

BOARD OF REGENTS

BRIEFING PAPER

1. AGENDA ITEM TITLE: Long Term Disability Plan for Faculty

MEETING DATE: September 7-8, 2023

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

Board approval is requested for a Long-Term Disability plan for faculty due to the fiscal impact of offering this benefit.

Currently, NSHE Faculty do not have a long term disability benefit. Employees of organizations that pay into social security have access to some income if they cannot work due to illness or disability. Many employers offer private long term disability plans in addition to the social security benefit. Long term disability would be recommended for an organization that does not pay social security since employees are left without a long-term benefit unless they opt into expensive voluntary plans. By offering a guaranteed plan, the cost is spread over many more employees, thereby reducing the cost per employee.

Because this is an important benefit, our health insurer (PEBP) formerly offered a Long-Term Disability benefit. PEBP eliminated that benefit effective July 1, 2021, impacting more than 7,000 NSHE faculty. Most employees covered by PEBP, whether State, School District or municipality, are covered by PERS. PERS offers a Long-Term Disability benefit as part of the pension plan (in lieu of social security). NSHE faculty, the great majority of whom are not in PERS, are the only group without a Long-Term Disability plan if they are no longer able to perform their duties.

NSHE institutions compete for employees with the State and local employers that pay into Social Security as well as employers across the country. This proposal makes NSHE competitive with other employers and is consistent with a benefit already offered to Classified employees.

Business Officers recommended and HRAC supported that BCN Benefits conduct an RFP for Long Term Disability for NSHE faculty. This effort was completed in Spring 2023 with a successful vendor offering a competitive price. Under the plan, Employees that experience reduced capacity to perform their duties will have a socially responsible safety net whereby they can qualify for a disability retirement and earn up to 60% of their salary up to \$7,500.

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

The Council of Presidents and the Business Officers Council request approval of a guaranteed issue Long Term Disability plan for NSHE faculty.

4. IMPETUS (WHY NOW?):

The RFP was completed for a July 1, 2023, implementation date. The vendor has agreed to extend the pricing to allow the Board to consider for a January 1, 2024, implementation date.

5. CHECK THE NSHE STRATEGIC PLAN GOAL THAT IS SUPPORTED BY THIS REQUEST:

- Access (Increase access to higher education)
- Success (Improve student success)
- Close Institutional Performance Gaps
- Workforce (Meet workforce needs in Nevada)
- Research (Increase solutions-focused research)
- Coordination, Accountability, and Transparency (Ensure system coordination, accountability, and transparency)
- Not Applicable to NSHE Strategic Plan Goals

6. INDICATE HOW THE PROPOSAL SUPPORTS THE SPECIFIC STRATEGIC PLAN GOAL

NSHE institutions compete for employees with the State and local employers that pay into Social Security as well as employers across the country. This proposal makes NSHE competitive with other employers and is consistent with a benefit already offered to Classified employees.

7. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- Both Business Officers and Human Resources Advisory Council (HRAC) support this proposal
- Like most employers, NSHE is expending increasing resources to attract and retain employees, this proposal restores the NSHE benefit package to be competitive
- Employees that experience reduced capacity to perform their duties will have a socially responsible safety net whereby they can qualify for a disability retirement and earn up to 60% of their salary up to \$7,500
- Institutions are able to refill positions and maintain productivity which impacts students
- The impact on the budget is deferred because the costs will be charged via fringe rates to payroll accounting, but the fringe rate may increase by a very small increment on each campus unless there are offsetting reductions in other payroll and benefit costs. The annual cost of the plan for NSHE is approximately \$1.75 million.

8. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

- COLA costs are impacting budgets at this time
- No laws require employers to offer long-term disability (LTD) coverage, but about half of large and mid-sized employers offer it to their workers.
- PEBP currently provides the option for employees to purchase this benefit. However, this proposal would be sponsored by the employer.

9. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

None

10. RECOMMENDATION FROM THE CHANCELLOR'S OFFICE:

The Chancellor's Office supports this request.

11. COMPLIANCE WITH BOARD POLICY:

<input type="checkbox"/>	Consistent With Current Board Policy: Title # _____ Chapter # _____ Section # _____
<input type="checkbox"/>	Amends Current Board Policy: Title # _____ Chapter # _____ Section # _____
<input type="checkbox"/>	Amends Current Procedures & Guidelines Manual: Chapter # _____ Section # _____
<input type="checkbox"/>	Other: _____
X	Fiscal Impact: Yes ___ X ___ No _____
<p>Explain: <u>NSHE institutions use a fringe rate to allocate benefit and employer tax costs by funding source. This cost will be absorbed into the fringe rate in future years and could result in a nominal increase in campus fringe rates for faculty in future years. Fringe rates are approved to one decimal place. This impact is anticipated to be less than .01. The current fringe rate for faculty varies from campus to campus, but an example is 33.80% at UNR. As a result, the addition is not expected to create a material change in fringe rates.</u></p>	

Nevada System of Higher Education

Long Term Disability (LTD)

**Board of Regents
September 8, 2023**



Long Term Disability (LTD) Background

- Benefit previously provided through the State of Nevada Public Employees Benefit Plan (PEBP).
- Discontinued effective June 30, 2021, as a budget reduction for cost-savings during COVID.
- Benefit varies for NSHE employees
 - Classified staff have access to PERS disability retirement benefit
 - Retirement Plan Alternative employees are not eligible
- In Fall 2022, Business Officers requested a Request for Proposal (RFP) to see if NSHE could procure a rate for a guaranteed issue.
- In Spring 2023, Council of Presidents approved proposal.



LTD Benefit Proposal

- **Restore former PEBP benefit level January 1, 2024, for faculty**
- 60% of monthly earnings up to \$7,500
- Waiting period – 1st of month following 90 days of active employment
- Exclusion - 180-day period during which employee has disability
- Benefit up to age 65, date of death or date person ceases to be disabled
- Vendor to Workday integrations



Questions

Lindsay Sessions
Acting Chief Financial Officer
Nevada System of Higher Education
lsessions@nshe.nevada.edu

Kim Beers
Associate Vice President, Human Resources
University of Nevada, Reno
kimbeers@unr.edu

