Institute-wide Planning Task Force
Human Resources & Benefits Working Group

Final Report

December 16, 2009
Institute-wide Planning Task Force
HR Benefits Working Group

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Executive Summary

MIT’s reputation as one of the preeminent research institutes in the world would not be possible without the significant contributions and commitment of our most valuable resource – the faculty and staff who work here. Our task force examined MIT’s current compensation, benefits and HR policies for potential cost reduction targets within the context of broader HR policy issues that we believe should guide MIT as it makes decisions to further analyze and implement the recommendations resulting from this effort.

HR Policies
The decisions facing MIT will have a profound impact on our workforce. The way we do our work will change, jobs will be eliminated and new opportunities will be created. Our Total Compensation strategy will evolve, leading to thoughtful discussion of MIT’s philosophy for recruiting and retaining our current and future workforce. We encourage the Institute to keep the following principles in mind when making decisions:

• Clearly identify the number of people and jobs affected by each decision. Include a human resource adjustment plan in the decision process and anticipate the costs of adjustments in estimating any potential savings.

• We recognize that layoffs may be necessary as MIT changes our business model. However, across the board layoffs as a budget reduction mechanism should be a measure of last resort. Every effort should be made to avoid across the board job cuts.

• The Institute should renew its HR Principles, and outline a clear process to ensure that employees displaced by job cuts and who meet the requirements for other employment opportunities will be given preference for interviews. Senior officers will encourage those in their areas to consider employees on layoff notice for openings.

• Funds should be set aside for retraining displaced employees to qualify for MIT job opportunities. The MIT HR office will serve as the central information resource to track employees on layoff notice, those who may need to tap funds for retraining, and those who have been successfully placed in new positions at MIT. In addition, HR will establish a clear communications strategy to report updates to the MIT community on the number of people referred and placed in other job openings at the Institute.

• As President Hockfield has said, the overall cuts need to be distributed to “share the pain” in an equitable fashion. This means that care must be taken to avoid an outcome that results in an undue portion of the cuts being borne by any specific segment or the MIT community – staff, students, faculty or administration. The perception of fairness in both process and outcome are critical to the health of MIT in the short and long run. Therefore, this principle and the data that track how the Institute is meeting it should be communicated to the community.
• Wherever possible MIT talent should be leveraged to carry out the work of the Institute. Doing so could produce dramatic savings in use of temporary, contract and consultant personnel. This will require flexibility in assignment of employees with skills needed outside their particular unit and/or job. A process should be developed and implemented for inventoring our talent pool and developing a process for allocating resources as new needs arise.

• Voluntary actions to reduce working hours, take temporary furloughs in times of reduced workloads (e.g. summer months) or to reorganize work to accommodate flexible scheduling or other flexible workplace options should be encouraged.

• All decisions should be made in consultation with the key stakeholders of the MIT community affected. When final decisions are made, the information/data supporting them should be shared to the extent possible.

• The combination of recommendations selected for further analysis should be viewed within the context of MIT’s Total Compensation program. Our ability to continue attracting and retaining the best talent in the world is critical to MIT’s mission. Sacrificing MIT’s competitive standing with our peer institutes and peer corporate competitors could significantly damage our human resources agenda.
Implementation Considerations

Recommendations for changes to benefits emerging from this working group may be subject to bargaining obligations through the collective bargaining process for MIT’s unionized workforce. For some changes, MIT merely needs to notify the unions; for other changes, it must bargain but, after good faith bargaining, can implement the changes even if the union does not agree; and for changes to benefits specified in the collective bargaining agreement, MIT can change them only after bargaining and with the union’s agreement. For benefits that fall into the last category, we recommend negotiating them in conjunction with the contract renewals. The SEIU and Security Officer contracts at Lincoln Laboratory expire June 30, 2011; the RDTEU contract, which covers employees at both Lincoln Laboratory and on campus, also expires June 30, 2011. The SEIU contract for campus employees expires June 30, 2010, and the Campus Police contract (which expires June 30, 2009) is currently in negotiation.

The working group recommendations, if all are adopted, may impact different MIT community members differently. We recommend that any changes that may be adopted be analyzed for any legal or other risks. We encourage consideration of “grandfathering” provisions that will protect any group(s) that may experience a greater impact from these changes.

In a number of cases, the recommended changes will require amendments to MIT’s official plan documents. Generally, plan amendments must be approved by the Executive Committee and move through a governance process that can be quite time consuming. Implementation schedules should include this approval process as they are developed.
**Cost Considerations**

**Consulting Fees**

A number of the recommendations, particularly those for MIT’s Basic Pension Plan, have undergone a preliminary legal review but will require a more thorough review before decisions can be finalized. Since MIT has recently retained new ERISA counsel, these recommendations should be reviewed by external ERISA counsel and written opinions obtained for documentation purposes. ERISA counsel will also be necessary to draft plan amendments.

Towers Perrin was used to assist with pricing exercises for the Basic pension plan and the retiree healthcare program. As decisions are refined and grandfathering provisions clearly defined, Towers should be retained to produce more accurate savings estimates particularly for projecting reduction of future liabilities that may impact funding levels and government charge-backs.

**Internal Costs**

Implementation of these recommendations will have a significant impact on MIT’s HR/Benefits department. Additional resources need to be allocated to Employee Benefits to implement these changes and as part of a communications budget to educate employees on the impact these changes have on their benefits.

To the extent that SAP will need to be modified as a result of these changes, IS&T resources need to be available during the implementation and testing phase. The same is true of Payroll resources for any changes that will impact payroll deductions.

Finally, there are several aspects of our savings estimates that merit further explanation. Some of the proposed recommendations from our working group identify changes that result in a savings to MIT but are in reality simply shifting costs to employees. We would like to emphasize, again, the importance of viewing any cost reductions within the context of MIT’s Total Compensation program. We have tried to capture savings within two broad categories: those changes that will decrease the amount MIT spends annually to pay for the benefits utilized by our faculty and staff and those changes that will affect current or future liability projections. Neither of these categories has been adjusted to reflect cost recovery on federal grants and contracts based on the belief that it works to MIT’s advantage if a recommendation helps moderate the EB rate going forward.
Recommendations

HR Benefits Options for Consideration

For every 1% reduction in cash compensation (i.e., salary increase pools), MIT recognizes additional savings on those benefits that are calculated based on salary: 401(k), Basic pension plan, paid time off, FICA, Unemployment, and Workers’ Compensation.

To illustrate this, consider the 401(k) matching contribution for someone who is contributing the full 5% to receive the maximum match available. On an $80,000 salary, the 5% MIT contributes equals $4,000. A 3% salary pool increases this salary to $82,400 and increases MIT’s 401(k) contribution to $4,120. If the salary pool is only 2%, this salary increases to $81,600 and the 401(k) contribution is $4,080. MIT realizes a savings in Total Compensation of $840. This does not seem like much, but if we assume there are 2,000 employees earning $80,000 annually these savings are approximately $1.7 million.

Moderating salary increases should be considered as a short term opportunity to reduce costs for MIT’s Total Compensation programs. This strategy will compromise our competitive position if continued over a longer period of time with the risk that MIT will not be able to recruit the talent we need to retain our excellence in academics and research.

Health Plan for Active Employees

MIT has a comprehensive health care program with 5 different plans available to active employees. This program underwent a review several years ago. That review reaffirmed the value of maintaining health care services on campus but offered over forty recommendations for improving efficiency, management, and service delivery. We are pleased that nearly all of these recommendations have been implemented since the report and many have produced improvements as anticipated. Our task force reaffirms support for the basic model of health care delivered at MIT.

In a comparison with both our Ivy League peer institutes and our local peer group, MIT’s medical program for active employees in general requires lower copay amounts but higher employee premium contributions than our competitors. Recommendations are targeted toward bringing MIT’s copay amounts in line with programs offered by our competitors and utilizing more efficient and cost effective providers through differential copay structures. Some of these options require employees to absorb a higher share of the costs (commonly referred to as “shifting costs”, not reducing costs) of their health care and some provide stronger incentives for employees to utilize excess capacity at MIT Medical at a lower cost than if accessed through one of the commercial plans (for example, the Blue Cross network). Still others migrate MIT toward a more Consumer Driven model for healthcare, which provides employees with access to information that helps them make informed healthcare decisions using the most efficient/cost effective providers and services.
Recommendations

1. Add a copay to medical plans available through MIT medical. This change would have been necessary to comply with the Mental Health Parity Act (which takes effect 1/1/2010). Pricing is based on a $10 copay. Consideration should also be given to a review of copays across all MIT’s medical plans to reposition our plans more competitively with our peer comparison group.

   Estimated annual savings based on a $10 copay at MIT medical is $600,000

2. Provide financial incentives, through copay differentials, to encourage all medical plan participants to utilize specified services at MIT Medical by self-referring: mammograms, EKG, stress tests, bone density and lab panels. MIT Medical currently has excess capacity and can provide these services at a lower cost than the commercial plan networks.

   Estimated annual savings (in combination with #3 below) is $0.5 Million

3. Charge differing copays for radiological services based on “preferred” provider selection guiding employees and medical providers toward more efficient facilities.

   Estimated annual savings (in combination with #2 above) is $0.5 Million

4. Leverage MIT Medical covered population in annual rate negotiation with Blue Cross Blue Shield.

   Estimated annual savings is $25,000 - $50,000

5. Reduce rate of growth for prescription medication expense by accessing discounting available through MIT Medical and continuing to add management features available through Express Scripts.

   Estimated annual savings is $250,000

6. Eliminate MIT paid spousal subsidy for employees covering a divorced spouse.

   Estimated annual savings is $120,000 - $200,000

7. Redesign current healthcare program to consolidate current plan offerings to one multiple tier offering with all insured risk in one pool.

   Estimated annual savings is $200,000
8. Revisit current cost-sharing formula and determine whether savings from other program recommendations can be used to offset expense of MIT contribution increase. This moves MIT’s active healthcare program to a more competitive position with our peer comparison group.

Cost TBD based on contribution sharing formula selected.

**Total Estimated Savings $1.7 - $1.8 Million**

**Health Plan for Retirees**

MIT’s retirees currently have a more generous healthcare program than MIT provides to our active employees. Most pay lower premiums than active employees and our Medicare eligible retirees have access to plans that reimburse virtually all medical expenses not covered by Medicare. Their only cost is the Medicare Part B premium, required by Medicare.

Recommendations fall into two distinct categories – shifting premium expenses to retirees so that MIT’s expenses do not increase as rapidly and requiring that retirees are responsible for paying a portion of their own medical expenses.

We should note that all recommendation for changes to the retiree medical program will impact new retirees only. Last year MIT transferred funds from the overfunded Pension Trust into the Retiree Health and Welfare trust. As a consequence of that transfer, benefits for current retirees cannot be substantially reduced for a 5 year period following the transfer. Changes cannot be implemented to impact current retirees until 7/1/2016.

In addition, since MIT’s retiree healthcare program expenses are funded through the Retiree Health and Welfare trust these savings take the form of a reduction in future liability. The aggregate impact will be a reduction of MIT’s FAS 106 liability.

**Recommendations**

1. Medex reimbursements currently use a Coordination of Benefits formula which means that Medex reimburses any expenses that are eligible under Medicare but which Medicare does not cover. The result is that retirees have virtually no out-of-pocket expenses. We recommend that the Medex reimbursement strategy be changed to Government Exclusion. This formula requires retirees to pay 20% of the amount that is eligible under Medicare but is not paid by Medicare. On a $200 expense, this method would require retirees to pay $4.00. This is a cost shift to retirees but is based on the philosophy that all employees and retirees should have to pay if they use their healthcare program.

   Estimated annual savings for prospective retirees $1.5 Million due to reduction in the cost of annual benefit accruals.

   Reduction in past service liability (accumulated postretirement benefits obligation) of $16 Million recognized over 4 years.
2. Implement recommendation above for current retirees when Maintenance of Cost provision associated with 2008 420(h) asset transfer expires in 2016.

   Estimated annual reduction in FAS 106 liability is $5 Million for a period of 9 years.

3. Implement a new cost-sharing formula for retiree healthcare program that will be based on a specified MIT contribution (for example, 50%). This eliminates the complex, service-based calculation currently in use and would affect only new retirees. In addition, we recommend that this calculation is performed at retirement and that MIT’s contribution does not increase. Any subsequent increase in cost is borne by the retiree. We recommend that the same strategy would apply to coverage for a spouse, with the difference that the spouse’s MIT subsidy is 50% of the retiree’s subsidy. The task force does not recommend that this strategy apply to current retirees.

   TBD – Adoption of this provision will have a significant impact on MIT’s FAS 106 liability as future increases are absorbed by retirees. Pricing is based on the amount of the subsidy MIT decides upon so estimates cannot be produced until further detail is provided.

4. Allow employees who retire with between 5 and 10 years of service to purchase retiree health coverage by paying the full cost. The availability of retiree health coverage is a primary consideration for older workers planning to exit the workforce. Providing access to coverage may assist as MIT moves to reduce our workforce over the next several years.

   This is cost neutral.

5. Eliminate MIT paid life insurance that follows employees into retirement for new retirees. Employees currently have the option of converting existing coverage at retirement and paying the premium themselves.

   Since MIT’s premium payment for retiree life insurance is funded through the Retiree Welfare Trust, the annual value of eliminating this program equates to $300,000 savings in payments from the trust.

   **Total Estimated Reduction in Retiree Welfare Trust liability of $16 Million over a period of 9 years. Annual reduction of $1.5 Million. Additional savings possible.**
Retirement

Our analysis leads to a clear conclusion: MIT provides very attractive retirement packages to its employees. MIT is one of a declining number of employers to provide both defined benefit and defined contribution (401k) retirement plans. The Institute currently matches up to the first 5% an employee contributes to the 401(k) plan (within specified IRS regulatory limits).

The net effect of these plans and various enhancements introduced over the years is that, on average, individuals retiring from MIT receive greater than 100 percent of their prior earnings when the value of retiree healthcare is included. In some cases the replacement ratio is substantially above the 100 percent threshold.

For these reasons we believe some reductions in selected retirement benefits are warranted. However, our task force believes MIT should maintain its longstanding commitment to ensuring its workforce can retire with dignity and adequate financial security. We also believe it would be unfair to take away benefits from current retirees who made their decisions and financial plans based on the programs in place when they retired. Therefore we propose “grandfathering” current beneficiaries wherever this is appropriate.

Recommendations

401(k) Plan

1. Revise 401(k) plan to change current match arrangement to a discretionary match. Reduce MIT’s matching contribution to the 401(k) plan from 5% to 4% - match 100% of the first 3% contributed by employees and 50% of the next 2% contributed by employees. This allows MIT’s plan to continue qualifying under Safe Harbor guidelines and avoids onerous annual testing requirements.

Estimated annual savings $7.1 Million

Basic Pension Plan – The savings associated with recommendations below reduce the projected liability for future pension payments used as part of the annual pension valuation. To the extent these recommendations are adopted, the result is a reduction in future pension liabilities which, in turn, affects the plan’s funding requirements. We believe these changes will defer the point at which MIT would otherwise need to begin making annual pension contributions – currently projected to occur in 2013.

2. Freeze Qualified Spousal Benefit. This provision provides a death benefit to a surviving spouse above and beyond that provided by a Joint and Survivor payment option and is a carryover from the former RPSM plan. It is unique, from a benefits design perspective, and is rarely understood by employees until they apply for MIT retirement benefits. Preliminary legal opinions indicate that this is not a “protected” benefit, but we will need a more detailed legal review and written opinion before finalizing a decision.

$5 – 10 Million annual accounting cost savings
3. Eliminate pension disability benefits. Employees who become disabled and qualify for MIT’s Long Term Disability coverage continue to accrue benefits in the Basic pension plan until they are age 65.

   $1 Million annual accounting cost savings

4. Change actuarial method for accruing benefits after age 65 for all active employees who have not yet reached age 65. Method currently in use provides very generous benefit accrual after attaining age 65.

   $1 - 5 Million annual accounting cost savings

5. Cap service for career-based pension formula to a maximum of 30 years.

   $1 - 5 Million annual accounting cost savings

6. Change cash balance plan interest rate credit.

   $1 Million annual accounting cost savings


   $.5 Million annual accounting cost savings (will increase as new employees are hired)

8. Install 3 year vesting effective for new hires on and after 1/1/2010.

   $1 Million annual accounting cost savings

9. Freeze accruals under the career pay formula for all current participants effective 7/1/2010.

   $5 Million annual accounting cost savings

10. Change investment strategy for DB plan assets to reduce cost volatility and assure that annual cost of benefit accruals is reflected in the EB rate. Renegotiate government reimbursement rate to reflect this asset management strategy. Further exploration is needed, although this will not likely increase or decrease MIT’s long term costs. It is intended to reduce cost volatility and eliminate negative recovery on federal grants and contracts.

11. Eliminate Supplemental pension accruals for individuals making more than $230,000 (2009 limit) annually.

    Annual cost for 2008 $1,046,400. ($424,400 is reimbursed by Lincoln and Sloan)
Total Estimated Reduction in Annual Accounting Expense of $15.5 - $28.5 Million

MIT annual reduction in expenses for 401(k) and Supplemental Pension $8.1 Million

This does not include reductions from freeze of current Defined Benefit Plan.

Paid Time Off

MIT’s paid time off benefits – holidays, vacation accrual and sick leave – are comparable to what our competitors provide. There are a few opportunities for savings through elimination of the additional accrual after 10 years of service and moving to a Short Term Disability program that provides consistent salary replacement for all disabled employees.

Recommendations

1. Eliminate 5th week vacation accrual in 10th year of service.

   Estimated annual savings for weekly paid staff is $190,000. No data available for administrative staff, but minimally estimated at 1.5 value of weekly paid savings is $285,000. Total estimated annual savings is nearly $0.5 Million.

2. Implement formal tracking system for Administrative and Post Doctoral use of vacation time.

   Savings potential through improved level of accountability and verified account balances for payout at termination.

3. Change method for accrual of sick time for Support and Service staff from annual accrual based on anniversary date, to monthly accrual.

   Savings potential through improved level of accountability.

4. Change practice regarding paid absences under sick/Extended Sick Leave (ESL) policies. Revise the ESL policy so employee must exhaust sick bank as part of 26 weeks of paid ESL.

   TBD Data for estimating savings is not readily accessible.

5. Implement Short Term Disability program that will replace 60% of pay after one week of absence for up to 26 weeks, when Long Term Disability benefits become available.

   Savings TBD

   Significant salary savings will result with weekly paid staff ESL payments reduced by 15% and any sick leave use by monthly paid staff reduced by 40%. A
very conservative savings estimate based on 10% of total expense associated with sick leave use by weekly paid staff ($6.4 Million annually), savings would be $640,000. If we assume that monthly paid is worth 1.5 times that amount, total savings (very conservatively) are estimated at approx. $1 Million annually.

Implementation of this program requires up front costs to pay premiums for a short term disability plan, estimated at $225,000 – $450,000 annually.

6. Discontinue practice of counting paid time off for purposes of calculating overtime worked.

Costing information due from Data team 5/21.

**Estimated total savings $1.5 Million**

**Transportation and Parking**

MIT has historically subsidized the cost of parking on campus and provided various incentives for employees to take public transportation and avoid parking on campus. We believe both practices should continue, however, we believe it is reasonable for more highly compensated employees to pay a higher percentage of the true cost of parking. The Institute estimates that the true cost of a parking space on campus is $3,000 per year.

**Recommendations**

1. Implement salary-based contribution toward cost of parking on campus, with those making $125,000 and more paying 50% of market rate next year and those making less than $125,000 subject to the 11% planned increase.

Annual savings based on estimate that 30% of current parkers (2900) are making $125,000 or more is $0.5 Million.
Temporary Help and Consultants (Joint with the Procurement Task Force)

Our task force and the Procurement Task Force have been working together to try to understand the amount of money MIT currently spends on temporary help and outside consulting services. MITtemps currently processes payroll forms for over 500 temporary help positions annually. The dollar amounts are quite large. The working group estimates between $60 and $80 million dollars spent on outside professional services falls in a category where significant savings are possible. We believe there are potential savings of 10 percent of this amount available by taking two steps, both of which will require considerable organizational change and management discipline.

1. Negotiate a single Vendor Management Contract with an outside firm.
2. Develop internal systems and management discipline to maximize use of expertise within the MIT workforce before turning to temporary or consulting services.

Detail on these proposals is in the Procurement final report.

ESTIMATED SAVINGS SUMMARY

Active Healthcare Program
Total Estimated Savings $1.7 - $1.8 Million

Retiree Healthcare Program
Total Estimated Reduction in Retiree Welfare Trust liability of $16 Million over a period of 9 years. Annual reduction of $1.5 Million. Additional savings possible.

Retirement Program
Total Estimated Reduction in Annual Accounting Expense of $15.5 - $28.5 Million

MIT annual reduction in expenses for 401(k) and Supplemental Pension $8.1 Million

Paid Time Off Program
Estimated total annual savings $1.5 Million +

Transportation and Parking
Estimated total annual savings $0.5 Million

Grand Total for annual MIT expense reductions $12 Million

Grand Total (aggregate) for decrease in liability/accounting expense $40 – 45 Million
APPENDICES
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: MIT Health Plans #1

CAPSULE PROPOSAL: Add co-pay for services received at MIT Medical facility

DETAIL SUMMARY OF PROPOSED CHANGE:
Add office visit copays for MIT Medical services. Copay would apply to MIT Medical Plan employees, commercial plan employees and employees utilizing Primary Care Benefit at MIT Medical. Copay amount would be based on commercial plan copay for same visit type. 4600 employees enrolled in MIT Medical plans.

Current policy - MIT Medical Plan employees: No copay for office visits; 100% of expenses are covered. Commercial Plans: no copay for office visits at MIT medical; other expenses paid by employee or other health insurance if eligible.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
$600,000 immediate savings based on 60,000 visits x $10 copay

CONSIDERATIONS/OTHER COMMENTS:
- Added accounting/billing procedure for MIT Medical.
- Copays will be necessary for compliance with Mental Health Parity Act effective 1/1/2010.
- Cost shift to employees.

Appendix A – Single Page Ideas
**TASK FORCE GROUP:** HR Benefits Task Force

**PROGRAM AFFECTED:** MIT Health Plans #2

**CAPSULE PROPOSAL:** Consolidate current plan offerings to one multiple tier offering with all insured risk in single pool.

**DETAIL SUMMARY OF PROPOSED CHANGE:**

Offer one medical plan, with three options for coverage, to active employees and early retirees. The three options include MIT Medical; Blue Cross/Blue Shield network plan and Point of Service options. Options are differentiated by copay, deductible and out-of-pocket limit structure. This begins migration to consumer driven healthcare model and affects 10,000 enrolled benefits eligible employees.

Currently five plans available. Two plans available through MIT Medical and three commercial plans available. 20 different premiums based on 5 plans x 4 coverage types.

**ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:**

Conservatively estimated at annual savings of $200,000

**CONSIDERATIONS/OTHER COMMENTS:**

- This requires elimination of Tufts as a program option and will require significant IS&T, payroll and benefits effort to implement from both a systems and communications perspective.
- On a longer term basis, this allows for a much less complex annual pricing exercise.
- Recommend phased implementation - copay addition/increase in 2010; consolidation to single plan in 2011.
- Efficiency gain.

Appendix A – Single Page Ideas
**TASK FORCE GROUP:** HR Benefits Task Force

**PROGRAM AFFECTED:** MIT Health Plans #3

**CAPSULE PROPOSAL:** Leverage excess capacity at MIT Medical

**DETAIL SUMMARY OF PROPOSED CHANGE:**

Provide financial incentives to encourage medical plan participants to utilize certain services at MIT Medical by self-referring: mammograms, EKG, stress tests and routine lab panels. Added opportunity for 10,000 enrolled benefits eligible employees. These services are common/routine services that can be provided on a more cost effective basis by MIT medical, where they currently have excess capacity.

Generally, these services are available only to MIT Medical plan participants. In some circumstances, other employees access these services and the employee is billed or another insurance company is billed.

**ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:**

Conservatively estimated at annual savings of $500,000 in combination with proposal for MIT Health Plans #4

**CONSIDERATIONS/OTHER COMMENTS:**

- Leveraging excess capacity at MIT medical should decrease self insured claims cost. Expected savings based on capacity at MIT medical and known costs of various services at other sites that vary dramatically.
- Efficiency gain.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: MIT Health Plans #4

CAPSULE PROPOSAL: Incent employees to use lower cost providers for radiological services

DETAIL SUMMARY OF PROPOSED CHANGE:

Charge copay differential for radiological services based on "preferred" provider selection guiding employees and medical providers toward less expensive/equal service sites. Approximately 2,000 MRI per year ordered through MIT Medical.

The cost for Diagnostic Radiology Services (MRI, CAT, PET, sonagrams, etc) can vary dramatically from provider to provider based on the site fees charged by a particular facility and the way billing for these services are bundled or unbundled. For example, an MRI at MGH can be 4 times more costly than one that is performed at a local community hospital or an organization like Shields MRI. Together with other costly procedures, Provider site fees can vary greatly often with plan costs ranging from $400 to $2,000 for the same service. An average of 1200 participants annually (from CY 2006 - CY 2008) access MRI services.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Conservatively estimated at annual savings of $500,000 in combination with proposal for MIT Health Plans #3.

CONSIDERATIONS/OTHER COMMENTS:

- The incentive to use high quality, low cost providers will take the form of higher copays for high cost facilities.
- Cost shift to employees.
- Efficiency gain.

Appendix A – Single Page Ideas
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: MIT Health Plans #5

CAPSULE PROPOSAL: Leverage MIT Medical covered population in rate negotiations with BCBS

DETAIL SUMMARY OF PROPOSED CHANGE:

MIT medical has a substantially lower capitated administrative fee with BCBS than MIT is offered for our employee plans. Through aggregating this population and negotiating as one unit, we hope to reach agreement on a more competitive rate for the employee plans.

Blue Cross has not been willing to make major concessions on administrative charges. This was most recently seen last year when MIT looked at removing either Tufts or BCBS and Tufts came in with a very aggressive offer on their pricing but BCBS offered only a minimal decrease.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

$25,000 - $50,000

CONSIDERATIONS/OTHER COMMENTS:

- The combination of moving all commercial network business to BCBS or threatening to look at other competitors with access to national healthcare networks may result in more substantial savings than those estimated.
- These savings need to be viewed in aggregate with student Health program expenses so are difficult to estimate.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: MIT Health Plans #6

CAPSULE PROPOSAL: Reduce rate of growth prescription medication expense in healthcare program.

DETAIL SUMMARY OF PROPOSED CHANGE:
Reduce overall expense for prescription medications by continuing to add management features available through Express Scripts and accessing MIT Medical Pharmacy discounting.

Currently only MIT Medical participants can fill prescriptions and access discounts available through MIT Pharmacy. Savings associated with Express Scripts changes implemented in 2009 have not yet been reported.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
Estimated at approx. $250,000

CONSIDERATIONS/OTHER COMMENTS:
- Legal research underway on ability to access MIT Medical pharmacy discounting.
- Efficiency gain.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: MIT Health Plans #7

CAPSULE PROPOSAL: Eliminate MIT spousal subsidy for employees covering a divorced spouse.

DETAIL SUMMARY OF PROPOSED CHANGE:

Coverage for divorced spouse only available to employees by billing them for the full cost of the exspouse's individual coverage. Exspouse individual coverage would be immediate.

Current procedure is to allow employee to keep divorced spouse in family unit until either employee or exspouse remarries. If the employee remarries, the exspouse is placed on their own subscriber record and pays the full cost of coverage. If the exspouse remarries, 36 months of COBRA coverage available. Retiree exspouse is carried on individual Medicare supplement plan with cost based on the retired employee's cost share.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Estimated at approx. $120,000 - $200,000

CONSIDERATIONS/OTHER COMMENTS:

- Philosophically, this can be interpreted to state that MIT does not feel the same obligation toward an employee's exspouse as we do to a current spouse.
- Currently MIT covers approximately 70 divorced spouses with 34 divorced spouses enrolled in Family or Employee&Spouse coverage.
- Cost shift to employees.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: MIT Health Plans #8

CAPSULE PROPOSAL: Revisit and reaffirm cost-sharing formula or modify

DETAIL SUMMARY OF PROPOSED CHANGE:
Implement new cost-sharing formula for active healthcare program
Current cost share calculated in the aggregate at 65/35

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
TBD

CONSIDERATIONS/OTHER COMMENTS:
- Based on other changes implemented and aggregate savings, it may be possible to reprice MIT's contributions to improve our local and Ivy peer competitive position. This cannot be priced without a specific cost share recommendation, which will not be available until plan design changes have been finalized.

Appendix A – Single Page Ideas
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Retiree Medical #1a

CAPSULE PROPOSAL: For employees who retire on or after 1/1/2010, change reimbursement strategy for Medicare eligible retirees on Medex program from Coordination of Benefits to Government Exclusion.

DETAIL SUMMARY OF PROPOSED CHANGE:

Change reimbursement strategy for Medex program from Coordination of Benefits (between Medicare and other coverage 100% of expenses are covered) to Government Exclusion. Government exclusion requires the retiree to pay 20% of the amount that Medicare does not cover, while the other insurance pays 80%.

Current Medicare Supplement results in virtually no out-of-pocket expenses. Retirees are responsible for payment of the Medicare Part B monthly premium which ranges from $96 to $308 and is based on income.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

$1.5 million annual savings; $16 million FASB 106 funding liability decrease recognized over 4 years

CONSIDERATIONS/OTHER COMMENTS:

- This could be implemented for new retirees beginning as early as this year and could provide an "unofficial" incentive for employees contemplating retirement to exit the workforce.
- Cost shift to retirees.

Appendix A – Single Page Ideas
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2009 TASK FORCE INITIATIVE

TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Retiree Medical #1b

CAPSULE PROPOSAL: For employees who retired before 1/1/2010, change reimbursement strategy for Medicare eligible retirees on Medex program from Coordination of Benefits to Government Exclusion.

DETAIL SUMMARY OF PROPOSED CHANGE:

Change reimbursement strategy for Medex program from Coordination of Benefits (between Medicare and other coverage 100% of expenses are covered) to Government Exclusion. Government exclusion requires the retiree to pay 20% of the amount that Medicare does not cover, while the other insurance pays 80%.

Current Medicare Supplement results in virtually no out-of-pocket expenses. Retirees are responsible for payment of the Medicare Part B monthly premium which ranges from $96 to $308 and is based on income.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Annual FASB 106 cost reduction will be $5 million per year for 9 years beginning in 2016.

CONSIDERATIONS/OTHER COMMENTS:

- Existing retirees need to be grandfathered until 7/1/2016 when the Maintenance of Cost requirement for our 2008 excess pension asset transfer is complete.
- Cost shift to retirees.

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**TASK FORCE GROUP:** HR Benefits Task Force

**PROGRAM AFFECTED:** Retiree Medical #2

**CAPSULE PROPOSAL:** Implement new cost-sharing formula for retiree healthcare program

**DETAIL SUMMARY OF PROPOSED CHANGE:**

Implement a cost-sharing formula that will provide a specified MIT contribution (50% of full cost) calculated at retirement (which will vary based on early retiree or Medicare eligible status) that will not increase after retirement. The retiree will be responsible for any increases after retirement. The MIT contribution for a covered spouse will also be set at retirement, but will be 50% of the subsidy MIT provides for our retiring employee.

Current service-based formula permits longer service employees to receive up to a 70% MIT subsidy. Current Grandfathered retirees pay nothing for Medex coverage and receive a credit = to the cost of Medex toward another coverage if elected.

**ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:**

TBD - Cost associated with detailed pricing.

**CONSIDERATIONS/OTHER COMMENTS:**

- This could be implemented for new retirees beginning as early as this year and could provide an "unofficial" incentive for employees contemplating retirement to exit the workforce.
- Cost shift to retirees.

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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Retiree Medical #3

CAPSULE PROPOSAL: Allow employees who retire with between 5 and 10 years of service to subscribe for MIT retiree coverage by paying the full cost.

DETAIL SUMMARY OF PROPOSED CHANGE:

Allow employees who retire on or after age 55 with at least 5 but less than 10 years of service to purchase retiree healthcare in MIT's program by paying the full premium cost. Program would only be available to retirees who were enrolled in an MIT health plan at retirement.

No MIT sponsored coverage currently available to employees with less than 10 years of service at retirement.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Cost neutral

CONSIDERATIONS/OTHER COMMENTS:

- The availability of retiree health coverage is a primary consideration for older workers planning to exit the workforce. Providing access to coverage may assist as MIT moves to reduce our workforce over the next few years.
**TASK FORCE GROUP:** HR Benefits Task Force

**PROGRAM AFFECTED:** Retiree Life Insurance Coverage

**CAPSULE PROPOSAL:** Eliminate MIT paid life insurance that follows employees into retirement

**DETAIL SUMMARY OF PROPOSED CHANGE:**

Effective 01/01/2010, eliminate MIT paid life insurance for new retirees.

Currently MIT provides $50,000 life insurance benefit to age 65 retirees. Policy value decreases and reduced to $0 at age 70.

**ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:**

approximately $300,000

**CONSIDERATIONS/OTHER COMMENTS:**

- Current retirees have the option of converting their employment based policy at termination and paying the required premium.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: 401(k) Plan #1

CAPSULE PROPOSAL: Reduce MIT matching contribution by 1% to Safe Harbor Matching Formula.

DETAIL SUMMARY OF PROPOSED CHANGE:

MIT matching contribution will be limited to the first 5% of pay contributed by the employee. Formula = 100% match on first 3%, 50% match on 4th% and 5th%.

Current policy is a Safe Harbor Formula. MIT matches 100% up to the first 5% of employee deferral. Match is contingent on employee participation and deferral percentage.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

$7.1 million immediate annual savings

CONSIDERATIONS/OTHER COMMENTS:

- Immediate GIB savings.
- Administrative impact is minimal-Fidelity system change.
- Safe harbor design eliminates discrimination testing.
- Could be viewed as shifting cost for retirement saving to employees.
- In addition, lower future salary increases will affect employee cash compensation and possibly their ability to save for retirement.

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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: 401(k) Plan #2

CAPSULE PROPOSAL: Provide a 3% Non-Elective Employer Safe Harbor Contribution for all employees.

DETAIL SUMMARY OF PROPOSED CHANGE:

Implement a 3% Non-Elective Employer Safe Harbor contribution for all participants with no employee contribution or participation required. Will provide contribution benefit to currently eligible but not participating employees.

Current policy is a Safe Harbor Formula. MIT matches 100% up to the first 5% of employee deferral. Match is contingent on employee participation and deferral percentage. Plan enrollment is optional.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

$11.9 million immediate annual savings

CONSIDERATIONS/OTHER COMMENTS:

- Immediate GIB savings.
- Administrative impact is minimal-Fidelity system change.
- Safe harbor design eliminates discrimination testing.
- For employees contributing over 3% this could be viewed as shifting cost for retirement saving to employees.
- In addition, lower future salary increases will affect employee cash compensation and possibly their ability to save for retirement.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: 401(k) Plan #3

CAPSULE PROPOSAL: Implement a 3% auto enrollment (with opt-out) feature for all non-participating or newly hired employees.

DETAIL SUMMARY OF PROPOSED CHANGE:

New or current but not participating employees automatically have 3% of pay contributed to the 401(k) Plan. Monies are automatically deposited into the Safe Harbor default option at Fidelity. Employee can choose to opt out of future contributions at any time.

Current policy is a Safe Harbor Formula. MIT matches 100% up to the first 5% of employee deferral. Match is contingent on employee participation and deferral percentage. Plan enrollment is optional.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

increased cost range from ($1.5 million to $2.3 million) depending upon auto-enrollment retention rate

Considerations/Other Comments:

- No upfront costs. No immediate GIB savings or long term savings. Administrative impact is minimal-Fidelity system change & payroll system change.
- Increased GIB cost to pay for 3% MIT match to newly enrolled participants.

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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: 401(k) Plan - suspension

CAPSULE PROPOSAL: Temporary suspension of MIT matching contribution

DETAIL SUMMARY OF PROPOSED CHANGE:
Temporary suspension of MIT contribution to recognize immediate reduction of cash flow
Currently MIT matches the first 5% contributed by participants

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
$9.5 million per quarter, one-time savings

CONSIDERATIONS/OTHER COMMENTS:
- Immediate GIB savings. Higher impact on retirement replacement ratio for older employee population.
- This would make it very difficult for employees over age 50 to recuperate financial market losses experienced in 2008-2009 and would likely delay their retirement plans.
- Change moves MIT from Safe Harbor to Non-Safe Harbor design necessitating non-discrimination testing.
FREEZE QUALIFIED SPOUSAL BENEFITS

DETAIL SUMMARY OF PROPOSED CHANGE:

Freeze QSB benefit for RPSM eligible active employees who were in the former RPSM Plan.

The QSB is currently available to faculty and staff employed prior to July 1, 1989 and participating in the RPSM Plan as an additional survivor benefit. The QSB benefit is payable to spouses of RPSM eligible active employees who die before retirement as well as existing retirees who may have elected their monthly benefit based on the QSB. Complex grandfathering provisions increase resources needed to administer program.

ESTIMATED ANNUAL COST AND/OR ACCOUNTING SAVINGS:

$5 - $10 million annual accounting cost savings

CONSIDERATIONS/OTHER COMMENTS:

- Improves pension funding status.
- Reduces administrative liability, costs and complexity.
- Cost savings from freezing the QSB would be in addition to savings realized under Basic Pension Plan #8 (plan freeze scenario)
**TASK FORCE GROUP:** HR Benefits Task Force

**PROGRAM AFFECTED:** Basic Pension Plan #2

**CAPSULE PROPOSAL:** Eliminate pension disability benefits

**DETAIL SUMMARY OF PROPOSED CHANGE:**

Eliminate benefit accrual to age 65 for total and permanent LTD recipients. Effective 01/01/2010, employees who are newly added to the LTD program will not receive continuing benefit accruals to retirement. Currently 126 employees on LTD receive this benefit accrual.

The current LTD program offsets pension disability benefit.

**ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:**

$1 million annual accounting cost savings

**CONSIDERATIONS/OTHER COMMENTS:**

- Improves future pension funding status.
- Reduces administrative liability, costs and complexity for the Retirement, Payroll and LTD groups.
- Cost savings attributed to eliminating the disability benefit are already included in the Basic Pension Plan #8 (plan freeze scenario).
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Basic Pension Plan #3

CAPSULE PROPOSAL: Change actuarial methodology used to accrue benefits after age 65

DETAIL SUMMARY OF PROPOSED CHANGE:

Change method for accruing benefits after age 65.

Currently use actuarial method which results in very generous accruals.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

$1 - 5 million annual accounting cost savings

CONSIDERATIONS/OTHER COMMENTS:

- Improves future pension funding status.
- Reduces administrative liability, costs and complexity.
- Cost savings attributed to changing the benefit accrual method after age 65 are already included in the Basic Pension Plan #8 (plan freeze scenario).
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Basic Pension Plan #4

CAPSULE PROPOSAL: Cap service for pension formula

DETAIL SUMMARY OF PROPOSED CHANGE:

Cap service for pension formula to a maximum of 30 years. Affects approximately 10,250 participants.

Unrestricted service accrual and salary levels used in current formula benefit calculation.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

$1 - 5 million annual accounting cost savings

CONSIDERATIONS/OTHER COMMENTS:

- Improves future pension funding status.
- Reduces administrative liability, costs and complexity.
- Cost savings attributed to plan formula service cap are already included in the Basic Pension Plan #8 (plan freeze scenario).
Task Force Group: HR Benefits Task Force

Program Affected: Basic Pension Plan #5

Capsule Proposal: Change cash balance plan interest rate credit

Detail Summary of Proposed Change:

Reduce and simplify interest rate credit to cash balance plan.

Current method raising issues with IRS Determination Letter.

Estimated Annual Cost and/or Accounting Savings:

$1 million annual accounting cost savings

Considerations/Other Comments:

- Improves pension funding status.
- Prospective change driven by PPA requirements.
- Reduces administrative liability, costs and complexity.

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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Basic Pension Plan #6

CAPSULE PROPOSAL: Effective for new hires on and after 01/01/2010, eliminate formula benefit.

DETAIL SUMMARY OF PROPOSED CHANGE:

Convert to straight cash balance design for new hires after 1/1/2010.

Current benefit calculates the better of Cash Balance Accrual or Formula Benefit.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Cash Balance Plan redesign: $0.5 million annual accounting cost savings.

CONSIDERATIONS/OTHER COMMENTS:

- Annual cost savings will increase significantly over time as new employees are hired.
- Reduces administrative liability, costs and complexity.
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**TASK FORCE GROUP:** HR Benefits Task Force

**PROGRAM AFFECTED:** Basic Pension Plan #7

**CAPSULE PROPOSAL:** Effective for new hires on and after 01/01/2010, reinstall 3-year vesting requirement.

**DETAIL SUMMARY OF PROPOSED CHANGE:**

Reinstall 3-year vesting for new hires on and after 1/1/2010.

Effective August 2007, immediate vesting granted to all eligible participants

**ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:**

Revert to 3-year vesting effective 01/01/2010: $1 million annual accounting cost savings.

**CONSIDERATIONS/OTHER COMMENTS:**

- Annual cost savings will increase significantly over time as new employees are hired.
- Neutral change on administrative liability, costs and complexity.

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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Basic Pension Plan #8

CAPSULE PROPOSAL: Freeze formula benefit accruals (defined benefit formula) for all participants effective 7/1/2010

DETAIL SUMMARY OF PROPOSED CHANGE:
Freeze DB plan service and pay for career pay formula benefit (defined benefit formula) effective 7/1/2010. No additional accruals after freeze date.

Current benefit calculates the better of Cash Balance Accrual or Formula Benefit.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
Long term annual accounting cost savings approximately $5 million.

CONSIDERATIONS/OTHER COMMENTS:
- Improves pension funding status. Higher impact on future benefit obligations.
- Reduces administrative liability, costs and complexity.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Basic Pension Plan #9

CAPSULE PROPOSAL: Change investment strategy for DB plan assets in order to reduce cost volatility and assure that annual cost of benefit accruals is reflected in the EB rate. Invest in fixed-income securities to cover present value of DB liabilities, duration matched. Annual pension funding (cash contributions) should stabilize at about 6.5% of total payroll of plan participants. Do not change MIT's overall (DB + Endowment) investment strategy or consolidated market-value balance sheet. Renegotiate government reimbursement rate recognize an immediate or faster transition to the steady state.

DETAIL SUMMARY OF PROPOSED CHANGE:

1. Keep MIT's overall investment strategy (in endowment + DB plan assets) constant, but allocate fixed income assets to plan, risky assets to endowment. 2. Do not overfund the DB plan. Overfunding has reduced EB recovery over the past few years. 3. There will be accounting costs for the next few years because of recent investment losses in DB assets and lags in accounting. But accounting costs should stabilize and equal cash contributions at about 6.5% of payroll to DB plan participants. 3. Annual cash contributions will be partly offset by EB recovery, which generates the steady-state savings. Alternative reimbursement approaches should be analyzed before approaching government. New approach may result in some forfeiture reimbursement in order to stabilize (smooth) pension cost each year and guarantee a reimbursement floor of $0.

Current defined investment strategy designed to maximize investment returns and minimize MIT Plan contributions. MIT currently accepts reimbursements from US Government.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Further exploration is needed.

CONSIDERATIONS/OTHER COMMENTS:

- This proposal will likely not increase nor decrease MIT's long term costs. Rather, it is intended to reduce cost volatility and unpredictability.
- Goal is to stabilize EB rates and costs and ensure reimbursement does not go negative when plan has large surplus. This needs further exploration to identify cost savings.
- Assumption is that Basic Plan continues.

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PROGRAM AFFECTED: Basic Pension Plan #10

CAPSULE PROPOSAL: Eliminate Retiree COLA on future accruals for all active participants

DETAIL SUMMARY OF PROPOSED CHANGE:
Eliminate COLA on future benefit accruals for all active participants as of 01/01/2010. Does not affect retired or terminated participant benefits or active participant benefits accrued prior to change date.

Currently a Cost of Living Adjustment is made to retiree benefits in pay status - once every 3 years. Available to all retirees receiving a plan benefit.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

$5 million annual accounting cost savings

CONSIDERATIONS/OTHER COMMENTS:

- Improves future pension funding status.
- Grandfathering requirements may increase short-term administrative liability.
- Reduction in long term administrative costs and complexity.
- Savings dependent upon the size of impacted population.

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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Basic Pension Plan #11

CAPSULE PROPOSAL: Eliminate Retiree COLA on future accruals for active participants under age 50 as of 01/01/2010

DETAIL SUMMARY OF PROPOSED CHANGE:
Eliminate COLA on future benefit accruals for all active participants who are under age 50 as of 01/01/2010. Does not affect retired or terminated participant benefits or active participant benefits accrued prior to change date.

Currently a Cost of Living Adjustment made to retiree benefits in pay status - once every 3 years. Available to all retirees receiving a plan benefit.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
$1 million annual accounting cost savings

CONSIDERATIONS/OTHER COMMENTS:
- Improves future pension funding status.
- Grandfathering requirements may increase short-term administrative liability.
- Reduction in long term administrative costs and complexity.
- Savings dependent upon the size of impacted population.

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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Basic Pension Plan #12

CAPSULE PROPOSAL: Offer an early retirement incentive window.

DETAIL SUMMARY OF PROPOSED CHANGE:

Offer an early retirement incentive window.

Currently employees must be 55 with 10 years of service to be eligible for retiree health and to begin receiving their pension benefit. Pension benefits are reduced, if an employee retires prior to Normal Retirement Age.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Gross cost estimated at between ($100,000 to $150,000) per employee depending upon the acceptance rate. 1996 estimated average cost per employee: gross ($80,000); net ($42,500)

CONSIDERATIONS/OTHER COMMENTS:

- Possible savings would offset but not fully cover the up-front costs.
- MIT will only realize long-term savings if MIT commits to a hiring freeze.
- Any potential savings would take the form of salary savings only if positions are eliminated.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Basic Pension Plan / Supplemental 401(k) Plan

CAPSULE PROPOSAL: Implement a program for employees to phase-in to retirement

DETAIL SUMMARY OF PROPOSED CHANGE:

A phased retirement program would allow ees at or over age 59.5 to incrementally phase down their FTE% (80%, 60%, 50%) and have a specific final retirement date. Phase-down status would allow withdrawal from their 401(k). Currently 1,900 retirement eligible employees (admin and faculty)

In service distributions are not currently permitted.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Projected savings to be determined depending upon acceptance rate.

CONSIDERATIONS/OTHER COMMENTS:

- Savings will be recognized only if FTE reduction is not back-filled.
- Subject to department approval.
- Response to emerging workplace demands and likelihood that current employees over age 50 will need to defer retirement.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Pension Supplement

CAPSULE PROPOSAL: Eliminate Pension Supplement program.

DETAIL SUMMARY OF PROPOSED CHANGE:

Eliminate supplemental pension accruals for highly compensated employees. Approximately 275 active highly compensated employees eligible.

Currently highly compensated employees receive an annual payment equal to 10% of the amount of salary that exceeds the annual compensation limit (in 2008 $230,000).

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

2007 $757,962
2008 $1,046,411 GIB $ 622,000 immediate savings

CONSIDERATIONS/OTHER COMMENTS:

- Immediate and long-term GIB savings.
- Reduces administrative liability, costs and complexity for payroll and retirement groups.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Vacation #1

CAPSULE PROPOSAL: Reduce vacation accrual from 40 days to 20 days

DETAIL SUMMARY OF PROPOSED CHANGE:
Reduce cap for accrual of vacation to 20 days. Reduction would recognize the cost of the vacation days at current salary rates.

Current accrual is limited to 40 days.

ESTIMATED CHANGE TO INSTITUTE COSTS and/or FUNDING LIABILITY:
TBD

CONSIDERATIONS/OTHER COMMENTS:
Transition to new limit by imposing a deadline to use excess accrual or by making one-time lump sum payment for unused accrual. Must negotiate with unions to change limit.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Vacation #2

CAPSULE PROPOSAL: Eliminate 5th week vacation accrual

DETAIL SUMMARY OF PROPOSED CHANGE:
Eliminate 5th week accrual in 10th year of employment.
Currently an employee receives five vacation days in 10th year of employment for use in 5-year period; receives five days in succeeding 5-year periods thereafter.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
$190,000 for weekly paid employees; cost for monthly paid employees TBD

CONSIDERATIONS/OTHER COMMENTS:
- This change must be negotiated with unions.
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PROGRAM AFFECTED: Vacation #3

CAPSULE PROPOSAL: Track Admin and Post-Doctoral Vacation Time centrally

DETAIL SUMMARY OF PROPOSED CHANGE:
Track Admin and Post-Doctoral vacation time centrally.
Currently tracked by individual departments, if at all.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
Potential savings through improved level of accountability.

CONSIDERATIONS/OTHER COMMENTS:
- New SRS vacation tracking system should provide a model.
- Tracking would permit more accurate reporting on usage and cost of vacation.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Holidays

CAPSULE PROPOSAL: Close MIT the week between Christmas and New Year's Day

DETAIL SUMMARY OF PROPOSED CHANGE:

Close MIT the week between Christmas and New Year's Day.

MIT has sometimes given extra holidays during this period depending on when the Christmas holiday falls.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Cost associated with 3 vacation days = $3.9M. Other costs would depend on impact of facilities shut-down - some examples are increased overtime for snow removal; unknown savings on facility usage/utilities.

CONSIDERATIONS/OTHER COMMENTS:

- This change must be negotiated with unions.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Paid Time Off Bank / Vacation and Sick Time

CAPSULE PROPOSAL: Align sick leave policy for Support Staff, Administrative and SRS

DETAIL SUMMARY OF PROPOSED CHANGE:

Eliminate separate accrual of vacation and sick leave and provide all employees with service based allocation in paid time off bank. If annual allocation not used by end of year, it is paid out as taxable compensation.

Currently Support and Service Staff accrue 12 sick days a year up to a maximum of 192 days. Admin. & SRS employees receive up to 6 months of fully paid sick leave. Vacation accrues at the rate of 15 days in year 1 and 20 days in subsequent years to a maximum of 40 days. Earn a 5th week on 10th anniversary for use between year 10 and 15.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

TBD

CONSIDERATIONS/OTHER COMMENTS:

- Costs associated with start up. IS&T resources, SAP changes
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PROGRAM AFFECTED: Sick Leave #1

CAPSULE PROPOSAL: Make sick leave an accrual

DETAIL SUMMARY OF PROPOSED CHANGE:

Support and Service employees would accrue sick time on a monthly basis.

Currently Support and Service employees receive sick time as a grant on their anniversary date.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Potential savings through improved level of accountability.

CONSIDERATIONS/OTHER COMMENTS:

- Accrual system would promote productivity and make sick time easier to manage.
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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Sick Leave #2

CAPSULE PROPOSAL: Eliminate sick leave payout at retirement

DETAIL SUMMARY OF PROPOSED CHANGE:
Support and Service employees would not receive a payout of accrued sick days at retirement.
Currently Support employees with at least 300 hours of accumulated sick time are paid out for half of their accumulated hours at retirement. Service employees have similar benefit.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
Elimination in 2008 would have resulted in savings of $192,000 ($26K paid to Support employees; $166K paid to union employees).

CONSIDERATIONS/OTHER COMMENTS:
- The likely outcome is greater use of sick time during employment.
- Managers will have to more closely monitor sick time.
- This change must be negotiated with unions.
- Proposal should be viewed in conjunction with the Disability/ Short Term Disability proposals.
**TASK FORCE GROUP:** HR Benefits Task Force

**PROGRAM AFFECTED:** Disability / Extended Sick Leave #1

**CAPSULE PROPOSAL:** Change practice regarding maximum absence under sick/Extended Sick Leave (ESL) policies

**DETAIL SUMMARY OF PROPOSED CHANGE:**

Make the 26-week maximum absence inclusive of sick leave accrual and ESL, so employees cannot be out for more than 26 calendar weeks

Currently Support and Service Staff can use accumulated sick bank plus up to 26 weeks of ESL

**ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:**

TBD

**CONSIDERATIONS/OTHER COMMENTS:**

- Will require managers to more closely monitor sick time.
- This change must be negotiated with unions.
- Proposal should be viewed in conjunction with the Disability/Short Term Disability proposal.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Disability / Extended Sick Leave #2

CAPSULE PROPOSAL: Reduce salary of Admin and SRS employees during extended sick absence

DETAIL SUMMARY OF PROPOSED CHANGE:
 Salary would drop to 75% after first three months of absence up to 26 weeks
 Currently Admin. and SRS employees paid at 100% for entire duration of sick leave up to 26 weeks.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
 TBD

CONSIDERATIONS/OTHER COMMENTS:
 - Proposal should be viewed in conjunction with the Disability/Short Term Disability proposal.
 - Increase in administration in addition to SAP/Payroll manual coding requirements.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Disability / Short Term Disability

CAPSULE PROPOSAL: Add employer paid Short Term Disability (STD) program with "buy up" feature.

DETAIL SUMMARY OF PROPOSED CHANGE:

Implement Short Term Disability program that will cover 60% of pay after one week of absence up to LTD eligibility. Offer employees the option to "buy up" coverage to 75% or 100% of salary and/or to supplement from bank of previously accrued sick or vacation time.

Would replace Extended Sick Leave policy for Support and Service employees, and sick leave policy for Admin and SRS employees.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

TBD; not a cost savings item. Adding STD plan would require premiums of $225,000 - $450,000.

CONSIDERATIONS/OTHER COMMENTS:

- Implementation of STD provides a much more robust monitoring of sick time utilization.
- MIT would benefit from both production gain and lower sick leave utilization.
- STD programs are provided by many of MIT's peer institutes.
- Costs associated with start up.
- IS&T resources, SAP changes.

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**TASK FORCE GROUP:** HR Benefits Task Force

**PROGRAM AFFECTED:** Regular schedule work week

**CAPSULE PROPOSAL:** Enforce a uniform number of scheduled hours for Support Staff employees work week

**DETAIL SUMMARY OF PROPOSED CHANGE:**

Change regular work week from 40 hours to 37.5 hours.

Currently regularly scheduled workweek can be defined as 35, 37.5 or 40 hours per week.

**ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:**

$2.2 million for support staff

**CONSIDERATIONS/OTHER COMMENTS:**

- May result in no savings if most departments currently work 37.5 hours.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Overtime

CAPSULE PROPOSAL: Stop counting non-work time toward overtime.

DETAIL SUMMARY OF PROPOSED CHANGE:

Stop counting all paid time off (holidays, vacations, sick time) as hours worked for purposes of calculating overtime.

Currently all paid time counted is hours worked when calculating overtime liability.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

Estimated cost savings $500,000

CONSIDERATIONS/OTHER COMMENTS:

- This change must be negotiated with unions.
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Temporary and Contract Labor #1

CAPSULE PROPOSAL: Encourage temporary placement hiring through MIT Temp Agency

DETAIL SUMMARY OF PROPOSED CHANGE:

Require departments to use MIT's own temp agency, unless the demonstrated need cannot be met.

Currently departments are not restricted to a use a specific agency or to meet any criteria when recruiting and hiring temporary help.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

TBD

CONSIDERATIONS/OTHER COMMENTS:
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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Temporary and Contract Labor #2

CAPSULE PROPOSAL: Encourage temporary placement hiring using work study students

DETAIL SUMMARY OF PROPOSED CHANGE:
Leverage work study students to provide temporary help.
Currently unknown utilization.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
Average cost of outside administrative labor $26 - $35/hour; MIT Temp labor $9.00/hour

CONSIDERATIONS/OTHER COMMENTS:

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TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Temporary and Contract Labor #3

CAPSULE PROPOSAL: Utilize high school seniors for temporary/seasonal projects

DETAIL SUMMARY OF PROPOSED CHANGE:
Create internships and utilize high school seniors to fulfill projects.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
Low cost labor currently expensed at $9.00/hour.

CONSIDERATIONS/OTHER COMMENTS:
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Temporary and Contract Labor #4

CAPSULE PROPOSAL: MIT In-house casual labor.

DETAIL SUMMARY OF PROPOSED CHANGE:

Convert casual labor workforce from outside placement agencies including Nextsource and bring the program in-house. Bringing the casual labor workforce in-house would provide the community with the ability to have a pool of MIT trained staff of all levels. Casual labor could be used to fill in for departments with staff on maternity and sick leave as well as during transition periods during turnover.

Casual labor workforce is recruited from outside placement agencies.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

The savings for this are likely cost neutral and may require MIT to hire a full-time staff person to monitor the program. There are considerations for ensuring that the workers do not exceed 1000 hours within a six-month period for benefits purposes.

Considerations/Other Comments:
TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Parking / Transportation #1

CAPSULE PROPOSAL: Increase Campus parking costs for high paid employees to be closer to market rate.

DETAIL SUMMARY OF PROPOSED CHANGE:
Increase employee contribution for those making $125,000 or more to 50% next year. Increase, as planned, by 11% for those making less than $125,000.

Currently all employees pay $786 per year in 2009 for regular parking permit. Market rate for parking is $3,000.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:
Estimated cost savings $500,000 assumes 30% of full time permits are charged at 50% of market rate.

CONSIDERATIONS/OTHER COMMENTS:

Appendix A – Single Page Ideas
MASSACHUSETTS INSTITUTE OF TECHNOLOGY
2009 TASK FORCE INITIATIVE

TASK FORCE GROUP: HR Benefits Task Force

PROGRAM AFFECTED: Parking / Transportation #2

CAPSULE PROPOSAL: Cost of parking/MBTA pass based on commute

DETAIL SUMMARY OF PROPOSED CHANGE:

Base Institute contribution toward parking on employee's home address proximity to campus. i.e. within 10 miles - 25% parking subsidy or free MBTA pass; over 10 miles - 50% parking subsidy or MTBA pass subsidy.

Currently all employees pay $786 per year in 2009 for regular parking permit. Market rate for parking is $3,000. MBTA pass available at 50% subsidy. An employee cannot utilize both programs.

ESTIMATED ANNUAL COST and/or ACCOUNTING SAVINGS:

TBD

CONSIDERATIONS/OTHER COMMENTS:

Appendix A – Single Page Ideas
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<tr>
<th>Program Affected / Plan Name</th>
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<tbody>
<tr>
<td><strong>Healthcare Programs</strong></td>
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<tr>
<td>MIT Health Plans #1</td>
<td>Add office visit copays for MIT Medical services. Copay would apply to MIT Medical Plan employees, commercial plan employees and employees utilizing Primary Care Benefit at MIT Medical. Copay amount would be based on commercial plan copay for same visit type. 4600 employees enrolled in MIT Medical plans.</td>
<td>Current policy - MIT Medical Plan employees: No copay for office visits; 100% of expenses are covered. Commercial Plans: no copay for office visits at MIT medical; other expenses paid by employee or other health insurance if eligible.</td>
<td>$600,000 immediate savings based on 60,000 visits x $10 copay</td>
</tr>
<tr>
<td>MIT Health Plans #2</td>
<td>Offer one medical plan, with three options for coverage, to active employees and early retirees. The three options include MIT Medical; Blue Cross/Blue Shield network plan and Point of Service options. Options are differentiated by copay, deductible and out-of-pocket limit structure. This begins migration to consumer driven healthcare model and affects 10,000 enrolled benefits eligible employees.</td>
<td>Currently five plans available. Two plans available through MIT Medical and three commercial plans available. 20 different premiums based on 5 plans x 4 coverage types.</td>
<td>Conservatively estimated at annual savings of $200,000</td>
</tr>
<tr>
<td>MIT Health Plans #3</td>
<td>Provide financial incentives to encourage medical plan participants to utilize certain services at MIT Medical by self-referring: mammograms, EKG, stress tests and routine lab panels. Added opportunity for 10,000 enrolled benefits eligible employees. These services are common/routine services that can be provided on a more cost effective basis by MIT medical, where they currently have excess capacity.</td>
<td>Generally, these services are available only to MIT Medical plan participants. In some circumstances, other employees access these services and the employee is billed or another insurance company is billed.</td>
<td>Conservatively estimated at annual savings of $500,000 in combination with proposal for MIT Health Plans #4</td>
</tr>
<tr>
<td>MIT Health Plans #4</td>
<td>Charge copay differential for radiological services based on &quot;preferred&quot; provider selection guiding employees and medical providers toward less expensive/equal service sites. Approximately 2,000 MRI per year ordered through MIT Medical.</td>
<td>The cost for Diagnostic Radiology Services (MRI, CAT, PET, sonagrams, etc) can vary dramatically from provider to provider based on the site fees charged by a particular facility and the way billing for these services are bundled or unbundled. For example, an MRI at MGH can be 4 times more costly than one that is performed at a local community hospital or an organization like Shields MRI. Together with other costly procedures. Provider site fees can vary greatly often with plan costs ranging from $400 to $2,000 for the same service. An average of 1200 participants annually (from CY 2006 - CY 2008) access MRI services.</td>
<td>Conservatively estimated at annual savings of $500,000 in combination with proposal for MIT Health Plans #3.</td>
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<tr>
<td><strong>MIT Health Plans #5</strong></td>
<td>MIT medical has a substantially lower capitated administrative fee with BCBS than MIT is offered for our employee plans. Through aggregating this population and negotiating as one unit, we hope to reach agreement on a more competitive rate for the employee plans.</td>
<td>Blue Cross has not been willing to make major concessions on administrative charges. This was most recently seen last year when MIT looked at removing either Tufts or BCBS and Tufts came in with a very aggressive offer on their pricing but BCBS offered only a minimal decrease.</td>
<td>$25,000 - $50,000</td>
</tr>
<tr>
<td><strong>MIT Health Plans #6</strong></td>
<td>Reduce overall expense for prescription medications by continuing to add management features available through Express Scripts and accessing MIT Medical Pharmacy discounting.</td>
<td>Currently only MIT Medical participants can fill prescriptions and access discounts available through MIT Pharmacy. Savings associated with Express Scripts changes implemented in 2009 have not yet been reported.</td>
<td>Estimated at approx. $250,000</td>
</tr>
<tr>
<td><strong>MIT Health Plans #7</strong></td>
<td>Coverage for divorced spouse only available to employees by billing them for the full cost of the expspouse's individual coverage. Expspouse individual coverage would be immediate.</td>
<td>Current procedure is to allow employee to keep divorced spouse in family unit until either employee or expspouse remarries. If the employee remarries, the expspouse is placed on their own subscriber record and pays the full cost of coverage. If the expspouse remarries, 36 months of COBRA coverage available. Retiree expspouse is carried on individual Medicare supplement plan with cost based on the retired employee's cost share.</td>
<td>Estimated at approx. $120,000 - $200,000</td>
</tr>
<tr>
<td><strong>MIT Health Plans #8</strong></td>
<td>Implement new cost-sharing formula for active healthcare program</td>
<td>Current cost share calculated in the aggregate at 65/35</td>
<td>TBD</td>
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<tr>
<td>Retiree Medical #1a</td>
<td>Change reimbursement strategy for Medex program from Coordination of Benefits (between Medicare and other coverage 100% of expenses are covered) to Government Exclusion. Government exclusion requires the retiree to pay 20% of the amount that Medicare does not cover, while the other insurance pays 80%.</td>
<td>Current Medicare Supplement results in virtually no out-of-pocket expenses. Retirees are responsible for payment of the Medicare Part B monthly premium which ranges from $96 to $308 and is based on income.</td>
<td>$1.5 million annual savings; $16 million FASB 106 funding liability decrease recognized over 4 years</td>
</tr>
<tr>
<td>Retiree Medical #1b</td>
<td>Change reimbursement strategy for Medex program from Coordination of Benefits (between Medicare and other coverage 100% of expenses are covered) to Government Exclusion. Government exclusion requires the retiree to pay 20% of the amount that Medicare does not cover, while the other insurance pays 80%.</td>
<td>Current Medicare Supplement results in virtually no out-of-pocket expenses. Retirees are responsible for payment of the Medicare Part B monthly premium which ranges from $96 to $308 and is based on income.</td>
<td>Annual FASB 106 cost reduction will be $5 million per year for 9 years beginning in 2016.</td>
</tr>
<tr>
<td>Retiree Medical #2</td>
<td>Implement a cost-sharing formula that will provide a specified MIT contribution (50% of full cost) calculated at retirement (which will vary based on early retiree or Medicare eligible status) that will not increase after retirement. The retiree will be responsible for any increases after retirement. The MIT contribution for a covered spouse will also be set at retirement, but will be 50% of the subsidy MIT provides for our retiring employee.</td>
<td>Current service-based formula permits longer service employees to receive up to a 70% MIT subsidy. Current Grandfathered retirees pay nothing for Medex coverage and receive a credit = to the cost of Medex toward another coverage if elected.</td>
<td>TBD - Cost associated with detailed pricing.</td>
</tr>
<tr>
<td>Retiree Medical #3</td>
<td>Allow employees who retire on or after age 55 with at least 5 but less than 10 years of service to purchase retiree healthcare in MIT’s program by paying the full premium cost. Program would only be available to retirees who were enrolled in an MIT health plan at retirement.</td>
<td>No MIT sponsored coverage currently available to employees with less than 10 years of service at retirement.</td>
<td>Cost neutral</td>
</tr>
<tr>
<td>Retiree Life Insurance Coverage</td>
<td>Effective 01/01/2010, eliminate MIT paid life insurance for new retirees.</td>
<td>Currently MIT provides $50,000 life insurance benefit to age 65 retirees. Policy value decreases and reduced to $0 at age 70.</td>
<td>approximately $300,000</td>
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<tr>
<td><strong>Retirement Programs</strong></td>
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<td>401(k) Plan #1</td>
<td>MIT matching contribution will be limited to the first 5% of pay contributed by the employee. Formula = 100% match on first 3%, 50% match on 4th% and 5th%.</td>
<td>Current policy is a Safe Harbor Formula. MIT matches 100% up to the first 5% of employee deferral. Match is contingent on employee participation and deferral percentage.</td>
<td>$7.1 million immediate annual savings</td>
</tr>
<tr>
<td>401(k) Plan #2</td>
<td>Implement a 3% Non-Elective Employer Safe Harbor contribution for all participants with no employee contribution or participation required. Will provide contribution benefit to currently eligible but not participating employees.</td>
<td>Current policy is a Safe Harbor Formula. MIT matches 100% up to the first 5% of employee deferral. Match is contingent on employee participation and deferral percentage. Plan enrollment is optional.</td>
<td>$11.9 million immediate annual savings</td>
</tr>
<tr>
<td>401(k) Plan #3</td>
<td>New or current but not participating employees automatically have 3% of pay contributed to the 401(k) Plan. Monies are automatically deposited into the Safe Harbor default option at Fidelity. Employee can choose to opt out of future contributions at any time.</td>
<td>Current policy is a Safe Harbor Formula. MIT matches 100% up to the first 5% of employee deferral. Match is contingent on employee participation and deferral percentage. Plan enrollment is optional.</td>
<td>increased cost range from ($1.5 million to $2.3 million) depending upon auto-enrollment retention rate</td>
</tr>
<tr>
<td>401(k) Plan - suspension</td>
<td>Temporary suspension of MIT contribution to recognize immediate reduction of cash flow</td>
<td>Currently MIT matches the first 5% contributed by participants</td>
<td>$9.5 million per quarter, one-time savings</td>
</tr>
<tr>
<td><strong>Basic Pension Plan #1</strong></td>
<td>Freeze QSB benefit for RPSM eligible active employees who were in the former RPSM Plan.</td>
<td>The QSB is currently available to faculty and staff employed prior to July 1, 1989 and participating in the RPSM Plan as an additional survivor benefit. The QSB benefit is payable to spouses of RPSM eligible active employees who die before retirement as well as existing retirees who may have elected their monthly benefit based on the QSB. Complex grandfathering provisions increase resources needed to administer program.</td>
<td>$5 - $10 million annual accounting cost savings</td>
</tr>
<tr>
<td><strong>Basic Pension Plan #2</strong></td>
<td>Eliminate benefit accrual to age 65 for total and permanent LTD recipients. Effective 01/01/2010, employees who are newly added to the LTD program will not receive continuing benefit accruals to retirement. Currently 126 employees on LTD receive this benefit accrual.</td>
<td>The current LTD program offsets pension disability benefit.</td>
<td>$1 million annual accounting cost savings</td>
</tr>
<tr>
<td><strong>Basic Pension Plan #3</strong></td>
<td>Change method for accruing benefits after age 65.</td>
<td>Currently use actuarial method which results in very generous accruals.</td>
<td>$1 - 5 million annual accounting cost savings</td>
</tr>
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Appendix B - Master List of Ideas
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<td>Basic Pension Plan #4</td>
<td>Cap service for pension formula to a maximum of 30 years. Affects approximately 10,250 participants.</td>
<td>Unrestricted service accrual and salary levels used in current formula benefit calculation.</td>
<td>$1 - 5 million annual accounting cost savings</td>
</tr>
<tr>
<td>Basic Pension Plan #5</td>
<td>Reduce and simplify interest rate credit to cash balance plan.</td>
<td>Current method raising issues with IRS Determination Letter.</td>
<td>$1 million annual accounting cost savings</td>
</tr>
<tr>
<td>Basic Pension Plan #6</td>
<td>Convert to straight cash balance design for new hires after 1/1/2010.</td>
<td>Current benefit calculates the better of Cash Balance Accrual or Formula Benefit.</td>
<td>Cash Balance Plan redesign: $0.5 million annual accounting cost savings</td>
</tr>
<tr>
<td>Basic Pension Plan #7</td>
<td>Reinstall 3-year vesting for new hires on and after 1/1/2010.</td>
<td>Effective August 2007, immediate vesting granted to all eligible participants</td>
<td>Revert to 3-year vesting effective 01/01/2010: $1 million annual accounting cost savings</td>
</tr>
<tr>
<td>Basic Pension Plan #8</td>
<td>Freeze DB plan service and pay for career pay formula benefit (defined benefit formula) effective 7/1/2010. No additional accruals after freeze date.</td>
<td>Current benefit calculates the better of Cash Balance Accrual or Formula Benefit.</td>
<td>Long term annual accounting cost savings approximately $5 million.</td>
</tr>
<tr>
<td>Basic Pension Plan #9</td>
<td>1. Keep MIT’s overall investment strategy (in endowment + DB plan assets) constant, but allocate fixed income assets to plan, risky assets to endowment. 2. Do not overfund the DB plan. Overfunding has reduced EB recovery over the past few years. 3. There will be accounting costs for the next few years because of recent investment losses in DB assets and lags in accounting. But accounting costs should stabilize and equal cash contributions at about 6.5% of payroll to DB plan participants. 3. Annual cash contributions will be partly offset by EB recovery, which generates the steady-state savings. Alternative reimbursement approaches should be analyzed before approaching government. New approach may result in some forfeiture reimbursement in order to stabilize (smooth) pension cost each year and guarantee a reimbursement floor of $0.</td>
<td>Current defined investment strategy designed to maximize investment returns and minimize MIT Plan contributions. MIT currently accepts reimbursements from US Government.</td>
<td>Further exploration is needed.</td>
</tr>
<tr>
<td>Basic Pension Plan #10</td>
<td>Eliminate COLA on future benefit accruals for all active participants as of 01/01/2010. Does not affect retired or terminated participant benefits or active participant benefits accrued prior to change date.</td>
<td>Currently a Cost of Living Adjustment is made to retiree benefits in pay status - once every 3 years. Available to all retirees receiving a plan benefit.</td>
<td>$5 million annual accounting cost savings</td>
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<tr>
<td>Basic Pension Plan #11</td>
<td>Eliminate COLA on future benefit accruals for all active participants who are under age 50 as of 01/01/2010. Does not affect retired or terminated participant benefits or active participant benefits accrued prior to change date.</td>
<td>Currently a Cost of Living Adjustment made to retiree benefits in pay status once every 3 years. Available to all retirees receiving a plan benefit.</td>
<td>$1 million annual accounting cost savings</td>
</tr>
<tr>
<td>Basic Pension Plan #12</td>
<td>Offer an early retirement incentive window.</td>
<td>Currently employees must be 55 with 10 years of service to be eligible for retiree health and to begin receiving their pension benefit. Pension benefits are reduced, if an employee retires prior to Normal Retirement Age.</td>
<td>Gross cost estimated at between ($100,000 to $150,000) per employee depending upon the acceptance rate. 1996 estimated average cost per employee: gross ($80,000); net ($42,500)</td>
</tr>
<tr>
<td>Basic Pension Plan / Supplemental 401(k) Plan</td>
<td>A phased retirement program would allowees at or over age 59.5 to incrementally phase down their FTE% (80%, 60%, 50%) and have a specific final retirement date. Phase-down status would allow withdrawal from their 401(k). Currently 1,900 retirement eligible employees (admin and faculty)</td>
<td>In service distributions are not currently permitted.</td>
<td>Projected savings to be determined depending upon acceptance rate.</td>
</tr>
</tbody>
</table>
| Pension Supplement           | Eliminate supplemental pension accruals for highly compensated employees. Approximately 275 active highly compensated employees eligible. | Currently highly compensated employees receive an annual payment equal to 10% of the amount of salary that exceeds the annual compensation limit (in 2008 $230,000). | 2007 $757,962  
2008 $1,046,411  
GIB $ 622,000 immediate savings |
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<td><strong>Paid Time Off</strong></td>
<td><strong>Vacation / Holidays</strong></td>
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<tr>
<td>Vacation #1</td>
<td>Reduce cap for accrual of vacation to 30 days. Reduction would recognize the cost of the vacation days at current salary rates.</td>
<td>Current accrual is limited to 40 days</td>
<td>Cost neutral</td>
</tr>
<tr>
<td>Vacation #2</td>
<td>Eliminate 5th week accrual in 10th year of employment.</td>
<td>Currently an employee receives five vacation days in 10th year of employment; receives five days in succeeding 5-year periods thereafter.</td>
<td>$190,000 for weekly paid employees; cost for monthly paid employees TBD</td>
</tr>
<tr>
<td>Vacation #3</td>
<td>Track Admin and Post-Doctoral vacation time centrally.</td>
<td>Currently tracked by individual departments, if at all.</td>
<td>Potential savings through improved level of accountability.</td>
</tr>
<tr>
<td>Holidays</td>
<td>Close MIT the week between Christmas and New Year's Day.</td>
<td>MIT has sometimes given extra holidays during this period depending on when the Christmas holiday falls.</td>
<td>Cost associated with 3 vacation days = $3.9M. Other costs would depend on impact of facilities shut-down - some examples are increased overtime for snow removal; unknown savings on facility usage/utilities.</td>
</tr>
<tr>
<td><strong>Paid Time Off Bank / Vacation and Sick Time</strong></td>
<td>Eliminate separate accrual of vacation and sick leave and provide all employees with service based allocation in paid time off bank. If annual allocation not used by end of year, it is paid out as taxable compensation.</td>
<td>Currently Support and Service Staff accrue 12 sick days a year up to a maximum of 192 days. Admin. &amp; SRS employees receive up to 6 months of fully paid sick leave. Vacation accrues at the rate of 15 days in year 1 and 20 days in subsequent years to a maximum of 40 days. Earn a 5th week on 10th anniversary for use between year 10 and 15.</td>
<td>TBD</td>
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<td>Sick Leave</td>
<td>Support and Service employees would accrue sick time on a monthly basis.</td>
<td>Currently Support and Service employees receive sick time as a grant on their anniversary date.</td>
<td>Potential savings through improved level of accountability.</td>
</tr>
<tr>
<td>Sick Leave #1</td>
<td>Support and Service employees would not receive a payout of accrued sick days at retirement.</td>
<td>Currently Support employees with at least 300 hours of accumulated sick time are paid out for half of their accumulated hours at retirement. Service employees have similar benefit.</td>
<td>Elimination in 2008 would have resulted in savings of $192,000 ($26K paid to Support employees; $166K paid to union employees).</td>
</tr>
<tr>
<td>Disability</td>
<td>Make the 26-week maximum absence inclusive of sick leave accrual and ESL, so employees cannot be out for more than 26 calendar weeks</td>
<td>Currently Support and Service Staff can use accumulated sick bank plus up to 26 weeks of ESL</td>
<td>TBD</td>
</tr>
<tr>
<td>Disability / Extended Sick Leave #1</td>
<td>Salary would drop to 75% after first three months of absence up to 26 weeks</td>
<td>Currently Admin. and SRS employees paid at 100% for entire duration of sick leave up to 26 weeks.</td>
<td>TBD</td>
</tr>
<tr>
<td>Disability / Extended Sick Leave #2</td>
<td>Implement Short Term Disability program that will cover 60% of pay after one week of absence up to LTD eligibility. Offer employees the option to &quot;buy up&quot; coverage to 75% or 100% of salary and/or to supplement from bank of previously accrued sick or vacation time.</td>
<td>Would replace Extended Sick Leave policy for Support and Service employees, and sick leave policy for Admin and SRS employees.</td>
<td>TBD; not a cost savings item. Adding STD plan would require premiums of $225,000 - $450,000.</td>
</tr>
<tr>
<td>Employment Policy</td>
<td>Change regular work week from 40 hours to 37.5 hours.</td>
<td>Currently regularly scheduled workweek can be defined as 35, 37.5 or 40 hours per week.</td>
<td>$2.2 million for support staff</td>
</tr>
<tr>
<td>Overtime</td>
<td>Stop counting all paid time off (holidays, vacations, sick time) as hours worked for purposes of calculating overtime.</td>
<td>Currently all paid time counted is hours worked when calculating overtime liability.</td>
<td>Estimated cost savings $500,000</td>
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<tr>
<td>Temporary and Contract Labor #1</td>
<td>Require departments to use MIT’s own temp agency, unless the demonstrated need cannot be met.</td>
<td>Currently departments are not restricted to a use a specific agency or to meet any criteria when recruiting and hiring temporary help.</td>
<td>TBD</td>
</tr>
<tr>
<td>Temporary and Contract Labor #2</td>
<td>Leverage work study students to provide temporary help.</td>
<td>Currently unknown utilization.</td>
<td>Average cost of outside administrative labor $26 - $35/hour; MIT Temp labor $9.00/hour</td>
</tr>
<tr>
<td>Temporary and Contract Labor #3</td>
<td>Create internships and utilize high school seniors to fulfill projects.</td>
<td></td>
<td>Low cost labor currently expensed at $9.00/hour.</td>
</tr>
<tr>
<td>Temporary and Contract Labor #4</td>
<td>Convert casual labor workforce from outside placement agencies including Nextsource and bring the program in-house. Bringing the casual labor workforce in-house would provide the community with the ability to have a pool of MIT trained staff of all levels. Casual labor could be used to fill in for departments with staff on maternity and sick leave as well as during transition periods during turnover.</td>
<td>Casual labor workforce is recruited from outside placement agencies.</td>
<td>The savings for this are likely cost neutral and may require MIT to hire a full-time staff person to monitor the program. There are considerations for ensuring that the workers do not exceed 1000 hours within a six-month period for benefits purposes.</td>
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<td>Other Parking / Transportation #1</td>
<td>Increase employee contribution for those making $125,000 or more to 50% next year. Increase, as planned, by 11% for those making less than $125,000.</td>
<td>Currently all employees pay $786 per year in 2009 for regular parking permit. Market rate for parking is $3,000.</td>
<td>Estimated cost savings $500,000 assumes 30% of full time permits are charged at 50% of market rate.</td>
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<td>Parking / Transportation #2</td>
<td>Base Institute contribution toward parking on employee’s home address proximity to campus. i.e. within 10 miles - 25% parking subsidy or free MBTA pass; over 10 miles - 50% parking subsidy or MTBA pass subsidy.</td>
<td>Currently all employees pay $786 per year in 2009 for regular parking permit. Market rate for parking is $3,000. MBTA pass available at 50% subsidy. An employee cannot utilize both programs.</td>
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