To: OSU Faculty and Staff
From: Dr. David J Schmidly, System CEO
Subject: OSU Retirement Programs
Date: June 6, 2003

The quality of the retirement program at Oklahoma State University is important. A well-designed program is critical in the recruitment and retention of faculty and staff in a national marketplace. The OSU community has contributed ideas about what will provide a desirable program, while considering how changes can be made on a gradual basis within our budgetary constraints. We should all be particularly grateful to the University’s Flexible Compensation Benefit Committee and its faculty, staff, and emeriti members who have worked hard to bring realistic proposals forward. I am pleased to report progress on several initiatives designed to improve the current program.

In a concerted effort with Tommy Beavers of the Oklahoma Teachers’ Retirement System (OTRS) and the University of Oklahoma, I am pleased to report that we have been successful in getting legislation passed that will benefit many current and future employees. Our success would not have been possible without the support and leadership of Representative Terry Ingmire and Senator Mike Morgan who were very instrumental in convincing their fellow legislators to vote for House Bill 1362. House Bill 1362 reduces the age requirement for mandatory participation in OTRS from age 55 and under to age 45 and under. This feature will be applicable to all new hires at the comprehensive universities. The bill also reduces the vesting period for the OTRS from 10 years to 5 years. Plus, interest will begin to accumulate at year one instead of after seven years of OTRS participation. Governor Henry has signed HB 1362 into law. These changes should help our recruitment efforts to grow our research faculty by making the OTRS a more desirable retirement program.

During the next year, we will continue our combined efforts to improve higher education’s retirement programs by seeking legislation to make participation in OTRS optional for all OSU and OU employees, or to allow existing employees the choice of withdrawing from participation and eliminating any new hires from mandatory participation. In addition, we will press for a new retirement benefit schedule that is more closely aligned with the contributions paid. You are probably aware from campus meetings, held by the Flexible Compensation Benefits Committee, that an inequity exists for OSU and OU employees who became participants of OTRS prior to July 1, 1995. In order to make information widely available so that we can convince the
legislature that these are essential changes, OSU Human Resources will add a special section to their website containing legislative proposals, as well as comparative information compiled by the Flexible Compensation Benefits Committee and TIAA-CREF.

The Flexible Compensation Benefits Committee has also recommended that OSU contributions to retirement increase from the current schedule of 7% of the first $11,520 of pay and 11% pay over $11,520 each year to a straight 11%. This change would alleviate the need for some employee contributions to OTRS when OSU contributions are at the 7% level; simplify understanding of the program; and, enhance retirement benefits for all eligible employees. While the budget is a key concern, I plan to make a recommendation to the Board of Regents, at their June 20th meeting, for an 11% OSU retirement contribution for all participating employees in OSU’s retirement in order to enhance the OSU Retirement Plan for all employees.

In addition to our major drive in the legislature to change OTRS, we will carefully review the other recommendations of the Flexible Compensation Benefits Committee. In particular, the age 26 and one-year employment requirement for participation in the OSU Retirement Plan creates a hardship, especially for employees who are currently mandated in OTRS. We will also review increasing the retirement contributions to 11.5% in Fiscal Year 2005 and to 12% in Fiscal Year 2006. Further improving OSU’s retirement system will depend on the success we have in the legislature next year in obtaining increased appropriations.

Some have expressed that they prefer the retirement plan in which they participated prior to July 1, 1993. This plan provided 6% of the OTRS low base of $25,000 as OSU-paid OTRS member contributions and 10% of regular pay over $7,800 to TIAA-CREF. While our emphasis is on building for the future, OSU will allow anyone who was in the prior plan to return to that contribution schedule. The matching employee contribution of 5% of pay over $7,800 to TIAA-CREF will not be required. Employees may use OSU contributions to pay the required OTRS member contributions.

The plan I have outlined above is an aggressive one to change retirement for all OSU employees. My emphasis is on the future of Oklahoma State University. I am convinced it is fruitful to move ahead in the design and implementation of a retirement program that will indeed enable us to recruit and retain the very best faculty and staff. It must be remembered that these programs are regulated and controlled by both federal and state agencies. We will need to gain approval of the Internal Revenue Service. We will keep you informed as we move forward.