

Summary Update Number 6, October 20, 2004

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The purpose of this and previous Summary Updates is to keep all Faculty informed of recent events that have occurred and of initiatives currently in progress. All Summary Updates may be found on the webpage for the Faculty Council.

## Recent Actions by the OSU Faculty Council

At the October 12 meeting of the OSU Faculty Council, three recommendations were presented and passed by the Council.

### Changes to TIAA-CREF Access Rules:

Last year, the Faculty Council, Staff Advisory Council, and the University Flexible Benefits Committee passed identical recommendations to the OSU Administration to the effect that the University should remove separation from employment by the University as a condition for permitting employee access to their vested TIAA-CREF accounts.

After several months of study, the Administration concluded that approval of these recommendations would result in some staff and faculty depleting their retirement accounts to such an extent that they would be unable to retire due to lack of funds. Not wishing to simply reject the recommendations of both staff and faculty, the Administration invited discussions with the Council to find an intermediate compromise that would provide some significant access by employees and, at the same time, address the concerns of the Administration. These discussions were, in my view, successful. As a result, the Council passed a recommendation at the October 12 meeting that incorporates the following changes to TIAA-CREF access rules:

1. Loan provisions are instituted (up to 45% of account balance but not to exceed \$50,000)

[\$50,000 is the maximum amount of principal that may be borrowed or be outstanding during any 12-month period. The total amount of all outstanding loans within a 12-month period will affect the maximum amount an individual may borrow during that period, even if the individual has paid off all amounts owed. To borrow the maximum of \$50,000, an individual must have had no outstanding balance for 12 consecutive months.]

2. An option to transfer funds to 403(b) is to be added.
3. A provision is to be added that allows limited withdrawal of retirement funds prior to separation of employment from the University by an employee who otherwise meets the qualifications of OSU retirement. Under this provision, the employee may request a limited in-service withdrawal of retirement funds, on an annual basis, in an amount not to exceed one-twentieth (1/20) of the individuals' employer-contributed retirement account funds at the time of request.
4. A provision is to be added that permits an employee who has an extreme financial hardship to make a hardship withdrawal(s) from his/her employer-contributed retirement account. A general definition of extreme financial hardship is one whereby the IRS recognizes the category of withdrawal and does not invoke a penalty for such withdrawal.

My conversations with the Administration suggest that this recommendation will be approved and submitted to the Board of Regents for approval at the November meeting.

## Support for Administration's Capital Bond Priorities and Proposed Allocations

The Faculty Council passed a formal resolution supporting the following prioritization and allocations of the proceeds of the 2005 Capital Bond monies:

Priority No. 1: OSU Science and Technology Research Center (\$72.7 M bond monies + \$3.3 M from other sources)

Priority No. 2: Restoration and Renovation of South Murray Hall for the Humanities and Social Sciences (\$8.8 M bond money + \$8.0 M from other sources)

Priority No. 3: New Classroom Building for OSU and NOC (\$1.0 M bond money + \$3.0 M other sources and \$3.0 M from NOC)

## Health Care Benefits and Associated Initiatives:

Several Faculty have communicated the hardship high health care costs are causing. In response, the Faculty Council passed a recommendation that the Administration should conduct a comprehensive health insurance survey of Big 12 institutions to see where OSU ranks in these benefits. It is further recommended that if the survey shows that OSU does not fall in the top half of Big 12 institutions, efforts should be initiated in preparation for conducting a Request for Proposals for competitive bidding for health insurance coverage by qualified vendors.

The above initiative may help OSU employees, but my guess is that it is unlikely that we will obtain substantially better rates than those currently available. In addition, I think we can expect even further escalation of the cost of health coverage. In view of this situation, my personal suggestion is that all OSU employees should consider a significantly different procedure for providing medical protection for their families. I wish to make it clear here that the following is NOT a recommendation from the Faculty Council; it represents no more than my personal thoughts about this problem.

At present, the cost of insuring the spouse of an OSU employee is \$450.22 per month if the employee selects Health Choice High. The cost of providing similar coverage for two or more children is \$250.40 per month. Thus, the yearly expense is \$8,407.

Instead of contributing to the bottom-line profits of insurance companies, employees should consider insuring themselves. To do this with reasonable safety, each family member must be protected with high-deductible catastrophic health insurance. Today, I contacted a local vendor who sells such coverage from Blue Cross-Blue Shield. The policy I discussed has the following provisions: The yearly deductible is \$5,000 for each insured person. The insurance covers doctor's charges with a \$15 copay. It does not cover any tests, procedures, or hospital costs below \$5,000 per year. Over \$5,000, it pays 80% of the cost for the first \$5,000 over the deductible and 100% of all costs beyond that with a lifetime limit of \$1 million for each insured person.

The premium costs vary with age, smoking or non-smoker, etc. Some typical costs per month for non-smokers are:

Age:	Spouse	Two Children
25-29	\$ 76.83	\$ 55.39
35-39	\$ 107.16	\$ 55.39
45-49	\$ 144.32	\$ 55.39

Thus, the yearly cost of an OSU employee 35-39 years of age with two children insuring his/her family is \$ 1,950.60. This produces a savings of insurance premiums of \$6,456 per year compared to the costs of Health Choice High. This amounts to \$538 in savings each month.

I suggest each OSU employee consider the following plan: Insure your family with the above high-deductible catastrophic insurance. Deposit the saved \$538 each month into an interest-bearing account. Use these monies to pay your own medical expenses. For young employees, it is very unlikely that your family's medical expenses will be more than \$6,456 per year. If you are worried about this, you can take out a supplemental insurance policy. At the end of the year, transfer all remaining money into a tax-sheltered TIAA-CREF fund that you maintain separate from other funds. Continue this year after year. On average, the supplemental account will continue to grow until it

reaches a 6-digit range at which time, your health care insurance problems will be solved for the rest of your life.

The above plan will not work if any member of your family has a pre-condition that would disqualify them from coverage. But, I believe, that it can be of great benefit to those employees who are not so disqualified. Each OSU employee can make an informed decision for themselves by assessing the total medical expenses for their spouse and children over the past few years.

**One word of warning: YOU MUST OPT OUT OF UNIVERSITY GROUP INSURANCE FOR YOUR FAMILY BY OCTOBER 29TH. OTHERWISE, YOU WILL BE LOCKED INTO THE SYSTEM UNTIL NEXT YEAR.**

Insurance companies are making a substantial amount of profit from selling group insurance policies to the University and to other companies. I suggest you consider paying yourself rather than these companies.

## Report of the Council's IT Committee on

The final report of the IT Committee on the Information Technology Division is now available on the Faculty Council's webpage. You may view this report at the following web address:

**[http://facultycouncil.okstate.edu/documents/Committees/IT/ITD\\_Report-1.pdf](http://facultycouncil.okstate.edu/documents/Committees/IT/ITD_Report-1.pdf)**

## Pending Projects and Actions

The Faculty Committee is still trying to craft acceptable policies governing the establishment of non-tenure track clinical professorships. This is proving to be very difficult. I am hopeful that we will have a recommendation by the November Council meeting.

The Academic Standards and Policies Committee is still actively investigating the policies and practices associated with the use of student teaching evaluations, academic appeals, student dishonesty charges, the dropping of courses, and academic reprieve and forgiveness.

The Rules and Procedures Committee has drafted proposals to change the Bylaws of the Council and the Charter of the University that will, if passed by the General Faculty, convert the Faculty Council into a Faculty Senate. Our plan is to circulate these proposals and conduct a mail-in vote of the Faculty later this academic year.

The Athletic Committee has transmitted a recommendation to the Academic Standards and Policies Committee (ASPC) that all OSU instructors be required to provide their students with information about their grading and attendance policies the first week of class. Since the recommendation would apply to all students, consideration by the ASPC is appropriate.

The Budget Committee will be conducting a survey of faculty priorities for new monies similar to the one conducted in the spring of this year. The Administration requested the survey be done earlier this year so that the information will be available in a more timely fashion for use in formulating budget priorities. When the survey arrives in your email, please respond thoughtfully.

### **Announcement:**

To permit members of the Administration to attend, I have moved the fall General Faculty meeting from November 16th to November 23rd. Plans for this meeting will be finalized at the meeting of the Executive Committee on November 2.