BOARD OF REGENTS
STATE OF IOWA

AGENDA ITEM 14b
FEBRUARY 3-4, 2010

Contact: Thomas Evans

PROPOSED UNIVERSITY OF IOWA 2010 EARLY RETIREMENT INCENTIVE PROGRAM II

Actions Requested: Consider approval of the proposed 2010 Early Retirement Incentive Program II (ERIP II) for the University of Iowa; and direct it and Iowa State University to submit a report regarding their respective Early Retirement Incentive Programs at the August 2010 Board meeting.

Executive Summary: The 2009 University of Iowa Early Retirement Incentive Program exceeded savings expectations and was critical to the University of Iowa substantially avoiding forced layoffs to meet budget targets. The University of Iowa expects to save annually $4.7 million within the General Education Fund and $14 million University-wide. The minimum age for eligibility for the 2009 ERIP was 57.

Given budget expectations for FY2011, the University of Iowa is requesting that the same program be reoffered to eligible employees age 55 or greater. This would effectively add employees spanning three additional years to the eligible category. The window for the proposed Early Retirement Incentive Program II is February 15 – March 31, 2010 with the requirement that eligible employees retire no later than July 31, 2010. Projected additional annual savings is $1 million for the General Education Fund and $2 million University-wide.

An Early Retirement Incentive Program (ERIP) was first approved by the Board in 1986 for faculty and professional and scientific staff to comply with legislation enacted by the General Assembly. Eligibility for participation in the program was extended to staff of the Regent Merit System effective July 1, 1990. The original program was set to expire on June 30, 1991. In order that the institutions and the Board Office could properly evaluate the use, costs, and the benefits of the program and determine what effect, if any, changes in the Older Workers Benefit Protection Act had on the program, the Board approved a one-year extension of the original program through June 30, 1992. After review and evaluation by the Board Office and the institutions, the Board approved a modified program for a five-year period beginning July 1, 1992. The modified program changed the eligibility from a minimum age 57 and a maximum age of 63 with ten years of service to age 57 with 15 years of service. Changes were also made reducing the level of benefits provided under the program. In June 1996, the Board continued the program without change through June 30, 2002.

In July 2001, the Board voted to discontinue the ERIP on June 30, 2002, but allowed participation for an additional two years for faculty and staff who met the eligibility on June 30, 2002. At that time, the institutions and Board Office were directed to develop principles for any future early retirement programs for presentation to the Board in November 2001. The following principles were approved in November 2001.

1. Comply with governing law;

2. Be designed as a voluntary window incentive program requiring administrative approval and be distinguished from other retirement programs;

3. Be independently designed to allow each institution flexibility to meet its strategic goals and human resource needs;

4. Be advantageous to each institution's programmatic, economic, and human resource perspective;

5. Offer economic benefits to employee participants;

6. Be evaluated periodically to assure that the program accomplishes its intended objective.

In March of 2002, the Board of Regents received a report from the Board Office and the institutions on Early Retirement Incentive Programs which concluded that no new early retirement programs were needed at that time. The report went on to state that new programs could be proposed when needed to meet institutional needs. The report also suggested that new early retirement programs might include limited time availability programs (window programs) that targeted a limited number of staff, categories of employment, and certain operating units and departments. Future plans were to be individualized per institutional needs.

In 2007, the Iowa Braille School requested approval for an ERIP and the program was implemented.

In March 2009, Iowa State University requested approval for an ERIP program (Retirement Incentive Option - RIO) and the program was approved and implemented.

In April 2009, the Iowa Braille and Sight Saving School, University of Northern Iowa and University of Iowa requested approval for ERIP programs and the programs were approved and implemented.

In October 2009, Iowa State University requested approval of an ERIP (RIO2) and the program was approved and implemented.

The proposed 2010 Early Retirement Incentive Program (ERIP) for the University of Iowa will be used as a tool to shape, redirect, and focus the administrative, faculty, professional and scientific, and merit system work force.

The proposed ERIP II program of the University of Iowa is set forth in Appendix A.

The ERIP program (RIO2) of Iowa State University approved by the Board of Regents in October 2009 is set forth in Appendix B.

Appendix A

University of Iowa
Proposed 2010 Early Retirement Incentive Program II

The proposed ERIP does not create a right for the employee. The request to participate in the program may not be approved if it is deemed not in the best interest of the University of Iowa. Each application will be reviewed on an individual basis for its cost saving potential and will be subject to approval through the normal administrative chain with specific approval of Human Resources and the Vice President of the applicable unit. Acceptance of the application shall be considered as a voluntary resignation effective on the date cited by the applicant on the application form.

The proposed program is a one-time program in which eligible employees have a defined ‘window’ period for application.

1. **Eligibility** – University of Iowa regular employees (benefits eligible):

   (a) Must be fifty-five years of age at point of termination.

   (b) Individuals who are on phased retirement may apply to participate in this plan.

2. **Proposed Benefits**

   (a) Payment of accrued vacation.

   (b) Payment of accrued sick leave, not to exceed $2,000 in accordance with Iowa Code §70A.23 and AFSCME Collective Bargaining Agreement.

   (c) Health and Dental insurance incentive – Payment by the University of the employer’s standard share of health/dental coverage for the five years. This contribution shall be equal to the amount contributed for an active employee in the same plan and the same coverage level (single, employee/spouse, employee/child, family). Any increases or decreases in premium cost will be borne by the party responsible for payment at the time of the increase or decrease. After eligibility for Medicare, the University will continue to contribute the Incentive at the retiree health and dental insurance rates for the balance (if any) of the 5-year period.

   (d) In the event of the employee’s death, the University’s obligation to pay the cost of health and dental coverage will cease on the first day of the month following the date of death. The employee’s surviving spouse or dependent may elect to continue coverage as provided by law.

(e) Retirement incentive – Payment by the University of both the employer's and employee's retirement contributions to TIAA-CREF for three years, and the employer's contribution only for another two years. This contribution shall be equal to the amount contributed for an active employee in the same plan, which may increase or decrease over the term of this agreement.

(f) In the event of the employee's death, the University's obligation to pay the cost of the TIAA-CREF contribution will cease on the first day of the month following the date of death.

3. Application requirements:

(a) Employees who meet the eligibility requirements must apply for the ERIP II between February 15, 2010 and March 31, 2010. No applications will be accepted after March 31, 2010. The decision to request such a benefit is voluntary and initiated by the employee. Employees who elect to participate will be provided 7 days to revoke their election.

4. Commencement of Early Retirement:

(a) Employees must fully retire no later than July 31, 2010.

5. Re-employment:

(a) Re-employment into a benefits eligible position during the participation period is not permitted. Such employment may be permitted after the participation period.

6. Backfill of Vacated Positions

(a) Restricted based upon need

Appendix B

Iowa State University
2010 Retirement Incentive Option 2 Program (RIO2)

The RIO2 does not create a right for the employee. The request to participate in the program may not be approved if it is deemed not in the best interest of Iowa State University. Each application will be reviewed on an individual basis for its cost saving potential and will be subject to approval through the normal administrative chain with specific approval of appropriate supervisor and the Vice-president of the applicable unit. Acceptance of the application shall be considered as a voluntary resignation effective on the date cited by the applicant on the application form.

The program is a one-time program in which eligible employees have a defined ‘window’ period for application.

1. **Eligibility** – For Employees other than Employees in Federal Retirement Programs: Employees with ten (10) years of service and who are at least fifty-seven (57) years of age at time of retirement will be eligible.

   For Employees on Federal Retirement Programs: Employees with twenty (20) years of service and are at least fifty (50) years of age at time of retirement will be eligible.

2. **Proposed Benefits**

   (a) Payment of accrued vacation.

   (b) Payment of accrued sick leave, not to exceed $2,000 in accordance with Iowa Code §70A.23 and AFSCME Collective Bargaining Agreement.

   (c) Health and Dental Insurance Incentive Benefit: Upon retirement, five years of health and dental insurance coverage based on current health and dental elections for a period of five (5) years after retirement. The University will pay the employer and employee shares of health and dental insurance up to the employee and spouse/domestic partner rate (ISU HMO and PPO health programs) and up to the employee and family rate (State of Iowa health programs) until the employee is eligible for Medicare. Upon eligibility for Medicare, the University will continue to pay health and dental premiums at the retiree health and dental insurance rates for the balance of the 5-year period (if any).

   (d) In the event of the employee’s death, the University’s obligation to pay the cost of health and dental coverage will cease on the first day of the month following the date of death. The employee’s surviving spouse or dependent may elect to continue coverage as provided by law.

3. Application requirements:

(a) Employees who meet the eligibility requirements must apply for the RIO2 between December 1, 2009 and March 31, 2010. Employees who elect to participate will be provided 7 days to revoke their election.

4. Commencement of Early Retirement:

(a) Employees must fully retire no later than July 30, 2010.

5. Re-employment:

(a) Re-employment into a benefits eligible position during the participation period is not permitted. Such employment may be permitted after the participation period.

6. Backfill of Vacated Positions

(a) Restricted based upon need