



October 1, 2010

TO: Michael Marshall, Secretary of the Senate
Mark Brandsgard, Chief Clerk of the House

FROM: Ray Walton, Director, Department of Administrative Services
Richard Oshlo, Director, Department of Management

RE: Interim Report – State Employee Retirement Incentive Program (SERIP)

The Department of Administrative Services, in collaboration with the Department of Management, respectfully submits this report as required by 2010 Iowa Acts, Senate File 2062, section 1, subsection 5, paragraph "c."

PROGRAM SUMMARY

Senate File 2062 established a retirement incentive program for eligible state employees who agreed to separate from state employment by June 24, 2010.

Eligibility

State employees eligible to participate in SERIP included:

1. Permanent full-time or permanent part-time benefit-eligible employees.
2. Executive branch employees covered by AFSCME.
3. Executive branch employees covered by UE/IUP.
4. Executive branch non-contract employees.
5. Community-Based Corrections employees.
6. Employees in offices of statewide elected officials.
7. Legislative branch employees.

In addition to being in an eligible class of employees listed above, participants were required to meet all of the following:

1. Be 55 years of age as of July 31, 2010.
2. Submit an application for IPERS monthly benefits no later than the date the employee separated from state employment. (An employee who rescinded the employee's retirement and did not receive a pension benefit was not considered to have taken retirement and was not eligible for this program.)
3. Submit a SERIP application by April 15, 2010.

The program was not available to the following employees:

1. Elected officials.
2. Board of Regents' employees (Central Office and Institutions).
3. Executive branch employees covered by SPOC or the SPOC Sick Leave Trust Fund.

Additionally, the Judicial Branch did not participate in SERIP.

Employees participating in SERIP were required to agree to never apply or accept future employment with the State as a permanent employee, temporary employee, consultant or independent contractor, except as an elected official or as an appointee to most state boards or commissions.

SERIP Benefits Summary

SERIP was a two-part program designed to incent eligible state employees to retire from state employment. [Please see Appendix A, entitled, "State Employee Retirement Incentive Program (SERIP) Matrix."] The incentive benefits included the following:

- A financial incentive based on IPERS-covered years of service with the State of Iowa. To be eligible for this incentive, the employee must have had a minimum of ten (10) years of IPERS-covered service with the State of Iowa. The financial incentive was then calculated at \$1,000 for each full year of state service, beginning with ten (10) years of service (\$10,000) up to twenty-five (25) years of state service (\$25,000). This incentive plus the value of the participant's unused vacation balance at retirement is to be paid out over five (5) years in five (5) equal amounts. The first payment was made in September of 2010.
- Financial contributions toward a state-sponsored health insurance plan for up to five (5) years.

CAVEAT: An employee was not required to have ten (10) years of IPERS-covered service with the State to be eligible for SERIP. If the employee met all the eligibility requirements but had less than ten (10) years of IPERS-covered service with State, the employee was **not** eligible for the financial incentive but was eligible for the contributions to the employee's state-sponsored health insurance coverage and any unused vacation balance.

PARTICIPATION – RESULTS

- **2,067** **Total number of SERIP participants**
- 80 Positions exempt from DOM approval
- 1,987 Positions covered by DOM approval
- 807 Positions to be eliminated
- 1,180 Positions approved to be refilled
- 400 Positions refilled as of September 2, 2010
- 780 Positions approved but not refilled
- **\$89,990,169** **Program savings plus \$6.2 million due to vacant positions authorized to be refilled; anticipated savings associated with the program. [Please see Appendix B from the Department of Management, entitled, "Budget Reduction (Cost of Old Position less Cost of Refilled Position)."]**

SERIP COSTS PAID IN FY 2010

Following is a summary of the FY 2010 costs for SERIP participants. FY 2010 data includes the sick leave payoff at retirement, plus the state share of FICA for those amounts, and the state share of the insurance premiums for the months of March, April, May, and June.

FY 2010:	Central Payroll	Department of Transportation	Community- Based Corrections	TOTAL COSTS
Sick Leave Payoff at Retirement	\$2,924,871.16	\$652,008.83	\$158,167.37	\$3,735,047.36
FICA State Share on Sick Leave Payoff	\$223,752.64	\$49,878.68	\$12,099.80	\$285,731.12
Total State Share Insurance Premiums	\$786,580.06	\$203,838.43	\$62,018.12	\$1,052,436.61
TOTAL FY 2010 SERIP COSTS	\$3,935,203.86	\$905,725.94	\$232,285.29	\$5,073,215.09

- Attachments: A – "State Employee Retirement Incentive Program (SERIP) Matrix," provided by the Department of Administrative Services
 B – "Budget Reduction (Cost of Old Position less Cost of Refilled Position), provided by the Department of Management"

State Employee Retirement Incentive Program (SERIP) Matrix

		Financial Incentives		Health Insurance Contribution	
Sick Leave Payout <i>Up to \$2,000 of your unused sick leave balance</i>		Unused Vacation Balance at Retirement	Years of Service Incentive <i>An incentive of \$1,000 for every full year of state service completed as of your separation date with a minimum of ten (10) years of service and a maximum of twenty-five (25) years of service.</i>	SLIP <i>Sick leave balance at retirement used to pay the state share of the health insurance premium until the account is exhausted or Medicare-eligibility</i>	SERIP <i>Contributions to a state-sponsored health insurance plan up to five (5) years.</i>
If you are less than 65 years of age and:				<i>You will receive up to five (5) years of health insurance contributions either through SLIP, SERIP or a combination of both programs.</i>	
10 or more years of service with the State of Iowa.	Paid on your last pay check.	Level annual payments over 5 years (2010 – 2014).	Paid up to \$25,000. Level annual payments over 5 years (2010 – 2014).	Use your SLIP account until exhausted, you become Medicare-eligible, or die.	If your SLIP account exhausts or you become Medicare-eligible within 5 years of retirement, SERIP contributions for the remainder of 5 years (including the time that SLIP was used.)
Less than 10 years of service with the State of Iowa.	Paid on your last pay check.	Level annual payments over 5 years (2010 – 2014).	Not eligible for the incentive.	Use your SLIP account until exhausted, you become Medicare-eligible, or die.	If your SLIP account exhausts or you become Medicare-eligible within 5 years of retirement, SERIP contributions for the remainder of 5 years (including the time that SLIP was used.)
If you are 65 years of age or greater and:					
10 or more years of service with the State of Iowa.	Paid on your last pay check.	Level annual payments over 5 years (2010 – 2014).	Paid up to \$25,000. Level annual payments over 5 years (2010 – 2014).	Not eligible for SLIP.	5 years of SERIP contributions.
Less than 10 years of service with the State of Iowa.	Paid on your last pay check.	Level annual payments over 5 years (2010 – 2014).	Not eligible for the incentive.	Not eligible for SLIP.	5 years of SERIP contributions.

Budget Reduction (Cost of Old Position less Cost of Refilled Position)

The Department of Management has tracked and calculated the budget impact of each executive branch SERIP position. The budget impact is the difference between the participant's FY10 budgeted amount and the budget equivalent of re-filling the position or leaving the position vacant. Executive branch agencies exclude the staff of the department of agriculture, the attorney general, the state auditor, the legislative branch, the secretary of state, and the state treasurer.

Dept Name	Funding Sources					Grand Total
	General	Road Use	Primary Road	Federal	Other	
Administrative Services	130,418				1,844,048	1,974,466
Blind, Department of	59,555			202,484		262,039
Campaign Finance Disclosure Commission	151,586					151,586
Civil Rights Commission				23,459		23,459
Alcoholic Beverages	251,630				8,128	259,757
Insurance Division					238,929	238,929
Professional Licensing & Regulation	120,211					120,211
Utilities Division					131,353	131,353
Community Based Corrections District 1	560,536				149,221	709,757
Community Based Corrections District 2	512,371				49,314	561,685
Community Based Corrections District 3	297,457					297,457
Community Based Corrections District 4	151,552				26,777	178,329
Community Based Corrections District 5	628,726				41,556	670,282
Community Based Corrections District 6	421,671					421,671
Community Based Corrections District 7	426,299				27,178	453,476
Community Based Corrections District 8	192,982				118,111	311,094
Corrections-Central Office	22,816					22,816
Corrections - Fort Madison	2,182,325					2,182,325
Corrections - Anamosa	1,151,892					1,151,892
Corrections - Oakdale	971,257					971,257
Corrections - Newton	970,862					970,862
Corrections - Mt Pleasant	1,116,495					1,116,495
Corrections - Rockwell City	321,380					321,380
Corrections - Clarinda	947,357					947,357
Corrections - Mitchellville	252,192					252,192
Corrections - Industries					512,357	512,357
Corrections - Farm Account					33,110	33,110
Corrections - Fort Dodge	970,312					970,312
Cultural Affairs, Department of	140,623			53,603		194,226
Economic Development, Department of	622,056			392,954	45,912	1,060,922
Iowa Finance Authority					300,935	300,935
Education, Department of	705,479			656,664	123,498	1,485,641
Vocational Rehabilitation	194,291			1,090,665	11,127	1,296,083
College Student Aid Commission	52,551				233,709	286,260
Iowa Public Television	299,514				90,880	390,394
Aging, Department of	101,390				120,819	222,210
Iowa Workforce Development	738,303			1,979,639	438,404	3,156,346
Iowa Communications Network					279,046	279,046
Human Rights, Department of	217,758			11,510	49,636	278,904
Human Services - General Administration	1,082,066			840,519		1,922,585
Human Services - Field Operations	8,282,776			5,404,599		13,687,375
Human Services - Toledo Juvenile Home	396,057					396,057
Human Services - Eldora Training School	719,537					719,537
Human Services - Cherokee CCUSO	31,967					31,967
Human Services - Cherokee	1,577,859					1,577,859
Human Services - Clarinda	538,300					538,300
Human Services - Independence	1,946,434			26,373		1,972,807
Human Services - Mt Pleasant	866,288			6,241	14,563	887,093
Human Services - Glenwood	720,435			31,015	2,195,670	2,947,120
Human Services - Woodward	485,213				1,940,854	2,426,067
Human Services - Assistance	145,345			168,682		314,027
Inspections & Appeals, Department of	499,313			120,335	655,881	1,275,529
Public Defender	575,320					575,320
Racing Commission	12,734					12,734
Law Enforcement Academy	115,933				87,458	203,391
Management, Department of	148,750				3,858	152,608
Natural Resources	1,407,589			217,697	1,665,779	3,291,065
Parole Board	20,086					20,086
IPERS					109,435	109,435
Public Employment Relations Board	159,086					159,086
Public Defense, Department of	112,928			678,871	13,587	805,386
Public Health, Department of	191,839			438,078	679,742	1,309,660
Public Safety, Department of	860,466			56,699	90,403	1,007,568
Revenue, Department of	2,603,173				878,004	3,481,177
Lottery Authority					672,006	672,006
Transportation, Department of		2,761,827	12,534,771		536,575	15,833,174
Iowa Veterans Home	342,745				1,942,219	2,284,964
Grand Total	39,726,088	2,761,827	12,534,771	12,400,088	16,360,080	83,782,856
					Additional Savings *	6,207,313
					Total SERIP Savings to Date	89,990,169

* In addition to the savings for all funding sources of \$83.8 million, additional savings have been realized and continue to increase because all refilled positions were not refilled by July 1, 2010. Since July 1, the savings due to authorized refill positions remaining vacant exceed \$6.2 million for all funding sources.