



TO: Faculty and Staff
FROM: Education Benefits Committee (EBC)
DATE: October 17, 2017
SUBJECT: Annual Report from the Education Benefits Committee (EBC)

I. Introduction and Overview

The university seeks to minimize abrupt changes in the education benefits program given the importance of the benefit for faculty and staff as they plan for the education of their dependent children. In order to facilitate long-range planning and communication of changes, the Education Benefits Committee (EBC) was formed in fall 2013, in response to the 2012 recommendation of the ad hoc Benefits Task Force (BenTF), which recognized the importance of ongoing monitoring and assessment of education benefits. The committee is charged with analyzing faculty, staff and dependent demographic information, monitoring education benefits utilization and trends, developing short- and long-term cost projections, and making annual recommendations to the vice president for finance and administration (VPFA) in the context of competitive compensation, a balanced benefits budget and university budget.

Committee members are appointed by the VPFA in consultation with the academic vice president and chair of the faculty senate. The committee includes one to two faculty, one to two staff, and one to two human resources representatives. One of the human resources representatives serves as chair. Members typically serve at least two years given the complexity of issues associated with education benefits and the steep learning curve involved. Faculty and staff serving on the committee for FY2016-17 included:

- Kenni Simons (chair), Benefits Manager, Human Resources
- John Hanson, Professor of Chemistry (transitioned off the committee)
- Peter Sullivan, Assistant Professor of Economics
- Darci Sak, Enrollment Data Analyst, Admission

The EBC seeks to balance two competing interests. On the one hand, we want to provide the maximum education benefit for current faculty, staff, and their families, consistent with the education benefits budget. On the other hand, we don't want to create an education benefit program that is unsustainable, and then have to cut the program for future recipients.

Benefits Available

There are four categories for education benefits currently available to faculty and staff. A description of each benefit can be found in the Education Benefits Policy, found [here](#).

- University of Puget Sound Tuition Remission (Remission)
- National Tuition Exchange Scholarship (TE)
- Northwest Liberal Arts Scholarship (NWLA) – Available to faculty and staff hired prior to July 1, 2012
- Open Tuition Scholarship (OT)

Current Status

During the last year, the EBC analyzed actual benefit utilization and expense data against the projections made by the BenTF in 2012. Simultaneously, the EBC updated projected benefit usage through AY2027 with the demographic information collected in late 2016. Based on the analysis, the EBC has the following findings:

- Remission is not currently used as heavily as in the past, though it remains the most costly of the benefits. Approximately one-fourth of the benefit-eligible dependents use this benefit and it accounts for just over one-third of the education benefits expense. We don't anticipate any large changes in average usage over the next few years. We do anticipate that the per student cost of the remission benefit will continue to rise, and we have accounted for this in the model by using the modeled tuition increases in the university's long range financial model, which is subject to change.
- In order to remain in good standing with the National Tuition Exchange (TE), 5 additional scholarships were awarded to incoming students in AY2016-17, making a total of 8. Human Resources will continue to monitor our status with the TE and make adjustments to the number of scholarships as necessary to ensure the university remains in good standing.
- With no long-term financial challenges anticipated with the current education benefits program, the EBC did not recommend any changes in the education benefits program for this fiscal year.
- The EBC will continue to track actual benefit usage and expenses against the budget and future projections and consider whether to recommend changes to the benefit on an annual basis. Detailed utilization information and modeling methods and results may be found in sections II and III, below.
- The EBC also wants to remind parents that children are eligible for education benefits only if they are considered dependents by the IRS; under current IRS guidelines, dependent children must be younger than 24 years old (unless they are permanently and totally disabled).

II. Education Benefits Utilization for 2014-15, 2015-16 and 2016-17

Table 1 below shows the number of dependents who have utilized various types of education benefits over the past three years. Table 2 shows the education benefit expenses for those same years.

Table 1. Education benefits utilization for 2014-15, 2015-16 and 2016-17

2014-15	Remission	TE Exports	TE Imports	NIC Exports	NIC Imports	NWLA	Open Tuition	GF Cash Grant	No Benefit Used *
Freshman	4	2	2	2	6	2	8	0	
Sophomore	7	5	1	0	3	1	6	1	
Junior	5	3	1	1	1	1	3	0	
Senior	7	5	1	2	2	0	3	0	
Total	23	15	5	5	12	4	20	1	
Distribution of eligible PS dependents (91 eligible dependents born 9/2/1992-9/1/1996)	25%	16%		5%		4%	22%	1%	25%
2015-16	Remission	TE Exports	TE Imports	NIC Exports	NIC Imports	NWLA	Open Tuition	GF Cash Grant	No Benefit Used *
Freshman	5	1	2	2	5	1	8	0	
Sophomore	3	1	2	1	6	2	1	0	
Junior	6	5	1	0	3	0	6	1	
Senior	4	4	1	1	1	2	4	0	
Total	18	11	6	4	15	5	19	1	
Distribution of eligible PS dependents (76 eligible dependents born 9/2/1993-9/1/1997)	24%	14%		5%		7%	25%	1%	24%

2016-17	Remission	TE Exports	TE Imports	NIC Exports	NIC Imports	NWLA	Open Tuition	GF Cash Grant	No Benefit Used *
Freshman	3	1	8	0	0	0	2	0	
Sophomore	6	1	2	2	5	1	12	0	
Junior	3	1	2	1	6	2	1	0	
Senior	4	5	1	1	3	1	5	1	
Total	16	8	13	4	14	4	20	1	
Distribution of eligible PS dependents (81 eligible dependents born 9/2/1994-9/1/1998)	20%	10%		5%		5%	25%	1%	35%

* No Benefit Used: Estimate of eligible dependents of Puget Sound faculty and staff not using an education benefit.

Table 2. Education benefits expenses for 2014-15, 2015-16 and 2016-17

Year	Remission	TE Imports	NIC Imports	NWLA	Open Tuition	GF Cash Grant	Other Benefits ^a	Total Expenses	Budget
2014-15	\$921,743	\$162,500	\$518,400	\$129,600	\$135,786	\$10,336	\$287,265	\$2,165,630	\$2,535,000
2015-16	\$764,449	\$198,000	\$671,100	\$167,780	\$141,048	\$11,550	\$455,873	\$2,409,800	\$2,613,000
2016-17	\$724,158	\$425,000	\$602,030	\$138,933	\$150,092	\$12,220	\$373,937	\$2,426,369	\$2,704,000

^a "Other benefits" are tuition remission benefits utilized by faculty and staff members or their spouses/partners.

Given uncertainties inherent in forecasting, it is possible that education benefit expenses may exceed the budget in some future years, but an education benefits reserve fund (EBRF) was established to handle such situations. Unused funds from the education benefits budget were placed into the EBRF until it reached a cap of \$1,250,000. This fund can be used to handle fluctuations in usage that may result in periods when education benefit utilization exceeds the budget.

III. Modeling Methods and Results

The model incorporates demographic data provided by faculty and staff upon hire or from the survey of dependents that is included as part of benefits enrollment process each year.

We assume that the eligible dependents that reach college age during a given year comprise the pool from which new students accessing the education benefits come (with the exception of dependents from other institutions receiving a tuition exchange scholarship from Puget Sound, i.e., TE imports and NIC imports in the model). We further assume that ongoing students will continue accessing the same education benefits for four years in a row. Both of these assumptions are oversimplifications (e.g., some dependents are younger or older than others when they graduate from high school, some dependents take a gap year following high school and then enroll in college). While breakdowns in these assumptions will change the exact numbers that enroll in any given year, the EBC's modeling approach should provide a reasonable estimate of usage over a multi-year time frame.

Table 3 shows our current projections for the number of benefits eligible dependents reaching college age in each of the next 10 years. "College age" in our model is defined as being age 18-22 as of September 1 of the academic year in question.

Table 3. Projected numbers of benefit-eligible dependents (first-year students)

FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
16	25	17	17	14	22	16	14	15	17

