

Human Resources Committee Memorandum
Board of Regents, State of Iowa

Subject: Annual Governance Report on Fringe Benefits for FY 2004
Prepared by: Marcia R. Brunson *MBN*
Date: September 1, 2004

Recommended Action:

Receive the Annual Governance Report on Fringe Benefits for FY 2004.

Executive Summary:

Report Purpose This annual report provides information concerning insurance, retirement and leave programs at the Regent institutions for FY 2004.

The report details the cost of fringe benefits for FY 2004 as well as providing narrative descriptions of the various programs. The entire report is in on file in the Board Office.

Total Program Costs

Total employer cost of fringe benefits, excluding sick and vacation leave costs, at the Regent institutions was \$350.3 million. This is an increase of 8% over the previous year.

Costs for insurance and retirement programs average between 27% and 33% of nonstudent payroll at the universities. Special schools average about 34%.

According to the most recent AAUP salary survey, average costs for fringe benefits at our peer universities range from a low of 20% to a high of 37%.

Expenditures by institution are detailed in Attachment A.

Retirement Programs

Employer contributions to retirement programs constitute the largest expenditure of the fringe benefit programs.

\$293.5 million

- Regent employees have the option to choose among TIAA-CREF, a qualified substitute, or IPERS. Participation in a retirement plan is required.

- Contributions to TIAA-CREF (and qualified substitute plans) at the universities and the Board Office are 10% by the employer and 5% by the employee.
- TIAA-CREF contributions at the special schools are at the IPERS rate – 5.75% by the employer and 3.7% by the employee. This is the same contribution rate as for all Iowa public K-12 institutions.
- Regent employees are also covered by Social Security and Medicare.
- Social Security contributions are 6.2% for both the employer and employee to a salary maximum for calendar year 2004 of \$87,900. The employer and employee each contribute 1.45% on all salary for Medicare.

**Health
Insurance**

\$118.1 million

Providing health insurance coverage to employees is a significant cost to the Regent institutions. Over the years the institutions have faced significant increases in the cost of health insurance.

Due to the moving of this report from November to September, the premium increases for the state plans, and the SUI and ISU plans are not known at this time.

The University of Northern Iowa health plans are based on fiscal year premiums. The FY 2005 increase was 9%.

Overall, the institutions spent about \$9 million (8%) more on health insurance in FY 2004 than in FY 2003.

AFSCME-covered employees at the universities and the special schools participate in the state-administered health and dental insurance plans. Over 50% of AFSCME employees at the Regent institutions have chosen the Blue Cross/Blue Shield Plan 3 Plus plan. AFSCME employees may also select from a number of managed care plans.

- Contribution rates and basic plan structures for the state-administered plans are subject to collective bargaining negotiations.
- In accordance with the current AFSCME agreement, the employer pays 100% of single coverage and 82% of the family premium for Iowa Select. The employee may apply this amount toward any of the state plans. The percentage paid by the employer for family coverage increases to 85% on January 1, 2005.

- Examples of monthly premiums for three of the state-administered health plans are shown below.

	PLAN 3 PLUS	IOWA SELECT	BLUE ADVANTAGE
Single	\$430.72	\$405.40	\$286.64
Employer	\$430.72	\$405.40	\$286.64
Family	\$1,007.88	\$948.66	\$687.86
Employer	\$777.90	\$777.90	\$687.86
Employee	\$229.98	\$170.76	0

Nonorganized employees at the special schools and employees of the Board Office also participate in the state health and dental plans. The largest participation by this group is in Deductible Plan 3 Plus.

- The Regent institutions have 7,571 contracts (single, family, and double spouse) in the various state health insurance programs for AFSCME-covered staff. In total statewide, there are about 27,000 contracts in the various state plans.

Each university administers its own health and dental insurance programs for faculty, professional and scientific and supervisory merit system staff.

- The University of Iowa has 9,809 contracts in its university health insurance plans.
- Iowa State University has 3,819 contracts in its university health insurance plans.
- The University of Northern Iowa has 1,418 contracts.

Sick Leave

Full-time state employees earn 18 days of sick leave per year (1½ days per month). Sick leave is accumulated without limitation. Upon retirement, employees receive the value of their accumulated sick leave not to exceed \$2,000.

In FY 2004, Regent employees used 149,614 days of sick leave. The value of sick leave used was \$24.4 million.

The average sick leave use per employee was 6.4 days per year. The average usage in FY 2003 was 6.1 days.

Vacation Leave

Professional and scientific employees and 12-month faculty accrue 22 days of vacation per year.

Regent Merit System employees and other state employees accrue vacation based on years of service, i.e., two weeks per year in the first

four years increasing to five weeks in the 25th year and beyond.

In total Regent employees used 338,018 days of vacation leave in FY 2004 valued at \$66.0 million. This is an average usage of 16.5 days.

Holidays

The following holidays are granted annually to Regent employees:

New Year's Day	Thanksgiving Day
Memorial Day	Friday after Thanksgiving
Independence Day	Christmas Day
Labor Day	

Two days designated by the head of each institution*

Two days to be accrued as vacation

*(Other state employees receive the same number of holidays, which includes Veterans' Day and the birthday of Dr. Martin Luther King, Jr.)

Background:

Retirement Programs

FY 2004 participation in retirement plans at the Regent institutions is as follows:

TIAA CREF	22,972
Qualified Substitute Plans	42
IPERS	3,026

In addition, Iowa State University has 145 employees covered by federal retirement.

Health and Dental Insurance

The universities administer health and dental insurance programs for faculty, professional and scientific staff and supervisory merit staff. The Regent Policy Manual §4.28 requires that the changes to institutional insurance benefits be approved by the Executive Director and reported to the Board.

- The University of Iowa currently offers its faculty and staff four health insurance plans in addition to a separate program for graduate students. The University offers three dental insurance plans.
- Iowa State University offers three health insurance plans. The University offers two dental insurance plans.
- University of Northern Iowa offers two health insurance plans and one dental insurance plan.

Other Benefits

The institutions also provide employees with life insurance, accidental death and dismemberment insurance and long-term disability insurance.

Flexible Benefit Programs

Both the University of Iowa and Iowa State University offer flexible benefit programs to faculty, professional and scientific and supervisory merit staff. Through these programs eligible employees make benefit selections based upon their personal needs.

Sick Leave

Sick leave usage at each of the institutions is detailed below.

	SUI	ISU	UNI	ISD	IBSSS
# Faculty	2,201	1,921	750	54	40
Days used	3,405	1,944	990	383	240
Value	\$1.8 million	\$563,950	\$300,444	\$76,910	\$57,465
Average	1.55 days	1.01 days	1.32 days	7.1 days	6.0 days
# P&S	6,842	2,539	538	46	13
Days used	45,797	11,308	3,217	263	147
Value	\$8.5 million	\$2.0 million	\$623,348	\$40,415	\$28,996
Average	6.7 days	4.45 days	6.0 days	5.7 days	11.3 days
# Merit	5,746	2,032	642	51	52
Days used	55,470	18,782	6,721	470	504
Value	\$7.0 million	\$2.4 million	\$912,201	\$60,553	\$61,458
Average	9.65 days	9.24 days	10.5 days	9.2 days	9.7 days

Vacation Leave

Vacation leave usage at each of the institutions is detailed below.

	SUI	ISU	UNI	ISD	IBSSS
# Faculty	1,227	525	29		
Days used	18,542	8,477	474		
Value	\$10.5 million	\$3.0 million	\$220,233		
Average	15.1 days	16.1 days	16.3 days		
# P&S	7,015	2,514	538	46	13
Days used	115,988	47,242	9,007	297	321
Value	\$22.8 million	\$9.0 million	\$1.8 million	\$70,145	\$70,704
Average	16.5 days	18.8 days	16.7 days	6.5 days	24.7 days
# Merit	5,856	2,029	642	51	52
Days used	86,700	35,737	13,660	726	847
Value	\$11.5 million	\$4.8 million	\$1.9 million	\$101,467	\$107,719
Average	14.8 days	17.6 days	21.3 days	14.2 days	16.3 days

EXPENDITURES FOR INSURANCE AND RETIREMENT PROGRAMS -- FY 2004

	University of Iowa	Iowa State University	University of Northern Iowa	Iowa School for the Deaf	Iowa School for the Sighted	Iowa Braille and Sighted Saving School	Total Regent Institutions
Mandated Benefits							
Social Security	55,401,699	23,328,725	7,441,105	421,150	302,939	86,895,618	
IPERS	884,681	652,602	312,268	113,093	116,092	2,078,736	
TIAA CREF	70,168,861	29,523,621	9,714,000	235,217	110,987	109,752,686	
Substitute plans	195,927	30,230	22,973	-	-	249,130	
Federal Retirement TIAA CREF Waiver of Premium	-	1,107,638	-	-	-	1,107,638	
Unemployment Compensation Workers	2,336,000	815,025	314,649	4,279	2,318	3,472,271	
Compensation	435,966	174,692	138,440	-	8,409	757,507	
Compensation	4,974,532	2,269,080	790,106	54,147	91,976	8,179,841	
Total Mandated	134,397,666	57,901,613	18,733,541	827,886	632,721	212,493,427	
Other Benefits							
Life Insurance	5,361,786	1,856,937	309,200	28,533	19,077	7,575,533	
Accidental Death and Dismemberment	-	317,572	62,118	4,156	2,787	386,633	
Health Insurance	70,188,064	33,070,704	13,155,886	967,583	672,560	118,054,797	
Long-term Disability	5,015,943	1,844,545	839,917	42,099	29,235	7,771,739	
Dental Insurance	6,614,457	1,383,917	480,858	33,851	22,108	8,535,191	
Total Other Benefits	87,180,250	38,473,675	14,847,979	1,076,222	745,767	142,323,893	
Total Expenditures	221,577,916	96,375,288	33,581,520	1,904,108	1,378,488	354,817,320	
Less interest received on cash reserves maintained by carriers	4,178,929	-	335,067	-	-	4,513,996	
Total Cost of Insurance and Retirement Programs	217,398,987	96,375,288	33,246,453	1,904,108	1,378,488	350,303,324	
Percent of Non-student payroll	26.59%	28.39%	32.83%	33.96%	34.24%	27.63%	