

Contact: Kristin Bauer

**IOWA STATE UNIVERSITY PROPOSED FY 2021 RETIREMENT INCENTIVE OPTION
PROGRAM**

Action Requested: Consider approval of an FY 2021 Retirement Incentive Option Program as proposed by Iowa State University. Direct the university to submit a report detailing the participation and cost savings of the program at its August 2021 meeting.

Executive Summary: As part of a budget-planning response to reductions in revenues due to declining enrollments and reduced state support, the university is proposing to offer a FY 2021 Retirement Incentive Option Program (RIO).

The proposal would offer three options for eligible employees to choose from: two years of retirement contributions plus health and dental coverage; three years of retirement contributions; or three years of health and dental coverage. Eligible employees will need to meet a rule of 70, combining age and continuous length of service at the time of retirement. The minimum allowable age for this program is 60 years or older at time of retirement. The period for expressing interest would run from August 3, 2020, through March 1, 2021, with retirement date parameters established by administration to facilitate continuity of services, but no later than June 30, 2021.

As with previous retirement incentive programs offered in years of declining revenues, the decision to approve requests to participate will be at the discretion of divisional cabinet leadership. The full program is described below in attachment A.

According to the parameters defined, approximately 1,200 faculty and staff will meet the eligibility requirement for the RIO. Savings to the university would be dependent upon the number of approved participants. The incentive cost would vary depending on the program selected and the specifics of each individual, including current medical/dental plans, salary and age. Based upon current health premiums and retirement plan contributions a conservative estimate of incentive cost would be \$17,625 annually. The average salary and fringe benefit costs of the eligible group is \$85,924 and \$27,334, respectively.

BOARD OF REGENTS STATE OF IOWA

Terms and Conditions

Iowa State University FY 2021 Retirement Incentive Option Program

1. **Eligibility**

Effective with approval of this program, an active employee of the university will be eligible based on the following criteria:

- The employee must currently have a medical benefits-eligible appointment with the university;
- The employee must have continuous service and age that is equal to 70 and be at least sixty (60) years of age at the time of retirement;
- The employee must not already have been accepted in another ISU retirement program (e.g., phased retirement);
- The employee must submit an election form indicating interest no later than March 1, 2021;
- The employee agrees to fully retire within the parameters established for continuity of service, but no later than June 30, 2021.
- The employee must not have already communicated and received approval to retire or resign prior to the announcement of the RIO program.

2. **Approval of Retirement Incentive**

Any eligible employee may submit an election form indicating interest for the retirement incentive. The decision to submit the election form is voluntary and initiated by the employee. Approval is at the discretion of the divisional cabinet leadership. Employees approved for the retirement incentive program would not be rehired at the university while within the terms of the program they chose and its incentive period. Any exceptions to the rehire parameter during this time would require an employee to repay the value of the incentives received.

3. **Incentive Benefit**

Eligible employees would choose one of three retirement incentive options in the proposal:

Option 1: Two Years of Retirement Contributions Plus Health/Dental Coverage. Two years of continued monthly TIAA or AIG VALIC employer contributions equivalent to that received by active employees over the same time period. IPERS plan participants will receive a one-time, up-front payout equal to two years of employer contributions equivalent to that received by active employees at time of retirement. Also, two years of medical and dental coverage based on coverage as of July 1, 2020, up to "self and spouse/partner" plan level, including employer and employee costs. Eligibility for medical and dental contribution under this option requires 5 years of continuous participation in the medical/dental plans prior to retirement.

Option 2: Three Years of Retirement Contributions. Three years of monthly TIAA or AIG VALIC employer contributions equivalent to that received by active employees over the same time period. IPERS plan participants will receive a one-time, up-front payout equal to three years of employer contributions equivalent to that received by active employees at time of retirement.

Option 3: Three Years of Health/Dental Coverage. Three years of medical and dental coverage based on coverage as of July 1, 2020, up to “self and spouse/partner” plan level, including employer and employee costs. Eligibility for medical and dental contribution under this option requires 5 years of continuous participation in the medical/dental plans prior to 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 at their expense.

4. Implementation Process

Subject to the Board approving this proposal, the university will develop detailed procedures to implement the program.

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