BOARD OF REGENTS **AGENDA ITEM 19b**
STATE OF IOWA **APRIL 28-29, 2010**

Contact: Marcia Brunson

IOWA STATE UNIVERSITY – PROPOSED PHASED PLUS PROGRAM

Action Requested: Consider approval of the Phased Plus Program proposed by Iowa State University and direct the university to the include the results of this program in the report of phased retirements submitted annually to the Board.

Executive Summary: The Board has had a phased retirement program in place since 1982. Through the years it has seen modifications, and the current program expires June 30, 2012. The current program is described on see page 4. Employees age 57 with 15 years of service are eligible for the phased retirement program. The phasing period is a maximum of five years.

Iowa State University is proposing a modified phased retirement program with a maximum two-year phasing period. Under the proposal, employees age 55 with ten years of service may apply until April 29, 2011. The phasing period must begin no later than January 1, 2012. During the maximum two-year phasing program, the employee's salary would reflect the reduced appointment plus 10% salary premium (based upon salary before initiating the reduced appointment). The employee would continue life, medical and disability benefits. Retirements would be based upon salary before beginning the reduced appointment.

Upon full retirement, the retiree would be entitled to one of the following:

> The university will pay the employer and employee shares of health and dental insurance up to the employee and spouse rate 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 rate; or
>
> In lieu of the medical benefit, retirees participating in the university's defined contribution retirement plan may receive employer contributions to the their retirement accounts for the period beginning with full retirement and ending five years after beginning the reduced appointment.

The university indicates there are approximately 1,500 employees eligible for the proposed program.

The Board approved a modified phased retirement program for the University of Iowa in April 2009. It also required a maximum two-year phasing period and provided a 25% salary premium. It required application between July 1 and September 30, 2009. The maximum two-year phasing program was to begin no later than June 30, 2010.

Iowa State University
Phased Plus Program

Terms and Conditions

1. **Eligibility**
   Effective with approval of this program an employee of the university will be eligible based upon the following criteria:
   - At the time of the initial reduction of appointment, the employee must have ten (10) years of service and be at least fifty-five (55) years of age;[1]
   - The employee has not been approved for another ISU Retirement Incentive Program;
   - The employee files an application between the dates of approval of the program and April 29, 2011; and
   - The employee agrees that the period of phased retirement will begin no later than January 1, 2012.

2. **Approval of Retirement Incentive**
   Any eligible employee may apply for the retirement benefit. Consistent with the current Phased Retirement Program, 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 approval, the eligible employee will participate in the current Phased Retirement Program subject to the terms of this program:

   - The period of reduced appointment must be no longer than 2 years; and
   - Upon full retirement, the retiree is entitled to either:
     - Health and dental insurance for the period beginning with full retirement and ending five years after the beginning of the reduced appointment. 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 rate; or
     - In lieu of the medical benefit, retirees participating in the University's defined contribution retirement plan may receive employer contributions to their retirement account for the period beginning on full retirement and ending five years after beginning of the reduced appointment. The employer contribution is based upon the employee's budgeted annual salary immediately preceding the period of reduced appointment.

[1] Currently, those who are age 57 with 15 years of service are eligible.

- In the event of the employee's death the university's obligation to pay the cost of health and dental coverage or retirement contributions will cease on the first day of the month following the date of death.

4. **Implementation Process**

Subject to the Board approving the Phased Plus 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 Phased Plus Program, the university will consider development of an equitable waiver process for employees who have applied or were approved for RIO2, but have not yet retired, so that they can be considered for Phased Plus.

BOARD OF REGENTS PHASED RETIREMENT POLICY

Eligibility: Full-time faculty or staff of Regent universities, the special schools, and Board Office who have attained the age of 57 with at least 15 years of service with the Board of Regents are eligible for participation in the phased retirement program.

Approval: The phased retirement agreement and the phasing schedule will be developed between the employee and the department. Approval of the agreement and phasing schedule will occur at various levels within the institution, and no right to enter into a phased retirement agreement without approval by all officials as designated by the institutions is conferred by this policy. The Board of Regents will ratify entries into the phased retirement program as a part of the monthly Register of Personnel Changes.

Schedule of Phasing: A staff member may reduce from full-time to no less than a half-time appointment either directly or via a stepped schedule. The maximum phasing period will be five years with full retirement required at the end of the specified phasing period. At no time during the phasing period may an employee hold greater than a 65 percent appointment. After the completion of the fourth year, the appointment cannot exceed 50%. The phasing period will be set by agreement between the institution and the individual with full retirement required at the end of the specified phasing period. Once phased retirement is initiated, employees may not return to full-time appointment.

Compensation: Up to and including the 4th year of the phasing period, the salary received will reflect the reduced responsibilities plus an additional 10 percent of the budgeted salary, had the person worked full time. In the fifth year following the initiation of phased retirement, the staff member's appointment will be no greater than fifty percent, and the salary will be proportional to the budgeted salary had the person worked full-time.

Benefits: Up to and including the 5th year of the phasing period, institution and staff member contributions will continue for life insurance, health insurance, and disability insurance at the same levels that would have prevailed had the staff member continued at a full-time appointment. Retirement contributions to TIAA/CREF will be based on the salary which would have been obtained had the individual continued a full-time appointment. As mandated by law, FICA contributions will be based on the staff member's actual salary during the partial or pre-retirement period. The same is true for retirement contributions for those participating in the Iowa Public Employees Retirement System or Federal Civil Service System. Accrual of vacation and sick leave will be based on percentage of appointment. During the phasing period individuals may exercise their rights to access funds in their TIAA-CREF (or substitute plans) retirement accounts in any manner permitted either by the retirement carrier or by Board policy but not to exceed 99% of their account balances.

Duration of Program: The program will expire on June 30, 2012, unless renewed by the Board prior to expiration.

Reporting Requirements: Annual report to the Board of Regents. Individual participants will be reported to the Board on the monthly Register of Personnel Transactions.