

## Staff Advisory Council

**TO:** Staff Advisory Council

**FROM** the Fringe Benefits Committee Subcommittee: Kathryn Howard ([kjh2@case.edu](mailto:kjh2@case.edu)), David O'Malley ([djo2@case.edu](mailto:djo2@case.edu)), and Dan Dowhower ([dpd3@case.edu](mailto:dpd3@case.edu))

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**SUBJECT:** Report on Domestic Partner Benefits at CWRU

This document contains the following information to help you learn more about Domestic Partnership Benefits:

- overview,
- a list of frequently asked questions,
- a detailed list of the activities of the SAC Fringe Benefit Committee surrounding this issue,
- evidence that Kaiser and QualChoice, two insurance carriers at CWRU, provide domestic partnerships, and
- a list of both the "sister or comparison" universities and a larger list of colleges and universities that provide domestic partner benefits. (Please note that many of these colleges and universities provide health benefits but differ with regard to extending tuition benefits to domestic partners).

We ask that you review the University's non-discrimination statement and affirmative action statement prior to reviewing this document. As you can guess, the discussions around Domestic Partnership Benefits have been colorful, heated, and very positive and productive. Given our experiences as a committee, we fully expect that once you have reviewed this information you, too, will have many of the same questions, concerns, need for clarification, and emotions that we have experienced in the last six months. We invite you to contact any one of us, one-on-one or in a group discussion format, to discuss this very important topic.

Our hope is that by the April 1 SAC Council meeting we will be able to discuss and vote on a resolution that will, along with a faculty resolution and recommendation, be forwarded to President Pytte who will, in turn, present this information to the Board of Trustees. Thank you for your energy, time and consideration.

### Overview of Domestic Partner Benefits

Fringe benefits such as health and life insurance, a pension, profit-sharing or a percentage of profits have long been a way for employers to compensate their workers, and for one company to gain a competitive advantage over another. Benefits constitute about 40 percent of a worker's total compensation and are no longer considered extras, according to the Society for Human Resource Management.

However, such benefits are a privilege, not a right, of employment. Further, none of the 10 state laws prohibiting workplace discrimination based on sexual orientation mandate workplace benefits for "non-traditional" families. Neither do any state executive orders or local ordinances. And the Employment Non-Discrimination Act would not require such benefits either.

While most employers that offer benefits such as health insurance and dental care also make those benefits available to their employees' legal dependents, the idea of extending such benefits to the domestic partners of lesbian and gay employees is relatively new. In 1982, the Village Voice, a New York City weekly, became the first employer to offer domestic partner benefits to its lesbian and gay employees. By 1990, there were fewer than a half dozen U.S. employers that offered "spousal equivalent" benefits to their gay employees' families. In 1992, Lotus Development Corp. became the first publicly traded company to offer such benefits. Today, there are hundreds of companies offering domestic partner benefits to the same sex (and in some cases, opposite sex) partners of their employees. According to one survey, as many as one in ten organizations offers domestic partner benefits, a trend that is expected to grow as companies compete for talented employees and public support for workplace equality grows. A recent report by KPMG Peat Marwick found that 13 percent of all firms offer health benefits to domestic partners of the same sex.

### Frequently Asked Questions About Domestic Partner Benefits:

#### **Why should a company offer domestic partner benefits?**

Domestic partner benefits make good business sense. In the current competitive marketplace, where unemployment is running at less than 5 percent, companies need to attract and retain the best employees. Offering equal benefits to lesbian and gay employees is one way to get a competitive edge.

**Aren't these benefits expensive? What will they mean to this company's bottom line?**

Most employers report no significant increase in costs. A survey by the Society of Human Resource Management released in January 1997 found that 85 percent of respondents with domestic partner benefits experienced no increase in their health care costs as a result of having added them.

**What about fears of increased costs due to HIV/AIDS claims?**

Employers have not reported any spiking of insurance costs due to HIV/AIDS. In 1994, the U.S. government estimated the lifetime cost of caring with someone with AIDS was \$119,000. The cost of a kidney transplant can run as high as \$200,000, while the cost of caring for a premature infant can run between \$50,000 and \$1 million. Maternity benefits and cancers continue to be among the most expensive insurable, treatable items.

**How many workers will sign up for these benefits if they're offered?**

Average enrollment in a domestic partner benefits plan will not exceed 1 percent of the eligible population in any organization that employs between 100 and 100,000 employees. Likewise, average total cost increase will also not exceed 1 percent. If made available to gay employees only, these percentages range from 0.4 percent to 0.7 percent.

**Why isn't enrollment higher?**

Many gay and lesbian couples are double income families and receive health care benefits where they work. In workplaces without non-discrimination policies covering sexual orientation, some workers might not feel safe enough to "come out" and ask for such benefits. And these benefits are counted as taxable income to the employee--unlike the same benefits given to the families of heterosexual workers.

**What are the tax ramifications of domestic partner benefits?**

There is no tax ramification for the employer, according to private letter rulings by the Internal Revenue Service to some employers who have inquired. Employers can treat their portion of the partner's or partner's dependents insurance as a reasonable and ordinary business expense, which is therefore tax deductible in the same way that spousal/dependent payments are. While married heterosexual employees can pay insurance premiums for their spouses with pre-tax dollars, an unmarried employee with a domestic partner must use after-tax dollars. Plus, employers must report as income to the unmarried employee the fair market value of the domestic partner benefits, even if they are not used.

**By asking for these benefits, aren't gays seeking "special rights?"**

No, lesbian and gay workers are seeking the same benefits as their legally married counterparts. Domestic partner benefits amount to equal pay for equal work. A gay employee in a committed relationship--who has no legal right to marry--is in effect paid less than a heterosexual co-worker whose legal spouse receives such benefits.

**Are there any laws that mandate domestic partner benefits?**

In June 1997, a law went into effect in San Francisco mandating that any organization doing business with the city or county to offer domestic partner benefits. After a court challenge led by the Air Line Pilots Association, the law was determined to apply to any contractor other than an airline, which is federally regulated.

**Is there a standard definition of domestic partner?**

An employer can define the term however it wants to. However, the most common definition of domestic partner is two people in a relationship of at least six months who can prove it with rent or mortgage receipts, wills, insurance policies, bank statements or the like. The partner seeking coverage must have no other access to medical insurance and must not be legally married to anyone else. Both parties must be of legal age and not related by blood.

**What if we can't find an insurer, or local regulations will not allow these benefits?**

Health maintenance organizations are not under the auspices of insurance regulating agencies and many of them write these benefits. Standard insurers that do fall under such regulatory bodies and do business in

the 50 states can usually find a way to license a plan in another state. Self-insured employers should not have any problems. If your company says it would like to offer the benefits but can't because the insurer won't write them, double check that yourself. If it's true, ask your company to go shopping.

### **Activities to date taken by the subcommittee to investigate the potential barriers to domestic partnership benefits at CWRU:**

#### **SAC Fringe Benefits Committee 1/99**

A second meeting was called in January where the committee voted by consensus that: domestic partnership would include same and opposite sex couples and the benefits to be provided included those provided by Benelect along with tuition. This decision was based on a review and discussion of the University's non-discrimination statement.

It was also decided that SAC Fringe Benefits Committee would distribute the information collected to date to the SAC committee. SAC members will be asked to review the information and will be invited to contact any member of the SAC Fringe Benefits Committee to discuss or clarify any of the points contained in this document. The larger goal will be to hold roundtable discussion across campus where staff, as a group, can gather to discuss this issue.

To date, a presentation has been made to the staff of Mandel School of Applied Social Sciences (MSASS) and letters of support have been received. In addition, the Dean of MSASS is supportive of domestic partner benefits. Progress has been made with regard to dovetailing efforts with the faculty fringe benefits committee and this item will continued to be pursued.

#### **SAC Fringe Benefits Committee 1/99**

Committee met with the Director of Human Resources. The meeting provided the committee with the following strategic information: (1) as a committee developing a consensus agreement on the definition of domestic partnerships and the benefits to be provided; (2) dovetail efforts with the Faculty Fringe Benefits Committee; (3) provide SAC at large with the information collected to date. The goal is to discuss and vote on a resolution from SAC at the April Full SAC Committee meeting; and, (4) expand the dialogue to all SAC constituencies.

#### **University Fringe Benefits Committee 12/98**

As a committee agreed that domestic partnership benefits should be offered at Case Western Reserve University. Requested that the Department of Human Resources contact comparison schools and local employers that offer this benefit in order to better understand details surrounding implementation, types of benefits offered, and cost and feasibility.

#### **Executive Faculty Fringe Benefits Committee 12/98**

As a committee agreed that domestic partnership fringe benefits should be offered at Case Western Reserve University. Agreed to take this topic and present it to the University Fringe Benefits Committee.

#### **Meeting with the Faculty Fringe Benefits Committee 10/98**

In general, the committee felt that to be consistent with our stated non-discrimination policy and the message of the "Share the Vision Program," CWRU should prepare to expand its benefits program to include partners. However, there are many details to be considered before the committee can make a recommendation. As well as the ethical implications, we discussed positive and negative effects on student, staff and faculty recruiting and on fund-raising, tax implications, and the definition of partners. We must consider what programs are available from insurance and health care providers and the legal implications of a revised policy. There will be increased costs to the fringe benefits program which could affect our ability to improve other programs.

### **Evidence that Kaiser and QualChoice provide domestic partnerships:**

#### **11/98 conversation with Kathleen Patton from QualChoice Health Plan, Inc.:**

QUALCHOICE HEALTH PLAN, INC. ELIGIBILITY CRITERIA FOR DOMESTIC PARTNERS' BENEFITS

In accordance with our nondiscrimination policy, QualChoice Health Plan, Inc. is providing the opportunity

for employees with domestic partnerships to obtain health care benefits for their partners and eligible dependents within a family health care plan.

**11/98 conversation with David Renner from Kaiser:**

There is no additional cost charged to the University from Kaiser Permanente if the domestic partner coverage rider is added. The amount for an employee plus domestic partner would be the same as is presently charged for an employee plus spouse. Kaiser is prepared to add this rider as an amendment to the present 1999 CWRU contract at any time. It could be added tomorrow and does not need to wait until the next contract negotiation.

**Which of the comparison universities offer domestic partnerships?**

Yes	No
Dartmouth	Carnegie Mellon
Duke	CWRU
John Hopkins	Vanderbilt
M.I.T.	Washington University
Northwestern	
University of Rochester	

**Examples of some of the criteria employers have used to determine the existence of a domestic partnership between two adults. Domestic partners must:**

- Live together
- Have a close, personal relationship
- Act as a couple in public, as well as in private
- Be responsible for each other's welfare as evidenced by financial interdependence (e.g., common investments, joint home ownership or naming each other as beneficiaries)
- Intend to be life partners
- Be registered in a municipality as domestic partners, where available
- Not be legally married to anyone else
- Not be blood relatives
- Be mentally competent
- Demonstrate joint finances

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**Domestic Partner Benefits at CWRU**

In 1988, Case Western Reserve University added sexual orientation to its non-discrimination policy. In addition, the University vision statement states that we, as a community, support the worth and dignity of each individual. Consistent with the two policy statements, we, the members of the Case Western Reserve University Staff advisory council, respectfully request extension of the same benefits to qualified same-gender and opposite-gender domestic partners as are now offered to the married spouses of Case Western Reserve University employees. By doing so, Case Western Reserve University will continue to develop the vision of equity and fairness within our University community that the stated policies mandate.