

<b>System-wide Policy: HR0375 - Retirement Plans</b>	
<b>Version: 25</b>	<b>Effective Date: 10/01/2017</b>

## HR0375 – Retirement Plans

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### Objective:

To provide a retirement plan for university faculty and staff.

### Policy:

#### Plan Participation

1. Membership in a retirement plan administered by the State of Tennessee <http://treasury.tn.gov/tcrs/index.html> is required as a condition of employment for all regular full-time employees who pay social security taxes. (Refer to [HR0385 - Social Security Benefits](#).) For regular part-time employees, membership in a retirement plan is optional. Employees participating in a retirement plan must continue in a plan as long as they remain in a regular status. (Breaks in service, other than terminations, do not affect eligibility for participation.) Employees who are students; temporary employees, state retirees eligible to participate in the State of Tennessee Retiree Group Insurance Program, medical residents, interns, and externs; and non-U.S. citizens who do not pay Social Security or Medicare taxes are not eligible to participate in a retirement plan. Regular non-exempt employees are covered

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in the Tennessee Consolidated Retirement System (TCRS), the same system that provides retirement benefits for state employees. Regular faculty and staff exempt employees may choose to enroll in either the TCRS or the Optional Retirement Program (ORP). Certain employees of the Institute of Agriculture participate in the federal Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

2. Persons enrolled in the ORP offered through TIAA-CREF prior to July 1977 are referred to as members of the Joint Contributory Retirement System (JCRS) plan. Benefit provisions for such JCRS members employed prior to July 1, 1977, differ from those for persons employed after that date.
3. When an employee is reclassified from a non-exempt to an exempt position, the employee may redirect contributions from TCRS to the ORP. The change will be effective within one month of the date the application is received by the Office of Benefits and Retirement Services. Member account funds are held only by employees who were members of TCRS prior to July 1, 1981 (when contributions to TCRS were paid jointly by the university and individual employee), or for employees who have purchased or reestablished creditable service. Generally amounts contributed by the employee establish a member account in the employee's name; however, ORP transfers to TCRS (see 4) do not establish a member account.
4. Beginning in 2005, any ORP participant with at least five years of full-time equivalent creditable service has a one-year window to change from ORP to TCRS. The cost to change is the greater of an actuarially determined contributions percentage plus 7.5% interest or the total accumulation of the ORP account balance. The company(ies) may have some additional restrictions based upon the account(s) in which the ORP accumulations are invested.
5. All rights to retirement plan benefits for university employees 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 ORP companies' regulations and the contract between the employee and the ORP company(ies).

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### Vesting and Full-time Equivalent Retirement Creditable Service

6. Employees who are enrolled in TCRS must accrue five years of full-time equivalent retirement creditable service to be vested and receive a service retirement benefit. All vested members may apply for reduced early retirement benefits at age 55 or upon completion of 25 years of full-time equivalent retirement creditable service (additional reductions will apply for employees with fewer than ten years of full-time equivalent retirement creditable service); or the members may apply for unreduced service retirement benefits at age 60 or after completion of 30 years of full-time equivalent retirement creditable service. ORP benefits are vested immediately, and lifetime distributions may be started at any time after separation from service regardless of age.
7. Five years of full-time equivalent retirement creditable service must also be accrued to be eligible for ordinary disability retirement under TCRS or JCRS. No specific amount of creditable service is required for accidental disability under these plans

### Contributions

8. Effective July 1, 1981, the university assumed payment of retirement contributions for TCRS and ORP plan members. For TCRS members, the employee's contribution of five percent of gross salary was assumed. For JCRS members, the total contribution to the ORP is ten percent of salary. For other ORP members, the total amount remitted is ten percent of salary covered by Old Age, Disability, and Survivors Insurance (OADSI) plus 11 percent of any amount above that covered by OADSI. Members in CSRS and FERS continue to pay a portion of the total membership contributions.
9. In 1993, the state of Tennessee limited the amount of extra pay, excluding overtime pay, eligible for retirement contributions for any one calendar year. The capped amounts vary depending upon employment status.
  - a. For faculty and staff employed on a 12-month basis, the amount of extra pay that is eligible for retirement contributions is: Limited to 25 percent of base pay for that year, regardless of how much extra pay is earned.

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- b. For faculty on a 9-month service base, the amount of extra pay earned that is eligible for retirement contributions during the academic year is: Limited to 25 percent of base pay for that year, regardless of how much extra pay is earned.
- c. For faculty on a 9-month service base, in addition to any retirement contributions earned during the academic year, the extra pay earned that is eligible for retirement contributions during the summer is:
  - Limited to 25 percent of base pay if the faculty member's summer employment is for teaching summer school sessions only;
  - Limited to 33 ⅓ percent of base pay if the extra pay is for research or a combination of research and teaching. (As an example, a 9-month faculty member who performs extra work during the academic year and extra teaching and/or research during the summer can be up to 58 ⅓% of annual base pay [i.e., a maximum of 25 percent during the school term and 33 ⅓ percent during the summer]).
- d. Due to Internal Revenue Code restrictions, employees cannot make personal "before-tax" or "after-tax" contributions to their Optional Retirement Program accounts. However, employees may contribute pre-tax dollars to the Tax Deferred Income Program as outlined in [HR0390 - Deferred Compensation](#).

### Retirement Age

- 11. There is no mandatory retirement age for university 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.

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### Termination of Employment Prior to Retirement

12. For employees who terminate employment prior to retirement, the following options are available under the TCRS (State) plan:
  - a. If an employee terminates and accepts employment at another state agency, membership and contributions are continued at the new agency.
  - b. If an employee has vested service, funds may be left intact until a benefit is requested at retirement.
  - c. If an employee does not have vested service and is not an active member for more than seven years in any period of nine consecutive years, accumulated member account contributions shall be paid to the member by TCRS.
13. For employees who terminate employment prior to retirement, the following options are available under the Optional Retirement Program plan (including the JCRS plan): If an employee transfers to another participating institution, membership and contributions may be continued at the new institution. (JCRS members have the option of joining either TCRS or the ORP.)

All funds contributed by the university and, prior to July 1, 1981, by the employee, 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 minimis 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.

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## Re-employment of Retirees

14. Re-employment of retirees who are receiving retirement benefits from TCRS is monitored through the State Retirement System. Refer to [HR0120 - Employment of University and State of Tennessee Retired Employees](#) for requirements to be followed for re-employment.

### PROCEDURES:

Health Science Center:	<a href="https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&amp;">https://uthsc.policymedical.net/policymed/home/index?ID=de47aa28-16aa-408b-9c96-cb04f232964f&amp;</a>
Space Institute:	<a href="http://www.utsi.edu/index.php/utsi-procedures/">http://www.utsi.edu/index.php/utsi-procedures/</a>
Institute of Agriculture:	<a href="http://ag.tennessee.edu/Pages/UTIApolicies.aspx">ag.tennessee.edu/Pages/UTIApolicies.aspx</a>

### FOR MORE INFORMATION:

Benefits and Retirement (865) 444-8847 [retirement@tennessee.edu](mailto:retirement@tennessee.edu)

**Related Policies:** [HR0120 - Employment of University and State of Tennessee Retired Employees](#), [HR0385 - Social Security Benefits](#), [HR0390 - Deferred Compensation](#)