

UNB HR Responses (red font) to Questions/Comments

Questions & Comments from AUNBT Fall General Meeting December 7.

Q: Are there income tax implications for lump sum payments as opposed to annuity payments?

No, both the lump sum payment and annuity payments are non-taxable benefits.

Q: Do all employee groups need to vote to bring it back to the Fringe Benefit Committee.

Each employee group has the opportunity to decide for itself if they support a change. Once all employee groups have given a response, the FBRC will decide how to proceed.

Comment: I understand that there are a lot of moving parts and we can't change bits and pieces to suit our membership. The added flexibility is great but it also means we have more insurance rather than less insurance, life insurance in particular which some of our members don't need or want. This is a comment to pursue additional flexibility in the opposite direction for those who want less insurance or an opt-out altogether.

Whether or not this would allow for greater insurance rather than less insurance is very dependent on an individual's life status (single, married, children, no children, etc). You would also have the option to choose only 1x your salary, which would be equal or lower than what an employee's current Life and Family Protection Benefits allow.

In order to make the insurance sustainable and to maintain reasonable premiums, the Life premium is mandatory. For those who wish to obtain further life insurance, the option to purchase Optional Life insurance will remain and be unchanged from the current Optional Life plan.

Observation: Certainly the committee has accomplished the goals of creating less volatility and creating more choice within the benefit package. I don't think that lowering premiums should be looked at in isolation from whether or not you are getting equivalent value.

When I was looking at examples that were provided to us in the document one of the things that kept coming to mind to me is how do I determine whether or not this is a good deal for me or something equivalent in terms of the types of coverage and protection that I would need to get out of this for my family and I really felt that the examples were comparing apples to oranges. How do we compare the value of a term benefit as opposed to the estimated converted value of an annuity? It seems that there is a lot of fancy sophisticated actuarial projections around the current benefit structure but we are not really getting that equivalency in terms of the new proposed benefit for us to look at.

You are correct, there were a lot of sophisticated actuarial projections that came into play when determining the potential new plan vs the current plan. This is typical when involving insurance companies for group plans, as well as individual plans. If the new Life Benefit plan were to proceed, you will be provided with an individualized letter that will display what your current value is and what

options and premiums would be available for you to choose. It would be your choice, up to maximums, as to how much Life Insurance you wish to carry.

I feel like there is a great deal more protection especially in the family annuity payout over a significantly longer period of time vs providing that term insurance payout on a one time basis. I think that particularly creates an inequity depending on the demographic our employees belong. There is a big difference in where that term payout was made at a much later time in someone's life where their family members and spouse are in their senior years vs a younger family who is leaving behind a young spouse and young children who overtime have to be looked after for another 40 years. I just wanted to draw that to your attention. Some of these issues need to be thought about more carefully with a lot more complexity instead of just can we lower premiums and create a little bit more flexibility in the system.

A personal comfort level can vary greatly from person to person. Some prefer the lump sum payment and others prefer the annuity payments. The proposed plan attempts to stabilize the plan, rather than provide inequities based on age of members, ages of dependents and family status. Currently there are a great number of varying family arrangements in the current plan and each one of them would have fluctuating lengths of annuity payouts. These varying scenarios have been considered to allow for a fair, stable and equitable as possible plan.

At a time where we are trying to recruit younger faculty members and we aren't in a place where we can compete well on salaries, sometimes benefits such as this can be a real competitive advantage particularly for younger folks who are looking for more security for their younger families.

Unfortunately, we do not have any direct evidence to support (or refute) the notion that the Family Protection Benefit is a factor in candidate recruitment decisions. Certainly, UNB's comprehensive benefits package is an important component of total compensation.

Q: My sense is that if we are to accept this proposal and it goes forward that those of us who are currently employed by UNB and people coming in are going to be distinct from each other in terms of benefits and I wonder if you could comment a little more on that? How are the benefits of those of us who are incumbents going to differ from us who are incoming?

The proposed Basic Life plan will allow for all employees the option to choose between 1x or 2x their salary, regardless of your family status. The difference would be that current employees would have the opportunity to choose additional Supplementary Life Insurance to an additional 3x, up to maximums. This Supplementary Life Insurance was to offer a benefit that would be comparable to the current Family Protection Benefit, but also allow members to opt in or out of this additional protection. Plus have an option to purchase Optional Life Insurance as well.

New employees would have an option to choose 1x or 2x their salary, with the option to purchase additional life insurance through the Optional Life Insurance plan. They would be aware of the Life Insurance benefits at the time of employment offer and will allow them to plan based on this knowledge.

Q: In terms of the average individual or average family ideal situation with regards to insurance, how different will the two groups be?

The proposed Basic Life plan will allow for all employees the option to choose between 1x or 2x their salary, regardless of your family status. The difference would be that current employees with spouses/dependents would have the opportunity to choose additional Supplementary Life Insurance to an additional 3x, up to maximums. All employees also have access to voluntary optional term life insurance.

Q: Are we disadvantaging incoming people?

New employees would have an option to choose 1x or 2x their salary, with the option to purchase additional life insurance through the Optional Life Insurance plan. They would be aware of the Life Insurance benefits at the time of employment offer and will allow them to plan based on this

Comment: It seems like the risk is now transferred from the insurer to the insured, some members may like it because they can do whatever they want with the lump sum and if they lose half of the funds overnight in the stock market in the current situation this is the problem of the insurer and now it is the problem of the person. Some members might like this structure, personally I don't.

This change does not fundamentally change who bears the risk. Currently, the insurer requires our plan to deposit the committed value for the lifetime annuity payments. In either the lump sum or annuity based scenarios, the beneficiary is free to decide how they will use the funds.

Q: The new persons coming in will pay less in premiums, less coverage and less premiums?

Comment: I'm uncomfortable having a different agreement for the people coming in and that we are setting a precedent for collective bargaining and whatever else.

Not necessarily different. New employees have the opportunity to choose 1x or 2x salary. This option is also available to current employees. There may be a significant percentage of current employees that choose this level of coverage, who do not wish to opt in for the additional Supplemental Life Insurance. Therefore, these employees would have the same coverage as new employees.

Q: Once we are here, if our children are older and are no longer covered can I change to the same coverage as the newer employees?

Yes, any employee will be able to opt to a lower level of coverage.

Q: Why would the union agree to enter into a benefit arrangement that would disadvantage incoming new employees? What sort of solidarity does that show?

I will leave this for the union to respond.

Q: I just want to clarify the motivation behind this change, I can understand why the claims may vary a lot from year to year. Is it possible to look over a 5 or longer year period to establish what is a reasonable benefit or cost.

Five years is the industry standard for experience rating. The FBRC has looked at the 10 year experience also and there is little difference.

Q: Given the issue that's been raised about the nonequivalence between existing employees and incoming employees. If the insurance proposal is relatively inflexible because of the groups involved is there an opportunity for AUNBT to insist that AUNBT employees be treated equivalently.

AUNBT members would all have the same basic benefit. It is normal when implementing these types of changes to offer existing members optional additional coverage during the transitional period. In due course, all members will then have the same benefit.

Comment: There is one precedent from similar action, we are not all treated the same in terms of Pension. On new benefits there is but there has been grandfathering going on so like it or not it has happened.

Comment: I just wanted to make the observation that the difference between the pension situation versus the life insurance is that our pension plan was at extreme risk. It was becoming unfundable and unsustainable over time. It doesn't appear that this is the case with the life insurance.

The changes to the jointly trusted pension plan were based on the situation faced by that plan. The proposed changes to the multi-party Life/FPB benefit has been proposed for different reasons.

Comment: We did receive a basic demographic breakdown and 81% are in the family protection program.

Correct.

Later Comment/Question: Comparator universities that have life insurance plans structured similarly to UNB's proposed change (no annuity, but lump sum amount) seem to offer the same plan to all employees. Has UNB considered this?

The FBRC is proposing exactly this – a common plan for all employees.