

**MEMORANDUM**

To: Board of Regents  
 From: Board Office  
 Subject: Annual Report on Fringe Benefits – FY 2003  
 Date: November 3, 2003

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**Recommended Action:**

Receive the FY 2003 report.

**Executive Summary:**

**Strategic Plan** The Board's current strategic plan (Plan), Key Result Area 4.0.0.0, requires the Board to exercise effective stewardship of institutional resources to maintain the confidence and support of the public in the utilization of existing financial resources.

The Plan, Key Result Area 1.0.0.0, states the Board of Regents, State of Iowa, will become the best public education enterprise in the United States. Vital to meeting this KRA is attracting and retaining quality faculty and staff. Fringe benefit programs that are comparable to peer institutions are essential recruitment tools.

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**Report Purpose** This annual report provides the Board with information concerning insurance, retirement, and leave programs at the Regent institutions for FY 2003.

The report details the cost of fringe benefits for FY 2003 as well as provides narrative descriptions of the various programs. The entire report is included in the Regent Exhibit Book.

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**Total Program Costs** Total employer cost of insurance and retirement programs at the Regent institutions and the Board Office was \$324.5 million, which is an increase of 5% over the previous year.

**\$324.5 million** Costs for insurance and retirement programs average about 27% of non-student payroll.

- According to the most recent AAUP salary survey, average costs for fringe benefits at comparable institutions range from 20% to 35%.

Expenditures are detailed by institution in Attachment A.

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**Retirement Programs**

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

**\$191.8 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.

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**Health Insurance**

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. The state health plans increased in cost 14% on January 1, 2003, and will increase an additional 8.4% on January 1, 2004. UNI experienced an increase of approximately 10% on July 1, 2003. At SUI the employer share for health insurance will increase 8% on January 1. ISU will see a 12% increase for calendar year 2004.

**\$109.1 million**

Overall, the institutions spent about \$6 million (6%) more on health insurance in FY 2003 than in FY 2002.

AFSCME-covered employees at the universities and all employees of the special schools and Board Office participate in the state administered health and dental insurance plans.

- Contribution rates and basic plan structures for the state administered plans are subject to collective bargaining negotiations.
- The Regent institutions have 6,824 contracts (single, family, and double spouse) in the various state health insurance programs for AFSCME-covered staff. In total there are about 29,000 contracts in the various state plans.

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

- The University of Iowa has 10,650 contracts in its university health insurance plans.
- Iowa State University has 3,744 contracts in its university health insurance plans.

- The University of Northern Iowa has 1,416 contracts.
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**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 2003, Regent employees used 152,613 days of sick leave. The value of sick leave used was \$24.5 million.

The average sick leave use per employee was 6.1 days per year. The average usage in FY 2002 was 6.7 days.

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**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 25<sup>th</sup> year and beyond.

In total Regent employees used 357,246 days of vacation leave in FY 2003 valued at \$69.0 million. This is an average usage of 16.5 days.

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**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 designed by the head of each institution\*

Two days to be accrued as vacation

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

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**Background:**

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**Retirement Programs**

FY 2003 participation in retirement plans at the Regent institutions is as follows:

TIAA CREF	22,669
Qualified Substitute Plans	46
IPERS	3,066

In addition, Iowa State University has 158 employees covered by federal retirement.

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**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 §4.35 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 two dental insurance plans. Beginning in January 2004, an additional dental plan will be offered.
  - 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.
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**Other Benefits**

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

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**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.

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**Sick Leave**

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

	SUI	ISU	UNI	ISD	IBSSS
<b># Faculty</b>	2,488	1,879	756	53	39
Days used	3,767	2,194	622	459	206
Value	\$2.0 million	\$625,295	\$171,141	\$89,757	\$46,982
Average	1.51 days	1.2 days	1 day	8.7 days	5.3 days
<b># P&amp;S</b>	7,274	2,480	541	46	14
Days used	46,731	11,466	3,164	261	77
Value	\$8.5 million	\$2.0 million	\$609,1171	\$39,316	\$16,082
Average	6.4 days	4.6 days	5.9 days	5.7 days	5.5 days
<b># Merit</b>	6,612	2,084	661	52	56
Days used	57,244	18,436	7,132	374	483
Value	\$7.0 million	\$2.3 million	\$909,746	\$44,399	\$55,969
Average	8.7 days	8.9 days	10.8days	7.2 days	8.6 days

**Vacation Leave**

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

	SUI	ISU	UNI	ISD	IBSSS
<b># Faculty</b>	1,306	503	29		
Days used	22,325	8,986	557		
Value	\$12.3 million	\$3.2 million	\$247,247		
Average	17.1 days	17.9 days	19.2 days		
<b># P&amp;S</b>	7,274	2,452	541	46	14
Days used	126,911	45,083	9,930	331	306
Value	\$24.9 million	\$8.7 million	\$2.0 million	\$79,946	\$64.037
Average	17.5 days	18.4 days	18.4 days	7.2 days	21.9 days
<b># Merit</b>	6,612	2,083	661	52	56
Days used	93,878	35,029	12,410	728	773
Value	\$12.2 million	\$4.5 million	\$658,332	\$100,483	\$91,956
Average	14.2 days	16.8 days	18.8 days	14.0 days	13.8 days

**Approval Requested**


 Approved:   
 Marcia R. Brunson Gregory S. Nichols

**EXPENDITURES FOR INSURANCE AND RETIREMENT PROGRAMS FISCAL YEAR 2003**

	University of Iowa	Iowa State University	University of Northern Iowa	Iowa School for the Deaf	Iowa Braille School	Total Regent Institutions
<b>Mandated Benefits</b>						
Social Security	52,024,902	22,086,658	7,209,973	404,314	288,188	82,014,035
IPERS	802,814	554,580	309,869	106,620	116,223	1,890,106
TIAA CREF	66,319,160	28,124,812	9,298,568	221,102	100,403	104,064,045
Substitute plans	196,476	16,474	21,992	-	-	234,942
Federal Retirement	-	1,175,811	-	-	-	1,175,811
TIAA CREF Waiver of Premium	1,421,304	750,931	258,118	4,111	1,737	2,436,201
Unemployment Compensation Workers	481,663	211,244	102,154	583	29,918	825,562
Compensation	3,806,628	1,847,591	703,447	50,946	78,861	6,487,473
<b>Total Mandated</b>	<b>125,052,947</b>	<b>54,768,101</b>	<b>17,904,121</b>	<b>787,676</b>	<b>615,330</b>	<b>199,128,175</b>
<b>Other Benefits</b>						
Life Insurance	2,339,084	1,958,764	468,814	27,286	18,283	4,812,231
Accidental Death and Dismemberment	-	304,962	59,333	3,988	2,678	370,961
Health Insurance	66,238,717	29,233,922	12,180,196	847,937	612,686	109,113,458
Long-term Disability	2,498,162	1,745,048	763,147	41,608	24,176	5,072,141
Dental Insurance	6,347,668	1,315,932	444,143	30,705	20,195	8,158,643
<b>Total Other Benefits</b>	<b>77,423,631</b>	<b>34,558,628</b>	<b>13,915,633</b>	<b>951,524</b>	<b>678,018</b>	<b>127,527,434</b>
<b>Total Expenditures</b>	<b>202,476,578</b>	<b>89,326,729</b>	<b>31,819,754</b>	<b>1,739,200</b>	<b>1,293,348</b>	<b>326,655,609</b>
Less interest received on cash reserves maintained by carriers	1,793,043	-	323,466	-	-	2,116,509
<b>Total Cost of Insurance and Retirement Programs</b>	<b>200,683,535</b>	<b>89,326,729</b>	<b>31,496,288</b>	<b>1,739,200</b>	<b>1,293,348</b>	<b>324,539,100</b>
<b>Percent of Non-student payroll</b>	<b>25.98%</b>	<b>27.81%</b>	<b>32.17%</b>	<b>32.39%</b>	<b>33.74%</b>	<b>27.00%</b>