



## Benefit Program Principles

To achieve its educational mission, Haverford College must attract and retain talented people. To help accomplish this, the College offers its administrative/professional employees, faculty, and staff a competitive, comprehensive, and affordable benefits plan as a complement to cash salary.

### I. Rationale for the Benefit Program

There are several reasons why it is advantageous for employee compensation to include both salary and benefits.

#### The Advantages of Collective Purchasing

By pooling the risks of illness, disability and death, the College can purchase insurance more economically than can employees individually.

#### Tax Advantages

Current tax law provides favored treatment for some employer-provided benefits, particularly retirement contributions and medical insurance premiums. By paying for these benefits, the College shelters more of an employee's total compensation from personal income taxes.

#### Stewardship

Haverford has legitimate institutional interests that at times may not coincide with preferences and choices made by employees. By contributing to a retirement plan instead of providing additional cash salary, the College is providing resources which are intended to assist long-time employees in retiring at a normal retirement age. The College also requires employees to enroll in our medical insurance program or to provide proof of coverage elsewhere. These actions help to avoid some of the problematic situations which can arise if an employee does not have adequate means to retire or does not have sufficient medical insurance.

#### Legal Requirements

Some benefits, such as workers' compensation insurance, are mandated by law.

## II. Goals of the Benefit Program

### Competitive Total Compensation

As a complement to cash compensation, Haverford's benefit program should provide the means to attract and retain quality faculty and staff, commensurate with our academic mission. A well designed benefit program makes Haverford a desirable place to work, and inspires loyalty among employees. The benefits need to be competitive with those of peer institutions nationally and other non-profit institutional employers locally.

### Protection from Catastrophic Loss

The benefit program is intended to protect employees against catastrophic expenses and income interruptions. By limiting financial exposure with employee and dependent medical coverages, disability and life insurance, employees can carry out their responsibilities with fewer distractions and greater productivity.

### Values & Shared Responsibilities

Through its priorities and policies, the benefit program should support Haverford values, promote community well-being, and offer individuals some choice within benefit categories. Employees should assume some responsibility for non-catastrophic expenses, permitting the College to concentrate its resources on minimizing exposure to the greatest risks for all employees. There is a mutual responsibility to inform and remain informed of trends, costs, and choices.

### Efficiency, Fairness and Flexibility

Our benefit program should be characterized by efficiency, fairness, and flexibility, as further described in Section III. Balancing efficiency and fairness is particularly critical. Flexibility is important because of the dynamic nature of the environments in which the College operates.

### III. Characteristics of the Benefit Program

#### A. Efficiency

Haverford's benefit program must be managed to ensure the continued financial stability of the College. Two principles should guide us:

##### 1. Use Resources Prudently

In obtaining the services that Haverford needs to carry out its mission, the College should meet the market, not necessarily lead it. Market forces are an important indicator of appropriate benefit policies.

Additionally, the College should utilize the tax code to maximize the benefits employees receive and minimize the cost to the College.

##### 2. Structure Incentives Carefully

The College should evaluate the benefit utilization it wishes to encourage and should structure its benefit program accordingly. For example, cost-sharing encourages employees to choose and use medical programs wisely. However, out-of-pocket payments are not intended to be so large as to create a substantial barrier to obtaining necessary care.

#### B. Fairness

It is important that benefit resources be allocated in accord with the community's sense of fairness. This includes the equitable treatment of all groups of employees whenever possible. Differences in benefits between groups of employees which are grounded in educational mission (such as the faculty housing benefit) are reasonable.

Because there are numerous conflicting views of fairness, there may be occasions when some employees are dissatisfied with some aspect of the benefit program. In this difficult situation, Haverford seeks to apply the most appropriate definition of fairness for each individual benefit, thereby creating a benefit program which reflects and blends the various competing principles of fairness.

##### Competing Principles of Fairness:

1. "To each person according to the market value of what he or she produces." Salaries across the College reflect the responsibilities of the position, the length of service, and the job performance of the individual. They also reflect the demand for particular skills in the broader employment market. Since retirement benefits, for example, are keyed to salaries and wages, they are based on this "market value of services" principle of fairness.

2. "Treat everyone equally." To some this may mean that Haverford should contribute equally to each employee's benefits, as we do with the number of paid holidays and the percentage of salary the College contributes to retirement. To others it could mean providing equal access to benefits, as is the case for campus recreation facilities. Yet another model is to have the same benefit goal for all employees.

3. "To each according to need." Needs are a key consideration in benefit programs and may change across the life span. For insurance programs, low-risk participants subsidize high-risk participants. The College subsidy for dependent medical coverage also responds to this need-based principle of fairness. Furthermore, our policy of cost-sharing scaled to income provides greater support for those whose salaries are more modest.

### C. Flexibility

Over time, circumstances change and Haverford must remain flexible and open to adjustment of its specific benefit priorities, whether they rise in response to changes in employee needs, external conditions, the competitive market, or the College's financial position. The growth of benefit expenditures and any expansion of our benefit program must be considered within the broader context of all institutional needs and priorities. Salaries, the educational program, financial aid, and building renovations are all legitimate needs which must be balanced with employee benefits and other priorities. Fairness is a complex issue not only within the employee benefits category, but also between employee benefits and Haverford's other responsibilities. Flexibility facilitates both efficiency and fairness across time.

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Haverford College retains the right at all times for any reason to terminate or amend any of its benefits programs.

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