



THE OHIO STATE UNIVERSITY

Bruce A. McPheron
Executive Vice President and Provost

Office of Academic Affairs

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To: Brian Turner, Chair, Senate Fiscal Committee

From: Bruce A. McPheron, Executive Vice President and Provost *BA*
Mike Papadakis, Senior Vice President and Chief Financial Officer *MP*

Date: March 4, 2019

Subject: Composite Benefit Rates for FY 2020 Approval

We have discussed the recommended proposal for the Composite Benefit Rates for FY 2020, and have approved the proposal for implementation in Fiscal Year 2020. If you have any questions, please contact Scott Klute at klute.6@osu.edu.

cc: Kris Devine
Scott Klute
Tom Ewing
Senate Fiscal Committee



February 15, 2019

To: Bruce McPheron, Executive Vice President and Provost
Mike Papadakis, Interim Senior Vice President and Chief Financial Officer/Treasurer

From: Brian A. Turner, Chair *BT*
2018-2019 Senate Fiscal Committee

Subject: Composite Benefit Rates for FY 2020

Process

The College Finance Subcommittee (CFS) of Senate Fiscal reviewed the Composite Benefit Rates for September 1, 2019 through August 31, 2020 at their February 5, 2019 meeting.

The CFS brought their recommendations to the full Senate Fiscal Committee at their February 12, 2019, meeting where they were discussed. The Senate Fiscal Committee approved the recommendation unanimously for the FY 2020 Composite Benefit Rates at that meeting.

Recommendation

1. The proposed Composite Benefit Rates for FY 2020 should be approved.

These recommendations and the attached report are submitted to you for your review and approval.

Please contact me at turner.409@osu.edu if you have any questions about these recommendations.

Cc: Kris Devine
Scott Klute
Eric Sieber

**Faculty Senate Fiscal Committee
Updated February 4, 2019**

TOPIC:

Composite Benefit Rates for September 1, 2019 through August 31, 2020

CONTEXT:

This is the annual calculation of rates charged to university departments for faculty/staff benefits, such as retirement, health care, tuition benefits, etc.

RECOMMENDATION:

Recommended composite benefit rates for 2019-2020 (as a percentage of salaries) are as follows:

Assumes 3% Medical Trend Rate; Return ~ \$33M of Surplus

General University				
	Current Rates (18-19)	Proposed Rates* (19-20)	% Change	Projected Benefit Costs
Faculty	26.2%	24.6%	-6.1%	\$ 114,448,347
Combined Staff**	33.2%	32.3%	-2.7%	222,268,975
Specials	15.9%	16.0%	0.6%	16,336,482
Students	0.5%	0.5%	0.0%	274,172
Post-Doctoral Fellows	2.9%	3.2%	10.3%	43,864
Graduate Associates	10.1%	10.6%	5.0%	12,802,510
OSU Health System				
Faculty	34.2%	33.3%	-2.6%	\$ 15,118,496
Combined Staff**	32.2%	31.3%	-2.8%	262,662,507
Specials	16.3%	16.3%	0.0%	13,701,908
Students	0.9%	0.9%	0.0%	104,904
Post-Doctoral Fellows	2.9%	3.2%	10.3%	-
Graduate Associates	10.5%	11.0%	4.8%	44,977
Faculty Group Practice				
Clinical Appointments***	4.5%	4.3%	-4.4%	\$ 12,883,240

* Decreases in full benefit-eligible rates are primarily due to lower-than-projected medical costs. Decline in university faculty rate also reflects decrease in FTE related to shift of pediatrics physician-faculty members to NCH benefit plans.

** Combined staff rates, which include both unclassified and classified civil service staff, were implemented in 18-19 salary year.

*** Excludes retirement contributions

ADDITIONAL DETAIL:

- Summary of Actual and Projected Benefit Costs by Component
- Methodology for Benefit Rate Calculations and Definitions for Rate Groups
- Five-Year Trends in Actual Benefit Costs and Charges
- Ten-Year Trends in Composite Benefit Rates
- Target vs Actual Cash Balances in Benefits Funds
- Additional Detail on Medical Costs – FY2017 and FY2018
- Additional Detail on Benefit Administration Costs – FY2017 and FY2018
- Projections of Future Composite Rates and Target vs Actual Cash through August 31, 2022

**The Ohio State University
Summary of Key Assumptions
Used in Benefit Rate Calculations**

Global Assumptions:

Headcount	Assume stable benefit-eligible FTE (AU2017 actual)
Average Pay Increase	Assume guideline increases of 2.5% in FY2019 and 2% in FY2020. NOTE: Increases in salary guideline will slightly reduce calculated rates (for example, if the FY2020 guideline was increased from 2% to 2.5%, the proposed Faculty rate would go from 24.6% to 24.5%)
Structure of Benefit Rate Groups	Assume same rate groups as 18-19 salary year
Composition of Benefit Package	Assume same components as prior year
Target for Benefit Cash Balances	Cash equal to fully funded benefit liabilities, plus \$28 million Medical Plan Reserves

Summary of Actual and Projected Costs by Component:

			FY18		FY20		
	Primary	FY18 Total	Actual Rate/	FY20 Total	FY20		
	Cost Driver	Actual Cost	Cost per FTE	Projected Cost	Projected Rate/	Cost per FTE	Notes
STRS	Salary \$	102,994,649	14.62%	106,421,496	14.05%		(1)
OPERS	Salary \$	250,367,406	13.80%	266,518,362	14.05%		(2)
Medicare	Salary \$	35,544,765	1.41%	36,926,878	1.39%		(3)
Group Life	Salary \$	4,529,164	0.20%	4,776,177	0.20%		
Disability	Salary \$	6,310,555	0.27%	6,899,207	0.28%		
Unemployment Comp	Salary \$	786,023	0.03%	828,326	0.03%		
Workers Comp-UNIV/QSP	Salary \$	3,960,062	0.22%	4,146,521	0.22%		
Workers Comp-Health System	Salary \$	5,940,093	0.63%	5,817,552	0.59%		
Benefits Administration	Salary \$	7,085,029	0.26%	7,414,747	0.26%		
Graduate Associate Health Insurance	Salary \$	11,745,320	10.56%	12,261,482	10.14%		
Medical Plans	Headcount	263,165,296	8,718	279,192,062	9,249		(4)
Affordable Care Act Fees	Headcount	110,360	4	111,000	4		(5)
Vision	Headcount	1,714,950	57	1,854,890	61		
Dental	Headcount	13,788,643	457	14,628,372	485		
Employee Tuition	Headcount	21,699,053	719	25,309,775	838		(6)
Dependent Tuition	Headcount	9,539,301	316	9,924,689	329		
Totals		739,280,670		783,031,537			

NOTES:

(1) - STRS rate to be applied to all Faculty and Specials salaries. Projected cost increases are primarily due to guideline salary increases.

(2) - OPERS rate to be applied to all Unclassified and CCS salaries. Projected cost increases are primarily due to guideline salary increases.

(3) - Medicare 1.45% statutory rate applied to all salaries.

(4) - Reflects projected cost increases of 3% per year.

(5) - ACA fee projection includes PCORI fee only.

(6) - Reflects increased utilization of employee tuition benefits and increases in graduate fees

Methodology for Composite Rate Calculations:

- Cost projections are based on the actual costs of the last full fiscal year, incremented for known and/or anticipated changes in costs.
- A primary cost driver is identified for each component of the rate and is used consistently for allocation of actual and projected cost to benefit rate groups. There are two primary cost drivers – salary dollars and benefit-eligible headcounts, which are expressed in terms of full-time equivalents (FTEs). OPERS, STRS and most of the smaller benefit components are allocated to benefit-eligible rate groups based on salary dollars; health care costs and employee/dependent tuition are allocated based on benefit-eligible FTEs.
- To ensure consistency in the calculation of composite rates, we use FY2018 actual FTEs and FY2018 actual salaries, incremented across all rate groups for guideline wage increases. The costs to be recovered are variable costs (as covered salary dollars and benefit-eligible FTEs go up or down, the benefit costs and associated composite rate charges to the departments go up or down accordingly).
- Employee contribution rates for health coverage will not be set until Autumn Semester and are effective January 1, 2020. The current composite-rate calculations assume that the employee's share of projected costs will equal employee contributions. To the extent that employee contributions are set below their projected share of health care costs, the additional costs would need to be recovered via the composite rates charged to the departments.
- A complicating factor in the rate-setting process is the multiple "years" associated with employee benefits. University budgets and Office of Sponsored Programs (formerly OSURF) rates are on a July-June fiscal year, salary increases and University/Health System composite benefit rates are on a September-August year, and medical benefit plan designs and employee contribution levels are on a calendar (January-December) year. We need to predict, by February 2019, what rates will be required to cover costs and provide sufficient benefit cash balances for the benefit "year" ending August 31, 2020.

University/Health System Rates vs. OSP Sponsored Program Rates:

- University/Health System rates are determined by OSU; OSP rates are proposed by OSU and are subject to negotiation with the federal government (DHHS).
- For University/Health System rates, OSU has discretion to pursue rate stability, particularly related to maintaining targeted cash balances and amortizing over/under-recoveries over multiple periods. For OSP rates, the federal government requires full amortization of over/under-recovery in next even/odd year (for example, all over/under-recoveries for FY2018 must be incorporated in the FY2020 rate calculation).
- The lock-step amortization of under/over-recoveries under the federal rate-setting rules increases the likelihood of abrupt increases or decreases in OSP benefit rates.

Definitions for Rate Groups:

University faculty and staff are divided into the following groups for benefit rates:

Faculty – Includes nine-month, 12-month and clinical faculty members eligible for full benefit package, including retirement, subsidized health care, life insurance, disability and tuition benefits.

Combined Staff – Includes administrative and professional (Unclassified) staff, non-exempt (Classified Civil Service) staff and post-doctoral researchers eligible for full benefit package, including retirement, subsidized health care, life insurance, disability and tuition benefits.

Non-Student Specials – Includes lecturers and part-time staff who are not eligible for full benefit package (rate consists primarily of retirement contributions). This rate is also applied to overtime pay for unclassified and CCS staff, supplemental compensation and off-duty quarter support.

Students – Includes hourly student employees who are not eligible for benefits (rate consists primarily of required Medicare, workers compensation and unemployment contributions). This rate is also applied to additional pay that is not eligible compensation for retirement contributions.

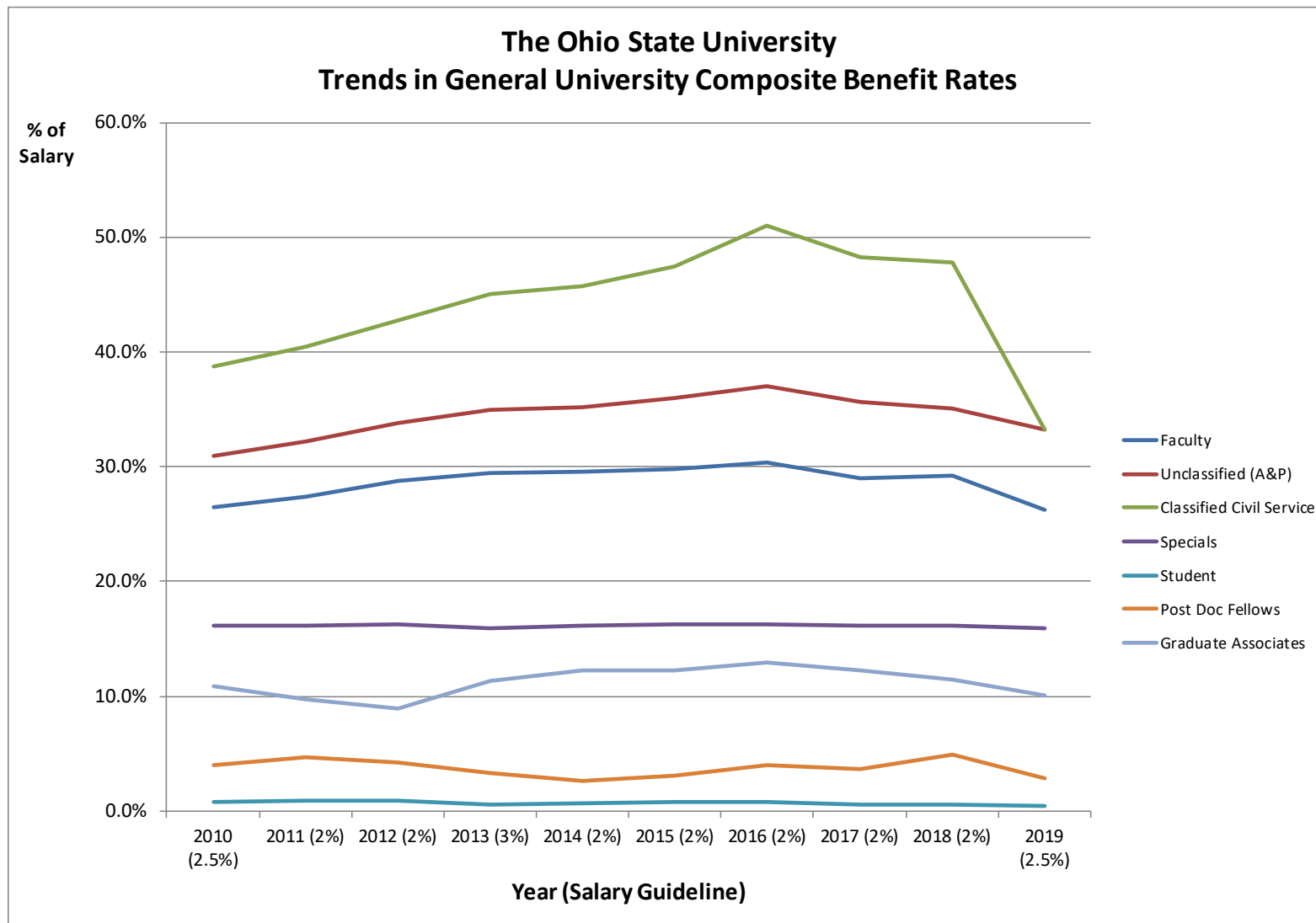
Post-Doctoral Fellows – Includes non-employee fellows who receive a stipend from the university and are generally not eligible for benefits (post docs are offered health care, as permissible under certain grants).

Graduate Associates – Includes graduate teaching, research and administrative associates eligible for an 85% employer subsidy on student health insurance coverage (full-time students have the option to choose to be exempt from retirement contributions, and most choose to be exempt). Tuition benefits are provided to graduate associates through separate fee authorization charges to the departments.

The number of different rate groups is driven by differences in benefit eligibility and average salaries, and, for OSP rates, the need to negotiate rates annually with the federal government.

The Ohio State University
Trends in Actual Benefit Costs
FY2014 - FY2018

		FY2014		FY2015		FY2016		FY2017		FY2018	
Primary Cost Driver	Total Cost	Rate/Cost per FTE	Total Cost	Rate/Cost per FTE	Total Cost	Rate/Cost per FTE	Total Cost	Rate/Cost per FTE	Total Cost	Rate/Cost per FTE	
STRS	Salary \$	82,408,526	13.72%	86,217,773	13.32%	92,582,672	14.17%	97,255,177	14.38%	102,994,649	14.62%
OPERS	Salary \$	188,578,501	14.36%	213,608,235	16.27%	224,198,260	14.01%	237,550,032	13.98%	250,367,406	13.80%
Medicare	Salary \$	25,944,916	1.36%	27,732,227	1.28%	33,132,102	1.47%	31,299,314	1.32%	35,544,765	1.41%
Group Life	Salary \$	5,866,856	0.33%	4,846,621	0.24%	6,256,206	0.30%	5,951,192	0.27%	4,529,164	0.20%
Disability	Salary \$	5,061,071	0.28%	5,601,396	0.28%	5,770,230	0.28%	6,011,636	0.27%	6,310,555	0.27%
Unemployment Comp	Salary \$	1,656,403	0.09%	1,576,066	0.07%	1,079,817	0.05%	820,212	0.03%	786,023	0.03%
Workers Comp-UNIV/OSP	Salary \$	6,418,828	0.48%	5,092,138	0.33%	4,423,198	0.28%	4,210,443	0.25%	3,960,062	0.22%
Workers Comp-Health System	Salary \$	7,845,234	1.06%	7,638,207	1.00%	6,634,797	0.81%	6,315,665	0.72%	5,940,093	0.63%
Benefits Administration	Salary \$	6,118,220	0.29%	6,476,925	0.28%	7,005,061	0.29%	6,710,635	0.26%	7,085,029	0.26%
Graduate Associate Health Insurance	Salary \$	12,000,000	11.16%	12,013,656	11.27%	12,141,166	11.67%	10,824,215	10.00%	11,745,320	10.56%
Medical Plans	Headcount	259,978,711	9,703	263,176,856	9,531	272,358,091	9,686	256,678,900	8,705	263,165,296	8,718
Affordable Care Act Fees	Headcount	-	-	3,088,741	112	2,228,490	79	1,419,113	48	110,360	4
Vision	Headcount	1,642,949	61	1,729,533	63	1,494,774	53	1,349,697	46	1,714,950	57
Dental	Headcount	15,097,478	564	15,376,695	557	14,863,030	529	13,531,275	459	13,788,643	457
Employee Tuition	Headcount	15,586,516	582	17,510,419	634	19,384,627	689	20,936,844	710	21,699,053	719
Dependent Tuition	Headcount	9,407,949	351	9,492,108	344	9,272,163	330	9,255,792	314	9,539,301	316
Totals		643,612,158		681,177,596		712,824,683		710,120,142		739,280,670	
Benefit Over (Under) Recoveries:											
Amounts Charged to Departments		630,350,862		693,536,902		746,458,794		768,426,612		807,471,741	
Actual Costs		643,612,158		681,177,596		712,824,683		710,120,142		739,280,670	
Over (Under) Recoveries		(13,261,296)		12,359,306		33,634,110		58,306,470		68,191,071	



Notes on Trends in Benefits Rates:

- Rate increases in 2011 through 2016 relate primarily to medical costs, which were increasing at higher rates than Faculty, Unclassified and CCS salaries. Decreases in the 2017 and 2018 rates reflect reductions in projected medical costs.
- Unclassified and CCS rates were combined in single Combined Staff rate in 2018-2019 salary year to simplify the rate structure and to facilitate classification and compensation redesign.

Cash Balances at 12/31/18	Actual	Target/Reserve	Difference	Target/Reserve Methodology
Retirement	31,647,790	28,742,000	2,905,790	One month estimated expenses based on historical trend
Medical	176,245,077	26,900,000	149,345,077	6/30/18 IBNR calculated by external actuarial consultant for year end financials.
Medical Plan Reserve	15,000,000	15,000,000	-	Medical and ACA reserves, in total, are based on one month of average total claims,
ACA/Pandemic Reserve	13,000,000	13,000,000	-	
Dental	3,128,088	1,800,000	1,328,088	One month estimated expenses based on historical trend.
Vision	863,723	470,000	393,723	One month estimated expenses based on historical trend.
Workers Comp	5,979,839	4,350,000	1,629,839	Current portion of 6/30/18 IBNR calculated by external actuarial consultant.
Life	5,003,708	5,081,870	(78,162)	
Other*	(12,625,792)	4,010,330	(16,636,121)	
	<u>238,242,433</u>	<u>99,354,200</u>	<u>138,888,233</u>	

* Actual cash is negative primarily due to the timing of posting of employee and dependent fee authorizations (charges to the benefit funds for Spring semester occur up front, and the cash in the funds returns to around \$0 by the end of the fiscal year).

Targets for Benefit Cash Balances:

- Benefit rate calculations are tied into an analysis of benefit cash balances.
- The absolute minimum/floor for benefit cash balances is an amount equal to the full-accrual liabilities for each component of the benefit rate.
- For the 19-20 benefit rate calculation, the target for benefit cash balances is an amount that includes both the full-accrual liabilities and the \$28 million Medical Plan and ACA reserves.
- At December 31, 2018, the University's benefit plans had cash balances of \$238 million, which is approximately \$139 million higher than our target cash balances. Actual employer costs for medical benefits continue to fall significantly below projected costs.

Additional Information on Medical Costs:

Additional detail on university medical plan costs for FY2017 and FY2018 are provided below:

	<u>FY17 Actual</u>	<u>FY18 Actual</u>
Medical Plans Detail:		
Claims, net of employee premiums	\$ 234,890,211	\$ 240,523,285
OSU Health Plan (including Care Coordination, Health Coaching, etc.)	9,185,355	10,073,632
University Health Connection	926,608	918,428
Equifax (ACA Consulting)	219,219	227,384
OPPOC (Network Access)	137,570	156,460
Impact (Employee Asst Provider)	619,645	636,368
Truven (Informed Enrollment)	189,748	179,822
NGS (claims processing)	5,071,947	5,337,725
ESI (pharmacy benefit manager)	1,316,903	1,130,049
Global Care (out-of state claims and medical evacuation)	1,544,382	1,284,206
Hewitt (Benefits consulting)	819,750	776,107
MindsOn (YP4H Communications Consultant)	84,675	26,122
Buck/Xerox (Dependent Certification)	16,985	-
TASC (HRA Admin)	93,619	479,451
HRA payments	73,852	778,315
Limeade (YP4H Fees)	872,930	-
Limeade (YP4H Incentives)	525,000	(21,051)
Virgin Pulse (YP4H Fees)	-	446,008
Virgin Pulse (YP4H Incentives)	-	125,399
Design Agency (OE Design)	-	12,895
Mercer (Medical IBNR & Sponsored Dependent pricing)	5,000	5,000
YP4H Prizes	-	-
YP4H Events	34,476	15,833
Other medical admin costs	51,026	53,857
	<u>51,026</u>	<u>53,857</u>
Total	<u>\$ 256,678,900</u>	<u>\$ 263,165,296</u>

Additional Information on Benefits Administration Costs:

The composite benefit rates provide funding for certain salary, benefit, IT system and purchased services costs that are related to the provision of University employee benefit programs. Salaries, benefits, IT costs and other general expenses are allocated broadly to all rate groups based on salary dollars. Actual benefits administration costs are summarized below:

	<u>FY17 Actual</u>	<u>FY18 Actual</u>
Benefits Administration Detail:		
Salaries*	\$ 3,776,505	\$ 4,091,346
Benefits	1,521,687	1,547,590
HR System & Ben Admin	977,235	977,235
Adoption	73,028	87,598
Solutions Staffing (Temporary Ees)	49,197	-
Appligent (Accessibility Services)	7,885	8,715
Fireproof (Document scanning)	7,464	24,864
Design Agency (Forms Design)	12,918	1,925
Hewitt (Retirement Consulting/refund in FY17)	(81,900)	53,100
Talx (EE verification)	11,484	11,846
Legal Fees (OLA)	102,426	99,551
Other Expenses	252,706	181,259
Total	<u>\$ 6,710,635</u>	<u>\$ 7,085,029</u>

* Increase relates primarily to unfilled positions in FY17 (total for FY16 was \$3.9 million). See page 11 for additional details.

The Ohio State University
Office of Human Resources
Benefit Pool Salaries with out benefits

Salary Expense	Proposed FY16 as of Dec 2015	FY16	FY17	FY18	Est FY19	FY16 FTE	FY17 FTE	FY18 FTE	Est FY19 FTE
<i>Customer Service:</i>									
<i>Main point of contact for HR business partners, faculty and staff, and job seekers for a variety of HR-related questions, including all OSU faculty/staff benefit plans, Your Plan for Health (YP4H), employment, and human resources policies.</i>	\$ 350,531	\$ 364,134	\$ 357,175	\$ 402,379	\$ 375,299	9.0	8.0	9.4	8.3
<i>Health & Welfare 1:</i>									
<i>Provide for the accurate administration of the university health & welfare benefit programs, which include medical, dental and vision, tuition assistance, life insurance and short-term disability; includes ensuring compliance with federal and state regulations and university policy.</i>	\$ 247,359	\$ 250,148	\$ 262,346	\$ 221,304	\$ 255,313	5.0	5.1	4.4	6.0
<i>Retirement:</i>									
<i>Provide for the accurate administration of the university retirement programs, which include Ohio Public Retirement (OPERS), & State Teachers Retirement (STRS) Systems, Supplemental Retirement Accounts (SRA), Alternative Retirement Accounts (ARP) and the Retirement Continuation Plans (RCP); includes ensuring compliance with federal and state regulations and university policy.</i>	\$ 461,777	\$ 450,484	\$ 485,361	\$ 544,818	\$ 617,464	9.9	10.0	10.8	11.7
<i>Integrated Disability 3 :</i>									
<i>Assists faculty and staff with applying for disability and workers' compensation benefits, coordinating leaves and providing consultation services for short-term disability, long-term disability, Workers' Compensation, transitional work services, remain at work services, physical therapy services, job development services, OPERS/STRS disability retirement, Unemployment compensation, and Classified Civil Service (CCS) disability separations.</i>	\$ 903,014	\$ 929,864	\$ 960,460	\$ 1,122,605	\$ 1,151,012	16.1	15.7	19.0	18.9
<i>Benefit Consultants 1 :</i>									
<i>Conduct new employee benefit orientations; open enrollment forums; individual faculty & staff benefit consultations; pre-employment and recruitment benefit consultations & other benefit-related departmental presentations by request. Resolve benefit appeals and escalated customer service issues.</i>	\$ 92,000	\$ 93,868	\$ 91,839	\$ 89,580	\$ 101,889	1.9	2.0	1.8	2.0
<i>Benefit Technical Support 2 :</i>									
<i>Provides direct support to the Benefits team, including setup, maintenance and administration of the PeopleSoft Benefits Administration module, including eBenefits. Researches and provides resolution for issues through training, communication or through system solutions. Provides business analysis and technical project management for benefit initiatives. Conducts regular data quality audits to identify issues and determine ways to improve the data accuracy and process efficiencies.</i>	\$ 415,085	\$ 335,929	\$ 297,007	\$ 91,879	\$ 94,701	4.8	4.1	1.0	1.0
<i>Benefits Personnel on Workday :</i>									
<i>Provides support to the completion of the transition of the HR system from PeopleSoft to Workday. Assists in the design of the Benefit processes in Workday. Assists in the determination of the reports necessary for Benefits staff to complete work that includes data entry, processing, and payment of vendors.</i>	\$ 415,085	\$ -	\$ -	\$ 252,741	\$ 256,359	-	-	4.0	4.0
<i>Benefit Communications Support :</i>									
<i>Provides content design and development for benefit-related print and electronic media, including forms, new hire and open enrollment materials, plan documents and summary descriptions, ads, articles, and presentation materials.</i>	\$ 96,900	\$ 96,583	\$ 98,354	\$ 100,206	\$ 105,112	1.0	1.0	1.0	1.0
<i>Benefit Legal Support:</i>									
<i>Provides legal consultation and guidance for benefit and tax-related compliance issues.</i>	\$ 168,880	\$ 168,059	\$ 181,848	\$ 187,094	\$ 296,817	1.0	1.0	1.0	1.8
<i>YP4H:</i>									
<i>Responsible for the successful development and execution of all engagement and communication strategies to support YP4H. Manages vendor relationships that provide YP4H services. Participates in the strategic planning process to continue evolving YP4H and measure the effectiveness of current YP4H programs. Provides content for and manages the YP4H website, including incentive program administration. Manages the development and execution of YP4H events and social media.</i>	\$ 185,834	\$ 185,227	\$ 189,626	\$ 193,399	\$ 197,235	3.0	3.0	3.0	3.0
<i>Benefit Administration 1 :</i>									
<i>Responsible for design, implementation, and management of all University benefit programs, including budget and cost analysis, vendor selection and management, project management, communication and compliance. Provides leadership for Benefits staffing, development and performance management. Liaison to University leadership and constituencies on all benefit issues and initiatives. Also includes administrative support for entire Benefits Dept.</i>	\$ 1,000,212	\$ 1,026,876	\$ 845,958	\$ 879,654	\$ 806,756	8.8	7.8	7.6	6.8
<i>Students:</i>									
<i>Provides clerical, data entry and administrative support to Benefit Processing staff.</i>	\$ 30,732	\$ 13,194	\$ 6,532	\$ 5,687	\$ -	1.9	0.5	0.5	0.0
TOTAL	\$ 3,952,323	\$ 3,914,366	\$ 3,776,505	\$ 4,091,346	\$ 4,257,957	62.3	58.2	63.4	64.5

Composite Benefit Rates Administrative Position Review Process

Background

The Ohio State University (OSU) offers a comprehensive benefit package to meet its employee's needs. The comprehensive benefit package is evaluated annually and associated costs are reviewed. These costs for benefits provided are largely subsidized by the university, with employees also paying contributions to cover the cost of benefits not paid by the employer.

On an annual basis, the benefit costs paid by the employee and subsidized by OSU are reviewed. The portion that is subsidized by OSU is funded through utilizing composite rates that are charged to each college and units against their payroll dollars.

The composite benefit rates are reviewed and updated on an annual basis through the fiscal budgeting process. As a part of that review process, positions for staff who are charged against the benefit funds are reviewed for appropriateness so that their cost can be included in the composite rate calculation.

This annual position review process was created collaboratively between the Office of Human Resources and Business & Finance. The purpose is to ensure that only appropriate expenses are charged to benefit funds based on their direct correlation to administering the university's benefit plan offerings.

Process

The process for reviewing positions charged against the benefit funds consists of:

- Identifying benefit staff positions that relate to day-to-day benefit administration operations and comprise over 80% of the employee's job responsibilities.
- Identifying leadership positions that lend their oversight and strategic guidance to the plan establishment, governance review process, and President's Cabinet and Board of Trustee updates.
- Compiling the positions, FTE, and salaries identified through the above steps and comparing to prior fiscal year.
- Meet and review compiled data and historical trends and provide information, as requested, to respond to any variances in the year over year comparisons.

NOTE: No significant changes in FTE are proposed for the 19-20 benefit rates. Total estimated FTE for FY2019 is 64.5 (up 1.1 FTE from prior year).

**The Ohio State University
 Summary of Projected Benefit Rates and
 Cash Surplus (Deficit)
 Through Benefit Year Ending August 31, 2022**

	2018-2019 Current Rates	2019-2020 Proposed Rates	2020-2021 Projected Rates*	2021-2022 Projected Rates*	2021-2022 Full/Unreduced Projected Rates**
General University					
Faculty	26.2%	24.6%	24.8%	24.9%	26.1%
Combined Staff	33.2%	32.3%	32.4%	32.6%	34.1%
Specials	15.9%	16.0%	16.0%	16.0%	16.0%
Students	0.5%	0.5%	0.5%	0.5%	0.5%
Post-Doctoral Fellows	2.9%	3.2%	3.3%	3.3%	3.3%
Graduate Associates	10.1%	10.6%	10.6%	10.6%	10.6%
Health System					
Faculty	34.2%	33.3%	33.6%	33.9%	35.5%
Combined Staff	32.2%	31.3%	31.6%	31.8%	33.3%
Specials	16.3%	16.3%	16.3%	16.3%	16.3%
Students	0.9%	0.9%	0.9%	0.9%	0.9%
Post-Doctoral Fellows	2.9%	3.2%	3.3%	3.3%	3.3%
Graduate Associates	10.5%	11.0%	11.0%	11.0%	11.0%
Faculty Group Practice					
Clinical Appointments (excl. retirement)	4.5%	4.3%	4.4%	4.4%	4.6%

* Preliminary estimates, based on 2% annual salary increase, 3% medical trend and return of surplus amounts listed below.

** Once surplus is returned, rates will return to full/unreduced amounts.

Summary Projection of Cash Surplus (Defecit):

Target vs Actual Surplus at 12/31/18	138,888,233
Cash to be returned through 2018-2019 composite rates	<u>(21,333,333)</u>
Projected Target vs Actual Surplus at 8/31/19	117,554,900
Cash to be returned through 2019-2020 composite rates	(32,998,575)
Cash to be returned through employee premiums	<u>(6,000,000)</u>
Projected Target vs Actual Surplus at 8/31/20	78,556,325
Cash to be returned through 2020-2021 composite rates	(32,849,886)
Cash to be returned through employee premiums	<u>(6,000,000)</u>
Projected Target vs Actual Surplus at 8/31/21	39,706,439
Cash to be returned through 2021-2022 composite rates	(32,951,913)
Cash to be returned through employee premiums	<u>(6,000,000)</u>
Projected Target vs Actual Surplus at 8/31/22	<u><u>754,526</u></u>