

UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM

SECTION: Human Resources

NUMBER: 02.C.05

AREA: Fringe Benefits

SUBJECT: Mandatory Retirement Programs

1. PURPOSE

All regular employees of the University of Houston System are required, as a condition of employment, to participate in the Teacher Retirement System (TRS), unless they qualify for and elect to participate in the Optional Retirement Program (ORP). Eligibility and other provisions for both TRS and ORP are presented in this administrative memorandum.

2. TEACHER RETIREMENT SYSTEM (TRS)

- 2.1. For the purpose of membership, Teacher Retirement System (TRS) defines a “regular” employee as one who is budgeted by name for 50% or more time for a period of at least four and one-half continuous months, or for a semester of more than four months, excluding students employed in positions for which student status is a condition for employment.
- 2.2. TRS is a defined-benefit plan which provides three basic benefits to employees participating in the program: retirement benefits, disability benefits, and survivor and death benefits, based on length of service and salary level. Detailed descriptions of these benefits, including payment options, are provided in the booklets and brochures published by TRS, and may be obtained from the TRS Web site at <https://www.trs.texas.gov/Pages/Homepage.aspxwww.trs.state.tx.us>.
- 2.3. The State provides, through the System, a contribution to the employee’s TRS plan which is equal to a percentage of the employee’s gross salary as determined by state regulations.
- 2.4. An employee participating in TRS is required to contribute a percentage of the gross salary to their TRS account as prescribed by State regulations. The employee’s contributions are tax-deferred.
- 2.5. Benefits of TRS become available only upon death, retirement, or termination of employment in all state institutions of higher education in Texas or public school districts in Texas.

2.6. The [component](#) university human resources department is responsible for administering the policies and guidelines of the TRS program at the System and serving as the liaison with TRS. Questions regarding TRS should be directed to the [component](#) university human resources department or directly to TRS.

3. OPTIONAL RETIREMENT PROGRAM (ORP)

3.1. For purposes of initial eligibility in ORP, a regular full time employee is defined as one who is employed at 100 percent time (1.00 FTE) for at least four and one-half continuous months or for a semester of more than four months, excluding students employed in positions which require student status as a condition of employment.

3.2. Participation in the Optional Retirement Program (ORP) is authorized under specific conditions. The Optional Retirement Program is available for full-time faculty and designated executive management, professional, and administrative employees, in lieu of active membership in the Teacher Retirement System of Texas (TRS).

3.3. To ensure that all employees who become eligible to select ORP in lieu of TRS are provided uniform and unbiased information on which to base their decision, the System shall, on or before commencement of the 90-day period allotted for such a decision, provide such employees with written introductory information about ORP provided by the [Texas Higher Education Coordinating Board](#).

3.4. An ORP participating employee must elect the carrier and the product for investment from a list of carriers authorized by the System and may select from a variety of fixed annuity, variable annuity, or mutual fund accounts. All employee contributions to ORP must be made on a pre-tax basis under Section 403(b) of the [Internal Revenue Code](#) as amended by the [Tax Reform Act of 1986](#).

3.5. An employee MUST exercise an option to participate in ORP within 90 days following the first date of employment in the ORP-eligible position. If this election is not made on or before the first day of employment, the new employee will automatically be enrolled in TRS with the right to change to ORP within 90 days and apply for a refund of the employee's TRS contributions. Any eligible employee not exercising the option to participate in ORP during the 90 day period is thereafter required to continue membership in TRS for the remainder of his or her employment in Texas public higher education.

3.6. A participant's ORP will be effective the first day of the month coinciding with, or following the date on which election to participate is made, provided all necessary and properly executed forms are received in the [component](#) university human resources department by the first day of the month. The effective date of coverage for forms received after the first day of the month will be the first day of the following month.

- 3.7. ORP retirees as defined in this administrative memorandum who later return to employment in Texas public institutions of higher education are not eligible to have further ORP contributions made to their ORP account. ORP retirees as defined in this administrative memorandum who enrolled in retiree health insurance on or before June 1, 1997 are exempt from this restriction on contributions.
- 3.8. An employee electing to participate in ORP is required to contribute a percentage of their gross salary to the retirement account. These contributions must be handled through a salary reduction agreement which will make such contributions tax deferred.
- 3.9. The State contribution rate for TRS and ORP is established in the General Appropriations Act. For employees who were ORP participants and were on the payroll on August 31, 1995 and September 1, 1995, the State of Texas and the University of Houston System elected to supplement this amount to a total contribution level of 8.5 percent, regardless of the source of funds from which the employee was paid. The State of Texas supplemental and employee contributions are subject to change with each biennial General Appropriations Act.
- 3.10. The component university human resources department is responsible for administering the policies and guidelines of the ORP program at the System, and serving as liaison with the ORP. Questions regarding ORP should be directed to the component-university human resources department.

4. REVIEW AND RESPONSIBILITIES

Responsible Parties: ~~Senior Associate~~ Vice Chancellor for Administration and Finance

Review: Every five years, on or before March 1

5. APPROVAL

Approved: Carl P. Carlucci
~~Executive Senior~~ Vice Chancellor for Administration and Finance

Renu Khator
Chancellor

Date: June 9, 2009

REVISION LOG

<u>Revision Number</u>	<u>Approval Date</u>	<u>Description of Changes</u>
<u>1</u>	<u>06/09/2009</u>	<u>Initial edition</u>
<u>2</u>	<u>TBD</u>	<u>Applied revised SAM template and added new Revision Log. Updated titles and links as applicable. Removed “component” throughout text. Changed responsible party from Associate Vice Chancellor for Finance to Senior Vice Chancellor for Administration and Finance</u>