



All Staff Presentation

“Yes, ... And”

**College Strengths and
Challenges**

AGENDA

- Position of Strength
- Review Overall Budget Trends
- Overview of Healthcare Costs
- Approach to 2026 Paid Time Off Program

GOALS FOR TODAY

- Want to share what we know and prepare everyone for changes- we don't have all the answers
- Not asking you to do anything today, but to be aware and to have the context
- We will let the community know all the specifics of how the benefits will be changing as part of benefits enrollment in October and HR will have sessions to answer any questions

COLLEGE STRENGTHS

Another top 50 ranking in *U.S. News and World Report* and top rankings in *Princeton Review*

Increase in applications and an increase in net comprehensive revenue per student

Increases in retention and persistence

Moody's A1 stable rating of our finances

Endowment growth in top 10th percentile for 1- and 3-year returns, and top 70th for 5- and 10-year returns

Gifts through the St. Olaf Fund surpassed \$6 million for the fourth consecutive year

New commitments (pledges and gifts) to the college totaled \$40 million

The background of the slide features a faded, high-angle photograph of a university campus. On the left side, large, stylized letters in gold and grey are partially visible, with a gold lion crest positioned between them. The campus scene includes a modern building with a glass facade, a winding path, and a large, classical-style building with many windows in the distance.

BUDGET TRENDS

BUDGET HEADLINES

Our expenses continue to rise faster, outpacing our revenue and eliminating positive operating margins.

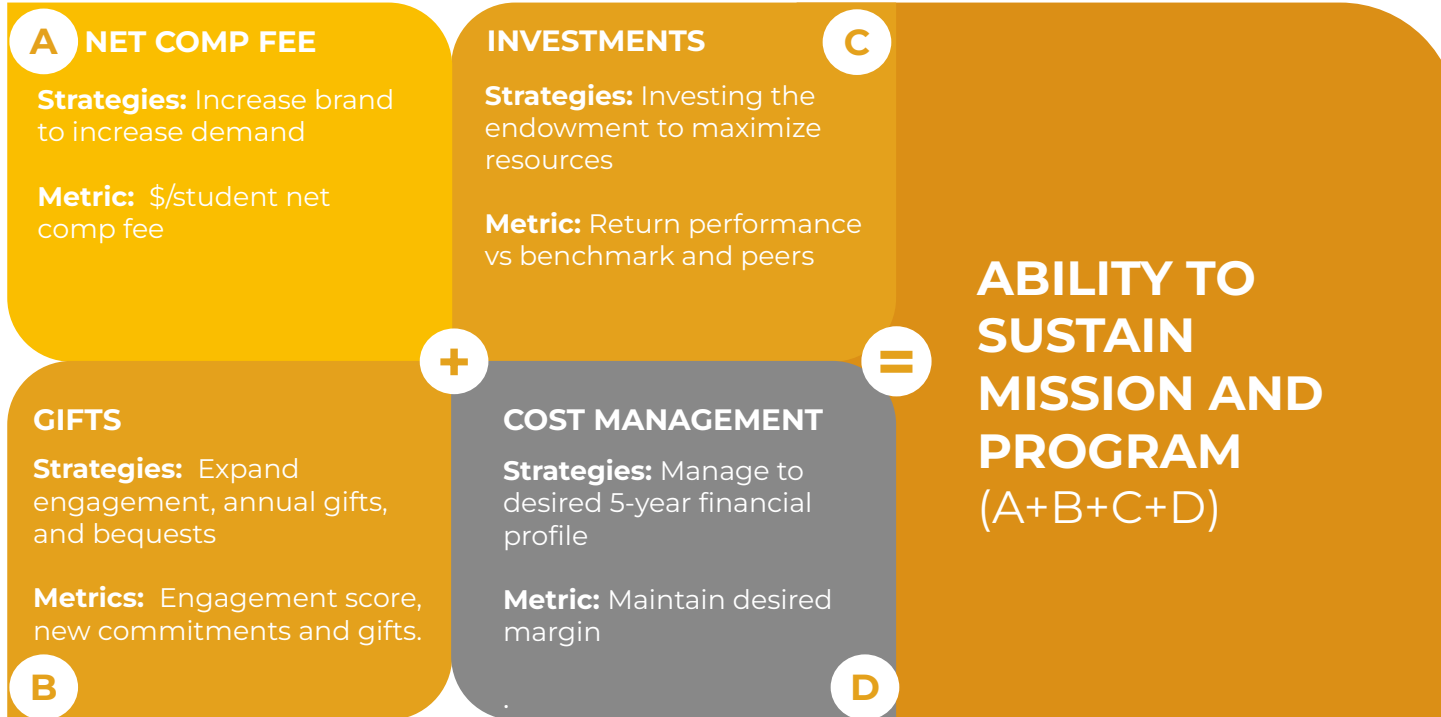
Without making any adjustments, we would have a budget shortfall of \$3–5 million by the end of the fiscal year 2027 (2–3% of budget).

The highest contributor to expenses are wages and benefits — comprising 55% of the colleges total expenses.

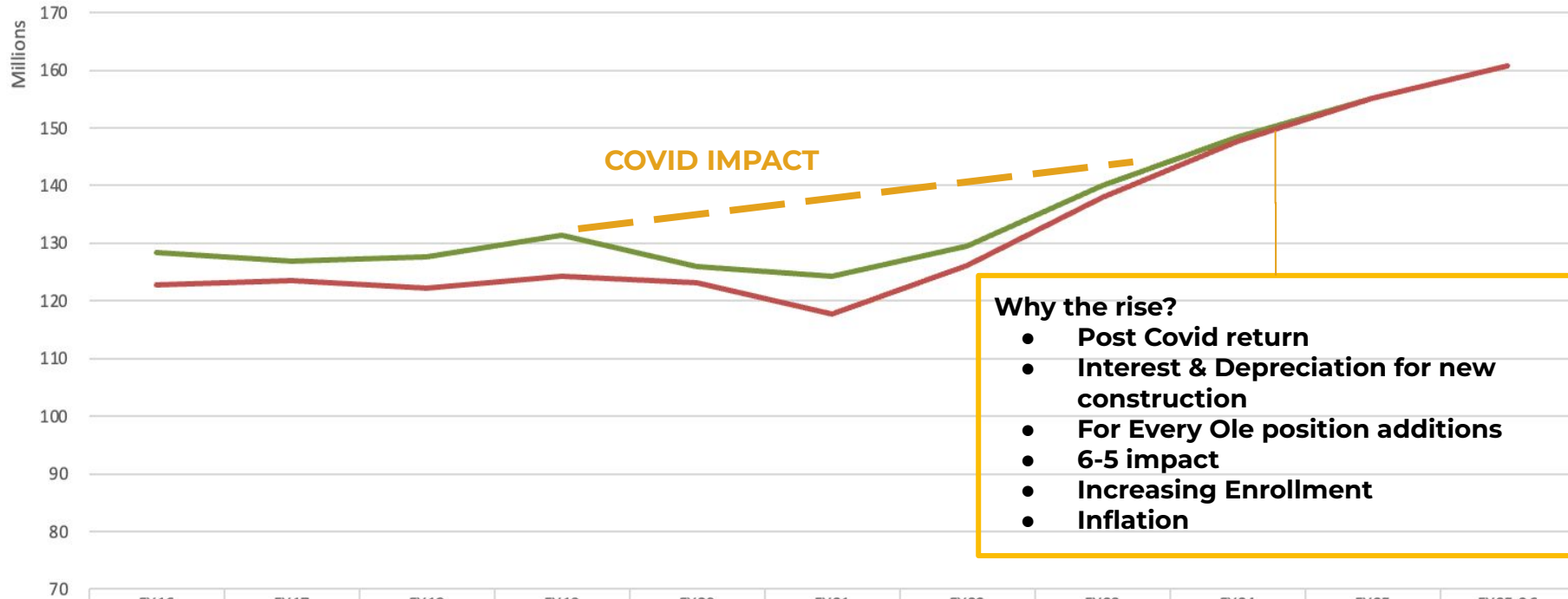
Wages have seen the biggest total dollar increase but we have recently seen a big increase in the cost of healthcare benefits.

Ongoing headwinds that impact our industry- travel bans, federal policy, federal/state funding, demographic cliff/college-going rate

FINANCIAL DRIVERS FOR SUCCESS/ SUSTAINABILITY



Revenue vs. Expense Historical

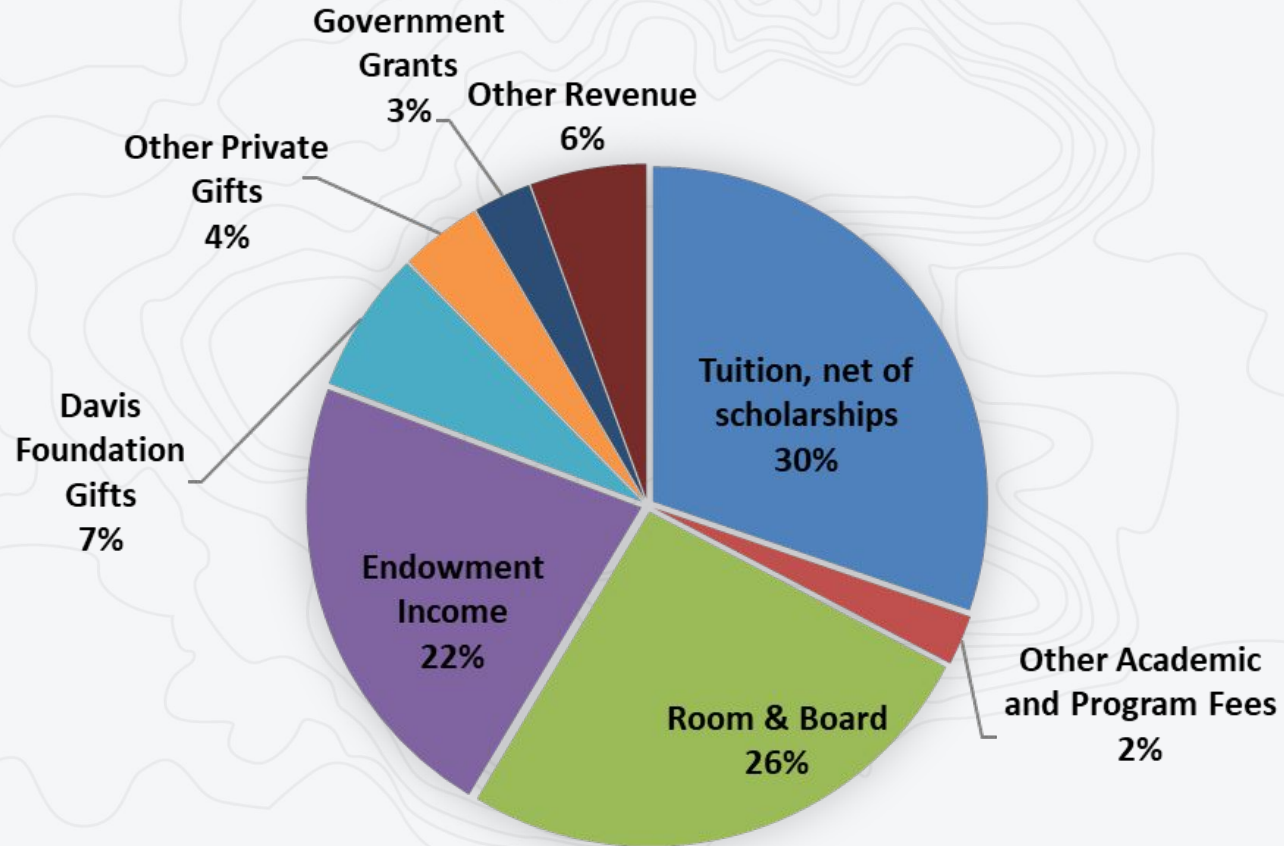


	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Actual	FY23 Actual	FY24 Actual	FY25 Actual	FY25-26 Budget
Revenues	128,470	126,957	127,677	131,313	125,928	124,344	129,443	140,054	148,435	155,159	160,809
Expenses	122,700	123,578	122,286	124,363	123,103	117,685	126,226	137,938	147,600	155,102	160,809

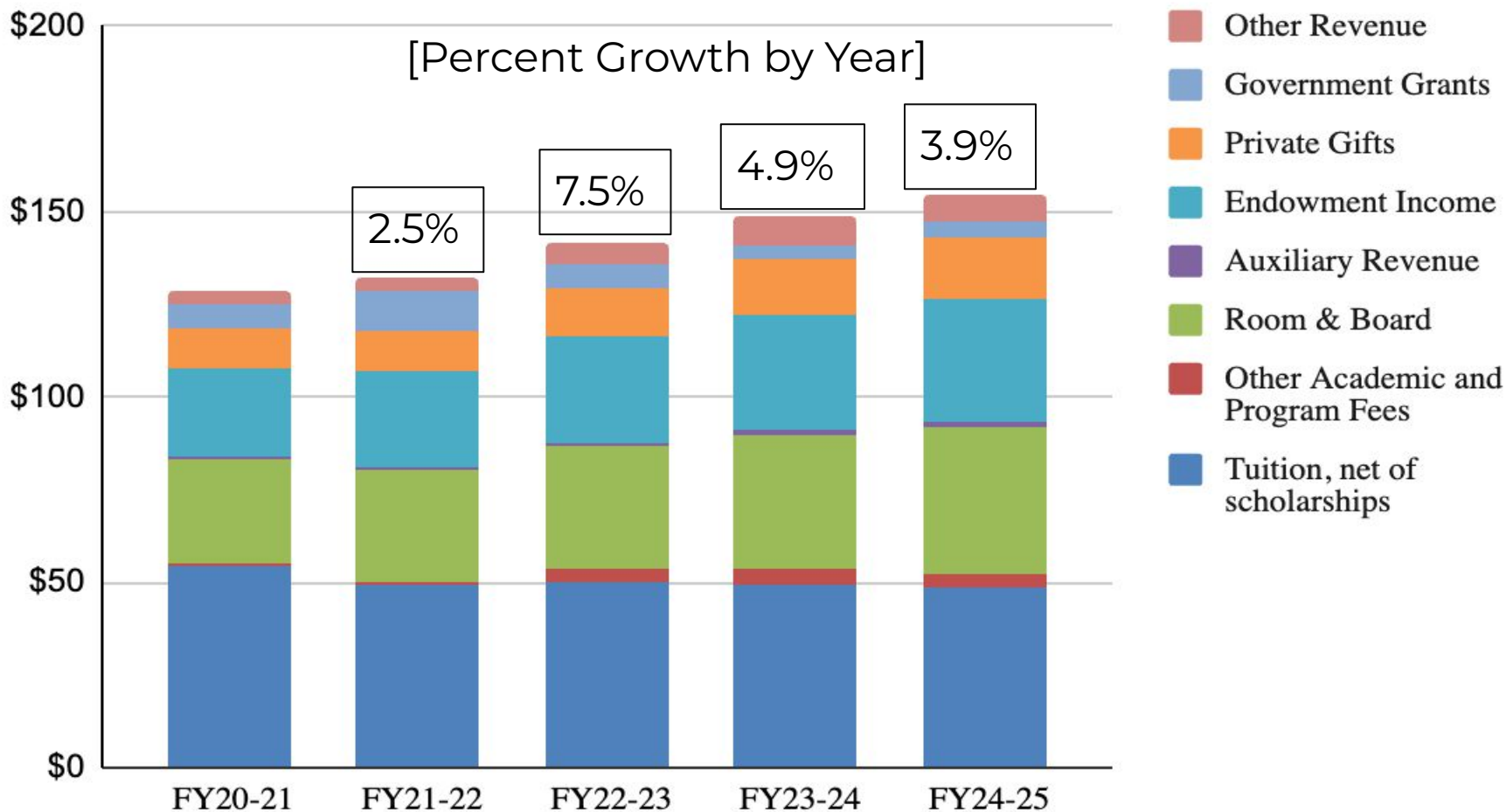
Unrestricted Only

Revenues Expenses

FY 25-26 TOTAL BUDGETED REVENUE: \$160.8 MILLION

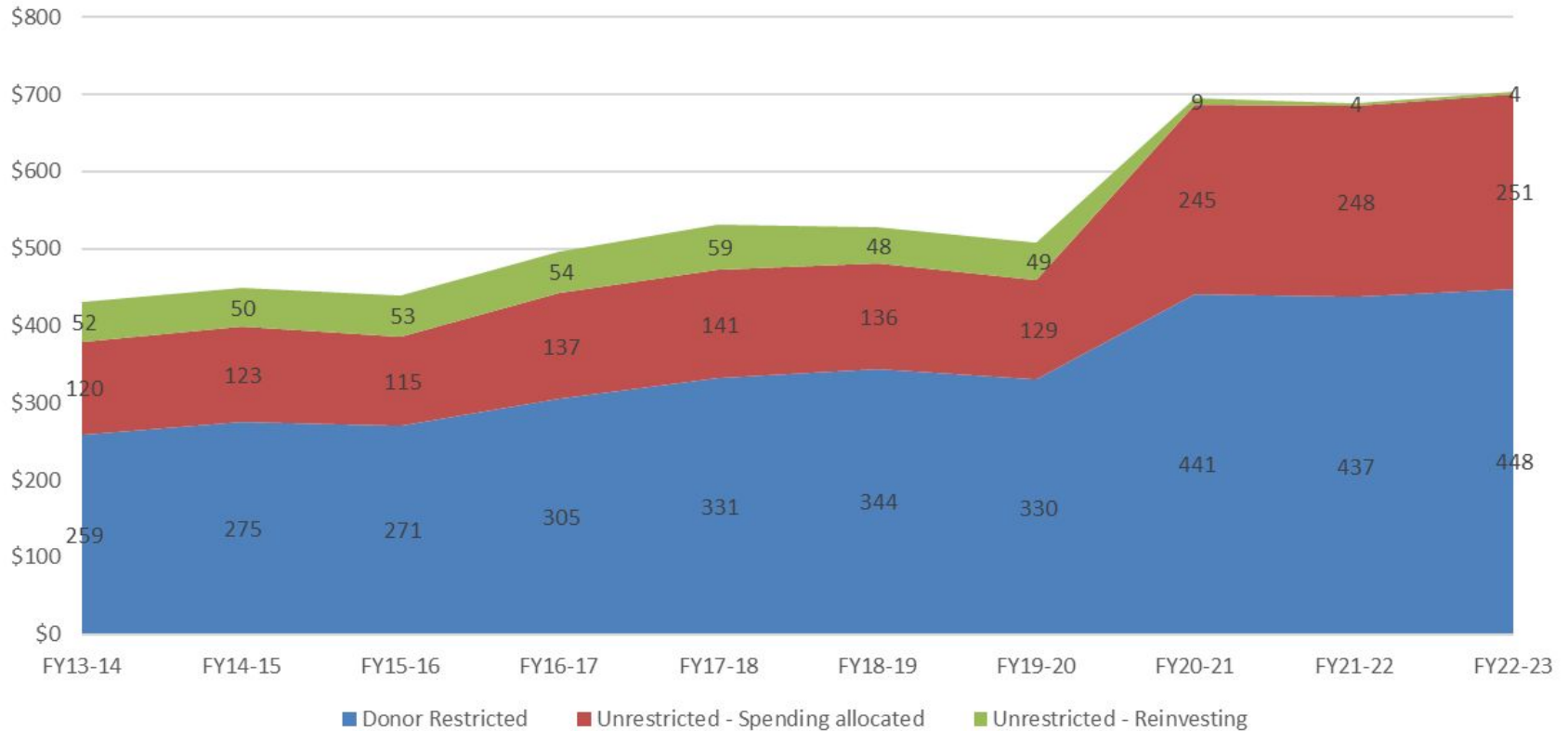


Revenue Growth by Type: FY21 to FY25 (in millions)

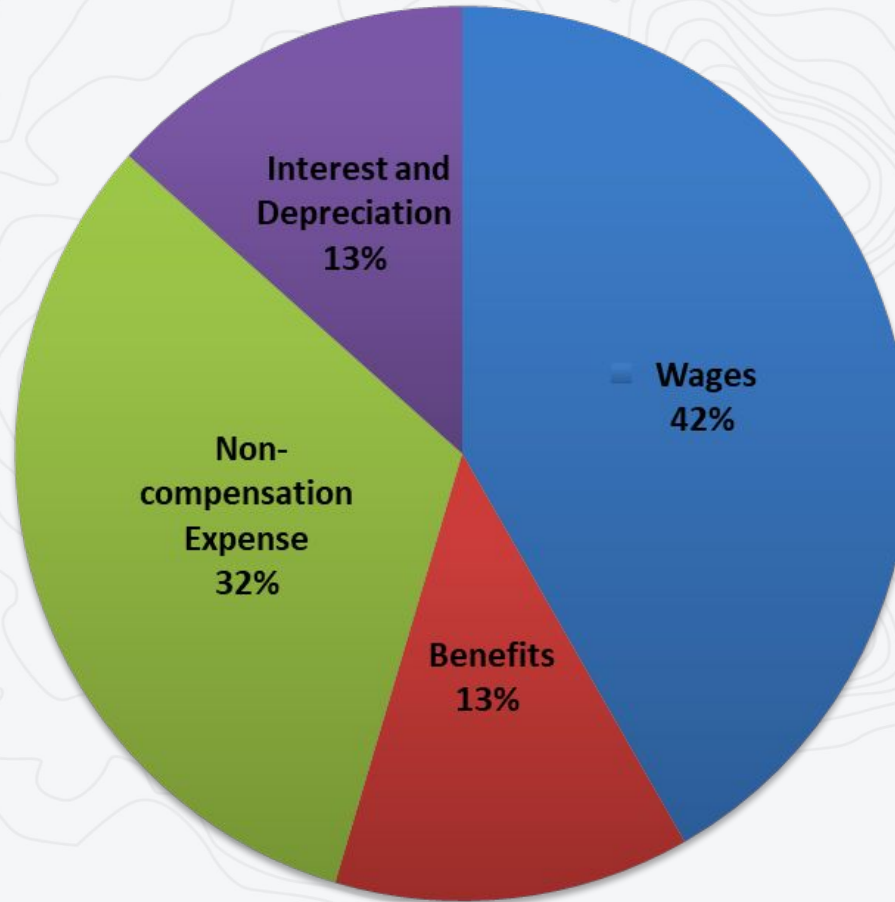


Endowment Market Value by Restriction

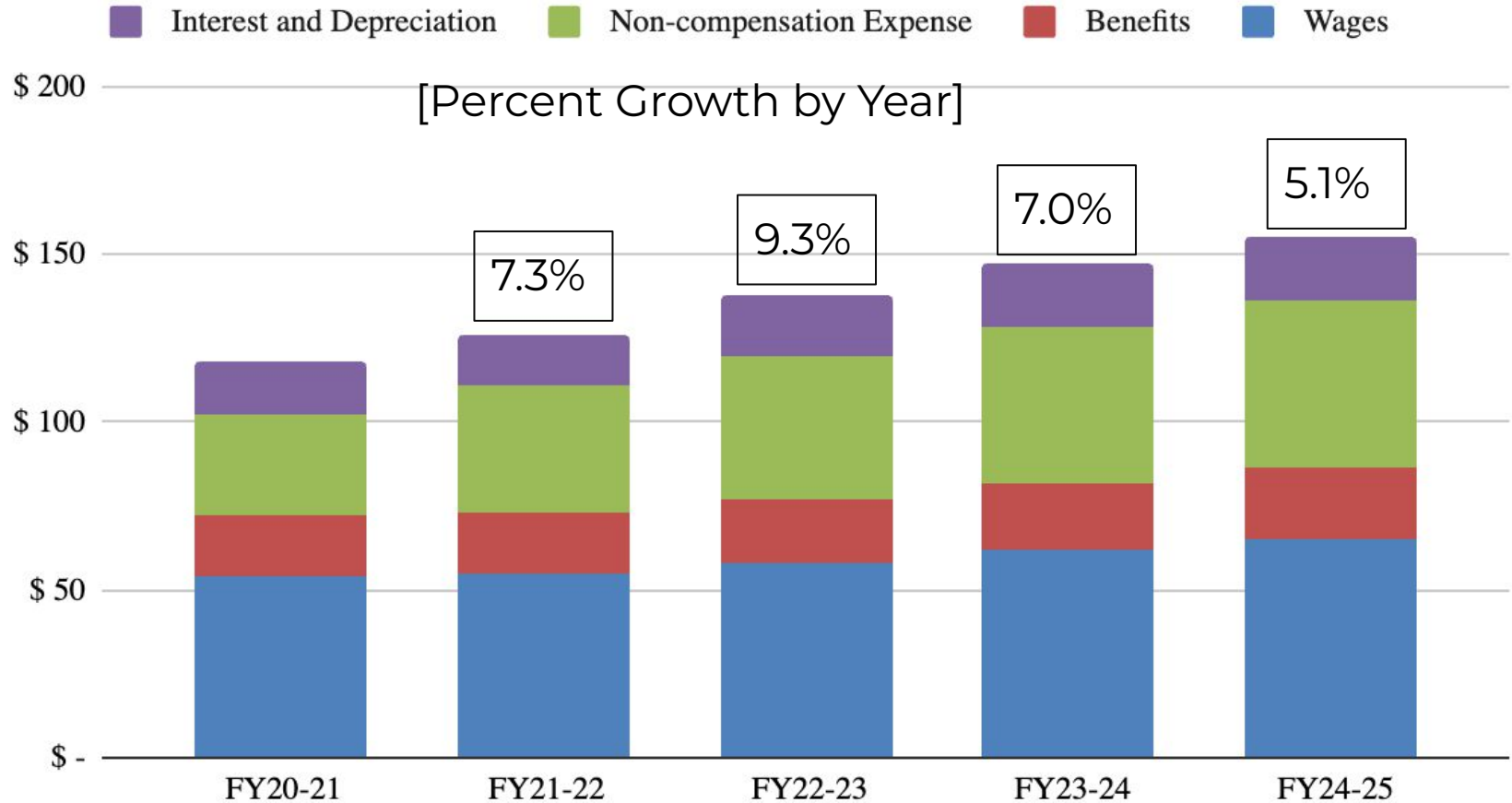
(in millions)



FY 25-26 TOTAL BUDGETED EXPENSES: \$160.8 MILLION



Expenses FY21 to FY25 (\$ in millions)



What Next?

Setting a 5 year course for Financial Sustainability

Comprehensive Fee Rate

Net Revenue per Student

Number of students:

- First-Year
- Transfer
- Davis
- Total Enrollment

Retention Rates

Endowment Spending %

Gift Revenue

Faculty/Staff Wages

Student Wages

Benefits (Retirement, Health, etc.)

Non-Comp Expenses/Inflation

- Utilities
- Facilities Repairs/Maintenance
- Food Service
- Travel/Meals
- Software/Contracts/Professional Services
- General Operating

Strategic
Investments

Strategic
Reallocations

BUDGET PROCESS WITH BOR

October Board meeting: will present recommendations for a comprehensive fee (tuition, room and board).

February Board meeting: will present set of assumptions and recommendations to maintain financial stability for next 5 years

May Board meeting: will present recommendations for Operating and Capital budgets

The background of the slide is a collage of various images related to the University of Michigan. On the left, there are large, stylized letters 'U', 'M', 'V', 'A', 'H' in gold and white, some of which contain smaller images of campus buildings and trees. In the center and right, there is a faded, wide-angle photograph of a university campus featuring a large, modern building with a glass facade, a winding path, and a historic building with a steeple in the distance. The overall color palette is soft, with a mix of gold, white, and muted campus colors.

Healthcare Update

HEALTH CARE HEADLINES

- For the last FY (24-25) the college experienced \$1.7M in expenses beyond our budget (a combination of increased enrollment in our plan, high cost cases, market increases in cost) and the impact of our 16 month benefits 'plan year'.
- BC/BS advises that the college should anticipate up to 38% increase (or \$2.8M total) in health care claims costs for the next benefit year (calendar year 2026). As a point of reference: evenly distributed among all employees on the plan, the result would be an additional \$420 added to the premium per employee per month.
- Neither the college nor employees and their families are in a position to take on this level of cost increases.

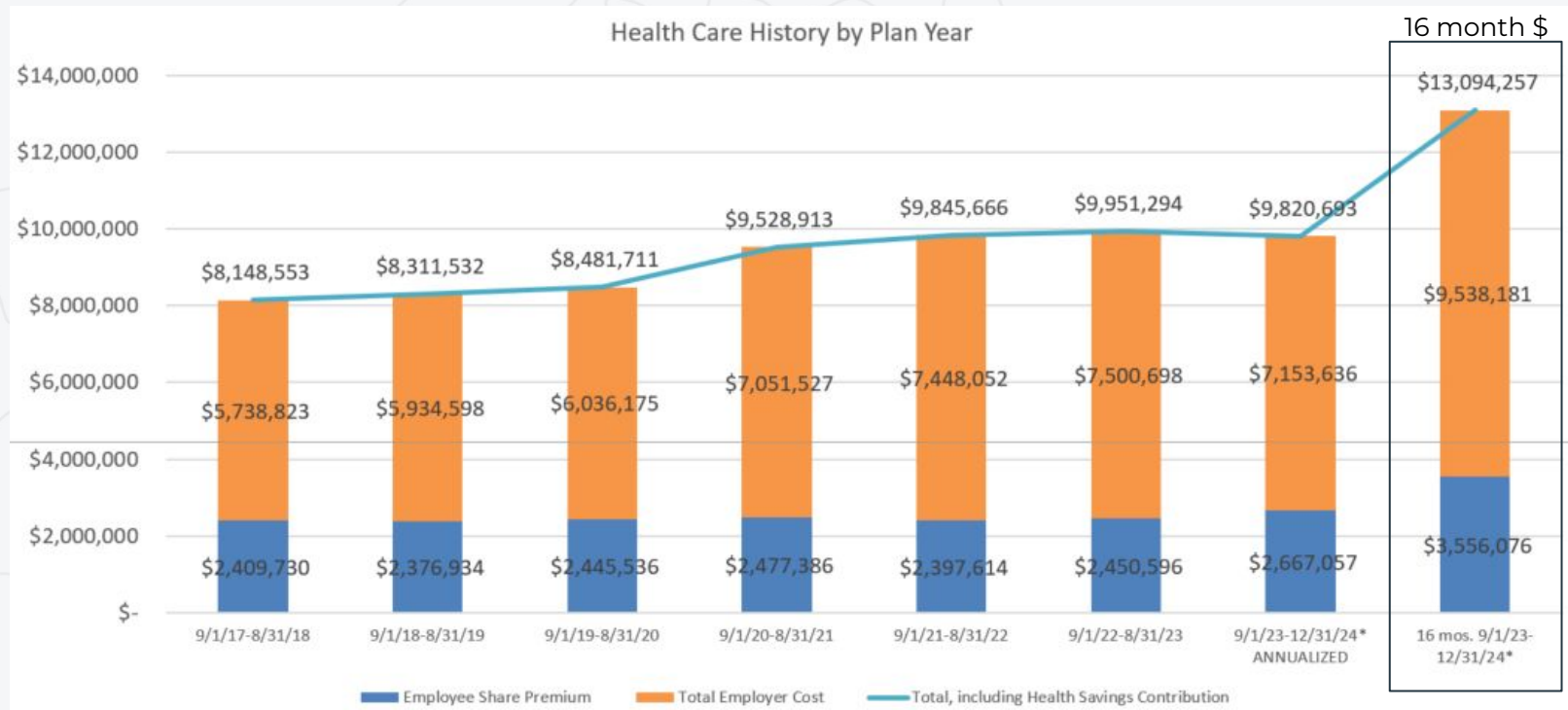
NATIONAL TRENDS IN HEALTH INSURANCE PREMIUMS

Premiums have significantly increased since 2010

Trend is caused by two primary components — the price of healthcare services and the rate of utilization — and right now, both are rising.

	Average premiums for single employee	Average premiums for family coverage
2010	\$4,940	\$13,871
2022	\$7,950	\$21,931
% Change	60.9%	58.1%
2025 Coupe HDHP Annual Premium	\$9,276	\$27,480

Source: <https://thatch.com/blog/how-much-group-health-insurance-premiums-have-gone-up>



ACTUAL PLAN YEAR DATA - EMPLOYEE vs. EMPLOYER		9/1/17-8/31/18	9/1/18-8/31/19	9/1/19-8/31/20	9/1/20-8/31/21	9/1/21-8/31/22	9/1/22-8/31/23	9/1/23-12/31/24* ANNUALIZED	16 mos. 9/1/23-12/31/24*
EE %		29.6%	28.6%	28.8%	26.0%	24.4%	24.6%	27.2%	27.2%
ER %		70.4%	71.4%	71.2%	74.0%	75.6%	75.4%	72.8%	72.8%
% Increase - Total Cost			2.0%	2.0%	12.3%	3.3%	1.1%	-1.3%	31.6%

*9/1/23-12/31/24 was a 16 month plan. Numbers annualized for comparison purposes.

HEALTH CARE COST - COST SHARING MODEL

Stop Loss Carrier	Over stop loss limit: \$225,000 per person / year
St Olaf	Up to \$225,000
Employee + St Olaf	After deductible up to out of pocket maximum
Employee	Deductible

College response to increased Health Costs

Overall Goal:

To support our employees in getting quality health care insurance at costs that are at or below market/industry rates.

Objectives:

- Determine health insurance partner(s) for 2026 (benefit year/ calendar year)
- Determine eligibility for St. Olaf health insurance programs
- Determine cost saving opportunities for the college and employees
- Set health insurance premium structure for 2026

APPROACH TO 2026 BENEFITS - In Progress

- Nice Healthcare: Continue to provide as an alternative source of healthcare and prescription services at no cost (beyond college paid premiums)
- Moving from self insuring insurance directly with a provider to insuring through a Captive (a member consortium); Claims expectation is still high but is offset by other cost savings, reducing our forecast to \$1.6M
 - evaluated multiple other self insurance companies (most did not bid) and captives
 - recommending using Pareto for program management and 'Stop Loss' coverage
 - recommending keeping BC/BS (would keep the same provider network)
 - would mean ending use of Coupe (not an option with Pareto)
- Utilizing alternative Pharmacy Benefit Manager with greater purchasing discounts
 - Would use Smith RX - which recognizes use at every pharmacy AND returns 100% of our rebates back to us

Remaining Items for consideration

- Options to manage the total cost increase
- Allocation of increases between employees and the college
- Premiums by each premium category

Next Steps:

- Finalizing health plan program and premium recommendations with the Benefits Advisory Committee - (Sept)
- Finalizing contracts to provide these services - (September)
- Programming college IT systems for new programs (Sept. - Dec.)
- Developing education details for each program, FAQs, etc. (Sept. - Oct.)
- Communicate details about the new plans with all employees this fall (Oct.).
- Open Enrollment: November 3 - 14 [tentative] - **this will be an active enrollment meaning everyone must elect. Nothing carries forward.**
- Start of new benefit year and programs: Jan. 1, 2026

The background of the slide features a faded, wide-angle photograph of a university campus. In the foreground, a large, modern building with a glass facade is visible. A winding path leads through a green lawn towards other campus buildings in the distance. On the left side, the University of Maryland logo is prominently displayed, consisting of the letters 'UM' in gold and grey, with a gold lion crest below them. The text 'PAID TIME OFF UPDATE' is centered on the right side of the slide in a bold, black, sans-serif font.

Paid Time Off Update

Why is St. Olaf Changing Leave Policies

Compliance with new laws – Minnesota's Paid Family & Medical Leave and related legislation require policy updates

Consistency and equity – Aligning leave policies for exempt and nonexempt staff to ensure fairness across the College

Clarity and simplicity – Creating a unified approach that is easier for employees to understand and for HR/supervisors to administer

Transition to Paid Time Off (PTO) for All Staff

- PTO becomes the all-purpose paid leave benefit for all staff (previously only for nonexempt staff)
- Staff accrue up to 28 days per year
- PTO covers vacation, sick & safe time, and supplements time away when not paid under other policies
- Employees may carry over up to 35 days; accrual stops once this cap is reached
- At separation, College pays out up to 15 days (3 weeks) of accrued PTO
- Paid holidays and paid leave for the days between Christmas and New Year's remain

Minnesota Sick and Safe Leave Law

- Minnesota law since January 2024
- For faculty, student employees and staff <50%, accrued at 1 hour for every 30 hours worked
- Integrated into PTO for all other staff
- Employee Sick And Safe Time (ESST) may be used for:
 - An employee's own illness, injury, or medical appointments
 - Care of a sick or injured "family member" (defined broadly)
 - Absences related to domestic violence, sexual assault, or stalking ("safe leave")
 - Closure of school or place of care due to public health emergency

Minnesota Paid Family and Medical Leave (PFML) Policy

Effective **January 1, 2026** – statewide program

Provides up to **12 weeks of family leave** and **12 weeks of medical leave** (max 20 weeks/year)

New social program like workers' compensation and unemployment compensation

For 2026: funded through payroll premiums shared by staff and College -
Employees pay .44% / College pays .49%

Minnesota Paid Family and Medical Leave (PFML)

Wage Replacement Rates:

- Up to \$711.50/week → 90% of wages
- \$711.51 – \$1,423/week → 66% of wages
- Above \$1,423/week → 55% of wages

Jane is pregnant. When her baby arrives she wants to take as much paid and unpaid leave as possible. Her job pays \$75,000 per year.

	Current	As of 1/1/2026
Non-Exempt	5 days of PTO 6 weeks Short Term Disability 6 weeks Parental Leave Policy Total 13 weeks fully paid	PFML 18 weeks @ 55% of salary 45% PTO to top off for first 5 days to qualify for Short Term Disability Short Term Disability to top off next 6 weeks PFML Parental Leave Policy to top off next 6 weeks of PFML PTO to top off last 6 weeks Total 18 weeks fully paid
Exempt	6 weeks Salary Continuation 6 weeks Parental Leave Policy Total 12 weeks fully paid	

Joe has a diagnosed medical condition that flares up intermittently. On average he needs time away from the office 8 days per year. His job pays \$80,000 per year.

	Current	As of 1/1/2026
Non-Exempt	8 days of PTO Total available time for vacation = PTO accrual – 8 days	PFML 8 days @ 55% of salary 3.6 days of PTO to top off the 8 days Total available PTO – 3.6 days
Exempt	8 days Salary Continuation Total available time for vacation not impacted	

John has a toddler who tends to get sick at daycare often. When this happens John needs time away from work. Last year there were 10 days when John was absent due to his child’s various illnesses.

	Current	As of 1/1/2026
Non-Exempt	10 days of ESST paid for with 10 days of PTO Total available time for vacation = PTO accrual – 10 days	10 days of ESST paid for with 10 days of PTO Total available time for vacation = PTO accrual – 10 days
Exempt	10 days of ESST paid for with 10 days Salary Continuation Total available time for vacation not impacted	

Next Steps:

- Finalizing contracts to provide these services - (September)
- Programming college IT systems for new programs (September through December)
- Developing Education Material with details for each program, FAQs, etc. (Sept. - October)
- Communicate the new plans with all employees this fall (Nov-January).