

OPTIONAL RETIREMENT PROGRAM (ORP)

(Administrative and Instructional Personnel Only)

Availability Date

The Board of Trustees of Temple College has made the Optional Retirement Program (ORP) available to all eligible employees, in accordance with Senate Bill 292, Chapter 729, Acts of the 60th Legislature, Regular Session, 1967, as in effect on April 26, 1969, or as amended after such date. Election to participate in the ORP is in lieu of membership in the Teacher Retirement System. A plan outlining ORP and TSA information is located in the HR Office. A deduction will be made each month at the established rate of gross earnings.

Authorized Companies

The Temple College Board of Trustees has authorized specific insurance carriers or investment companies qualified to do business in Texas to offer fixed dollar and/or variable dollar annuities to eligible employees of Temple College under the Optional Retirement Program. Any company so authorized, after clearing with the AVP, Resource Management, may contact qualified employees about its plan.

Each eligible employee may participate in the Optional Retirement Program with only one company.

Contact HR for a list of companies authorized for the Optional Retirement Program.

Types of Annuity Contracts Available

Each eligible employee may select either group or individual fixed and/or variable dollar annuities.

Sources of Information

Companies represented by agents will supply information and service for College employees.

Delivery and Acceptance of Completed Applications and Forms

After obtaining the required Salary Reduction Notice to apply for Optional Retirement Program coverage, the employee and/or agent must complete and return them to the Office of Human Resources for acceptance and approval.

The effective date of an Optional Retirement Program participant's contract or certificate will be the first day of the month in which election is made provided all necessary and properly executed forms are received by the payroll office by the 20th day of the month

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in which eligibility occurs. Otherwise, the effective date will be the first day of the subsequent month.

Eligibility for Optional Retirement Program (ORP) Participation

A. General:

Any person employed by the College on a full-time basis, as a member of the faculty or staff, and whose duties include teaching, research, administration (including professional librarians) as defined in Chapter 25 of the Rules and Regulations of the Texas Higher Education Coordinating Board; except, however, that no person who is included in the classified personnel system is eligible.

Employment "on a full-time basis" may not be defined to mean "employment for one-half or more of the standard workload" for determining initial eligibility for participation in the Optional Retirement Program.

B. Further Definition of ORP Eligibility

1. Subject to the requirement of (2), immediately below, eligible personnel appointed after May 1, 1969, are allowed 30 days following date of employment to elect participation in the Optional Retirement Program in lieu of membership in the Teacher Retirement System. However, employees who do not elect ORP participation on the effective date of employment are required to become members of TRS on such effective date.

If employees have not elected to participate in ORP prior to the expiration of 30 days after appointment, they shall be deemed to have chosen to continue membership in TRS for the remainder of their employment in Texas higher education, as required by law. If new employees previously were eligible for ORP at any other Texas State supported institution of higher education and did not elect ORP at that time, they must remain in TRS while employed at Temple College.

It is the sole responsibility of employees to elect their retirement program and have all appropriate forms completed within the 30-day period.

2. Full-time eligible personnel appointed after May 1, 1969, who were participants in ORP at another Texas state supported institution of higher education, without interruption by a period of employment in the Texas Public School System (other than in a Texas state supported institution of higher education), are required to continue participation in ORP effective on the date of employment by Temple College. House Bill 1633, effective June 14, 1973, states in substance that when ORP participants transfer to Temple College, they may continue their contributions to their present ORP carrier. Temple

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College will accept any transferred carrier; however, such company cannot solicit new business within the College until such time as the company agrees to comply with the College ORP rules and is subsequently approved to do so by the College.

3. Personnel who elect ORP while budgeted at 100% time and are temporarily reduced to no less than 50% time will continue to participate in ORP.

Contributions to ORP

Present law requires that the total salary per fiscal year of an ORP participant be subject to a deduction at the established rate. The established contribution rate may fluctuate over time.

Vesting

- A. Attorney General Opinion No. M-420, dated June 18, 1969, states in substance that benefits provided by the annuity contracts issued under the Optional Retirement Program are vested on the participant's first day of employment after one year's continuous participation in the program as an employee of Temple College. However, the participation may be with more than one company approved by the governing board.
- B. For vesting purposes, time during which 9 and 10½ month employees are not budgeted will be counted as ORP participation time. Leaves without pay, not to exceed three months, will also be counted as ORP participation time for vesting purposes. In no case, however, will the annuity contractual benefits be considered vested unless the employee is on the payroll for at least one day after the completion of one year of participation in ORP, as stated in "A" above.
- C. House Bill 1633, effective June 14, 1973, stipulates that Optional Retirement Program annuity contracts cannot permit surrender for cash, pledging as collateral for a loan, transfer, or sale while the participant is an employee of a Texas state supported institution of higher education.
- D. Effective June 15, 1971, Senate Bill 421 provides that the Optional Retirement Program vesting requirement may be accomplished in one or more plans and in one or more Texas state supported institutions of higher education.
- E. Attorney General Opinion No. H-99, dated September 12, 1973, states in substance that once an employee meets the vesting requirement, as described in part "D" above, all future contributions made by the same employee vest although made through different state supported institutions of higher education.

Tax Status of Contribution

Temple College assumes no responsibility for tax treatment of employee or State matching contributions to the Optional Retirement Program. Employees should seek whatever private tax advice they deem necessary in relation to ORP.

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- A. Effective September 1, 1969, Senate Bill 279 authorized employees participating in the Optional Retirement Program to enter into a salary reduction agreement on an elective basis. The intent of this agreement is to defer payment of income tax on the employee contributions to the ORP. Such tax deferral is subject to all terms, conditions, and requirements of Article 403b of the Internal Revenue Code. This tax deferral may be accomplished by the employee voluntarily entering into a salary reduction agreement with the College.
- B. The State contributions to ORP are automatically tax deferred. The resulting income tax status of the State dollars for ORP is the same as that applied to State contributions made on behalf of members of TRS.
- C. Tax deferral of contributions made under ORP will not normally jeopardize the maximum "exclusion allowance" set out in Section 403b of the Internal Revenue Code. However, should the ORP participant desire to participate in the Temple College voluntary "Tax Sheltered Annuity" program in addition to ORP, the "exclusion allowance" is affected and consultation with a qualified tax advisor is recommended. In any case, a written calculation of the maximum exclusion allowance must accompany each request for a Tax Sheltered Annuity.

Election of ORP is Irrevocable

Eligible employees exercising their option to participate in the Optional Retirement Program are not thereafter eligible for membership in the Teacher Retirement System unless they cease to be employed by a Texas state supported institution of higher education and become employed by the Texas Public School System, other than by a Texas state supported institution of higher education, or as previously stated in Attorney General Opinion #M-647.

Change of Companies

Employees may change from one authorized ORP company to another authorized company one time during each calendar year (before monthly payroll preparation) provided no cash is made available to the participant as a result of the change. In such situations, employees may accept a paid-up deferred annuity from their previous carrier, with restriction by the carrier that no loan or surrender for cash will be permitted prior to permanent termination of employment by any Texas state-supported institution of higher education. In lieu of electing a paid-up deferred annuity, employees may elect a transfer of funds from the old carrier to the new carrier.

Procedure to Follow Upon Termination of Employment

When ORP participants terminate employment with Temple College, they must contact their ORP agent or carrier.

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