ROCHESTER INSTITUTE OF TECHNOLOGY
Benefits Update-May 2018
Frequently Asked Questions (FAQs)

Q1:  Why were these changes necessary? (added 6/26/2018)
A1:  RIT continues to look for opportunities to reduce operating costs in order to fund our growth areas. In
addition, there has been an escalation of liabilities for retiree healthcare that is not sustainable for the long
term. Our objective is to maintain competitive benefits while balancing costs, future liabilities, and tuition levels
for our students.

In President Munson’s email to faculty and staff on June 18 announcing a modification to the new retirement
eligibility rules previously announced, he provided a more in-depth explanation of the factors that are driving
RIT’s need to manage our cost structure:

“Let me note that the dialogue over the last few weeks suggests that I should share with you a fuller
understanding of the challenges facing private higher education and, in particular, those institutions located in
the northeast, like RIT. For most of our existence, New York and immediately adjacent states provided the
vast majority of our students, but over recent years our state and those around us have suffered from declining
numbers of high school graduates. We know this trend will continue in the future. As a highly tuition-
dependent university, RIT must respond to this challenge by positioning itself as a compelling university of
choice for the growing student populations in sunbelt and western states. Ongoing efforts to raise the national
and international profile of RIT are part of our strategy to accomplish this positioning. The revised RIT 2025
Strategic Plan, which soon will be shared with all, will further this strategy.

We are in a highly competitive environment for bright, talented, diverse students locally and nationally. We
also have witnessed governmental activities focused on tuition containment and providing more access for
students having financial need, thus increasing competition from state university systems. These forces acting
Together make it challenging for RIT to provide the necessary level of financial aid, which will be approximately
$200 million this coming academic year. We see this pressure remaining with us for the foreseeable future. In
addition, the campus must provide exciting programs and facilities to enable our creative students, faculty and
staff to achieve our strategic goals. The expenditure of our existing financial resources must be considered as
one part of the solution for meeting the many demands facing us. Continually raising tuition, which has been
our primary generator of new revenue, cannot be the total answer to meeting our challenges and capitalizing
on new opportunities.”

Q2:  Can you please explain the issue with the future liabilities. (added 6/26/2018)
A2:  In the early 1990s, the Financial Accounting Standards Board made a change that required employers
to estimate/report the future financial obligations (liabilities) associated with retiree healthcare on the
employer’s financial statements, called FAS 106. With this change, many employers ended or significantly cut
back retiree healthcare. For RIT, we first reported a $39 million liability in 1994. It grew to over $200 million in
2017 and, with no action, would have been expected to be nearly $300 million in 10 years. RIT’s growth in
total liabilities is outpacing growth in our assets. Without action, we faced reduced resources to support
operations as well as a negative impact on RIT’s bond rating, impacting our ability to borrow for future growth
initiatives.
Q3: What are RIT’s objectives in terms of salaries and benefits for employees? (added 6/26/2018)
A3: RIT is committed to maintaining a competitive position in the marketplace. We review our benefits program regularly to ensure we remain competitive, and in some cases, our offerings are above the market. In addition, we monitor changes in the healthcare marketplace to assess when adjustments may be warranted to manage costs to employees, retirees and the university. It is critical that we balance the needs of employees/retirees with the cost of tuition paid by our students.

RIT offers a competitive, comprehensive employee benefits program that is an integral part of your total compensation (pay and benefits). In fact, benefits generally add over 30% of your pay to your total compensation. We encourage you to review your Total Compensation Statement in Oracle Employee Self-Service. You will find statements for the past several years.

Q4: What does “Benchmark” retiree mean? (added 6/26/2018)
A4: This is one of the terms used to identify a group of retirees for medical cost-sharing purposes. You are in the Benchmark group if your adjusted date of hire* is before January 1, 2004 and you were age 35 or over on January 1, 2008.

Q5: What does Retiree Medical Account (RMA) retiree mean? (added 6/26/2018)
A5: RMA is another term used to identify a group of retirees for medical cost-sharing purposes. You are in the RMA group if your adjusted date of hire* is on or after January 1, 2004 OR your adjusted date of hire is before January 1, 2004 and you were under age 35 on January 1, 2008.

Q6: I am eligible to retire; does the change in the eligibility rules for retirement impact me? (added 6/26/2018)
A6: No. Those who are already eligible to retire are not impacted by the change. You are still eligible to retire.

Q7: I am in the Benchmark group and I am thinking about retiring before I am Medicare-eligible. What do I need to know about the 20% increase in pre-Medicare premium contributions? (added 6/26/2018)
A7: Pre-Medicare retirees have the same quality healthcare options available as current employees. The change will be a cost sharing increase because our data shows that pre-Medicare retirees utilize their healthcare benefits more than current employees. In order to minimize the impact to pre-Medicare retirees, we will be phasing in higher premium contributions for all pre-Medicare retirees beginning January 1, 2020. Each year, for five years, we will increase the pre-Medicare retiree contribution by 20% over what current employees contribute.

- 2020 pre-Medicare retiree will pay 20% more than a current employee
- 2021 pre-Medicare retiree will pay 40% more than a current employee
- 2022 pre-Medicare retiree will pay 60% more than a current employee
- 2023 pre-Medicare retiree will pay 80% more than a current employee
- 2024 pre-Medicare retiree will pay 100% more than a current employee

For example, if a current employee pays $100 monthly for their medical coverage in 2020, the pre-Medicare retiree would pay $120. See #Q9 for a detailed example.
Q8: I am in the RMA group. How does the pre-Medicare cost sharing increase impact me? (added 6/26/2018)
A8: The RMA will be replaced with a cost sharing approach similar to that of the Benchmark retirees with a slightly lower RIT contribution. Beginning January 1, 2020, your cost will be 10% higher than Benchmark retirees. Using the example in #Q3 above, if a current employee pays $100 monthly, the Benchmark retiree would pay $120 monthly and the RMA retiree would pay $130 monthly. See #Q9 for a detailed example.

Q9: Can you please share an example of the pre-Medicare cost sharing increases. (added 6/26/2018)
A9: The following example is based on the actual contributions paid by a Salary Level 2 employee/retiree who has POS B individual coverage in 2018. For this example, we have assumed the medical premiums go up by 8% each year. In reality, the increase could be more or less than 8%.

<table>
<thead>
<tr>
<th>Year</th>
<th>Monthly Employee</th>
<th>Monthly Group 2 (formerly Benchmark)</th>
<th>Monthly Group 3 (formerly RMA)</th>
<th>Cost Sharing Description</th>
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</thead>
<tbody>
<tr>
<td>2018</td>
<td>$146.51</td>
<td>$146.51</td>
<td>$146.51</td>
<td>Retiree pays same as employee</td>
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<tr>
<td>2019 Est.</td>
<td>$158.23</td>
<td>$158.23</td>
<td>$174.05</td>
<td>Group 2 is same as employee; Group 3 is 10% more than Group 2</td>
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<td>2020 Est.</td>
<td>$170.89</td>
<td>$205.07</td>
<td>$225.57</td>
<td>Group 2 pays 20% more than employee; Group 3 is 10% more than Group 2</td>
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<td>2021 Est.</td>
<td>$184.56</td>
<td>$258.38</td>
<td>$284.22</td>
<td>Group 2 pays 40% more than employee; Group 3 is 10% more than Group 2</td>
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<tr>
<td>2022 Est.</td>
<td>$199.33</td>
<td>$318.92</td>
<td>$350.81</td>
<td>Group 2 pays 60% more than employee; Group 3 is 10% more than Group 2</td>
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<tr>
<td>2023 Est.</td>
<td>$215.27</td>
<td>$387.49</td>
<td>$426.24</td>
<td>Group 2 pays 80% more than employee; Group 3 is 10% more than Group 2</td>
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<td>2024 Est.</td>
<td>$232.49</td>
<td>$464.99</td>
<td>$511.48</td>
<td>Group 2 pays 100% more than employee; Group 3 is 10% more than Group 2</td>
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<td>2025 Est.</td>
<td>$251.09</td>
<td>$502.18</td>
<td>$552.40</td>
<td>Group 2 pays 100% more than employee; Group 3 is 10% more than Group 2</td>
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<td>2026 Est.</td>
<td>$271.18</td>
<td>$542.36</td>
<td>$596.60</td>
<td>Group 2 pays 100% more than employee; Group 3 is 10% more than Group 2</td>
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Q10: I have been in the RMA group. What does the elimination of the RMA mean for me? (added 6/26/2018)
A10: First, it is important to understand that the RMA was not an account that would be paid to you at retirement. The RMA was an amount of money that is held by RIT; you can be reimbursed from your RMA as you incur eligible medical premium expenses over your lifetime.

The RMA could only be used to pay for medical premiums. Under the RMA, you would have had to pay 100% of the premium for whatever medical plan you selected; in addition, you would have had to decide how to use your RMA funds (options include: using it to pay the full medical premium, using it to pay part of the premium, or not using it at all). But once you used the entire RMA balance, you would have had no further financial assistance from RIT to help you pay for retirement healthcare. As life expectancy continues to increase and depending on your healthcare needs, you may have run the risk that the RMA balance would be depleted in advance of your continued need for medical benefits.

Under the RMA, you could not be reimbursed for out-of-pocket costs; reimbursements were for medical premiums only. With the new Medicare Exchange model with a Health Reimbursement Arrangement (HRA), you can be reimbursed for out-of-pocket costs for not only medical premiums and services, but also dental and vision premiums and qualifying out-of-pocket costs.
Q11: I am 41 years old and have 8 years of RIT service so now I won't be eligible to retire until I am 62. Why weren't all employees grandfathered? *(added 6/26/2018)*
A11: In the current situation, we have grandfathered those employees who are already retirement-eligible, plus employees who are within 10 years of the current retirement-eligible age of 55, as well as those with 10 or more years of regular full-time service or 15 or more years of qualifying part-time service. RIT had to address the university's rising healthcare liability (the money that RIT has to pay to cover future retiree benefits for all current and future retirees). If all employees were grandfathered, there would have been no current reduction to this liability. We looked to balance the needs of our employees and retirees with the cost of tuition to our students and the ability to continue to provide retiree healthcare. In addition, RIT data shows that the vast majority of employees retire after age 62.

Q12: If the vast majority of people retire after 62, why did you need to make this change? *(added 6/26/2018)*
A12: The postretirement liability is calculated by RIT's actuaries based on a variety of factors including our plan rules, the cost of healthcare, life expectancy of our retirees, etc. Based on the analysis performed by our actuaries, keeping the retirement age at 55 requires that they assume some portion of the population will retire at each of the ages between 55 and 61, and this is a significant contributing factor to the university's rapidly increasing long-term liability.

Q13: Will there be workshops about retirement benefits to help me plan? *(added 6/26/2018)*
A13: Yes, RIT Human Resources has offered workshops for several years on RIT retirement benefits for those who are eligible to retire. We will continue to do these workshops. We will also make them available to those who are nearing retirement. We expect to offer sessions in the Fall of 2018.

Q14: The information said that any remaining amount in the Health Reimbursement Arrangement (HRA) at the end of the calendar year would be rolled over. Is there a maximum amount for the rollover? *(added 6/26/2018)*
A14: No, there is no maximum amount (or cap) - whatever the remaining amount is on December 31 each year will roll over to use for qualifying premiums and out-of-pocket costs in the future.

Q15: What happens to the RIT matching contributions in my 403(b) retirement account if I leave RIT before I am retirement eligible? *(added 6/26/2018)*
A15: RIT's matching contributions to your 403(b) retirement account are “fully vested” as soon as they are contributed. This means the funds in your account are yours, including all of RIT's matching contributions. You have the right to them no matter when you leave RIT.

Q16: I would like to have a better understanding of how much money I need to have saved in order to retire at different ages. Is there any tool available that can help me with that analysis? *(added 6/26/2018)*
A16: Both Fidelity and TIAA have tools available on their website. Find links to their tools as well as other tools on the Retirement Tools and Information page of the HR website. For example, Fidelity's Planning & Guidance Center makes it easier to plan for the retirement you envision. By answering just a few questions, you'll be able to estimate how much income you may have in retirement, receive your next best steps to consider, and build your retirement plan in just a few minutes. Fidelity has provided us with a step-by-step guide to help you get started.

Q17: When will the HRA amount for 2019 be announced? *(added 6/26/2018)*
A17: This information will be announced to Medicare-eligible retirees as part of the retiree enrollment period this fall. We will also update the information we provide to employees for their retirement planning.
Q18: Is the impact of the change, for those under age 45, a violation of law protecting against age discrimination? (added 6/26/2018)
A18: The various federal and state statutes that protect against discrimination based on age do not prevent an employer from changing benefits under a benefit plan, provided that the changes are made to help reduce the cost of the benefits to the employer. The fact that employees of a certain age may be impacted is not a violation of law, under these circumstances.

Q19: I am reading some information through social media. How do I know what is the correct information regarding our benefits? (added 6/26/2018)
A19: Human Resources continues to provide information on its website, including FAQs like this. If you have a question, please direct it to your benefits representative in the Human Resources Department based on the first letter of your last name as follows:

<table>
<thead>
<tr>
<th>YOUR LAST NAME</th>
<th>CONTACT</th>
<th>TELEPHONE</th>
<th>EMAIL ADDRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-L</td>
<td>Valerie Liegey</td>
<td>(585) 475-5346/V</td>
<td><a href="mailto:valpsn@rit.edu">valpsn@rit.edu</a></td>
</tr>
<tr>
<td>M-Z</td>
<td>Brett Lagoe</td>
<td>(585) 475-5983/V</td>
<td><a href="mailto:blipsn@rit.edu">blipsn@rit.edu</a></td>
</tr>
</tbody>
</table>

*Adjusted Date of Hire: The date used for benefits eligibility when a former regular university employee is rehired and is eligible for service credit for the prior employment period.*