

TO: Robert Shorty, Vice President for People, Equity, and Culture
FROM: Administrative Professionals (AP) Executive Committee
SUBJECT: Concerns Regarding Changes to Retiree Medical Benefits

After the announcement of changes to the retiree medical coverage on February 6th, the AP Executive Committee has heard from a significant number of AP staff who have raised questions and identified barriers. We share these concerns with our community and believe they reflect broader uncertainty and frustration about both the substance of the changes and the process by which they were communicated.

Concern #1: Elimination of the GVSU Retiree Medical Plan

Current eligible staff and retirees have long understood that they would be able to participate in the University's retiree medical program. While alternative coverage may be available through the ACA marketplace, this is not guaranteed to be comparable or affordable for all retirees or future eligible retirees. This action risks reputational harm and further erosion of confidence among staff who have long relied on this commitment made by the university. Changes of this magnitude, particularly those affecting individuals who planned their retirement around existing terms, warrant greater care and wider engagement.

Concern #2: Condensed Timeline for Individual Decisions

We are also troubled by the compressed decision timeline that eligible employees and retirees were given to make critical decisions related to these changes. Eligible staff and retirees will need sufficient time to consult financial and tax advisors, especially given the complexity of lump-sum calculations, proposed annuity option, present-value assumptions, and tax burden compounded by the lack of tax sheltering options. Decisions of this scope require clarity, adequate notice, and a reasonable timeline that allows for fully informed and equitable outcomes. While we appreciate the five-day extension to accommodate Spring Break offered by the university during the meeting of the Executive Committee of the Senate, we recommend a longer extension to allow employees and retirees time to fully understand their options and make the best decisions for themselves and their families.

As we have surveyed AP over the years about their total rewards, over 90% have reported being satisfied with the benefits that GVSU provides to staff. We believe that preserving that confidence is a shared priority. We would welcome the opportunity to come together to discuss how impacted staff can be best supported and how future decisions of this nature can be approached with transparency and community engagement.

Appendix: Impact Statements from Staff

Statement 1:

The discontinuation of the retiree medical PPO plan is a deeply disheartening development. This benefit is not a luxury; it is a crucial element of work/life balance. It serves its most important purpose in providing a safety net for dedicated, long-term employees in the event that early retirement becomes unavoidable. It has been a commitment to faculty and staff who have given their working years to Grand Valley but may be forced to stop working before age 65 by emergencies beyond their control, such as responsibility for an elderly parent, caring for a disabled child or partner, or their own health condition. As an individual who faces more than one of these circumstances, it has been indispensable to my effectiveness, productivity, and outlook to know that if it became necessary to retire, that the university community would support my wellbeing as I have supported it. A significant number of employees will suffer substantially from this loss, but all will feel the breach of trust it represents.

Statement 2:

The initial email announcement of this change was vague and lacked important information. It raised many more questions than it answered. When I received a physical letter at home, I anxiously opened it only not to find the details promised in the email, but a duplicate of the email. That additional information was coming from Plante Moran is okay, but why these multiple, vague communications? I saw a timeline and FAQ document that was shared with Faculty Senate. Why weren't those kinds of details shared with those impacted?

The tight timeline for decision making is quite poorly timed with respect to the academic calendar and a really busy time for faculty and staff. I can't help but think that it was intentional. It is going to take some time to review the options and set up meetings with financial advisors. It would have made so much more sense to roll out the change along with the detailed information and the full schedule of informational sessions and Q&A opportunities. Why wasn't this change synchronized with Open Enrollment? The urgency fuels fear, anxiety, and mistrust. I am certain that faculty and staff groups on campus, if this initiative was shared with them for guidance, would have told you very similar things and saved the bad will among employees that is only growing.

Statement 3:

It is hard to stress the deep disappointment in the loss of the retiree medical PPO plan. This has been an important benefit that has influenced my decision to devote my career and much of my personal time to this institution over more than 20 years of service. Given the constant threats to the ACA, it has been a relief to know that my family and I would be covered by this benefit without compromising our savings to cover health insurance should I need to retire before the age of 65. My husband will retire several years before me and it has always been my plan to retire before age 65. This change in our benefits will deeply impact that decision. This benefit is very important to those who may be forced to stop working due to unavoidable health conditions or other circumstances beyond their control. The financial payout will not come close to covering

the cost to replace this benefit, not to mention the additional stress that it will cause. Over the time I've worked at GVSU, the institution has consistently been understaffed and has relied on salaried professionals to devote hours and hours of time above what is expected for a full-time position. I have always been able to rationalize this by reflecting on our great benefits. It is unfortunate that this wasn't taken into account when decisions were made to discontinue this benefit.

Statement 4:

First of all, the benefits offered by GV are one of the only reasons I still work here. With pay being below that of the private sector, the benefits are one of the primary reasons people choose to work at GV. If this is just the beginning of multiple benefit changes, that is deeply problematic. The last time the university considered changes to health care benefits, HR at least issued a survey to faculty and staff with a series of possible options regarding what would be acceptable to us if changes were needed. With this change no such thing was done. A decision was made without consultation and input from anyone who it would affect.

Even more troubling than the change itself is the timeline given for us to make a decision. Something like this has a drastic impact on our plans for the future and the amount of time being given to us to make a decision, especially given the lack of any specifics (amount of money, who's running the annuity, etc.) is entirely inadequate. Staff will need to consult with their personal financial and tax advisors so they can make the appropriate decision. Everyone may not be able to do so in the allotted amount of time and that's assuming folks even have someone they already work with.

I know of at least 2 people who were planning to retire within the next year or two and now they will most likely not be able to because they were planning to have access to this health care and now they will not. If this is how the university is going to continue to make decisions in the future about things that have such a wide ranging impact on the faculty and staff, then I will need to reconsider whether or not this is a place I want to continue to work moving forward.

Statement 5:

I have been employed at GVSU for over 20 years. What attracted me to and has kept me at GVSU all this time are two key benefits, the first being the pension plan and the second is access to retirement medical insurance. I am writing to express the significant impact the loss of the traditional retiree medical plan benefit has on my future retirement.

Under the new lump sum option the immediate tax liability (1099) effectively devalues my earned benefit. This creates an immediate financial burden rather than the long-term healthcare security I was promised. Taking a lump sum during my peak earning years will trigger paying higher taxes and could potentially push me into a higher tax bracket. This will effectively reduce my earned healthcare benefit by thousands of dollars. I will also need to invest this amount in the hope that it will generate additional funds to cover the increased cost of insurance premiums.

The guaranteed annuity offers no protection against medical inflation. While my payments remain fixed, my health costs are projected to rise by over 6% annually. This change replaces a secure retirement health plan with a system that forces me to assume all the tax, market, and inflationary risks. As I age, healthcare is my largest projected expense. By replacing a dedicated health reimbursement plan with a fixed annuity, the university is removing my protection against the rising costs of medical premiums. A biannual payment that is "fixed" today will likely cover less than half of my monthly premiums.

This change forces me to choose between a taxable event that diminishes my savings today or an annuity that may not cover my basic medical needs tomorrow. I am deeply concerned that these options do not provide the equivalent peace of mind or financial value of the original retirement medical plan.