**Retirement Programs UPPS No. 04.04.52**

**Issue No. 12**

**Effective Date: 01/05/2024**

**Next Review Date: 12/01/2028 (E4Y)**

**Sr. Reviewer: Associate Vice President for Human Resources**

**POLICY STATEMENT**

*Texas State University is dedicated to providing competitive and comprehensive retirement benefits to employees, reflecting a commitment to their financial security and well-being throughout their careers and into retirement.*

**01. SCOPE**

01.01 This university policy and procedure statement (UPPS) identifies and briefly describes the four retirement programs available at Texas State University: Teacher Retirement System (TRS), Optional Retirement Program (ORP), Tax Deferred Account Program (TDA), and Deferred Compensation Program (DCP). This UPPS also briefly describes the retiree insurance programs offered through the Group Benefits Program (GBP) administered by the Employees Retirement System of Texas (ERS). Human Resources has detailed information for all available programs.

**02. RETIREMENT PROGRAM ELIGIBILITY CRITERIA**

02.01 A regular employee is defined as one who is employed to work at least 20 hours per week for a period of at least 4 1/2 months, excluding students employed in positions that require student status as a condition of employment.

02.02 All regular university employees must become members of either the TRS or the ORP. TRS enrollment occurs automatically on the first day of employment.

Full-time faculty, librarians, and certain professionals and administrators have 90 calendar days to make a one-time irrevocable decision to enroll in the ORP in lieu of TRS. TRS will refund contributions made prior to electing ORP.

Employees can review the distinct differences between TRS and ORP on the [Human Resources website](http://www.hr.txstate.edu/), which offers an overview of TRS and ORP for employees eligible to elect ORP.

[Chapter 25, Rules and Regulations of the Texas Higher Education Coordinating Board (THECB)](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&ved=2ahUKEwj799O06LnuAhVXaM0KHZlzC9UQFjAAegQIAxAC&url=http%3A%2F%2Fwww.thecb.state.tx.us%2Freports%2FDocFetch.cfm%3FDocID%3D8468%26Format%3DPDF&usg=AOvVaw1-fqr5xftPUsAFg8ZkOZHC), lists ORP eligibility criteria. The [University Pay Plan](https://www.hr.txstate.edu/compensation/universitypayplan.html) indicates positions eligible for ORP.

02.03 Participation in the TDA and DCP programs is voluntary, is in addition to membership in the TRS or ORP and is available to both TRS and ORP participants.

**03. DEFINITIONS**

03.01 Deferred Compensation Program (DCP) – Called Texa$aver, this voluntary 457 retirement plan administered by the ERS allows employees to contribute a portion of their salary toward retirement savings and pay taxes later on the contributions and earnings.

 A Roth option is also available. Contributions are after-tax; however, earnings are not taxed if certain conditions are met. The IRS determines the maximum allowable deferral. Only after an employee separates from service, dies, reaches 70 1/2 years of age, or qualifies for financial hardship may an employee make a withdrawal. Loans are permitted under certain conditions.

03.02 Optional Retirement Program (ORP) – ORP is a tax-deferred defined-contribution plan under [IRS §403(b)](https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-403b-tax-sheltered-annuity-plans) in which each participant selects from a variety of investments offered by several companies through annuity contracts and mutual fund investments. Both the employee and the employer make contributions to ORP based on legislatively-determined percentages of the employee's salary. Since participants manage their own personal investment accounts, ORP entails more individual risk and responsibility than that associated with TRS membership. Benefits are a direct result of the amounts contributed and the return on investments made by each participant. Upon termination from Texas public higher education, ORP participants who have more than one year of participation retain control over all investments (both employee and employer contributions). Participants with one year or less participation must return employer contributions to Texas State. Individual contract provisions and federal income tax law determine post-termination distributions. Vendors use varying fees, “loads,” or interest to pay administrative costs.

03.03 ORP Employer Contribution Rate

a. Effective September 1, 1991, the Texas Legislature changed the employer contribution rate from 8.5 percent to 7.31 percent. Texas State authorized the use of other funds to provide a supplement for all participants (new or continuing) to restore the 8.5 percent rate.

b. Effective September 1, 1995, the Texas Legislature reduced the employer contribution rate to six percent and all new participants became ineligible for the supplement. For grandfathered participants who were contributing on August 31, 1995, Texas State authorized the use of other funds to continue providing the supplement for a total rate of 8.5 percent.

c. Effective June 23, 2003, the Texas Legislature allowed any participant enrolled in Texas ORP at any time before September 1, 1995 (without a service break), to receive the grandfathered 8.5 percent contribution rate. The Legislature considers an employee transferring from a non-Texas ORP, who has never enrolled in a Texas ORP, a new participant and only eligible for the lower contribution rate.

03.04 Tax Deferred Account (TDA) – The TDA program is a voluntary 403(b) plan that provides an opportunity for employees to save pre-tax dollars from their salaries in addition to either TRS or ORP. There are no employer contributions under this program. A salary reduction agreement signed by the employee at any time of the year authorizes Texas State to send pre-tax salary amounts to a TDA with an approved carrier.

 A [Roth 403(b)](https://www.irs.gov/retirement-plans/retirement-plans-faqs-on-designated-roth-accounts) option is also available with most vendors. Contributions are after-tax; however, earnings are not taxed if certain conditions are met.

The IRS determines the maximum allowable contribution. Only after an employee separates from service, dies, reaches 59 1/2 years of age, becomes disabled, or qualifies for financial hardship may that employee make a withdrawal. Loans are permitted under certain conditions.

03.05 Teacher Retirement System (TRS) – TRS is a tax-deferred defined-benefit plan in which investment risks are absorbed by the state. Both the employee and the employer make contributions to TRS based on legislatively-determined percentages of the employee's salary. Contributions go into a large trust fund that is managed by the TRS. It provides stability and does not require any investment decisions from individual members. Benefits are available for retirement, disability, and death. Retirement benefits are based on a legislatively-determined formula that uses the highest salary and number of years of service at certain ages. Retirement income is provided for a specified number of years or for life. Upon termination from Texas public education, TRS members who do not desire a retirement benefit may withdraw employee contributions (plus interest). Employer contributions remain with TRS.

03.06 Years of Service – Years of service include all prior service where an employee contributed to ORP, TRS, or ERS retirement programs, as verified by each retirement system.

**04. PROCEDURES FOR RETIREMENT**

04.01 An employee must meet the minimum eligibility requirements listed on the [TRS website](https://www.trs.texas.gov/Pages/active_member_eligibilty_requirements.aspx) to retire from Texas State under either ORP or TRS. Service is defined as any combination of creditable service as a member of TRS or the ORP in the state of Texas.

04.02 The employee should notify their supervisor of an intended retirement date at least 30 days in advance, or more if possible.

04.03 A TRS employee should contact TRS four to six months prior to the date of retirement and submit a ["Request for Estimate of Retirement Benefits" form (TRS18](https://www.trs.texas.gov/TRS%20Documents/form_18.pdf)) or online through the member’s TRS account. Members must file an "Application of Service Retirement" form (TRS30) with TRS before the effective date of retirement, which is always the last day of the retirement month. If the form is received after retirement, payments may be delayed.

An ORP employee should contact their individual carrier or carriers to make arrangements for distribution of funds. An employee may delay distribution, if desired. Once retired, the IRS requires a minimum distribution at age 70 1/2.

04.04 The employee should contact Human Resources a minimum of 90 days in advance of retirement to complete necessary paperwork and insurance enrollment forms. Retiree insurance enrollment is open for 30 days after retirement (if applicable). See Section 05. for further information on retiree insurance eligibility and options.

04.05 Human Resources will notify University Advancement of new retirees. University Advancement will coordinate special privileges for retirees, as outlined in [UPPS No. 04.04.53](https://policies.txstate.edu/university-policies/04-04-53.html), Honors and Benefits for Retired Faculty and Staff.

04.06 The supervisor should initiate a "Separation Checklist," as required in [UPPS No. 04.04.50](https://policies.txstate.edu/university-policies/04-04-50.html), Separation of Employment and Interdepartmental Transfers.

**05. RETIREE INSURANCE ELIGIBILITY CRITERIA**

05.01 Retiree insurance eligibility requires that the employee meet one of the following criteria:

a. age plus service equals or exceeds 80;

b. age equals or exceeds 65 and service equals or exceeds 10;

1. if hired on or after September 1, 2001, the employee must have been enrolled in the GBP, all 10 years of service; or

2) if hired before September 1, 2001, the employee must have been enrolled in the GBP for three of the 10 years of service; or

c. age 55 with at least 10 years of service will allow the retiree to enroll in optional coverage (e.g., dental). Retiree medical insurance is available when they reach age 65.

* 1. University contribution toward employee medical premiums:
1. if the employee has at least five years of GBP participation by August 31, 2014, and meets criteria outlined in Section 05.01, the contribution is 100 percent; or
2. for retirees with less than five years of GBP participation by August 31, 2014, and meet criteria in Section 05.01, the contribution is prorated as follows:
3. 10–14 years of GBP participation equals 50 percent contribution toward employee premium;
4. 15–19 years of GBP participation equals 75 percent contribution toward employee premium; and
5. 20 years or more of GBP participation equals 100 percent contribution toward employee premium.

**06. PROCEDURES FOR EMPLOYMENT AFTER RETIREMENT**

06.01 TRS Service Retirees – Beginning one full calendar month after the retirement date, retirees may work in Texas public education without affecting their annuity as follows:

a. on a half-time or less basis during any month; or

b. after one year (12 months) of full retirement from all TRS-covered employers, retiree may return to work without restrictions on hours worked.

Retirees who retired prior to January 1, 2011, may return to work without restrictions.

NOTE: This policy provides general guidelines; retirees should double-check with TRS before accepting employment.

06.02 The university must pay a pension surcharge equal to the employee plus employer contribution for a TRS retiree who:

a. works an average of more than four clock hours per day during any calendar month; and

b. retired from TRS on or after September 1, 2005.

06.03 ORP Retirees – Beginning one full calendar month after the retirement date, retirees may return to work without any restrictions.

06.04 Faculty should refer to [UPPS No. 04.04.51](https://policies.txstate.edu/university-policies/04-04-51.html), Phased Retirement Plan for Faculty, or check with the Office of the Provost and Executive Vice President for Academic Affairs for details.

**07. PROCEDURES FOR OBTAINING INFORMATION AND EVALUATION**

07.01 Human Resources will maintain current information on all retirement programs, including a list of all approved TDA and ORP carriers and will process all retirement program applications.

07.02 Contact Human Resources to obtain information for evaluating TDA and ORP carriers and products.

**08. SUMMARY OF RESPONSIBILITIES**

08.01 Action Responsibility

Keep retirement policy current in Human Resources

[Staff Handbook](https://www.hr.txstate.edu/staffhandbook.html)

Keep retirement policy current in Office of the Provost and

[Faculty Handbook](https://gato-docs.its.txstate.edu/jcr%3A78db2d91-b1aa-46de-8216-baac6269e7c1/Faculty%20Handbook.pdf) Executive Vice President for Academic Affairs

Maintain current information on all Human Resources

retirement programs

Apply for ORP, if eligible Employee

Process applications for all retirement Human Resources

programs

Initiate voluntary retirement request Employee

Retirement or separation processing Department Head and

 Human Resources

Honors for retiring employees Department Head and

 University Advancement

([UPPS No. 04.04.53](https://policies.txstate.edu/university-policies/04-04-53.html), Honors

and Benefits for Retired Faculty

and Staff)

**09. REVIEWERS OF THIS UPPS**

09.01 Reviewers of this UPPS include the following:

Position Date

Associate Vice President for December 1 E4Y

Human Resources

Chair, Faculty Senate December 1 E4Y

Chair, Staff Council December 1 E4Y

**10. CERTIFICATION STATEMENT**

This UPPS has been approved by the following individuals in their official capacities and represents Texas State policy and procedure from the date of this document until superseded.

Associate Vice President for Human Resources; senior reviewer of this UPPS

Executive Vice President for Operations and Chief Financial Officer

President