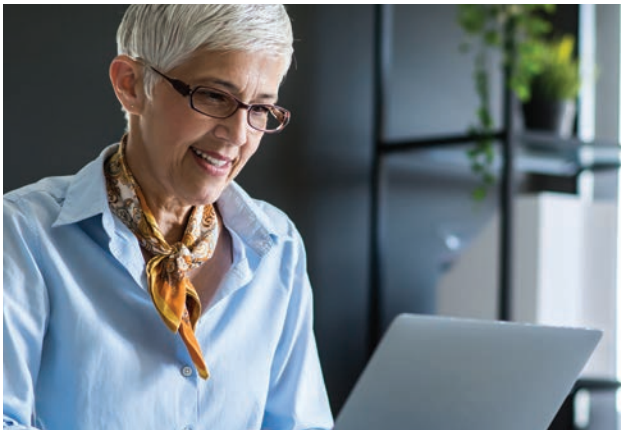
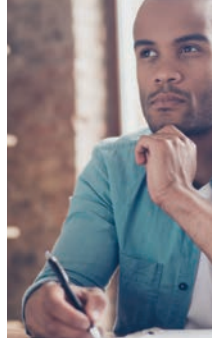


# OPTIONAL RETIREMENT PROGRAM

Outlining the Differences Between the **Teacher Retirement System (TRS)** and the **Optional Retirement Program (ORP)**





## **Our Vision**

Earning your trust every day.

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## **Our Mission**

Improving the retirement security of our members by prudently investing and managing the trust assets and delivering benefits that make a positive difference in their lives.

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## CHOOSING YOUR RETIREMENT PLAN

As a college or university employee newly hired or promoted to an ORP-eligible position, you have an important choice to make in your retirement program – the decision to elect to participate in the Optional Retirement Program (ORP) instead of TRS. You should independently evaluate and thoroughly consider the benefits of both retirement plans before making a decision.

This brochure provides high-level information regarding the two retirement plans. For more information on TRS, refer to the *TRS Benefits Handbook*. For more information about ORP including ORP eligibility, contact your employer. You may also wish to review the information provided by the Higher Education Coordinating Board at <http://www.theccb.state.tx.us/about-us/human-resources/optional-retirement-program-orp/>.



### Overview of TRS and ORP

TRS is a defined benefit plan. This means the amount of retirement benefits paid to you is determined by a formula established by law. At retirement, you are eligible to receive a pension benefit for life. Your monthly benefit is based on a formula that includes years of service and your highest average salaries; it is not limited to the amount of contributions in your TRS member account.

ORP is a defined contribution plan which means the amount of retirement benefits paid to you is based on your accumulated contributions, employer contributions and investment earnings. Contributions are invested in a 403(b) account, similar to a 401(k) plan, and you are responsible for monitoring your own investments.



### Staying with TRS

All TRS-eligible employees at Texas public institutions of higher education are automatically enrolled in TRS on their first day of employment. If you are in an ORP-eligible position and do not elect to participate in ORP, you will remain in TRS. Even if you terminate employment with your current institution and become employed in an ORP-eligible position with another institution, you will **not** be eligible to elect to participate in ORP again.





## Electing ORP in lieu of TRS

As an alternative to TRS, you have a one-time opportunity during your employment in Texas public higher education to elect ORP. Your employer will determine your eligibility.

If you elect ORP, the decision is irrevocable. You cannot return to TRS membership as long as you are in an ORP-eligible position or vest in ORP and continue to work in higher education.

To elect, you must submit your completed *Election to Participate in Optional Retirement Program and/or Refund* form (TRS 28) to your employer. Your Human Resources or Benefits representative will complete additional information that's required and will forward the form to TRS for processing. TRS will review the form and determine whether you have made a timely election to participate in ORP in lieu of membership in TRS.

### Here are some considerations to ensure a timely ORP election:

- You're eligible to elect ORP on your first day of employment in an ORP-eligible position. This is also called your Initial ORP Eligibility Date.
- You have 90 additional calendar days to make your ORP election. This time period is also known as your ORP Election Period.

### Beginning Sept. 1, 2017, additional considerations were given to individuals who were eligible to elect ORP but were not notified of the opportunity by their employer in a timely manner.

- If you were notified of your opportunity to elect ORP **during** your ORP Election Period (90 days), you must elect ORP either:
  1. before the end of your ORP Election Period, or
  2. before the 31<sup>st</sup> day after being notified of your ORP eligibility, **whichever is later.**

**Example 1:** Your Initial ORP Eligibility Date is Sept. 1 and you were notified of the opportunity to elect ORP on Sept. 1. You must elect ORP no later than Nov. 30.

**Example 2:** Your Initial ORP Eligibility Date is Sept. 1 and you were notified of the opportunity to elect ORP on Nov. 30. You must elect ORP no later than Dec. 30.

- If you were notified of your opportunity to elect ORP **after** your ORP Election Period (90 days) but **before** the 151<sup>st</sup> day after becoming ORP eligible, you must elect ORP either:
  1. before the 151<sup>st</sup> day after becoming ORP eligible, or
  2. before the 31<sup>st</sup> day after being notified of your ORP eligibility, **whichever is later.**

**Example 1:** Your Initial ORP Eligibility Date is Sept. 1 and you were notified of the opportunity to elect ORP on Dec. 1. You must elect ORP no later than Jan. 29.

**Example 2:** Your Initial ORP Eligibility Date is Sept. 1 and you were notified of the opportunity to elect ORP on Jan. 29. You must elect ORP no later than Feb. 28.

- If you were not notified of the opportunity to elect ORP before the 151<sup>st</sup> day of becoming eligible, you may not elect ORP and must remain a TRS member.

It is very important that both you and your employer properly complete and sign all applicable sections of the TRS 28. **Even though your employer may have other internal forms indicating your intent, TRS must receive the completed TRS 28 from your employer to validate your ORP election.**



## TRS Membership after ORP Election

If you elect ORP in place of TRS, you waive your TRS retirement benefits, even if you have prior service credit in TRS. Although you may have vested in TRS with five or more years of service credit, you will no longer be eligible to receive a monthly benefit. Upon electing ORP, your TRS membership is terminated and you are only able to refund/withdraw your accumulated member contributions plus interest earned.

**There are only two circumstances in which an ORP participant can return to active TRS membership:**

- When an ORP participant terminates employment with all Texas public institutions of higher education and becomes employed in a TRS-eligible position with a TRS-covered employer that does not offer ORP, such as an Independent School District (ISD), charter school, or Education Service Center (ESC); or
- When an unvested ORP participant terminates employment in the ORP-eligible position and becomes employed with the same or another Texas public institution of higher education in a position that is eligible for TRS membership but is not ORP eligible.

If you fall under one of these employment situations, you must resume active TRS membership and will again be eligible to qualify for a TRS retirement. TRS service credit cannot be established for any years of participation in ORP. More importantly, you are no longer eligible to participate in ORP at any Texas public institution of higher education, even if you were previously vested in ORP or are re-employed in an ORP-eligible position in the future. You cannot make a re-election into ORP.





## Frequently Asked Questions

### How is my retirement benefit calculated?

#### *TRS*

As a defined benefit plan, your retirement is calculated based on a formula established by law. The formula uses factors such as total years of TRS service credit and highest average salaries. Your retirement annuity is not calculated based on your TRS account balance.

#### *ORP*

As a defined contribution plan, your retirement is based on the accumulated amount of funds in your ORP account. There is no age or service formula.

### How are my retirement benefits paid?

#### *TRS*

Once you retire and meet TRS retirement eligibility requirements, you are eligible to receive a lifetime monthly annuity. Other benefits available may include joint and survivor annuity, death benefits, survivor benefits, reduced early-age retirement annuities, and Partial Lump Sum Option.

#### *ORP*

When eligible for retirement, you choose how and when to take the funds out of your ORP plan. You can take an eligible distribution which includes complete or periodic withdrawals, rollover of funds to another eligible retirement plan, and for some accounts, lifetime annuities. Early withdrawal penalties may apply.

### What is vesting and how do I vest?

#### *TRS*

Vesting with TRS means you have the right to a lifetime annuity and that your account will continue to earn interest, even if you are no longer an active, contributing member.

To be vested requires that you earn five years of service credit. Generally, to earn a year of service, you must have worked or received paid leave for 90 days from Sept. 1 through Aug. 31.

You lose your vesting status if you withdraw your account. If you return to a TRS-covered employer in the future, you will need to earn five more years of service, or purchase your withdrawn service, to be vested again.

#### *ORP*

Vesting with ORP means you have ownership of your employer matching contributions.

ORP vesting occurs on the first day of the second year of your ORP participation, which is defined as the first day of the 13<sup>th</sup> month of active participation. This vesting period is sometimes referred to as “a year and a day.”

Your vesting credit is retained even if you take your contributions out of the ORP plan due to a termination of employment. Once you’re vested in ORP, you stay vested. No future ORP vesting period can be required by any institution.

### Can I control how my account is invested?

#### *TRS*

No. You do not make any investment decisions as TRS invests on your behalf.

#### *ORP*

Yes. You are responsible for the monitoring of your selected ORP companies and investments.



**Frequently Asked Questions** *continued*

**Can I buy additional years of service and are there any service credit provisions?**

**TRS**

You may purchase certain types of service credit such as military or substitute service. You may also purchase your previously withdrawn TRS service credit. For more information, refer to the [TRS Service Credit](#) brochure on the TRS website.

If you have at least three years of TRS service credit and have service credit with the Employees Retirement System (ERS), you can transfer your ERS credit to TRS at retirement (and vice versa).

If you have service credit with another Texas public retirement plan that participates in the Proportionate Retirement Program, you may combine your service credit from all participating plans to meet eligibility for retirement and receive a proportionate annuity from each plan.

**ORP**

There are no provisions in ORP to purchase service credit.

ORP does not allow ERS service transfers and does not participate in the Proportionate Retirement Program.

**Does my employer contribute?**

**TRS**

The state of Texas contributes a set percentage on your behalf. Depending on funding source, your employer may make contributions instead of the state. These contributions are not deposited in your TRS account, rather they are placed in a separate general trust account. The contribution rate is established by the state legislature and subject to change. Employer and state contributions are not available for withdrawal at any time.

**ORP**

Your employer makes mandatory monthly contributions into your ORP account. Once vested, you have ownership of your employer-matching contributions. The contribution rate is established by the state legislature and is subject to change.

**Can I work after I retire?**

**TRS**

As a TRS retiree, you can work for a TRS-covered employer if certain restrictions are met. Refer to the [Employment After Retirement](#) brochure located on the TRS website for more information.

When you retire, you are no longer eligible to return to TRS active membership.

If you are a retiree and become employed in an ORP-eligible position, you would not be eligible to elect ORP. In addition, the current TRS laws and rules related to employment after retirement would still apply.

**ORP**

As an ORP retiree, you have no statewide restrictions on the re-employment date or amount of time worked. Local institutional restrictions may apply so check with your Human Resources Office for more information.

When you retire, you are no longer eligible to make ORP contributions.



## Frequently Asked Questions *continued*

### What survivor benefits are available?

#### **TRS**

You have active death and survivor benefits through TRS on the first day of eligible employment. If you have enough service, a lifetime annuity may be available to your beneficiary. In addition, survivor benefits are available to beneficiaries of TRS retirees.

#### **ORP**

Survivor benefits are not available under an ORP-type plan.

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### Do I have disability benefits?

#### **TRS**

If approved, you can receive disability retirement regardless of your age or years of service credit. Disability retirement annuities differ based on total years of service credit.

#### **ORP**

Disability retirement is not available under an ORP-type plan.

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### Do I have health care benefits in retirement?

#### **TRS**

Depending on which institution you retire from, your health insurance benefit is administered by UT, A&M or ERS. Speak to your employer's Benefit Office for eligibility and more information.

If you are not eligible for insurance through UT, A&M or ERS, you may be eligible for TRS-Care. Refer to the [TRS-Care Eligibility and Enrollment](#) page of the TRS website.

#### **ORP**

As an ORP retiree, your health insurance benefit is administered by UT, A&M or ERS. Speak to your employer's Benefit Office for eligibility and more information.



## Additional Information



### **TRS Benefits Handbook:**

Learn about your retirement plan benefits by reading the [TRS Benefits Handbook](#), available on the TRS website.



### **TRS Member Education Video Series:**

Watch our TRS Member Education Video Series to learn all about your TRS pension benefits and resources available to you as a member. These videos provide information and answers to the most common questions TRS members ask about their pension benefits. Find the videos on the [TRS website](#) and on our [TRSoftexas](#) YouTube channel.



### **TRS Website:**

[www.trs.texas.gov](http://www.trs.texas.gov)



### **TRS Mailing Address:**

Teacher Retirement System of Texas  
1000 Red River Street  
Austin, Texas 78701-2698



### **TRS Telephone Counseling Center:**

1-800-223-8778

Monday – Friday, 7 a.m. – 6 p.m. Automated information is available day or night, seven days a week.



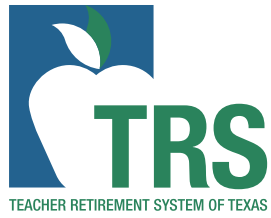
### **TRS Benefit Services Fax Number:**

512-542-6597



### **Follow Us On:**





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