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REPORT OF IOWA STATE UNIVERSITY RETIREMENT INCENTIVE OPTION PROGRAM

Action Requested: Receive the report.

Executive Summary: As part of a budget-planning response to reductions in revenues due to declining enrollments and reduced state support, Iowa State University submitted a proposal to the Board to offer a FY2021 Retirement Incentive Program (RIO). The Board approved the RIO program at its July 29, 2020 meeting and directed the university to submit a report detailing the participation and cost savings of the program.

The program offered three options for eligible employees to choose from: two years of retirement contributions plus health and dental coverage (Option 1); three years of retirement contributions (Option 2); or three years of health and dental coverage (Option 3). Eligible employees were required to meet a rule of 70, combining age and continuous length of service at the time of retirement. The minimum allowable age for the program was 60 years or older at time of retirement. The period of expressing interest ran 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.

The report is detailed below in Attachment A.

ATTACHMENT A

Financial Impact: The intent of the RIO program was to help colleges and units address financial challenges by reducing personnel costs. The net savings to the university (salary and benefits savings less cost of incentive program) starting in FY2022 averages \$15 million per year for three years. The total across the next three fiscal years is projected to be \$45 million. Table 1 shows the annual net savings, split between the general fund and other funding types, based on costing allocations at the time of retirement.

Table 1				
Total Net Savings per Fiscal Year*				
	Legislative	ACF	Restricted	Total
FY2021	\$ (435,468)	\$ (21,637)	\$ (248,370)	\$ (705,476)
FY2022	\$ 10,295,722	\$ 36,564	\$ 4,225,094	\$ 14,557,380
FY2023	\$ 9,478,508	\$ 18,517	\$ 4,174,230	\$ 13,671,254
FY2024	\$ 11,337,973	\$ 23,858	\$ 5,206,798	\$ 16,568,630
TOTAL	\$ 30,676,735	\$ 57,302	\$ 13,357,751	\$ 44,091,788

*This is savings per year and not incremental from year to year.

Participation Information: According to the approved parameters, approximately 1,200 faculty and staff would have met the eligibility requirement for the RIO. A total of 360 applications (30% of original eligible estimate) were received. The application breakdown is included in Table 2. Overall, the most popular incentive option was Option 1 with 47% of approved applications choosing this option, followed by Option 3 with 38% and Option 2 with 15%, detailed in Table 3.

Table 2					
RIO Applications					
by Job Family					
	Application Outcome				
Job Family	Approved	Declined	Ineligible	Withdrew	Total
Faculty	62	3	2	9	76
P&S Staff	150	9		5	164
Merit Staff	106	11	1	2	120
TOTAL	318	23	3	16	360

Table 3				
RIO Approvals				
by Incentive Options				
	Incentive Choices			
Job Family	Option 1	Option 2	Option 3	Total
Faculty	34	16	12	62
P&S Staff	55	17	34	106
Merit Staff	62	14	74	150
TOTAL	151	47	120	318