

<b>Policies of the University of North Texas</b>	Chapter 5
<b>05.035 Retirement Plans and Annuities</b>	<b>Human Resources</b>

**Policy Statement.** Regular faculty and staff members of the University are required as a condition of employment to be a member of the Teacher Retirement System of Texas. An Optional Retirement Program is available for "full-time faculty", in lieu of participating in the Teacher Retirement System. Employees are also required to participate in the Old-Age and Survivor's Insurance (Social Security) Program.

**Application of Policy.**

All Faculty and Staff

**Definitions.**

None

**Procedures and Responsibilities.**

**1. Purpose:**

To provide retirement plans and annuity programs to all faculty and staff within the terms, conditions, and requirements of the appropriate State laws, regulations and acts; and the rules and regulations of the University Board of Regents.

**2. Policy:**

Regular faculty and staff members of the University are required as a condition of employment to be a member of the Teacher Retirement System of Texas<sup>1</sup>. An Optional Retirement<sup>2</sup> Program is available for "full-time faculty", in lieu of participating in the Teacher Retirement System<sup>3</sup>. Employees are also required to participate in the Old-Age and Survivor's Insurance (Social Security) Program. In addition, regular faculty and staff members eligible for participation in the Teacher Retirement System or the Optional Retirement Program are eligible to participate in the State of Texas Deferred Compensation Program<sup>4</sup>. All faculty and staff employed for twenty (20) hours per week or more (50% or more) are eligible to participate in the supplemental Tax Deferred Account Program.

**3. Teacher Retirement System (TRS):**

- 3.1.** This retirement program is administered by the Teacher Retirement System of Texas. Each individual participating in TRS is required to contribute a percentage of salary (including emoluments) as set by State law. Appropriate payroll deductions are made monthly. Also, the State of Texas contributes a percentage of salary (including emoluments) to the system.

- 3.2.** Participants are subject to all terms, conditions, and requirements of the appropriate State laws, regulations and acts, and the rules and regulations of the Texas Teacher Retirement System and the University Board of Regents.
- 3.3.** Benefits of membership in the Teacher Retirement System include:
1. Retirement Annuities which are calculated by a formula based on the member's age, total years of creditable service, and the average of the highest 3 fiscal year salaries;
  2. Disability Benefits should the member become totally and permanently disabled, based upon the length of service and the salary of the member;
  3. Survivor Benefits beginning on the first day of employment for the member's beneficiary should the member die before retirement;
  4. Guaranteed Return of Deposits with interest upon permanently terminating State employment, if requested;
  5. Credit for Special Service may be purchased to increase retirement benefits. Credit may be purchased for withdrawn service, military service or out-of-state service in public schools or colleges. Beginning September 1, 2001 a member may purchase one year of credit for 400 hours of accumulated state sick leave that is unused as of the last day of employment before retirement. Eligible members with 7 years of TRS actual membership service may also purchase up to 3 years service credit. TRS members may use payroll deductions to purchase service credit for withdrawn or special service.
  6. Deferred Retirement Option Plan (DROP) is a pre-retirement benefit provision for active employees with at least 25 years of creditable service eligible to retire with unreduced benefits. Participation is for one, two, three, four, or five years.
- 3.4.** Each member in TRS has a vested right to a retirement annuity upon completion of five (5) or more years of creditable service at age 55.
- 3.5.** Effective January 1, 1988, member contributions to the Teacher Retirement System (TRS) must be tax-sheltered. The State matching contribution to TRS is automatically tax deferred.
- 3.6.** A member who retires after 12/31/01 may be employed for one-half time (50%) or less after retirement without suspension of benefits. Beginning the fiscal year after retirement, the member may work on as much as a full-time basis for 6 consecutive months. The retiree may not have any other TRS covered employment except during the month(s) in which an exception is requested.
- 3.7** There are no restrictions related to TRS employment for individuals who retired through TRS on or before 12/31/01.

- 3.8. If a TRS participant becomes non-benefits-eligible during a fiscal year and has already earned TRS credit for that year, the employee must continue to have TRS contributions withheld from his/her paychecks through the end of the fiscal year.

#### 4. Optional Retirement Program (ORP):

- 4.1. Optional Retirement Programs in lieu of Teacher Retirement became available to eligible "full-time faculty members" on January 1, 1969. The definition of "full-time faculty" for determining eligibility in the Optional Retirement Program includes the following<sup>4</sup>:

1. "a member of the faculty whose duties include teaching or research" shall mean: all persons whose specific assignments are made for the purpose of conducting instruction or research as a principal activity (or activities), and who hold titles of professor, associate professor, assistant professor, instructor, lecturer, or equivalent faculty title;
2. "an administrator responsible for teaching and research faculty" shall mean: deans, directors, associate deans, assistant deans, chairpersons or heads of academic departments if their principal activity is planning, organizing and directing the activities of faculty as defined in subsection (1) of this section;
3. "a member of the administrative staff of the Texas Higher Education Coordinating Board" shall mean: a member of the Texas Higher Education Coordinating Board staff whose assignments would require college graduation and prior experience in higher education or experience of such kind and amounts to provide a comparable background, whose national mobility requirements are similar to those of faculty and who fills a position that is the subject of a nationwide search in the academic community;
4. "a professional librarian, a president, a chancellor, a vice-president, a vice-chancellor" shall mean: a librarian with a degree in library science, presidents, chancellors, vice-presidents, vice-chancellors, deputy chancellors, associate and assistant vice-presidents, associate and assistant vice chancellors or the equivalent; or
5. "other professional staff person..." shall mean: administrative and professional positions that are generally and customarily recruited by advertising in national publications such as the Chronicle of Higher Education or in newsletters of national professional associations or at meetings of such associations. In addition, each administrative or professional position must be at a salary rate equivalent to the rate for faculty for the institution.
  1. Administrative positions shall normally report to the office of a chancellor, president, vice- chancellor, vice-president or dean.

Incumbents in such positions serve as director or other administrative head of a major department or budget entity. Incumbents of such positions must be:

1. Appointed by the governing board or the chief administrative officer of the institution, or his/her delegate; and
  2. Responsible for the preparation and administration of the budget, policies, and programs of the department or entity.
2. Professional positions shall include positions in nationally recognized fields which require advanced degrees and/or specialized professional or artistic training, experience, and achievement. These would include titles such as physicians, athletic coaches, engineers, and lawyers.
- 4.2.** Participants are subject to all terms, conditions, and requirements of the appropriate State laws, regulations and acts, and the rules and regulations of the Texas Coordinating Board and the University Board of Regents.
- 4.3.** The percentages of both the employee's contribution and the State matching contribution to ORP are determined by the State legislature.
- 4.4.** Eligible faculty and staff members have a 90-day period from their date of eligibility to enroll in ORP. Failure to enroll in ORP within the 90-day period will result in permanent participation in TRS.
- 4.5.** Vesting of benefits occurs after one year and one day of ORP participation.
- 4.6.** Effective September 1, 1987, the employee contributions to ORP must be tax-sheltered (previously it was elective). The State matching contribution to ORP, as with TRS, is automatically tax deferred.
- 4.7.** The employee contribution to ORP is tax-deferred and is 6.65% of gross salary. The employer/State contribution to ORP is determined by the Texas State Legislature. Employees who begin participation in the Texas ORP as of September 1, 1995 or later receive an employer contribution of 6%. State employees who were ORP participants as of August 31, 1995 and September 1, 1995 with no break in service are grandfathered to receive an employer contribution of 8.5%. State employees who were ORP participants as of August 31, 1995 and later had a break in state service may, upon return to UNT employment, receive the 8.5% employer contribution. The employee and employer ORP contribution amounts are subject to change as a result of future legislation.
- 4.8.** If a vested ORP participant becomes non-benefits eligible during a fiscal year, employee and employer ORP contributions will cease until the employee becomes

benefits-eligible again. ORP participation credit is not earned for a year in which an employee does not contribute to ORP for at least the length of a full long semester or a period of 4.5 months.

#### **5. Old-Age Survivors Insurance (Social Security):**

- 5.1.** Each employee of the University, except those specifically excludable by law, is required to participate in the Old-Age and Survivors Insurance (Social Security) Program. The employee's contribution is specified by the Federal government, and an equal amount is matched by the University. From September 1, 1978, to August 31, 1995, the State of Texas paid a portion of the employee's share of the Social Security contribution up to a maximum of 5.85 percent on the first \$16,500 of the employee's salary. This particular benefit was converted to additional compensation for eligible employees and is termed "Benefit Replacement Pay" for state employees on payroll as of August 31, 1995, effective September 1, 1995.
- 5.2.** Any employee of the University desiring detailed information concerning contributions, benefits, or other information on the Social Security Program should call upon the nearest Social Security Office. Federal law prohibits release of personal information to anyone but the individual concerned. The Human Resources Department will assist any employee with obtaining information upon request.

#### **6. Tax-Deferred Account Program (TDA):**

Eligible faculty and staff employees may elect to purchase a tax-sheltered annuity or other eligible tax-deferred supplemental retirement account and thereby set aside part of their present salary, up to certain limits, without paying current income tax on that portion, pursuant to the provision of Senate Bill No. 279, 61st Legislature, Regular Session, 1969 and Section 403(b) and 415 of the Internal Revenue Code of 1985, as amended. The tax-sheltered feature available to eligible employees under section 403(b) of the Internal Revenue Code defers payment of income tax until such time as the employee begins receiving payments from his/her 403(b) tax-deferred program. Contributions made to a TDA are not available to the participant under federal law until one of the following events occurs: 1) termination of state employment, 2) retirement, 3) permanent disability, 4) death, or 5) attainment of age 59 1/2. Participation in the TDA program is voluntary.

#### **7. Deferred Compensation Plan (DCP):**

Employees of the University are eligible under State of Texas Deferred Compensation Program to withhold a portion of their earnings, thereby reducing current taxable income. Salary withheld is invested in fixed or variable annuities, savings and loan investment plans, or mutual funds as desired by the employee. Companies must be selected from a list approved by the State Comptroller. Salary withheld will be available to the employee only upon retirement, on leaving State employment, on proving financial hardship, on proving

total disability, or upon death (proceeds to the employee's estate). Participation in the DCP is voluntary.

#### **8. Retirement Plans and Tax-Deferred Account Programs Administration:**

The Human Resources Department is responsible for establishing the rules and regulations for administration of the University's retirement plans and tax-deferred account programs within the terms, conditions, and requirements of the appropriate State and Federal laws, regulations, and acts; and the rules and regulations of the University Board of Regents.

#### **References and Cross-references.**

1. TRS Laws and Rules, Section I, Statutory Provisions, Subtitle D. Teacher Retirement System of Texas, Chapter 32, Membership Subchapter A, Section 32.001 and 002; and Senate Bill No. 1301, 70th Legislature, Regular Session.
2. Texas Education Code, Chapter 51, Subchapter G. Optional Retirement system, Sections 51.351-51.358 V.A.C.S.; House Bill No. 10, 70th Legislature, Regular Session (Optional Retirement Program Eligibility).
3. Internal Revenue Code of 1954, as amended, Section 403(b) and 415; Senate Bill No. 279, 61st Legislature, Regular Session, 1969; Tex. Rev. Civ. Stat. Ann., Art. 6252-3b and Internal Revenue Code, Sec. 457.
4. Ibid., House Bill #10.

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Effective:

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\*5/11 format only