

Dear Colleagues,

I want you to know that the University System of New Hampshire Board of Trustees yesterday approved a salary increase for faculty and staff not covered by collective bargaining agreements. This package, along with the expected budget for FY09 compensation, would bring the total salary increase pool to 5.5%. This board action comes after several months of discussion and development.

At its February 21st meeting, the board voted to provide an additional 1 percent in the pool for salary increases effective July 1, 2008. This 1 percent is in addition to the already budgeted FY09 salary budget and is expected to be used for performance-based and market increases.

In addition, trustees approved a Health Reimbursement Account (HRA) for employees - an allocation for "mitigation" of the impact of the increased employee contributions equal to approximately \$500 annually to begin also on Jan. 1, 2009. The specifics of this distribution are expected to be recommended by the System Personnel Policy Council to the Presidents Council within the next three months. This new mitigation strategy is designed to offset an increase in employee contributions to medical plans of 2 percent (in addition to the amount of the normal premium increase) effective Jan. 1, 2009.

The Board of Trustees recognizes the importance of forward progress to contain the still spiraling cost of employee benefits, and the HRA begins to address this.

HRAs have the following features:

- The employer dollars are tax exempt going into the account (i.e. employee does not pay tax on the \$500) and are generally tax exempt coming out of the account if used for eligible reimbursements.
- HRA dollars can be "rolled over" - i.e. do not expire at the end of the calendar year like Flexible Spending Accounts (FSAs) do.
- HRA dollars can be spent to reimburse for co-pays and out-of-pocket costs such as for prescription co-pays.
- The plan is for the employer to contribute \$500 every year, not just for 2009.
- HRA dollars generally cannot be used to pay medical premiums.

Each campus will have some issues to sort out with employee groups and councils, but this primarily has to do with how the payments are made - one-time or monthly - and whether there should be an HRA contribution for those who have waived medical coverage.

These additional allocations approved by the Board of Trustees, are under discussion for the past several months, not only address the board's desire to have more competitive total compensation for staff, but also enhances equity and staff recruitment.

Sincerely,

Sharon Demers

Assistant Vice President for Human Resources