UTDBP3053 - Retirement Plans Section

Policy Statement

General Policy

Retirement is something almost everyone looks forward to, and during the course of his/her career an employee works toward making the period as financially secure as possible.

UTD and the U.T. System provide numerous plans for employees to assist them in assuring financial security during retirement. This includes the option of retaining Group Hospitalization/Medical Insurance, Group Dental, Group Vision, and Group Term Life Insurance for himself/herself and, in certain instances, his/her spouse and surviving dependent children. See Employee Insurance and Benefits Group Life Insurance (Term Life), UTBDP3052.

In many cases, employees may continue working on a part-time basis after the normal retirement age, retire earlier than the mandatory retirement age, or have his/her contributions to various programs work as investments to potentially increase the value of these contributions.

Each retirement program strives to achieve financial security through different means which are discussed in this section. Please read each plan carefully and consult any associated booklets available from the Human Resources Office. If there are any questions regarding any of the programs, contact the Human Resources Office for further information.

Regent's Rules on Retirement

It is the policy of The University of Texas System that there shall be no compulsory retirement age except as outlined below. The rules and regulations on retirement and modified service are set forth in Part One, Chapter III, Section 31 of the Rules and Regulations of the Board of Regents, and are reproduced below:

Section 31 Retirement and Modified Service

- 31.1 - No person employed by the U.T. System or any component institution shall be required to retire because of age except as permitted by law. A pilot shall not be employed beyond the end of the fiscal year that includes the pilot's sixty-fifth birthday.
- 31.2 - The Board of Regents, upon the recommendation of the appropriate Executive Vice Chancellor, Chancellor and, when appropriate, the chief administrative officer of the affected component institution, may appoint a person who has retired to modified service. Retirement is defined as withdrawal from employment with The University of Texas System or a component institution with a retirement benefit.
- 31.3 - Recommendation for, and appointment to, modified service shall be made only if the service of the individual will result in a significant benefit to the System or a particular component institution.
- 31.4 - Appointment to modified service shall be without tenure, for not more than one academic year and shall not exceed one-half time. The notice Provisions of Section 6.7 of this chapter shall not apply to non-renewal of such appointments. If the System or a component institution determines that it is to the benefit of the System or the institution, it may offer reappointment to modified service.
- 31.5 - The duties, work load, salary rate or compensation of an individual on modified service shall be in accordance with policies and procedures of The University of Texas System or the component institution.
- 31.6 - Upon recommendation of the appropriate Executive Vice Chancellor, the Chancellor and, when appropriate, the chief administrative officer of the affected component institution, the Board of Regents may, by unanimous vote of the members present, make exceptions to this Section in special cases when the Board finds that the services of a particular individual will be of unique benefit to the System or a component institution.
The System Human Resources Director and appropriate component Human Resources Officer will insure that personnel appointments are in compliance with this rule.

**Teacher Retirement System (TRS)**

**The Plan**

It is required that all part-time and full-time regular employees of UTD, except those eligible for and accepting the Optional Retirement Plan (ORP), join the Teacher Retirement System (TRS) upon appointment. This Plan, while providing a retirement income for eligible employees, also contains death and survivor benefits, disability income, and an investment program.

TRS provides that a percentage of an employee’s gross monthly salary be deducted; and the State contributes a mandated percentage. Additionally, there is an annual charge to each employee for administrative expenses.

Details of the Plan are described in the booklet “Teacher Retirement in Texas,” which is available from the Human Resources Office. It should be read carefully. If there are any questions regarding the Plan, contact the Human Resources Office.

**Benefits**

**Retirement:** Based upon the age and length of service in State employment, a retiring employee may select one of the TRS retirement annuity plans designed to provide him/her with a continued income after retirement. Members are eligible to receive these full formula benefits at:

1. Age sixty-five (65) with five (5) through nineteen (19) years of creditable service.
2. Age sixty (60) with twenty (20) or more years of creditable service.
3. Age fifty-five (55) with thirty (30) or more years of creditable service.

Reduced formula benefits may be elected by employees at:

1. Age fifty-five (55) with at least five (5) years of creditable service.
2. Any age below fifty-five (55) with thirty (30) years of creditable service.

**Death of Retired Employees:** Upon death of a retired employee, the beneficiary will receive a lump sum payment and payments due from the annuity option selected earlier by the retired employee or, if the Standard Annuity Plan was selected, any deposits and interest remaining in the deceased member's account that were not paid out before death.

**Death of an Employee Before Retirement Age:** Upon the death of a member employee before his/her retirement age, the designated beneficiary will receive one (1) of a variety of payment plans as described in the Teacher Retirement System booklet available in the Human Resources Office.

**Disability:** An employee may apply for disability retirement if he/she becomes totally and permanently disabled prior to reaching the age to apply for full formula benefits. Monthly payments are based upon length of service with the State.

**Credit for Special Service**

Provisions for special service such as military, withdrawn, and out-of-state are described in the booklet. Each eligible type of special service has conditions which should be investigated, if applicable, since certain TRS benefits increase with additional years of service.

**Termination of Membership**
An employee who permanently terminates employment with the State may withdraw his/her contributions to the TRS, with interest, but not the annual administrative fee. An employee with at least five (5) years of state service has a vested right to TRS retirement benefits upon reaching retirement age if he/she leaves state employment and does not withdraw his/her contributions to the TRS.

**Optional Retirement Program (ORP)**

**The Plan**

This voluntary retirement program is available to eligible "faculty members" (appointed September 2, 1968 and subsequent) who do not elect to join the Teacher Retirement System (TRS). If this program is not selected within the first ninety (90) days of employment, the employee will automatically be placed in the Teacher Retirement Program.

ORP provides that a percentage of an employee's salary be deducted from his/her salary, and the State contributes a percentage. This total amount, comprising over 15% of an employee's basic salary, is sent to an approved carrier of the employee's choice.

In ORP, there is a vesting period of one (1) year and one (1) day, deferred tax status and annuity payment benefits. Insurance protection such as death, survivor and disability benefits, are not included in ORP. Additionally, the employee may elect to have his/her contribution put into a variety of investment and savings programs. Contact the Human Resources Office for a list of approved carriers. Application blanks of authorized carriers will not be furnished by Human Resources. An employee wishing to participate in the ORP must contact the carrier of his/her choice for an application form.

**Eligibility to Participate**

The following employees are eligible to participate in the ORP and are deemed "faculty members" only for purposes of the ORP:

1. Full-time faculty appointed at least four and one-half (4 1/2) months.
2. Certain full-time Administrative and Professional employees and research employees appointed for at least four and one-half (4 1/2) months, excluding any employee within the Classified Service.
3. A person employed full-time as a "faculty member" if he/she remains employed for four and one-half (4 1/2) months or longer from the initial appointment date as a "faculty member" even though initial appointment period was for less than four and one-half (4 1/2) months.
4. A full-time employee who entered ORP as a "faculty member" and is subsequently made a part-time employee.

**Election to Participate**

A new "faculty member" will be placed in TRS until he/she elects to participate in ORP within ninety (90) days of the date of appointment. Once this ninety (90) day period has expired, the "faculty member" will no longer be eligible to participate in ORP and will automatically become a member of TRS. If the "faculty member" elects to participate in ORP, a refund will be made by TRS for the amount contributed, if any, except for the annual membership fee which covers administrative expenses.

In order to elect ORP, a "faculty member" must complete the appropriate forms which are available in Human Resources.

**Effective Date of Participation**

Eligible employees appointed September 1, 1968 and prior should have elected participation in ORP not later than August 1, 1969. If this election was not exercised, then that employee is a member of TRS and may not join ORP.
Eligible employees appointed September, 1968, and subsequently, have ninety (90) days to elect participation in ORP. If this election is or was not exercised, the employee will automatically be considered a member of TRS and cannot join ORP.

The cutoff date for processing an employee’s election to join ORP is the last working day of a month and will be effective the first of the following month.

**Social Security (Old Age and Survivor’s and Disability Insurance)**

**The Program**

All employees, including part-time student employees (excepting non-citizens on temporary visas), are required by federal and state law to participate in this program which can provide retirement, disability, and survivor benefits. Retiring employees should contact the local Dallas Social Security Administration Office three (3) to four (4) months prior to their actual date of retirement to ensure proper receipt of benefits. Instructions will be given for filing application, which must be accompanied by a birth certificate or other proof of age.

The Payroll Office in Finance is responsible for deducting the amount of Social Security Tax prescribed by federal law from an employee's wages; therefore, the employees need not be concerned about any premium payments.

Questions regarding this program should be directed to either the Human Resources Office of the local Social Security Administration Office.

**Benefits**

Retirement: Any fully insured employee may retire at age sixty-two (62) with partial retirement benefits or age sixty-five (65) with full retirement benefits.

Disability: If an employee becomes totally disabled before age sixty-five (65), he/she is entitled to a disability income which is generally the same as age sixty-five (65) retirement benefits.

Survivor: Survivor benefits are payable to a dependent spouse and/or children. In addition, a lump sum death benefit is also payable.

Any faculty member who has reached age sixty-two (62) and teaches for only nine (9) months of the year may draw Social Security during the summer months, regardless of the amount of wages he/she is paid for the nine (9) month session. Even though the faculty member has elected to be paid over a twelve (12) month period for teaching nine (9) months, this does not affect the above benefit payments.

**Tax-Deferred Annuities**

To further supplement retirement income, any regular employee may elect to participate in this program where he/she enters into an agreement with the University and designates a portion of his/her monthly salary to be used by UTD to purchase an annuity for the employee from an approved, Texas licensed company selected by the employee. Once this agreement is made, it cannot be revoked for at least one year.

The payroll deduction method will be used to extract monies from the employee's wages which will be forwarded to the selected insurance company.

Questions regarding this program should be directed to the Human Resources Office, which will make arrangements to implement this program if desired. A computed Maximum Exclusion Allowance (MEA) determines each employee's maximum calendar-year contribution.
Deferred Compensation Program

The Program

This program is not designed to replace an employee’s present retirement plan, but rather it is intended to be a supplement to it. Any regular UTD employee may participate in this program, the object of which is to allow tax deferment on present earnings (which would normally be taxed) into the future, usually at retirement when it is possible to be in a lower tax bracket. Details of this program are available through the Human Resources Office.

Benefits

Two potential benefits arising from the program are:

1. An employee immediately excludes from taxable income that portion of his/her present salary which is contributed to the program, and
2. Contributions to the program, and returns on these contributions, can accumulate on a tax-deferred basis. That is, no money earned within the program is subject to current income tax, if kept in the program.

Four (4) “funding products” may be elected by an employee in which deferred income may be invested and include:

1. Life Insurance Policy,
2. Fixed Annuity Contract,
3. Variable Annuity Contract, and

Eligibility to Participate

Though all regular UTD employees are eligible to participate, this program should be considered only by those who have adequate current income to provide for all necessities, have funds set aside for emergencies, and are not heavily indebted. As a guide, an interested employee should investigate the program if:

1. He/she feels that current income taxes are excessive,
2. A family has more than one income,
3. He/she is single and wishes to reduce current income taxes,
4. He/she does not have adequate life insurance,
5. He/she has adequate life insurance but is interested in accumulating additional retirement income, or
6. He/she is currently investing "after-tax" money.

Disposition of Funds

Contributions to the program may be withdrawn upon the occurrence of one of the following:

1. Death of the employee,
2. Retirement,
3. Approval of a claim for total disability,
4. Approval of a claim for financial hardship, or
5. Termination of employment.

Other Considerations

Certain charges are assessed each type of "funding product" and should be considered and weighed against benefits of the program.

An employee should be aware of:
1. The net amount of periodic charges, after deductions, for initial overhead expenses,
2. Expense charges made against any assets and earnings the program may gain, and
3. Tax and other guarantees included in the contract.

Policy History

• Issued: 1998-06-01

Policy Links

• Permalink for this policy: http://policy.utdallas.edu/utdbp3053
• Link to PDF version: http://policy.utdallas.edu/pdf/utdbp3053
• Link to printable version: http://policy.utdallas.edu/print/utdbp3053