



## JOINT PROPOSAL

SSJP 2015/2016 – FSJP-03 2015/2016

### I. **Proposal Name:**

Defined Contribution Plan Alternative

### II. **Sponsoring Committee:**

Personnel Policies and Compensation Committee

### III. **Background:**

**Whereas:** UCO staff and faculty currently have access to one retirement plan with employer contributions: OTRS.

**Whereas:** UCO *requires* participants to contribute \$700 per year to OTRS.

**Whereas:** Having a choice provides greater flexibility and opportunity to select a program that best suits an individual employee's needs.

**Whereas:** Having more than one option can improve recruitment and retention of faculty and staff.

**Whereas:** Other Oklahoma universities (e.g. OU and OSU) have an alternative defined contribution plan that offers flexible options to their faculty and staff.

**Whereas:** Under the proposal submitted by Dean Mickey Hepner, University expenses would be reduced by approximately 2% of compensation for every employee who switches to a defined contribution plan. This could generate cost-savings for the institution (See Attachments A and B).

**Whereas:** Employee take-home pay could increase by \$700 for every employee who switches to the defined contribution plan, as there would be no required employee contribution. This would provide significant benefits to the UCO employees, especially on the lower-end of the pay scale.

**Whereas:** Employee retirement accounts would see higher contributions. Currently, employees receive contributions to their OTRS retirement accounts that amounts to 7% of their compensation. Under the proposed defined contribution plan the contributions would total 10% of the employee's compensation.

**IV. Proposal Statement:**

**Therefore:** the Staff and Faculty Senates requests the administration take the necessary steps with RUSO and the State Legislature to adopt an optional, alternative defined contribution retirement plan for employees.

**V. Offices Contacted:**

<u>Name</u>	<u>Office/Department</u>	<u>Date Contacted</u>
Diane Feinberg	Assistant Vice President, Human Resources	1/15/2016

**VI. Offices affected:**

Human Resources, Benefits, Payroll

**VII. Recommended Standing Committee Assignment:**

Personnel Policies and Compensation Committee

## Attachment A

**From:** Mickey Hepner

**Sent:** Wednesday, September 30, 2015 8:30 AM

**To:** Jennifer Barger-Johnson <[JBarger4@uco.edu](mailto:JBarger4@uco.edu)>; Dawna Terrell <[DTerrell@uco.edu](mailto:DTerrell@uco.edu)>

**Subject:** FW: Potential Cost-Saving Measure

Jenna and Dawna,

I wanted to pass on this idea (that I had shared with leadership) to each of you in your roles as leaders of the Faculty and Staff Senates. The general concept is to give UCO employees the option to switch from a defined benefit retirement plan to a defined contribution plan. The individuals that switch would receive a number of positive outcomes including:

- Increased take-home pay
- Increased university contributions to their retirement accounts
- Increased portability of their retirement accounts

This is similar to what OU and OSU began to do more than a decade ago. From the institution's perspective, each person that switches to the defined contribution plan would generate cost savings to the institution that total 1%-3% of the employee's compensation. So, in a tight budget year this is one way to save the institution money while providing greater flexibility to our faculty and staff.

I'd love to know more of your thoughts on this issue, and to discuss this further if you so desire. Thanks.

**Mickey A. Hepner, Ph.D.**

**Dean, College of Business**

**University of Central Oklahoma**

**100 N. University Dr., Box 115**

**Edmond, OK 73034-5209**

**Wireless: 405.315.4147**

**Web: <http://busn.uco.edu>**

**You can follow me on twitter at [www.twitter.com/MickeyHepner](http://www.twitter.com/MickeyHepner)**

## Attachment A

**From:** Mickey Hepner <[MHepner@uco.edu](mailto:MHepner@uco.edu)>

**Date:** Saturday, August 29, 2015 at 3:08 PM

**To:** John Barthell <[JBarthell@uco.edu](mailto:JBarthell@uco.edu)>, Donald Chrusciel <[DChrusciel@uco.edu](mailto:DChrusciel@uco.edu)>

**Cc:** Gary Steward <[gsteward@uco.edu](mailto:gsteward@uco.edu)>, Charlotte Simmons <[CKSimmons@uco.edu](mailto:CKSimmons@uco.edu)>, Patti Neuhold <[PNeuhold@uco.edu](mailto:PNeuhold@uco.edu)>, Don Betz <[betz@uco.edu](mailto:betz@uco.edu)>, KJ Tullis <[ktullis@uco.edu](mailto:ktullis@uco.edu)>

**Subject:** Potential Cost-Saving Measure

John and Don,

In the current budget/economic environment it's going to be critical for us to identify any cost-saving measures that do not adversely affect our students or personnel. I would like to offer my support for an idea that I'm sure has been discussed at some point previously. Back in 2004 OU and OSU worked with the Legislature to amend the requirement that university employees participate in OTRS. Specifically, in Title 70, Section 17-203, the Legislature gave the OU and OSU regents the authority to offer their employees a choice of selecting an alternative retirement plan. Consequently, those two institutions currently offer their employees a choice of participating in a defined benefit plan (OTRS) or a defined contribution plan (the alternative plan).

I believe we should work with the Legislature to grant the RUSO board similar authority.

By doing so the university can give our employees another retirement option that actually increases the university's contribution to their retirement account, while significantly reducing the cost to the university. I've attached a table that shows how the adoption of a defined contribution plan would benefit UCO employees while significantly reducing UCO's expenses.

Specifically, the table illustrates the effect of a defined contribution plan where the university contributes 10% of employee compensation to the employee's retirement account. There is no additional required employee contribution. Title 70 Section 17-207 of Oklahoma Statutes requires that the university contribute an additional 2.5% of the employee's compensation to OTRS, for a total university cost of 12.5% of the employee's compensation. This compares to the 13.5%-15% cost the university pays today.

The key takeaways:

1. University expenses would be reduced by approximately 2% of compensation for every employee who switches to the defined contribution plan. This could generate significant cost-savings for the institution.
2. Employee take-home pay would increase by \$700 for every employee who switches to the defined contribution plan as there would be no required employee contribution. This would provide significant benefits to the UCO employees on the lower-end of the pay scale.
3. Employee retirement accounts would see significantly higher contributions. Currently, employees receive contributions into their retirement accounts that amount to less than 7% of their

## **Attachment A**

compensation. Under the defined contribution plan the contributions would total 10% of the employee's compensation.

4. Just as at OU and OSU, no employee would be required to switch away from the OTRS plan if they do not choose to do so. All current and new employees would be given a one-time option to select the plan they favor.

Essentially, providing our employees with the option to select a defined contribution plan would provide more choices, higher take-home pay, increased portability of retirement funds for employees, while significantly reducing university expenses. For these reasons, I believe that this is an idea that deserves greater discussion and exploration in the coming months. If I can help further this idea along in any way, please do not hesitate to let me know. Thanks!

## Attachment B

### Comparison of Retirement Plans by Income Level

	\$ 40,000.00	\$80,000.00	\$120,000.00
<b>Current Retirement Plan</b>			
Teacher's Retirement—Employee Portion	\$ 700.00	\$ 700.00	\$ 700.00
Teacher's Retirement—Employee Portion UCO Paid	\$ 2,100.00	\$ 4,900.00	\$ 7,700.00
Teacher's Retirement UCO	\$ 3,400.00	\$ 6,800.00	\$ 10,200.00
Total Retirement Contributions Received by Employee	\$ 2,800.00	\$ 5,600.00	\$ 8,400.00
Total Retirement Contributions Received by Employee %	7.0%	7.0%	7.0%
Total Retirement Contributions Paid by UCO	\$ 5,500.00	\$ 11,700.00	\$ 17,900.00
Total Retirement Contributions Paid by UCO %	13.75%	14.6%	14.9%
<b>Alternative Retirement Plan</b>			
Teacher's Retirement—Employee Portion	\$ 0.00	\$ 0.00	\$ 0.00
Teacher's Retirement—Employee Portion UCO Paid	\$ 4,000.00	\$ 8,000.00	\$ 12,000.00
Teacher's Retirement UCO	\$ 1,000.00	\$ 2,000.00	\$ 3,000.00
Total Retirement Contributions Received by Employee	\$ 4,000.00	\$ 8,000.00	\$ 12,000.00
Total Retirement Contributions Received by Employee %	10.0%	10.0%	10.0%
Total Retirement Contributions Paid by UCO	\$ 5,000.00	\$ 10,000.00	\$ 15,000.00
Total Retirement Contributions Paid by UCO %	12.5%	12.5%	12.5%
<b>Change in Revenues/Expenses From Adopting Alternative Plan</b>			
Gain To Employees/Year	\$ 1,900.00	\$ 3,100.00	\$ 4,300.00
Change in UCO Expenses	\$ (500.00)	\$ (1,700.00)	\$ (2,900.00)
Change in UCO Expenses as Percentage of Compensation	<b>-1.3%</b>	<b>-2.1%</b>	<b>-2.4%</b>