Retirement Newsletter Number 16
June 15, 2004
To: Oklahoma State University Faculty and Staff
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The purpose of this and other newsletters to follow is to keep all of you informed about current developments in our class action lawsuit aimed at recovering our retirement benefits confiscated by the Campbell administration and retained first by the Halligan administration and now by the Schmidly administration. The first fifteen newsletters can be found on the Faculty Council webpage. If you have trouble finding them, send an email message to either Lionel Raff (lionelraff@hotmail.com) or Carol Moder (clm1011@okstate.edu), and we will help you gain access to them.

There are several very positive developments related to OSU employee retirement. The most important development is the passage of HB 2226. This action redresses the inequitable retirement benefits formulae that have been used by OTRS. Therefore, the portion of the lawsuit dealing with those issues is now moot. In this newsletter, I summarize the important changes produced by HB 2226.

The Governor has also signed or is about to sign two other retirement-related bills that will increase OTRS benefits to OSU employees. One of these extends the $18,000 death benefit available to OTRS members who joined prior to July 1, 1992 to those employees who joined after this date. The second bill permits OTRS members who joined after July 1, 1992, to add one year of creditable service for accumulated sick leave. This change adds $500 per year to OTRS retirement benefits for low-base employees and $800 per year for employees who elected the high-base option.

Another important development is a change in the OSU retirement program from an 11% program to an 11.5% program. If the Board of Regents approves this initiative proposed by President Schmidly, the new program will take effect on July 1, 2004.

The class action lawsuit is still pending. The defendants have replied to our discovery motion by objecting that the number of requests exceeds the legal limit of 30. Our legal counsel have countered by contending that the law allows 30 per plaintiff. Since we have three plaintiffs, our position is that we are entitled to 90. This matter is still before the court. The Plaintiffs and Faculty Council officers will meet with our legal counsel, Mr. Larry Derryberry, on June 24th to discuss various issues related to the lawsuit.
Changes Introduced by Passage of HB 2226:

Retired OSU Employees:

The changes involve the years from 1995 through 2007. All OSU employees who retired from OTRS after July 1, 1995, will have their monthly retirement benefits recalculated using the new formula established by HB 2226. If the recalculation results in an increase, retirees will begin receiving the enhanced benefits starting January 1, 2005. In no case will benefits be decreased regardless of the results of the recalculation. No retroactive benefits for losses prior to January 1, 2005 will be paid.

New Hires (continuous at least 0.75 FTE) Joining OSU after July 1, 2004

A. New employees will have two retirement options: (1) OSU Alternate Retirement Plan or (2) Oklahoma Teachers Retirement System (OTRS). New Hires have 90 days in which to make an irrevocable decision. OSU contributions will be retroactive to date of hire.

B. Option (1) - OSU Alternate Retirement Plan:
   a. Eligible immediately - no one-year employment or age 26 requirement
   b. OSU contributes 11.5% of pay to TIAA-CREF (or possibly other vendors)
   c. Retirement Subcommittee recommends future increase to 12% plus additional 2% with an employee match of 2% for a total of 16%.
   d. OSU pays 2.5% surcharge on compensation for any employee electing this option who might have previously been mandated to participate in OTRS.

C. Option (2) - OTRS
   a. OSU contributes 7.0% member contributions to OTRS plus the 7.05% employee fee
   b. New hires eligible immediately with no one-year employment or age 26 requirement

Current Employees (continuous and at least 0.75 FTE)

A. President Schmidly will request an increase in university contributions for retirement to 11.5% of pay to be effective July 1, 2004. Board approval has not yet been received.

B. Employees in the OSU retirement system prior to July 1, 1993, will continue to receive an adjustment acknowledging their participation in the TIAA-CREF plan that existed prior to July 1, 1993. These employees will receive at least 11.5% of pay in OSU contributions to retirement with the formula adjusted to reflect the pre-93 contribution. The new OSU contribution rate will be $1,500 to OTRS plus 10% of pay over $7,800 of salary up to $48,000, plus 11.5% of pay over $48,000 of salary each fiscal year.

C. Subject to IRS approval, which will take about one year, current employees who are members of OTRS will have three options: In all options, OSU will contribute at least 11.5% of pay to employee retirement benefits.
a. stay in OTRS with the member's OTRS contribution of 7.0% taken from the OSU 11.5% contribution. The remainder will be deposited to the member's TIAA-CREF or other vested accounts.

b. withdraw from OTRS and roll over all OTRS member accounts with accrued interest into TIAA-CREF accounts after which the employee will receive no OTRS retirement benefits. OSU will contribute 11.5% to employee TIAA-CREF accounts, which may eventually increase to 12% or 14% with a 2% employee match, as described above for new hires.

c. withdraw from OTRS and freeze OTRS contributions and retirement benefits at their present level. OSU will contribute 11.5% to employee TIAA-CREF accounts, which may eventually increase to 12% or 14% with a 2% employee match, as described above for new hires.

Current employees will have one year after IRS approval to make a one-time irrevocable choice.

At present, Human Resources is working on plans to provide examples and printed information to assist employees in making their decisions. Question and answer sessions are also being considered. The University Flexible Benefits Committee and the Retirement Committee of the Faculty Council also have plans to provide assistance to faculty and staff in making these decisions.

I will continue to keep you informed of events as they transpire.