Senate Reference No. 99-20

WRITTEN RESPONSE TO QUESTION TIME
MARCH 2000
From Walter Branson

The following is my response to the questions submitted by the Budgetary Affairs Subcommittee contained in Senate Reference No. 99-16. This information has previously been provided to BAS.

1. What are the details of the restructured model - especially in relation to the current model?

Two changes to the current plan have a noteworthy impact on IPFW:

1. IU "taxes" all of its campuses a percentage of the actual pay to faculty and staff to fund the 18/20 benefit. The funds from this "tax" are deposited in a central pool account that IU then uses to pay the retirement benefits. A year ago the 18/20 portion of this charge was approximately 9.8% of the payroll. Beginning this year IPFW will pay 13.8%.

2. In the past the central pool of funds created by the payroll "tax" has been used by IU to pay 100% of the total cost of the actual retirement benefit. As part of the 18/20 financial restructuring, IU asked all of its campuses to pay 20% of the cost of the salary portion of the benefit. Thus, with this change IU will now pay 80% of the salary benefit and IPFW will pay the remaining 20%.

2. What is the annual projected cost of the new model over its lifetime?

Our analysis has been focused on incremental costs. The year-by-year incremental projections are in the attached table.

3. What are the projected sources of funds for covering the projected costs?

Nearly all of the funding for the additional costs is available from an unused budget line for the now discontinued IU administrative overhead charge. When we were discussing the elimination of the overhead charge with IU, we recognized that it was highly probable that we needed to increase the 18/20 budget substantially. When the overhead charge was eliminated the budget of $250,000 was not reallocated to other uses. We will now rebudget those funds to the 18/20 budget to pay for the additional 18/20 costs.

4. Regardless of the details of the restructured model - including a Purdue University buyout, will qualified IPFW faculty retain the right to exercise any future changes in options Indiana University may offer faculty?

It is important to emphasize that we are not aware of any discussions of additional plan options.

It is difficult to comment on future changes without knowing what those might be. Based on my understanding of the plan and IRS regulations, we think that likelihood of a change in the benefit is virtually nonexistent. We remain committed to providing the 18/20 benefit to the eligible staff as defined in the plan.

If in the future additional options become available that can be exercised at the discretion of 18/20 participants (such as an early buyout program), we have every reason to believe that those options would be available to the participants on this campus.

Finally, how much has IPFW paid into the 18-20 retirement benefit to date and how much has been paid out to IPFW faculty eligible for the benefit?

The contributions to this plan date back to the late 1950's. This information is contained in accounting information which is only available for a few years back.

The payments to the retirees date back to at least the early 70's. Unfortunately our campus has very little of the payment information since IU makes those payments directly to retirees. According to IU, beyond recent history, past payment data could only be reconstructed by searching through individual files and putting the information together manually.

Because of the difficulties in accessing the contribution and payment data, we have not compiled this information.