

## GUIDANCE DOCUMENT

### Teacher Retirement System (TRS) of Texas & Tax-Deferred Account (TDA) Program

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#### Statement

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This Guidance Document provides the general participation structure, retirement eligibility requirements, and responsibilities in regard to the TRS, and information regarding qualification, enrollment, responsibilities and various restrictions in regard to the TDA Program.

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#### Procedures and Responsibilities

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#### 1. TRS CONTRIBUTIONS

- 1.1 Both the employee and Texas A&M University (employer) contribute a percentage based on the employee's total compensation to the Teacher Retirement System (TRS). Percentages for both the employee and employer contributions are set and may be changed by the Texas Legislature. Employee contributions are automatically deducted on a tax-deferred basis and forwarded with the employer contribution to TRS.
- 1.2 Compensation is defined as salaries and wages earned by the participant during a school year including longevity pay, hazardous duty pay, and amounts not received pursuant to a salary reduction agreement for deferred compensation or tax deferred annuity contribution, or to finance benefit options under a cafeteria plan qualified under Section 125 of the Internal Revenue Code. Compensation does not include the value of perquisites or lump sum payments for accrued annual leave upon termination of employment.
  - 1.2.1 The Teacher Retirement System Board of Trustees is empowered to exclude from compensation that part of salary and wages which can reasonably be presumed to have been derived from a conversion of payments otherwise not includable and to limit the amount of increases subject to credit and deposit during a member's final years of employment.
- 1.3 On August 31 each year, TRS credits each member's individual account with interest at a rate determined by TRS on the average annual balance in the employee's account for the preceding fiscal year.

- 1.4 To participate in TRS, the employee must be employed in a position qualifying for membership in the Teacher Retirement System of Texas (TRS) and not have vested in the Texas Optional Retirement Program (ORP) prior to participating in TRS.
- 1.5 TRS may audit the records of Texas A&M concerning the employment and compensation of personnel to determine the accuracy of contributions or credits.

## 2. TRS TERMINATION OF MEMBERSHIP

- 2.1 Membership in the Teacher Retirement System of Texas (TRS) terminates upon withdrawal of member contribution or on the first September 1 that occurs after five non-participating years of not earning creditable service unless the member:
  - 2.1.1 has five or more creditable years of service, regardless of age, at the end of his/her last covered employment; or
  - 2.1.2 was eligible for disability retirement at the end of his/her last covered employment.

## 3. TRS REFUND OF EMPLOYEE CONTRIBUTIONS

- 3.1 An employee requesting a refund and withdrawal of member contributions is entitled to a refund of all accumulated contributions in his/her individual account which includes the employee's deposits and the interest credited annually by TRS. The refund excludes the contributions made by Texas A&M University which will remain with TRS upon termination of TRS membership.
- 3.2 Withdrawal of contributions terminates membership in TRS and waives eligibility to all retirement benefits under TRS along with forfeiting any eligibility for benefits as a retiree of the Texas A&M University System.
- 3.3 A member must terminate all employment with a TRS covered employer before they are eligible to apply for a refund of member contributions. When a full-time employee drops to part-time employment, the member is not eligible for a refund. Members are encouraged to consult with TRS or Texas A&M Benefit Services prior to requesting a refund of the TRS contributions in order to understand the implications of making a refund request including an explanation of benefits to be forfeited.

## 4. TRS RETIREMENT AGE

- 4.1 For information concerning TRS membership including service credit calculation and retirement eligibility criteria, refer to the Teacher Retirement System of Texas (TRS) handbook or contact Human Resources, Benefit Services at the number or email address noted below.

## 5. TDA PROGRAM REQUIREMENTS

The contributions to a tax-deferred program are subject to the Internal Revenue Code section 403(b), which allows an employee to defer a portion of their current pre-tax or

post- tax (Roth) income until retirement. To qualify for the federal income tax treatment, certain requirements established by federal law must be met. The program must be administered by the employer and the contributions must be made by the employer as an elective deferral on the employee's behalf. The employee's rights to the program must be non-forfeitable. This means that, even though the employer administers the program and makes the contribution, each participating individual is fully vested from the first date of participation in the program.

## 6. TDA ENROLLMENT

6.1 Approved investment vendor representatives assist employees in completing the required forms or online enrollment for creating an account with that vendor. Investment vendors and representatives are approved by System Benefits Administration.

6.2 Employees enroll in Workday using the TDA Plan Change Benefit Event type to establish a salary reduction agreement.

6.3 Employees may enroll in a TDA at any time of the year.

6.4 Enrollment is effective on the first of the next month after the event is completed in Workday. For example, if a monthly-paid employee completes enrollment in September in Workday for an October 1 effective date, the first deduction will occur on the November 1 pay date.

## 7. TDA TERMINATION OR CHANGE OF CONTRIBUTIONS

Employees may terminate their salary reduction agreement by submitting a Change Benefit Event type in Workday to stop contributions. Employees with a nine-month academic appointment will have TDA contributions continue during the summer months if they have an added job in Workday. To change or stop contributions from being deducted from summer added jobs, employees must take action in Workday to stop the contributions during the summer months and complete another Change Benefit Event to re-start or change the contributions in the fall.

## 8. TDA COORDINATION WITH OTHER TAX-DEFERRED PLANS

Amounts tax-deferred under the Teacher Retirement System of Texas, or the Optional Retirement Program of Texas, may reduce the amount that may be deferred into a TDA. Amounts deferred under an Individual Retirement Account (IRA) and the State of Texas Deferred Compensation Plan are not affected by participation in a payroll-deducted, tax-deferred account.

## Related Statutes, Policies & Regulations

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Policy 31.02, *Employee Insurance and Retirement Benefits*  
<http://policies.tamus.edu/31-02.pdf>

Regulation 31.02.08, *Retirement Programs*  
<http://policies.tamus.edu/31-02-08.pdf>

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## Contact Office

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For more information on membership eligibility or clarification on this SAP, contact [Human Resources, Benefit Services](#) at (979) 862-1718, or by email at [benefits@tamu.edu](mailto:benefits@tamu.edu).

**OFFICE OF RESPONSIBILITY:** [Human Resources](#)