SUMMARY OF CONFERENCE COMMITTEE REPORT ON HOUSE BILL 2226

Highlights:

1. Allows new employees at the University of Oklahoma, OU Health Sciences Center, and Oklahoma State University the option of enrolling in an alternate retirement plan established by the universities or enrolling in the Teachers’ Retirement System (TRS).

2. Provides for a one-time election by current TRS members employed at the universities to opt out of TRS if the Internal Revenue Service approves.

3. Changes the retirement formula for university members to more closely parallel benefits received by other TRS members. A special provision will increase benefits for retired university employees effective January 1, 2005, but will not allow payment of retroactive benefits.

4. Requires the universities to fund the cost of this proposal over 30 years, with a provision that the surcharge paid by the universities can increase in the future if liabilities increase.

This measure will allow employees at the two comprehensive universities to elect to participate in the Teachers’ Retirement System or participate in an alternate retirement plan created by the universities. The bill applies to only OU, OU Health Sciences Center and OSU.

The loss of employer contributions due to some employees opting not to participate in the Teachers’ Retirement System will be made up by a surcharge paid by the universities. The surcharge will be 2.5% of the compensation of employees who are eligible to be members of TRS, but elect to participate in the alternate plan. The funding section also provides for an additional surcharge to be paid by the universities, if necessary, to amortize unfunded liabilities of the university employees over a 30-year period, or the amortization period of the System, if longer.

The TRS actuary has developed the cost of all projected benefits and is confident that calculations are as correct as possible given certain assumptions had to be made concerning how many new and current employees will opt in or out of the retirement program.

The bill meets the objective of the Teachers’ Retirement System in that it requires the universities to continue to make contributions necessary to ensure the System is funded at the same level had no change occurred.

Tommy C. Beavers, Executive Secretary
Teachers’ Retirement System
May 19, 2004