

HRCR 1

Office of the President
September 10, 2013

Members, Board of Trustees:

PROPOSED REVISION TO ADMINISTRATIVE REGULATION:
UNIVERSITY OF KENTUCKY RETIREMENT PLAN

Recommendation: that the Board of Trustees approves changing the Retirement Plan Vesting Schedule contained in the University of Kentucky's Retirement Plan as defined in Administrative Regulation (AR) 3:1 from five (5) years to three (3) years.

Background: The proposed change will enhance faculty and staff benefits by decreasing the Retirement Plan Vesting Schedule from five years "cliff vesting" (employee loses 100% of the University's retirement contribution if they leave before five years of employment) to three years. The change would be retroactive to January 1, 2013, the beginning of the current plan year.

The Board of Trustees approved a change in the vesting schedule from immediate vesting to the five-year cliff vesting schedule at its October, 2009 meeting, which became effective January 1, 2010. This change was implemented as a cost saving measure. The University has realized \$1.5 million in retirement plan savings through "forfeitures" (employer contributions returned to the Retirement Plan) over the last three fiscal years.

To attract and retain top talent, a decrease in the vesting period from five years to three years is recommended to improve the University's competitiveness while not substantially increasing costs. The change will not impact the FY 2013-14 operating budget. However, the University will forego collecting some forfeitures in the future. The opportunity cost of the change is estimated to be \$900,000 in FY 2014-15. The concept of changing the vesting schedule from five years to three years was strongly supported by the Administrative Regulations Committee, made up of faculty and staff, and unanimously supported by the Employee Benefits Committee. A revised copy of AR 3:1 is attached. Proposed additions are underlined; proposed deletions are lined through.

Action taken: Approved Disapproved Other _____