



BOARD OF REGENTS DOCKET ITEM SUMMARY

Board of Regents

July 8, 2020

AGENDA ITEM: Resolution Related to Fiscal Year 2021 Retirement Incentive Offer

Review

 Review + Action

 Action

 Discussion

This is a report required by Board policy.

PRESENTERS: Kenneth E. Horstman, Interim Vice President for Human Resources

PURPOSE & KEY POINTS

The purpose of this item is to take action on the Retirement Incentive Offer program (RIO).

The new RIO program is a one-time opportunity for voluntary retirement designed to meet the needs of both employees and departments. It is anticipated that the RIO will provide two lump sum payments into the State of Minnesota Health Care Savings Plan for employees who are eligible for retirement. This payment will be roughly equivalent to the value of 24 months of University medical and dental subsidy, at 2020 rates. The deposit amount will be split over two fiscal years to minimize the cost burden of the program. Interested employees must apply for the RIO between August 17, 2020 and October 19, 2020, and voluntarily retire at a date mutually acceptable to the employee and their unit, but no later than January 15, 2021.

Below is detail of the proposed 2020 RIO, and a comparable program offered in 2011:

	Proposed Offering	2011 RIO
Eligibility	Normal eligibility for University retirement - age 50 with 15 or more years of service, age 55 with 5 years or more of service, or 30 years or more of service without regard to age. Actively working a 75%-time or greater appointment of 9 months or more.	Identical
Estimated Eligible Employee Count	Approximately 6,000 Total 1,800 faculty 1,700 P&A 1,300 civil service 1,200 labor represented	Approximately 5,700 Total 1,600 faculty 1,300 P&A 1,500 civil service 1,300 labor represented
Acceptance Rate	Anticipated 6-8%	7%

Estimated Savings	\$24 million in first year annual salary and fringe savings. This assumes an acceptance rate of 7%, a 30% fringe rate savings, 40% backfill, and costs associated with lump sum payments for the medical and dental premiums.	\$11.3 million in the first year, \$21.4 million thereafter with the same assumptions as the current offering.
Window to Accept	August 17, 2020 to October 19, 2020 (2 months)	February 15, 2011 to May 15, 2011 (3 months)
Latest Retirement Date	January 15, 2021. Participants must be on regular appointment when they retire.	January 11, 2012. Participants must be on regular appointment when they retire.
Benefit	Health Care Savings Plan deposit equal to the value of 52 pay periods (2 years) of University subsidy for medical and dental coverage, paid in two payments, one in 2020-21 and one in 2021-22.	Health Care Savings Plan deposit equal to the value of 52 pay periods (2 years) of University subsidy for medical and dental coverage, in a single payment.
Rehire Provisions	<p>No rehire for a minimum of 6 months following retirement. Beginning the seventh month, reemployment is permitted, but only in non-benefits-eligible appointments of 49% time or less.</p> <p>Positions vacated by RIO participants may only be backfilled in accordance with the hiring freeze processes/procedures in place, if any, at the time the eligible participant vacates their role.</p>	Similar to current offering, but with a required break of 3 months, not 6 months.

BACKGROUND INFORMATION

Approval is sought in compliance with Board Policy: *Reservation and Delegation of Authority*, Article I, Section XI, Subd. 3.

The Board previously discussed this topic at the following meeting:

- June 2020: *Recommendations of the Finance & Operations Planning Work Group*, Finance & Operations Committee

PRESIDENT'S RECOMMENDATION

The President recommends approval of the Resolution Related to Fiscal Year 2021 Retirement Incentive Offer.



REGENTS OF THE UNIVERSITY OF MINNESOTA

RESOLUTION RELATED TO

Fiscal Year 2021 Retirement Incentive Offer

WHEREAS, the Board of Regents (Board) approved the FY 2021 COVID-19 Adjusted Annual Operating Budget (CAB) at the June 2020 meeting; and

WHEREAS, the CAB discussion included a necessary framework for contingency planning that, due to the uncertainty in the current environment, will take multiple forms involving multiple tactics to address any emerging financial challenge; and

WHEREAS, a risk of further financial disruption continues to exist in the coming months related to enrollment, state support, the ability to generate other miscellaneous revenues, and required expenditure growth in the face of changing operations due to the pandemic; and

WHEREAS, broad actions to adjust compensation spending levels across all employee groups and all units of the University of Minnesota, as effective tactics in the contingency plans, are most beneficial when implemented as early in the fiscal year as possible; and

WHEREAS, the Finance & Operations Planning Work Group recommended to the President a retirement incentive offer program.

NOW, THEREFORE, BE IT RESOLVED that for Fiscal Year 2021, the Board of Regents hereby approves the Retirement Incentive Offer program as outlined in Attachment A.

**Attachment A
Retirement Incentive Offer 2020**

Following an internal consultation process, and in support of the contingency plans outlined in the FY 2021 annual operating budget acted upon in June by the Board of Regents, the President is proposing cost-saving measures for immediate implementation to address both anticipated and unanticipated negative impacts on University revenues and expenditures in the next fiscal year. The recommendations are presented at this time to jumpstart the contingency plans and take advantage of recurring salary savings from the beginning of the second semester (rather than waiting until the end of the fiscal year).

The new Retirement Incentive Offer (RIO) is a one-time opportunity for voluntary retirement designed to meet the needs of both employees and departments. The RIO will provide for a lump sum payment into the State of Minnesota Health Care Savings Plan for employees who are eligible for retirement and who elect the program. This payment will be roughly equivalent to the value of 24 months of University medical and dental subsidy, at 2020 rates. These payments will be split over two fiscal years. Interested employees must apply for the RIO between August 17, 2020 and October 19, 2020, and voluntarily retire at a date mutually acceptable to the employee and their unit, but no later than January 15, 2021.

RETIREMENT INCENTIVE OFFER 2020 DETAILS

Eligibility	Normal eligibility for University retirement - age 50 or older with 15 or more years of service, age 55 or older with 5 years or more of service, or 30 years or more of service without regard to age. Actively working a 75%-time or greater appointment of 9 months or more.
Estimated Eligible Employee Count	Approximately 6,000 Total 1,800 faculty 1,700 P&A 1,300 civil service 1,200 labor represented
Acceptance Rate	Anticipated 6-8%
Estimated Savings	\$40 million in first year annual salary and fringe savings. This assumes an acceptance rate of 7 percent, a 30 percent fringe rate savings, and costs associated with lump sum payments for the medical and dental premiums. We estimate another \$40 million in second year savings. These figures assume no vacated positions are replaced. Any replaced positions would reduce savings. Conservative estimate of 40 percent backfill would yield a net savings of \$24 million each of first two years.
Window to Accept	August 17, 2020 through October 19, 2020 (2 months)

Latest Retirement Date	January 15, 2021. Participants must be on regular appointment when they retire.
Benefit	Health Care Savings Plan deposit equal to the value of 52 pay periods (2 years) of University subsidy for medical and dental coverage, at wellness rates for family coverage in the Twin Cities.
Rehire Provisions	<p>No rehire for a minimum of 6 months following retirement. Beginning the seventh month, reemployment is permitted, but only in non-benefits-eligible appointments of 49% time or less.</p> <p>Positions vacated by RIO participants may only be backfilled in accordance with the hiring freeze processes/procedures in place, if any, at the time the eligible participant vacates their role.</p>

2020 Retirement Incentive Offer Program

Kenneth E. Horstman
Interim Vice President for Human Resources

July 8, 2020



Office of Human Resources

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Retirement Incentive Offer (RIO)

- One-time opportunity for voluntary retirement
- Eligibility based on normal University retirement
- Approximately 6,000 eligible
 - Past history indicates an acceptance rate of 7%
- Two month enrollment period during 2020, with the latest retirement date being January 15, 2021
- Two payments equaling a total of \$38,000 into State of Minnesota Health Care Savings Plan Contribution (HCSP)
 - Minimum tax benefit, administration and employee flexibility



Retirement Incentive Offer (RIO)

- No rehire at the University for a minimum of 6 months
- Subject to collective bargaining
 - Approximately 1,200 employees impacted
- \$24 million net savings (assumes 40% of positions are backfilled)
 - Backfill of positions subject to current hiring freeze provisions
 - Program cost and program savings within colleges and units; no central funding or savings



Retirement Incentive Offer (RIO)

- Current RIO structured similarly to the 2011 RIO, with the following differences:

Provision	2011 RIO	2020 RIO Proposal
Number of Eligible Employees	5,700	6,000
Estimated Cost Avoidance, Year 1	\$11.3 million	\$24 million
Application Window	3 months	2 months
Minnesota Healthcare Savings Plan Contribution	Based on location and coverage level	Based on Twin Cities subsidy for 2 adults, with or without children
Rehire Provisions	None for 3 months, hiring freeze in place	None for 6 months, hiring freeze in place





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