



Oklahoma State University Retirement Plan... At a Glance

January 2004

This guide summarizes OSU's retirement plan. A formal plan document and appropriate state and federal laws govern the actual plan. In the event of need for further clarification, actual laws or the plan document should be consulted as the authoritative source. The plan document itself is available for review at OSU Human Resources, 106 Whitehurst, Stillwater, Oklahoma.

Oklahoma State University reserves the right to modify, revoke, suspend, terminate, or change any or all provisions of the plan, in whole or part, at any time, with or without notice. The language that appears in this guide is not intended to create, nor is it to be construed to constitute, a contract between Oklahoma State University and any or all of its employees.

Planning for Your Retirement

The Time For Planning Is Now

A secure retirement may be something you do not often think about. Perhaps you are focused on today's financial worries... not those that seem far off in the future.

Well, stop for a moment and think about the amount of money you may need to retire. How much money will that be? And where will that money come from? These are important questions for both younger people and those approaching retirement.

Most people think retirement plan contributions and Social Security will be enough to keep them comfortable and secure. These are two sources of personal retirement income, but a third and very important source is your savings. If you think about it, retirement plan contributions, Social Security and your savings all play a part in supporting you in retirement.

Your OSU Retirement Plan Benefit

OSU's Retirement Plan provides a benefit that can give you income in your retirement, if you meet the eligibility requirements. OSU wants to ensure that career employees have ample income during retirement, and is committed to maintaining a generous income replacement ratio. See pages 6 and 7 for more information about income replacement ratios.

Your Social Security Benefit

Your monthly benefit from Social Security is based on your individual earnings record. You can obtain a benefits estimate by contacting your Social Security office or calling (800) 772-1213 for more information.

Your Personal Savings

Supplemental tax deferred annuities and deferred compensation plans can help add to your personal retirement savings. The University offers a variety of investment opportunities TDA vendors for you to choose from to help you save for your retirement.

It All Works Together

By understanding how each of these sources works now, *before* you retire, you can effectively plan for a secure future.

Who is Eligible

You are eligible to participate in the OSU Retirement Plan the first day of the month after completing one year of continuous OSU service if you:

- Are age 26 or older;
- Are in a continuous regular position with an appointment of six months or more; and
- Are working at least .75 full-time equivalent (FTE), which is 30 hours a week.

OSU Contributions

Upon meeting the eligibility requirements, OSU contributes:

- 7% of your pay up to \$11,520 each fiscal year; plus
- 11% of your pay above \$11,520.

For plan purposes, your “pay” is defined as your actual base earnings plus overtime, but does not include terminal annual leave, differentials, allowances, awards, appearance fees, payments from a Professional Practice Plan or a salary additive.

Allocation of OSU Contributions

All retirement contributions paid by OSU will go to TIAA-CREF (Teachers Insurance Annuity Association-College Retirement Equities Fund) unless your participation is mandated by state law in OTRS (Oklahoma Teachers’ Retirement System) or if you enrolled in OTRS on or before July 1, 1993, while employed at OSU.

If you are an OTRS member and OSU contributions are made to OTRS, then any contributions that exceed the amount required by OTRS each pay period are paid to TIAA-CREF.

Contributions to TIAA-CREF occur once your pay exceeds \$11,520 each fiscal year. This is when OSU contributions increase from 7% to 11% of your pay.

If you are a member of OTRS and OSU contributions are not sufficient on any payroll to cover the member contribution, you will pay the amount in excess of the OSU contribution. This situation may occur at the beginning of the fiscal year when OSU contributions are based on 7% of your pay, before your pay reaches \$11,520.

OSU faculty and administrative/professional employees working .50 FTE or more are required by state law to join OTRS. They are not eligible for OSU retirement contributions if working less than .75 FTE. If you are an optional OTRS member working in a classified staff position, you may either remain with OTRS or you may wish to end your OTRS membership and direct all OSU contributions to TIAA-CREF. You should contact OTRS if you wish to stop OTRS contributions and then contact OSU Human Resources/Employee Services.

When You May Retire From OSU

You will be eligible for retirement from OSU when you:

- Are at least age 62 and have completed 10 years of continuous OSU service; or
- Complete 25 years of continuous OSU service...no matter what your age; or

- Qualify under the OTRS “Rule of 80” or “Rule of 90” guidelines, regardless of OSU service.

Normal Retirement Date

For plan purposes, your normal retirement date is July 1, after you reach age 65.

Retirement Benefits

As an OSU retiree, your retirement income is determined by your participation in TIAA-CREF, OTRS, Social Security, and any supplemental tax deferred annuities that you may have. Each of these programs has separate retirement rules. As separate programs, each provides information regarding its benefits.

Planning Your Retirement

An *OSU Retirement Guide*, available from OSU Human Resources, can assist you with more detailed retirement information and requirements for OSU, OTRS, and TIAA-CREF.

Health Care, Dental, Vision, and Life Insurance

In addition, you receive benefits such as life insurance and the opportunity to continue health care/dental/vision insurance.

As an OSU retiree, you and your eligible dependents may continue your health care coverage with the State Plan. If you or your spouse is age 65 or older, the State Plan coverage is secondary to Medicare. You and your eligible dependents may also continue your State dental insurance coverage and/or your vision coverage.

If you have life insurance when you retire from OSU, the University will pay \$6,000 of term life insurance coverage for you. If you want more life coverage than is provided by OSU, you should check with the life insurance provider and ask about conversion and portability options. You will want to do this before retirement as you have only a brief time after retirement in which to make these elections.

Oklahoma Teachers’ Retirement System

You are eligible for full retirement benefits from OTRS when you are at least age 62 and are vested (have at least 105 years of Oklahoma OTRS creditable membership service). Alternately you are eligible for full retirement benefits under the “Rule of 80” or “Rule of 90”, (combination of your age and years of OTRS creditable service). You are eligible for a reduced benefit when you are at least age 55 and are vested in OTRS. OTRS can confirm if you are vested. OTRS retirees are eligible for a health care premium credit of \$100 to \$105 per month, if you continue with State Plan coverage. OTRS forwards an annual statement to member’s home addresses each October. The annual statement covers contributions through the prior fiscal year ending June 30.

TIAA-CREF

You are always 100% vested in your TIAA-CREF contributions. You can get an estimate of your lifetime annuity benefits in a retirement illustration by contacting TIAA-CREF by

telephone or visiting their website at www.tiaa-cref.org. TIAA-CREF also has various cash withdrawal options to give you more financial flexibility during retirement and to ease your transition into retirement.

TIAA-CREF Retirement Income Options

A good feature of the TIAA-CREF is the plan has a variety of flexible payment (withdrawal) options available to you after you separate from OSU. You may mix and match from all the available options to tailor these options to your needs.

Lifetime Annuity Income Withdrawals

When planning your retirement withdrawal options, please take into consideration that the amount of accumulations converted into one of the lifetime annuity options is an irrevocable decision. For example, you may not switch back and forth between an annuity option and systematic withdrawals or lump sum withdrawals.

The most basic annuity option is the One-Life Annuity. You, as the owner of your TIAA-CREF contracts, receive the monthly benefit income until you die.

A second option is the Two-Life Annuity. You give TIAA-CREF the birth date of your selected Joint Annuitant (usually a spouse). You receive the monthly lifetime income. When you or your Joint Annuitant dies, the survivor receives the monthly income for the remainder of his/her life. The monthly benefit under the Joint Annuitant option is somewhat less than under the One-Life Annuity, since two recipients will usually live longer than one.

Regardless of which option you choose, you have the choice to include a 10, 15, or 20 year Guaranteed Period. For example, if you choose a 20-year Guaranteed Period and you die after receiving monthly benefits for 11 years, your beneficiary (ies) would continue to receive the monthly income for 9 more years. You may ask for a *Choosing Income Options* booklet from TIAA-CREF, 1-800-842-2776, if you are interested in obtaining more information regarding lifetime annuity and other withdrawal options.

No matter which payment option you choose, its value is the same. The administrator of the plan determines the actuarial equivalent of the various payment options.

Lump Sum Withdrawals

You may receive a distribution of your account balance after separation from service at OSU. Some limitations may apply. Any early withdrawal of retirement funds is subject to regular income taxes along with a ten percent penalty. In addition, TIAA-CREF will withhold 20% for federal income tax withholding as required by Federal law. You may avoid the tax penalty and withholding if you roll over your funds to an appropriate account such as an Individual Retirement Account ("IRA"). If you plan to rollover the funds to another retirement investment, be sure to review the information from TIAA-CREF carefully about rollovers. You may want to discuss tax issues with your tax advisor because there may be tax advantages if you do not let the withdrawn funds pass through your hands.

If you take a lump sum withdrawal, you may be able to avoid the 10% penalty tax if you terminate from OSU at age 55 or older. If you terminate from OSU before age 55, you must wait until age 59 1/2 before withdrawing to avoid the 10% penalty tax.

Lifetime annuity income is treated differently from lump sum withdrawals for tax purposes. Lifetime annuity income payments are not subject to the 10% tax penalty or the 20% federal withholding, even if you separate or retire from OSU before age 55 55 and initiate income payments.

Minimum Distributions

You have the option to start receiving your benefits any time you retire or separate from OSU. But, you must begin receiving minimum distributions from your retirement account(s) by April 1 of the year following the calendar year you turn age 70½ or terminate employment, whichever is later. Non-compliance can lead to heavy Internal Revenue Service penalties. Contact TIAA-CREF to determine your minimum distribution amount and to begin your distributions.

Survivor Benefits

If you die while accumulations are present in your account and before receiving any lifetime annuity option distributions from your retirement account, your named beneficiary (ies) will receive the balance of your account. Your beneficiary (ies) will have available to them all the flexible retirement options that would have been available to you.

If you die during the guaranteed period of one of the lifetime annuity options, TIAA-CREF will pay your beneficiary the unpaid benefit for the rest of the guaranteed period. If you die while under one of the joint and survivor annuity options, your annuity partner will receive benefits for the remainder of his/her life.

Your Investment Choices

TIAA-CREF plan contributions may be invested in various accounts. You may allocate contributions to as many of the funds as you wish and transfer funds among accounts.

Possible accounts include:

- CREF Stock Account
CREF Global Equities Account;
CREF Growth Account
CREF Equity Index Account;
CREF Money Market Account
CREF Bond Market Account
CREF Inflation-Linked Bond Account
CREF Social Choice Account
- TIAA-Traditional (guarantees your principle plus interest)
TIAA Real Estate

TIAA accounts (above) may have restrictions on the frequency in which you can transfer funds as well as the percentage of your account balance. CREF accounts (above) do not have transfer restrictions. Please note that TIAA-CREF will forward quarterly statements to your home address. The statements will include all account activity for the quarter.

TIAA-CREF on Campus

You will receive a flyer from TIAA-CREF at your home address three to four times per year, alerting you to times when TIAA-CREF will be on campus for group retirement presentations. Subjects of the presentations will be described within the flyer, as well as time and location of the seminars. In addition, the flyers will inform you of opportunities to meet individually, in person, with a TIAA-CREF counselor on campus. These sessions are also posted on the TIAA-CREF Web Center under the category of Meetings & One-on-One Counseling. You may register on-line to attend a session or call TIAA-CREF at (800) 842-2006 for an appointment.

TIAA-CREF Web Center

You can access your personal TIAA-CREF accounts and utilize other services on the TIAA-CREF website, www.tiaa-cref.org. You may create your own personal User ID and password by accessing the website or contacting their Telephone Counseling Center. A TIAA-CREF consultant may be reached by calling 1-800-842-2776. You will need to know your Social Security number, your date of birth and a contract number to create your personal ID.

Social Security

You and your employers, including OSU, have contributed toward Social Security during your working years. Under current law, you can begin receiving monthly benefits at a reduced rate as early as age 62. Your local Social Security Administration office will assist you in determining benefits.

How Your Total OSU Retirement Benefit Is Determined

The University uses these sources in providing your retirement benefit:

- OSU plan benefits (OTRS, if applicable, and TIAA-CREF) and
- Social Security

One way to consider the adequacy of your projected retirement income is to compare it with your income immediately before retirement. This is called an income replacement ratio. OSU periodically reviews the income replacement ratios to ensure that the OSU plan is meeting its stated objectives.

Income Replacement Ratio for Career Employees

The objective of the OSU retirement plan is to provide career employees with a combined retirement income from Social Security, OTRS, and TIAA-CREF of at least 80% to 100% of pre-retirement pay. A 1998 Income Replacement Ratio study for new hires indicated that income replacement ratios actually exceed the goals and ranges from 90% to 142%. This study was based on the contribution schedule in effect at that time. Since OSU contributions have increased, it is possible that a subsequent study will find even higher income replacement ratios. For the purpose of the replacement ratio computations, career employees are considered to be employees who work for the University for 30 years and retire at an age eligible for full social security benefits.

Of course, personal investments make it possible to achieve a higher retirement income replacement ratio. The University offers opportunities to participate in supplemental tax deferred annuity programs and deferred compensation plans as one way to enrich your retirement income. Potential income from these investments was not factored in the replacement ratio study.

Projected Income Replacement Ratios

Employees with lower salaries have income replacement ratios generally at a higher level, primarily since Social Security favors the lower income individuals from a percentage standpoint because of the Social Security caps on contributions. For example, for an employee earning \$10,000 per year, the overall projected replacement ratio would be 142% of pay of the last year of employment, of which 56.5% of retirement income would be from the OTRS/TIAA-CREF combination and 43.5% from Social Security.

For a person earning \$80,000 per year, the overall projected replacement ratio would be 95% of pay of the last year of employment, of which 88% of retirement income would be from the OTRS/TIAA-CREF combination and only 12% from Social Security.

The study considered employees with Social Security, OTRS, and TIAA-CREF, as well as employees who have Social Security and TIAA-CREF only. Regardless of how the OSU retirement contributions were directed, income replacement ratios for both scenarios were very similar.

Below are some of the assumptions used in the 1998 Income Replacement Ratio study:

- Indefinite plan continuation;
- Constant plan integration level of \$11,520;
- Social Security laws applicable as of 1998 with future wage base increases of 2.5% per year;
- Annual salary increases of 4%;
- Inflation rate of 3%;
- Full Social Security benefits;
- TIAA-CREF growth rate of 10%;
- Election of TIAA lifetime single life annuity upon retirement at age 67 (Social Security retirement age for full benefits);
- No contributions to TIAA-CREF the first year of employment;
- Employee contributions to OTRS the first year of employment, if an OTRS member;
- Average high five year compensation used for computing OTRS benefit;
- Replacement ratio based on the final salary (not the starting salary).

Your Voluntary Employee Contributions

Many factors can affect your standard of living during retirement...lifestyle choices, inflation, and medical bills. Do not underestimate the importance of your own personal investments.

You may make voluntary contributions, up to your individual maximum tax deferred contributions limit each year, to tax deferred annuities and/or deferred compensation plan to supplement your Social Security and OSU Retirement Plan benefits. These contributions are deducted from your salary and invested in the optional investment fund(s) you select *before federal and state taxes* are calculated.

You may direct the investment of your contributions into several different programs, representing a range of risk and potential return, giving you the opportunity to diversify your investments and maximize your long-term return, as well as maintain stability.

You not only save for retirement, but you save on taxes, too. These tax-sheltered savings programs *defer* taxes on interest, dividends, and capital gains until a later date on any money you invest today. Money in these programs will be taxed, but only when you withdraw it. You are always 100% vested in these plans.

You may want to contact your financial advisor for assistance in selecting investment sponsors to suit your individual needs. Additional information regarding procedures to establish optional contributions can be obtained from OSU Human Resources/Employee Services.

In Summary

Retirement requires careful planning, especially with the variety of retirement and health insurance options. Planning is also needed for post-retirement income options and income levels, taking into consideration tax brackets and tax consequences at the time of your retirement. If you need further information, please contact the organizations listed on the following page.

Important Contacts

The following are telephone numbers and addresses that will be helpful as you plan for retirement from OSU.

American Fidelity Assurance Co.
Life Insurance
P O Box 25523
Oklahoma City, OK 73125-0523

(800) 662-1113
www.af-group.com

Oklahoma Teachers' Retirement System
2500 N Lincoln Blvd
Oklahoma City, OK 73105

(877) 738-6365
www.trrs.state.ok.us/

Social Security Administration
518 E Lakeview
Stillwater, OK 74075

(405) 624-4301 (Local Office)
(800) 772-1213 (nationwide)
www.ssa.gov

Oklahoma State Education Employees
Group Insurance Board (OSEEGIB)
3545 NW 58th, Suite 110
Oklahoma City, OK 73112

(800) 752-9475
www.sib.state.ok.us

TIAA-CREF
730 Third Avenue
New York, NY 10017

(800) 842-2776
www.tiaa-cref.org

OSU Human Resources/Employee Services
106 Whitehurst
Stillwater, OK 74078-1034
e-mail: osu-es@okstate.edu

(405) 744-5449
(405) 744-8345 (Fax)
www.okstate.edu/osu_per/