



December 9, 2005

Dear SCU Community:

We are pleased to provide you with the Benefits Committee Annual Report for 2005.

In the attached report, you will learn about the many endeavors undertaken by the Benefits Committee on your behalf during 2005. Together, with your help, the University is working to continually fulfill our commitment to make Santa Clara University one of the best places to work.

In January 2005, the President's Staff asked the Benefits Committee to review SCU's total benefits package, including, among other things, the Health and Welfare Plans, Retirement Plans and the Tuition Remission program. The charge of the Benefits Committee was to review the current benefit levels, contribution levels, and benefit plans for cost effectiveness and best practices. The President's Staff indicated that it is imperative that the University develop a cost effective strategy in an effort to moderate cost increases.

During this past year, we met monthly to discuss different areas of SCU's benefits programs. The time invested included learning more about SCU's health plans and other trends in the health care industry, health education and consumer-driven plans, retiree healthcare options, and several other areas that impact employees. More importantly, we listened to what you had to say about SCU's Benefits package and what these programs mean to you and your families. We have tried to make sound decisions based on your feedback provided through the Benefits Survey and solicited from focus groups and open forums.

A summary of the Benefits Satisfaction Survey results can be found at http://www.scu.edu/humanresources/pdf/bensurvey_results2005.pdf.

A summary of representative comments from the Benefits Satisfaction Survey can be found at http://www.scu.edu/humanresources/pdf/bensurvey_comments2005.pdf.

The University remains committed to providing a benefits program that will "recruit and retain a diverse faculty of outstanding teachers and scholars and a diverse, highly-qualified, service-oriented staff committed to advancing the University's mission and its core values."

Thank you very much for the time and effort you have contributed to this review process. We appreciate the opportunity to represent you.

With warm regards,

SCU Benefits Committee,

Rob Boyd, Information Technology
Cynthia Mertens, Law School
Ellen Platt, Heafey Law Library
George Westermark, College of Arts and Sciences
Molly McDonald, Human Resources
Ingrid C. Williams, Human Resources

HEALTH and WELFARE PLAN SUMMARY

Medical Plans:

For 2006, SCU is fortunate that the cost of the health plans stabilized. Our Kaiser rates are increasing by approximately 6 percent, and the Blue Cross HMO rates are actually decreasing. This is reflective of SCU's actual utilization and is good news, especially in this era of medical cost escalation. As a result, the portion of the premium cost paid by employees will only change slightly, and in some cases (such as the Blue Cross HMO and Dental), there are cost reductions.

Since the HMO rates remain stable for 2006, Blue Cross HMO and Kaiser HMO plan options will remain with no changes to the benefits.

Over the past few years, the Blue Cross Point of Service (POS) plan rates have continued to increase astronomically - in the double digits. This fact, combined with the results of the POS Satisfaction Survey, caused the Benefits Committee to re-examine the benefits of the POS plan. After a careful review and analysis, we determined that it was in the best interest of the University and the employees to replace the POS plan with a traditional PPO plan and a new High-Deductible PPO plan that is "Health Savings Account (HSA)" compatible. These plan designs for the new plan options can be reviewed by visiting the 2006 Benefits Plan Summaries located at http://www.scu.edu/hr/benefits/snapshot_summary/index.cfm

United Behavioral Health Services:

Upon close review of the United Behavioral Health benefit, the committee identified a duplication in mental health services. These services are currently covered, and will continue to be covered by SCU's Blue Cross and Kaiser medical plans as mandated by Assembly Bill 88. Since comprehensive benefits for needed mental health services are provided under all of the HMO and PPO plan options, this portion of the UBH's plan is redundant. A recommendation to eliminate this portion of the UBH's plan is also based on the evaluation of utilization statistics. In addition, the rate for the mental health services component would have been excessive, with a rate increase of 49%. Based upon these factors, we recommend that this duplicate benefit be eliminated.

Please note that this change does not impact the UBH Employee Assistance Program (EAP) which remains in place with no changes.

BENEFITS CONSULTING SUMMARY

Broker/Benefits Consultant:

The University has been able to embark upon many of these benefits-related projects with the experience and expertise of our broker and benefits advisor, Dave Cannon of Saylor and Hill Company. Dave has been instrumental in the Benefits Renewal process, negotiating our rates with the insurance companies.

As we realize savings with Blue Cross, UBH, and several other insurers, the commissions paid to the broker were reduced. In addition, Saylor and Hill modified its compensation structure which benefits the University. Therefore, there was a reduction in compensation from savings.

On-Line Benefits Administration:

In an effort to streamline processes and improve overall employee satisfaction, the University is in the process of implementing a Web-Based Benefits Enrollment system to be released in 2006. Employees are increasingly using the internet to retrieve information and for convenience. As such, this on-line system will be accessible through SCU's eCampus portal and will enable faculty and staff to review their Benefits information in a more concise and efficient way as well as allow them to implement online

transactions. Calculators and other useful tools in making decisions that will benefit individual employees will also be available.

The Benefits Committee, the Department of Human Resources, and Information Technology interviewed several vendors who specialize in on-line benefits enrollment. This project culminated in the selection of Innovative Process Administration (IPA) as our on-line vendor.

TUITION REMISSION/TUITION EXCHANGE

Tuition Remission:

The Benefits Committee recognizes that the Tuition Remission program is one of the most important and attractive benefits to the SCU community. The Benefits Committee reviewed Tuition Remission data from other Jesuit colleges and universities and from other similar California universities. Two areas reviewed were waiting period and percentage of tuition reimbursed for employees and for dependents. Further analysis and assessment of the program is needed to determine the financial impact this benefit has on the overall benefits budget. Since an in-depth review of this program is being studied, the Benefits Committee is recommending no change until this study has been completed.

Tuition Exchange:

The Benefits Committee recommends that the University reduce the amount of tuition awarded to students enrolling at SCU from participating schools in the Tuition Exchange Program to the minimum mandated by the program. This means that students who attend SCU from other schools would receive the same level of support that SCU students receive from other institutions. This is consistent with the vast majority of other schools participating in the program.

WORKERS' COMPENSATION

The University has taken a major step in trying to control the rising cost of Workers' Compensation. Effective January 1, 2006, SCU will join with the University of San Francisco and Loyola Marymount University in a Coordinated Deductible Pooling Arrangement to share costs. The University currently has a pooling arrangement with the above mentioned entities for General, Auto Liability and Property Insurance.

Depending on how this arrangement works, the universities might move to a coordinated self-insurance program. This arrangement could potentially save the University even more money.

RETIREMENT

The Benefits Committee recommends that the University establish a Pension Committee. We anticipate the Pension Committee will begin with a review of SCU's current retirement vendors.

Retiree Health:

We realize retiree health is an important issue to the SCU community, and therefore, the Benefits Committee will continue to investigate the feasibility of a retiree health benefits program and the costs of implementing such a program. Over the past several months, the Benefits Committee has listened to presentations and surveyed other institutions on this issue. The Benefits Committee will research the potential cost impact to SCU which will encompass both short-term and longer-term cost implications.

CONCLUSION

The Benefits Committee understands the importance of looking into creative ways to moderate costs now, and more importantly, how this will impact future savings for Santa Clara. The recommendations that have been presented to the Administration will save the University approximately \$418,500 without having any financial affect on the employees.

We appreciate the opportunity to represent you.

Thank you.