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 sixteen 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.

Benefits of House Bill HB 2226

The Faculty Council officers have received some comments from faculty to the effect that they do not see that the provisions of HB 2226 will result in any significant increase in benefits for them. This perception is incorrect. In this newsletter, I will describe the new benefits formulae put in place by the HB 2226 and then provide some numerical examples of what these changes mean to the faculty and staff at the Oklahoma comprehensive universities.

Benefits Formulae Prior to 1995:

HB 2226 makes no changes in the OTRS benefits formulae for the years prior to 1995. These formulae are as follows:

Faculty and Staff on low base ($25,000):

Annual benefits = (0.02) x (years of service prior to 1995 +1) x ($25,000).

The additional year added to years of service prior to 1995 is for accumulated sick leave, if applicable.

Faculty and Staff on high base ($40,000):

Annual benefits = (0.02) x (years of service prior to 1995 +1) x ($40,000).
Benefits Formulae for years 1995 - 2006:

The changes incorporated into law by HB 2226 affect only the years 1995 through 2006. We first examine the formula prior to the passage of HB 2226 and then introduce the changes.

Prior to Passage of HB 2226:

We must first define what is meant by "contributory salary" for a given year. By definition, the contributory salary is the smaller of the employee's total compensation (salary + fringe benefits) or the salary cap. Prior to passage of HB 2226, the annual retirement benefits accumulated for years of service between 1995 to 2006 were obtained by summing the contributory salaries for each year of service during this period and multiplying the result by 0.02. If CS represents the employee's contributory salary, the benefits for this period were

\[
\text{Annual benefits} = (0.02) \times (\text{sum of CS for each year of service})
\]

After Passage of HB 2226:

To obtain the employee's benefits under the law established by HB 2226, we must first count the number of years of service in the interval 1995 through 2006 in which the employee paid OTRS contributions at the cap and the number of years in which contributions were paid on a total compensation that was below the cap. Let these two numbers be represented by (years above) and (years below), respectively. For brevity, I represent total compensation (salary + fringe benefits) as TC. The new benefits accumulated for years of service in the interval 1995 through 2006 are as follows:

For employees hired before July 1, 1992:

\[
\text{Annual benefits} = (0.02) \times (\text{years above}) \times (\text{average of highest three CS 1995-2006}) + (0.02) \times (\text{years below}) \times (\text{average of three highest years of TC})
\]

For employees hired after July 1, 1992:

\[
\text{Benefits} = (0.02) \times (\text{years above}) \times (\text{average of highest five consecutive CS 1995-2006}) + (0.02) \times (\text{years below}) \times (\text{average of highest five consecutive years of TC})
\]
Benefits Formulae for years 2007 and Beyond:

All caps will be removed in 2007. The formulae for these years are unchanged by HB 2226. They are

For employees hired before July 1, 1992:

Annual benefits = (0.02) x (years of service) x (average of three highest years of TC)

For employees hired after July 1, 1992:

Annual benefits = (0.02) x (years of service) x (average highest five consecutive years of TC)
Examples of Calculations:

Several examples are presented to illustrate the calculations. To make the financial benefits of HB 2226 clear, the benefits before and after the passage of HB 2226 are computed. The percent increases in TC from 1990 to 2004 are the actual average salary raises for those years. After 2004, I assume an average 3% increase of TC for each year.

Example #1: Employee hired in 1990, on low-base, retires in 2019, always above the cap.

<table>
<thead>
<tr>
<th>Year</th>
<th>TC</th>
<th>% Increase</th>
<th>Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>50000</td>
<td>4.5</td>
<td>25000</td>
</tr>
<tr>
<td>1991</td>
<td>52250</td>
<td>5.5</td>
<td>25000</td>
</tr>
<tr>
<td>1992</td>
<td>55124</td>
<td>4.6</td>
<td>25000</td>
</tr>
<tr>
<td>1993</td>
<td>57659</td>
<td>0.0</td>
<td>25000</td>
</tr>
<tr>
<td>1994</td>
<td>57659</td>
<td>0.0</td>
<td>25000</td>
</tr>
<tr>
<td>1995</td>
<td>57659</td>
<td>5.0</td>
<td>27500</td>
</tr>
<tr>
<td>1996</td>
<td>60542</td>
<td>3.5</td>
<td>32500</td>
</tr>
<tr>
<td>1997</td>
<td>62661</td>
<td>5.0</td>
<td>37500</td>
</tr>
<tr>
<td>1998</td>
<td>65794</td>
<td>5.0</td>
<td>42500</td>
</tr>
<tr>
<td>1999</td>
<td>69084</td>
<td>4.0</td>
<td>42500</td>
</tr>
<tr>
<td>2000</td>
<td>71848</td>
<td>3.0</td>
<td>47500</td>
</tr>
<tr>
<td>2001</td>
<td>74003</td>
<td>3.0</td>
<td>52500</td>
</tr>
<tr>
<td>2002</td>
<td>76223</td>
<td>3.0</td>
<td>57500</td>
</tr>
<tr>
<td>2003</td>
<td>78510</td>
<td>0.0</td>
<td>62500</td>
</tr>
<tr>
<td>2004</td>
<td>78510</td>
<td>0.0</td>
<td>67500</td>
</tr>
<tr>
<td>2005</td>
<td>78510</td>
<td>3.0</td>
<td>72500</td>
</tr>
<tr>
<td>2006</td>
<td>80865</td>
<td>3.0</td>
<td>77500</td>
</tr>
<tr>
<td>2007</td>
<td>83291</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2008</td>
<td>85790</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2009</td>
<td>88363</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2010</td>
<td>91014</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2011</td>
<td>93745</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2012</td>
<td>96557</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2013</td>
<td>99454</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2014</td>
<td>102437</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2015</td>
<td>105511</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2016</td>
<td>108676</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2017</td>
<td>111936</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2018</td>
<td>115294</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2019</td>
<td>118753</td>
<td>3.0</td>
<td>none</td>
</tr>
</tbody>
</table>

**1990 - 1994**

For the years 1990 through 1994, the accumulated benefits both before and after passage of HB 2226 are \((0.02) \times (5+1) \times \$25,000\) = \$3,000 per year. I have assumed that one year of accumulated sick leave is appropriate here.
1995-2006

For the years 1995 through 2006, this employee always paid a contributory salary at the cap since his/her total compensation always exceeded the cap.

Prior to Passage of HB 2226:

Annual benefits = (0.02) x (27,500 + 32,500 + 37,500 + 42,500 + 42,500 + 47,500 + 52,500 + 57,500 + 62,500 + 67,500 + 72,500 + 77,500) = $12,400.

After Passage of HB 2226:

All years were above the cap. Therefore, Years above = 12 and Years Below = 0. Applying the above equation, we obtain

Annual benefits = (0.02) x (12) x (67,500 + 72,500 + 77,500)/3 = $17,400.

After 2006:

For the years 2007 through 2019, the accumulated benefits both before and after passage of HB 2226 are

Annual benefits = (0.02) x (13) x (111,936 + 115,294 + 118,753)/3 = $29,985.

The total accumulated benefits are the sum for all years. These results are:

Prior to HB 2226: Benefits = $3,000 + $12,400 + $29,985 = $45,385 per year.

After HB 2226: Benefits = $3,000 + $17,400 + $29,985 = $50,385 per year.

The difference for this example is $5,000 per year or $416.67 per month. Over a 20-year retirement lifetime, HB 2226 adds $100,000 to the retirement income of this employee.
Example #2: Employee hired in 1990, on high-base, retires in 2019, always below the cap.

<table>
<thead>
<tr>
<th>Year</th>
<th>TC</th>
<th>% Increase</th>
<th>Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>28000</td>
<td>4.5</td>
<td>40000</td>
</tr>
<tr>
<td>1991</td>
<td>29260</td>
<td>5.5</td>
<td>40000</td>
</tr>
<tr>
<td>1992</td>
<td>30869</td>
<td>4.6</td>
<td>40000</td>
</tr>
<tr>
<td>1993</td>
<td>32289</td>
<td>0.0</td>
<td>40000</td>
</tr>
<tr>
<td>1994</td>
<td>32289</td>
<td>0.0</td>
<td>40000</td>
</tr>
<tr>
<td>1995</td>
<td>32289</td>
<td>5.0</td>
<td>44000</td>
</tr>
<tr>
<td>1996</td>
<td>33904</td>
<td>3.5</td>
<td>49000</td>
</tr>
<tr>
<td>1997</td>
<td>35090</td>
<td>5.0</td>
<td>54000</td>
</tr>
<tr>
<td>1998</td>
<td>36845</td>
<td>5.0</td>
<td>59000</td>
</tr>
<tr>
<td>1999</td>
<td>38687</td>
<td>4.0</td>
<td>59000</td>
</tr>
<tr>
<td>2000</td>
<td>40235</td>
<td>3.0</td>
<td>64000</td>
</tr>
<tr>
<td>2001</td>
<td>41442</td>
<td>3.0</td>
<td>69000</td>
</tr>
<tr>
<td>2002</td>
<td>42685</td>
<td>3.0</td>
<td>74000</td>
</tr>
<tr>
<td>2003</td>
<td>43965</td>
<td>0.0</td>
<td>79000</td>
</tr>
<tr>
<td>2004</td>
<td>43965</td>
<td>0.0</td>
<td>84000</td>
</tr>
<tr>
<td>2005</td>
<td>43965</td>
<td>3.0</td>
<td>89000</td>
</tr>
<tr>
<td>2006</td>
<td>45284</td>
<td>3.0</td>
<td>94000</td>
</tr>
<tr>
<td>2007</td>
<td>46643</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2008</td>
<td>48042</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2009</td>
<td>49484</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2010</td>
<td>50968</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2011</td>
<td>52497</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2012</td>
<td>54072</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2013</td>
<td>55694</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2014</td>
<td>57365</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2015</td>
<td>59086</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2016</td>
<td>60858</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2017</td>
<td>62684</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2018</td>
<td>64565</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2019</td>
<td>66502</td>
<td>3.0</td>
<td>none</td>
</tr>
</tbody>
</table>

**1990-1994:**

For the years 1990 through 1994, the accumulated benefits both before and after passage of HB 2226 are \((0.02)(5+1)(\$40,000) = \$4,800\) per year. I have assumed that one year of accumulated sick leave is appropriate here.

**1995-2006:**

For the years 1995 through 2006, this employee always paid on a total compensation that was below the cap. Therefore, for this employee, the contributory salary and the total compensation are the same.
Prior to Passage of HB 2226:

Annual benefits = (0.02) x (32,289 + 33,904 + 35,090 + 36,845 + 38,687 + 40,235 + 41,442 +
42,685 + 43,965+ 43,965 + 43,965 + 45,284) = $ 9,567

After Passage of HB 2226:

All years were below the cap. Therefore, Years above = 0 and Years Below = 12. Applying the
above equation, we obtain

Annual benefits = (0.02) x (12) x (62,684 + 64,565 + 66,502)/3 = $15,500.

After 2006:

For the years 2007 through 2094, the accumulated benefits both before and after passage of HB
2226 are

Annual benefits = (0.02) x (13) x (62,684 + 64,565 + 66,502)/3 = $16,792.

The total accumulated benefits are the sum for all years. These results are:

Prior to HB 2226: Benefits = $4,800 + $ 9,567 + $ 16,792 = $ 31,159 per year.

After HB 2226: Benefits = $4,800 + $ 15,500 + $ 16,792 = $ 37,092 per year.

The difference for this example is $5,933 per year or $494.42 per month. Over a 20-year retirement lifetime, HB 2226 adds $118,660 to the retirement income of this employee.
Example #3: Employee hired in 1990, on high-base, retires in 2019, sometimes below, sometimes above the cap.

<table>
<thead>
<tr>
<th>Year</th>
<th>TC</th>
<th>% Increase</th>
<th>Cap</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>45000</td>
<td>4.5</td>
<td>40000</td>
</tr>
<tr>
<td>1991</td>
<td>47025</td>
<td>5.5</td>
<td>40000</td>
</tr>
<tr>
<td>1992</td>
<td>49611</td>
<td>4.6</td>
<td>40000</td>
</tr>
<tr>
<td>1993</td>
<td>51893</td>
<td>0.0</td>
<td>40000</td>
</tr>
<tr>
<td>1994</td>
<td>51893</td>
<td>0.0</td>
<td>40000</td>
</tr>
<tr>
<td>1995</td>
<td>51893</td>
<td>5.0</td>
<td>44000</td>
</tr>
<tr>
<td>1996</td>
<td>54488</td>
<td>3.5</td>
<td>49000</td>
</tr>
<tr>
<td>1997</td>
<td>56395</td>
<td>5.0</td>
<td>54000</td>
</tr>
<tr>
<td>1998</td>
<td>59215</td>
<td>5.0</td>
<td>59000</td>
</tr>
<tr>
<td>1999</td>
<td>62176</td>
<td>4.0</td>
<td>59000</td>
</tr>
<tr>
<td>2000</td>
<td>64663</td>
<td>3.0</td>
<td>64000</td>
</tr>
<tr>
<td>2001</td>
<td>66603</td>
<td>3.0</td>
<td>69000</td>
</tr>
<tr>
<td>2002</td>
<td>68601</td>
<td>3.0</td>
<td>74000</td>
</tr>
<tr>
<td>2003</td>
<td>70659</td>
<td>0.0</td>
<td>79000</td>
</tr>
<tr>
<td>2004</td>
<td>70659</td>
<td>0.0</td>
<td>84000</td>
</tr>
<tr>
<td>2005</td>
<td>70659</td>
<td>3.0</td>
<td>89000</td>
</tr>
<tr>
<td>2006</td>
<td>72779</td>
<td>3.0</td>
<td>94000</td>
</tr>
<tr>
<td>2007</td>
<td>74962</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2008</td>
<td>77211</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2009</td>
<td>79527</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2010</td>
<td>81913</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2011</td>
<td>84370</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2012</td>
<td>86901</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2013</td>
<td>89508</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2014</td>
<td>92194</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2015</td>
<td>94960</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2016</td>
<td>97808</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2017</td>
<td>100743</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2018</td>
<td>103765</td>
<td>3.0</td>
<td>none</td>
</tr>
<tr>
<td>2019</td>
<td>106878</td>
<td>3.0</td>
<td>none</td>
</tr>
</tbody>
</table>

**1990-1994:**

For the years 1990 through 1994, the accumulated benefits both before and after passage of HB 2226 are \((0.02) \times (5+1) \times ($40,000) = $4,800\) per year. I have assumed that one year of accumulated sick leave is appropriate here.

**1995-2006:**

For the years 1995 through 2006, this employee had a total compensation that was sometimes above and sometimes below the cap. He/she was above the cap in 1995 through 2000. The employee was below the cap in the years 2001 through 2006.
Prior to Passage of HB 2226:

Annual benefits = \( (0.02) \times (44,000 + 49,000 + 54,000 + 59,000 + 59,000 + 64,000 + 66,603 + 68,601 + 70,659 + 70,659 + 70,659 + 72,779) = $ 14,979 \)

After Passage of HB 2226:

For this employee, we have Years above = 6 and Years Below = 6. Applying the above equation, we obtain

Annual benefits = \( (0.02) \times (6) \times (59,000 + 59,000 + 64,000)/3 \)  +  
\( (0.02) \times (6) \times (100,743 + 103,765 + 106,878)/3 = $ 19,735. \)

After 2006:

For the years 2007 through 2019, the accumulated benefits both before and after passage of HB 2226 are

Annual benefits = \( (0.02) \times (13) \times (100,743 + 103,765 + 106,878)/3 = $ 26,987. \)

The total accumulated benefits are the sum for all years. These results are:

Prior to HB 2226: Benefits = $4,800 + $ 14,979 + $ 26,987 = $ 46,766 per year.

After HB 2226: Benefits = $4,800 + $ 19,735 + $ 26,987 = $ 51,522 per year.

The difference for this example is $4,756 per year or $396.33 per month. Over a 20-year retirement lifetime, HB 2226 adds $95,120 to the retirement income of this employee.