



Indiana State University

Business Affairs, Finance,
and University Treasurer

February 7, 2008

Dr. Joseph Sanders
College of Business
Dept. of Accounting

Dear Dr. Sanders,

New reporting and funding standards for post-retirement healthcare benefits will soon be required by the Government Accounting Standards Boards (GASB) requiring a significant increase in our budget if the structure of our program is to remain unchanged. These budgetary changes, and their potential impact on our health insurance plan structure has prompted the need for a campus response. President Benjamin has therefore directed me to appoint a committee with broad campus representation to review the health insurance program at Indiana State University.

I am asking the individuals identified below to serve on this critically important group that will make recommendations regarding structural and benefit coverage changes. Because the post-retirement program and the employee healthcare coverage are both structured and financially funded from the same resources, they must be considered together. However, since GASB dictates that the post-retirement plan structure must be recognized this June 30, your attention to this component as a priority in your schedule is greatly appreciated. It is my intention to share the committee recommendations with the University community and its representative bodies before forwarding them to the cabinet for review and recommendations to the Board of Trustees.

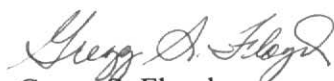
Because of pressing financial needs in many budget areas, including other areas of salaries and compensation, it will be my recommendation that healthcare benefit costs be limited to current levels, with escalations limited to state appropriation increases. I ask that you develop your recommendations within this financial parameter, if at all possible. However, you should also consider the balances presently available in the VEBA trust as resources to be committed to the retiree healthcare needs.

I recognize that the committee will be working with some fairly complicated accounting and financial concepts, as well as some legal and operational aspects of our Federal healthcare assistance programs. In addition to the excellent leadership resources of that you can provide, I have asked Melony Sacopulos, University Legal Counsel, and actuary/financial resources from AON to serve as resources to the committee. I have also arranged for the consulting assistance of former Trustee, Richard Bonds, to help guide your thoughts and recommendations.

As additional background, a copy of a recent white paper regarding the new accounting standards is attached for your convenient reference. Also attached is a recent report of a benefit review committee chaired by Professor Peter Mikolaj which includes some recommendations for change to the benefit plan structure, and some specific coverage alterations. Please note that this material emphasizes significance associated with the healthcare plan structure as it relates to its orientation around "defined benefits" or "defined contributions". This will be a critical aspect of your considerations.

Finally, let me formally recognize the extreme significance of this work, and at the same time, the complexity of this task. As previously noted, the accounting changes must be implemented this June, and a final recommendation regarding the post-retirement element would be appreciated in time for implementation within this time constraint. However, it is most important that the committee understand that the quality of the work should not be sacrificed to reach this timing target. Therefore, if it becomes apparent that the committee will be unable to conclude this aspect of its work in time to accommodate this schedule, I will need to be advised so that other provisions can be made. Thanks in advance for your contributions to this important aspect of our compensation program.

Sincerely,



Gregg S. Floyd,
Vice President

Committee Members

Joe Sanders, Chairperson
Anita Adams
Frank Bell
Richard Bonds, external consulting member
Mark Green
Veda Gregory
Donna Isabel
Jeff Jacso
Reed Kidder
Chip Rogers
Melony Sacopulos
Steve Shure
Wilma Turetzky

Candy Barton, ex officio
Wil Downs, ex officio

AON, Resource
External legal resources as needed