

## **Tax Deferred Account Program (TDA)**

### **Change of Companies/ In-Service Exchanges/Withdrawals/Loans/Cancellation**

#### **Change Company**

Team members may change TDA companies without transferring deposits with the prior company. However, a nontaxable transfer, In-Service Exchange, is permitted between Texas Tech approved companies. To transfer prior contributions to the new company, the team member must access the Texas Tech Retirement Manager system at <https://www.myretirementmanager.com/?ttu> and print an In-service Exchange certificate to accompany required company forms,

IRS Ruling 90-24 authorizes partial and full transfers to and from 403(b)(7) mutual fund accounts and/or 403(b)(1) annuity accounts and states that such transfers are nontaxable if the following conditions are met:

- (1) A **direct** transfer from the "old" company to the "new" company is made; and
- (2) The transferred funds continue to be subject to the same or more stringent early distribution restrictions.

The following procedures have been adopted by Texas Tech and apply to partial transfers (In-service Exchanges), mutual funds to annuity transfers, or vice versa, and full transfers (In-service Exchanges):

- (1) The receiving company completes its forms which indicate the contract number, address to which funds should be sent, and other information appropriate for the company.
- (2) The team member accesses their account in the Retirement Manager system and prints an In-service Exchange Certificate.
- (3) The team member submits all forms to the surrendering company.
  - (a) In-service Exchanges from any TDA account, current or prior, must be to a Texas Tech approved company.
  - (b) Exchanges of the full balance from the company to which the team member is currently contributing can only be made if the team member changes their current deduction so that contributions are directed to the receiving company or to another approved company.
- (4) Upon receipt of the proper company transfer forms and In-service Exchange Certificate, the surrendering company will transfer the funds directly to the receiving company within 10 business days of the legal availability of funds.

If a full transfer is completed by the surrendering company (i.e., the total funds are transferred to the receiving company), any additional funds subsequently received by the surrendering company will be subsequently surrendered directly to the receiving company.

This situation may occur if the full transfer request is processed prior to receipt or posting of the final deposit.

#### **Cancellation**

Team members may stop TDA participation effective with the first day of any month by accessing their account in the Texas Tech Retirement Manager system at <https://www.myretirementmanager.com/?ttu> by the monthly cut-off date. A Tax Deferred Account form may also be submitted to the Human Resources

Office.

### **Withdrawal of Contributions**

The total value of a TDA on December 31, 1988, is available for withdrawal without restrictions; however, such accounts are subject to income tax and may be subject to an additional penalty tax.

Withdrawal of amounts attributable to contributions made after December 31, 1988, and to earnings credited after December 31, 1988 on all 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.

"Separation from Service" is defined as removal from the payroll of Texas Tech for one full calendar month without any expectation of returning to employment with any Texas public institution of higher education.

"Disability" is defined in Internal Revenue Code section 72(m)(7) as being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or to be of long-continued and indefinite duration.

"Hardship" withdrawals may consist of contributions only; earnings may not be withdrawn. Hardship withdrawals are allowed only if there are no other resources reasonably available to meet the need and only for:

- (1) Medical expenses incurred by the team member, spouse or dependents;
- (2) Purchase of a principal residence of the team member;
- (3) Payment of tuition for the next semester or quarter of post-secondary education for the participant, spouse, or dependents;
- (4) Payments to prevent eviction from or foreclosure on the principal residence of the participant.
- (5) Funeral expenses for the team member, spouse, dependents, or beneficiary of the team member; or
- (6) Certain damage repair expenses for the team member's principal residence.

The company is responsible for determining the validity of hardship withdrawals. All company forms for a hardship withdrawal must also have a Hardship Withdrawal Certificate from the Texas Tech Retirement Manager system <https://www.myretirementmanager.com/?ttu>.

Contributions and earnings are taxable in the year withdrawn and may be subject to a tax penalty for early withdrawal.

A 20 percent additional tax is imposed on withdrawals made before age 59 ½ regardless of when the contributions to which the accumulations are attributable. The 20 percent additional tax does not apply to distributions made prior to age 59 ½ if the distribution is:

- (1) Made after the team member separates from employment and is part of a scheduled series of substantially equal periodic payments for the life expectancy of the team member or the joint lives or life expectancies of the team member

and a beneficiary;

- (2) Made to a team member because of early retirement under a retirement plan of Texas Tech after attainment of age 55;
- (3) Made to a team member who has separated from service and used to pay medical expenses to the extent that they are tax deductible under the Internal Revenue Code;
- (4) A result of a disability retirement;
- (5) Made to a beneficiary of the team member's estate after death; or
- (6) Subject to a special exception that applies to payments to an alternate payee, not to the team member, according to a qualified domestic relations order.

Tax Deferred Account companies are prohibited from releasing funds for withdrawal without written verification of team member's termination from an authorized Texas Tech representative.

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 team members 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.

### **Loans**

Certain companies will process a loan to the team member from their TDA. A team member may execute a loan which cannot exceed the lesser of:

1. \$50,000; or
2. 50 percent of the present value of the accrued benefit under the plan.

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 pay back schedules are determined by the company.