College Benefits Committee
Meeting Record
May 9, 2002

Members Present	Members Absent
Barbara Hayes Fulton	Patricia Brooks
Dr. John Hughes	Melody Chambers
Staci McPhearson	Dr. Martha George
J. B. Messer	B. J. Higgins
Joyce Morgan	Terry Kilpatrick
Dr. Charlotte Mulvihill	Tim Whisenhunt
John Sausins	
Kim Velleca	
Darin Young	

Guest Speaker	Ex-Officio Members Present
Tim McFall	Carolyn Rouillard
	Elaine Svec

Agenda Items	
1.	Flexible Spending Accounts (Section 125) Tim McFall
2.	Report from Dr. Mulvihill on presentation to Dr. Todd of the Retiree Health Insurance Recommendation
3.	Other Business

Decisions/Actions/Plans	
1.	The April 11 meeting record was approved as written.
2.	Flexible Spending Accounts (Section 125) presented by Mr. Tim McFall, Insurance Broker for North American Insurance Group: Mr. McFall gave an overview of flexible spending accounts and the benefits they provide. Tim listed a number of advantages; as well as, disadvantages. Please see a copy of his

	documents that follow this record. His presentation demonstrated how flexible-spending accounts could offer a "Win Win Opportunity" for the College; i.e., both the employer and the employee receive a number of benefits.
3.	Retiree Health Insurance Recommendation Specifics (Dr. Charlotte Mulvihill) Charlotte shared with the Committee the Memorandum from Dr. Robert P. Todd, President of Oklahoma City Community College, Subject: Recommendation Regarding Retiree Health Care Benefits, dated 4/25/02. A copy follows this record.
4.	Other Business It was recommended that the current Committee continue for another year in order to aid in continuity. The Thursday, 3:00 p.m., time frame was agreed upon as a good time for most.

Next Meeting Day/Date/Time: Thursday, September 19, 3:00 p.m.

Location: CU-7

Agenda Items	
1.	Review/Approval May 9, 2002, Meeting Records
2.	Report on Committee Recommendation to Dr. Todd Regarding Use of Accrued Sick Leave for Family Medical Care Crisis.
3.	Retiree Health Insurance
4.	Flexible Spending Accounts (Section 125)
5.	Bid Process for Insurance
6.	Other Business

Questions and Answers

Q. *What is a Section 125 Plan?*

A. It is an employer-sponsored benefit plan which allows an employee to select from a list of available benefits, those benefits needed by the employee.

Q. *What does this new benefit program mean to me?*

A. This new program means that current after-tax expenditures for items such as medical insurance, disability income, dependent care costs, and some medical expenses not covered by insurance can now be paid for with pre-tax dollars. The bottom line is that you may have more dollars available to purchase other benefits you may need or available as increased take-home pay.

Q. *Will participation in a Section 125 Plan affect my Social Security benefits?*

A. Yes, FICA taxes are not paid on Section 125 salary reductions. Therefore, your Social Security benefits at retirement may be reduced.

Q. *What happens if the tax laws change next year?*

A. No one can predict what future changes may occur in the tax laws. This Section 125 Plan has been set up in accordance with current laws and regulations. If the laws change, appropriate steps will be taken to bring this plan into compliance with any new rules.

Q. *How do I enroll in the Section 125 Plan?*

A. After the group meeting, your American Fidelity representative will meet with you to complete an election form. This election form must be completed and signed by each employee, whether or not you wish to elect to participate in the benefit portion of the plan.

Q. *Must I make my election before the effective date of the plan?*

A. Yes, you must make your benefit election prior to the beginning of the plan year (effective date), or prior to becoming eligible to participate in the plan.

Q. *Can I make changes in my election during the plan year?*

A. The only time tax law regulations will allow you to make a change is if there is a valid change in your status affecting your need for a benefit. Some examples of a valid status change are a change in legal marital status; change in number of dependents; termination or commencement of employment; change in work schedule; dependent satisfies or ceases to satisfy dependent eligibility requirements; change in residence or worksite. These examples may not be all-inclusive. If you elect to participate in the medical expense reimbursement account, election changes are limited, in most cases, to ceasing plan participation because of termination of employment.

Q. *What is a qualified medical expense for reimbursement under this Plan?*

A. Most medical expenses not reimbursed by any other source or an insurance plan, such as deductibles and co-insurance, and items not covered by insurance, such as vision care, dental costs, and routine physicals, are qualified medical expenses. See the list of expenses eligible for reimbursement on the back of this brochure. These expenses may be either for you or for your dependents. Some cosmetic surgery procedures do **not** qualify for reimbursement. You may only be reimbursed for expenses incurred for expenses incurred for services rendered during the plan year, not for services rendered in a different plan year but paid in the current plan year. However, you may submit your claim for reimbursement as late as 90 days after the end of the plan year during which you incurred your expenses.

Q. Who is considered a qualified dependent for reimbursement of dependent care expenses?

A. Your dependent(s) under the age of 13 or your dependent or spouse who is physically not able to care for himself or herself is considered to be a qualified dependent if their dependent care expenses could qualify for the federal income tax credit on your tax return.

Q. Am I required to enroll in both the dependent care and medical expense reimbursement accounts?

A. No. You can enroll in either account, both accounts, or neither account.

Q. How do I get money from my reimbursement accounts?

A. You must submit a voucher, which will be provided to you, for any expenses incurred during the plan year. This voucher must be accompanied by proper third-party documentation of the nature of the expense, date the expense was incurred, and the provider of services and/or the dependent care provider acknowledgement form. The voucher will be processed by the plan Record keeper and you will be reimbursed for your expenses. The medical expense reimbursement check will be for the expenses claimed up to the maximum benefit amount you elected for the plan year. The dependent care expense check will be for the expense you claimed up to the amount you have in your account. We can electronically transfer funds to your checking or savings account, with your permission.

Q. What if my dependent care expense voucher is for expenses in excess of the amount in my account?

A. You will be reimbursed for the amount in your account, and the balance of the expenses will be carried forward to future months as additional payments are received for your account.

Q. Can I switch dollars between the dependent care and medical accounts?

A. No. The dollars must be used in each account as specified on the election form.

Q. What happens if I don't incur enough expenses to get back the money deposited in my reimbursement accounts?

A. Any expense dollars not used for expenses are forfeited to your employer. This is what is known as the "use it or lose it" provision of Section 125. It is very important to be conservative and accurate in estimating your expenses for the plan year.

Q. Can I take the tax credit for dependent care or the medical expense deduction on income tax return if I am in this Plan?

A. No. Expenses reimbursed under this plan may not be used when calculating your medical expense deduction or the dependent care tax credit. Because it is sometimes more advantageous to take the dependent care tax credit on your tax return than to participate in the dependent care expense reimbursement account, you should discuss which alternative is the best for you with your tax advisor.

EMPLOYEE EXPENSE WORKSHEET

EMPLOYER: ______________________________

NAME OF EMPLOYEE: ______________________________

SOCIAL SECURITY #: ____________________ **DATE OF BIRTH:** ____________________

MARITAL STATUS: M OR S **NUMBER OF DEPENDENTS:**

	ESTIMATED ANNUAL COST	FOR ACCOUNT MANAGER'S USE ONLY ELECTION
I. OUT-OF-POCKET MEDICAL EXPENSES:		
Type of Expense		
Health Insurance Deductibles	$	
Doctor Office Visits		
Physicals		
Prescription Drugs		
Psychiatric Counseling		
Dental Costs (check-ups, cleaning, fillings, etc.)		
Orthodontia Costs (braces, exams, etc.)		
Vision and Eye Care (exams, glasses, contacts, etc.)		
Surgery, including certain corrective surgery		
Other Health Related Expenses		
Specify ______________________		
TOTAL		
AVERAGE MONTHLY EXPENSE (divide total by 12 or the number of months being paid if less than 12)		
II. DEPENDENT OR CHILD CARE EXPENSES:		
Child Care Expenses	$	
Other Employment Related Dependent Care Costs		
TOTAL		
AVERAGE MONTHLY EXPENSE (divide total by 12 or the number of months being paid if less than 12)		

This is a worksheet only and does not obligate you in any way. If you decide to participate in either of the expense reimbursement accounts or in both of them, there may be a monthly administration fee.

Remember that you should review your tax situation carefully as to the tax advantage of the dependent care tax credit compared with participation in the dependent care expense reimbursement portion of the Section 125 Flexible Benefit Plan.

Medical Expense Reimbursement Plan

Eligible Expenses

Acupuncture
Alcohol and drug rehabilitation
(Inpatient treatment only)
Ambulance
Anesthetist
Artificial limbs and teeth
Birth control pills
Blood pressure monitoring device
Chiropodist
Chiropractor
Christian Science Practitioners
Contact lenses, solution and cleaner
Co-payments for medical visits
Dental care and dentures
Diabetic Supplies
Eye exams and eyeglasses
Guide Dog (purchase, training and care of animals used by visual or hearing impaired)
Gynecology/Obstetrics
Hearing aids and batteries
Home health care
Hospital and skilled nursing facility expenses
Immunizations
Insulin
Invitro fertilization (surrogate must be tax dependent in order to be reimbursable)
Laboratory fees
Laser eye surgery
Medical ID bracelet
Midwife
Obstetrics
Optometrist
Orthodontia expenses as treatment is provided*
Orthopedic shoes
Osteopath
Outpatient clinic
Pediatric care
Physical therapy provided by licensed therapist
Podiatrist
Prescription drugs
(only those requiring a prescription by a Doctor for its use)**
Psychiatrist
Psychologist
Rental or purchase of medical equipment, including special equipment for use by handicapped persons
Stop Smoking Program and prescription drugs for smoking cessation
Supportive or corrective devices
Transportation expenses relative to medical care including mileage at 12 cents per mile
X-rays

*We cannot accept a claim for the entire contracted amount. We will accept claims for the initial down payment usually associated with the appliances. Monthly payments will also be accepted as the charge for the medical services rendered for that month.

**Does not include drugs prescribed for hair growth or weight loss.

Ineligible Expenses

Bleaching teeth/whitening
Capital expenditures
Cosmetic Procedures
Dancing or swimming lessons
Exercise Equipment
Expenses not incurred during period of enrollment
Expenses reimbursed under any health plan or source
Hair loss items
Health club dues
Herbs/vitamins/supplements that do not require prescription for use
Hot tubs
Insurance premiums
Marriage Counseling
Massage for non-medical reasons
Mattresses
Non-prescription drugs to aid in smoking cessation
Over-the-counter medicine
Personal use items
Vacation
Vacuum Cleaners
Weight Loss expenses

Oklahoma City Community College

Flexible Spending Account discussion

May 9, 2002

I. <u>Flexible Spending Accounts, An Overview</u> –

Flexible Spending Accounts are called by several different names, including: FSAs', Cafeteria Plans, Flex Plans and Section 125 plans. These all refer to a special IRS regulation, called Section 125, which provides that employers can allow certain employee benefit programs to be offered on a pre-tax basis. Paying for these benefit programs on a pre-tax basis, increases the take home pay for the employee because they do not have to pay taxes on the portion of pay for the employee because they do not have to pay taxes on the portion of their pay that is normally spent on these benefits. Paying for benefits on a pre-tax basis saves money for the employer also because it reduces the matching social security tax that the employer pays on behalf of the employee.

Benefits that can be included in a Flexible Spending Account include:

- Group medical insurance
- Long or short term disability income
- Group or individual term life insurance for employees-up to $50,000
- Specific disease policies
- Hospital indemnity policies
- Dental or vision insurance
- Accidental death and dismemberment policies
- Other medical insurance, such as HMO or self-insured medical
- Medical expense reimbursement
- Dependent day care expenses

There are tax consequences regarding the pre-tax basis for disability income and life insurance policies and generally this is discouraged. Disability income benefits become taxable if the premium is paid before taxes. Life insurance benefits that exceed $50,000 (when combined with any policies provided at the work place) are considered taxable income.

Employers can choose the following categories of Section 125 benefits:

- Premium Only
- Full Flex

Premium Only – this is where only the insurance premium are handled on a pre-tax basis.

Full Flex – this is an additional benefit to pre-taxing the insurance premium, where the employer allows the employee to pay for un-reimbursed medical expenses or dependent day care expenses, on a pre-tax basis.

Under a Section 125, Full Flex plan, employees can estimate their annual medical and/or dependent day care out-of-pocket expenses and put that amount into either a Medical Reimbursement or Dependent Day Care account. This deposit into their account is done before tax. So the employee can increase their take-home pay by not paying tax on their full salary. As the employee incurs those expenses, they file a claim with the Flex Plan administrator, who sends them a check for their expense.

The employer sets a maximum on the amount that each employee can put into their Medical Reimbursement Account each year. For employers who are just beginning a Full Flex plan, it is recommended to start with a relatively low amount such as $1,200 or $1,500. We will explain the reason in a moment. The IRS sets the annual limit on the Dependent Day Care account at $5,000 per year.

II. <u>Advantages and Disadvantages of Flexible Spending Accounts</u> –

Advantages-

- Provide the employees with a benefit they do not have now, the opportunity to fund known medical or day care expense in advance and increase their take home pay.
- Employer realizes savings through reduced matching tax on the employees who participate.
- Enhances the total employee benefit package which can help attract or retain quality employees.

Disadvantages-

- Use it or Lose it Rule. The employee will lose any amounts not claimed in their Medical Reimbursement or Dependent Day Care accounts for a plan year.
- Amounts left unclaimed in the Medical or Dependent Day Care accounts at the end of the plan year, belong to the employer. This possible surplus may be needed to offset a possible negative balance caused by employees filing claims early in the year and then leaving employment before they have a chance to complete their deposits or deductions. The employer is a risk for any shortfall.

III. <u>Administration of Flex Plans</u>-

- Provide materials to facilitate understanding to employees
- Provide plan documents including: election forms, claim forms, corporate resolution documents to adopt the plan, sample plan documents.
- Administrative Guide
- Provide information on laws and regulations on Section 125 plans including future changes.
- Provide assistance to the business office or human resource office as needed in installing and maintaining the plan.
- Provide worksheets to perform the discrimination tests.
- Completion of Schedule F of the annual Form 5500.
- Record keeping for Medical Reimbursement and Dependent Day Care accounts.
- Process and verify eligible claims.
- Provide a monthly check register to the employer showing the monthly claim activity.

Banking arrangements can vary between different administrators. The options may include the administrator holding the money in trust and paying claims

Directly from those funds. Or the employer can maintain the funds in a trust account and allow the administrator to either write checks on the account or prepare a check for the employer to sign.

IV. Cost for plan administration-

The choice of Flex Plan administrators can be either an insurance carrier organization or a third party administrator or TPA. Insurance organizations usually charge less for Flex administration IF they are also allowed to market one or more of their insurance products. TPA's will usually charge annual fees for their services. In addition, there is a charge per participant in either Medical Reimbursement or Dependent Day Care reimbursement. The range of fees should be as follows:

- Start-up fees (1st year): $500.00 to $2000.00
- Annual renewal fees: $100.00 to $1,000.00
- Per participants fee: $2.50 to $5.00
(Medical or Day Care)

Section 125

Flexible

Benefit Plan

Today more than ever before, employers, educational and other professional organizations are faced with escalating expenses and increasing tax burdens.

Employees – on the other hand – generally expect more comprehensive fringe benefit programs. And, they would like more freedom to decide which benefits are best for them.

This creates a real dilemma for most concerned employers. Especially in such a tight economic climate.

If there was a way to decrease your cost of doing business – and, at the same time, give your employees a solid financial benefit – would you be interested?

Ask yourself *would you like to:*

- reduce your payroll costs?
- enhance your current benefit package at no additional cost to you?
- Increase your employees' spendable income?

If your answer is, "YES!" – then you are well on your way to solving your fringe benefit problems. And, in the process, you could also save money.

How?

By taking advantage of Section 125 of the Internal Revenue Code and American Fidelity's administrative services for your Section 125 Flexible Benefit Plan.

Section 125 allows you to establish a Flexible Benefit Plan, which can include:

insurance products

a Dependent Care plan, and

a Medical Expense Reimbursement plan.

How does it work?

Section ***125***

allows you to structure a plan in one of two ways:

- a portion of the funds you have allocated for salaries or benefits may be provided to each employee for the Flexible Benefit Plan; or
- the use of salary reduction agreements between the employer and each of your employees to establish the funds for Flexible Benefit plan.

These funds are then used by you to pay for those benefits Selected by each employee.

Those funds not used by each employee for benefits may be paid to them in cash as taxable income.

Example-Employee Savings

How will this affect your employees' take-home pay?

The savings an employee may experience under a Flexible Benefit Plan is illustrated in the example below.

By utilizing the Section 125 Flexible Benefit Plan, this employee would have $106 more per month to apply to needed insurance benefits or spendable income. Annually, this would be an increase of $1,272.

Without Section 125 Flexible Benefit Plan	
Monthly Salary	$2,000
Taxes (25%) *(includes federal & state income tax & FICA)*	500
Medical Insurance	150
Disability Coverage	25
Cancer Insurance	25
Take Home Pay	**1,300**
Dependent Care Cost	200
Medical Expenses	25
Spendable Income	***$1,075***

With Section 125 Flexible Benefit Plan	
Monthly Salary*	$1,575
Taxes (25%)	394
Spendable Income	**$1,181**

* Salary reduced by $425 for eligible benefits.

Example-Employee Savings

How will this affect your "bottom line?"

Not only will this Plan help your employees, but it can generate savings for you too. The example below illustrates the positive impact it can have on your payroll-related expenses for those employees participating in the plan. A Section 125 Plan would save you $33 per month for a typical employee. If you had 10 such employees, your annual savings would be approximately $3,960.

Without Section 125 Flexible Benefit Plan

Employee Salary……….$2,000
Approximate Payroll Related
FICA Expense (7.65%…….153
Total Payroll Cost……..$2,153

With Section 125 Flexible Benefit Plan

Employee Salary After
Reallocation……………….$1,575
Approximate Payroll-Related
Expense (7.65%)……………..120
Salary Reallocation Not subject
to Payroll-Related Taxes…….425
Total Payroll Cost ………$2,120

*Payroll-related expense savings could include FICA tax and Federal and State unemployment taxes. Actual savings will vary depending on state compensation laws and the employer's experience.

To take advantage of these benefits…

Here is all you need to do:

- your governing board (i.e. Board of Directors, School Board, etc.) should resolve to adopt a Section 125 Flexible Benefit Plan.
- adopt a written plan document.
- allow time for each employee to sign a benefit election form, allowing them to choose among the options offered.
- file a brief annual report with the Internal Revenue Service.

What American Fidelity will do for you.

Our services include the following

- provide sample documents for review by your legal counsel.
- explain the Plan to your employees in group meetings.
- review benefit choices with each employee and assist them with enrollment.
- provide your payroll office with correct employee enrollment information.
- assist you with the annual report filing.

Advantages

To your employees:

- money spent on benefits is not taxable because only pre-tax dollars are used.
- use of pre-tax funds usually results in more dollars to apply to additional benefits or spendable income.
- maximum use is made of benefit dollars because employees select only those benefits they need.

Advantages to you:

- your employees are provided with an enhanced benefit program at no additional cost to you.
- saves on various payroll-related employment taxes, which reduces your payroll costs.
- promotes employee morale and goodwill.

M E M O R A N D U M

TO: DR. CHARLOTTE MULVIHILL
CHAIR, COLLEGE BENEFITS COMMITTEE

FROM: DR. ROBERT P. TODD
PRESIDENT

SUBJECT: RECOMMENDATION REGARDING RETIREE HEALTH CARE BENEFITS

DATE: APRIL 25, 2002

Following our recent meeting concerning the College Benefits Committee's recommendation on retiree health benefits, I requested that the Human Resources Department analyze the cost of implementing the recommendation. Their analysis suggests that the various options would result in an estimated minimum first-year College cost of $17,626 to an estimated minimum annual cost in ten years of $266,056 (see attached). Based on this analysis and my assessment of the State financial picture, I cannot support or recommend the adoption of the recommendation.

I understand the financial challenge that health insurance cost escalation presents to everyone, especially retirees. As I mentioned during our meeting, there is some interest in the legislature to address the retirees' health insurance problem. Although I do not anticipate that it will be addressed this year, it may be considered in 2003.

Thank you for your work and the Committee's continuing focus on employee benefits.

jkp

attachment

Retiree Health Care Benefit Recommendation
College Benefits Committee
Staff Analysis – Human Resources
April 23, 2002

On April 15, 2002, the chairman of the College Benefits Committee made a recommendation to the President of the College regarding Retiree Health Care Benefits. The President requested the Director of Human Resources conduct an analysis of the recommendation. This is the result of that analysis.

The following assumptions have been made regarding forecasting the costs of the various options presented by the College Benefits Committee:

- There are currently 27 retirees utilizing the Health Benefit made available to them by the College. While it is projected that an average of ten employees will retire each year over the next ten years, there was an allowance made for those who retire but opt not to take advantage of the health benefit offered by the College. An allowance was also made for the retirees who pass away each year.
    - For the purpose of this analysis, we projected an increase of 7 retirees each year.
    - The average years of service for the current retirees is 20 years and this is service years used to calculate the percentage of benefit.
- Although health benefits for FY03 are increasing by about 20%, this is highly unusual and an increase of 10% per year was utilized for this analysis starting with FY04.
- While the OTRS benefit can range from $100 to $105, the average benefit is $102 per month.
- Monthly Cost formulas:
    - "Retiree Cost" = "Health Benefit Cost" less the "OTRS Benefit"
    - "College Exp" = "Retiree Cost" multiplied by the appropriate percentage for a retiree with 20 years of service for each option.
    - "Retiree's Exp" = "Retiree Cost" less the "College Cost"
- Annual Cost formulas are the "College Exp" and the "Retiree Exp" annualized.
- "College Exp for all Retirees" = Annual "College Exp" multiplied by the number of retirees for the respective year.

The proposed plan requires a retiree to have a minimum of ten years of service at the college before being eligible for this benefit. The proposed plan also incrementally rewards for additional years of service up to a maximum of 30 years of service. The plan awards a percentage of the gap between the OTR health insurance payment and the cost of the group plan to an OKCCC employee. The current dollar amount of the gap is about $138 per month. The lowest amount an eligible retiree would receive would be 30% of the gap.

Option One

Eligible retirees with a minimum of 10 years of service will receive 30% of the gap between OTR payment and OKCCC cost. Eligible retirees with a maximum of 30 years of service or greater will receive 90% of the gap between OTR payment and OKCCC cost. In between ten years and 30 years of service, continuous one-year of service increments above 30% and below 90% for eligible retirees with more than 10 years of service and less than 30 years of service. For the average retiree, there are 20 years of service resulting in a benefit of 60% as used in the chart below:

		Monthly					Annual		Total
Year	No. of Retirees	Health Benefit Cost	OTRS Benefit	Retiree Cost	College Exp	Retiree's Exp	College Exp	Retiree's Exp	College Exp For All Retirees
FY02	27	$ 238	$ 102	$ 136	$ 82	$ 54	$ 979	$ 653	$ 26,438
FY03	34	$ 286	$ 102	$ 184	$ 110	$ 73	$ 1,322	$ 881	$ 44,945
FY04	41	$ 314	$ 102	$ 212	$ 127	$ 85	$ 1,528	$ 1,018	$ 62,630
FY05	48	$ 346	$ 102	$ 244	$ 146	$ 97	$ 1,754	$ 1,169	$ 84,180
FY06	55	$ 380	$ 102	$ 278	$ 167	$ 111	$ 2,003	$ 1,335	$ 110,141
FY07	62	$ 418	$ 102	$ 316	$ 190	$ 126	$ 2,276	$ 1,518	$ 141,128
FY08	69	$ 460	$ 102	$ 358	$ 215	$ 143	$ 2,577	$ 1,718	$ 177,835
FY09	76	$ 506	$ 102	$ 404	$ 242	$ 162	$ 2,908	$ 1,939	$ 221,046
FY10	83	$ 557	$ 102	$ 455	$ 273	$ 182	$ 3,273	$ 2,182	$ 271,641
FY11	90	$ 612	$ 102	$ 510	$ 306	$ 204	$ 3,674	$ 2,449	$ 330,615
FY12	97	$ 673	$ 102	$ 571	$ 343	$ 229	$ 4,114	$ 2,743	$ 399,087

If adopted, Option One would cost the College $44,945 for FY03. For FY04, the total College cost is projected to be $62,630 up to an annual cost of $399,087 for FY12.

Option Two

Eligible retirees with a minimum of 10 years of service will receive 30% of the gap between OTR payment and OKCCC cost. Eligible retirees with a maximum of 30 years of service or greater will receive 70% of the gap between OTR payment and OKCCC cost. In between ten years and 30 years of service, continuous one-year of service increments above 30% and below 70% for eligible retirees with more than 10 years of service and less than 30 years of service. For the average retiree, there are 20 years of service resulting in a benefit of 50% as used in the chart below:

		Monthly					Annual		Total
Year	No. of Retirees	Health Benefit Cost	OTRS Benefit	Retiree Cost	College Exp	Retiree's Exp	College Exp	Retiree's Exp	College Exp For All Retirees
FY02	27	$ 238	$ 102	$ 136	$ 68	$ 68	$ 816	$ 816	$ 22,032
FY03	34	$ 286	$ 102	$ 184	$ 92	$ 92	$ 1,102	$ 1,102	$ 37,454
FY04	41	$ 314	$ 102	$ 212	$ 106	$ 106	$ 1,273	$ 1,273	$ 52,191
FY05	48	$ 346	$ 102	$ 244	$ 122	$ 122	$ 1,461	$ 1,461	$ 70,150
FY06	55	$ 380	$ 102	$ 278	$ 139	$ 139	$ 1,669	$ 1,669	$ 91,784
FY07	62	$ 418	$ 102	$ 316	$ 158	$ 158	$ 1,897	$ 1,897	$ 117,607
FY08	69	$ 460	$ 102	$ 358	$ 179	$ 179	$ 2,148	$ 2,148	$ 148,196
FY09	76	$ 506	$ 102	$ 404	$ 202	$ 202	$ 2,424	$ 2,424	$ 184,205
FY10	83	$ 557	$ 102	$ 455	$ 227	$ 227	$ 2,727	$ 2,727	$ 226,368
FY11	90	$ 612	$ 102	$ 510	$ 255	$ 255	$ 3,061	$ 3,061	$ 275,513
FY12	97	$ 673	$ 102	$ 571	$ 286	$ 286	$ 3,429	$ 3,429	$ 332,572

If adopted, Option Two would cost the College $37,545 for FY03. For FY04, the total College cost is projected to be $52,191 up to an annual cost of $332,572 for FY12.

Option Three

Eligible retirees with a minimum of 10 years of service will receive 30% of the gap between OTR payment and OKCCC cost. Eligible retirees with a maximum of 30 years of service or greater will receive 50% of the gap between OTR payment and OKCCC cost. In between ten years and 30 years of service, continuous one-year of service increments above 30% and below 50% for eligible retirees with more than 10 years of service and less than 30 years of service. For the average retiree, there are 20 years of service resulting in a benefit of 40% as used in the chart below:

		Monthly					Annual		Total
Year	No. of Retirees	Health Benefit Cost	OTRS Benefit	Retiree Cost	College Exp	Retiree's Exp	College Exp	Retiree's Exp	College Exp For All Retirees
FY02	27	$ 238	$ 102	$ 136	$ 54	$ 82	$ 653	$ 979	$ 17,626
FY03	34	$ 286	$ 102	$ 184	$ 73	$ 110	$ 881	$ 1,322	$ 29,964
FY04	41	$ 314	$ 102	$ 212	$ 85	$ 127	$ 1,018	$ 1,528	$ 41,753
FY05	48	$ 346	$ 102	$ 244	$ 97	$ 146	$ 1,169	$ 1,754	$ 56,120
FY06	55	$ 380	$ 102	$ 278	$ 111	$ 167	$ 1,335	$ 2,003	$ 73,427
FY07	62	$ 418	$ 102	$ 316	$ 126	$ 190	$ 1,518	$ 2,276	$ 94,085
FY08	69	$ 460	$ 102	$ 358	$ 143	$ 215	$ 1,718	$ 2,577	$ 118,557
FY09	76	$ 506	$ 102	$ 404	$ 162	$ 242	$ 1,939	$ 2,908	$ 147,364
FY10	83	$ 557	$ 102	$ 455	$ 182	$ 273	$ 2,182	$ 3,273	$ 181,094
FY11	90	$ 612	$ 102	$ 510	$ 204	$ 306	$ 2,449	$ 3,674	$ 220,410
FY12	97	$ 673	$ 102	$ 571	$ 229	$ 343	$ 2,743	$ 4,114	$ 266,058

If adopted, Option Three would cost the College $29,964 for FY03. For FY04, the total College cost is projected to be $41,753 up to an annual cost of $266,058 for FY12.