Faculty Retirement Planning: Benefits and More

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Division of Human Resources and Organizational Effectiveness
Program Overview

- Voluntary Programs (TDA/DCP)
- Eligibility for Retirement (ORP/TRS)
- Eligibility for Retirement (TAMUS Retiree Status for Insurance)
- Readiness to Retire – Employment Considerations
- Resources and Workshops
Voluntary Programs

- Tax-Deferred Account (TDA) - 403(b) under Internal Revenue Code

- Texa$aver Deferred Compensation Plan (DCP) - 457(b) under Internal Revenue Code
## TDA- 403(b)

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
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</thead>
<tbody>
<tr>
<td>All employees who report personal income for federal income tax purposes – anyone on payroll</td>
<td>Contributions are through payroll deductions</td>
</tr>
<tr>
<td>Pre-tax or Post-tax (Roth)</td>
<td>Loan or hardship withdrawal provision if permitted by the vendor</td>
</tr>
<tr>
<td>Employee contribution only</td>
<td>Enrollment –</td>
</tr>
<tr>
<td></td>
<td>- Requires account with A&amp;M System list of active vendors</td>
</tr>
<tr>
<td></td>
<td>- TDA plan change benefit event in Workday</td>
</tr>
</tbody>
</table>
All employees who report personal income for federal income tax purposes – anyone on payroll

Pre-tax or Post-tax (Roth)

Employee contribution only - $20 minimum monthly contribution

Contributions are through payroll deduction

Loan or hardship withdrawal provision available

Enrollment –
- Administered by ERS
- Enroll online, by paper form or in person
Am I Eligible to Retire with ORP or TRS?

First: Consider eligibility for Retirement Program (ORP or TRS)

Second: Consider eligibility rules for Texas A&M University System retiree status
Optional Retirement Program vs. Teacher Retirement System

• The Optional Retirement Program (ORP) is a defined contribution plan – 403(b)
  – Benefits are based on your accumulated contributions/investments and options provided by your financial vendor (annuities, distributions)

• Teacher Retirement System (TRS) is a defined benefit plan – 401(a)(9)
  – Benefits are based on a formula that takes into account factors such as age at retirement, average of 3 or 5 salaries
ORP Eligibility to Retire

• ORP retirement benefits-
  • Based on the accumulated amount of funds in your account(s)
  • No age or service formulas
• Distribution options will depend on-
  • your vendor, your investment product (an annuity product vs. a mutual fund) and your needs
  • Distribution options may include complete or periodic withdrawals, rollovers of funds, or annuities (lifetime or other).
• ORP account accessibility-
  • Termination of all employment with Texas public institutions of higher education.
  • Exception – if 70 ½ and still employed, can access funds
ORP Process

- Review the brochure “A Look Ahead: A guide to Retiring from the A&M System”
  https://assets.system.tamus.edu/files/benefits/pdf/publications/AGuide.PDF

- Review Texas Education Coordinating Board- “Retirement Information for ORP Participants”
  https://www.highered.texas.gov/DocID/PDF/7897.PDF

- Contact your ORP Vendor/Financial Representative and any other professionals who advise you on financial and tax matters
  - Discuss accounts, balances, distribution options and tax consequences
Teacher Retirement System (TRS)

Eligibility to Retire

- Rules are different based on TRS membership date
- Based on age and service credit
- Classified by TIERS
- MUST have intact account
- Withdrawn years of service do not apply unless purchased back
- Disability retirement
TRS Eligibility to Retire

Regardless of which tier you are in, to be eligible to retire and receive a lifetime monthly service retirement annuity (normal age or early age), you must:

• have at least five years of TRS service credit,
• meet the age and service eligibility requirements,
• apply for retirement
• terminate employment, and
• complete the required one-month break in service
How Do You Know Which TRS Rules and Tiers Apply to You?

- Access your TRS information at www.trs.texas.gov
Review the TRS Handbook Online


By reviewing the information about your tier, you can find out the age and years of service credit you must have to be eligible for normal-age service retirement, early-age service retirement and the Partial Lump Sum Option (PLSO).

**Am I a grandfathered member?**

You are a grandfathered member, under 2005 legislation, if you met at least one of the following criteria as a member of TRS before Sept. 1, 2005:

- you were at least 50 years of age,
- your age and years of service credit totaled at least 70, or
- you had at least 25 years of service credit.

TIP:

If you still have questions about your TRS status after reviewing online resources, contact TRS directly for assistance. We do not have access to your information in the TRS System.
Teacher Retirement System Process

- Review retirement brochure-
  - https://assets.system.tamus.edu/files/benefits/pdf/publications/AGuide.PDF

- Complete a Request for Estimate of Retirement Benefits from TRS
  - https://www.trs.texas.gov/Pages/active_member_retirement_request_for_estimate.aspx

- TRS will mail a retirement packet to your home address (allow up to 30 days for delivery)

- Review TRS retirement planning guide-
  - https://www.trs.texas.gov/TRS%20Documents/steps_planning_for_retirement.pdf
Am I Eligible to Retire with TAMUS?

First: Consider eligibility rules for Retirement Plan (ORP or TRS)

Second: Consider eligibility rules for Texas A&M University System retiree status
What Does it Mean to be a TAMUS Retiree?

- Allows for continuation of coverage under the group insurance plans
- Qualifies for the employer contribution for insurance premiums
- Allows certain retiree privileges such as parking permits, email and library access
Eligibility – Hired on or BEFORE August 31st 2003

Eligibility requirements to retire with the Texas A&M University System retiree status for those employees on or before August 31, 2003:

– You are at least age 55 and have at least 5 years of service credit, or your age plus years of service equal at least 80, or you have at least 30 years of service, and

– You have 3 years of service with the A&M System,
– The A&M system is your last state employer, and
– You have an active TRS/ORP account
Eligibility – Hired \textbf{AFTER} August 31, 2003

Eligibility requirements to retire with TAMUS retiree status for those employees \textbf{AFTER} August 31, 2003:

– You are at least age 65 \textit{and} have at least 10 years of service credit, \textit{or} your age plus years of service equal at least 80 \textit{and} you have 10 years of service credit, \textit{and}

– You have 10 years of service with the A&M system,
– The A&M System is your last state employer, \textit{and}
– You have an active TRS/ORP account.
You are eligible, but are you ready?

Only **you** can determine when you are ready to retire, but some date considerations to factor into your decision are:

- End of the Academic Year
- After 90\textsuperscript{th} work day
- Timing in the month
Retirement Decision

The decision to retire impacts:
- Insurance plans
- Medicare
- Leave
- Employment & return to work

If I decide to retire, what things will be impacted?
Medical Coverage Options

- You will have the same/similar coverage options as a current employee.

- Retirees may have the ability to move to the 65+ plan if both employee and spouse are 65 or older.

- When you become eligible for Medicare, the A&M System coverage becomes secondary.

- If you decline A&M health coverage, you may apply $\frac{1}{2}$ the state’s contribution to alternate basic life, AD&D, dental, and/or, vision insurance.
## A&M Care vs. A&M Care 65+

### Compare the Plans

<table>
<thead>
<tr>
<th></th>
<th>A&amp;M Care Plan</th>
<th>65 Plus Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preventive Care</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>Network</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>No annual limits or pre-existing condition limitations</td>
<td>Same</td>
<td>Same</td>
</tr>
<tr>
<td>Premium for Retiree Only</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Primary Care Physician/Specialist Copays</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Prescription Drug Copay</td>
<td>$10/$35/$60</td>
<td>$10/$35/$60</td>
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</tbody>
</table>

### Know the Benefits

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<tr>
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<th>A&amp;M Care Plan</th>
<th>65 Plus Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium for Retiree and Spouse</td>
<td>$281.05</td>
<td>$158.41</td>
</tr>
<tr>
<td>Out-of-Pocket Maximum</td>
<td>$5,400</td>
<td>$1,400; $400 Rx</td>
</tr>
<tr>
<td>Prescription Drug Deductible</td>
<td>$50</td>
<td>$0</td>
</tr>
<tr>
<td>Prescription Drug Access</td>
<td>30 day fills at any Network Pharmacy</td>
<td>30 day fills at any Network Pharmacy; 90 day fills at Walgreens or Home Delivery only for maintenance medications</td>
</tr>
</tbody>
</table>
Medicare Enrollment Information

What are the various Medicare Plans?

- Part A covers hospitalization – No additional cost to you
- Part B covers physician and outpatient services – Requires a premium and will coordinate with TAMUS coverage
- Part D covers prescription drugs – requires a premium and does NOT coordinate with TAMUS coverage

When do I need to enroll?

- Active employee age 65 enroll in Medicare Part A only
  - May postpone enrollment in Part B until retirement without penalty
- 3 months before retirement apply for Medicare Part A & B
- If over 65 and didn’t previously enroll in Parts B, contact HR for completed form Request for Employer Information(to avoid penalty).
## Medicare Coordination of Benefits

<table>
<thead>
<tr>
<th>Retiree’s Status</th>
<th>Dependent’s Status</th>
<th>Eligible for the 65+ plan?</th>
<th>Plan is Primary for Retiree</th>
<th>Plan is Primary for Dependents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retiree is eligible for Medicare</td>
<td>Spouse/dependents are eligible for Medicare</td>
<td>Yes</td>
<td>Medicare</td>
<td>Medicare</td>
</tr>
<tr>
<td>Retiree is eligible for Medicare</td>
<td>Spouse/dependents are not eligible for Medicare</td>
<td>No</td>
<td>Medicare</td>
<td>A&amp;M Care</td>
</tr>
<tr>
<td>Retiree is not eligible for Medicare</td>
<td>Spouse/dependents are eligible for Medicare</td>
<td>No</td>
<td>A&amp;M Care</td>
<td>Medicare</td>
</tr>
<tr>
<td>Retiree is not eligible for Medicare</td>
<td>Spouse/dependents are not eligible for Medicare</td>
<td>No</td>
<td>A&amp;M Care</td>
<td>A&amp;M Care</td>
</tr>
</tbody>
</table>

*If you are retired and not working for the TAMU System for 50% time or more for at least 4 ½ months (benefits-eligible position).*

*If you are working for the TAMU System for 50% time or more for at least 4 ½ months (benefits-eligible position).*

*If your terms of employment (percent effort or term months) change during the fiscal year, your primary/secondary status will change when coordinating benefits. Check with your Human Resources office if you are unsure of your status.*
Optional Coverage

• Dental/Vision
  – Dental/Vision coverage will be the same as provided to employees

• Long-Term Disability
  – Coverage automatically ends at retirement

• Flexible Spending Accounts
  – Not available
  – Use before last day of employment
Optional Supplemental Coverage

• Optional Life Insurance maximums
  – $100,000 if you are younger than age 70; or
  – $60,000 if you are age 70 or older
  – $30,000 if you are age 80 or older

• Dependent Life Insurance maximums
  – Plan A: ½ retiree optional life insurance coverage; child coverage
    10,000 per child
  – Plan B: 5,000 per dependent
  – Plan C: ½ retiree alternate basic life insurance coverage; child
    coverage is 10% of retiree alternate basic life insurance amount

• Accidental Death and Dismemberment (AD&D) maximums
  – $200,000 if you are younger than age 70; or
  – $60,000 if you are age 70 or older
ORP Return to Work Restrictions

• An ORP retiree is defined as a participant who established retiree status by enrolling in retiree group insurance as an ORP retiree, regardless of whether currently enrolled.
• There are no statewide restrictions on the re-employment date or amount of time worked but local institutional restrictions may apply. (example: temp-casual, part-time employee vs. budgeted 50% or more effort)
• Once retired, always retired: An ORP retiree who returns to work with any Texas public institution of higher education is not eligible to make ORP contributions
TRS Return to Work Restrictions

Applies to TRS covered employers
• Includes Texas A&M University System
• Includes ISD school systems

Requires a **FULL** calendar month break in service and then limited to part-time employment.

Requires **FULL** 12 month consecutive calendar year break in service to remove work restrictions.

Consult the TRS Handbook
Leave Accruals

What will happen to my unused leave time?

- Vacation Leave (if applicable)
  - Paid in a lump sum (taxed)
  - Use it (take time off prior to last day)
  - Roll it over (TDA/403(b)/DCP-457(b))

- Sick Leave
  - Sick Leave Pool Donation (full or partial)
  - Certain circumstances may be reinstated if rehired
Other Considerations

• What if I want to be part-time as a transition into retirement?
  – Departmental discretion
  – Impact on benefits and leave (less employer contribution and less leave accrual)
How Do I Pay for My Benefits After Retirement?

• Effective 12/1/20-A&M System Benefits Administration Insurance Billing Office (SBA Insurance Billing Office) transition to a centralized, in-house billing department to process insurance premium payments

• Payment options- TRS annuity draft, ACH bank draft, pay by check. No cash, credit/debit card payments accepted.

• Participants retiring will need to setup payment options using the TRS Annuity draft form or the ACH bank draft form. Depending on timing they might need to pay their first invoice by check before TRS or ACH drafts are in place.
How Do I Pay for My Benefits After Retirement? Contd.

• You must determine payment method and enroll
  – First payment is due quickly post-retirement
  – Example: retire 8/31 – your final payment of premiums as an employee is deducted from your 9/1 paycheck; however, you need to pay for the month of September for your retiree premiums. First bill will be due in September. Next bill will be due in October.
Retirement Process Action Steps

Twelve months

- Attend a pre-retirement counseling workshop with HROE (scheduled monthly)

Three to six months

- If ORP, contact your financial vendor representative(s) and other professionals (attorney, tax accountant) to review your financial readiness and options
- If TRS, contact TRS to begin the process
- Contact Medicare if needed (age 65+)
Retirement Process Action Steps

Two months

- Decide on your retirement date
- Decide on when to tell your department
- Email your HR office to obtain required forms for retirement

Last 30-45 days

- Turn in required forms to your HR office as instructed
- Determine benefits choices in Workday.
- Make plans for first month payment of premiums (options will be described at that time).
Retirement Process – HR’s Role

• Receive and review your forms
• Answer any questions you may have about TAMUS retirement eligibility/benefit choices
• Notify your department approximately 2 weeks prior so they can initiate termination for reason of retirement and initiate leave processes
• Complete tasks in Workday and with payroll as necessary
• Submit forms to your ORP & TDA vendor(s) after your final paycheck to indicate separation of service
Who Do I Contact?

- Texas A&M University
  - Email: benefits@tamu.edu
  - Phone: 979-862-1718
- Texas A&M Health Science Center
  - Email: hschr@tamu.edu
  - Phone: 979-845-7457
- Texas A&M Agrilife Human Resources
  - Email: agrilifebenefits@ag.tamu.edu
  - Phone: 979-845-2423
- Texas A&M Engineering Experiment Station
  - Email: engineeringhr@tamu.edu
  - Phone: 979-458-7699
- Texas A&M Engineering Extension Service
  - Email: HR@teex.tamu.edu
  - Phone: 979-458-6801
- Texas A&M University Galveston
  - Email: hr@tamug.edu
  - Phone: 409-440-4532
Resources

**TRS phone number & website:**
- (800) 223-8778
- [http://www.trs.state.tx.us/](http://www.trs.state.tx.us/)

**Social Security Administration**
- (800) 722-1213
- [http://www.socialsecurity.gov/](http://www.socialsecurity.gov/)

**Medicare** [http://www.medicare.gov/](http://www.medicare.gov/)

**System Insurance Billing Department**
- (979) 845-0015 or SBAInsurance-Billing@tamus.edu
Final Thoughts

Read helpful brochures & on-line information

Eligibility determination

Talk to your financial vendor representatives

Individual paperwork should not be turned in no earlier than the last 45 days before retirement

Return forms to the appropriate agency (Texas A&M forms within 45 days of last day, Medicare forms to Social Security)

Early preparations are helpful
TAMU Benefits phone: 979-862-1718
benefits@tamu.edu
employees.tamu.edu

Texas A&M Health Science Center
hschr@tamu.edu

Division of Human Resources
& Organizational Effectiveness