

06:04:02:00 Optional Retirement Program

Purpose:

It is the policy of Dyersburg State Community College (DSCC) to provide a choice of retirement benefits to regular full-time and part-time employees.

Scope:

This policy applies to all regular full-time faculty, full-time and part-time administrative and professional employees. It does not apply to clerical, support-staff, student workers, adjunct faculty, and temporary workers.

Policy:

DSCC has designated optional retirement programs for regular academic, executive, administrative, and professional employees of the College, and has approved the contracts offered by optional retirement program vendors, as the contracts to be purchased under the optional retirement program, said designation and approval conditioned upon there being no change in the legislation authorizing the optional retirement program which would require the College to incur any additional costs whatsoever in terms of the contributions made to or the benefits payable from said optional retirement program. Employees of the area vocational technical schools are not eligible to participate in the optional retirement programs.

Prior to 1991, the State of Tennessee offered exempt staff in Tennessee's public colleges and universities the option of enrolling in either of two retirement programs. The primary program – the Tennessee Consolidated Retirement System (TCRS) – was and remains the retirement program open to all employees of the State of Tennessee. The only secondary, or optional, program offered was through the Teachers Insurance and Annuity Association-College Retirement Equities Fund, commonly called TIAA-CREF.

In 1991, the Tennessee General Assembly amended the State's statutes on retirement to permit the addition of two more optional companies from which eligible employees may choose in selecting a company, or companies, with which to invest their retirement contributions. Contracts with the new companies, Variable Annuity Life Insurance Company (VALIC), and Aetna Life Insurance and Annuity Company will take effect on July 1, 1992.

Adoption of additional investment companies as part of the Optional Retirement Program is being done for the purpose of permitting eligible employees to diversify their retirement investments across a broader range of

investment products. With the addition of the new companies, diversification can be achieved by:

1. Distributing future contributions among the optional companies and their various investment products, and/or by
2. Transferring funds already accumulated to one or more of the new companies

Transfer Provisions:

From the TCRS to the Optional Retirement Program:

Effective April 4, 2001, TCA §8-35-403 was amended to permit an employee who is eligible to participate in the Optional Retirement Program (ORP) but who elected to participate in the Tennessee Consolidated Retirement System (TCRS) to transfer prospective membership from TCRS to the ORP. This transfer will become effective the first day of the month following thirty (30) days written notice to TCRS and the employee's institution. (See Appendix A.) However, employees may not transfer membership from the ORP to TCRS. An employee who elects to participate in the ORP is not eligible to participate in the TCRS while employed by an institution covered by the ORP.

When transferring membership, a member who has employee contributions in his TCRS account may transfer his individual account balance from TCRS to the ORP. Such transfer of contributions constitutes a termination of membership in TCRS and a waiver of all rights and benefits under TCRS. Since most individuals who made contributions to TCRS prior to July 1, 1981 would now be vested in TCRS and would have accrued a considerable amount of non-contributory service credit in TCRS, such transfers are extremely rare. Employees who were hired after July 1, 1981 would be transferring membership only since all contributions had been made by the employer.

When an employee is promoted from a non-exempt to an exempt position, the employee may transfer participation from TCRS to one of the optional retirement programs.

From the Optional Retirement Program to the TCRS:

During the 2004 legislative session, the General Assembly passed legislation giving Optional Retirement Plan (ORP) members the opportunity to transfer membership to the Tennessee Consolidated Retirement System (TCRS). The legislation can be found in T.C.A. 8-35-403(f). The specifics of this one-time opportunity are as follows:

- The member must be a current state of Tennessee employee or higher education employee with five or more years of service in the ORP as of January 1, 2005. You must also be a current employee at the time of transfer in order to enroll in TCRS. Additionally, this opportunity will be extended in the future to employees who reach their fifth anniversary after January 1, 2005. Those members reaching the five year mark after January 1, 2005, will be given one year in which to make the transfer.
- The member must not have received a cash withdrawal or other distribution from the ORP.
- The transfer must include Tennessee ORP service. If you elect to transfer to TCRS, you waive all current and future rights to ORP benefits from Tennessee contributions. The decision is irrevocable.
- The cost of the transfer will be the greater of (a) the ORP account balance, or (b) 12.65% of the member's compensation during the ORP participation period plus 7.5% annual interest. It is likely that the ORP balance will

not cover the cost of the transfer.

- The required payment must be made in lump sum by no later than December 31, 2005.

There are various options for funding the payment including transferring your ORP account or other tax-deferred retirement accounts, or using personal savings.

This one-time opportunity to transfer is being offered to employees who may have been rushed into making a retirement plan selection on the first day of employment or who may have been forced to change retirement plans due to a change in job classification. Employees are under no obligation to transfer membership from ORP to TCRS.

From Within the Optional Retirement Program

After July 1, 1992, employees who participate in the ORP may direct employer contributions made on their behalf to one or more of the companies designated to provide annuity contracts under the state's ORP. Once funds are on deposit with a designated company, the participant may move those funds among the different investment accounts offered under that company's annuity contract, subject to the restrictions of the contract. The participant may authorize such internal transfers by telephone.

After July 1, 1992, employees may also transfer funds previously accumulated in the ORP among the companies designated to provide annuity contracts in Tennessee's Optional Retirement Program, subject to the restrictions of the products involved. After the participant completes the necessary applications, the funds will be transferred by check and reports will be provided to the participant's institution.

Provisions for Distribution of Contributions

Effective April 4, 2001, TCA §8-35-403 was amended to permit a participant who has separated from service and has an aggregate total of less than \$5,000 credited to his/her retirement account to receive a lump sum distribution of contributions upon the participant's written request and in a manner permitted by the companies holding the accounts. This aggregate total shall be increased by one thousand dollars (\$1,000) on January 1, 2002 and on each January 1 thereafter until the aggregate total distribution equals fifteen thousand dollars (\$15,000).

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 his/her written request receive a lump sum distribution from the participant's accounts each year. For the calendar year 2001, the aggregate total of each annual distribution from all of the participant's accounts shall not exceed fifteen thousand dollars (\$15,000). This aggregate total shall be increased by one thousand dollars (\$1,000) each calendar year thereafter until the aggregate total annual distribution equals twenty-five thousand dollars (\$25,000). Each annual distribution shall be made in any manner permitted by the companies holding the accounts but only upon receipt by the employer 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 (42 U.S.C. §401-425), the participant shall no longer be required to provide such documentation in order to receive an annual distribution pursuant to this subsection.

Distribution of contributions shall require the completion of form(s) for both the participant's company/companies and the Tennessee Consolidated Retirement System. Verification of contributions and separation from service information shall be provided by the last employer; verification of an aggregate current

balance of less than the current year's maximum (e.g., 2001, \$5,000) shall be provided by the participant in the form of current quarterly statement(s). Both forms must be returned to the companies in order for the lump sum distribution to be processed.

The Chancellor is authorized to establish any and all guidelines, rules, or requirements necessary and proper for the implementation of the optional retirement programs for the System or at any individual institution.

Compliance:

All full-time and part-time employees are expected to adhere to this policy.

Definitions:

TCRS Tennessee Consolidated Retirement System

ORP Optional Retirement Plan

Revision History:

Policy created November, 2004. Policy updated July 2012; approved by Administrative Council on July 27, 2012.