

MEMORANDUM

To: Board of Regents
 From: Board Office
 Subject: Annual Report on Fringe Benefits – FY 2001
 Date: November 5, 2001

Recommended Action:

Receive the FY 2001 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.

Report Purpose

This annual report provides the Board with information concerning insurance, retirement, vacation and sick leave programs at the Regent institutions for FY 2001.

The report details the cost of fringe benefits for FY 2001 as well as provides narrative descriptions of the various programs. The entire report is included in the Regent Exhibit Book.

Total Program Costs

Total employer cost of insurance and retirement programs at the Regent institutions and the Board Office was \$296.2 million, which is an increase of 13% over the previous year.

\$296.2 million

Costs for insurance and retirement programs average about 28% of non-student payroll.

- According to the most recent AAUP salary survey, average costs for fringe benefits at comparable institutions range from 18% to 35%.

Expenditures are detailed by institution in Attachment A.

Retirement Programs

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

\$181.9 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 \$80,400. The employer and employee each contribute 1.45% on all salary for Medicare,

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 July 1, 2001, and will increase an additional 11% on January 1, 2002. UNI experienced an increase of approximately 18% on July 1, 2001. At SUI the employer share for health insurance will increase 9% on January 1. ISU will see a 9.5% increase for calendar year 2002.

\$93.2 million

Overall, the institutions spent about \$18 million (20%) more on health insurance in FY 2001 than in FY 2000.

AFSCME-covered employees at the universities and all employees of the special schools and Board Office are required to 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.
- In total, the Regent institutions have 7,231 contracts (single, family, and double spouse) in the various state health insurance programs for AFSCME-covered staff.

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

- The University of Iowa has 11,197 contracts in its university health insurance plans.
 - Iowa State University has 4,080 contracts in its university health insurance plans.
 - The University of Northern Iowa has 1,462 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 2001, Regent employees used 151,812 days of sick leave. The value of sick leave used was \$23.2 million.

The average sick leave use per employee was 6.6 days per year, which was the same average usage in FY 2000.

More detail on sick leave usage and its cost is provided in Attachment B.

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 25th week and beyond.

In total Regent employees used 357,705 days of vacation leave in FY 2001 valued at \$66.2 million. This is an average usage of 18.4 days.

More detail on vacation leave is included in Attachment B.

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.)

Background:

Program Costs	Retirement Plans:		
	Social Security	\$..73,234,793	
	TIAA/CREF	102,827,899	
	Substitute Plans	208,191	
	IPERS	1,791,349	
	Federal	1,329,693	
	TIAA/CREF Waiver of Premium	2,497,396	
	Unemployment Compensation	374,178	
	Workers Compensation	3,210,988	
	Health Insurance	93,172,632	
	Life Insurance	6,859,887	
	Long-term Disability Insurance	6,685,644	
	Accidental Death and Dismemberment	364,314	
	Dental Insurance	6,593,116	
		TOTAL	\$299,150,080
	Less interest received on cash reserves maintained by the carriers		2,991,273
		TOTAL	\$296,158,807

**Retirement
Programs**

FY 2001 participation in retirement plans at the Regent institutions is as follows:

TIAA CREF 22,010
Qualified Substitute Plans 51
IPERS 2,424

In addition, Iowa State University has 180 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 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.
- Iowa State University offers four 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.

**Approval
Requested**

Marcia Brunson

Marcia R. Brunson

Approved:

Robert J. Barak

Robert J. Barak

EXPENDITURES FOR INSURANCE AND RETIREMENT PROGRAMS -- FISCAL YEAR 2001

	University of Iowa	Iowa State University	University of Northern Iowa	Iowa School for the Deaf	Iowa Braille School	Total Regent Institutions	Board Office	Total
Mandated Benefits								
Social Security	44,362,003	21,262,450	6,850,259	417,668	272,148	73,164,528	70,265	73,234,793
IPERS	722,192	569,880	280,631	108,900	101,324	1,782,927	8,422	1,791,349
TIAA CREF	66,447,429	27,224,089	8,749,987	216,982	101,019	102,739,506	88,393	102,827,899
Substitute plans	135,587	51,599	21,005	-	-	208,191	-	208,191
Federal Retirement	-	1,329,693	-	-	-	1,329,693	-	1,329,693
TIAA CREF Waiver of Premium	1,426,000	736,070	327,850	4,198	1,670	2,495,788	1,608	2,497,396
Unemployment Compensation Workers	208,659	142,251	23,268	-	-	374,178	-	374,178
Compensation	2,211,842	345,366	587,123	38,377	23,999	3,206,707	4,281	3,210,988
Total Mandated	115,513,712	51,661,398	16,840,123	786,125	500,160	185,301,518	172,969	185,474,487
Other Benefits								
Life Insurance	4,417,803	1,939,358	438,521	35,162	22,458	6,853,302	6,585	6,859,887
Accidental Death and Dismemberment	-	300,343	56,163	4,502	2,523	363,531	783	364,314
Health Insurance	59,944,908	22,683,921	9,363,534	662,272	447,949	93,102,584	70,048	93,172,632
Long-term Disability	4,469,508	1,686,881	457,555	39,594	24,202	6,677,740	7,904	6,685,644
Dental Insurance	4,957,152	1,205,873	379,090	29,611	18,515	6,590,241	2,875	6,593,116
Total Other Benefits	73,789,371	27,816,376	10,694,863	771,141	515,647	113,587,398	88,195	113,675,593
Total Expenditures	189,303,083	79,477,774	27,534,986	1,557,266	1,015,807	298,888,916	261,164	299,150,080
Less interest received on cash reserves maintained by carriers	1,851,098	730,513	409,662	-	-	2,991,273	-	2,991,273
Total Cost of Insurance and Retirement Programs	187,451,985	78,747,261	27,125,324	1,557,266	1,015,807	295,897,643	261,164	296,158,807
Percent of Non-student payroll	28.42%	25.39%	29.09%	27.95%	27.91%	27.60%	24.98%	27.60%

Sick and Vacation
Leave Usage
Fiscal Year 2001

SUI	Faculty		P&S		Merit		Total	
	Sick	Vacation	Sick	Vacation	Sick	Vacation	Sick	Vacation
Total Employees Earning Leave	2,268	1,064	6,113	6,113	5,453	5,453	13,834	12,630
Total Value of Leave Used	\$1,315,674	\$9,414,462	\$8,412,687	\$24,176,166	\$6,267,773	\$11,265,772	\$15,996,134	\$44,856,400
Total Days Used	2,711.50	17,493.50	43,815.88	122,457.75	54,126.75	91,776.88	100,654	231,728
Average Days Used Per Employee	1.20	16.44	7.17	20.03	9.93	16.83	7.28	18.35

ISU	Faculty		P&S		Merit		Total	
	Sick	Vacation	Sick	Vacation	Sick	Vacation	Sick	Vacation
Total Employees Earning Leave	2,004	627	2,510	2,490	2,273	2,273	6,787	5,390
Total Value of Leave Used	\$828,536	\$3,878,986	\$2,099,092	\$9,129,872	\$2,456,594	\$4,811,906	\$5,384,222	\$17,820,764
Total Days Used	2,946	11,378	12,376	50,233	22,096	40,911	37,418	102,522
Average Days Used Per Employee	1.47	18.15	4.93	20.17	9.72	18.00	5.51	19.02

UNI	Faculty		P&S		Merit		Total	
	Sick	Vacation	Sick	Vacation	Sick	Vacation	Sick	Vacation
Total Employees Earning Leave	798	30	525	525	694	694	2,017	1,249
Total Value of Leave Used	\$145,087	\$195,189	\$443,353	\$1,656,603	\$930,641	\$1,386,502	\$1,519,081	\$3,238,294
Total Days Used	554	514	2,668	8,827	8,357	11,777	11,579	21,119
Average Days Used Per Employee	0.69	17.15	5.08	16.81	12.04	16.97	5.74	16.91

Sick and Vacation
Leave Usage
Fiscal Year 2001

ISD	Faculty		P&S		Merit		Total	
	Sick	Vacation	Sick	Vacation	Sick	Vacation	Sick	Vacation
Total Employees Earning Leave	59	n/a	42	42	60	60	161	102
Total Value of Leave Used	\$91,488	n/a	\$28,805	\$75,148	\$70,571	\$104,694	\$190,864	\$179,842
Total Days Used	490.75	n/a	210.88	331.63	612.38	838.88	1,314	1,171
Average Days Used Per Employee	8.32	n/a	5.02	7.90	10.21	13.98	8.16	11.48

IBSSS	Faculty		P&S		Merit		Total	
	Sick	Vacation	Sick	Vacation	Sick	Vacation	Sick	Vacation
Total Employees Earning Leave	34	n/a	14	14	55	55	103	69
Total Value of Leave Used	\$32,387	n/a	\$25,916	\$59,426	\$58,657	\$93,236	\$116,960	\$152,662
Total Days Used	157.38	n/a	134.50	299.63	554.88	866.00	847	1,166
Average Days Used Per Employee	4.63	n/a	9.61	21.40	10.09	15.75	8.22	16.89

REGENTS TOTAL	Faculty		P&S		Merit		Total	
	Sick	Vacation	Sick	Vacation	Sick	Vacation	Sick	Vacation
Total Employees Earning Leave	5,163	1,721	9,204	9,184	8,535	8,535	22,902	19,440
Total Value of Leave Used	\$2,413,172	\$13,488,637	\$11,009,853	\$35,097,215	\$9,784,236	\$17,662,110	\$23,207,261	\$66,247,962
Total Days Used	6,859	29,386	59,205	182,149	85,747	146,169	151,812	357,705
Average Days Used Per Employee	1.33	17.08	6.43	19.83	10.05	17.13	6.63	18.40