

5.01.03.03 Retirement Plans



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Policy/Guideline Area

Personnel Policies

Applicable Divisions

Community Colleges, System Office

Purpose

The purpose of this policy is to communicate the state-supported retirement programs available to employees of the Tennessee Board of Regents.

Policy/Guideline

- I. Introduction
 - A. The Tennessee Board of Regents offers two state-supported retirement programs. The primary program, the Tennessee Consolidated Retirement System (TCRS), is open to all employees of the State of Tennessee and regular non-exempt Tennessee Board of Regents employees are provided benefits under this program. The secondary program, the Optional Retirement Program (ORP), is open to regular faculty and exempt staff employees. In addition, visiting lecturers are eligible to participate in the ORP. Regular faculty and exempt staff employees may choose to enroll in either the TCRS or the ORP.
 - B. Both retirement programs, the TCRS and the ORP, have a Legacy Plan and a Hybrid Plan and eligibility is based on date of hire. Employees hired on or before June 30, 2014 are eligible to participate in the Legacy Plan, which is a non-contributory plan. Employees hired on July 1, 2014 or later are eligible to participate in the Hybrid Plan, which is a contributory plan.

- C. All rights to retirement plan benefits for employees of the Tennessee Board of Regents are governed by the laws and regulations established by the State of Tennessee and/or the federal government. For employees participating in the ORP, employee rights to plan benefits also are governed by the ORP vendors' regulations and the contract between the employee and the ORP vendor(s).

II. Eligibility

- A. All regular full-time employees of the Tennessee Board of Regents and of institutions governed by the Tennessee Board of Regents shall be members of a state-supported retirement plan as a condition of employment, subject to eligibility provisions.
- B. For regular part-time employees, membership in a state-supported retirement plan is optional.
- C. Employees must continue to participate in a retirement plan as long as they remain in a regular status (breaks in service, other than terminations, do not affect eligibility for participation).
- D. The following is a non-inclusive list of employees not eligible to participate in a state-supported retirement plan:
 - 1. Students
 - 2. Temporary employees
 - 3. Medical residents
 - 4. Interns and externs
 - 5. Non-U.S. citizens who do not pay Social Security or Medicare taxes

III. Electing a Retirement Plan

- A. An eligible employee who is not a member of the TCRS and has not accumulated creditable service thereunder as a member of a local retirement fund having rights under the TCRS, may elect membership in either the TCRS or ORP.

B. An eligible employee who is a member of the TCRS or of a local retirement fund having rights under the TCRS, and who is otherwise eligible to join the ORP, may elect to participate in the ORP in lieu of continuing contributions to and accumulating creditable service in the TCRS while employed at an institution with an ORP.

1. Any employee who elects to cease membership in the TCRS and commence membership in the ORP are subject to the Transfer process in Section V. of this policy, which includes submitting written notice using the Election to Transfer Membership from TCRS to ORP form available at  <http://www.treasury.state.tn.us/orp/PDFs/Forms/tr0275.pdf>
2. As stated on the form, an employee who transfers membership from the TCRS to the ORP will thereafter be ineligible to accumulate creditable service in the TCRS during such period or periods as they are employed by an institution with an ORP.

C. The Notice of Election to Participate in the ORP or TCRS form shall be used by employees in designating an election. The completed form shall be kept on file by the institution's Human Resources Department.

1. If no election is made the employee shall be deemed to have elected the TCRS.
2. Employees electing the ORP must complete the ORP Premium Distribution Specification Form and the application material for the selected vendor(s).

IV. Contributions

A. Employees hired on or before June 30, 2014

1. For employees participating in the TCRS, employer contributions are calculated on the employee's eligible compensation amount and paid at the rate determined on a biennial basis by the actuary. Shortly after each

valuation, the TCRS will notify each institution of its new employer contribution rate and effective date.

2. For employees participating in the ORP, employer contributions will be paid at 10% of eligible compensation up to the social security wage base and 11% of eligible compensation above the social security wage base.
- B. Employees hired on or after July 1, 2014
1. For employees participating in the TCRS, employer contributions are calculated on the employee's eligible compensation amount and paid to a defined benefit plan and 5% to a defined contribution plan. The employer contribution is determined by the actuary and subject to change. The mandatory employee contribution is 5% and paid to a defined benefit plan. Employees will also be auto-enrolled into the 401(k) plan at a contribution rate of 2%. The employee may opt out of the auto-enrolled 401(k) within 30 days of notification of enrollment from the 401(k) vendor. The employee may also change the 401(k) contribution amount at any time. Employees shall receive up to a \$50 per month match in the 401(k) if enrolled.
 2. For employees participating in the ORP, employer contributions will be paid at 9% of compensation and the mandatory employee contribution will be 5%. Employees will also be auto-enrolled into the 401(k) plan at a contribution rate of 2%. The employee may opt out of the auto-enrolled 401(k) within 30 days of notification of enrollment from the 401(k) vendor. The employee may also change the 401(k) contribution amount at any time. Employees shall receive up to a \$50 per month match in the 401(k) if enrolled.
 - a. For employees hired after July 1, 1996, the annual limit for employer contributions to either retirement program (TCRS or ORP) made on behalf of employees will be subject to applicable federal and state

limits. Additionally, for employees participating in the ORP, there is also an annual aggregate contribution limit for contributions to the ORP and all other tax deferred programs. This limit is defined on an annual basis by the IRS.

V. Transfers

A. Transfers from the TCRS to the ORP

1. Effective April 4, 2001, TCA § 8-35-403 was amended to permit an employee who is eligible to participate in the ORP but who elected to participate in the TCRS to transfer membership from the TCRS to the ORP. The change will be effective the first day of the month following thirty (30) days written notice to TCRS and the employee's institution.
2. Any employee who elects to transfer funds in the ORP must execute the Election to Transfer Funds from TCRS to ORP form at least 30 days prior to the payroll date in which the change is to be effective.
3. Employees hired on or after July 1, 1981 through June 30, 2014 are non-contributory members. Contributions made by the employer are not transferable. Employees executing this action will transfer membership only since all contributions were made by the employer.
4. Employees hired prior to July 1, 1981 (when contributions to the TCRS were paid jointly by the institution and the employee) will transfer all employee contributions to the TCRS plus that portion of the employer's contribution made on behalf of the employee after July 1, 1981, plus any accrued interest are fully transferable to the ORP. Only contributions made by the employee (through payroll deduction) or contributions made by the employer on behalf of the employee under the non-contributory plan are transferable. Such transfer of contributions constitutes a termination of membership in TCRS and a waiver of all rights and benefits under TCRS.

5. Employees hired after July 1, 2014 (when contributions to the TCRS are paid jointly by the institution and the employee) will transfer all employee contributions made to the TCRS. Contributions made by the employer are not transferable.
 6. Employees reclassified from a non-exempt to an exempt position may redirect contributions from the TCRS to the ORP.
 - a. Employees with a hire date after July 1, 1981 through June 30, 2014 will transfer membership only. Employer contributions are non-transferable.
 - b. Employees with a hire date prior to July 1, 1981 or after July 1, 2014 will transfer all employee contributions plus any accrued interest to the ORP. Employer contributions are non-transferable.
- B. Transfers from the ORP to the TCRS
1. Employees hired prior to January 1, 2005 were given a one-time opportunity to transfer membership from the ORP to the TCRS.
 2. ORP members (hired after January 1, 2005) with five (5) years of full-time equivalent creditable service have a one-time transfer option to change from ORP to TCRS. The cost to change is an actuarially determined contributions percentage plus 7.5%.
 3. This election to transfer from the ORP to the TCRS must be made and filed not later than the end of the calendar year following the year that five (5) years of service is achieved.
- C. Transfers within the ORP
1. Employees who participate in the ORP may direct employer contributions made on their behalf to one or more of the vendors designated to provide annuity contracts under the State of Tennessee ORP.

2. Once funds are on deposit with a designated company, the participant may move those funds among the different investment accounts within the ORP vendor. The participant may authorize such internal transfers by telephone or via the vendor's website.

D. Vesting and Creditable Service

1. Employees who are enrolled in the TCRS must accrue five years of full-time equivalent retirement creditable service to be vested and receive a service retirement benefit. Five years of full-time equivalent retirement creditable service must also be accrued to be eligible for ordinary disability retirement under the TCRS. No specific amount of creditable service is required for accidental disability under these plans.
2. ORP benefits are vested immediately, and lifetime distributions may be started at any time after separation, subject to IRS regulations.

E. Breaks in Service

1. Returning employees with an original hire date prior to July 1, 2014 have the following options available:
 - a. Employees vested in the Legacy Plan (non-contributory) with a break in service may return to the Legacy Plan upon re-employment.
 - b. Employees not vested in the Legacy Plan (non-contributory) with a break in service of less than seven (7) years may return to the Legacy Plan upon re-employment.
 - c. Employees not vested in the Legacy Plan (non-contributory) with a break in service of seven (7) or more years must enroll in the Hybrid Plan (contributory).

F. Eligibility to Retire

1. Employees hired on or before June 30, 2014 and enrolled in the TCRS or the ORP Legacy Plan.

- a. For employees participating in the TCRS, the following apply:
 - (1) Service retirement – Age 60 and vested or 30 years of service.
 - (2) Early retirement – Age 55 and vested or 25 years of service.
 - b. For employees participating in the ORP, the following applies:
 - (1) Benefits are vested immediately and lifetime distributions may be started at any time after separation from service, subject to IRS regulations.
2. Employees hired on or after July 1, 2014 and enrolled in the TCRS or ORP Hybrid Plan.
- a. For employees participating in the TCRS, the following apply:
 - (1) Service retirement – Age 65 and vested or Rule of 90 (age and service years total 90).
 - (2) Early retirement – Age 55 and vested.
 - b. For employees participating in the ORP, the following applies:
 - (1) Benefits are vested immediately and lifetime distributions may be started at any time after separation from service, subject to IRS regulations.
 - c. There is no mandatory retirement age for employees. The effective date of retirement for all employees, including faculty, is usually the day following the last day in an active pay status. Retirement dates for persons with academic year appointments will be generally December 31, May 31, June 30, or July 31; generally flex-year appointments end July 31. For persons teaching summer school, retirement will be delayed until the end of the month following completion of the assigned summer term.
3. Separation from Service Prior to Retirement
- a. TCRS

- (1) For TCRS members who separate from service prior to retirement, the following options are available:
 - (a) Employees who separate and accept employment at another state agency shall have membership and contributions continued at the new agency.
 - (b) Employees who have achieved vested service may leave funds intact until a benefit is requested at retirement.
 - (c) Employees, upon separation from service, may apply for a refund of their accumulated employee contributions and interest. Employer contributions to the defined benefit portion of the Hybrid Plan are not refundable. By obtaining a refund, he or she gives up TCRS membership and all rights and benefits in the retirement system.

b. ORP

- (1) For ORP members who separate from service prior to retirement, the following apply:
 - (a) Employees who separate and accept employment at another participating institution may choose to have membership and contributions continued at the new institution.
 - (b) All funds contributed by the institution and funds contributed by the employee prior to July 1, 1981 and after July 1, 2014, remain intact and continue to accrue interest and dividends until retirement. An exception may apply for employees who have separated from service and have a de minimus amount less than \$15,000 in total accumulations in the ORP. Depending upon ORP company regulations, such employees may be eligible for

a lump sum distribution, a rollover to an Individual Retirement Account, or a rollover to another qualified retirement plan as specified in section 401(a) of the Internal Revenue Code. Verification of an aggregate current balance of less than fifteen thousand dollars (\$15,000) (for de minimus distributions) shall be provided by the participant in the form of current quarterly statement(s). Both forms must be returned to the vendor(s) in order for the lump sum distribution to be processed.

- (c) If a participant has separated from service and is receiving social security disability benefits from the social security administration due to the participant's disability, the participant may, upon written request receive a lump sum distribution from the participant's account(s) each year. The following shall apply:
 - (i) The aggregate total of each annual distribution from all of the participant's accounts shall not exceed twenty-five thousand dollars (\$25,000).
 - (ii) Each annual distribution shall be made in any manner permitted by the vendor(s) holding the accounts but only upon receipt by the institution of documentation confirming the participant's continued receipt of social security disability benefits. Once the participant attains the age requirement for receipt of old age and survivors' benefits under Title II of the Federal Social Security Act, the participant shall no

longer be required to provide such documentation in order to receive an annual distribution.

- (d) Distribution of contributions shall require the completion of forms for the participant's vendor(s).
- (e) Verification of contributions and separation from service information shall be provided by the last employer.

c. Re-employment of Retirees

- (1) Re-employment of retirees who are receiving retirement benefits from the TCRS or the ORP is monitored through the State Retirement System. Retirees must have a break in service for a minimum of sixty (60) days, unless an exception has been applied for and approved. All re-employed retirees must participate in Social Security.
- (2) When a retiree is re-employed, he/she will be required to complete the appropriate form. TCRS retirees must complete the Temporary Employment Report form and the institution shall submit the form to the TCRS. ORP retirees must complete the Optional Retirement Program (ORP) Part-time Re-employment Certification/Waiver form for the institution's files. New forms for re-employed TCRS and ORP retirees must be completed for each 12-month period and certify the following requirements have been met:
 - (a) Retirees may be re-employed without a loss of retirement income up to but no longer than 120 working days or the equivalent (900 hours) within the 12-month period immediately following the date of re-employment.
 - (b) Retirees may be re-employed as a teacher without a loss of retirement income for a maximum of 18 semester hours

(24 quarter hours), providing the total salary paid to any such retiree for teaching during the 12-month period does not exceed his or her pro rata share of the average salary being paid at the institution for the academic discipline concerned.

- (c) A disability retiree may return to work for any state employer without loss of retirement benefits provided he or she does not earn more than the substantial gainful activity amount determined each calendar year by Social Security in the 12-month period from the date of re-employment and does not exceed 120 working days or the equivalent (900 hours).
 - (d) The entire compensation payable to the retiree for such work is not more than 60 percent of the annual full-time salary received by the member in the year immediately prior to retirement. This limit on salary increases by 5 percent for each year since the member's retirement.
- (3) Temporary Employment. Retirees are generally re-employed as temporary employees and are limited to 900 hours of work in a 12-month period.
 - (4) Regular Full-time Employment. Retirees who are re-employed with an expected duration of 12-months or more must participate in retirement and must agree to waive any retirement benefits received from a State of Tennessee supported retirement plan during the period of regular employment.
 - (5) Regular Part-time Employment. Retirees who are re-employed as regular part-time have the option to participate in a

retirement plan. If the part-time employee chooses to participate in a retirement plan, any retirement benefits from a State of Tennessee supported plan must be waived during the period of regular employment.

Sources

Authority

T.C.A. § 49-8-203; All Federal and State retirement and IRS rules and regulations.

History

TBR Meetings, March 4, 1977; June 26, 1981; March 19, 1982; September 30, 1983; December 14, 1984; June 26, 1992; December 9, 1994; March 15, 2002; March 18, 2005; TBR Meeting March 27, 2015.

(a) The provisions of this policy under which regular full-time executive administrative, and professional employees are eligible to participate in the optional retirement program became effective on July 1, 1983.

(b) Regular part-time employees became eligible for retirement system membership on July 1, 1984.

(c) On July 1, 1992, two additional companies were added in the optional retirement program. A total of three companies became available in the ORP.