From: Doyle, Sheila [BOARD]
Sent: Monday, April 26, 2010 4:07 PM
To: Michael Gartner
Cc: Bonnie Campbell; Craig Lang; Dave Miles; Downer, Robert; Harkin, Ruth; Jack Evans; Johnson, Greta A; Rose Vasquez ; Regents Staff [BOARD]
Subject: RE: Revised Agenda Item 19a for April Board Meeting

Michael,

My apologies for the delay with this response. The following information has been prepared by the Board Office in response to your questions below.

The retirement contribution for individuals choosing this option in either of the ISU retirement proposals (19a or 19b) would be at 10% contribution rate since both have an effective date after July 1. 2010. The university requested and the Board approved the reduction to 8% for the employer contribution for TIAA-CREF for a period ending June 30, 2010. However, neither of the proposed programs speaks to an exact percentage for the employer retirement contribution.

ISU's initial proposal for FY 2011 budget does not include a university-wide salary increase for non-bargaining staff; SUI and UNI plan on increases of 2% to 3%. In lieu of the salary increases, ISU proposes to return to the 10% Employer match for TIAA-CREF.

Please let me know if you need anything further. Thanks.

Sheila

From: Michael Gartner [mailto:mgartner@iowacubs.com]
Sent: Tuesday, April 20, 2010 3:16 PM
To: Doyle, Sheila [BOARD]
Cc: Bonnie Campbell; Craig Lang; Dave Miles; Downer, Robert; Harkin, Ruth; Jack Evans; Johnson, Greta A; Rose Vasquez ; Regents Staff [BOARD]
Subject: Re: Revised Agenda Item 19a for April Board Meeting

Sheila --

What if the Board keeps the contribution rate at 8%, not 10%? Does the ISU retirement plan stay at 10% or is it at the prevailing rate, whatever that might be?

Michael

On Apr 20, 2010, at 4:07 PM, Doyle, Sheila [BOARD] wrote:

Regents,

Attached is revised Agenda Item 19a, Iowa State University – Proposed Retirement Incentive Option #3, which includes an updated table on page 3. In the table, for SUI #1, the dollar amounts in the Projected Savings column have been updated.

Please contact us if you have any questions. Thank you.

Sheila

From: Smith, Dianne [BOARD]
Sent: Tuesday, April 20, 2010 11:18 AM
To: Doyle, Sheila [BOARD]
Subject: Corrected Item 19a

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Contact: Marcia Brunson

IOWA STATE UNIVERSITY – PROPOSED RETIREMENT INCENTIVE OPTION #3

Action Requested: Consider approval of Retirement Incentive Option #3 as proposed by Iowa State University and direct the university to submit a report detailing the participation, costs and savings of the program at the March 2011 meeting.

Executive Summary: Previously, the Board approved two retirement incentive options for ISU. Retirement Incentive Option (RIO) #1 was approved in March 2009, and 206 employees participated in the program. Retirement under RIO #1 was required by January 31, 2010. RIO #2 was approved in October 2009. Last month the Board approved an extension to the application period for RIO #2 to June 1, 2010. Retirement under RIO #2 is required not later than July 30, 2010. The university will report to the Board in August on the outcome of RIO #2. Eligibility for RIO #1 was age 60 with 10 years of service; for RIO #2, age 57 with 10 years of service. Both RIO #1 and #2 offered the same benefit – payment of five years of health and dental insurance.

As a part of the response to strategic budget planning and reduction in state support for FY 2011, the university is proposing to offer RIO #3. RIO #3 would provide the same five-year medical benefit as the previous programs. Eligible employees would be those age 55 with 10 years of service at the time of retirement. In lieu of the five-year payment for medical insurance, the university would allow participants if they are participating the university's defined contribution retirement plan to request the payment of the employer retirement contributions for five years. The application period for RIO #3 will end August 1, 2010, with retirement not later than December 31, 2010.

As with the previous options, approval of applications to participate will be at the discretion of the appropriate supervisor, dean and vice president. The full program is described on the following page.

According to the university, approximately 1,500 faculty and staff meet the eligibility requirement for RIO #3. Savings to the university would be dependent upon the number of approved participants. The estimated cost based upon current health premiums would be $5,700/per year for single coverage and $13,000 per year for employee/spouse coverage. If the option provided for payment of the retirement contribution was selected by the employee, the average cost per year would be $7,240 based upon an average salary of $72,400 for the qualifying employees and 10% contribution to the retirement plan by the employer.

All early retirement programs approved by the Board as well as the proposed RIO #3 are summarized in the table beginning on page 3.

Iowa State University
Retirement Incentive Option 3 Program

Terms and Conditions

1. **Eligibility**
   Effective with approval of this program, an active employee of the university will be eligible based upon the following criteria:
   - The employee must have an appointment of 1/3 time or more;
   - The employee agrees to fully retire no later than December 31, 2010;
   - The employee must have ten (10) years of service and be at least fifty-five (55) years of age at time of retirement;
   - The employee must not have been approved for another ISU Retirement Incentive Program; and
   - The employee must file an application by August 1, 2010.

2. **Approval of Retirement Incentive**
   Any eligible employee may apply for the retirement benefit. Approval is at the discretion of the appropriate supervisor, dean and vice president. The decision to request such a benefit is voluntary and initiated by the employee.

3. **Incentive Benefit**
   Upon retirement, the participant will receive health and dental insurance incentives for a period of 5 years after retirement. The university will pay the employer and employee shares of health and dental insurance up to the employee and spouse rate (Tier II) for the university's PPO program until the employee is eligible for Medicare. After eligibility for Medicare, the university will continue to pay the incentive at the retiree health and dental insurance rates for the balance (if any) of the 5-year period.

   In lieu of receiving the 5-year medical benefit, an employee participating in the University's Defined Contribution Retirement Plan, the employee may request to receive the employer contribution to retirement for a period of 5 years following retirement, based upon the employee's budgeted salary as of the date of retirement.

   In the event of the employee's death the university's obligation to pay the benefit will cease on the first day of the month following the date of death. In the case of medical coverage, the employee's surviving spouse or dependent may elect to continue coverage as provided by law.

4. **Implementation Process**
   Subject to the Board approving the RIO3 Program, the university will develop detailed policies and procedures for implementation of the program. Based upon experience, future programmatic and budget assessment the university will determine if the program should be extended.

   As part of the implementation of the RIO3 Program, the university will consider development of an equitable waiver process for employees who applied or were approved for RIO2, but have not yet retired, so they can be considered for RIO3.

   For employees in federal retirement programs, approval of the applicable federal program will be required.

			Incentives Offered								
	Eligibility	**Window**	**Retirement contribution**	**Health/Dental**	**Other Incentives**	**Re-employment**	**# of Eligible Employees**	**Projected # of Participants**	**Cost of Incentives**	**Projected Savings**	**Other assumptions**
SUI -- #1 (approved by BOR in 4/09)	57 by 7/1/09	Apply between 7/1 to 9/30/09 Must retire not later than 6/30/10**	EE/ER contribution for 3 years; ER for 2 years****	5 years based on current contribution Medicare retiree rates will apply once Medicare eligibility is reached		No re-employment during ERIP period; after in exceptional circumstances	2,833	Gen. Ed. Funds -- 35 Other funds -- 110	Year 1 -- Gen. Ed. Funds -- $410,000; Other funds -- $2.2 million	Year 1: Gen. Ed. Funds - - $4.5 million Other funds -- $13.9 million	Backfilling of 50% of the approved participants at 75% of current salary
SUI -- #2	55 at termination; 10 years of service	Apply between 4/1 to 5/15/10 Must retire not later than 7/31/10	EE/ER contribution for 3 years; ER for 2 years****	5 years based on current contribution Medicare retiree rates will apply once Medicare eligibility is reached		No re-employment during ERIP period; after in exceptional circumstances				Year 1: Gen. Ed. Funds - - $1 million Other funds -- $2 million	
UNI (approved by BOR in 4/09)	service equals 70 or more by retirement date but no later than 12/31/09	Apply by 7/31/09 Must retire not later than 12/31/09	ER contribution for 5 years****	5 years based on current contribution rates (one single contract plus an additional single for spouse or domestic partner). Medicare retiree rates will apply once Medicare eligibility is reached	Participants may elect to receive a lump sum cash payment equal to the net present value of the health and dental insurance contributions in lieu of continuing the University's health and dental plans.	No re-employment during ERIP period; after in exceptional circumstances	434	80	5 yr - health dental cost -- $5.6 million 5 yr. -- 10% TIAAA-CREF -- $2.6 million	1st year -- $3.6 million	Filling 1/3 of positions in year 2
IBSSS (approved by BOR in 4/09)	57 by 3/30/09; 15 years of service	5/1/09 to 6/1/09; Must Retire between 7/1/09 and 7/31/09		5 years based on current contribution. Medicare retiree rates will apply once Medicare eligibility is reached	30% of annual salary	No re-employment during ERIP period; after in exceptional circumstances	4	4	1st year -- $58,456 (30% salary incentive) health/dental -- $197,495 for 5 years	$755,440 for 5 years	

			Incentives Offered								
	Eligibility	Window	Retirement contribution	Health/Dental	Other Incentives	Re-employment	# of Eligible Employees	Projected # of Participants	Cost of Incentives	Projected Savings	Other assumptions
ISU -- #1 (approved by BOR in 3/2009)	60 with 10 years of service	Apply by 6/30/09; must retire not later than 1/31/10		5 years financial commitment based on medical plan employee enrolled in at time of RIO approval. Medicare retiree rates will apply once Medicare eligibility is reached		Considered based on departmental need and approval for temporary or contract basis basis with no benefits other than required by law.	850	85		$7.2 million/year	
ISU -- #2 (approved by BOR in 10/2009)	57 at termination; 10 years of service	Apply by 6/1/10; must retire not later than 7/30/10***		5 years financial commitment based on medical plan employee enrolled in at time of RIO approval. Medicare retiree rates will apply once Medicare eligibility is reached		Considered based on departmental need and approval for temporary or contract basis basis with no benefits other than required by law.					
ISU -- #3	55 at termination; 10 years of service	Apply by 8/1/10; must retire not later than December 31, 2010		5 years financial commitment based on medical plan employee enrolled in at time of RIO approval. Medicare retiree rates will apply omce Medicare eligibility is reached. In lieu of the medical benefit, the employee may request to receive the employer contribution to retirement for a period of 5 years following retirement.		Considered based on departmental need and approval for temporary or contract basis basis with no benefits other than required by law.	1,500				

EE = employee; ER = employer
* Participation in the ERIP is not an entitlement; requests will be evaluated and approved at various levels throughout the institution.
**At the request of the university, the Board approved an extension of the retire-by date to July 16, 2010, in September 2009.
***Original application cutoff date for RIO #2 was 3/31/10
****Contribution equal to amount contributed for an active employee in the same plan, which may increase or decrease over the term.