The Texas A&M University System

Overview of Voluntary Supplemental Retirement Savings Programs

The 403(b) Tax-Deferred Account Program and the 457(b) Texa$aver Deferred Compensation Plan

Regardless of the mandatory retirement program you participate in (TRS or ORP), you can choose to save additional money for retirement on a tax-deferred basis through the Tax-Deferred Account (TDA) Program and/or Texa$aver Deferred Compensation Plan (DCP). All Texas A&M University System employees are eligible to participate in one or both of these voluntary supplemental pre-tax savings programs at any time.

The TDA and DCP programs allow you to save money for retirement and postpone paying federal income tax on your savings and investment earnings until you begin receiving the money. This will generally be after retirement, when your income may be less and your tax bracket is likely to be lower. While employed, you may make financial hardship withdrawals, though the plans' definitions of a hardship differ. Upon termination of employment or retirement, you can rollover your TDA and DCP accounts to another retirement plan (including an IRA) if you meet the requirements for a rollover distribution.

You decide how much you want to save, from a $25 minimum monthly contribution for the TDA and a $20 minimum monthly contribution for the DCP to the maximum allowed by federal law. Contributions are processed through convenient payroll deduction. You can change the amount you save once each month. You may also choose to defer part or all of a lump sum payment of annual leave upon termination of employment or retirement. However, you must enroll in the DCP or TDA prior to your final day of employment in order to defer your annual leave lump sum payment. Under the TDA Program, you must choose an investment vendor from the A&M System list of active vendors. Under the DCP, you choose investment options from those companies authorized by the State of Texas. You are responsible for choosing investment vendors and investment options and for any gains or losses on your account. There are no employer matching contributions under either plan.

TAX-DEFERRED ACCOUNT PROGRAM

Enrollment

The Tax-Deferred Account Program is subject to Internal Revenue Code section 403(b), which allows you to defer a portion of your current pre-tax or post-tax (Roth) income until retirement.

When you enroll in a TDA, you agree to have a specific amount or percentage of gross pay deducted from each paycheck and sent to the vendor you choose from the A&M System list of active vendors, available on the System Benefits Administration web site at tamus.edu/benefits/retirement/orptda.html. You may enroll in a TDA at any time and invest with up to two active vendors simultaneously. To enroll, you complete a TDA Salary Reduction Agreement (SRA) and turn it in to your Human Resources or Payroll Office, along with a copy of your completed vendor application. The TDA form is available from your Human Resources Office or online at tamus.edu/benefits/publications/index.html#retirement.

Your TDA contribution will be deducted from your pay during or after the effective month you state on the SRA form, depending on when your Human Resources or Payroll office receives your form. For example, if you are paid monthly and turn in a SRA form stating an effective month of January before the payroll runs in January, the first deduction will be made from the paycheck you receive at the beginning of February. If you are paid biweekly and turn in a SRA form stating an effective month of January on or before the payroll first runs in January, the first TDA deduction will be made from your paycheck that covers the first pay period that begins on or after January 1. The initial deduction for biweekly employees will depend on the payroll schedule during the month in which the TDA enrollment is effective.

IMPORTANT: If your TDA deduction amount is greater than your net pay for any pay period, <u>no</u> TDA deduction will be taken.

Distribution Options

Because the purpose of a TDA is to provide retirement income, you may begin receiving distributions from your account without penalty any time after you reach age 59½. You must pay federal income tax on your TDA savings when you receive payments unless you have a Roth TDA. Because Roth TDA contributions are made after taxes, your distributions upon retirement are tax-free. Federal law requires that you begin receiving payments by age 70½, unless you are still employed. You choose how your benefit will be paid from the payment options offered by your investment vendor(s). Your beneficiary will receive your account balance if you die before payment begins or will receive any survivor benefits you choose if you die after you begin receiving payments.

Under the TDA Program, if you withdraw money before age 59½, you generally must pay a 10% penalty tax in the year in which the money is withdrawn unless you withdraw because you become disabled and unable to work, you die, you leave A&M System employment after age 55, or elect an annuity payout upon termination or retirement at any age.

While you are employed with the A&M System, you may withdraw money from your TDA account only for one of the above reasons unless you have a financial hardship as defined by federal law. This includes major unreimbursed medical expenses, college costs for immediate family members, purchase of your primary residence or payments to prevent eviction from or foreclosure on your primary residence. If you receive a financial hardship withdrawal, federal law requires that contributions to the plan be suspended for six months. Some investment vendors allow you to take a loan from your TDA account, some do not. Contact your TDA vendor to determine loan availability.

If you leave A&M System employment before retirement, you may leave your account invested, but you may make no further contributions. You may also choose to withdraw your funds and pay any taxes due (including the penalty tax in most cases) or roll your account balance into a similar plan at a new employer or an individual retirement account.

Additional Resources

- System Regulation 31.02.10 Tax-Deferred Account Program (tamus.edu/offices/policy/31-02-10.pdf)

For additional information, review the following documents on the System Benefits Administration web site (tamus.edu/benefits/retirement/):

Selecting a TDA Vendor
TDA Vendors List
TDA Fee Summary
TDA Annuity Product Summary
Maximum Contribution Limits TDA and Texa$aver DCP
Comparison TDA and Texa$aver DCP
TDAs: *An Investment in Your Future*

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TEXA$AVER DEFERRED COMPENSATION PLAN

Enrollment

The Texa$aver Deferred Compensation Plan is subject to Internal Revenue Code section 457(b), which allows you to defer a portion of your current pre-tax income until retirement.
The DCP is managed by the Employees Retirement System of Texas, and Great West is the third-party administrator who can answer any questions you have about the program. To enroll in the Texa$aver Deferred Compensation Plan, visit the web site at www.texasaver.com, click on "457 Plan" for information about the plan and how to enroll. Next, download enrollment form, enroll online or call at (800) 634-5091 to visit with a customer service representative who will assist you in enrolling in the Texa$aver Program. You must identify yourself as an A&M System employee and be prepared to provide the representative with the following information: name, Social Security number, address, date of birth, date of hire, phone number, agency name, deferral amount and investment elections.

Deferral instructions received by Great West by 3 p.m. Central Time (CT) on the last business day of the month will be effective the following month.

In the following example, the initial DCP deferral for an employee paid monthly is deducted in a new tax year, although the effective enrollment date is December 1 of the previous year. The initial deduction for biweekly employees will depend on the payroll schedule during the month in which the DCP enrollment is effective.

Enrollment period:	Before 3 p.m. CT on last business day of November
Effective date:	December 1
Initial deduction:	January 1 pay voucher (December earnings but included in new tax year)

IMPORTANT: If your DCP deduction amount is greater than your net pay for any pay period, no DCP deduction will be taken.

Distribution Options

Although the purpose of a DCP is to provide retirement income, you may begin receiving distributions from your account when you leave state employment. You must pay federal income tax on your DCP savings when you receive payments. Federal law requires that you begin receiving payments by age 70½, unless you are still employed. You choose how your benefit will be paid from the payment options. Your beneficiary will receive your account balance if you die before payment begins or will receive any survivor benefits you choose if you die after you begin receiving payments.

While you are employed with the A&M System, two types of withdrawals are available through the DCP: financial hardship and de minimus. The financial hardship withdrawals can be taken from your account to help cover the costs of an unforeseeable emergency. The amount withdrawn cannot exceed the amount needed to satisfy the emergency. If you receive a financial hardship withdrawal, your contributions to the DCP will be suspended for six months. De minimis withdrawals can be taken from your account if you have a balance of $5,000 or less and you have not made contributions for two years or longer. Hardship withdrawals are not subject to a penalty tax. However, the financial hardship and de minimus withdrawals will be taxed as regular income in the year in which the money is received.

You may borrow funds from your Texa$aver Deferred Compensation Plan (DCP) account for a general loan (12-60 months) or a residential loan (61-180 months). Great West will process your request for loans and answer questions. Unlike hardship withdrawals, contributions are not suspended for six months when you borrow funds from your DCP. Amounts borrowed through the DCP loan program are not taxable unless you fail to repay the loan. Contact Great West at (800) 634-5091 if you have questions regarding the loan process.

If you leave A&M System employment before retirement, you may leave your account invested, but you may make no further contributions. Or, you may withdraw your funds and pay regular income taxes (with no penalty tax) or roll your account balance into a similar plan at a new employer or an individual retirement account.

Additional Resources

- System Regulation 31.02.11 Deferred Compensation Program (tamus.edu/offices/policy/31-02-11.pdf)

For additional information, review the following documents on the System Benefits Administration web site (http://tamus.edu/benefits/retirement/):

Maximum Contribution Limits for TDA and Texa$aver DCP
Comparison TDA and Texa$aver DCP

Additional information about the Texa$aver Program is available online at texasaver.com click on "457 Plan." Links are provided for various features of the Texa$aver DCP.

Participation in the 403(b) Tax-Deferred Account Program or 457(b) Texa$aver Deferred Compensation Plan entails certain responsibilities for the participant, including selection and monitoring of the vendor and individual investments. The Texas A&M University System has no fiduciary responsibilities for the financial stability of the vendor or the market value of individual investments chosen by the participant. Each employee bears the risk of the performance of the product(s) of his/her choosing under these voluntary retirement programs, and The Texas A&M University System is not liable for any tax consequences occurring under these retirement programs.

The contents of this document are intended for informational purposes only and should not be construed as tax or legal advice, which can be rendered only when related to specific fact situations. In all cases, you should consult your attorney or tax adviser if you have questions about your individual situation.

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