Human Resources Strategy and Structure. Ms. Lynda Dec, Chief Human Resources Officer, explained that the Human Resources (HR) strategic plan is based on the HR Administrative Review and is in support of the University of Maine System’s strategic vision and plan. The Human Resource strategic plan provides the framework for the University System’s most important asset – its people. The purpose of the plan is to provide a clear picture of the present state and compare the results against further needs. This allows for recommendations and strategies in all areas of the Human Resource function. HR’s priorities are focused in seven categories: HR Technology Plan and Metrics, Benefits/Wellness, HR Service Delivery Model, Compensation, Recruitment, Work Culture, and Performance Management/Professional Development.

Current State
Human Resources was initially established to provide decentralized support to each campus. There were functions such as benefits and payroll that were centralized at the system office with the remainder of the Human Resource portfolio located on each campus. This structure allowed for HR services tailored for the needs of each individual campus. This structure served the local needs of the campus; however, was unable to leverage efficiencies, systems, and resources across the university system.

HR TECHNOLOGY PLAN AND METRICS
Currently, University System HR does not have a technology plan. Technology investments aren’t planned or purchased as part of an overall strategy. Many investments have not been fully utilized across all campuses and they are not strategically deployed to support the University System’s strategic plan. Development of an HR technology plan will allow for the consolidation of HR administrative services, gain efficiencies, and provide for greater reporting and tracking capabilities. Integral to this plan will be the development of a HR dashboard to measure the success of the HR strategic plans.

- Develop HR Technology Plan. HR will collaborate with IT to prioritize a list, set timelines, and establish necessary resources. Examples of technology needs include: Build out of workflows in PeopleSoft Payroll module, applicant tracking, labor tracking, workflows that enable greater support of managers for HR policies and procedures, data collection of HR information such as labor information, tracking of performance management, employee benefits, etc.
- Develop a Human Resource Dashboard. HR will develop a dashboard to measure the success of the HR strategic plans.

BENEFITS/WELLNESS
The Benefit and Wellness programs currently in place pose financial risk to the University System. The benefit programs are not sustainable long term and may pose additional risk due to the Affordable Care Act (ACA). The Wellness component lacks an overall vision and strategy. Investments and activities in support of Wellness do not deliver a clear path for improved employee health and savings. The Wellness program as designed today does not address the areas of high claim costs or drive for the improved health of University System employees. Campuses have also set up their own wellness activities outside of the RiseUp program resulting in a higher cost of wellness and a lack of coordination of efforts.

EHPTF was set up to address the rising cost of healthcare; however, the group as structured and deployed has been unable to reduce the trend in the System’s healthcare spend.

- **Benefit Program Redesign.** HR will evaluate benefit design in all areas to include medical plan, disability, retiree healthcare, pharmacy, etc. Programs will be designed to address risks with the ACA, incorporate wellness into plan design, offer competitive programs, maximize savings, and provide sustainability.

- **Wellness Program Design.** HR will develop a long term strategy for Wellness. The strategy will look at the ROI of all programs, address areas of high claim costs, educate the employee base, and drive a culture of health in the University System.

- **EHPTF Mission and Focus.** Redefine the mission, operating rules, and goals of EHPTF to better support the University System’s strategy and mission.

**HR SERVICE DELIVERY MODEL**

The current HR delivery model is inconsistent and the level of support/programs varies from campus to campus. The structure was built to provide a personalized paternal support system. Our current offerings of centralized services do not leverage technology and are manual and inefficient. The HR Administrative Review addressed the centralization of HR Administration but did not outline a plan to achieve efficiencies or realize savings.

- **Centralization/Automate/Outsource the HR Administrative Functions.** Develop a plan to identify all opportunities to centralize, automate, outsource, or optimize the administrative functions. The support for the administrative work will be centralized into a Human Resource Service Center and will provide all administrative support in the areas of health and welfare benefits, leave administration, retirement, payroll, and recruiting. This will allow for process flow redesign, efficiencies, metrics, service standards, and automation. The plan will identify opportunities for cost savings and reduced headcount.

- **Develop Campus HR Business Partner Model.** Development of a Business Partner Model sets up Human Resources to be a strategic partner. Centers of Excellence will provide tools, support, and expertise to be used in a manner to allow for the strategic support of the Campuses.

**COMPENSATION**

The University System currently has two established pay programs, SECCP for salaried employees and HECCP for hourly employees. The management group is handled on an ad hoc basis and faculty compensation is determined by collective bargaining agreements, and campus resources. The SECCP hasn’t been updated in over ten years. The management group does require periodic adjustment to salaries that may pose public relations risk to the system. Salary negotiations do not incorporate a strategic approach to total rewards or campus strategies. There is no uniform titling of positions across campuses which poses a challenge in utilizing resources across campuses.
• Establish a Center of Excellence Compensation function to proactively provide up-to-date tools, recommendations, and guidance on all salary planning negotiations, recommendations, and adjustments.
• Create greater visibility across the system on salary decisions and implementation.
• Establish practices and policies that reduce risk in salary inequities, over payments, competition, public relations.
• Develop common titling language and levels to leverage talent across the system and promote the sharing of resources.

RECRUITMENT
Recruitment is handled at every campus throughout the system. The larger campuses have implemented an applicant tracking system. The smaller campuses do not have tracking capabilities. The software was not scoped to determine the needs of the smaller institutions or looked at to ensure abilities beyond current needs. Currently, the University System does not have the ability to leverage the applicants from other campuses, there are redundancies of effort and expense, and the ability to meet compliance requirements is challenged.

• Deploy a system-wide applicant tracking solution. This would be included in the HR Technology Plan
• Consolidate sourcing of applicants. This will allow for efficiencies of scale as well as develop an expertise that is lacking at the University System.
• Combine the spending to optimize purchasing power and savings. Using the new Procurement model, evaluate spend and determine ways in which to reduce through greater purchasing power.
• Build a world class recruiting function in support of the University System’s vision and strategy.

WORK CULTURE
The current culture of the University System does not always lend itself to collaboration, support, and partnership in its dealing with the employees, unions, or across campuses. We do not have a proactive labor relations strategy. Issues are brought up at the bargaining table which tends to leave contracts unresolved for extended periods of time. The campuses deal reactively with local issues without a clear strategy or direction. Technology is not deployed for the tracking of data. The relationships with the various unions do not lead to collaborative activities in support of the seven universities.

• Develop a clear Labor Relations Strategy. Create a strategy which builds productive, sustainable relationships with the Unions which represent our employees to support and advance System and University goals and objectives while maintaining management’s rights to act and manage the University operation.
• Move to a centralized Labor Relations support model. Change the Labor Relations support to a centralized model where resources can be utilized across all campuses. This model will allow for a consistent approach to Labor Relation while reducing redundancies.
• Develop assessment tools and plans to improve the climate across the system. Plans should include ways to build trust, collaboration, improve morale, and drive employee engagement.

PERFORMANCE MANAGEMENT/PROFESSIONAL DEVELOPMENT
Currently the University System has limited opportunity for management and professional development. There is no central tracking of training/development needs, resources, plans, or
achievements. There is a clear lack of academic management development. There is no formal succession planning in the system.

- **Establish a Center of Excellence for Performance Management/ Professional Development.** This COE will be responsible for program development in support of the growth and professional development of our people.
- **Establish a strategy and plan that support the organization’s strategy and people needs in order to deliver on the strategy.** Understanding the University System’s strategic plan, identify the skills and competencies needed to achieve goals. Evaluate the talent in the organization, identify gaps and build programs to develop needed skill sets and competencies.
- **Establish a central database for tracking plans, achievements, reviews, etc.**

On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Human Resources and Labor Relations Committee agreed to forward the recommendation to the Board of Trustees meeting on September 21 & 22, 2014 for approval of the following resolution: That the Board of Trustees approves the Human Resources Strategy and Structure.

**Update on Administrative Review.** The Human Resources Administrative Review was chartered by the Board of Trustees in May 2012. Phase I of the Review, approved in July 2013, has been completed and Phase II is being developed to support the strategic goals of the University System.

Phase II of the Administrative Review will include a service delivery model that moves all repetitive and transactional work from the campuses and centralizes, outsources, or automates the work to gain efficiencies. Centers of Excellence will be established to support other human resources functions for the University System. Strategic Human Resource Business Partners will be located on each campus in support of the strategic mission and goals of their respective University. Ms. Dec said the plan focuses on the critical service areas. She outlined the overall plan and its investment, timeline and anticipated savings.

The draft Phase II plan will be ready for presentation at the September Board of Trustees meeting and a feedback tool will be made available on the ThinkMissionExcellence.maine.edu website for the purpose of taking comments on the plan. It is anticipated that the final Phase II plan will be presented to the Board of Trustees at the November meeting.

**Exit Interviews for Presidents.** Currently, there is no formalized exit interview process for the Board of Trustees to conduct with exiting University Presidents. Ms. Dec said she will work with staff and the Board to establish a formalized process and a consistent set of questions to be used when a University President has given notice of intent to leave their position. This will allow HR to identify employment trends and information about the campus environment. Areas to explore in this interview may be why the person is leaving, what influenced them to leave, greatest rewards and frustrations, and what opportunities offered at new position were not available at UMS. The Committee agreed on the need for an exit interview, and affirmed its importance.

**Update Emeritus Policy.** The current policy needs to be updated to address potential gaps. Items for possible inclusion in a review of the current policy are purpose, eligibility, number of years in the role, privileges, approval and revocation. Ms. Dec said staff will look at the policy and bring a revised version to the next HR committee meeting.

**Human Resources and Labor Relations FY2015 Work Plan and Duties.** The FY2015 Work Plan for LR/HR Committee has been submitted for the September BOT meeting. Trustee Medd asked the
members of the Committee to review the current work plan and offer any suggestions. Trustee Fournier asked that the language on reviewing candidates for university president in the Committee Duties be refined or eliminated. The Committee agreed that the language should be eliminated.

**Proposal for New Health Plan Option for Non-Represented Employees.** Trustee Medd outlined the new health plan option for non-represented employees. The University of Maine System offers a comprehensive health insurance benefit program to eligible employees and their dependents. Since the competitive bidding and redesign of this program in January 1, 2012, the plan has been self-insured with CIGNA. CIGNA has done an excellent job administering and partnering with the University System to ensure that the current "Quality Incentive Copay Plan" and "Quality Incentive Passive Plan" options are meeting the service expectations of the University System.

Given current financial pressures facing the University System, coupled with the innovative work being done within the Employee Health Plan Task Force (EHPTF) and Human Resources teams to promote choice, quality and value within the benefits programs, a proposal is being made to add a new plan option for January 1, 2015. This new plan option would be a new choice administered by CIGNA and would not impact the existing plan options.

**RATIONALE FOR NEW PLAN OPTION**
The University System has traditionally offered employees a choice of two (2) legacy plans (the "Copay" and the "Passive" Plan). These plan options (although subject to slight changes over the years) have remained essentially unchanged since 1996. Over the years, the population has migrated to the lower cost program (the "Copay" Plan), and as of 2014, over 98% of our employees are enrolled population in the "Copay" Plan.

**Choice:** The University System has a diverse employee population, representing a wide range of cohort groups and a wide range of health care needs. By limiting the health plan options to these two legacy programs, we are not recognizing the need to offer health plan options to satisfy the varying needs of our diverse population. By adding a new plan option, we are adding choice to the benefits package.

**Engagement:** Traditionally, annual Open Enrollment is a "passive" event at the University System. Employees do not really have any meaningful choice in medical plan option, so are not challenged to really engage in learning about their coverage. By adding choice to the program, Open Enrollment becomes an "active" event whereby employees need to think about their health care, how they use the program, and which plan option might make the most sense for themselves (and their families). By adding choice to the menu of options, we are hopeful that employees will be incented to think about their health care costs.

**Opportunity for Savings (Employees):** Compared to industry norms, the University System medical plans have richer benefits, and can ultimately be expensive for some employees. Today, the System does not have a "lower cost" option for those individuals who would like to increase their personal income by lowering their monthly payroll contributions for coverage. The new Low Cost PPO Plan that is being proposed will give employees a chance to lessen their payroll burden towards the cost of medical plan coverage. The new plan is envisioned to be approximately 15% less than the "Copay" plan, offering financial relief to those employees who may not be able to continue to elect the more expensive legacy offerings.
Opportunity for Savings (University System): By offering a lower cost option to the array of medical plan choices, the University System will benefit from migration into the lower cost plan. Based on current financial projections (claims data thru June 2014), it is anticipated that for every 10% of employees who elect to migrate to the new lower cost plan, the University System will save $250K. In a voluntary environment, a 10% migration is an achievable target; over the years, additional migration would be expected as the new option becomes accepted by larger percentages of the population.

Supports Compliance with 2015 Health Care Reform Requirements: The "Pay or Play" Employer Mandate of the Patient Protection Affordability and Accountability Act (PPACA) requires that employers offer 70% of their full-time employees access to "affordable" health coverage. "Affordable" is defined as (1) offering a plan that has a 60% actuarial equivalent and (2) has a contribution level for individual coverage that does not exceed 9.5% of an employee's total household income. By offering a lower cost plan option, it allows the University System to better achieve compliance with this mandate.

Although we are still awaiting final regulations associated with the 2018 PPACA regulations, it is expected that any Plan Offerings that exceed the stated thresholds for 2018 will be subject to a 40% surcharge. Based on current 2015 projections, the current legacy plans are both projected to exceed the stated thresholds. The associated liability has been calculated to exceed over $1M in new money to the University System. Although the EHPTF is looking at various approaches to contain health care cost increases on those legacy plans, it is likely that without significant changes, these plans will trend at a rate that will exceed these thresholds. However, the new Low Option Plan (with a pricing base at 15% under the current "Copay" plan) is NOT expected to exceed the stated thresholds. This means that for every individual that migrates to the Lower Cost Plan, there is immediate "Year 1" savings, but also helps insulate the University System from projected tax liability in later years.

ELEMENTS OF NEW PLAN OPTION
The new Plan Option being recommended is an IRS Qualified "High Deductible Health Plan" (HDHP). In order to be IRS Qualified, the Plan needs to meet certain requirements as mandated by the regulations.

The new Plan Option will have an annual up-front deductible of $1,500 (single) and $3,000 (family). Expenses will be covered at 90%, up to the annual Out of Pocket Maximum. As in the current plan options, there is also coverage for "non-network" benefits, with greater cost sharing, up to the maximum.

Because the Plan Design meets IRS Requirements, the University System can offer an "up front" Health Savings Account (HSA) to help employees fund and plan for deductible expenses. The savings estimate of $250K per 10% migration assumes that the University System will contribute an initial $500 deposit to an individual's account to help offset deductible expenses. In addition, employees may contribute additional monies (up to IRS limits) on a pre-tax basis to help plan for and offset potential costs. Unlike a traditional FSA, all monies contributed to an HSA are 100% vested and portable on Day 1 to the individual. If not used, these monies can eventually be withdrawn on a pre-tax basis to pay for qualified medical expenses, such as COBRA and/or Retiree Medical Coverage.

Although not officially "endorsed" by the members of EHPTF, the Task Force did discuss several different options for a lower cost plan and there was general consensus that offering a more
traditional style of plan option was not able to offer meaningful choice. Therefore, the group did spend several sessions learning about "consumerism" and has had input into the recommended design.

**ADDITIONAL PROTECTION FROM DEDUCTIBLE EXPENSES**

In able to ensure that the Deductible is not a financial barrier to persons who may desire to migrate to the lower cost plan, we recommend coupling the new plan offering with an array of individual, voluntary benefits plans. There is a suite of voluntary programs in the marketplace (such as a Hospital Indemnity program) that employees can purchase at low cost to help provide "safety net" insurance in the event of an accident or illness. The University System is currently conducting a due-diligence formal competitive bidding to evaluate the options in the marketplace to ensure that programs introduced offer "Best in Class" provisions at the lowest possible price point for our employees.

Although there is some internal administrative work and communications demands on the Human Resources team, we believe that offering a new Plan Option for 2015 has several benefits -- to both the University System and to its employees. Understanding that the addition of a new plan option must be subject to collective bargaining, we believe that there is benefit to offer this enhancement to the non-represented population for Fall 2014.

Should other bargaining units be interested in adding these programs to their membership, the University System would be able to accommodate that request as part of the Fall 2014 Open Enrollment, as long as units make their intentions known by October 1, 2014.

Ms. Dec said the current plans are very similar, and this new plan will enhance the system’s benefit offerings and may increase the amount of engagement employees have in choosing their health plan. She said this plan will help some employees save money with lower premiums and will save money as the system looks at implementing the provisions of the ACA.

On a motion by Trustee Fournier, which was seconded by Trustee Johnson, the Human Resources and Labor Relations Committee agreed to forward this recommendation to the Consent Agenda at the September 21 & 22, 2014 Board of Trustees meeting for approval of the following resolution: That the Board of Trustees approve the Proposal for New Health Plan Option for Non-Represented Employees.

**Executive Session**

On a motion by Trustee Newsom, which was seconded by Trustee Johnson, the Human Resources and Labor Relations Committee agreed to go into Executive Session under the following provisions:

- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment and duties.

On a motion by Trustee Newsom, which was seconded by Trustee Fournier, the Human Resources and Labor Relations Committee concluded the Executive Session.

**Adjournment**

Peter Cook for
Tracy B. Bigney, Clerk of the Board
Human Resources and Labor Relations Committee Meeting
August 29, 2014