



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER EL PASO

Operating Policy and Procedure

HSCEP OP: 70.07 Retirement Programs

PURPOSE: To provide a general overview of the retirement savings programs sponsored by the state of Texas and Texas Tech University Health Sciences Center El Paso (TTUHSC El Paso).

REVIEW: This policy will be reviewed in September each even-numbered year (ENY) by the Vice President of Human Resources with recommendations for substantial revisions, forwarded to the Office of the President.

POLICY:

1. Mandatory Retirement Programs

General Policy:

Benefit-eligible (appointed at least .50 FTE for 18 weeks) employees of TTUHSC El Paso 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, faculty administrators, executive administrators, and other key administrators as well as those who have previously elected the ORP.

All regular employees beginning their 1st day of employment are required, as a condition of employment, to be a member of TRS or ORP. *Exception – employees who are TRS or ORP retirees and have returned to work are not permitted to participate in TRS or ORP.*

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).

- i. **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 employees and their beneficiaries.
- ii. **Eligibility.** Benefit-eligible (appointed at least .50 FTE for 18 weeks) employees of TTUHSC El Paso are required, as a condition of employment, to be a member of the Teacher Retirement System (TRS).
- iii. **Contributions.** Employees 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. The required employee contribution rate for FY24 is 8.25 percent of creditable compensation with an 8.25 percent employer contribution. Employee contributions to TRS are made on a tax-sheltered basis.
- iv. **Vesting.** Employees with five (5) years or more of service credit with TRS are entitled to maintain their accounts with TRS even if not currently

employed in Texas public education. If deposits are not withdrawn, vested employees may retire with a benefit upon reaching retirement age.

- v. **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.texas.gov. Retirement benefits are financed by employee and state contributions and through investment earnings of the pension trust fund.
 - vi. **Disability Benefit.** Employees, 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. Refer to www.trs.texas.gov for additional information.
 - vii. **Death and Survivor Benefit.** Employees have death and survivor benefit coverage beginning with their enrollment in TRS on the 1st day of work. The greatest protection for employees is:
 - a. A lump-sum payment equal to twice the member's annual compensation or \$80,000, whichever is less; **or**,
 - b. 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. Refer to www.trs.texas.gov for additional information.
- b. **Optional Retirement Program (ORP).**¹

Definitions²

Faculty Member. A member of the faculty whose duties include teaching and/or research as a principal activity, as defined in [§25.3](#), and who holds the title of professor, associate professor, assistant professor, instructor, lecturer, or equivalent faculty title, including "visiting professor" if the position is at least one full semester in duration.

Faculty Administrator. An administrator responsible for teaching and research faculty whose principal activity, as defined in [§25.3](#), is planning, organizing, and directing the activities of faculty and who holds the title of dean, associate dean, assistant dean, director, department chair, or head of academic department.

Executive Administrator. An administrator who holds the title of chancellor, deputy chancellor, vice chancellor, associate vice chancellor, assistant vice chancellor, or the equivalent, and an administrator who holds the title of president, executive vice president, provost, vice president, associate vice president, assistant vice president, or the equivalent.

Other Key Administrator. An administrator other than a faculty administrator or an executive administrator whose position is considered a key administrative position within the institution's organizational structure and that meets the requirements of this paragraph. The most common position titles in this category are director or associate

director, but included titles may vary by institution based on differences in organizational structure, size, mission, etc.

- i. **Plan Type.** Texas Tech University System (TTUS) administers the ORP as authorized by [Internal Revenue Code 403\(b\)](#) and in accordance with [Texas Higher Education Coordinating Board, Rules and Regulations, Chapter 25](#). The Plan Document for the TTUS ORP can be found on the TTUHSC El Paso [HR Benefits webpage](#).
- ii. **Eligibility.** Full-time (100% effort) faculty, faculty administrators, executive administrators, and other key administrators as well as those who have previously elected the ORP. Refer to the TTUHSC El Paso [HR Benefits webpage](#) for eligibility information.
- iii. **Contributions.** Employees electing to participate in ORP are required to contribute 6.65 percent of eligible compensation with a 6.8 percent employer contribution for FY24. These contributions are tax-deferred and handled through a salary reduction agreement. Employees who participated in ORP at any Texas institution of higher education before August 31, 1995, and return to employment at TTUHSC El Paso or another state institution will continue to receive the employer contribution rate of 8.5 percent. Legislative action may change the percentages of salary to be contributed. Additional contributions to an ORP account are not permitted.
- iv. **Election to Participate.** Eligible full-time employees must exercise their irrevocable option to participate in the ORP by completing the [TRS28](#) form within 90 days after their 1st day of employment. If no election is made by the employee by the 90th day of employment, the employee shall be deemed to have chosen membership in TRS throughout their career in higher education in Texas. Enrollment in ORP is required to be made through the [Retirement Manager System](#).³
- v. **Note.** An election of ORP is a waiver of 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 will not be eligible to become an active member of TRS or receive any benefits from TRS other than a return of employee 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.
- vi. **Vendor Selection.** Employees electing to participate in ORP must select an ORP vendor from the [TTUS list of currently authorized ORP vendors](#). The employee 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 Texas Tech Health El Paso.
- vii. **Vesting.** An ORP participant shall be considered vested in ORP on the 1st day of the second year of active participation in ORP. A year shall mean twelve (12) 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 remains vested.

- viii. **Forfeited Contributions.** 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 El Paso funding source.
- ix. **Retirement Benefit.** Withdrawals from ORP accounts are governed by [IRC Section 403\(b\) rules](#). Additionally, loans may not be taken against ORP accounts.
- x. **Note.** Refer to the [Texas Higher Education Coordinating Board Chapter 25 - ORP](#) for additional information and defining rules for ORP.

2. Voluntary Retirement Savings Programs

In addition to participation in TRS or ORP, eligible TTUHSC El Paso employees can choose to participate in a Tax-Deferred Account (TDA) Program (403b) and/or the Texa\$aver Program (457). Participation in these programs is voluntary, and employees may elect to participate in either or both programs.

a. Tax-Deferred Account (TDA)

- i. **Plan Type.** The TTUS Tax Deferred Account (TDA) Program is authorized under [IRC 403\(b\) Tax-Sheltered Annuity Plans](#). Traditional and Roth accounts are available. The TDA program is a governmental plan and is not covered by the [Employee Retirement Income Security Act of 1974 \(ERISA\)](#).
- ii. **Eligibility.** All employees (except students) performing services described in [IRC 3121\(b\)\(10\)](#) (student FICA exemption), are eligible to participate in the TDA Program.
- iii. **Contributions.** Employees 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](#). Employees should consult their tax accountant/advisor for tax implications. Additionally, employees are advised that if the Internal Revenue Service rules adversely against the TDA Program or the sheltering of an individual employee, the employee assumes all liability for the payment of all taxes due. Furthermore, should 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 employee will be solely liable for the payment of all taxes due.
- iv. **Election to Participate.** To enroll in a TDA or Roth 403(b) account, employees need to access the [Texas Tech Retirement Manager System](#). Refer to the TTUHSC El Paso HR Benefits webpage for additional information.
- v. **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 TTUHSC El Paso Benefits Office or the TTUHSC El Paso HR Benefits webpage.

- a. Employees 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.
- vi. **Withdrawal of Funds.** Withdrawal of contributions may not be made prior to age 59 ½ unless a qualifying event occurs.
- a. Qualifying events are:
 1. Separation from service;
 2. Disability; and
 3. Hardship.
 - b. Detailed definitions and information, including tax liability on withdrawals, can be found on the TTUHSC El Paso HR Benefits webpage. Employees must access the [Texas Tech Retirement Manager System](#) 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.
- vii. **Retirement Benefit.** Withdrawals from TDA accounts to establish an income stream at retirement are governed by IRC Section 403(b) rules.
- viii. **Loans.** Certain companies will process a loan from a TDA. All outstanding loan balances are considered when a new loan is initiated. The employee must access their account in the [Texas Tech Retirement Manager System](#) 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.
- ix. **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. **TexaSaver Program**

- i. **Plan Type.** The Employees Retirement System of Texas (ERS) offers an optional supplemental retirement program, [TexaSaver](#), allowed under IRC 457.
- ii. **Eligibility.** Regular benefits-eligible employees who are eligible for benefits with the state Group Benefits Program offered by ERS may participate.
- iii. **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.
- iv. **Enrollment.** Employees must enroll directly with the TexaSaver third-party administrator, [Empower Retirement](#).
- v. **Investment Selection.** TexaSaver offers core funds and a self-directed brokerage account. Certain fees may apply to participating investment funds.
- vi. **Withdrawal of Funds.** Withdrawals as an active employee are available upon attainment of age 59 ½ or financial hardship/unforeseeable emergency. Refer to the [TexaSaver](#) website for additional plan details.

3. **Solicitation**

Only companies approved by Texas Tech may provide ORP and Tax-Deferred Account products to Texas Tech employees. Only representatives authorized in writing by an officer of the company and approved by Texas Tech may conduct business for employees 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 employees on Texas Tech premises only at the employee's request and may not solicit business with any employee unless contacted first by the employee. Providing gifts or monetary rewards in exchange for information on newly hired employees 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**

- a. TTUHSC El Paso reserves the right to interpret, change, modify, amend, or rescind this policy in whole or in part at any time without the consent of employees.

¹ In accordance with Texas Government Code, Chapter 830

² In accordance with The Texas Higher Education Coordinating Board, Rules and Regulations, Chapter 25.

³ In accordance with The Texas Higher Education Coordinating Board, Rules and Regulations, Chapter 25, Section 25.3(s)2.

3.