

# **Final Report Retirement Subcommittee of the Flexible Compensation Benefits Committee**

## **EXECUTIVE SUMMARY**

In July 2000, the Flexible Compensation Benefits Committee (FCBC) recognized that Oklahoma State University needed to review the retirement policy to assess its competitiveness among peer institutions. The Retirement Subcommittee to FCBC was appointed in August 2001 and developed a recommendation for a new retirement program at Oklahoma State, as well as recommendations for changes to OTRS benefit formulas.

Two recommendations for the new program were developed. One recommendation assumes that OTRS would be optional for OSU employees. Since this option requires legislative action, a second recommendation was developed which includes OTRS as a mandatory component of the retirement program. Both recommended programs have the following characteristics:

- Fixed (flat) contribution percentage across entire salary range for all employees
- Elimination of both the age 26 restriction and the one year waiting period before OSU contributions begin
- Vesting after 2 years of service for all benefits-eligible employees
- More vendor choice for defined contribution plan
- Strong employee education program

The OTRS–optional recommendation also includes the following characteristic:

- Portability if desired (retirement program goes with employee)

The cost of both proposed programs is compared with the existing program. The OTRS–optional program is more costly, initially, but it will ultimately be less costly for the University. The committee has recommended a process to phase in the new program in order to help the University manage the cost.

During the research process of understanding the current plan, the subcommittee looked at the various OTRS benefit formulas for comprehensive universities, other higher education institutions and common schools. It was discovered that the benefit formulas for the comprehensive universities are significantly different than those for the common schools and other higher education institutions. These differences are the result of capping contributions on compensation during the period 1995-2007, but the effect is reduced retirement benefits for employees of the comprehensive universities, even in cases where equal contributions have been made into the OTRS system. The committee developed several recommendations to amend the OTRS benefit formulas in order to make them more equitable. Finally, the committee reviewed other issues, such as post-retirement healthcare, phased retirement, an educational program, sick leave and a Deferred Compensation plan (457b).

The subcommittee finds there is a need for change in the current retirement program offered by Oklahoma State University, realizing that some essential changes are dependent upon action by the Oklahoma legislature. Adopting the subcommittee's recommendations will leave the University with a more competitive and equitable retirement program. The recommended program will be easier to understand and communicate, provide the opportunity for a reasonable standard of living post-retirement, recognize funding challenges, and provide employee education.

Since the subcommittee submitted its interim report in November 2002, some recommended changes have been implemented, including raising the OSU contribution to a flat 11% for all eligible employees, adding an additional tax deferred annuity option (457b) and lowering the OTRS vesting period to five years. The subcommittee strongly encourages the adoption of the remainder of the proposed changes to the current retirement program, as outlined in the report.

# FINAL REPORT

*of the Retirement Subcommittee  
of the Flexible Compensation Benefits Committee  
Oklahoma State University  
2003*

## 1.0 BACKGROUND

### 1.1 Charge to the Subcommittee

In July, 2000, then Vice-President Harry Birdwell, responding to a request by the OSU Flexible Benefits Committee, appointed a Retirement Subcommittee with the general charge to evaluate the current retirement system and make it competitive among peer institutions. Specifically, the charge was to:

“Seek to understand the current OSU retirement program, including the specific components of the plan, while keeping in mind the history and evolution of the plan over time. The Retirement Subcommittee will develop specific recommendations to be presented to the Flexible Benefits Committee.”

It was generally assumed within the university that the current retirement program was not sufficiently competitive among OSU peer institutions. The retirement subcommittee was charged with evaluating this assumption and determining, if the assumption was true, the best way to make it competitive. Basically, this charge instructed the subcommittee to study:

- What was
- What is
- What has changed and why
- What should be

While the subcommittee understood the recommended competitive retirement system could not be unreasonably expensive, it was not charged with developing a budget neutral solution. It was tasked to move deliberately and thoughtfully, with the goal to present a proposed plan to the administration, through the Flexible Compensation Benefits Committee, in January 2003. This would allow time for any legislative action that might be needed during the 2003 session.

### 1.2 Subcommittee Membership

Members of the subcommittee were appointed from faculty and staff, with representation from all colleges and agencies that will come under the system. Membership was evenly split among faculty and staff with six faculty, six staff, one administrator and one emeritus. Members of the subcommittee included:

- Bill Barfield (Faculty, OSU-STW), Chair
- Camille DeYong (Faculty, OSU-STW), Co-Chair
- Brad Barnes (Staff, OSU-STW)
- John Dalton (Staff, OSU-STW)
- Greg Fox (Staff, OSU-STW)
- Sheila Harp (Staff, OSU-STW)
- Sally Henderson (Faculty, OSU-OKC)
- Darrel Kletke (Faculty, OSU-STW)
- Terry Lehenbauer (Faculty, OSU-STW)
- Ken Morris (Administrator, OSU-OKM)
- Bob Oehrtman (Faculty, OSU-STW)
- Louisa Payne (Staff, OSU-STW)
- David Peters (Staff, OSU-STW)
- Fran Stromberg (Emeritus, OSU-STW)

### 1.3 The Need for Change

The Subcommittee's initial review of the current retirement program and how it had been revised over the last decade more clearly identified the scope of its charge and the need for change.

It was determined that any recommendation to provide a more competitive retirement system must include changes not only for new employees, but also for the various categories of the current eligible employees participating in retirement programs, as described below:

- A/P staff and faculty have 7/11 that covers OTRS required contributions first, with the excess going to TIAA-CREF.
- Some faculty (Visiting, Post Doctoral Fellows, Residents, Interns, Adjuncts) are not eligible for 7/11 or OTRS. The exception being that In-State Visiting titles are mandated into OTRS and Out-of-State Visiting titles are optional into OTRS. Neither is eligible for 7/11.
- Grandfathered classified staff already members of OTRS prior to 7-1-93 have 7/11 which covers OTRS required contributions first with the remainder to TIAA-CREF.
- All other eligible classified staff have all 7/11 dollars going to TIAA-CREF, with the option to participate in OTRS if they pay the member contribution.
- Faculty and A/P staff that have an FTE of 0.50 to 0.74 are mandated to participate in OTRS and must pay their own member contributions. (Eligible faculty and A/P staff are mandated into OTRS if they have a 0.50 FTE or greater and employees with an FTE below 0.75 are not eligible for 7/11.)
- Beginning in 1980, all new employees hired on Federal appointments were required to participate in OTRS. In 1980, pre 1980 employees were given a choice between a 5% salary increase and OSU paid OTRS (the OTRS fee at that time was 5%). The OSU contribution to OTRS was limited to the low base. Employees choosing the high base paid the employee's fee for compensation above the low base. After 1980 employees on Federal appointments were treated as all other employees.

In order to ensure that any recommended changes would not harm the retirement benefits of any of the current participants, there was a need to review the impact of the past changes in the OTRS and OSU's retirement program on the various categories of current participants. The previous changes to be studied included:

- Changes to the OSU retirement system occurring in 1993 when the system moved to a 7/11 retirement contribution program
- Changes to the OTRS retirement system occurring initially in 1995 when the legislature passed law to continue the uncapping process for OU and OSU. The legislation also included unique benefit formulas for the comprehensive universities.

## 2.0 CHRONOLOGY

The idea of a retirement subcommittee arose from the Flexible Compensation Benefits Committee in July 2000. The following chronology of activities and actions reflect the sequence of the subcommittee's work:

- |        |   |
|--------|---|
| 7/2000 | Flexible Compensation Benefits Committee identified retirement as an issue in need of further study |
| 8/2001 | Retirement Subcommittee appointed   |

- 11/2001 Initial meeting of Retirement Subcommittee
- 11/2001 Retirement Subcommittee learned of a class-action retirement lawsuit through the Daily O'Collegian
- 11/2002 Retirement Subcommittee presented interim report to Flexible Benefits Compensation Committee
- 1-4/2003 Retirement Subcommittee members made presentations to:
  - Staff Council
  - Faculty Council
  - Emeriti Association
  - Dr. Joe Alexander, Interim Vice President for Research
  - Dr. David Bosserman, Interim Vice President for Business and External Relations
  - Tommy C. Beavers, Executive Secretary of OTRS
- 5-6/2003 Retirement Subcommittee members made presentations to faculty and staff at four OSU-Stillwater locations, four extension districts, OSU-Tulsa, OSU-Okmulgee, and OSU-OKC  
 At each of these presentations, feedback was requested through subcommittee members and through a web site identified at the presentation. Comments received were generally positive and resulted in further clarification of the recommendations.
- 6/2003 Retirement Subcommittee members made a presentation to President David Schmidly.
- 7/2003 OSU Board of Regents approved President Schmidly's recommendations for improvements to the OSU retirement plan, including changing the 7/11 contribution to a flat 11%. A new contribution formula was applied to employees who were members of the retirement program prior to 7/1/93. This formula provided those grandfathered employees with retirement contributions similar to the pre 7/1/93 program or the flat 11% whichever was greater.
- 7/2003 The Oklahoma State Legislature passed legislation in May 2003 lowering the age limit for new hires at the comprehensive universities from 55 to 45 for mandatory participation in OTRS. In addition, the legislation lowered the required vesting period for ten years to five years for all members. These changes took effect 7/1/03.

### **3.0 MATERIALS AND METHODS**

The method chosen by the subcommittee was to review historical documents, compare OSU's existing retirement program to others, review the two major retirement plans (OTRS and TIAA-CREF) and related issues, and obtain feedback from specific focus groups/individuals.

#### **3.1 Review of historical documents**

The documents reviewed by the subcommittee consisted of the following:

- TIAA-CREF Publications
- OTRS Publications
- Current and Past OSU Publications
- 7/11 Program Change Documents
- OSU Retirement Guide
- OSU Retirement at a Glance
- Previous OSU Retirement Consultant and Committee Reports
- Publications from Peer Institutions
- Literature Review

### 3.2 Comparison with peer institutions

While completing the review of the documents listed above, the subcommittee had a task force comparing retirement plans of peer institutions. For this study the subcommittee received assistance from representatives of OSU Human Resources to gain understanding of the current and future retirement recommendations.

In spring of 2002, the subcommittee worked with OSU Human Resources to develop comparisons of retirement programs for 18 peer institutions. Data was collected to compare various aspects of retirement plans, as well as to learn of the types of retirement plans that the peer institutions offered. The subcommittee utilized the survey completed in September 2000 by the AAUP Committee on Retirement, TIAA-CREF Institute, American Council on Education, College and University Professional Association for Human Resources, and the National Association of College and University Business Officers. The details of each plan were reviewed and updated by the task force group for the comparisons of peer institutions.

### 3.3 Review of two major retirement plan options

With knowledge of what other peer institutions provided, the subcommittee reviewed two major retirement plan options: a Defined Benefit Plan (DBP) and a Defined Contribution Plan (DCP).

- The first option visited was a Defined Benefit Plan (DBP), in which each employee's future benefit is determined by a specific formula and provides a guaranteed level of benefits on retirement. If the DBP is also private, then the plan is typically not contributory— there are usually no employee contributions and thus no individual accounts are maintained for each employee. In a DBP, the employer makes regular contributions to the entire plan to fund the future benefits of the entire group of participants. The employer bears the risk associated with providing the guaranteed level of retirement benefits. Usually, the promised benefit is tied to the employee's earnings, length of service, or both.
- The second option visited was a Defined Contribution Plan (DCP), in which employers generally promise to make annual or periodic contributions to accounts that are set up for each employee. The employer, employee, or both, can contribute. The current contribution is guaranteed, but the level of benefits at retirement is not, as the benefit payable at retirement is based on contributions and earnings accumulated in each employee's account. The final retirement amount reflects the total of the employer and employee contributions, as well as investment gains or losses.

Additional issues were identified that appeared to be important to the decision-making process, including the ability to rollover funds and the number of years of service required before one is vested in the program.

- **Rollover** relates to the employee's ability to transfer retirement funds from one retirement plan to another plan of the same type, or to an IRA without incurring a tax liability. These transfers must be made within 60 days of receiving a cash distribution. The law requires a 20 percent federal income tax withholding on money eligible for rollover if it is not moved directly to the second plan or an investment company.
- **Vesting** is the process in a qualified retirement plan where participants earn a non-forfeitable right to accrued benefits under a DBP, or account balances under a DCP, by the completion of years of service as specified under the plan's vesting provisions.

### 3.4 Review with focus groups

After highlighting plan options in comparison to peer institutions, the subcommittee decided to review these options with focus groups and individuals. The groups and individuals included:

- Faculty Council Executive Group
- Staff Advisory Council Executive Group
- Lawsuit Plaintiffs

- Harry Birdwell, Former Vice President for External Relations / Business and Finance
- Anne Matoy, OSU Human Resources
- Barbara Wells, OSU Human Resources
- John Dalton, OSU Human Resources
- Tommy Beavers, Oklahoma Teacher's Retirement System
- Darrel Kletke, Agricultural Economics, Previous Retirement Committee Chair
- University of Oklahoma Faculty and Staff Council Executive Groups

## 4.0 COMPARISONS

Research results completed in Spring 2002 by the Subcommittee indicated that OSU was comparable with regard to the types of plans offered, as well as the level of contributions OSU made toward the retirement accounts of employees. However, being comparable does not mean that we are competitive. The information gathered indicates that we are not competitive for recruiting because:

- The major portion of our retirement program is in OTRS and not portable outside the state of Oklahoma.
- Monies invested in the OTRS program are not perceived to provide a comparable return for the dollars invested as that received through a defined contribution plan.

### 4.1 Institutions in comparison

Institutions researched included:

- Oklahoma State University
- University of Oklahoma
- Baylor University
- Texas A&M University
- Texas Tech University
- University of Texas
- Kansas State University
- University of Kansas
- Iowa State University
- University of Colorado
- University of Missouri
- University of Nebraska
- University of North Texas
- Wichita State University
- University of Arkansas
- University of Florida
- Ohio State University
- Purdue University

### 4.2 AAUP Survey

In September 2000, the AAUP Committee on Retirement co-sponsored a survey on faculty retirement programs with the TIAA-CREF Institute, American Council on Education, College and University Professional Association for Human Resources and the National Association of College and University Business Officers.

- Total Number of Institutions Reporting
  - a) Defined Contribution Plan Only: 19
  - b) Defined Benefit Plan Only: 14
  - c) Multiple Systems: 64
- Plan Types (of Peer Institutions only)
  - a) Defined Contribution Plan Only: 2
  - b) Defined Benefit Plan Only: 1
  - c) Multiple Systems: 15

## 5.0 CURRENT PROGRAM

The Retirement Subcommittee used the plan that was in effect through June 30, 2003 as a comparison base. The elements of that plan include:

- Eligible employees had to have a .75 FTE or greater appointment for one year and be age 26 to receive OSU retirement contributions.
- A formula commonly known as the 7/11 plan calculated the amount of funds paid by OSU toward an employee's retirement. This plan was based on calculating 7 percent of salary up to \$11,520, plus 11 percent of all salary above \$11,520.

These retirement funds were paid into one or both of the following programs:

- A defined benefit program through the Oklahoma Teacher's Retirement System
- A defined contribution program through TIAA-CREF

Faculty and A/P staff were legislatively mandated into the Oklahoma Teacher's Retirement System, which meant that the university contributions to the employee's retirement were directed to pay OTRS first. The remaining monies were then allocated to the employee's TIAA-CREF account.

All employees other than faculty and A/P staff had the option to participate or not participate in OTRS.

### 5.1 Defined Contribution Program, TIAA-CREF

All benefit-eligible employees not mandated into OTRS, or who had not chosen OTRS as a retirement vehicle, had the full amount of their OSU retirement contributions paid into TIAA-CREF.

For all OTRS members, the OSU contributions were first applied to meet the required OTRS member payment with any remaining amount allocated to their TIAA-CREF account.

Characteristics of TIAA-CREF

- Defined contribution plan
- Portable retirement system used at most major universities and research entities
- Long history of stability and performance
- Employee selects from a menu of investment funds with varying degrees of anticipated risk and expected return
- Income at retirement is investment based and available with a wide variety of distribution options
- Can generate a significant pool of assets at retirement with residual available for distribution to heirs

### 5.2 Defined Benefit Program, OTRS

The OTRS requires that two fees be paid, a member contribution and an employer fee. The formula for each follows:

- OTRS Member Contribution: OSU pays the member contribution if the employee is eligible employer paid retirement and the employee pays the member contribution if the employee is not eligible for employer paid retirement. The member contribution is 7 percent of total covered compensation (salary + benefits; benefits include OSU paid retirement + health + life). For employees hired before July 1, 1995, total covered compensation is the lesser of total covered compensation and the OTRS compensation cap in place for OSU and OU employees between July 1, 1995 and June 30, 2007. For employees hired after July 1, 1995, total covered compensation is all salary and benefits.
- OTRS Employer Fee: This is a fee paid by all employers with employees participating in OTRS. The fee is 7.05 percent of total covered compensation as specified above.

## Characteristics of OTRS

- Defined benefit plan
- Portable only among educational institutions and common schools within the state of Oklahoma
- Retirement benefits are determined by length of OTRS service and compensation
- OTRS Rule of 80 or 90:
  - a) For any member who joined OTRS prior to July 1, 1992, full retirement benefits will be paid to vested member who has reached age 62, or whose age as of his or her last birthday and number of years of creditable service total 80.
  - b) For any member who joined OTRS after June 30, 1992, full retirement benefits shall be paid to the vested member who has reached age 62, or whose age as of his or her last birthday and number of years of creditable service total 90.
- Ten-year vesting period (*as of 7/1/03 this became a five-year vesting period*)
  - a) Members that are not vested and leave OSU can only receive or roll over to another retirement plan the total member contributions plus a limited amount of interest. (*as of 7/1/03 the interest payable to exiting members was increased*)
- Normal retirement dates vary depending on when an employee enters the system
- Because of legislative changes in OTRS, there are different benefit formulas depending on when an employee enters the system
- Employees can choose between five retirement benefit distribution options
- Benefit and contribution formulas subject to legislative change
- Benefits secured by the good faith of the state of Oklahoma
- Because of legislative changes in benefits without associated increases in funding, OTRS has a history of being under funded.
- For years of service prior to July 1, 1995, benefits shall be calculated using a level of compensation no greater than the elected low base or high base cap of either \$25,000 or \$40,000.
- Formulas for other OTRS participating entities are significantly different from those for OU and OSU. As a result there are substantially different benefits relative to funds being contributed to OTRS.
  - a) Employees of OU, OSU and their constituent agencies, who were employed by these universities prior to July 1, 1995, will have retirement benefits calculated based on the lesser of the respective cap or annual compensation during the uncapping process (July 1, 1995- June 30, 2007). During the uncapping process, each year will be calculated on its own without averaging.
  - b) Employees of OU, OSU and their constituent agencies, who were employed by these universities after June 30, 1995 do not participate in the uncapping process and will have retirement benefits calculated based on the average of their total compensation for their highest five years.

Note: In 1996 the Oklahoma legislature allowed a retroactive buy-back option for the FY 95-96 capped contributions, with that year being calculated as a stand-alone year for all higher education OTRS participants, separate from all prior or future year contributions.

## Legislative Actions Mandating OTRS Uncapping Process

- 1992: SB568 - Mandated that the caps on all OTRS contributions would be removed in 1995.
- 1995: SB527 - Mandated that all higher education employees hired prior to July 1, 1995 would remain capped for another three years, but that all other entities in the OTRS system would be uncapped as proposed in 1992.
- 1996: SB832 - Mandated that employees of OSU and OU hired prior to July 1, 1995 would remain capped for five more years, while the remainder of the higher education employees, including OSU and OU employees hired after July 1, 1995, would be uncapped immediately. A retroactive buy-back option of the previous year's 1995-96 capped contribution was made available at that time.
- 1999: SB602 - Extended the capping to 2007 for OSU and OU employees who were OTRS members before July 1, 1995.

## OTRS Retirement Plan Annuity Income Benefit Options

- **The Maximum Retirement Plan:**  
Provides the greatest monthly lifetime benefit that each individual member's years of creditable service and average salary permit. The maximum retirement plan is the monthly entitlement calculated using the standard retirement formula set by statutes. In the event the total retirement payments made prior to the death of a retired member are less than the member's accumulated contributions (with any interest credited to the account prior to July 1, 1968), the difference shall be paid to the member's designated beneficiary or to the member's estate if no designated beneficiary survives the member.
- **Retirement Option One:**  
Provides a slightly reduced lifetime benefit. The monthly entitlement is the difference between the annuity portion of the maximum retirement plan and the annuity portion of an option-one retirement plan subtracted from the maximum retirement plan. If the retired member dies before receiving in the annuity portion of the monthly payments an amount equal to the member's deposits (with any interest credited to the account prior to July 1, 1968), the remaining balance shall be paid in a lump sum to the member's designated beneficiary or to the member's estate if no beneficiary survives the member. (The member's deposits are "protected" for the member's beneficiary for a longer period of time than under the maximum retirement plan, hence, the monthly benefit is less than the maximum benefit.)
- **Retirement Option Two:**  
Provides a reduced monthly benefit payable to the member for life. At the death of the retired member, the same monthly benefit payable to the member shall continue to the member's beneficiary, if living. This option is known as a "100% joint survivor annuity." The beneficiary designation cannot be changed under any circumstance after the date of retirement. The reduction in the monthly payment is much greater than under all other retirement options because two people are protected for the life of both individuals. The actual reduction is based on actuarial tables developed for this purpose and approved by the board of trustees. The age of the beneficiary is an important factor in computing this benefit.
- **Retirement Option Three:**  
Provides a reduced monthly benefit payable to the member for life. At the death of the retired member, one-half (or 50 percent) of the monthly benefit payable to the member shall continue to the member's beneficiary, if living. This option is known as a "50% joint survivor annuity." The beneficiary cannot be changed under any circumstance after the date of retirement. The reduction in the monthly payment, while not as great as the option two plan, still requires a substantial reduction because two people are protected for the life of both individuals. The actual reduction is based on actuarial tables developed for this purpose and approved by the Board of Trustees. The age of the beneficiary is an important factor in computing this benefit.
- **Retirement Option Four:**  
Provides a reduced monthly benefit payable to the member for life. In the event the retired member dies within one hundred twenty (120) continuous months from the date of retirement, the balance of the payments are continued to the designated beneficiary until a total of one hundred twenty (120) months have been completed. The actual reduction is based on actuarial tables developed for this purpose and approved by the Board of Trustees. The beneficiary must be designated at the time of retirement. If the beneficiary dies before the total number of "guaranteed" months have been completed, the remaining payments shall be computed at the rate of interest used in determining the original guarantee. The funds remaining shall be paid to the administrators, executors or assigns of the last surviving payee.

### 5.3 Other OSU employee retirement programs

Oklahoma State University has employees who are members of the Federal Retirement System and the Oklahoma Law Enforcement Retirement System. In addition, there are supplemental retirement options available to OSU employees. These include a 457(b) plan and a 403(b) tax-deferred annuity plan.

## 6.0 PROPOSED PROGRAM

### 6.1 Desired Characteristics

The Retirement Subcommittee utilized input from multiple sources, including benchmarking peer institutions, interviewing constituents across the OSU system, and reviewing the current program, to identify desired characteristics of the proposed program. These desired characteristics include:

- Fixed (flat) contribution percentage across entire salary range for all employees
- Drop age 26 restriction and drop one year waiting period before OSU contributions begin
- Vesting after 2 years of service for all benefits eligible employees
- More vendor choice for defined contribution plan
- Portability if desired (retirement program goes with employee)
- Strong employee education program

Using the above input from research and constituents, the Retirement Subcommittee developed a proposal for a new retirement plan. Two plans were developed, dependent on whether the Oklahoma State Legislature acts to make OTRS optional.

### 6.2 Plan A – OTRS can be optional

- Remove one year and age 26 requirements for OSU contributions.
- Does not include OTRS as a mandated program. (*NOTE – This change requires legislative action*)
- Current OTRS participants will be given opportunity to exit or remain in OTRS. (*NOTE – This change requires legislative action*)
  - a) For employees not participating in OTRS:
    - 7/11 plan will be changed to 12% of salary contributed towards retirement
    - University will match one-to-one employee contribution of up to 2%.
  - b) For employees participating in OTRS
    - University will contribute a flat 11% towards retirement
    - The University also pays the employer contribution fee of 7.05% of compensation for each OTRS member.
    - The combined retirement cost to the University for OTRS members is greater than 18% of salary.
- There will be a two-year vesting period. Employees not completing two years of service must forfeit the TIAA-CREF retirement funds that have been contributed in their behalf. After considering immediate, one, two and three-year vesting periods, the subcommittee concluded that a two-year vesting period rewarded those who have worked for OSU for a minimum of two years, and at the same time provided some savings to the University.
- Program will be phased in over a period of five years.
- Additional tax deferred annuity options including a 457b plan.
- Large replacement ratios to provide for obtaining retirement healthcare.

*NOTE – The proposed program is designed to meet the subcommittee’s charge to recommend a competitive, yet fiscally responsible retirement program. The cost comparisons of the current and proposed programs are discussed elsewhere in this report.*

### 6.3 Plan B - OTRS participation remains mandatory

If the Oklahoma State legislature does not act to change the statutes mandating OSU employees into the Oklahoma Teacher’s Retirement System, the subcommittee makes the following recommendations:

- Remove one year and age 26 requirements for OSU contributions.

- Move from current 7/11 contribution to a flat 11%
- All employees will have 11% contributed toward retirement. (*NOTE – This change was implemented July 1, 2003*)
- There will be a two-year vesting period. Employees not completing two years of service must forfeit the TIAA-CREF retirement funds that have been contributed in their behalf.
- Additional tax deferred annuity options including a 457(b) plan.
- Recommend a “Grandfathering” option be made available (*NOTE – The subcommittee has not found a scenario where ‘grandfathering’ is advantageous to an employee*)

#### **6.4 Assumptions for proposed program development**

One of the charges for the task force was to develop a program that did not harm the current retirement program. In other words, the task force was to develop a program that was at least as good as, and hopefully better than, the existing retirement program. Thus, a comparison between programs was necessary. In order to compare the proposed program with the existing OSU retirement program, multiple assumptions were made. These assumptions include:

- Oklahoma Teacher’s Retirement will be optional for all those currently mandated into OTRS
- Primary retirement program will be TIAA-CREF (DCP)
- The program will be designed to provide a replacement ratio of at least 100% at 35 years of participation in the OSU retirement program at age 67 with proceeds from Social Security and TIAA-CREF
- Employees choose a 50/50 split between TIAA and CREF investments
- CREF investment returns are 9% annually
- TIAA investment returns are 6% annually
- Salary increases are 3% annually
- Retirement income figures are estimated using current (2002) TIAA-CREF life and income growth expectations

#### **6.5 Replacement ratio comparisons**

Retirement programs are often compared using replacement ratios. A replacement ratio is defined as the proportion of high five-year average salary that a retiree will receive in the first year of retirement. A replacement ratio of 1.68 implies that a retiree will receive a retirement income in his/her first year of retirement that is 68% higher than the employee’s high five-year average salary.

Normally, it is assumed that retirement living expenses will be about the same as those incurred during working years. However, health insurance impacts the costs incurred during retirement. At Oklahoma State University, health insurance is paid for employees, but not retirees. Until a retiree is eligible for Medicare at age 65, the retiree must pay a premium somewhat greater than what OSU has paid for the same insurance during employee’s working years. After age 65, the retiree must pay for “medigap” insurance, that is, insurance that covers health care claims between what Medicare covers and what the present policy currently covers. Expected future increases in health insurance costs will have a big impact on “actual” replacement ratios, particularly for lower paid employees.

When evaluating replacement ratios, the subcommittee decided that the proposed retirement program should have replacement ratios that:

- Significantly reward long-term employment
- Remain relatively constant over the period of retirement, after being discounted for inflation
- Are sufficiently large to cover the cost of health care insurance

#### **Rewarding long-term employment:**

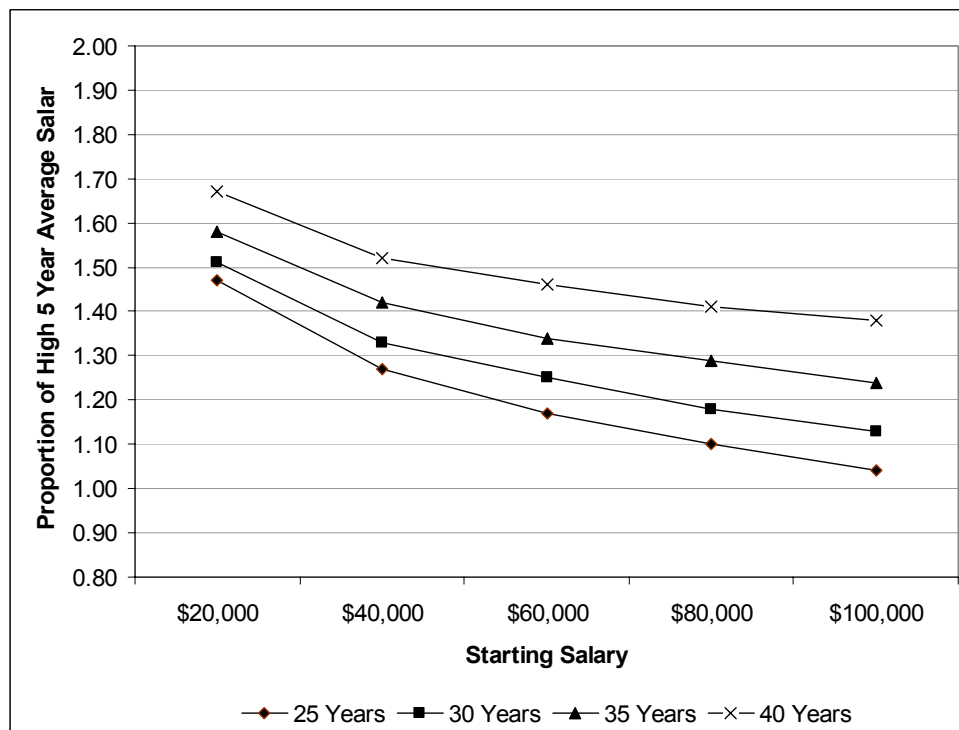
Figure 6.5.1 contains replacement ratios for various starting salaries and years of employment. The figure shows four curves, one for each of assumed work life. The top line is for employees working 40 years. The horizontal axis shows five starting salary levels. As an illustration, someone working 40 years, having a starting salary of \$20,000 will have a replacement ratio of 1.68. This means the employee’s first year retirement level will be 68% higher than their high five-year average salary.

Some of the implications observed from this table are:

- Lower paid employees have higher replacement ratios than higher paid employees
- The reward for working additional years is relatively small. For an employee with a beginning salary of \$40,000, the ratio would be 1.27 if the employee worked 25 years, and 1.53 if the employee worked 40 years. This spread, .26 (1.53-1.27), is less than is desired by the subcommittee for fifteen additional years of work.

In Figure 6.5.1, replacement ratios are shown as a function of starting salary and length of employment for the existing program. The decrease in replacement ratios with starting salary is significant and warrants explanation. This is a result of the much larger impact of social security payments at the lower salaries as compared to the higher salaries. This trend will be true for the proposed program as well.

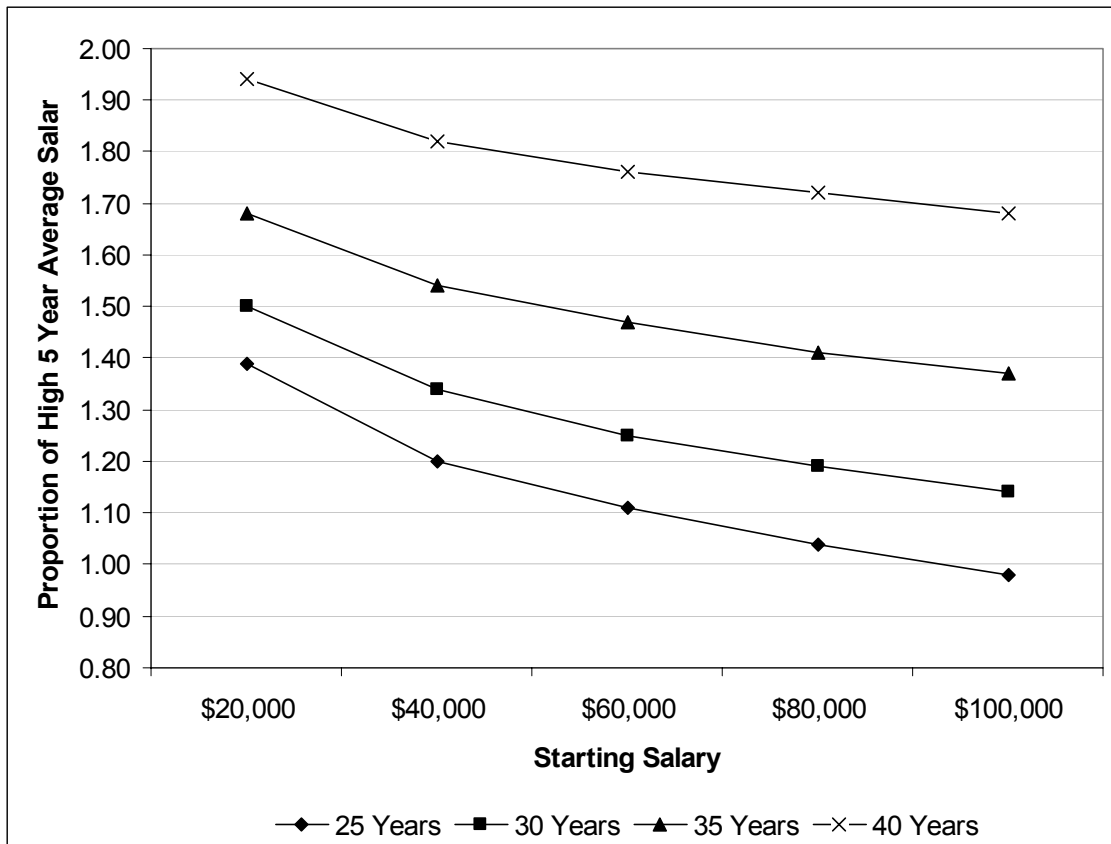
**Figure 6.5.1 – Current Program Replacement Ratios at Retirement for Alternative Starting Salaries and Years of Employment**



In Figure 6.5.2 replacement ratios for the proposed program are shown as a function of years of service and starting salary. It should be noted that,

- The proposed program has higher replacement ratios for retirees who worked at lower salary levels than retirees who worked at higher salary levels. This results because Social Security is a higher proportion of retirement compensation at the lower salaries.
- The reward for having a longer career is greater for the proposed program. An employee beginning at \$40,000 and working for 25 years has a 1.20 replacement ratio while a 40-year employee has a 1.82 replacement ratio. This spread, .62 (1.82-1.2), is acceptable by the subcommittee.
- Employees with short careers would likely prefer the current program to the proposed program.

**Figure 6.5.2 – Proposed Program Replacement Ratios at Retirement for Alternative Starting Salaries and Years of Employment**

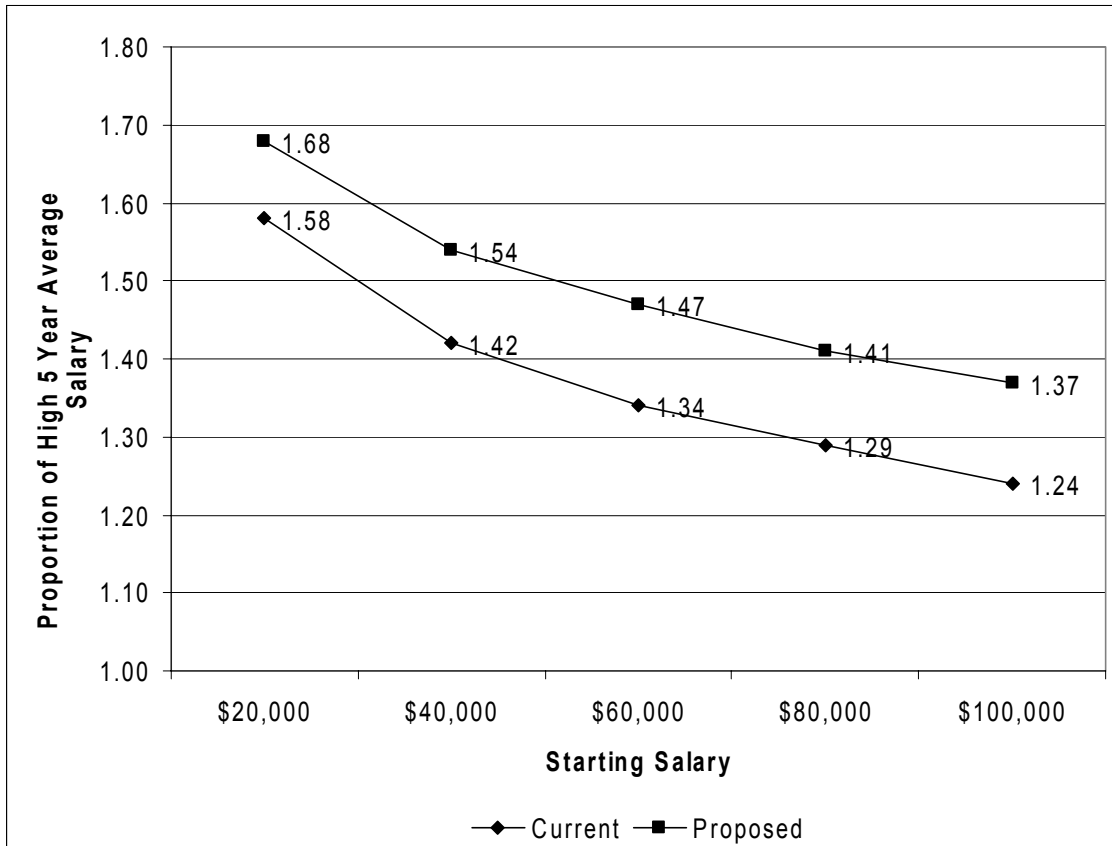


**Replacement Ratios During Retirement**

Figure 6.5.3 compares the replacement ratios at retirement for an employee who retires at age 67 after working 35 years. It should be noted that

- Employees retiring after 35 years at age 67 will have slightly higher replacement ratios with the proposed program, indicating that for this duration of employment, the proposed program is definitely more desirable.
- For short term employees, (i.e. 25 years), the current program gives slightly better replacement ratios. Again, since the desire of the subcommittee is to better reward longer-term employees, the proposed program was considered better than the existing program.

**Figure 6.5.3 – Current and Proposed Program Replacement Ratios at Retirement for 35 Year Employee Retiring at Age 67**



**Constant Replacement Ratios over the duration of retirement**

In Figure 6.5.4 replacement ratios of the current program are compared at various points during retirement for an employee who retires at age 67 after working for 35 years. The top line is the replacement ratio at retirement. The bottom line reflects the replacement ratio during the 16<sup>th</sup> year of retirement. The results show that expected replacement ratios dramatically decline between start of retirement and fifteen years later. The subcommittee did not consider this to be acceptable. It should be noted that:

- With the current program, the replacement ratio decreases over time because OTRS benefits cannot be counted on to increase each year. There are increases occasionally, but they are determined by the legislature.
- An employee with a starting salary of \$40,000 begins with a replacement ratio of 1.43 for the first year of retirement. Fifteen years later, at age 82, the replacement ratio will be 1.11, assuming no benefit increases from the legislature.

**Figure 6.5.4 – Current Program Replacement Ratios in 1<sup>st</sup>, 6<sup>th</sup>, 11<sup>th</sup> and 16<sup>th</sup> Year of Retirement (for a 35 Year Employee Retiring at Age 67)**

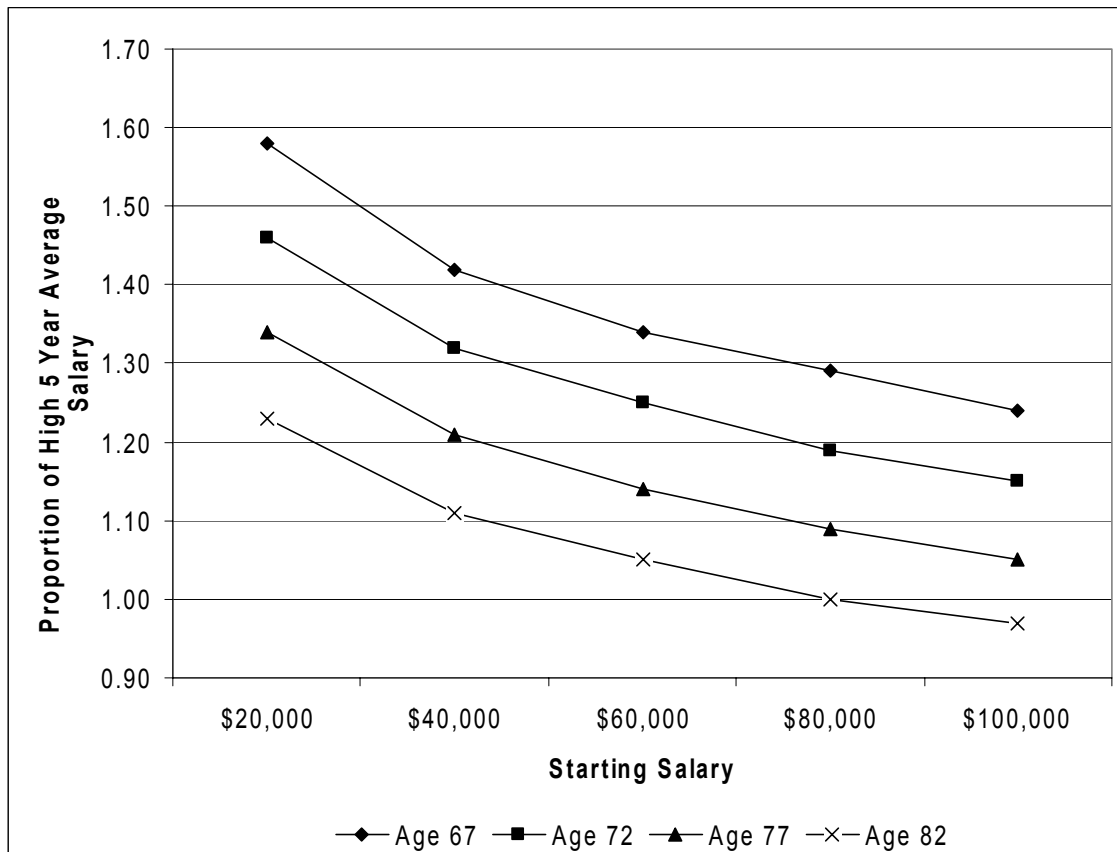


Figure 6.5.5 compares the proposed program replacement ratios at various points during retirement for an employee who retires at age 67 after working for 35 years. Because it is assumed that TIAA and CREF will continue to grow at 6% and 9%, respectively; the replacement ratios will remain much more stable throughout retirement with the proposed program. The subcommittee found the very small change to be acceptable.

**Figure 6.5.5 – Proposed Program Replacement Ratios in 1<sup>st</sup>, 6<sup>th</sup>, 11<sup>th</sup>, and 16<sup>th</sup> Year of Retirement (For 35 Year Employee Retiring at Age 67)**



**Replacement ratios high enough to cover health costs**

Rapid increases in the cost of health care and health care insurance make it difficult to accurately project long-term retirement costs. Thus, it is not possible to precisely determine what the replacement ratios need to be. The subcommittee expects that the relatively high values of the proposed replacement ratios will be sufficient to cover most, if not all, increases in health care costs.

## 7.0 PROGRAM COSTS

### 7.1 Current Program:

A starting point for anticipating the impact of adopting a new or revised retirement program is the expected costs associated with the current retirement program. Conceptually, the cost of the current retirement program consists of two parts. The first part is 7 percent of all salary under \$11,520 plus 11 percent of all salary above \$11,520. The second part is the 7.05 percent employer fee charged to the university by OTRS on the lesser of the OTRS cap or employee compensation. A complicating factor is that all employees hired after July 1, 1995 have OTRS contributions calculated on uncapped compensation. Further, not all employees are mandated into OTRS. As a result, estimating the future costs of the current retirement program for the entire university requires that expected retirement contributions for each employee be totaled to obtain expected university costs. The starting point for this analysis is the set of employees that was on the OSU payroll as of April 30, 2002.

For the current program, OSU employer contributions to retirement, as a percent of the salary budget, will increase annually. This results first because, as salaries increase over time, the proportion of each employee's salary that will receive an 11 percent university contribution relative to the portion receiving a 7 percent contribution (the amount under \$11,520) increases. (*The recent conversion to a flat 11 percent university retirement contribution eliminates this reason for increasing retirement costs*). Second, OTRS calculates the amount of the employer fee as 7.05 percent of compensation, not salary. Health insurance premiums are considered compensation by OTRS and since health insurance costs are expected to annually increase at 10 percent or more for the foreseeable future, employee compensation is increasing, resulting in a higher percentage of salary being contributed to OTRS.

The "Current Retirement Program" column in Table 7.1.1 illustrates the expected future retirement costs as a percent of the salary budget. (NOTE: *Data used are prior to change to straight 11% program in 2003.*) The percentage increases appear to be relatively small. However, when the increasing percentage is combined with an increasing salary budget, over time, the dollar amount of increases in retirement expenditures is large.

**Table 7.1.1 Expected Future Costs of Current Retirement Program as a Percent of the Salary Budget**

	Current % of Salary	With One-Year & Age 26 Eliminated % of Salary
2001	14.18%	15.37%
2002	14.83%	15.82%
2003	14.85%	16.03%
2004	15.07%	16.25%
2005	15.28%	16.47%
2006	15.50%	16.69%
2007	15.73%	16.91%
2008	15.78%	16.96%
2009	15.83%	17.01%
2010	15.88%	17.06%
2015	16.14%	17.32%
2020	16.40%	17.59%

### 7.2 Current Program With Age 26 and One-Year Wait Eliminated

This is a very important issue. The subcommittee determined that the age 26 and one-year wait is not applied uniformly. Under the current program employees under age 26 do not receive retirement benefits and all employees are required to wait one year from date of employment before receiving any university

contributions to retirement. While currently saving the university some expense, these two features of the retirement program give rise to some inequities between institutions, colleges, and classes of employees.

The final column of Table 7.1.1 provides an estimate of retirement costs for the current program if the age 26 and the one-year wait requirements are eliminated. **Eliminating the age 26 and one-year wait requirements will cost almost 1.2 percent of the university's salary budget.** Even though it is costly, the subcommittee believes that making this change is necessary to provide a more equitable program. As a result, the retirement subcommittee believes that the final column of Table 7.1.1 is the proper set of current costs for comparison to the expected cost of the recommended retirement program.

### 7.3 Recommended Program

The main features of the recommended program that would impact expected retirement costs are:

- OTRS will not be mandated for future employees
- Current employees will be given a one-time option to exit OTRS
- Employees participating in OTRS will receive a university contribution to retirement equal to 11% of their salary (OTRS receives 7 percent of employee compensation from the university 11 percent contribution and TIAA-CREF receives the remainder). (Implemented on July 7, 2003)
- Employees not participating in OTRS will receive 12 percent of salary plus the university will match an employee contribution of up to 2 percent (a total university contribution of 14 percent resulting in a total of 16 percent when the employee match is included) with all funds invested in TIAA-CREF or an equivalent investment alternative.
- There will be a two-year vesting period (employees who leave university employment prior to completing two consecutive years of service will forfeit all university TIAA-CREF funds that been contributed on their behalf).

Over time, OSU employees will have been hired under different retirement programs and will have made different elections (high base or low base OTRS, for example). Further, the rules of OTRS have changed. As a result, the only way to estimate the impact of changes in the retirement program on OSU is to aggregate anticipated retirement expenditures over all employees. To estimate this cost, the subcommittee created an employee profile based on the employees on the OSU payroll as of April 30, 2002.

Assuming that employees will be replaced with equivalently compensated employees when they retire, future costs to the university are estimated both for the current program and for the recommended alternative program. For this analysis, it is assumed that the size of the workforce would not change over time. Because OSU continues to grow, actual salary and thus retirement expenditures will likely be greater than those estimated in this report.

The cost dynamics of shifting from the current to the recommended program are very sensitive. When employees are allowed to exit OTRS, a considerable number would likely take advantage of the opportunity, and have their current OTRS contributions invested in TIAA-CREF instead. When this occurs, the university will also have a reduced OTRS employer fee. At that time it will be possible for the university to begin funding the recommended program without having to greatly increase total retirement expenditures. As a result, it is proposed that the recommended retirement program be phased in to correspond with the reduced OTRS employer fee.

The phase-in steps proposed are specified annually from the July 1 when OTRS is no longer required and current participants are given the opportunity to exit OTRS. For discussion purposes, July 1, 2003 is the OTRS exit date. Since the analysis was completed using this date, it will continue to be used. However, an analysis performed using July 1 as the future starting date is expected to provide similar results. The recommended phase-in steps are:

July 1, 2003 (Year 1):

- New hires will not be mandated into OTRS
- Current employees will have option to exit OTRS
- Age 26 requirement for university retirement contribution eliminated
- One-year wait for university retirement contribution eliminated
- University retirement contribution changed from 7/11 to flat 11 percent

July 1, 2004 (Year 2):

- University contribution changed from 11 percent to 11.5 percent (The above 0.5 percent is given only to those not in OTRS.)

July 1, 2005 (Year 3):

- University retirement contribution changed from 11.5 percent to 12 percent (The above 0.5 percent is given only to those not in OTRS.)

July 1, 2006 (Year 4):

- University will match a 1 percent employee contribution with 1 percent (The above 1 percent match available only to those not in OTRS.)

July 1, 2007 (Year 5):

- University will match an additional 0.5 percent employee contribution with 0.5 percent (The above 0.5 percent match available only to those not in OTRS.)

July 1, 2008 (Year 6):

- University will match an additional 0.5 percent employee contribution with 0.5 percent (The above 0.5 percent match available only to those not in OTRS.)

*(Note: On July 1, 2003 the recommended change from the 7/11 program to a flat 11 percent program was implemented. Exiting OTRS, eliminating the age 26 and the one-year wait requirements remain to be accomplished.)*

A casual observation of the phase-in steps may lead one to believe there is an inequity of funding for those who remain in OTRS vs. those who exit OTRS. However, from the university cost standpoint, there is considerably more cost associated with employees who remain in OTRS than those who exit OTRS. If the recommended program were fully funded and the only retirement program in effect, the cost to the university would be a maximum 14 percent of salary. For those who remain in OTRS, the University cost after 2006 when OTRS is fully uncapped will be 11 percent of salary plus 7.05 percent of the employee's compensation (OTRS employer fee), or somewhat greater than 18 percent of salary.

In Table 7.3.1 the expected costs of the current program with the recommended program are compared. If there were no exit fee, conversion to the recommended program becomes less costly than the current program in relatively few years. As more and more people retire and are replaced with new employees not in OTRS, the cost keeps declining. Eventually, the cost of the retirement program to the university would be between 12 percent and 14 percent depending on the number of employees choosing to match the university's 2 percent offer. Clearly, the recommended program is less costly than the current configuration of the existing retirement program.

If the current program were to be retained, it is strongly recommended that the age 26 eligibility and the one-year wait requirements be eliminated. In Table 7.3.2, the expected costs of the current program with the age 26 and one-year wait requirements eliminated are compared with the recommended program. The savings to the university if the proposed program is adopted are considerable. In about 12 years, 2015, the savings will be 2.55 percent of the salary budget. A conservative estimate of the 2015 salary budget is \$250,000,000. A 2.55 percent savings would be \$6,375,000.

**Table 7.3.1 Comparison of Expected Costs of Current Program and Costs of Recommended Program with No Consideration of Costs of Exiting OTRS.**

	Current Retirement Program	Estimated Cost of Recommended Program with 2-Year Vesting Required (Before OTR Exit Fees)	Additional Costs of Recommended Program
	(percent of the OSU salary budget)		
2003	14.85%	15.02%	0.17%
2004	15.07%	15.13%	0.06%
2005	15.28%	15.21%	-0.07%
2006	15.50%	15.61%	0.10%
2007	15.73%	16.05%	0.32%
2008	15.78%	16.13%	0.36%
2009	15.83%	15.92%	0.09%
2010	15.88%	15.70%	-0.17%
2011	15.93%	15.49%	-0.44%
2012	15.98%	15.29%	-0.69%
2013	16.03%	15.10%	-0.94%
2014	16.08%	14.93%	-1.15%
2015	16.14%	14.77%	-1.36%
2016	16.19%	14.61%	-1.58%
2017	16.24%	14.48%	-1.76%
2018	16.29%	14.36%	-1.93%
2019	16.35%	14.23%	-2.12%
2020	16.40%	14.12%	-2.28%

**Table 7.3.2 Comparison of Current Program Including Costs of Eliminating Age 26 Requirement and One-Year Wait With the Recommended Program Ignoring the Costs of Exiting OTRS.**

	Estimated Cost of Current Program With Age 26 and One-year Requirement Eliminated	Estimated Cost of Recommended Program with 2-Year Vesting Required (Before OTR Exit Fees)	Additional Costs of Recommended Program
	(percent of the OSU salary budget)		
2003	16.03%	15.02%	-1.01%
2004	16.25%	15.13%	-1.12%
2005	16.47%	15.21%	-1.26%
2006	16.69%	15.61%	-1.08%
2007	16.91%	16.05%	-0.86%
2008	16.96%	16.13%	-0.83%
2009	17.01%	15.92%	-1.09%
2010	17.06%	15.70%	-1.36%
2011	17.12%	15.49%	-1.63%
2012	17.17%	15.29%	-1.87%
2013	17.22%	15.10%	-2.12%
2014	17.27%	14.93%	-2.34%
2015	17.32%	14.77%	-2.55%
2016	17.38%	14.61%	-2.77%
2017	17.43%	14.48%	-2.95%
2018	17.48%	14.36%	-3.12%
2019	17.53%	14.23%	-3.31%
2020	17.59%	14.12%	-3.47%

#### 7.4 Cost of Exiting Oklahoma Teachers Retirement

Because OTRS is under funded, there are not sufficient funds in OTRS reserves to pay for the retirement of all employees expecting to receive retirement from OTRS. This problem is being addressed, partially through the 7.05 percent employer fee being assessed to all employers having employees expecting retirement from OTRS. A 100 percent funding is not necessary as there are always an increasing number of employees within the system making contributions to the system. Currently, a little over 50% of OTRS's expected future liabilities are funded. This is generally considered to be too low, but there is no percent of funding that OTRS should have to be properly funded.

Due to the OTRS under funding problem, it will be required that OSU provide sufficient funding to OTRS to ensure that all OSU retirees receive their retirement without placing undue stress on OTRS, if and when OSU no longer is required to participate in OTRS. OTRS has employed an actuary to estimate the appropriate charge to OSU. The estimated cost of exiting OTRS is approximately three percent of the OSU salary budget for all OSU employees who had previously been mandated into OTRS but are no longer participating in OTRS. The charge is estimated to continue for 30 years, and is expected to start relatively small. This charge would apply to the salary of all employees taking the option to exit OTRS plus the salary of all new OSU hires. At the end of the 30 years, the charge would be three percent of the salary budget for all employees who would have been mandated into OTRS.

Table 7.4.1 contains an estimate of the OTRS exit fee as a percent of the university salary budget through the year 2020. In addition, the current program with the age 26 requirement and one-year wait eliminated is compared to the recommended program including the expected exit fee from OTRS. In the last column it should be noted that the recommended program is less costly then the current program if the age 26 and one-year wait requirements are eliminated

**Table 7.4.1 Expected Costs of Current Program With Age 26 and One-Year Wait Eliminated Compared with Cost of Recommended Program Including the Costs of Exiting OTRS.**

	Estimated Cost of Current Program With Age 26 and One-year Requirement Eliminated	Expected OTR Exit Fee As A Percent of the OSU Salary Budget	Estimated Cost of Recommended Program with 2-Year Wait and Required OTR Exit Fee	Percent Proposed Program Exceeds Current Program with Age 26 and One-Year Wait Eliminated
	(percent of OSU salary budget)			
2003	16.03%	0.57%	15.59%	-0.44%
2004	16.25%	0.65%	15.78%	-0.47%
2005	16.47%	0.75%	15.96%	-0.51%
2006	16.69%	0.85%	16.46%	-0.24%
2007	16.91%	0.94%	16.99%	0.08%
2008	16.96%	1.03%	17.17%	0.21%
2009	17.01%	1.12%	17.04%	0.03%
2010	17.06%	1.21%	16.92%	-0.15%
2011	17.12%	1.31%	16.79%	-0.32%
2012	17.17%	1.39%	16.68%	-0.48%
2013	17.22%	1.48%	16.57%	-0.65%
2014	17.27%	1.55%	16.48%	-0.79%
2015	17.32%	1.62%	16.40%	-0.93%
2016	17.38%	1.70%	16.30%	-1.07%
2017	17.43%	1.76%	16.24%	-1.19%
2018	17.48%	1.82%	16.18%	-1.30%
2019	17.53%	1.88%	16.11%	-1.42%
2020	17.59%	1.94%	16.06%	-1.53%

### 7.5 Summary of Costs of Current and Recommended Programs

The current retirement program will continually take a greater percentage of the University's salary budget. This will happen because health insurance and other benefits are gradually increasing as a percent of salary. The recommended program will ultimately cost less as a percent of the salary budget relative to the current program. While in some situations the percentage additional cost or additional saving will be very small, the numbers become relatively large in dollar terms. Table 7.5.1 illustrates some of these cost changes expected.

The final column of Table 7.5.1 provides an estimate of how much greater the annual cost of the proposed program is than the current program. Note that in column (1) of this table the current program cost assumes we keep the current age 26 and one-year wait. Even if these onerous procedures are kept in place, the proposed program will eventually cost less than the current program.

**Table 7.5.1 The Expected Annual Differences in University Costs Between the Current Program and the Recommended Program.**

	Anticipated Salary Budget	Current Program Expected Costs With No Changes (1)	Proposed Program Expected Costs With 2-Year Vesting and Including OTR Exit Costs (2)	Costs of Proposed Program Less Cost of Current Program (2) - (1)
2003	\$213,896,253	\$31,757,881	\$33,348,671	\$1,590,790
2004	\$220,313,141	\$33,190,355	\$34,769,518	\$1,579,163
2005	\$226,922,535	\$34,682,707	\$36,213,374	\$1,530,667
2006	\$233,730,211	\$36,237,373	\$38,460,808	\$2,223,435
2007	\$240,742,117	\$37,856,885	\$40,900,240	\$3,043,355
2008	\$247,964,381	\$39,118,655	\$42,570,939	\$3,452,284
2009	\$255,403,312	\$40,422,484	\$43,528,687	\$3,106,203
2010	\$263,065,411	\$41,769,774	\$44,506,467	\$2,736,693
2011	\$270,957,374	\$43,161,972	\$45,502,361	\$2,340,389
2012	\$279,086,095	\$44,600,578	\$46,564,495	\$1,963,917
2013	\$287,458,678	\$46,087,137	\$47,640,069	\$1,552,932
2014	\$296,082,438	\$47,623,248	\$48,801,696	\$1,178,449
2015	\$304,964,911	\$49,210,563	\$50,003,366	\$792,803
2016	\$314,113,859	\$50,850,789	\$51,215,416	\$364,627
2017	\$323,537,274	\$52,545,690	\$52,535,459	-\$10,231
2018	\$333,243,393	\$54,297,088	\$53,912,956	-\$384,132
2019	\$343,240,694	\$56,106,868	\$55,291,582	-\$815,286
2020	\$353,537,915	\$57,976,974	\$56,766,977	-\$1,209,997

If, as the subcommittee believes, the age 26 eligibility and one-year wait should be eliminated even if the proposed program is not adopted, then the current program costs shown in column (1) of Table 7.5.2 are the appropriate current program costs for evaluating the adoption of the recommended program. If these adjusted current program costs are compared with the proposed program costs, there are only a couple of years where the proposed program is more costly than the current program.

**Figure 7.5.2 The Expected Annual Differences in University Costs Between the Current Program With the Age 26 and One-Year Wait Eliminated and the Recommended Program.**

	Anticipated Salary Budget	Current Program Expected Costs With Age 26 and 1-Year Wait Eliminated (1)	Proposed Program Expected Costs With 2-Year Vesting and Including OTR Exit Costs (2)	Cost of Proposed Program Less Cost of Current and Cost of Eliminating Age 26 and 1-Year Wait (2) - (1)
2003	\$213,896,253	\$34,295,893	\$33,348,671	-\$947,222
2004	\$220,313,141	\$35,804,508	\$34,769,518	-\$1,034,990
2005	\$226,922,535	\$37,375,285	\$36,213,374	-\$1,161,911
2006	\$233,730,211	\$39,010,728	\$38,460,808	-\$549,920
2007	\$240,742,117	\$40,713,441	\$40,900,240	\$186,800
2008	\$247,964,381	\$42,060,908	\$42,570,939	\$510,031
2009	\$255,403,312	\$43,453,004	\$43,528,687	\$75,683
2010	\$263,065,411	\$44,891,209	\$44,506,467	-\$384,742
2011	\$270,957,374	\$46,377,051	\$45,502,361	-\$874,690
2012	\$279,086,095	\$47,912,109	\$46,564,495	-\$1,347,614
2013	\$287,458,678	\$49,498,014	\$47,640,069	-\$1,857,945
2014	\$296,082,438	\$51,136,451	\$48,801,696	-\$2,334,755
2015	\$304,964,911	\$52,829,162	\$50,003,366	-\$2,825,796
2016	\$314,113,859	\$54,577,946	\$51,215,416	-\$3,362,530
2017	\$323,537,274	\$56,384,662	\$52,535,459	-\$3,849,202
2018	\$333,243,393	\$58,251,229	\$53,912,956	-\$4,338,273
2019	\$343,240,694	\$60,179,633	\$55,291,582	-\$4,888,051
2020	\$353,537,915	\$62,171,923	\$56,766,977	-\$5,404,945

## **8.0 OTHER ISSUES**

### **8.1 Post-Retirement Health Care**

The subcommittee considered the merits of providing healthcare options after retirement. The University of Oklahoma (OU) currently provides a postretirement healthcare benefit. However, there are other noteworthy differences in the employee benefit programs between OSU and OU. Among several differences, OU does not pay the OTRS member contribution for active employees, thus requiring OU employees to make the contribution. Further, there is some question whether or not OU will continue funding retiree healthcare benefits in the future.

The subcommittee recognized other important challenges for providing postretirement health care. The greatest concern was the uncertainty of future healthcare costs of retirees. This factor would make it difficult to plan future budgetary needs of OSU for meeting this need with any confidence. The subcommittee also realized additional challenges, which included tracking addresses and the status of retirees after leaving employment at OSU and providing adequate choice for retiree health care benefits for retirees in various situations and locations across the country.

In consideration of these challenges and constraints, the subcommittee decided to provide an alternative mechanism for meeting post-retirement healthcare needs. It was determined that the key means for meeting this need of retirees would be to recommend a retirement program that provided an enhanced replacement ratio for assisting the employee in purchasing adequate healthcare coverage after retirement.

### **8.2 Phased Retirement**

The subcommittee considered the merits of having a phased retirement program. Phased retirement programs at other universities are usually designed to facilitate an employee's transition to retirement and to provide faculty and staff an opportunity to devote increased time to personal interests by partially retiring, or retiring in planned stages, while continuing to provide service to the university in their area of expertise.

Based upon surveys, interviews and feedback from focus groups, the subcommittee concluded that there would likely be minimal participation in a phased retirement program. This conclusion may be supported in part by the fact that current OTRS benefit calculation formulas do not favor declining compensation levels during the last few years of employment if maximum OTRS retirement payments are desired.

Although phased retirement could be revisited in the future, the subcommittee was not compelled to include phased retirement in the current recommendations.

### **8.3 Education**

Employee benefit programs, including those dealing with retirement benefits, comprise a significant part of an employee's compensation package. Our research shows that employee education concerning benefit programs are very closely linked to employee satisfaction with those programs.

The environment for employee benefit programs is becoming increasingly complex due to a variety of factors, such as changes due to legislative actions or governmental regulations. Employees must make complex decisions about retirement programs and uninformed decisions can have adverse effects on retirement income.

Therefore, it is the strong recommendation of the subcommittee that administration implement a robust employee education program as a vital and indispensable component of the retirement benefit program.

## 9.0 OTHER CHANGES

### 9.1 457(b) Deferred Compensation Plan

The subcommittee recommends implementation of a 457(b) Deferred Compensation Plan (DCP) as an additional method for eligible employees to set aside retirement savings on a voluntary basis. Income taxes on contributions and earnings are deferred until withdrawal at retirement or through other permitted distributions specified by IRS regulations. A large majority of peer institutions already offer a 457(b) DCP to their employees. (Note: *This recommendation was implemented July 1, 2003.*)

The addition of a 457(b) DCP to OSU's voluntary retirement savings offerings should not significantly increase administrative costs because administration would be handled similarly to that which is already implemented for existing 403(b) Tax Deferred Annuity (TDA) plans.

### 9.2 Sick Leave

The subcommittee recommends that OSU maintain a tracking system for sick leave balances above the current 1,600-hour cap for the purpose of preserving an OTRS retirement benefit available to eligible employees. An additional year of service credit is provided by OTRS for those employees who joined OTRS prior to July 1, 1992 and have 120 days (960 hours) of unused sick leave at the time of retirement.

Under some scenarios, it might be possible for otherwise eligible employees to lose this specific OTRS service credit benefit due to the capping of accrued sick leave balances. The subcommittee did not recommend extension or removal of the accrued sick leave cap for other purposes besides the OTRS year of service credit benefit.

## 10.0 OTRS RECOMMENDATIONS

### 10.1 Continued Membership in the Teacher's Retirement System of Oklahoma (OTRS)

#### The Problem:

University employees, particularly faculty, often change employers and demand a portable retirement system. The lack of such portability within OTRS, combined with the 10-year vesting requirement, puts OSU in a one-down position in recruiting. Furthermore, some new faculty members do not gain tenure and are thus forced to leave before vesting in OTRS. This leaves them with only the funds invested without interest, greatly decreasing the dollars available for roll over to another retirement plan. To be competitive in recruiting quality faculty, OSU needs a portable retirement system. However, OTRS is very important to a large segment of comprehensive university employees, particularly those that are vested, or will soon vest in OTRS, and are in the middle or latter portions of their careers. As a result, it is critical that employees not be forced to exit OTRS. (Note: *The current 10-year vesting period has been reduced to 5 years from legislation passed in 2003.*)

#### Recommendations:

The comprehensive universities, OSU and OU, should not be required to have new employees participate in OTRS, and current employees should be given a one-time option to exit or remain in OTRS. New employees should have the option to enroll in OTRS and/or a portable retirement system, such as TIAA-CREF.

### 10.2 OTRS Payout Formula for Employees Under the Cap Between July 1, 1995 and June 30, 2007

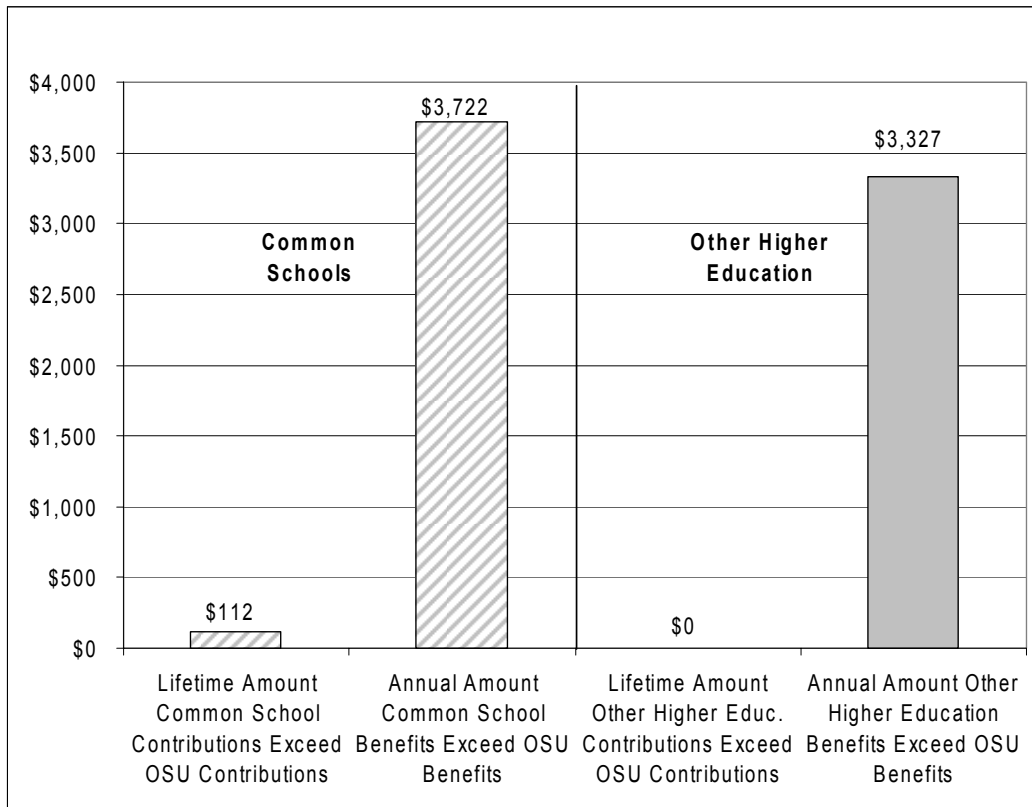
During the research process of the current plan the subcommittee looked at the various OTRS payout formulas for comprehensive universities, other higher education institutions and common schools. The subcommittee discovered inequities regarding contributions as they relate to the retirement payout.

**The Problem:**

The system of removing caps launched in 1995 discriminates against employees of the two comprehensive universities hired prior to July 1, 1995 and whose salaries have been consistently under the cap. In 1995, Oklahoma Statutes (70 O.S. § 17) governing the OTRS were revised to make all regular, annual compensation (70 O.S. § 17-101:25 (OSCN 2002), School Code of 1971) upon which member contributions were made subject to OTRS contributions except for employees at the two comprehensive universities, OSU and OU. The statutes specify a sequence of increasing caps on regular annual compensation upon which, member contributions were made for employees of the comprehensive universities hired prior to July 1, 1995. For the fiscal years 1996 through 2007, comprehensive university employee OTRS benefits are determined for each year based on the lesser of regular, annual compensation or the legislatively specified cap. This has created a serious problem of equity between the retirees of comprehensive universities and those employees of other institutions participating in OTRS.

Employees of comprehensive universities hired prior to 1995 and contributing the same amount into OTRS as those in other universities receive significantly lower retirement benefits for their investment. This unfair treatment results directly from the method of computing benefits. For example, employees hired before 1995 at the comprehensive universities who fall below the cap pay exactly the same contributions as those with comparable salaries at the other state institutions. However, when retirement benefits are calculated, comprehensive university employees receive significantly reduced benefits compared to colleagues at the non-comprehensive universities and common education schools. This is shown graphically in Figure 10.2.1 below.

**Figure 10.2.1 Contribution and Benefits for OSU/OU Employee Earning \$40,000 in 2001 Compared to Common Schools and Other Higher Education**



Note: The difference between non-comprehensive universities, common education, and comprehensive universities, OSU and OU, in lifetime contributions and annual benefits for employees whose salaries are always below the cap. The small difference in lifetime contributions is due to a quirk applicable only to fiscal year 1996 contributions. Contributions and benefits are estimated for an employee hired in 1985, retiring in 2020, earning \$40,000 in 2001, and having an annual increase of 2 percent in compensation. (Data Source: OTRS)

OTRS should treat Oklahoma's university employees equitably, regardless of whether they work in the common education schools, comprehensive or non-comprehensive universities. It is essentially a matter of equal benefits for equal contribution. (The benefits calculation process for the capped years was arbitrarily instituted with little or no thought given to fairness for retiring employees.) There is no reason for employees contributing basically the same amounts to OTRS to have very different benefits. Further, it was likely never intended that an employee might receive significantly reduced retirement benefits over their entire retirement years as a result of a very small reduction in contributions during a limited time period. We propose an equitable calculation method that would more closely provide equal benefits for equal contribution.

### **Recommendation**

For those OTRS members from the comprehensive universities whose compensation is always below the cap, the benefit calculation formula should be the same as the formula for members from common schools, as shown in Figure 10.2.1, since OTRS has already received payment for OTRS coverage on the comprehensive university member's total compensation.

### **10.3 OTRS Payout Formula for Employees With Salaries Consistently Over the Cap Between July 1, 1995 and June 30, 2007**

#### **The Problem**

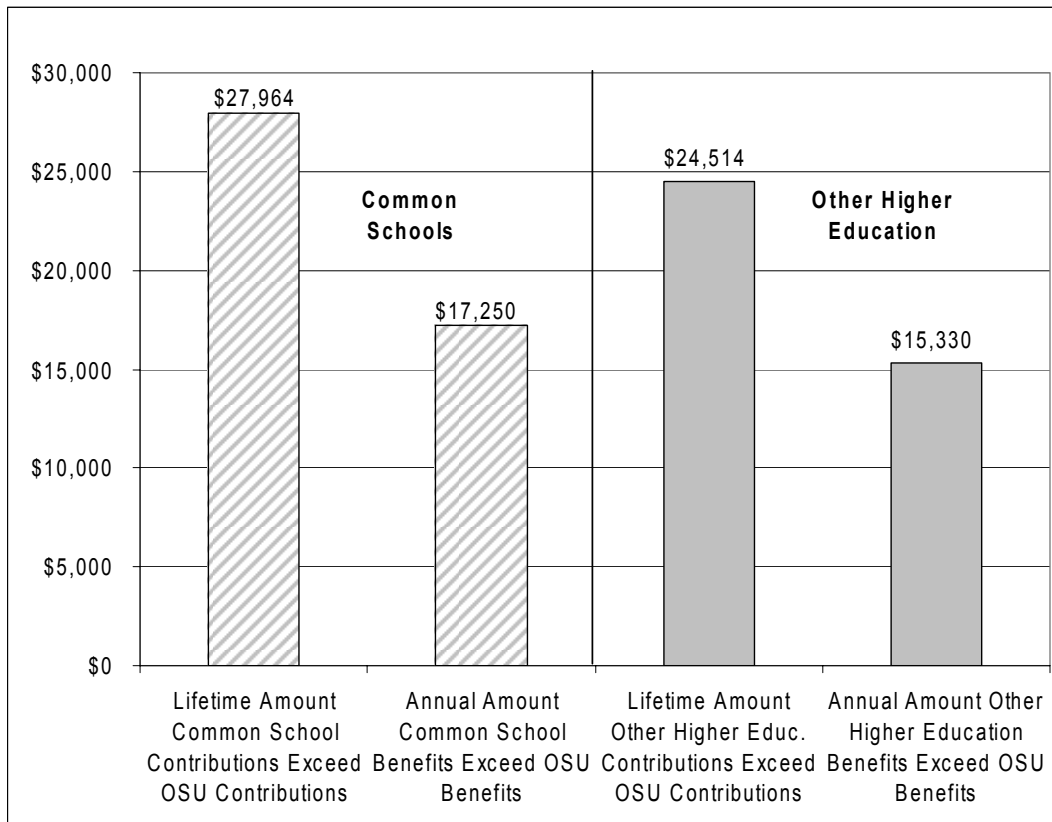
The system of removing caps launched in 1995 also discriminates against employees of the two comprehensive universities hired prior to July 1, 1995, and whose salaries have been consistently over the cap. In 1995, Oklahoma Statutes (70 O.S. § 17) governing the OTRS were revised to make all regular annual compensation (70 O.S. § 17-101:25 (OSCN 2002), School Code of 1971) upon which member contributions were made subject to OTRS contributions, with the exception of employees at the two comprehensive universities, OSU and OU. The statutes specify a sequence of increasing caps on regular annual compensation upon which member contributions were made for employees of the comprehensive universities hired prior to July 1, 1995. For the fiscal years 1996 through 2007, comprehensive university OTRS member's retirement benefits are determined for each year as 2 percent of the lesser of regular annual compensation or the cap for that year. In contrast, the common education OTRS members have their benefits for the 1996 to 2007 years based on 2 percent of the average of the high three or five consecutive years total compensation when they retire. The same is true for the non-comprehensive university members except for 1996, which stands alone. This has created a serious problem of equity between the employees of the comprehensive universities and the other universities, as well as common schools, in the state since employees whose salaries have been consistently above the cap do not get any advantage of the retirement formula from the averaging of the high three or high five years of compensation in computing their benefits. Conversely, members from the non-comprehensive universities and common education do enjoy that benefit. The differences between input to the system and payout are shown dramatically in Figure 10.3.1 below that compares the differences between annual payout and differences in lifetime contributions.

The results show that the system is far from equitable for comprehensive university OTRS members whose compensation has been consistently above the cap. A system is needed that more fairly and equitably compensates the employees of the comprehensive universities whose compensation has been consistently above the cap and gives equal payout for equal input to OTRS. The OTRS should treat Oklahoma's contributing members equitably, regardless of whether they work in the comprehensive universities, non-comprehensive universities, or common education. It is essentially a matter of equal benefits for equal contribution. The benefit formula pertaining to the uncapping process appears to have been instituted without sufficient thought given to the fairness of the employees. There is no reason for employees contributing basically the same amounts to OTRS to have very different benefits. Further, it was likely never intended that an employee might receive significantly reduced retirement benefits over their entire retirement years as a result of a very small reduction in contributions over a limited time period. We propose a calculation method that would more closely provide equal benefits for equal contribution.

It is understood that during the years of the mandated caps, the caps escalate at a greater rate than average salaries. For that reason, the formula proposed will give a lower payout than for those members in the non-comprehensive universities and common education. It should be pointed out that the OTRS calculation formula for the non-comprehensive universities and common education does not differentiate for individuals who receive large salary increases at various points in their careers.

The high three or high five contributory amounts are used in the formula for the uncapped participants regardless of significantly large salary increases while each year between July 1, 1995 and June 30, 2007 is currently counted separately for the employees in the comprehensive universities.

**Figure 10.3.1 Contribution and Benefits for an OSU/OU Employee Earning \$100,000 in 2001 Compared to Common Schools and Other Higher Education**



Note: The difference between non-comprehensive universities, common education, and comprehensive universities, OSU and OU, in lifetime contributions and annual benefits for employees whose salaries are always above the cap. Contributions and benefits are estimated for an employee hired in 1985, retiring in 2020, earning \$100,000 in 2001, and having an annual increase of 2 percent in compensation. (Data Source: OTRS)

**Recommendations**

For those employees whose regular annual compensation exceeds the cap in each of the fiscal years 1996 to 2007, it is recommended that the following formula be implemented for calculating retirement benefits:

- i) For those members who joined the system prior to July 1, 1992, the average of the high three caps on which the highest contributions to OTRS were paid during fiscal years 1996 to 2007 times 2 percent times the applicable number of years of service during the capped period.
- ii) For those members who joined the system after June 30, 1992, the average of the high five consecutive caps on which the highest contributions to OTRS were paid during fiscal years 1996 to 2007 times 2 percent times the applicable number of years of service during the capped period.

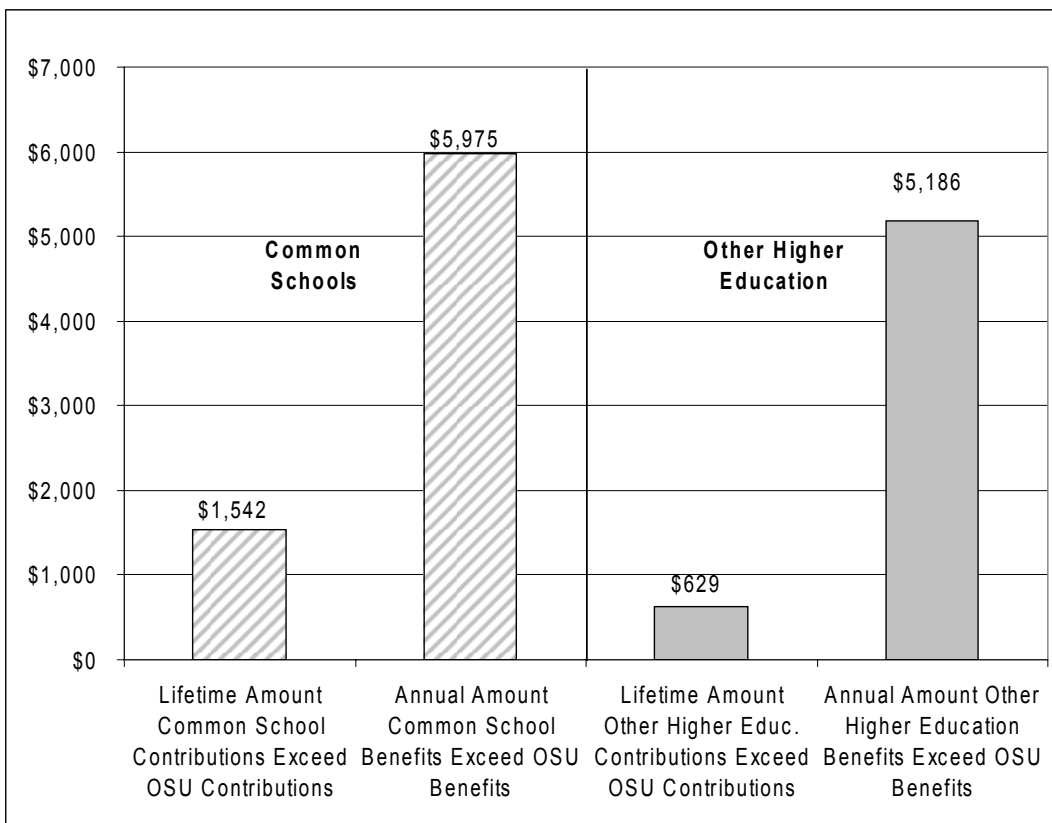
- iii) Should the employee have fewer than the applicable 3 or 5 years of capped service, the average will be computed from the number of years of service that compensation was above the respective capped amount.

**10.4 OTRS Payout Formula for Employees With Covered Compensation Changing From Above to Below the Cap Between July 1, 1995 and June 30, 2007.**

**The Problem**

The system of removing caps launched in 1995 also discriminates against employees of the two comprehensive universities hired prior to July 1, 1995, and whose salaries change from above to below the cap during the uncapping period of 1996 to 2007. The issues are similar to those in section 10.2 and 10.3 above. An example of the impact for someone making \$60,000 in 2001 is shown in Figure 10.4.1 below.

**Figure 10.4.1 Contribution and Benefits for OSU/OU Employee Earning \$60,000 in 2001 Compared to Common Schools and Other Higher Education Earning the Same Amount**



Note: The difference between non-comprehensive universities, common education, and comprehensive universities, OSU and OU, in lifetime contributions and annual benefits for employees whose salaries start above the cap and then go below the cap. Contributions and benefits are estimated for an employee hired in 1985, retiring in 2020, earning \$60,000 in 2001, and having an annual increase of 2 percent in compensation. (Data Source: OTRS)

**Recommendations**

For those employees whose regular annual compensation changes from above to below the cap between 1996 and 2007, a change in the statutory formula is recommended. OTRS should specify the year that an employee becomes uncapped as the year when regular annual compensation equals or remains below the cap. OTRS will then calculate retirement benefits for comprehensive university employees having regular annual compensation equal to or beneath the cap exactly as done for the non-comprehensive universities as specified in 70 O.S. § 17/116.2B (OSCN 2002), School Code of 1971 for the period after

going below the cap until retirement. For all years where an employee's compensation is above the cap, the procedure used for those employees above the cap should be used to calculate benefits.

### **10.5 OTRS Payout Formula for Employees Who Retired Between July 1, 1995 and June 30, 2007.**

#### **The Problem**

Some individuals that have retired from OSU and OU during the period between July 1, 1995 and the present may have less retirement income from OTRS compared to other non-comprehensive university OTRS retirees. OSU and OU employees that retired during this period may have inequities in their retirement calculations similar to current employees described earlier in this report.

#### **Recommendation**

It is recommended that OTRS recalculate benefits for those employees of the comprehensive institutions who have retired between 1996 and the current time using the appropriate calculation procedures specified in sections 10.2, 10.3, and 10.4, depending on where their salaries were relative to the caps. Note: it is unlikely that any employee retiring prior to 1998 would have any difference in the retirement calculations

### **10.6 Recommendations Regarding the Current Method of Figuring Payout for Employees Hired in Fiscal Year 1996.**

#### **The Problem**

Faculty and staff hired at OSU and OU in fiscal year 1996 had contributions paid on uncapped total compensation at the same rate as employees from common education. Due to an unintended legislative result, OTRS's current method of payout calculation for fiscal year 1996 results in the benefits for employees hired in fiscal year 1996 being based on 2 percent of the fiscal year 1996 salary, not 2 percent of the average of the high five year average salary as will be the case for common education. This is clearly not equal payout for equal contribution. For example, an employee at OSU or OU hired in fiscal year 1996 with a total compensation package of \$50,000 and whose five-year average compensation package climbed to \$150,000 by retirement at 2030 would receive \$2,000 a year less than an employee in common education who contributed the exact same amount each year. Employees hired in fiscal year 1996 should be given equal treatment regardless of which educational institution hires them.

#### **Recommendation**

For those employees hired in fiscal year 1996, the benefit calculation formula should be the same as it is for common education since OTRS received the same payment for OTRS coverage from employees hired that year, regardless of which institution hired them.

### **10.7 Need for Options to Buy Back and/or to Immediately Uncap Contributions**

#### **The Problem**

When SB568 was passed in 1992, it mandated that the caps on all OTRS contributions would be removed in 1995. The institutions of higher education were the most affected and made changes in retirement programs to deal with the uncapping. Employees of higher education also made retirement investment plans, based on the change in benefits that would be derived from the uncapped salaries. In 1995, however, a series of changes were made through SB527, SB832, and SB602 that resulted in the uncapping of all higher education except the comprehensive universities OU and OSU. This has resulted in a major impact to the retirement income of the comprehensive institution employees hired prior to 1995 relative to other OTRS employees. The series of bills and their impact to the uncapping process are listed below.

1992: SB568 - Mandated that the caps on all OTRS contributions would be removed in 1995.

1995: SB527 - Mandated that all higher education employees hired prior to July 1, 1995 would remain capped for another three years, but that all other entities in the OTRS system would be uncapped as proposed in 1992.

1996: SB832 - Mandated that employees of OSU and OU hired prior to July 1, 1995 would remain capped for five more years, while the remainder of the higher education employees would be uncapped immediately. A retroactive buy-back option of the previous year's capped contribution was made available at that time.

1999: SB602 - Extended the capping until 2007 for OSU and OU employees who were OTRS members before July 1, 1995. This differential treatment of OSU and OU employees included an uncapping process that saved money for the universities and placed more university contributed dollars in TIAA-CREF accounts for employees versus allowing full participation in OTRS. The result of the continued capping process dramatically impacted the retirement benefits of the employees, especially those who will be retiring early in the 21st century, without allowing them to personally decide if the anticipated opportunity to maximize benefits from OTRS best fit their retirement plan objectives. An optional buy back program is needed for all employees that will allow them to buy back benefits related to uncapped salaries. Further, the buy back option should only require payment of interest, not actuarial costs, and should affect an uncapped benefit calculation.

### **Recommendation**

For employees whose salaries are above the caps, as specified in statute, at any time between 1996 and 2006, the OTRS should institute a buyback program as specified in 70 O.S. § 17/116.8 (OSCN 2002), School Code of 1971 whereby comprehensive university employees can retroactively make contributions and subsequently have OTRS calculate benefits for those years as an uncapped retirement benefit using the same procedures as currently used for the uncapped, non-comprehensive university employees as specified in O.S. § 17- 116.2B (OSCN 2002), School Code of 1971. It would be desirable for employees to have the choice to buy back an uncapped retirement benefit and/or to request that their salary be uncapped immediately without buying back an uncapped retirement benefit from July 1, 1995 to the present. It is further recommended that employees who have retired between July 1, 1995 and the present time be afforded the same buy-back opportunity, with benefits recalculated to reflect the additional contribution.

## 11.0 CONCLUSION

The proposed retirement program presented in this report is designed to provide future employees of Oklahoma State University a retirement with a lifestyle equivalent to that enjoyed while OSU employed them. Further, the proposed program allows employees who choose to leave OSU after two years of employment to be able take their retirement program with them without undue hardship and a potential loss of retirement assets. In addition, the proposed retirement program will provide an incentive for obtaining the services of future employees.

While studying the retirement issues, the subcommittee found some problems with the payout formula for OTRS. Currently, benefits for OSU are not commensurate with other employees covered by OTRS relative to contributions made to OTRS. The Retirement Subcommittee is providing a series of seven recommendations for legislation concerning OTRS. The first of these is to make OTRS optional for comprehensive university employees. This will allow the implementation of the proposed retirement program designed by the subcommittee. The remaining six recommendations for legislation prescribe that comprehensive institution employees who are relying on OTRS for a substantial proportion of their retirement will be treated equitably relative to other retirees depending on OTRS for their retirement.

Finally, the subcommittee appreciates the cooperation of all who participated in the development of this report. This includes the numerous employees who met with representatives of the subcommittee while information was being collected, alternatives were being analyzed, and the final recommendation was assembled. In addition, the subcommittee received excellent cooperation from the University administration. Cooperation has occurred throughout all levels of the administrations of both President Halligan and President Schmidly.

## 12.0 SUPPLEMENTAL INFORMATION

Following are tables used for preparation of the estimates used in this report. The basic assumptions expected into the future are given elsewhere in this report. No guarantee is made that the calculations shown in the tables are accurate estimates of what will occur in the future. They are best estimates of the future given the assumptions and time frame they represent. Titles of the tables included as supplemental information are as follows.

- |             |  |
|-------------|--|
| Table 12.1  | Expected University Future Retirement Costs if Current Plan is Carried Forward with No Changes to OTRS With the Possibility of Eliminating Either or Both the Age 26 and One-Year Wait Requirements.   |
| Table 12.2  | Anticipated Submissions to OTRS for Next Several Years Assuming No New Employees Added and No Reductions in OTRS Submissions Because of Retirements  |
| Table 12.2A | Anticipated Submissions to OTRS for Employees Mandated into ORS for Next Several Years Assuming No New Employees Added and there are No Reductions in Contributions to OTRS Because of Retirements   |
| Table 12.3  | Summary of University Administrative Fees to OTRS and Expectations for University Retirement Expenditures With Constant Employee Numbers Through 2008 (Beginning in 2003 all employees 40 or less with less than 8 years of OTRS coverage are Assumed to Leave OTRS)   |
| Table 12.4  | Plan for Attaining a 12% Defined Contribution Retirement Program with an Additional 2% One-for-One Match   |
| Table 12.5  | Expected University Future Retirement Expenditures if OSU Chooses to Exit OTRS as a Mandated Program (Provides those remaining in OTRS with 11% contribution to retirement.)   |
| Table 12.6  | Comparison of Current and Proposed Program Costs Where Proposed Program is 12% University Contribution to Retirement with 2% Match for Employee Contributing 2%. (Employees in OTRS will have 11% University Contribution Towards Retirement. There will be a 2-Year Vest to Receive Benefits. The Exit Fee is 2.29% of Salary |
| Table 12.7  | Evaluation of Keeping Current Plan, Eliminating Age 26 Eligibility Requirement and One-Year Wait, and Instituting Vest on All Defined Contribution Dollars (Those dollars contributed to OTRS. This is recommendation should we be unable to make OTRS optional for OSU employees.)  |

**Table 12.1 Expected University Future Retirement Costs in Current Plan is Carried Forward with No Changes to OTRS With the Possibility of Eliminating Either or Both the Age 26 and One Year Wait Requirements**  
(Information in outlined cells are summaries from OSU for April 30,2002)

	Summary Information for 2001	Projections for 2002	Projections for 2003	Projections for 2004	Projections for 2005	Projections for 2006	Projections for 2007	Projections for 2008	Projections for 2009	Projections for 2010
Total Salary (FTE>=.75)	207,666,265	213,896,253	213,896,253	220,313,141	226,922,535	233,730,211	240,742,117	247,964,381	255,403,312	263,065,411
Total Salary of Employees Covered by OTRS	173,292,601	178,491,379	178,491,379	183,846,121	189,361,504	195,042,350	200,893,620	206,920,429	213,128,041	219,521,883
Percent of Total Salary Budget Covered by OTRS	83.45%									
Total OTRS Compensation	197,515,020	204,027,318	204,615,859	211,362,280	218,331,138	225,529,768	232,965,745	240,646,895	248,581,301	256,777,313
Total Salary of Employees Covered by OTRS	173,292,601	178,491,379	178,491,379	183,846,121	189,361,504	195,042,350	200,893,620	206,920,429	213,128,041	219,521,883
Annual Comp. Incre. (health insurance increase)	0.288%	113.98%	114.31%	114.64%	114.97%	115.30%	115.63%	115.96%	116.30%	116.97%
7/11 Covered Salary	183,043,770	188,535,083	188,535,083	194,191,136	200,016,870	206,017,376	212,197,897	218,563,834	225,120,749	231,874,371
University Contributions to 7/11	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Annual Prop. Incre. (11520)	0.35%	9.89%	9.96%	10.00%	10.03%	10.07%	10.10%	10.14%	10.17%	10.21%
7/11 Covered Salary as Percent of Total Salary	88.14%									
Total Salary (FTE>=.75)	207,666,265	213,896,253	213,896,253	220,313,141	226,922,535	233,730,211	240,742,117	247,964,381	255,403,312	263,065,411
Salary Not Covered Because Less Than Age 26	829,389	854,271	854,271	879,899	906,296	933,485	961,489	990,334	1,020,044	1,050,645
% of Total Salary Not Covered Because Less Than Age 26	0.399%									
University Savings on 7/11 Because Less Than Age 26	117,095	120,608	120,608	124,226	127,953	131,791	135,745	139,818	144,012	148,332
Univ Savings as % of Salary Not Covered Because Less Than Age 26	14.12%									
Salary Not Covered Because of Less Than One Year	21,477,178	22,121,493	22,121,493	22,785,138	23,468,692	24,172,753	24,897,936	25,644,874	26,414,220	27,206,647
% of Total Salary Not Covered Because Less Than One Year	10.34%									
University Savings on 7/11 Because Require One Year	2,044,961	2,106,310	2,106,310	2,169,499	2,234,584	2,301,622	2,370,670	2,441,790	2,515,044	2,590,495
Univ. Savings as % of Salary Not Covered Because Require One Year	9.52%									
Additional Salary Covered if Both One Year and Age 26 Waits Eliminated	24,622,495	25,361,170	25,361,170	26,122,005	26,905,665	27,712,835	28,544,220	29,400,547	30,282,563	31,191,040
% of Total Salary Not Covered If Both Waits Eliminated	11.86%									
University Savings on 7/11 Because of Both Waits	2,464,090	2,538,013	2,538,013	2,614,153	2,692,578	2,773,355	2,856,556	2,942,252	3,030,520	3,121,435
% of Salary Not Covered Because Both Waits	10.01%									
Total OTRS Compensation 2001	197,515,020	204,027,318	204,615,859	211,362,280	218,331,138	225,529,768	232,965,745	240,646,895	248,581,301	256,777,313
Total University Administrative Fee to OTRS in 2001	11,347,021	12,581,753	12,979,398	13,780,821	14,620,916	15,501,405	16,424,085	16,965,606	17,524,982	18,102,801
Administrative Fees as Percent of Compensation	5.74%	6.17%	6.34%	6.52%	6.70%	6.87%	7.05%	7.05%	7.05%	7.05%
Administrative Fees as Percent of Total Salary	5.46%	5.88%	6.07%	6.26%	6.44%	6.63%	6.82%	6.84%	6.86%	6.88%
<b>Current Situation Carried Into Future Including One Year Wait and Age 26 for Eligibility</b>										
Administrative Fee Paid by University to OTRS	11,347,021	12,581,753	12,979,398	13,780,821	14,620,916	15,501,405	16,424,085	16,965,606	17,524,982	18,102,801
7/11 Dollars Contributed by University	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Total Retirement Dollars Contributed by University	29,451,604	31,294,740	31,757,881	33,190,355	34,682,707	36,237,373	37,856,885	39,118,655	40,422,484	41,769,774
Retirement Dollars as a Percent of Salary	14.18%	14.63%	14.85%	15.07%	15.28%	15.50%	15.73%	15.78%	15.83%	15.88%
<b>Current Situation Carried Into Future If Age 26 Requirement Eliminated but One Year Wait Kept in Effect</b>										
Administrative Fee Paid by University to OTRS	11,347,021	12,581,753	12,979,398	13,780,821	14,620,916	15,501,405	16,424,085	16,965,606	17,524,982	18,102,801
7/11 Dollars Contributed by University	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Additional 7/11 Dollars Required to Eliminate Age 26 Requirement	117,095	120,608	120,608	124,226	127,953	131,791	135,745	139,818	144,012	148,332
Total Retirement Dollars Contributed by University	29,568,699	31,415,348	31,878,489	33,314,581	34,810,660	36,369,164	37,992,630	39,258,473	40,566,496	41,918,106
Retirement Dollars as a Percent of Salary	14.24%	14.69%	14.90%	15.12%	15.34%	15.56%	15.78%	15.83%	15.88%	15.93%
<b>Current Situation Carried Into Future If One Year Requirement Eliminated but Age 26 Wait Kept in Effect</b>										
Administrative Fee Paid by University to OTRS	11,347,021	12,581,753	12,979,398	13,780,821	14,620,916	15,501,405	16,424,085	16,965,606	17,524,982	18,102,801
7/11 Dollars Contributed by University	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Additional 7/11 Dollars Required to Eliminate One Year Wait Requirement	2,044,961	2,106,310	2,106,310	2,169,499	2,234,584	2,301,622	2,370,670	2,441,790	2,515,044	2,590,495
Total Retirement Dollars Contributed by University	31,496,565	33,401,050	33,864,191	35,359,854	36,917,291	38,538,995	40,227,555	41,560,446	42,937,528	44,360,269
Retirement Dollars as a Percent of Salary	15.17%	15.62%	15.83%	16.05%	16.27%	16.49%	16.71%	16.76%	16.81%	16.86%
<b>Current Situation Carried Into Future If Both One Year Wait and Age 26 Requirements Eliminated</b>										
Administrative Fee Paid by University to OTRS	11,347,021	12,581,753	12,979,398	13,780,821	14,620,916	15,501,405	16,424,085	16,965,606	17,524,982	18,102,801
7/11 Dollars Contributed by University	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Additional 7/11 Dollars Required to Eliminate Both Requirements	2,464,090	2,538,013	2,538,013	2,614,153	2,692,578	2,773,355	2,856,556	2,942,252	3,030,520	3,121,435
Total Retirement Dollars Contributed by University	31,915,694	33,832,753	34,295,893	35,804,508	37,375,285	39,010,728	40,713,441	42,060,908	43,453,004	44,891,209
Retirement Dollars as a Percent of Salary	15.37%	15.82%	16.03%	16.25%	16.47%	16.69%	16.91%	16.96%	17.01%	17.06%

**Table 12.1 Continued**  
Annual Salary Increase 3%

	Projections for 2011	Projections for 2012	Projections for 2013	Projections for 2014	Projections for 2015	Projections for 2016	Projections for 2017	Projections for 2018	Projections for 2019	Projections for 2020
Total Salary (FTE>=.75)	270,957,374	279,086,095	287,458,678	296,082,438	304,964,911	314,113,859	323,537,274	333,243,393	343,240,694	353,537,915
Total Salary of Employees Covered by OTRS	226,107,539	232,890,765	239,877,488	247,073,813	254,486,027	262,120,608	269,984,226	278,083,753	286,426,266	295,019,054
Percent of Total Salary Budget Covered by OTRS										
Total OTRS Compensation	265,243,558	273,988,944	283,022,676	292,354,260	301,993,518	311,950,593	322,235,964	332,860,456	343,835,249	355,171,895
Total Salary of Employees Covered by OTRS	226,107,539	232,890,765	239,877,488	247,073,813	254,486,027	262,120,608	269,984,226	278,083,753	286,426,266	295,019,054
Annual Comp. Incre. 0.288% nspensation as a Percent of Salary (health insurance increase)	117.31%	117.65%	117.99%	118.33%	118.67%	119.01%	119.35%	119.70%	120.04%	120.39%
7/11 Covered Salary	238,830,603	245,995,521	253,375,386	260,976,648	268,805,947	276,870,126	285,176,229	293,731,516	302,543,462	311,619,766
University Contributions to 7/11	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Annual Prop. Incre. 0.35% /11 Contributions as a % of Salary (11520) 11 Covered Salary as Percent of Total Salary	10.24%	10.28%	10.31%	10.35%	10.39%	10.42%	10.46%	10.50%	10.53%	10.57%
Total Salary (FTE>=.75)	270,957,374	279,086,095	287,458,678	296,082,438	304,964,911	314,113,859	323,537,274	333,243,393	343,240,694	353,537,915
Salary Not Covered Because Less Than Age 26	1,082,165	1,114,629	1,148,068	1,182,510	1,217,986	1,254,525	1,292,161	1,330,926	1,370,854	1,411,979
% of Total Salary Not Covered Because Less Than Age 26										
University Savings on 7/11 Because Less Than Age 26	152,782	157,366	162,087	166,949	171,958	177,117	182,430	187,903	193,540	199,346
Univ Savings as % of Salary Not Covered Because Less Than Age 26										
Salary Not Covered Because of Less Than One Year	28,022,846	28,863,531	29,729,437	30,621,320	31,539,960	32,486,159	33,460,744	34,464,566	35,498,503	36,563,458
% of Total Salary Not Covered Because Less Than One Year										
University Savings on 7/11 Because Require One Year	2,668,210	2,748,257	2,830,704	2,915,625	3,003,094	3,093,187	3,185,983	3,281,562	3,380,009	3,481,409
Univ. Savings as % of Salary Not Covered Because Require One Year										
Additional Salary Covered if Both One Year and Age 26 Waits Eliminated	32,126,771	33,090,574	34,083,292	35,105,790	36,158,964	37,243,733	38,361,045	39,511,876	40,697,233	41,918,150
% of Total Salary Not Covered If Both Waits Eliminated										
University Savings on 7/11 Because of Both Waits	3,215,079	3,311,531	3,410,877	3,513,203	3,618,599	3,727,157	3,838,972	3,954,141	4,072,765	4,194,948
% of Salary Not Covered Because Both Waits										
Total OTRS Compensation 2001	265,243,558	273,988,944	283,022,676	292,354,260	301,993,518	311,950,593	322,235,964	332,860,456	343,835,249	355,171,895
Total University Administrative Fee to OTRS in 2001	18,699,671	19,316,221	19,953,099	20,610,975	21,290,543	21,992,517	22,717,635	23,466,662	24,240,385	25,039,619
Administrative Fees as Percent of Compensation	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%	7.05%
Administrative Fees as Percent of Total Salary	6.90%	6.92%	6.94%	6.96%	6.98%	7.00%	7.02%	7.04%	7.06%	7.08%
<b>Current Situation Carried Into Future Including One Year Wait and Age 26 for Eligibility</b>										
Administrative Fee Paid by University to OTRS	18,699,671	19,316,221	19,953,099	20,610,975	21,290,543	21,992,517	22,717,635	23,466,662	24,240,385	25,039,619
7/11 Dollars Contributed by University	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Total Retirement Dollars Contributed by University	43,161,972	44,600,578	46,087,137	47,623,248	49,210,563	50,850,789	52,545,690	54,297,088	56,106,868	57,976,974
Retirement Dollars as a Percent of Salary	15.93%	15.98%	16.03%	16.08%	16.14%	16.19%	16.24%	16.29%	16.35%	16.40%
<b>Current Situation Carried Into Future If Age 26 Requirement Eliminated but One Year Wait Kept in Effect</b>										
Administrative Fee Paid by University to OTRS	18,699,671	19,316,221	19,953,099	20,610,975	21,290,543	21,992,517	22,717,635	23,466,662	24,240,385	25,039,619
7/11 Dollars Contributed by University	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Additional 7/11 Dollars Required to Eliminate Age 26 Requirement	152,782	157,366	162,087	166,949	171,958	177,117	182,430	187,903	193,540	199,346
Total Retirement Dollars Contributed by University	43,314,755	44,757,944	46,249,224	47,790,197	49,382,521	51,027,906	52,728,120	54,484,991	56,300,408	58,176,321
Retirement Dollars as a Percent of Salary	15.99%	16.04%	16.09%	16.14%	16.19%	16.25%	16.30%	16.35%	16.40%	16.46%
<b>Current Situation Carried Into Future If One Year Requirement Eliminated but Age 26 Wait Kept in Effect</b>										
Administrative Fee Paid by University to OTRS	18,699,671	19,316,221	19,953,099	20,610,975	21,290,543	21,992,517	22,717,635	23,466,662	24,240,385	25,039,619
7/11 Dollars Contributed by University	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Additional 7/11 Dollars Required to Eliminate One Year Wait Requirement	2,668,210	2,748,257	2,830,704	2,915,625	3,003,094	3,093,187	3,185,983	3,281,562	3,380,009	3,481,409
Total Retirement Dollars Contributed by University	45,830,183	47,348,834	48,917,841	50,538,873	52,213,657	53,943,976	55,731,672	57,578,650	59,486,877	61,458,384
Retirement Dollars as a Percent of Salary	16.91%	16.97%	17.02%	17.07%	17.12%	17.17%	17.23%	17.28%	17.33%	17.38%
<b>Current Situation Carried Into Future If Both One Year Wait and Age 26 Requirements Eliminated</b>										
Administrative Fee Paid by University to OTRS	18,699,671	19,316,221	19,953,099	20,610,975	21,290,543	21,992,517	22,717,635	23,466,662	24,240,385	25,039,619
7/11 Dollars Contributed by University	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Additional 7/11 Dollars Required to Eliminate Both Requirements	3,215,079	3,311,531	3,410,877	3,513,203	3,618,599	3,727,157	3,838,972	3,954,141	4,072,765	4,194,948
Total Retirement Dollars Contributed by University	46,377,051	47,912,109	49,498,014	51,136,451	52,829,162	54,577,946	56,384,662	58,251,229	60,179,633	62,171,923
Retirement Dollars as a Percent of Salary	17.12%	17.17%	17.22%	17.27%	17.32%	17.38%	17.43%	17.48%	17.53%	17.59%

**Table 12.2 Anticipated Submissions to OTRS for Next Several Years Assuming No New Employees Added and No Reductions in OTRS Submissions Because of Retirements**

Estimated OTRS Compensation of OSU Employees as of 12/31/2001 Assuming Normal Retirements and NO Resignations

	2001 Estimated Compensation	2002 Estimated Compensation	2003 Estimated Compensation	2004 Estimated Compensation	2005 Estimated Compensation	2006 Estimated Compensation	2007 Estimated Compensation	2008 Estimated Compensation	2009 Estimated Compensation	2010 Estimated Compensation
Low Base	101,480,105	101,360,392	96,795,702	97,451,487	97,757,903	97,310,478	95,917,762	93,962,569	90,777,285	86,819,283
High Base	28,247,183	23,282,631	22,020,053	21,099,948	18,705,500	16,116,889	14,625,089	12,543,330	10,999,906	9,726,949
Uncapped	67,787,733	69,568,110	34,951,369	35,926,346	36,827,073	37,363,451	38,116,436	38,489,150	39,184,337	39,196,982
Totals	197,515,020	194,211,132	153,767,124	154,477,780	153,290,475	150,790,817	148,659,287	144,995,049	140,961,528	135,743,214
	Salary Total in 2001 for Employees Covered by OTRS			173,292,601						

Estimated University Administrative Fees to OTRS for OSU Employees as of 12/31/2001 Assuming Normal Retirements and NO Resignations

	2001 Estimated Admin Fees	2002 Estimated Admin Fees	2003 Estimated Admin Fees	2004 Estimated Admin Fees	2005 Estimated Admin Fees	2006 Estimated Admin Fees	2007 Estimated Admin Fees	2008 Estimated Admin Fees	2009 Estimated Admin Fees	2010 Estimated Admin Fees
Low Base	5,222,051	5,618,351	5,588,755	5,768,932	5,913,951	5,989,113	6,762,202	6,624,361	6,399,799	6,120,759
High Base	1,515,404	1,362,795	1,325,922	1,292,223	1,165,103	1,035,138	1,031,069	884,305	775,493	685,750
Uncapped	4,609,566	4,904,552	2,464,072	2,532,807	2,596,309	2,634,123	2,687,209	2,713,485	2,762,496	2,763,387
Totals	11,347,021	11,885,697	9,378,748	9,593,963	9,675,362	9,658,374	10,480,480	10,222,151	9,937,788	9,569,897

Estimated Number of OSU Employees as of 12/31/2001 Covered by OTRS Assuming Normal Retirement and NO Resignations

	2001 Estimated Number	2002 Estimated Number	2003 Estimated Number	2004 Estimated Number	2005 Estimated Number	2006 Estimated Number	2007 Estimated Number	2008 Estimated Number	2009 Estimated Number	2010 Estimated Number
Low Base	1,761	1,707	1,625	1,589	1,551	1,503	1,440	1,379	1,291	1,205
High Base	367	308	292	274	241	211	190	164	143	125
Uncapped	1,529	1,523	655	653	648	638	633	618	610	589
Totals	3,657	3,538	2,572	2,516	2,440	2,352	2,263	2,161	2,044	1,919

**Table 12.2 Continued**

Estimated OTRS Compensation of OSU Employees as of 12/31/2001 Assuming Normal Retirements and NO Resignations

	2011 Estimated Compensation	2012 Estimated Compensation	2013 Estimated Compensation	2014 Estimated Compensation	2015 Estimated Compensation	2016 Estimated Compensation	2017 Estimated Compensation	2018 Estimated Compensation	2019 Estimated Compensation	2020 Estimated Compensation
Low Base	82,275,432	78,139,150	73,253,114	68,270,046	62,308,733	55,081,785	50,007,577	44,422,650	37,199,283	30,604,282
High Base	8,224,412	7,591,454	6,704,384	6,180,524	5,307,931	4,172,615	3,308,648	2,567,418	1,827,102	1,027,562
Uncapped	38,744,054	37,238,291	35,213,547	33,736,847	32,890,360	31,710,675	29,228,029	26,986,733	23,603,759	20,110,327
Totals	129,243,898	122,968,895	115,171,045	108,187,417	100,507,024	90,965,074	82,544,254	73,976,802	62,630,144	51,742,171

Estimated University Administrative Fees to OTRS for OSU Employees as of 12/31/2001 Assuming Normal Retirements and NO Resignations

	2011 Estimated Admin Fees	2012 Estimated Admin Fees	2013 Estimated Admin Fees	2014 Estimated Admin Fees	2015 Estimated Admin Fees	2016 Estimated Admin Fees	2017 Estimated Admin Fees	2018 Estimated Admin Fees	2019 Estimated Admin Fees	2020 Estimated Admin Fees
Low Base	5,800,418	5,508,810	5,164,345	4,813,038	4,392,766	3,883,266	3,525,534	3,131,797	2,622,549	2,157,602
High Base	579,821	535,197	472,659	435,727	374,209	294,169	233,260	181,003	128,811	72,443
Uncapped	2,731,456	2,625,300	2,482,555	2,378,448	2,318,770	2,235,603	2,060,576	1,902,565	1,664,065	1,417,778
Totals	9,111,695	8,669,307	8,119,559	7,627,213	7,085,745	6,413,038	5,819,370	5,215,365	4,415,425	3,647,823

Estimated Number of OSU Employees as of 12/31/2001 Covered by OTRS Assuming Normal Retirement and NO Resignations

	2011 Estimated Number	2012 Estimated Number	2013 Estimated Number	2014 Estimated Number	2015 Estimated Number	2016 Estimated Number	2017 Estimated Number	2018 Estimated Number	2019 Estimated Number	2020 Estimated Number
Low Base	1119	1033	948	863	773	676	598	525	428	343
High Base	103	94	80	71	62	49	38	28	21	12
Uncapped	567	536	499	466	439	413	371	335	286	237
Totals	1789	1663	1527	1400	1274	1138	1007	888	735	592

**Table 12.2A Anticipated Submissions to OTRS for Employees Mandated into OTRS for Next Several Years Assuming No New Employees Added to OTRS and There are No Reductions in Contributions to OTRS Because of Retirements**

Anticipated Submissions to OTRS for Next Several Years For Faculty and A&P (Those mandated in OTRS) Assuming No New Employees Added and Reductions in OTRS Submissions Because of Retirements

Estimated OTRS Compensation of OSU Employees Mandated into OTRS as of 12/31/2001 Assuming Normal Retirements and NO Resignations

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Estimated Compensation	Estimated Compensation	Estimated Compensation	Estimated Compensation	Estimated Compensation	Estimated Compensation	Estimated Compensation	Estimated Compensation	Estimated Compensation	Estimated Compensation
Low Base	88,128,697	88,255,054	84,091,950	84,813,794	85,190,708	84,801,032	83,559,965	81,848,154	79,316,428	75,877,187
High Base	27,343,958	22,426,410	21,212,432	20,314,031	17,965,524	15,400,113	13,929,955	11,885,562	10,374,714	9,228,905
Uncapped	66,111,431	67,859,851	33,769,141	34,708,651	35,591,534	36,218,804	36,937,450	37,362,363	38,023,746	38,079,488
Totals	181,584,086	178,541,315	139,073,523	139,836,477	138,747,766	136,419,949	134,427,370	131,096,078	127,714,888	123,185,581
	Salary Total in 2001 for Employees Mandated in OTRS			159,985,242						

Estimated University Administrative Fees to OTRS for OSU Employees as of 12/31/2001 Mandated into OTRS Assuming Normal Retirements and NO Resignations

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees
Low Base	4,315,402	4,694,702	4,693,140	4,877,975	5,027,964	5,107,197	5,890,978	5,770,295	5,591,808	5,349,342
High Base	1,453,984	1,302,431	1,268,984	1,236,816	1,112,934	984,605	982,062	837,932	731,417	650,638
Uncapped	4,495,577	4,784,119	2,380,724	2,446,960	2,509,203	2,553,426	2,604,090	2,634,047	2,680,674	2,684,604
Totals	10,264,964	10,781,253	8,342,849	8,561,751	8,650,101	8,645,228	9,477,130	9,242,274	9,003,900	8,684,583

Estimated Number of OSU Employees Mandated into OTRS as of 12/31/2001 Assuming Normal Retirement and NO Resignations

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees	Estimated Admin Fees
Low Base	1,297	1,269	1,202	1,181	1,158	1,124	1,078	1,033	977	915
High Base	346	289	274	257	225	196	176	151	131	116
Uncapped	1,451	1,446	603	601	597	592	587	575	567	549
Totals	3,094	3,004	2,079	2,039	1,980	1,912	1,841	1,759	1,675	1,580

**Table 12.2A Continued**

Estimated OTRS Compensation of OSU Employees Mandated into OTRS as of 12/31/2001 Assuming Normal Retirements and NO Resignations

	2011 Estimated Compensation	2012 Estimated Compensation	2013 Estimated Compensation	2014 Estimated Compensation	2015 Estimated Compensation	2016 Estimated Compensation	2017 Estimated Compensation	2018 Estimated Compensation	2019 Estimated Compensation	2020 Estimated Compensation
Low Base	71,922,950	68,505,257	64,142,361	59,959,354	54,762,006	48,325,908	43,733,126	38,524,108	32,272,267	26,447,645
High Base	7,711,427	7,063,079	6,340,862	5,806,096	4,922,270	3,902,227	3,111,966	2,427,520	1,683,007	879,144
Uncapped	37,688,421	36,180,220	34,220,740	32,865,913	31,993,297	30,885,757	28,528,638	26,266,361	22,949,629	19,440,381
Totals	117,322,798	111,748,556	104,703,963	98,631,364	91,677,574	83,113,892	75,373,730	67,217,989	56,904,903	46,767,169

Estimated University Administrative Fees to OTRS for OSU Employees as of 12/31/2001 Mandated into OTRS Assuming Normal Retirements and NO Resignations

	2011 Estimated Admin Fees	2012 Estimated Admin Fees	2013 Estimated Admin Fees	2014 Estimated Admin Fees	2015 Estimated Admin Fees	2016 Estimated Admin Fees	2017 Estimated Admin Fees	2018 Estimated Admin Fees	2019 Estimated Admin Fees	2020 Estimated Admin Fees
Low Base	5,070,568	4,829,621	4,522,036	4,227,134	3,860,721	3,406,977	3,083,185	2,715,950	2,275,195	1,864,559
High Base	543,656	497,947	447,031	409,330	347,020	275,107	219,394	171,140	118,652	61,980
Uncapped	2,657,034	2,550,706	2,412,562	2,317,047	2,255,527	2,177,446	2,011,269	1,851,778	1,617,949	1,370,547
Totals	8,271,257	7,878,273	7,381,629	6,953,511	6,463,269	5,859,529	5,313,848	4,738,868	4,011,796	3,297,085

Estimated Number of OSU Employees Mandated into OTRS as of 12/31/2001 Assuming Normal Retirement and NO Resignations

	2011 Estimated Admin Fees	2012 Estimated Admin Fees	2013 Estimated Admin Fees	2014 Estimated Admin Fees	2015 Estimated Admin Fees	2016 Estimated Admin Fees	2017 Estimated Admin Fees	2018 Estimated Admin Fees	2019 Estimated Admin Fees	2020 Estimated Admin Fees
Low Base	855	793	729	670	604	527	465	403	330	261
High Base	94	85	74	65	56	45	35	26	19	10
Uncapped	530	500	466	437	410	387	349	313	267	219
Totals	1,479	1,378	1,269	1,172	1,070	959	849	742	616	490

**Table 12.3 Summary of University Administrative Fees to OTRS and Expectations for University Retirement Expenditures With Constant Employee Numbers Through 2008. Beginning in 2003, all employees 40 or less with less than 8 years of OTRS coverage are Assumed to Leave OTRS**

	Percent of Employees Who Resign Annually <span style="border: 1px solid black; padding: 2px;">3.00%</span>									
	Total Salary 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Salary	207,666,265	213,896,253	213,896,253	220,313,141	226,922,535	233,730,211	240,742,117	247,964,381	255,403,312	263,065,411
OTRS Administrative Fee	11,347,021	11,885,697	9,097,386	9,593,963	9,675,362	9,658,374	10,480,480	10,222,151	9,937,788	9,569,897
OTRS Administrative Fee as % of Salary	5.464%	5.557%	4.253%	4.097%	3.891%	3.658%	3.738%	3.434%	3.144%	2.851%
OSU Contributions to 7/11 Plan	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
OSU Contributions to 7/11 Plan as % of Salary	8.718%	8.749%	8.779%	8.810%	8.841%	8.872%	8.903%	8.934%	8.965%	8.997%
Total OSU Contributions to Retirement	29,451,604	30,598,685	27,875,869	28,436,493	28,892,233	29,286,457	30,432,745	30,667,815	30,927,064	31,167,316
Total OSU Contributions to Retirement as % of Salary	14.182%	14.305%	13.032%	12.907%	12.732%	12.530%	12.641%	12.368%	12.109%	11.848%
Number of OTRS LowBase Participants	1761	1707	1576	1589	1551	1503	1440	1379	1291	1205
Number of OTRS HighBase Participants	367	308	283	274	241	211	190	164	143	125
Number of OTRS Uncapped Participants	1529	1523	635	653	648	638	633	618	610	589
Total Number of OTRS Participants	3657	3538	2495	2516	2440	2352	2263	2161	2044	1919

5645 employees in 2001 with .75 fte or greater

OTRS fee drops in 2003 because assume everyone 40 or less and having less than 8 years OTRS coverage gets out of OTRS. This is a one-time shift. Other decreases over years are because of retirements. It is assumed there are no resignations of those covered by OTRS.

In fiscal 2007, all OTRS coverage is on uncapped salaries. From 2007 on, the dollars going to OTRS for administrative fees should decline so long as the decrease in OTRS fees because of retirements is greater than the dollar value of salary increments for employees currently covered by OTRS.

**Table 12.3 Continued**

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Salary	207,666,265	213,896,253	213,896,253	220,313,141	226,922,535	233,730,211	240,742,117	247,964,381	255,403,312	263,065,411
OTRS Administrative Fee	11,347,021	11,885,697	9,378,748	9,593,963	9,675,362	9,658,374	10,480,480	10,222,151	9,937,788	9,569,897
OTRS Administrative Fee as % of Salary	5.464%	5.557%	4.253%	4.097%	3.891%	3.658%	3.738%	3.434%	3.144%	2.851%
OSU Contributions to 7/11 Plan	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
OSU Contributions to 7/11 Plan as % of Salary	8.718%	8.749%	8.779%	8.810%	8.841%	8.872%	8.903%	8.934%	8.965%	8.997%
Total OSU Contributions to Retirement	29,451,604	30,598,685	27,875,869	28,436,493	28,892,233	29,286,457	30,432,745	30,667,815	30,927,064	31,167,316
Total OSU Contributions to Retirement as % of Salary	14.182%	14.305%	13.032%	12.907%	12.732%	12.530%	12.641%	12.368%	12.109%	11.848%
Number of OTRS LowBase Participants	1761	1707	1625	1589	1551	1503	1440	1379	1291	1205
Number of OTRS HighBase Participants	367	308	292	274	241	211	190	164	143	125
Number of OTRS Uncapped Participants	1529	1523	655	653	648	638	633	618	610	589
Total Number of OTRS Participants	3657	3538	2572	2516	2440	2352	2263	2161	2044	1919

**Table 12.4 Plan For Attaining a 12% Defined Contribution Retirement Program with an Additional 2% One-for-One Match**

Assumption: 3.00% of individuals resign each year in addition to those who normally retire.  
**Provides those remaining in OTRS with 11% contribution to retirement, i.e. \$480.60/year**  
 As Starting Point Assume Dollars Available Each Year Are Those That Would Be Spent Under the Current System If One Year Waiting and Age 26 Start Date Are Eliminated

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Salary	207,666,265	213,896,253	213,896,253	220,313,141	226,922,535	233,730,211	240,742,117	247,964,381	255,403,312	263,065,411
Admin. Fee Dollars	11,347,021	12,581,753	12,979,398	13,780,821	14,620,916	15,501,405	16,424,085	16,965,606	17,524,982	18,102,801
7/11 Dollars	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Current Total Retirement	29,451,604	31,294,740	31,757,881	33,190,355	34,682,707	36,237,373	37,856,885	39,118,655	40,422,484	41,769,774
Current Retirement as % of Salary	14.18%	14.63%	14.85%	15.07%	15.28%	15.50%	15.73%	15.78%	15.83%	15.88%
Annual Increase in Retirement		1,843,136	463,141	1,432,474	1,492,353	1,554,666	1,619,512	1,261,770	1,303,829	1,347,289
Add. 7/11 for Age 26 & 1 Year	2,464,090	2,538,013	2,538,013	2,614,153	2,692,578	2,773,355	2,856,556	2,942,252	3,030,520	3,121,435
Total Retirement \$	31,915,694	33,832,753	34,295,893	35,804,508	37,375,285	39,010,728	40,713,441	42,060,908	43,453,004	44,891,209
Retirement as % of Salary	15.37%	15.82%	16.03%	16.25%	16.47%	16.69%	16.91%	16.96%	17.01%	17.06%
Annual Increase in Retirement		1,917,059	463,141	1,508,614	1,570,777	1,635,443	1,702,713	1,347,467	1,392,096	1,438,205

Assume that in 2003, Employees are allowed to exit OTRS and that all under 40 with 8 or fewer OTRS years to get out  
 And that all those remaining in OTRS receive increase in University contribution to retirement of full 11% of salary

	2003	2004	2005	2006	2007	2008	2009	2010
Salary	213,896,253	220,313,141	226,922,535	233,730,211	240,742,117	247,964,381	255,403,312	263,065,411
Admin. Fee Dollars (Normal retirement & 3% resignation/year)	9,097,386	9,026,959	8,830,442	8,550,489	8,999,945	8,514,766	8,029,562	7,500,343
7/11 Dollars	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Additional \$460.80 to DCP for each employee	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216
Additional 7/11\$ to Eliminate Age 26 & 1 Year Wait	2,538,013	2,614,153	2,692,578	2,773,355	2,856,556	2,942,252	3,030,520	3,121,435
Reduction for Those Still in OTRS because They are Not Eligible for \$480.60	0	0	0	0	0	0	0	0
In 2004, add .5% to 11% for 11.5% Total		1,101,566	1,134,613	1,168,651	1,203,711	1,239,822	1,277,017	1,315,327
Reduction in Admin Fee Cost for Those Still in OTRS for 2004 .5%		(486,843)	(475,815)	(461,027)	(443,999)	(426,814)	(407,209)	(384,816)
In 2005, add .5% to 11.5% for 12.0% Total			1,134,613	1,168,651	1,203,711	1,239,822	1,277,017	1,315,327
Reduction in Admin Fee Cost for Those Still in OTRS for 2005 .5%			(475,815)	(461,027)	(443,999)	(426,814)	(407,209)	(384,816)
In 2006, add 1% Match Option for all Employees				2,337,302	2,407,421	2,479,644	2,554,033	2,630,654
Reduction in 1 for 1 Match Option because those in OTRS not eligible				(862,135)	(828,765)	(790,698)	(747,215)	(700,888)
In 2007, add .5% for 1 for 1 Match Option for all Employees					1,203,711	1,239,822	1,277,017	1,315,327
Reduction in 1 for 1 Match Option because those in OTRS not eligible					(414,382)	(395,349)	(373,608)	(350,444)
In 2008, add additional .5% for 1 for 1 Match Option for all Employees						1,239,822	1,277,017	1,315,327
Reduction in 1 for 1 Match Option because those in OTRS not eligible						(395,349)	(373,608)	(350,444)
Total Retirement \$	33,015,097	34,266,585	35,503,623	37,551,444	39,777,923	41,215,191	41,912,051	42,610,522
Retirement as % of Salary With No Vesting Requirement	15.44%	15.55%	15.65%	16.07%	16.52%	16.62%	16.41%	16.20%
Total DCP Benefits	23,917,712	25,239,625	26,673,181	29,000,955	30,777,978	32,700,426	33,882,489	35,110,179
Impact of One-Year vesting requirement <b>1.60%</b> of DCP benefits	382,683	403,834	426,771	464,015	492,448	523,207	542,120	561,763
Net DCP Benefits with One-Year Vesting	23,535,028	24,835,791	26,246,410	28,536,940	30,285,531	32,177,219	33,340,369	34,548,416
Retirement as Percent of Salary with One-Year Vesting	15.26%	15.37%	15.46%	15.87%	16.32%	16.41%	16.20%	15.98%
Total DCP Benefits	23,917,712	25,239,625	26,673,181	29,000,955	30,777,978	32,700,426	33,882,489	35,110,179
Impact of Two-Year vesting requirement <b>3.70%</b> of DCP benefits	884,955	933,866	986,908	1,073,035	1,138,785	1,209,916	1,253,652	1,299,077
Net DCP Benefits with Two-Year Vesting	23,032,756	24,305,759	25,686,273	27,927,920	29,639,193	31,490,510	32,628,837	33,811,103
Retirement as Percent of Salary with Two-Year Vesting	15.02%	15.13%	15.21%	15.61%	16.05%	16.13%	15.92%	15.70%
Total Contribution to Retirement	32,130,142	33,332,719	34,516,715	36,478,409	38,639,138	40,005,275	40,658,399	41,311,446
Annual Increase in Retirement	835,402	1,202,577	1,183,996	1,961,694	2,160,729	1,366,138	653,123	653,047
Proposed Program Cost Less Current Program Cost	372,261	142,364	-165,992	241,036	782,253	886,620	235,915	-458,328
Proposed Program Cost Less Current Program Cost Increased by Cost of Eliminating Age 26 and 1 Year Wait	-2,165,751	-2,471,789	-2,858,570	-2,532,319	-2,074,303	-2,055,632	-2,794,605	-3,579,764
Total DCP Benefits	23,917,712	25,239,625	26,673,181	29,000,955	30,777,978	32,700,426	33,882,489	35,110,179
Impact of Three-Year vesting requirement <b>4.00%</b> of DCP benefits	956,708	1,009,585	1,066,927	1,160,038	1,231,119	1,308,017	1,355,300	1,404,407
Net DCP Benefits with Three-Year Vesting	22,961,003	24,230,040	25,606,254	27,840,917	29,546,859	31,392,408	32,527,189	33,705,772
Retirement as Percent of Salary with Three-Year Vesting	14.99%	15.10%	15.18%	15.57%	16.01%	16.09%	15.88%	15.66%

Table 12.4 Continued

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Salary	270,957,374	279,086,095	287,458,678	296,082,438	304,964,911	314,113,859	323,537,274	333,243,393	343,240,694	353,537,915
Admin. Fee Dollars	18,699,671	19,316,221	19,953,099	20,610,975	21,290,543	21,992,517	22,717,635	23,466,662	24,240,385	25,039,619
7/11 Dollars	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Current Total Retirement	43,161,972	44,600,578	46,087,137	47,623,248	49,210,563	50,850,789	52,545,690	54,297,088	56,106,868	57,976,974
Current Retirement as % of Salary	15.93%	15.98%	16.03%	16.08%	16.14%	16.19%	16.24%	16.29%	16.35%	16.40%
Annual Increase in Retirement	1,392,199	1,438,605	1,486,559	1,536,111	1,587,315	1,640,226	1,694,901	1,751,398	1,809,779	1,870,107
Add. 7/11 for Age 26 & 1 Year	3,215,079	3,311,531	3,410,877	3,513,203	3,618,599	3,727,157	3,838,972	3,954,141	4,072,765	4,194,948
Total Retirement \$	46,377,051	47,912,109	49,498,014	51,136,451	52,829,162	54,577,946	56,384,662	58,251,229	60,179,633	62,171,923
Retirement as % of Salary	17.12%	17.17%	17.22%	17.27%	17.32%	17.38%	17.43%	17.48%	17.53%	17.59%
Annual Increase in Retirement	1,485,842	1,535,058	1,585,905	1,638,437	1,692,711	1,748,784	1,806,716	1,866,568	1,928,404	1,992,290

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Salary	270,957,374	279,086,095	287,458,678	296,082,438	304,964,911	314,113,859	323,537,274	333,243,393	343,240,694	353,537,915
Admin. Fee Dollars (Normal retirement & 3% resignation/year)	6,926,993	6,392,956	5,807,932	5,292,083	4,768,898	4,186,664	3,685,123	3,203,557	2,630,825	2,108,264
7/11 Dollars	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Additional \$460.80 to DCP for each employee	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216	2,601,216
Additional 7/11\$ to Eliminate Age 26 & 1 Year Wait	3,215,079	3,311,531	3,410,877	3,513,203	3,618,599	3,727,157	3,838,972	3,954,141	4,072,765	4,194,948
Reduction for Those Still in OTRS because They are Not Eligible for \$480.60	0	0	0	0	0	0	0	0	0	0
In 2004, add .5% to 11% for 11.5% Total	1,354,787	1,395,430	1,437,293	1,480,412	1,524,825	1,570,569	1,617,686	1,666,217	1,716,203	1,767,690
Reduction in Admin Fee Cost for Those Still in OTRS for 2004 .5%	(360,957)	(336,202)	(312,242)	(286,449)	(262,388)	(238,559)	(212,901)	(188,223)	(165,831)	(137,135)
In 2005, add .5% to 11.5% for 12.0% Total	1,354,787	1,395,430	1,437,293	1,480,412	1,524,825	1,570,569	1,617,686	1,666,217	1,716,203	1,767,690
Reduction in Admin Fee Cost for Those Still in OTRS for 2005 .5%	(360,957)	(336,202)	(312,242)	(286,449)	(262,388)	(238,559)	(212,901)	(188,223)	(165,831)	(137,135)
In 2006, add 1% Match Option for all Employees	2,709,574	2,790,861	2,874,587	2,960,824	3,049,649	3,141,139	3,235,373	3,332,434	3,432,407	3,535,379
Reduction in 1 for 1 Match Option because those in OTRS not eligible	(652,819)	(606,295)	(556,211)	(509,492)	(463,221)	(413,399)	(365,482)	(322,002)	(266,282)	(214,282)
in 2007, add .5% for 1 for 1 Match Option for all Employees	1,354,787	1,395,430	1,437,293	1,480,412	1,524,825	1,570,569	1,617,686	1,666,217	1,716,203	1,767,690
Reduction in 1 for 1 Match Option because those in OTRS not eligible	(326,410)	(303,147)	(278,106)	(254,746)	(231,610)	(206,700)	(182,741)	(161,001)	(133,141)	(107,141)
in 2008, add additional .5% for 1 for 1 Match Option for all Employees	1,354,787	1,395,430	1,437,293	1,480,412	1,524,825	1,570,569	1,617,686	1,666,217	1,716,203	1,767,690
Reduction in 1 for 1 Match Option because those in OTRS not eligible	(326,410)	(303,147)	(278,106)	(254,746)	(231,610)	(206,700)	(182,741)	(161,001)	(133,141)	(107,141)
Total Retirement \$	43,306,758	44,077,650	44,840,917	45,709,366	46,606,463	47,492,809	48,502,718	49,566,192	50,604,284	51,745,088
Retirement as % of Salary With No Vesting Requirement	15.98%	15.79%	15.60%	15.44%	15.28%	15.12%	14.99%	14.87%	14.74%	14.64%
Total DCP Benefits	36,379,764	37,684,694	39,032,986	40,417,283	41,837,564	43,306,145	44,817,596	46,362,635	47,973,459	49,636,824
Impact of One-Year vesting requirement <u>1.60%</u> of DCP benefits	582,076	602,955	624,528	646,677	669,401	692,898	717,082	741,802	767,575	794,189
Net DCP Benefits with One-Year Vesting	35,797,688	37,081,738	38,408,458	39,770,606	41,168,163	42,613,247	44,100,514	45,620,833	47,205,884	48,842,635
Retirement as Percent of Salary with One-Year Vesting	15.77%	15.58%	15.38%	15.22%	15.06%	14.90%	14.77%	14.65%	14.52%	14.41%
Total DCP Benefits	36,379,764	37,684,694	39,032,986	40,417,283	41,837,564	43,306,145	44,817,596	46,362,635	47,973,459	49,636,824
Impact of Two-Year vesting requirement <u>3.70%</u> of DCP benefits	1,346,051	1,394,334	1,444,220	1,495,439	1,547,990	1,602,327	1,658,251	1,715,417	1,775,018	1,836,562
Net DCP Benefits with Two-Year Vesting	35,033,713	36,290,360	37,588,765	38,921,843	40,289,574	41,703,818	43,159,344	44,647,218	46,198,441	47,800,261
Retirement as Percent of Salary with Two-Year Vesting	15.49%	15.29%	15.10%	14.93%	14.77%	14.61%	14.48%	14.36%	14.23%	14.12%
Total Contribution to Retirement	41,960,706	42,683,316	43,396,697	44,213,927	45,058,473	45,890,482	46,844,467	47,850,774	48,829,266	49,908,525
Annual Increase in Retirement	649,261	722,610	713,381	817,230	844,546	832,009	953,986	1,006,307	978,492	1,079,259
Proposed Program Cost Less Current Program Cost	-1,201,266	-1,917,262	-2,690,440	-3,409,321	-4,152,090	-4,960,307	-5,701,222	-6,446,314	-7,277,601	-8,068,449
Proposed Program Cost Less Current Program Cost Increased by Cost of Eliminating Age 26 and 1 Year Wait	-4,416,345	-5,228,793	-6,101,317	-6,922,524	-7,770,689	-8,687,465	-9,540,194	-10,400,455	-11,350,367	-12,263,397
Total DCP Benefits	36,379,764	37,684,694	39,032,986	40,417,283	41,837,564	43,306,145	44,817,596	46,362,635	47,973,459	49,636,824
Impact of Three-Year vesting requirement <u>4.00%</u> of DCP benefits	1,455,191	1,507,388	1,561,319	1,616,691	1,673,503	1,732,246	1,792,704	1,854,505	1,918,938	1,985,473
Net DCP Benefits with Three-Year Vesting	34,924,574	36,177,306	37,471,666	38,800,592	40,164,062	41,573,900	43,024,892	44,508,130	46,054,521	47,651,351
Retirement as Percent of Salary with Three-Year Vesting	15.45%	15.25%	15.06%	14.89%	14.73%	14.57%	14.44%	14.32%	14.18%	14.07%

**Table 12.5 Expected University Future Retirement Expenditures If OSU Chooses to Exit OTRS as a Mandated Program**

Provides those remaining in OTRS with 11% contribution to retirement, i.e. \$480.60/year

		Summary Information for 2001	Projections for 2002	Projections for 2003	Projections for 2004	Projections for 2005	Projections for 2006	Projections for 2007	Projections for 2008	Projections for 2009	Projections for 2010
									Annual Salary Increase	3%	
<b>For All Employees in OTRS</b>											
	Total Salary (FTE>=.75) (Table 12.1)	207,666,265	213,896,253	213,896,253	220,313,141	226,922,535	233,730,211	240,742,117	247,964,381	255,403,312	263,065,411
	Total Salary of Employees Covered by OTRS	173,292,601	178,491,379	178,491,379	183,846,121	189,361,504	195,042,350	200,893,620	206,920,429	213,128,041	219,521,883
	Percent of Total Salary Budget Covered by OTRS	83.45%									
	Total OTRS Compensation (Table 12.1)	197,515,020	204,027,318	204,615,859	211,362,280	218,331,138	225,529,768	232,965,745	240,646,895	248,581,301	256,777,313
	Total Salary of Employees Covered by OTRS	173,292,601	178,491,379	178,491,379	183,846,121	189,361,504	195,042,350	200,893,620	206,920,429	213,128,041	219,521,883
Annual Comp. Incr. 0.288% (health insurance increase)	Compensation as a Percent of Salary	113.98%	114.31%	114.64%	114.97%	115.30%	115.63%	115.96%	116.30%	116.63%	116.97%
	Estimated OTRS Compensation of OSU Employees Assuming Normal Retirements and NO Resignations (Table 12.2)	197,515,020	194,211,132	153,767,124	154,477,780	153,290,475	150,790,817	148,659,287	144,995,049	140,961,528	135,743,214
	Estimated OTRS Compensation of all OSU Employees Assuming Resignations Annually at rate of 3.00%	197,515,020	194,211,132	149,154,110	145,348,143	139,904,078	133,494,026	127,658,788	120,776,817	113,894,496	106,387,843
<b>For Employees Mandated into OTRS (Faculty &amp; A&amp;P)</b>											
	Total Salary (FTE>=.75) (Table 1)	207,666,265	213,896,253	213,896,253	220,313,141	226,922,535	233,730,211	240,742,117	247,964,381	255,403,312	263,065,411
	Total Salary of Employees Mandated into OTRS (Table 2A)	159,985,242	164,784,799	164,784,799	169,728,343	174,820,194	180,064,800	185,466,744	191,030,746	196,761,668	202,664,518
	Percent of Total Salary Budget Covered by OTRS	77.04%									
	Total OTRS Compensation on Mandated Employees (Table 2A)	181,584,086	187,571,123	188,112,194	194,314,470	200,721,243	207,339,254	214,175,468	221,237,081	228,531,523	236,066,471
	Total Salary of Employees Mandated into OTRS	159,985,242	164,784,799	164,784,799	169,728,343	174,820,194	180,064,800	185,466,744	191,030,746	196,761,668	202,664,518
Annual Comp. Incr. 0.288% (health insurance increase)	Compensation as a Percent of Salary	113.50%	113.83%	114.16%	114.49%	114.82%	115.15%	115.48%	115.81%	116.15%	116.48%
	Estimated OTRS Compensation of OSU Employees Mandated in Assuming Normal Retirements and NO Resignations (Table 2A)	181,584,086	178,541,315	139,073,523	139,836,477	138,747,766	136,419,949	134,427,370	131,096,078	127,714,888	123,185,581
	Estimated OTRS Compensation of OSU Employees Mandated in OTRS Assuming Resignations Annually at rate of 3.00%	181,584,086	178,541,315	134,901,317	131,572,141	126,631,340	120,771,600	115,437,357	109,199,363	103,191,439	96,545,881
	Compensation on which exit fee must be paid	0	9,029,808	53,210,877	62,742,329	74,089,903	86,567,654	98,738,111	112,037,718	125,340,084	139,520,590
	Percent of compensation exit fee	2.29%	206,783	1,218,529	1,436,799	1,696,659	1,982,399	2,261,103	2,565,664	2,870,288	3,195,022
	Exit fee as a % of salary	0.00%	0.10%	0.57%	0.65%	0.75%	0.85%	0.94%	1.03%	1.12%	1.21%
	Total % of Salary if Keep Current Program (Table 12.1)			14.85%	15.07%	15.28%	15.50%	15.73%	15.78%	15.83%	15.88%
	Total % of Salary if Keep Current Program but Eliminate age 26 and One Year Wait (Table 12.1)			16.03%	16.25%	16.47%	16.69%	16.91%	16.96%	17.01%	17.06%
	Retirement as % of Salary With No Vesting Requirement (Table 12.4)			15.44%	15.55%	15.65%	16.07%	16.52%	16.62%	16.41%	16.20%
	Total % of Salary including exit fee with no vesting requirement			16.00%	16.21%	16.39%	16.91%	17.46%	17.66%	17.53%	17.41%
	Retirement as Percent of Salary with Two-Year Vesting (Table 12.4)			15.02%	15.13%	15.21%	15.61%	16.05%	16.13%	15.92%	15.70%
	Total % of Salary including exit fee with Two-Year vesting requirement			15.59%	15.78%	15.96%	16.46%	16.99%	17.17%	17.04%	16.92%
	Retirement as Percent of Salary with Three-Year Vesting (Table 12.4)			14.99%	15.10%	15.18%	15.57%	16.01%	16.09%	15.88%	15.66%
	Total % of Salary including exit fee with Three-Year vesting requirement			15.56%	15.75%	15.92%	16.42%	16.95%	17.13%	17.00%	16.88%
	Proposed with 2-year vest LESS Current with 26 and 1-year eliminated LESS			-0.44%	-0.47%	-0.51%	-0.24%	0.08%	0.21%	0.03%	-0.15%
	Proposed with 2-year vest Less Current As Is			0.74%	0.72%	0.67%	0.95%	1.26%	1.39%	1.22%	1.04%
	Total \$ of Salary if Keep Current Program (Table 12.1)			31,757,881	33,190,355	34,682,707	36,237,373	37,856,885	39,118,655	40,422,484	41,769,774
	Total \$ of Salary if Keep Current Program but Eliminate age 26 and One Year Wait (Table 12.1)			34,295,893	35,804,508	37,375,285	39,010,728	40,713,441	42,060,908	43,453,004	44,891,209
	Retirement \$ With No Vesting Requirement (Table 12.4)			33,015,097	34,266,585	35,503,623	37,551,444	39,777,923	41,215,191	41,912,051	42,610,522
	Total \$ of Salary including exit fee with no vesting requirement			34,233,626	35,703,384	37,200,281	39,533,843	42,039,026	43,780,855	44,782,339	45,805,544
	Retirement \$ with Two-Year Vesting (Table 12.4)			32,130,142	33,332,719	34,516,715	36,478,409	38,639,138	40,005,275	40,658,399	41,311,446
	Total \$ retirement including exit fee with Two-Year vesting requirement			33,348,671	34,769,518	36,213,374	38,460,808	40,900,240	42,570,939	43,528,687	44,506,467
	Retirement \$ Three-Year Vesting (Table 12.4)			32,058,389	33,257,000	34,436,695	36,391,406	38,546,804	39,907,174	40,556,751	41,206,115
	Total \$ of Salary including exit fee with Three-Year vesting requirement			33,276,918	34,693,799	36,133,354	38,373,805	40,807,907	42,472,838	43,427,039	44,401,136
	Proposed program cost with 2-year vest LESS Current with 26 and 1-year eliminated			-947,222	-1,034,990	-1,161,911	-549,920	186,800	510,031	75,683	-384,742
	Proposed program cost with 2-year vest Less Current program As Is			1,590,790	1,579,163	1,530,667	2,223,435	3,043,355	3,452,284	3,106,203	2,736,693

**Table 12.5 Continued**

		Projections for 2011	Projections for 2012	Projections for 2013	Projections for 2014	Projections for 2015	Projections for 2016	Projections for 2017	Projections for 2018	Projections for 2019	Projections for 2020
<b>For All Employees in OTRS</b>											
Total Salary (FTE>=.75) (Table 12.1)		270,957,374	279,086,095	287,458,678	296,082,438	304,964,911	314,113,859	323,537,274	333,243,393	343,240,694	353,537,915
Total Salary of Employees Covered by OTRS		226,107,539	232,890,765	239,877,488	247,073,813	254,486,027	262,120,608	269,984,226	278,083,753	286,426,266	295,019,054
Percent of Total Salary Budget Covered by OTRS											
Total OTRS Compensation (Table 12.1)		265,243,558	273,988,944	283,022,676	292,354,260	301,993,518	311,950,593	322,235,964	332,860,456	343,835,249	355,171,895
Total Salary of Employees Covered by OTRS		226,107,539	232,890,765	239,877,488	247,073,813	254,486,027	262,120,608	269,984,226	278,083,753	286,426,266	295,019,054
Annual Comp. Incr. (health insurance increase)	0.288%	117.31%	117.65%	117.99%	118.33%	118.67%	119.01%	119.35%	119.70%	120.04%	120.39%
Estimated OTRS Compensation of OSU Employees Assuming Normal Retirements and NO Resignations (Table 12.2)		129,243,898	122,968,895	115,171,045	108,187,417	100,507,024	90,965,074	82,544,254	73,976,802	62,630,144	51,742,171
Estimated OTRS Compensation of all OSU Employees Assuming Resignations Annually at rate of 3.00%		98,255,225	90,680,230	82,382,010	75,065,013	67,643,950	59,385,300	52,271,247	45,440,521	37,316,671	29,904,453
<b>For Employees Mandated into OTRS (Faculty &amp; A&amp;P)</b>											
Total Salary (FTE>=.75) (Table 1)		270,957,374	279,086,095	287,458,678	296,082,438	304,964,911	314,113,859	323,537,274	333,243,393	343,240,694	353,537,915
Total Salary of Employees Mandated into OTRS (Table 2A)		208,744,454	215,006,787	221,456,991	228,100,701	234,943,722	241,992,033	249,251,795	256,729,348	264,431,229	272,364,166
Percent of Total Salary Budget Covered by OTRS											
Total OTRS Compensation on Mandated Employees (Table 2A)		243,849,855	251,889,867	260,194,966	268,773,895	277,635,681	286,789,649	296,245,435	306,012,989	316,102,591	326,524,858
Total Salary of Employees Mandated into OTRS		208,744,454	215,006,787	221,456,991	228,100,701	234,943,722	241,992,033	249,251,795	256,729,348	264,431,229	272,364,166
Annual Comp. Incr. (health insurance increase)	0.288%	116.82%	117.15%	117.49%	117.83%	118.17%	118.51%	118.85%	119.20%	119.54%	119.89%
Estimated OTRS Compensation of OSU Employees Mandated in Assuming Normal Retirements and NO Resignations (Table 2A)		117,322,798	111,748,556	104,703,963	98,631,364	91,677,574	83,113,892	75,373,730	67,217,989	56,904,903	46,767,169
Estimated OTRS Compensation of OSU Employees Mandated in OTRS Assuming Resignations Annually at rate of 3.00%		89,192,435	82,406,081	74,894,892	68,434,618	61,701,491	54,259,764	47,730,504	41,288,896	33,905,423	27,029,145
Compensation on which exit fee must be paid		154,657,420	169,483,786	185,300,074	200,339,277	215,934,190	232,529,886	248,514,931	264,724,094	282,197,168	299,495,714
Percent of compensation exit fee		3,541,655	3,881,179	4,243,372	4,587,769	4,944,893	5,324,934	5,690,992	6,062,182	6,462,315	6,858,452
Exit fee as a % of salary		1.31%	1.39%	1.48%	1.55%	1.62%	1.70%	1.76%	1.82%	1.88%	1.94%
Total % of Salary if Keep Current Program (Table 12.1)		15.93%	15.98%	16.03%	16.08%	16.14%	16.19%	16.24%	16.29%	16.35%	16.40%
Total % of Salary if Keep Current Program but Eliminate age 26 and One Year Wait (Table 12.1)		17.12%	17.17%	17.22%	17.27%	17.32%	17.38%	17.43%	17.48%	17.53%	17.59%
Retirement as % of Salary With No Vesting Requirement (Table 12.4)		15.98%	15.79%	15.60%	15.44%	15.28%	15.12%	14.99%	14.87%	14.74%	14.64%
Total % of Salary including exit fee with no vesting requirement		17.29%	17.18%	17.08%	16.99%	16.90%	16.81%	16.75%	16.69%	16.63%	16.58%
Retirement as Percent of Salary with Two-Year Vesting (Table 12.4)		15.49%	15.29%	15.10%	14.93%	14.77%	14.61%	14.48%	14.36%	14.23%	14.12%
Total % of Salary including exit fee with Two-Year vesting requirement		16.79%	16.68%	16.57%	16.48%	16.40%	16.30%	16.24%	16.18%	16.11%	16.06%
Retirement as Percent of Salary with Three-Year Vesting (Table 12.4)		15.45%	15.25%	15.06%	14.89%	14.73%	14.57%	14.44%	14.32%	14.18%	14.07%
Total % of Salary including exit fee with Three-Year vesting requirement		16.75%	16.64%	16.53%	16.44%	16.36%	16.26%	16.20%	16.14%	16.07%	16.01%
Proposed with 2-year vest LESS Current with 26 and 1-year eliminated LESS		-0.32%	-0.48%	-0.65%	-0.79%	-0.93%	-1.07%	-1.19%	-1.30%	-1.42%	-1.53%
Proposed with 2-year vest Less Current As Is		0.86%	0.70%	0.54%	0.40%	0.26%	0.12%	0.00%	-0.12%	-0.24%	-0.34%
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total \$ of Salary if Keep Current Program (Table 12.1)		43,161,972	44,600,578	46,087,137	47,623,248	49,210,563	50,850,789	52,545,690	54,297,088	56,106,868	57,976,974
Total \$ of Salary if Keep Current Program but Eliminate age 26 and One Year Wait (Table 12.1)		46,377,051	47,912,109	49,498,014	51,136,451	52,829,162	54,577,946	56,384,662	58,251,229	60,179,633	62,171,923
Retirement \$ With No Vesting Requirement (Table 12.4)		43,306,758	44,077,650	44,840,917	45,709,366	46,606,463	47,492,809	48,502,718	49,566,192	50,604,284	51,745,088
Total \$ of Salary including exit fee with no vesting requirement		46,848,412	47,958,828	49,084,289	50,297,136	51,551,356	52,817,743	54,193,710	55,628,374	57,066,600	58,603,540
Retirement \$ with Two-Year Vesting (Table 12.4)		41,960,706	42,683,316	43,396,697	44,213,927	45,058,473	45,890,482	46,844,467	47,850,774	48,829,266	49,908,525
Total \$ retirement including exit fee with Two-Year vesting requirement		45,502,361	46,564,495	47,640,069	48,801,696	50,003,366	51,215,416	52,535,459	53,912,956	55,291,582	56,766,977
Retirement \$ Three-Year Vesting (Table 12.4)		41,851,567	42,570,262	43,279,598	44,092,675	44,932,960	45,760,563	46,710,015	47,711,686	48,685,346	49,759,615
Total \$ of Salary including exit fee with Three-Year vesting requirement		45,393,222	46,451,441	47,522,970	48,680,444	49,877,853	51,085,498	52,401,007	53,773,868	55,147,661	56,618,067
Proposed program cost with 2-year vest LESS Current with 26 and 1-year eliminated		-874,690	-1,347,614	-1,857,945	-2,334,755	-2,825,796	-3,362,530	-3,849,202	-4,338,273	-4,888,051	-5,404,945
Proposed program cost with 2-year vest Less Current program As Is		2,340,389	1,963,917	1,552,932	1,178,449	792,803	364,627	-10,231	-384,132	-815,286	-1,209,997

**Table 12.6 Comparison of Current and Proposed Program Costs Where Proposed Program is 12% University Contribution to Retirement with 2% Match for Employee Contributing 2%. Employees in OTRS will have 11% University Contribution Towards Retirement, There will be a 2-Year Vest to Receive Benefits, The Exit Fee is 2.29% of Salary.**

	Projections for 2003	Projections for 2004	Projections for 2005	Projections for 2006	Projections for 2007	Projections for 2008	Projections for 2009	Projections for 2010	Projections for 2011
Current Retirement Program Costs	31,757,881	33,190,355	34,682,707	36,237,373	37,856,885	39,118,655	40,422,484	41,769,774	43,161,972
Change in Current Program From Previous Year	463,141	1,432,474	1,492,353	1,554,666	1,619,512	1,261,770	1,303,829	1,347,289	1,392,199
Total Retirement Program Cost Including Exit Fee and 2-Year Vest	33,348,671	34,769,518	36,213,374	38,460,808	40,900,240	42,570,939	43,528,687	44,506,467	45,502,361
Increase in Retirement Funds over Previous Year of Current Program	2,053,931								
Change in Proposed Program From Proposed Program for Previous Year		1,420,847	1,443,856	2,247,434	2,439,432	1,670,699	957,748	977,780	995,894
Total Current Program Cost (Table 12.1)	31,757,881	33,190,355	34,682,707	36,237,373	37,856,885	39,118,655	40,422,484	41,769,774	43,161,972
Total Current Program Plus Eliminate age 26 and One Year Wait (Table 1)	34,295,893	35,804,508	37,375,285	39,010,728	40,713,441	42,060,908	43,453,004	44,891,209	46,377,051
Proposed Program Cost With Two-Year Vesting (Table 12.4)	32,130,142	33,332,719	34,516,715	36,478,409	38,639,138	40,005,275	40,658,399	41,311,446	41,960,706
Total Proposed Program with Two-Year Vesting Requirement Including Exit Fee	33,348,671	34,769,518	36,213,374	38,460,808	40,900,240	42,570,939	43,528,687	44,506,467	45,502,361
Proposed Program with 2-year vest and Exit Fee Less Current As Is Program Cost	1,590,790	1,579,163	1,530,667	2,223,435	3,043,355	3,452,284	3,106,203	2,736,693	2,340,389
Proposed Program with 2-year vest and Exit Fee Less Current Program Cost With Age 26 and 1-Year Wait Eliminated	-947,222	-1,034,990	-1,161,911	-549,920	186,800	510,031	75,683	-384,742	-874,690
If Current Program Kept As Is, Change in Cost From Previous Year	463,141	1,432,474	1,492,353	1,554,666	1,619,512	1,261,770	1,303,829	1,347,289	1,392,199
Proposed Program Cost With 2-Year Vest and Exit Fee, Change in Cost From Previous Year	2,053,931	1,420,847	1,443,856	2,247,434	2,439,432	1,670,699	957,748	977,780	995,894
Amount Proposed Program Cost Exceeds Current Program Cost	1,590,790	-11,627	-48,497	692,769	819,920	408,928	-346,081	-369,509	-396,305
Cumulative Amount Proposed Program Cost Exceeds Current Program Cost	1,590,790	1,579,163	1,530,667	2,223,435	3,043,355	3,452,284	3,106,203	2,736,693	2,340,389
Cost increase if keep current program but eliminate age 26 and 1-year wait	2,538,013								
Cost increase if adopt proposed program with 2-year vest, exit fee included	2,053,931								
Savings from adopting proposed program over keeping current program and eliminating age 26 requirement and 1-year wait	484,082								

While the first year additional cost of \$1,590,790 may appear to be a large increase, it is \$463,141 less expensive than keeping the current program and eliminating the age 26 eligibility requirement and the 1-year wait.

In addition, a relatively high proportion of this cost is already paid by the University. Many new employees receive extra compensation their first year of employment to cover the first year OTR payments. As a result, the net cost to the University of adopting the proposed program, eliminating the age 26 eligibility requirement and the 1-year wait, and beginning the OTRS buyout is substantially less than the maximum of 1.59 million dollars.

**Table 12.6 Continued**

	Projections for 2011	Projections for 2012	Projections for 2013	Projections for 2014	Projections for 2015	Projections for 2016	Projections for 2017	Projections for 2018	Projections for 2019	Projections for 2020
Current Retirement Program Costs	43,161,972	44,600,578	46,087,137	47,623,248	49,210,563	50,850,789	52,545,690	54,297,088	56,106,868	57,976,974
Change in Current Program From Previous Year	1,392,199	1,438,605	1,486,559	1,536,111	1,587,315	1,640,226	1,694,901	1,751,398	1,809,779	1,870,107
Total Retirement Program Cost Including Exit Fee and 2-Year Vest Increase in Retirement Funds over Previous Year of Current Program	45,502,361	46,564,495	47,640,069	48,801,696	50,003,366	51,215,416	52,535,459	53,912,956	55,291,582	56,766,977
Change in Proposed Program From Proposed Program for Previous Year	995,894	1,062,134	1,075,574	1,161,628	1,201,669	1,212,050	1,320,043	1,377,497	1,378,626	1,475,396
Total Current Program Cost (Table 12.1)	43,161,972	44,600,578	46,087,137	47,623,248	49,210,563	50,850,789	52,545,690	54,297,088	56,106,868	57,976,974
Total Current Program Plus Eliminate age 26 and One Year Wait (Table 1)	46,377,051	47,912,109	49,498,014	51,136,451	52,829,162	54,577,946	56,384,662	58,251,229	60,179,633	62,171,923
Proposed Program Cost With Two-Year Vesting (Table 12.4)	41,960,706	42,683,316	43,396,697	44,213,927	45,058,473	45,890,482	46,844,467	47,850,774	48,829,266	49,908,525
Total Proposed Program with Two-Year Vesting Requirement Including Exit Fee	45,502,361	46,564,495	47,640,069	48,801,696	50,003,366	51,215,416	52,535,459	53,912,956	55,291,582	56,766,977
Proposed Program with 2-year vest and Exit Fee Less Current As Is Program Cost	2,340,389	1,963,917	1,552,932	1,178,449	792,803	364,627	-10,231	-384,132	-815,286	-1,209,997
Proposed Program with 2-year vest and Exit Fee Less Current Program Cost With Age 26 and 1-Year Wait Eliminated	-874,690	-1,347,614	-1,857,945	-2,334,755	-2,825,796	-3,362,530	-3,849,202	-4,338,273	-4,888,051	-5,404,945
If Current Program Kept As Is, Change in Cost From Previous Year	1,392,199	1,438,605	1,486,559	1,536,111	1,587,315	1,640,226	1,694,901	1,751,398	1,809,779	1,870,107
Proposed Program Cost With 2-Year Vest and Exit Fee, Change in Cost From Previous Year	995,894	1,062,134	1,075,574	1,161,628	1,201,669	1,212,050	1,320,043	1,377,497	1,378,626	1,475,396
Amount Proposed Program Cost Exceeds Current Program Cost	-396,305	-376,472	-410,985	-374,483	-385,646	-428,176	-374,858	-373,902	-431,154	-394,711
Cumulative Amount Proposed Program Cost Exceeds Current Program Cost	2,340,389	1,963,917	1,552,932	1,178,449	792,803	364,627	-10,231	-384,132	-815,286	-1,209,997

**Table 12.7 Evaluation of Keeping Current Plan, Eliminating Age 26 Eligibility Requirement and 1-Year Wait, and Instituting 2-Year Vest on All Defined Contribution Dollars (Those contributed to DCP after contribution to OTRS) (This is arecommendation should we be unable to make OTRS optional for OSU employees.)**

	Information for 2001	Projections for 2002	Projections for 2003	Projections for 2004	Projections for 2005	Projections for 2006	Projections for 2007	Projections for 2008	Projections for 2009	Projections for 2010
<b>Current Situation Carried Into Future Including One Year Wait and Age 26 for Eligibility</b>										
Administrative Fee Paid by University to OTRS	11,347,021	12,581,753	12,979,398	13,780,821	14,620,916	15,501,405	16,424,085	16,965,606	17,524,982	18,102,801
7/11 Dollars Contributed by University	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Total Retirement Dollars Contributed by University	29,451,604	31,294,740	31,757,881	33,190,355	34,682,707	36,237,373	37,856,885	39,118,655	40,422,484	41,769,774
Retirement Dollars as a Percent of Salary	14.18%	14.63%	14.85%	15.07%	15.28%	15.50%	15.73%	15.78%	15.83%	15.88%
Increase in Retirement Contributions from Previous Year		1,843,136	463,141	1,432,474	1,492,353	1,554,666	1,619,512	1,261,770	1,303,829	1,347,289
<b>Current Situation Carried Into Future If Both One Year Wait and Age 26 Requirements Eliminated</b>										
Administrative Fee Paid by University to OTRS	11,347,021	12,581,753	12,979,398	13,780,821	14,620,916	15,501,405	16,424,085	16,965,606	17,524,982	18,102,801
7/11 Dollars Contributed by University	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Additional 7/11 Dollars Required to Eliminate Both Requirements	2,464,090	2,538,013	2,538,013	2,614,153	2,692,578	2,773,355	2,856,556	2,942,252	3,030,520	3,121,435
Total Retirement Dollars Contributed by University	31,915,694	33,832,753	34,295,893	35,804,508	37,375,285	39,010,728	40,713,441	42,060,908	43,453,004	44,891,209
Retirement Dollars as a Percent of Salary	15.37%	15.82%	16.03%	16.25%	16.47%	16.69%	16.91%	16.96%	17.01%	17.06%
Increase in Retirement Contributions from Previous Year (Switch accomplished 7/1/2003)			3,001,153	1,508,614	1,570,777	1,635,443	1,702,713	1,347,467	1,392,096	1,438,205
<b>Impact of 2-Year Vesting On Current Plan With Both One-Year Wait and Age 26 Eligibility Requirements Eliminated</b>										
Total Salary (FTE>=.75)	207,666,265	213,896,253	213,896,253	220,313,141	226,922,535	233,730,211	240,742,117	247,964,381	255,403,312	263,065,411
Total Salary of Employees Covered by OTRS	173,292,601	178,491,379	178,491,379	183,846,121	189,361,504	195,042,350	200,893,620	206,920,429	213,128,041	219,521,883
Total OTRS Compensation	197,515,020	204,027,318	204,615,859	211,362,280	218,331,138	225,529,768	232,965,745	240,646,895	248,581,301	256,777,313
Total University 7/11 Contributions	18,104,583	18,712,988	18,778,483	19,409,534	20,061,791	20,735,968	21,432,800	22,153,049	22,897,502	23,666,973
Total OTRS Contributions for Members	12,245,931	14,383,926	14,425,418	14,901,041	15,392,345	15,899,849	16,424,085	16,965,606	17,524,982	18,102,801
Net 7/11 Contributions Deposited into Defined Contribution Plan	5,858,652	4,329,062	4,353,065	4,508,493	4,669,446	4,836,119	5,008,715	5,187,443	5,372,521	5,564,172
Total DCP Benefits										
Impact of Two-Year vesting requirement <b>3.70%</b> of DCP benefits			161,063	166,814	172,770	178,936	185,322	191,935	198,783	205,874
Annual Increases in Retirement Contributions from Previous Year When Requiring a 2-Year Vest			2,840,090	1,341,800	1,398,008	1,456,507	1,517,390	1,155,532	1,193,313	1,232,331
Net Annual Increase in Cost Over Current Program Cost			2,376,949	-90,674	-94,345	-98,159	-102,122	-106,239	-110,516	-114,959
Cumulative Net Cost of Eliminating Age 26 Eligibility and 1-Year Wait			2,376,949	2,286,275	2,191,931	2,093,771	1,991,650	1,885,411	1,774,895	1,659,936

A substantial part of this amount is currently being paid by the University through extra salary or payments during the first year of employment to compensate the employee for the increased cost. As a result, the startup cost for receiving the subsequent stream of savings would be less than 2.4 million dollars.

The savings from a two-year vesting requirement could be substantially greater if legislation could be passed that would permit OTRS to return funds to the University (rather than the employee) if an employee does not stay with the University for two years.

**Table 12.7 Continued**

	Projections for 2011	Projections for 2012	Projections for 2013	Projections for 2014	Projections for 2015	Projections for 2016	Projections for 2017	Projections for 2018	Projections for 2019	Projections for 2020
Administrative Fee Paid by University to OTRS	18,699,671	19,316,221	19,953,099	20,610,975	21,290,543	21,992,517	22,717,635	23,466,662	24,240,385	25,039,619
7/11 Dollars Contributed by University	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Total Retirement Dollars Contributed by University	43,161,972	44,600,578	46,087,137	47,623,248	49,210,563	50,850,789	52,545,690	54,297,088	56,106,868	57,976,974
Retirement Dollars as a Percent of Salary	15.93%	15.98%	16.03%	16.08%	16.14%	16.19%	16.24%	16.29%	16.35%	16.40%
Increase in Retirement Contributions from Previous Year	1,392,199	1,438,605	1,486,559	1,536,111	1,587,315	1,640,226	1,694,901	1,751,398	1,809,779	1,870,107
Administrative Fee Paid by University to OTRS	18,699,671	19,316,221	19,953,099	20,610,975	21,290,543	21,992,517	22,717,635	23,466,662	24,240,385	25,039,619
7/11 Dollars Contributed by University	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Additional 7/11 Dollars Required to Eliminate Both Requirements	3,215,079	3,311,531	3,410,877	3,513,203	3,618,599	3,727,157	3,838,972	3,954,141	4,072,765	4,194,948
Total Retirement Dollars Contributed by University	46,377,051	47,912,109	49,498,014	51,136,451	52,829,162	54,577,946	56,384,662	58,251,229	60,179,633	62,171,923
Retirement Dollars as a Percent of Salary	17.12%	17.17%	17.22%	17.27%	17.32%	17.38%	17.43%	17.48%	17.53%	17.59%
Increase in Retirement Contributions from Previous Year (Switch accomplished 7/1/2003)	1,485,842	1,535,058	1,585,905	1,638,437	1,692,711	1,748,784	1,806,716	1,866,568	1,928,404	1,992,290
Total Salary (FTE>=.75)	270,957,374	279,086,095	287,458,678	296,082,438	304,964,911	314,113,859	323,537,274	333,243,393	343,240,694	353,537,915
Total Salary of Employees Covered by OTRS	226,107,539	232,890,765	239,877,488	247,073,813	254,486,027	262,120,608	269,984,226	278,083,753	286,426,266	295,019,054
Total OTRS Compensation	265,243,558	273,988,944	283,022,676	292,354,260	301,993,518	311,950,593	322,235,964	332,860,456	343,835,249	355,171,895
Total University 7/11 Contributions	24,462,302	25,284,357	26,134,038	27,012,272	27,920,020	28,858,272	29,828,054	30,830,426	31,866,483	32,937,356
Total OTRS Contributions for Members	18,699,671	19,316,221	19,953,099	20,610,975	21,290,543	21,992,517	22,717,635	23,466,662	24,240,385	25,039,619
Net 7/11 Contributions Deposited into Defined Contribution Plan	5,762,631	5,968,137	6,180,939	6,401,297	6,629,477	6,865,755	7,110,419	7,363,764	7,626,098	7,897,737
Total DCP Benefits										
Impact of Two-Year vesting requirement <b>3.70%</b> of DCP benefits	213,217	220,821	228,695	236,848	245,291	254,033	263,085	272,459	282,166	292,216
Annual Increases in Retirement Contributions from Previous Year When Requiring a 2-Year Vest	1,272,625	1,314,237	1,357,210	1,401,589	1,447,421	1,494,751	1,543,630	1,594,108	1,646,238	1,700,073
Net Annual Increase in Cost Over Current Program Cost	-119,574	-124,369	-129,349	-134,522	-139,895	-145,475	-151,271	-157,290	-163,541	-170,033
Cumulative Net Cost of Eliminating Age 26 Eligibility and 1-Year Wait	1,540,362	1,415,993	1,286,645	1,152,123	1,012,228	866,753	715,483	558,193	394,651	224,618