

MONTANA BOARD OF REGENTS OF HIGHER EDUCATION

Policy and Procedures Manual

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SUBJECT: COMPENSATION AND EMPLOYEE BENEFITS

Effective: July 1, 1993

Section: 803.2 Optional Retirement Program

Issued: Nov. 11, 1993

Approved:

Statutory authority:

The Optional Retirement Program (ORP) is established in accordance with the provisions of Title 19, Chapter 21, M.C.A., as amended.

Board policy:**I. Eligibility.**

- A. Subject to conditions stated in Section II, all academic and professional administrative personnel with individual contracts under the authority of the Board of Regents shall be eligible to participate in the ORP.
- B. Subject to conditions stated in Section XIV, effective July 1, 2002, all employees in positions covered under the public employees' retirement system who elect to participate in the Program pursuant to Title 19, Chapter 3, section 2112 M.C.A., as amended shall be eligible to participate in the ORP.

II. ~~Participants – Academic and Professional Administrative Personnel~~

- A. All eligible employees defined in Section I A shall participate in the ORP unless the person is, on the date hired, an active, inactive, or retired member of PERS or TRS who elects to remain with their current retirement system as provided in 4. below. This election must be exercised:
 - 1. before January 1, 1988, for an eligible person hired before July 1, 1987;
 - 2. within 90 days after entry into service or before January 1, 1988, whichever is later, for a person hired in an eligible position on or after July 1, 1987;
 - 3. within 30 days after receiving written notice of eligibility or before January 1, 1988, whichever is later, for an employee who becomes eligible to participate in the ORP by reason of appointment, promotion, transfer, or reclassification to an eligible position; and
 - 4. after July 1, 1993, an eligible person who is an active, inactive, or retired member of TRS or PERS shall elect, within 30 days of being hired, to:
 - a. remain with their current retirement system; or
 - b. become a member of the ORP.
- B. The election must be exercised by filing a written notice with the campus payroll officer. The election is effective as of the date the notice is filed with the payroll officer or January 1, 1988, whichever is later.
- C. If an eligible officer or staff member, who is an active, inactive, or retired member of TRS or PERS, fails to exercise the election as provided by this section, that person must remain a member of their current retirement system.
- D. An election under this section is not effective, and deferrals will not be made to the applicable retirement system, until an appropriate application for the issuance of a contract or contracts under the program is filed with the campus payroll officer.

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III. Participants – PERS Eligible Employees

- A. All eligible employees defined in Section I B shall participate in the ORP unless they elect to remain in the defined benefit plan or the defined contribution plan administered by PERS:
1. an employee who is an active member of the defined benefit plan on the date that the defined contribution plan becomes effective, may within 12 months after that date, elect to transfer to and become a participant the ORP.
 2. an employee who was an inactive member of the defined benefit plan on the effective date of the defined contribution plan and who is hired or rehired into covered employment with the university system after that date may, within 12 months after the member's hire date, elect to transfer to and become a participant in the ORP.
 3. an employee who is initially hired onto covered employment with the university system on or after the effective date of the defined contribution plan may, within 12 months of the member's hire date, elect to become a participant in the ORP.
- B. Elections made pursuant to this section must be made on a form prescribed by the Public Employees Retirement Board. An employee failing to make an election prescribed by this section remains a member of the public employees retirement system.

An election under this section, including the default election pursuant to subsection A, is a one-time irrevocable election. Subject to Title 19, chapter 3, section 2113 M.C.A, this subsection does not prohibit a new election after an employee has terminated membership in the ORP and returned to employment in a position covered under the system.

An employee who terminates membership in the defined benefit plan, the defined contribution plan, or the ORP after making an election pursuant to subsection A and who returns to covered employment in less than 24 months shall become a member of the plan that the employee last selected and is not eligible for a new plan choice election.

IV. ~~Designated Companies~~

- A. TIAA-CREF are the only companies designated by the Board of Regents to provide individual annuity contracts either fixed or variable, or a combination thereof, and owned by the participants.
- B. TIAA-CREF shall be subject to the policies established by the administrator regarding the contact of eligible employees to explain the provisions of the ORP.

V. ~~Plan Administrator~~

The Board of Regents delegates its duties under Title 19, Chapter 21, M.C.A., to the Office of the Commissioner of Higher Education which is also designated as administrator of the ORP. The Commissioner of Higher Education shall administer the ORP consistent with Board of Regents' policies regarding the administration of employee benefit programs through inter-unit advisory committees.

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~~VI. Plan Contributions – Faculty and Professional Administrative Personnel~~

- A. Contributions under this retirement plan, referred to as "plan contributions," shall be made at least monthly except for months in which no salary is paid in accordance with the following schedule:
 - 1. each participant shall contribute an amount equal to the member's contribution required under 19-4-602, M.C.A.;
 - 2. the Board of Regents' contribution on behalf of a participant shall be the greater of (a) the employer contribution to TRS not used to amortize past service unfunded liability or (b) an amount that, when added to the participant's contribution, is equal to 12% of the participant's earned compensation;
 - 3. On or after July 1, 1997 the Board of Regents may reduce the participant's contribution rate to an amount not less than 6% of earned compensation, provided the sum of participant and employer contribution remains 12%;
 - 4. Beginning on July 1, 1993 and continuing to June 30, 1997, the employer contributions to TRS to discharge the obligation for past service liability is 2.503%; and
 - 5. After July 1, 1997, the past service liability contribution to TRS may be adjusted based on the actual experience of the Montana University System members of the TRS system.
- B. Plan contributions by participants shall be made by employer pick-up under Section 414(h)(2) of the Internal Revenue Codes.
- C. Plan contributions shall be forwarded to TIAA-CREF to be applied as premiums on retirement annuities owned by the participant and may be allocated by the participant between TIAA and CREF in whole percentages.
- D. The Board of Regents shall make plan contributions for participants who have attained the normal retirement age who continue in employment provided the participant also continues contributions.
- E. Contributions to the ORP shall not continue beyond the date a participant receives his or her first annuity payment from a TIAA or CREF retirement annuity unless the participation in the ORP continues as a result of an early or phased retirement agreement between a participant and the Board of Regents.
- F. During a paid leave of absence, the Board of Regents shall continue its plan contributions to a participant's annuities on the basis of salary then being paid by the Board of Regents, provided the participant also continues plan contributions.

~~VII. Plan Contributions – PERS Eligible Employees~~

- A. Contributions under this retirement plan, referred to as "plan contributions," shall be made at least monthly except for months in which no salary is paid in accordance with the following schedule:
 - 1. each participant shall contribute an amount equal to the member's contribution required under 19-3-315, M.C.A.;

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2. the Board of Regents' contribution on behalf of a participant shall be the rate provided in 19-3-316, M.C.A.
 3. Subject to Subsection (4), the Board of Regent's contribution under subsection (2) must be allocated as follows:
 - (a) 4.49% of compensation must be allocated to the participant's program account
 - (b) 2.37% of compensation must be allocated to the defined benefit plan under the public employees retirement system as the plan choice rate; and
 - (c) 0.04% of compensation must be allocated to the education fund pursuant to 19-3-112(1)(c) M.C.A.
 4. The allocations under subsection (3) are subject to adjustment by the public employees' retirement board, but only as described in and in a manner consistent with the express provisions of 19-3-2121 M.C.A.
- B. Plan contributions by participants shall be made by employer pick-up under Section 414(h)(2) of the Internal Revenue Codes.
- C. Plan contributions shall be forwarded to TIAA-CREF to be applied as premiums on retirement annuities owned by the participant and may be allocated by the participant between TIAA and CREF in whole percentages.
- D. The Board of Regents shall make plan contributions for participants who have attained the normal retirement age who continue in employment provided the participant also continues contributions.
- E. Contributions to the ORP shall not continue beyond the date a participant receives his or her first annuity payment from a TIAA or CREF retirement annuity unless the participation in the ORP continues as a result of an early or phased retirement agreement between a participant and the Board of Regents.
- F. During a paid leave of absence, the Board of Regents shall continue its plan contributions to a participant's annuities on the basis of salary then being paid by the Board of Regents, provided the participant also continues plan contributions.

VIII. Retirement Annuities

- A. The participant shall complete a TIAA-CREF application form in order for retirement annuities to be issued. Each TIAA and/or CREF retirement annuity issued under the ORP is for the sole purpose of providing a retirement or death benefit.
- B. Provisions of TIAA and CREF retirement annuities are described in the booklet, ~~Retirement Annuities~~, and shall be distributed to each participant as part of the description of the ORP.
- C. All benefits under the ORP shall be provided solely through individually owned, fully funded retirement annuities and, therefore, are not subject to, nor covered by, federal plan termination insurance.

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IX Repurchase

- A. In the event the participant in the ORP terminates employment for reasons other than retirement or disability and requests that TIAA-CREF repurchase his or her annuity, the Board of Regents may approve such repurchase. These conditions are described in detail in the booklet, ~~Retirement Annuities~~.
- B. Upon repurchase, the entire amount accumulated in the annuities shall be payable by TIAA-CREF to the participant and shall be in full satisfaction of the participant's and his/her spouse's rights to retirement and/or death benefits under the ORP.

X Retirement Benefits

- A. Upon retirement at any age, the participant shall be entitled under the term of his or her TIAA and CREF retirement annuities to receive a monthly or periodic income under one of the options set forth in such contracts. All options provide a lifetime income for the participant and, all except one, also provide for income to a surviving spouse or other beneficiary.
- B. Total TIAA-CREF annuity income benefits which begin on or after May 1, 1980, shall be calculated on a sex-neutral basis as described in the booklet, ~~Retirement Annuities~~. Descriptions of the income options are also contained in the booklet.
- C. The Board of Regents shall permit the use of the retirement transition benefit described in the booklet, ~~Retirement Annuities~~.

XI. Death Benefits

In the event a participant dies prior to commencement of retirement benefit payments described in Section VIII, the full current value of the annuity accumulation, including the portion attributable to ORP contributions made by the Board of Regents, shall be payable to the beneficiary or beneficiaries named by the participant in a single sum or under any one of the income options offered by TIAA-CREF. The benefit options are described in the booklet, ~~Retirement Annuities~~.

XII. Plan Year

- A. The "plan year" is January 1 through December 31 of each year.
- B. Records for each participant to whom annuities have been issued shall be maintained on a calendar year basis. TIAA-CREF shall send each annuity owner a report of premiums and benefits summarizing the status of his or her retirement annuities as of December 31 of each year. Similar reports or benefit illustrations may be obtained by a TIAA-CREF annuity owner upon termination of employment or at any other time by writing directly to TIAA-CREF.

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XIII. Application for Benefits

- A. Procedures for receipt of benefits may be initiated by writing directly to TIAA-CREF.
- B. Benefits provided by TIAA and CREF retirement annuities to which plan contributions have been applied shall be payable by TIAA-CREF upon receipt by TIAA-CREF of a satisfactorily completed application for benefits and supporting documents, death benefits, or repurchase amounts. The necessary forms may be provided to the participant, the surviving spouse, or the participant's beneficiary by TIAA-CREF.

XIV. ~~Amendment and Termination~~

- A. The Board of Regents reserves the right to modify or discontinue the ORP at any time.
- B. Any discontinuance or modification of the ORP shall not adversely affect the benefits accrued by participants prior to the date of discontinuance

Definitions:

- A. "Teachers' Retirement System (TRS)" means the Teachers Retirement System provided for in Title 19, Chapter 20, M.C.A.
- B. "Optional Retirement Program (ORP)" means the Optional Retirement Program provided for in Title 19, Chapter 21, M.C.A.
- C. "TIAA" means the Teachers Insurance and Annuity Association.
- D. "CREF" means the College Retirement Equities Fund.
- E. "Normal retirement age" means the last day of the academic year in which age 65 is attained.
- F. "Participant" means an employee of the Montana University System who has elected to join the ORP.
- G. "PERS" means the Public Employees Retirement System provided for in Title 19, Chapter 3, M.C.A.
- H. "Defined benefit plan" means the defined benefit retirement plan administered by PERS under Title 19, Chapter 3, M.C.A.
- I. "Defined contribution plan" means the defined contribution retirement plan administered by PERS under Title 19, Chapter 3, Part 21, M.C.A.

History:

Item 56-004-R0787, Authorization to provide Optional Retirement Program for contract employees; Montana University System, July 24, 1987 as revised July 8, 1993.