



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 70.07, **Retirement Savings Programs**

PURPOSE: This policy provides a brief overview of the retirement savings programs sponsored by the state of Texas and TTUHSC to provide team members the opportunity for basic and supplemental income streams in retirement.

REVIEW: This HSC OP will be reviewed in October of each odd-numbered year (ONY) by the Vice President and Chief Human Resources Officer, with recommendations for revisions forwarded to the Executive Vice President and Chief Operating Officer by November 30.

POLICY:

1. Mandatory Retirement Programs.

General Policy. Benefit-eligible (appointed at least ½ time for 18 weeks) team members of TTUHSC are required, as a condition of employment, to be a member of the Teacher Retirement System (TRS). In lieu of participating in the Teacher Retirement System (TRS), an Optional Retirement Program (ORP) is available for full-time faculty, selected executive management, professional and administrative staff, and those who have previously elected the Optional Retirement Program. All regular team members beginning their 1st day of employment are required, as a condition of employment, to be a member of TRS or ORP. (Exception: team members who are TRS or ORP retirees and have returned to work are not permitted to participate in TRS or ORP.)

Team member and State retirement contributions to each program are established by the Texas Legislature and may fluctuate over time. Departments should include this statement in communications with current or prospective team members.

Effective January 1, 1993, lump sum withdrawals by the participant of contributions from retirement plans are subject to 20 percent withholding tax under the Internal Revenue Code as modified by the Unemployment Compensation Act Amendments of 1992.

a. Teacher Retirement System (TRS).

Plan Type: TRS administers a defined benefit retirement plan that is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The pension trust fund provides service and disability retirement, as well as death and survivor benefits, to eligible Texas public education team members and their beneficiaries.

Eligibility: Benefit-eligible (appointed at least ½ time for 18 weeks) team members of TTUHSC are required, as a condition of employment, to be a member of the Teacher Retirement System (TRS).

Contributions: Team members participating in TRS are required to contribute a percentage of their salary to their account via tax-sheltered payroll deduction. The amount a participant contributes is established by law. For fiscal year 2024, the required participant contribution rate is 8.25 percent of creditable compensation with an 8.25 percent employer contribution. Member contributions to the Teacher Retirement System are made on a tax-sheltered basis.

Vesting: TRS members with five years or more of service credit with TRS are entitled to maintain their accounts with TRS even if they are not currently employed in Texas public education. If their deposits are not withdrawn, vested members may retire with a benefit upon reaching retirement age and submitting the proper application for retirement.

Retirement Annuity Benefit: The calculation of a retirement annuity is determined by member age, service years, dates of participation in TRS, and averaged compensation. To determine the standard annuity formula for an annuity benefit, see the TRS rules at www.trs.state.tx.us. Retirement benefits are financed by member and state contributions and through investment earnings of the pension trust fund.

Disability Benefit: Members, regardless of age or years of service credit, may apply for disability retirement if they are mentally or physically disabled from the further performance of their duties, and the disability is probably permanent. The TRS Medical Board must certify the disability. Visit www.trs.state.tx.us for more information on disability benefits.

Death and Survivor Benefit: A TRS member has death and survivor benefit coverage beginning with their enrollment in TRS on the 1st day of work. The greatest protection for a new member is either:

- i) A lump-sum payment equal to twice the member's annual compensation or \$80,000, whichever is less; or,
- ii) Survivor benefits will pay the widow or widower with minor children a \$2,500 lump sum payment plus \$350 per month until the youngest child reaches age 18. At age 65, or when the youngest child reaches 18, whichever is later, the spouse would begin receiving \$250 per month for life.

Additional information about the Teacher Retirement System may be obtained from Human Resources or visit the TRS website at www.trs.state.tx.us.

b. Optional Retirement Program (ORP).¹

Plan Type: Texas Tech administers the Optional Retirement Program as authorized by Internal Revenue Code 403(b) and in accordance with Texas Higher Education Coordinating Board, Rules and Regulations, Chapter 25. The Texas Tech ORP plan document can be found on the HR Benefits [webpage](#).

Eligibility: Eligible individuals include full-time faculty, selected executive management, professional and administrative staff, and those who have previously elected the Optional Retirement Program. See complete eligibility regulations on the HR Benefits [webpage](#). Eligible team members should carefully consider this decision and review the publication [Overview of TRS and ORP](#).

Contributions: For fiscal year 2024, team members electing to participate in ORP are required to contribute 6.65 percent of eligible compensation with a 6.8 percent employer contribution. These contributions are tax-deferred and handled through a salary reduction agreement. Team members who participated in ORP at any Texas institution of higher education before August 31, 1995, and return to employment at TTUHSC or another state institution will continue to receive the FY 95 employer contribution rate of 8.5 percent. Legislative action may change the percentages of salary to be contributed. Participants may not make additional contributions to an ORP account.

Election to Participate: Eligible full-time team members must exercise their **irrevocable** option to participate in the Optional Retirement Program by completing form [TRS 28](#) within 90 days after their 1st day of employment. If no election is made by the 90th day of employment, the team member shall be deemed to have chosen membership in TRS throughout their career in higher education in Texas. Enrollment in ORP shall be made through the Texas Tech [Retirement Manager system](#).²

¹ In accordance with V. T. C. A. Government Code, Chapter 830.

² In accordance with the Texas Higher Education Coordinating Board, Rules and Regulations, Chapter 25, Section 25.3(e)2.

Note: An election of ORP shall be a waiver of the rights to any benefits that may have accrued from prior membership in TRS, with certain specific exceptions. Except as provided by TRS policy and the ERS/TRS service transfer law, an ORP participant shall not be eligible to become an active member of TRS or receive any benefits from TRS other than a return of team member contributions that may have been deposited with TRS (and accrued interest, if any). Participants forfeit all TRS employer contributions made during the period prior to their ORP election.

Investment Company Selection: When a team member makes the election to participate in ORP, the team member **must** select an ORP vendor from the TTUS list of currently authorized ORP vendors. The team member is responsible for establishing their account with the vendor. Failure to process enrollment with the chosen ORP vendor may result in disciplinary action up to and including termination of employment at the discretion of TTUHSC. Information for current companies can be found on the HR Benefits [webpage](#).

Vesting: An ORP participant shall be considered vested in ORP on the first day of the second year of active participation in ORP. A year shall mean twelve cumulative, but not necessarily consecutive, months of ORP participation. The vesting requirement may not be satisfied by prior enrollment, participation, or vested status in any plan other than the Texas ORP plan. An ORP participant who satisfies the vesting requirement for ORP shall not be required to satisfy the vesting requirement again by any Texas public institution of higher education. Once vested in ORP, the participant is always vested.

Unvested ORP Employer Contributions Forfeited: An ORP participant who terminates employment prior to meeting the vesting requirement shall forfeit all ORP **employer** contributions made during that period of employment. TTUS shall request and return employer contributions to the appropriate TTUHSC funding source.

Retirement Benefit: Withdrawals from ORP accounts are governed by IRC Section 403(b) rules. Additionally, loans may not be taken against ORP accounts.

For additional information and defining rules for ORP, visit the Texas Higher Education Coordinating Board [ORP website](#) and the Human Resources Benefits [webpage](#).

2. Voluntary Retirement Saving Programs

In addition to participation in TRS or ORP, team members of TTUHSC are eligible to set aside additional amounts of salary, up to certain limits, without paying current income tax on those amounts. This income tax deferment is available under the Tax-Deferred Account (TDA) Program (403b) and the TexaSaver Program (457). Both of these plans are also available on an after-tax Roth basis (taxed contributions, earnings tax-free). Participation in these programs is voluntary, and team members may elect to participate in either or both programs. These programs are offered as a supplement to the retirement benefits provided by TRS or ORP.

a. Tax-Deferred Account (TDA):

Plan Type: Texas Tech administers a voluntary supplemental retirement savings opportunity, TDA, as authorized under IRC Section 403(B) in either current tax-deferred or Roth options. The TDA plan document can be found on the HR Benefits [webpage](#).

Eligibility: All team members, except students performing services described in IRC [3121\(b\)\(10\)](#) (employed student exempt from FICA taxes), are eligible to participate in the Tax-Deferred Account Program.

Contributions: Team members may contribute an annual amount up to certain limits as established by the IRC and legislative action. The combination of ORP contributions and TDA contributions may not exceed 100% of compensation or the [IRC 415\(c\)\(1\)\(A\) deferral limits](#).

A representative of the Human Resources office is available to assist team members in determining their maximum allowable contribution for TTUHSC plans. Team members should consult their tax accountant/advisor for tax implications.

Team members are advised that if the Internal Revenue Service rules adversely against the TDA Program or the sheltering of an individual team member, the team member assumes all liability for the payment of all taxes due. If federal income tax laws, state laws, and/or court rulings result in adverse rulings against the taxability of any of these contributions and/or their earnings, the team member will be solely liable for the payment of all taxes due.

Election to Participate: To enroll in a TDA or Roth 403(b) account, team members access the Texas Tech [Retirement Manager](#) system. Detailed information on enrollment, administration, and the plan document can be found on the Human Resources Benefits [webpage](#).

Investment Company Selection: Only companies approved by Texas Tech may provide Tax-Deferred Account products to Texas Tech participants. A list of currently approved companies and representatives may be obtained from the Human Resources Office or the Human Resources Benefits [webpage](#).

Team members must make their own determination as to whether to participate in a TDA and must select the company and annuity contract or mutual fund that best fits their individual retirement objectives. Texas Tech assumes no liability or responsibility for the federal income tax consequences of participating in a TDA or the terms or provisions of any annuity contract or mutual fund option selected under a TDA.

Withdrawal of funds: Withdrawal of contributions may not be made prior to age 59 ½ unless a qualifying event occurs. Qualifying events are:

- (1) Separation from service;
- (2) Disability; and
- (3) Hardship.

Detailed definitions and information, including tax liability on withdrawals, can be found on the HR Benefits [webpage](#). Team members must access Retirement Manager to request a TDA Hardship withdrawal. It is the company's responsibility to process all withdrawals of contributions in compliance with federal regulations, to make required tax withholdings, and to provide participants with any required notices describing the taxation of distributions, rollover rights, and withholding rules, including the 20 percent withholding on the taxable portion of a distribution made to the participant.

Retirement Benefit: Withdrawals from TDA accounts to establish an income stream at retirement are governed by IRC Section 403(b) rules.

Loans: Certain companies will process a loan from a TDA. All outstanding loan balances are considered when a new loan is initiated. The team member must access their account in Retirement Manager and print a Loan Certificate. Companies may also require the submission of company forms for loan processing. Interest rates and payback schedules are determined by the company.

Program Subject to Change. The Employee Retirement Income Security Act of 1974 (ERISA), the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), the Federal Deficit Reduction Act of 1984 (DEFRA), the Retirement Equity Act of 1984 (REACT), the Tax Reform Act of 1986 (TRA), Unemployment Compensation Amendments Act of 1992, the Small Business Protection Act of 1996 and the 1997 Tax Relief Act¹, all imposed new and/or revised federal regulations on employee benefit plans. Future laws may change the provisions, tax status, and/or benefits available from individual Tax-Deferred Account Program contracts. The Texas Tech Board of Regents and/or administration also reserves the right to change Texas Tech regulations governing the Tax-Deferred Account Program.

b. Texa\$aver Program:

¹The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA)

Plan Type: The Employees Retirement System of Texas (ERS) offers an optional supplemental retirement program, [Texa\\$aver](#), allowed under IRC 457.

Eligibility: Regular benefits-eligible team members who are eligible for benefits with the state Group Benefits Program offered by ERS may participate.

Contributions: The minimum amount of monthly deferral is \$20 of monthly gross salary. The maximum deferral is 99% of compensation, or the IRS-limited amount per year, whichever is less.

Enrollment: Team members [enroll](#) directly with the Texa\$aver third-party administrator, Empower Retirement.

Investment Selection: Texa\$aver offers [core funds](#) and a [self-directed brokerage account](#). Certain fees may apply to participating investment funds.

Withdrawal of Funds: Withdrawals as an active team member are available upon attainment of age 59 ½ or financial hardship/unforeseeable emergency. For complete Texa\$aver Program plan details, refer to the [website](#).

3. Solicitation Policy

Only companies approved by Texas Tech may provide ORP and Tax-Deferred Account products to Texas Tech team members. Only representatives authorized in writing by an officer of the company and approved by Texas Tech may conduct business for team members of Texas Tech. The company is responsible for the actions of its representatives and for ensuring that they are informed of and abide by rules and regulations provided under the Teacher Retirement System, applicable federal and Texas laws, Texas Higher Education Coordinating Board, Internal Revenue Service Codes, and Texas Tech. Authorized representatives are permitted to make sales presentations to eligible team members on Texas Tech premises only at the team member's request and may not solicit business with any team member unless contacted first by the team member. Providing gifts or monetary rewards in exchange for information on newly hired team members is strictly prohibited. Texas Tech reserves the right to limit or revoke the privileges of any representative or company at its discretion.

4. Right to Change Policy

The Texas Tech University System reserves the right to interpret, change, modify, amend, or rescind this policy, in whole or in part, at any time without the consent of team members.