executive session by Alan Long. The motion was seconded by Richard Day. The motion passed by voice vote, and the Board, thereby, convened in closed, executive session at Noon.

A motion was made by Nancy Collins to come out of executive session and return to the open session of the Board of Regents meeting. The motion was seconded by Richard Day. The motion passed by voice vote and the Board of Regents thereby returned to open session at 12:20

p.m. Chairman Turner noted that no action was taken in executive session and only discussed those issues appropriate in closed session.

Chairman Turner noted that the University and all committees need to get to their cuts by 12/5. The Chairman requested the record reflect that all decisions will be made on December 5. To all the parties involved in the budget process, take it to heart. If we don't get to that number, the Board of Regents will take the University to that number. We have to get to that number. We don't have a choice. Don't focus on what others are doing.

With that, Board meetings were announced for 10/24 and 12/5.

A motion was made by Alan Long to adjourn the meeting. The motion was seconded by Bryan Makinen. The motion passed by voice vote, and the special meeting of the Board of Regents was thereby adjourned at 12:22 p.m.

 1.3.17  
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Dana Fohl, Secretary                      Date