

**MEMORANDUM**

To: Board of Regents  
 From: Board Office  
 Subject: Annual Report on Fringe Benefits – FY 2002  
 Date: November 4, 2002

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**Recommended Action:**

Receive the FY 2002 report.

**Executive Summary:**

**Strategic Plan** The Board's strategic 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 Board strategic 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, vacation and sick leave programs at the Regent institutions for FY 2002.

The report details the cost of fringe benefits for FY 2002 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 \$308.9 million, which is an increase of 4.3% over the previous year.

**\$308.9 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 19% to 33%.

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.

**\$184.9 million**

- Regent employees have the option to choose between 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 of \$84,900. 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 11% on January 1, 2002, and will increase an additional 14% on January 1, 2003. UNI experienced an increase of approximately 17% on July 1, 2002. At SUI the employer share for health insurance will increase 10% on January 1. ISU will see a 13.3% increase for calendar year 2003.

**\$102.9 million**

A recent survey conducted by Towers Perrin indicated that health care costs for large employers will increase 15% on average in 2003.

Overall, the institutions spent about \$10 million (10%) more on health insurance in FY 2002 than in FY 2001.

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 7,721 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 11,317 contracts in its university health insurance plans.
- Iowa State University has 3,751 contracts in its university health insurance plans.

- The University of Northern Iowa has 1,141 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 2002, Regent employees used 157,622 days of sick leave. The value of sick leave used was \$22.6 million.

The average sick leave use per employee was 6.7 days per year. The average usage in FY 2001 was 6.6 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 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 363,273 days of vacation leave in FY 2002 valued at \$65.0 million. This is an average usage of 17.6 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:**

<b>Program Costs</b>	Retirement Plans:		
	Social Security	\$ 77,692,688	
	TIAA/CREF	101,565,925	
	Substitute Plans	168,262	
	IPERS	1,782,810	
	Federal	1,272,126	
	TIAA/CREF Waiver of Premium	2,395,824	
	Unemployment Compensation	533,351	
	Workers Compensation	3,947,983	
	Health Insurance	102,904,652	
	Life Insurance	5,991,620	
	Long-term Disability Insurance	5,971,684	
	Accidental Death and Dismemberment	369,262	
	Dental Insurance	7,366,094	
		<b>TOTAL</b>	<b>\$311,962,192</b>
	Less interest received on cash reserves maintained by the carriers		3,033,019
		<b>TOTAL</b>	<b>\$308,929,173</b>

**Retirement  
Programs**

FY 2002 participation in retirement plans at the Regent institutions is as follows:

TIAA CREF	21,894
Qualified Substitute Plans	46
IPERS	2,962

In addition, Iowa State University has 168 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 Procedural Guide §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 five health insurance plans in addition to a separate program for graduate students. The University offers two dental insurance plans. Beginning in January 2003, one health plan will no longer 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.

**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 usage at each of the institutions is detailed below.

	SUI	ISU	UNI	ISD	IBSSS
<b># Faculty</b>	2,165	1,965	748	53	32
Days used	3,045	3,295	597	371	148
Value	\$1.3 million	\$908,837	\$190,965	\$56,035	\$33,872
Average	1.41 days	1.7 days	1 day	7.0 days	4.6 days
<b># P&amp;S</b>	6,519	2,505	542	42	13
Days used	46,992	12,723	2,825	149	106
Value	\$7.1 million	\$2.2 million	\$541,404	\$22,571	\$25,583
Average	7.21 days	5.1 days	5.2 days	3.6 days	8.2 days
<b># Merit</b>	5,868	2,165	695	59	58
Days used	56,830	21,243	8,248	555	495
Value	\$6.6 million	\$2.5 million	\$994,838	\$83,890	\$53,637
Average	9.7 days	9.8 days	11.9 days	9.4 days	8.5 days

**Vacation Leave**

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

	SUI	ISU	UNI	ISD	IBSSS
<b># Faculty</b>	1,221	588	30		
Days used	18,964	11,449	531		
Value	\$9.8 million	\$4.0 million	\$215,810		
Average	15.5 days	19.5 days	17.7 days		
<b># P&amp;S</b>	6,720	2,486	542	42	13
Days used	123,024	52,347	9,436	277	239
Value	\$22.0 million	\$9.7 million	\$1.8 million	\$68,336	\$49,628
Average	18.3 days	21.1 days	17.4 days	6.6 days	18.4 days
<b># Merit</b>	5,974	2,165	695	59	58
Days used	92,553	40,864	11,942	865	781
Value	\$10.7 million	\$5.0 million	\$1.5 million	\$112,202	\$87,651
Average	15.5 days	18.9 days	17.2 days	14.7 days	13.5 days

**Approval Requested**

*Marcia Brunson* approved: *Gregory S. Nichols*  
 Marcia R. Brunson Gregory S. Nichols

**EXPENDITURES FOR INSURANCE AND RETIREMENT PROGRAMS -- FISCAL YEAR 2002**

	University of Iowa	Iowa State University	University of Northern Iowa	Iowa School for the Deaf	Iowa Braille School	Total Regent Institutions	Board Office	Total
<b>Mandated Benefits</b>								
Social Security	48,058,381	21,779,916	7,105,146	400,499	276,716	77,620,658	72,030	77,692,688
IPERS	724,719	527,076	300,956	107,862	104,142	1,764,755	18,055	1,782,810
TIAA CREF	64,193,494	27,848,457	9,143,596	212,792	99,604	101,497,943	67,982	101,565,925
Substitute plans	122,426	23,946	21,890	-	-	168,262	-	168,262
Federal Retirement TIAA CREF Waiver of Premium	-	1,272,126	-	-	-	1,272,126	-	1,272,126
Unemployment Compensation Workers	1,421,304	705,332	262,510	3,902	1,492	2,394,540	1,284	2,395,824
Compensation	306,759	177,525	31,716	13,195	4,156	533,351	-	533,351
Compensation	2,283,047	988,660	596,065	50,946	25,090	3,943,808	4,175	3,947,983
<b>Total Mandated</b>	<b>117,110,130</b>	<b>53,323,038</b>	<b>17,461,879</b>	<b>789,196</b>	<b>511,200</b>	<b>189,195,443</b>	<b>163,526</b>	<b>189,358,969</b>
<b>Other Benefits</b>								
Life Insurance	3,763,713	2,057,998	116,661	28,572	18,927	5,985,871	5,749	5,991,620
Accidental Death and Dismemberment	-	303,232	58,747	3,920	2,605	368,504	758	369,262
Health Insurance	63,741,130	27,158,388	10,649,432	761,251	514,238	102,824,439	80,213	102,904,652
Long-term Disability	3,179,092	1,676,446	1,045,157	39,632	23,319	5,963,646	8,038	5,971,684
Dental Insurance	5,592,383	1,297,787	427,217	28,084	17,654	7,363,125	2,969	7,366,094
<b>Total Other Benefits</b>	<b>76,276,318</b>	<b>32,493,851</b>	<b>12,297,214</b>	<b>861,459</b>	<b>576,743</b>	<b>122,505,585</b>	<b>97,727</b>	<b>122,603,312</b>
<b>Total Expenditures</b>	<b>193,386,448</b>	<b>85,816,889</b>	<b>29,759,093</b>	<b>1,650,655</b>	<b>1,087,943</b>	<b>311,701,028</b>	<b>261,253</b>	<b>311,962,281</b>
Less interest received on cash reserves maintained by carriers	1,902,808	787,524	342,687	-	-	3,033,019	-	3,033,019
<b>Total Cost of Insurance and Retirement Programs</b>	<b>191,483,640</b>	<b>85,029,365</b>	<b>29,416,406</b>	<b>1,650,655</b>	<b>1,087,943</b>	<b>308,668,009</b>	<b>261,253</b>	<b>308,929,262</b>
<b>Percent of Non-student payroll</b>	<b>25.97%</b>	<b>26.80%</b>	<b>30.56%</b>	<b>30.91%</b>	<b>29.41%</b>	<b>27.00%</b>	<b>25.10%</b>	<b>26.61%</b>