Memorandum to Presidents

Date: November 19, 1973

From: Office of the Vice Chancellor for Personnel and Employee Relations

Subject: Contribution Rate for Optional Retirement Plan

Following lengthy consultations with various agencies and individuals having authority in the matter, I report the following information as to contribution rates under the Optional Retirement Plan (TIAA-CREF).

The contribution rates for all professional employees appointed July 1, 1973 and thereafter, is limited to an overall premium of 13% of individual salary. The contribution rates are as follows:

1. For employees earning the social security base or less: 12%. (The base is currently $10,800 and will rise to $12,600 in 1974.)

2. a) In 1973, for employees earning between $10,800 and $16,200: 12% of $10,800, 15% of excess.
   b) In 1974, for those employees earning between $12,600 and $18,900: 12% of $12,600, 15% of excess.

3. a) In 1973, for employees earning over $16,200: 13%
   b) In 1974, for employees earning over $18,900: 13%

Calculations as noted in two and three will change as the social security base increases. The $16,200 and $18,900 are the break even figures where 13% of salary equals the 12-15% rate.

The 12-15% step rate, on all salary for employees appointed prior to July 1, 1973, remains in force.

The rate structure for new employees was reached after a meeting attended by representatives of the Department of Audit and Control, the Governor's Office, the Office of Employee Relations, and the University. The meeting was called to interpret Section 449 of the laws passed by the Legislature at its session on July 26, 1973. While we do not agree with the decision, we are required to accept it.
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The amendments to the Optional Retirement Program (TIAA-CREF) require that its cost, on an individual basis, not exceed the cost of the Teachers' Retirement System or the Employees' Retirement System, whichever is higher, raised to the next whole percentage point. The actuaries for ERS and TRS have estimated their new programs will cost 10.8% and 12.45% respectively, hence the TIAA-CREF limitation of 13%.

I'll be pleased to respond to any enquiries you may have.

Kenneth M. Mackenzie

cc: Chancellor Boyer

This memorandum addressed to:
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