

STANDARD ADMINISTRATIVE PROCEDURE

31.02.08.M0.03 Optional Retirement Program

Approved July 16, 1996

Revised February 19, 2010

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Reason for Standard Administrative Procedure

This SAP provides guidance on eligibility, responsibilities, and description of the Optional Retirement Program at Texas A&M University. For purposes of this procedure, the reference to Human Resources means the responsible Human Resources (HR) office for Texas A&M University entities. Human Resources and Organizational Effectiveness (HROE) is the responsible HR office for the main campus and branch campus Texas A&M Qatar. The HR office at branch campus Texas A&M University Galveston (TAMUG) is the responsible HR office for TAMUG. Health Science Center (HSC) Human Resources is the responsible unit for HSC colleges and divisions, under the direction of HROE.

Procedures and Responsibilities

1. RESPONSIBILITIES

- 1.1. ORP-eligible employees may elect to participate in the Optional Retirement Program as an alternative to the Teacher Retirement System (TRS). Employees have the responsibility through the onboarding steps in Workday to disclose prior ORP participation, vesting or a previous one-time irrevocable choice to enroll in ORP. Employees eligible to elect ORP have the responsibility to complete the required enrollment steps within the 90-day election period from the date of hire or eligibility.
- 1.2. Human Resources will notify each newly-eligible employee of Texas A&M University that he or she is eligible for the program. Information may also be provided by the departmental HR Liaison, through the new employee benefits orientation and Workday onboarding tasks.
- 1.3. Departmental Human Resources liaisons, Human Resources, and Payroll Services employees are prohibited from advising employees on investment vendor selections and

the associated investment contracts. These selections are the sole responsibility of the employee.

2. CONTRIBUTIONS

- 2.1. Both the employee and the University (employer) contribute a percentage of the employee's total compensation to the Optional Retirement Program (ORP). Percentages for both the employee and employer contributions are set by the Texas State Legislature. Employee contributions are automatically deducted from payroll on a tax-deferred basis and forwarded with the employer contribution to the vendor chosen by the employee from the approved vendor options in Workday. If a prior ORP participant is hired and does not choose a vendor from the approved vendor list, the contributions deducted will be deposited with the default vendor.

3. WITHDRAWAL OF TEACHER RETIREMENT SYSTEM CONTRIBUTIONS

- 3.1. An employee who has been participating in the Teacher Retirement System of Texas (TRS) and then elects to participate in ORP is allowed to withdraw only the contributions the employee made to the Teacher Retirement System (TRS) plus any accrued interest. Money refunded by TRS to ORP participants is subject to the normal withholding taxes required by the IRS plus a 10 percent penalty if the employee is under age 59, unless the money is transferred directly to an Individual Retirement Account or other eligible voluntary retirement account. This money is in no way restricted as to its use by the employee, except that such funds may not be transferred to the ORP. To effect a withdrawal of TRS deposits, a Notice of Election to Participate in the ORP and/or Refund Form TRS 28 must be completed and submitted to Human Resources.

4. INVESTMENTS

- 4.1. An eligible employee may select investment contracts that qualify under Section 403(b) of the Internal Revenue Code from a list of authorized active vendors. The employee's selection, however, must be limited to one company. Selection of the vendor and the investment contract is the responsibility of the employee.
- 4.2. The effective date of an employee's contract will be the first day of the month after the election is made, provided all necessary and properly executed forms are received by the appropriate office and Workday tasks are submitted on or before the first day of the month in which eligibility occurs. Otherwise, the effective date will be the first day of the subsequent month. All forms must be signed and dated before the effective date of enrollment.
- 4.3. ORP participants are permitted to change vendors for future contributions; transfer all or part of their ORP account to another approved vendor; or a combination of both. To change vendors, the participant must submit the change in Workday.
- 4.4. A non-taxable transfer of accumulated deposits to another approved vendor is permitted. System ORP and/or TDA Transfer Verification Form HR 16 must be completed and

submitted to Human Resources. Human Resources reviews and provides the completed form to the approved company, who must execute the transfer of funds properly to avoid tax liabilities for the employee.

5. TAX DEFERRED STATUS UNDER OPTIONAL RETIREMENT PROGRAM

- 5.1. As required by state law, ORP participants must enter into salary reduction agreements with Texas A&M University. By doing so, employees defer payment of the Federal income tax on ORP contributions. Such tax deferment is subject to all terms, conditions, and requirements of the Internal Revenue Code. The state contributions are also automatically tax deferred.

6. VESTING

- 6.1. Benefits provided by the contracts issued under the Optional Retirement Program vest on the participant's first day of employment after one year of continuous participation in the program. Participation means making regular ORP contributions through payroll deduction and is determined by ORP election date and not date of hire in ORP eligible position.
- 6.2. For vesting purposes, time during which nine and ten-and-one-half month employees are not budgeted will be counted as participation time. Leave without pay, not to exceed three months, will also be counted as participation time for vesting purposes. In no case, however, will the contractual benefits be considered vested unless the employee is on the payroll for at least one day after completion of one year's participation in the Optional Retirement Program.

7. WITHDRAWAL OF ORP ACCOUNTS UPON TERMINATION

- 7.1. Once an employee has vested in Texas ORP, all benefits provided by the contract are the sole non-forfeitable possession of the individual. In the event the individual has not met the vesting requirements, the vendor is required by law to return the full University contribution to the University and return the balance of the contract value to the individual.
- 7.2. Upon termination of employment with the University where further employment with a State-supported institution of higher education is not contemplated as the ensuing employment, individuals may elect to surrender their ORP accounts. Individuals who wish to surrender their contracts must complete an ORP Notification of Change in Employment Status Form HR15 and submit it to the Human Resources Office for certification and subsequent transmittal to the vendor.

8. BENEFITS

- 8.1. Plan benefits are available only upon termination of employment in the Texas public institutions of higher education, retirement, death, or termination of employment due to total disability. ORP funds may be accessed while still employed if the participant reaches the age for required minimum distributions under Internal Revenue Service requirements.

Related Statutes Policies and Regulations

Policy 31.02: *Employee Insurance and Retirement Benefits*

<https://policies.tamus.edu/31-02.pdf>

Regulation 31.02.08: *Retirement Programs*

<http://policies.tamus.edu/31-02-08.pdf>

Contact Office

For more information on membership eligibility or clarification on this SAP, contact [Human Resources Benefit Services](#) at (979) 845-1718, or by email at benefits@tamu.edu.

OFFICE OF RESPONSIBILITY [Human Resources](#)