


Office of Employee Benefits Administrative Manual 	UTSAVER TAX-SHELTERED ANNUITY PROGRAM	820
	EFFECTIVE DATE: DECEMBER 7, 2004	
	REVISION DATE:	
	PURPOSE: To function as the governing document for The University of Texas System UTSAver Tax-Sheltered Annuity Program along with applicable federal and state laws, and policies consistent with the <i>Rules and Regulations</i> of the U.T. System Board of Regents	
	SCOPE: Employees of The University of Texas System	
STATUTORY AND ADMINISTRATIVE REFERENCES: Internal Revenue Code of 1986, Sections 403 (b) and 415 and Article 6228a-5, V.T.C.S.; U.T. System Board of Regents <i>Rules and Regulations</i>		

THE UNIVERSITY OF TEXAS SYSTEM

Office of Employee Benefits

POLICY AND PROCEDURES MEMORANDUM

DATE: December 7, 2004

TO: System Administration Officials
Institutional Chief Business Officers
Institutional Chief Human Resources Officers

FROM: Office of Employee Benefits

SUBJECT: UTSAver Tax-Sheltered Annuity Program

1. PURPOSE

This policy is the governing document for The University of Texas System UTSaver Tax-Sheltered Annuity (TSA) Program along with applicable federal and state laws, and policies consistent with the *Rules and Regulations* of the U.T. System Board of Regents. It is to be interpreted in a manner that is consistent with the *Internal Revenue Code of 1986*, as amended, and its regulations thereunder, including, but not limited to, Sections 403(b) and 415 and Article 6228a-5, V.T.C.S. This policy will not in any manner reduce, restrict, or make forfeitable any participant's vested rights or accrued TSA program benefits.

2. POLICY

Employee salary reduction policies and procedures must be in effect at all U.T. System institutions to provide for the administration of the UTSaver TSA program in accordance with existing federal and state laws and regulations of the Board of Regents of The University of Texas System. Policies and procedures will also be in place to comply with federal limits concerning the maximum amount of income which can be tax-sheltered during any given tax year including the preparation of TSA contribution limit formula (CLF) calculations.

2.1 Eligibility

All employees of the U.T. System who have payroll appointments are eligible to participate in the TSA Program. Eligibility is not dependent upon the number of hours appointed or whether or not the employee is otherwise eligible for benefits. Employees may not, however, participate in the program if there is not sufficient salary available to cover mandatory deductions from gross pay for other benefits.

2.2 Participation

Initial enrollment in the UTSaver TSA Program may begin at any time during the period of employment. Election to participate is contingent upon the completion and submission of appropriate enrollment materials either through utilization of the UTRetirement Manager, or with paper documents to the U.T. System institution benefits office. An employee electing to participate in the UTSaver TSA Program must designate the TSA vendor to which monthly contributions will be sent. No election to participate is considered to have taken place until this selection is made.

2.3 Effective Date

Before an agreement to begin monthly TSA deferrals is considered final, all necessary enrollment materials must be completed and accepted by the U.T. System institution benefits office or other office responsible for receipt of TSA applications. Each U.T. System institution will determine the effective date for

applications based on institutional payroll procedures and the deadline for receipt of TSA applications at each U.T. System institution.

2.4 TSA Contributions

2.4.1 TSA on a Pre-Tax Basis. The UTSaver TSA program is a voluntary, supplemental retirement plan authorized by Section 403(b) of the *Internal Revenue Code of 1986*, as amended, and by Article 6228a-5, V.T.C.S. All employee contributions to UTSaver TSA Program accounts are made on a tax-deferred (before tax) basis and are deducted from a participant's salary. There are no state matching contributions associated with this program.

2.4.2 Contribution Limit Formula Calculation (CLF) Required. The monthly amount of TSA deferrals is limited to a maximum dollar amount determined by a participant's CLF calculation. A standard CLF calculation, authorized by U.T. System, complies with applicable provisions of Section 415 of the *Internal Revenue Code* and must be utilized for all such calculations. The maximum deferral amount for any participant is provided in this calculation. A completed and signed CLF worksheet is required for employees who wish to initiate a TSA or increase the deferral amount of an existing TSA.

2.4.3 Contribution Limits. The CLF calculation worksheet has a standard calculation that permits sheltering of the standard annual limit provided it does not exceed the 415(c) limitation. This standard option contains a formula-driven calculation as well as a percentage and an overall limitation for tax-sheltering. In 2006, an employee can contribute 100% of eligible compensation or \$15,000 per year, whichever is less.

2.4.4 Catch Up. Employees may be eligible, depending on age, years of service, and prior plan utilization to take advantage of catch-up provisions, as defined by the *Internal Revenue Code*.

2.4.5 Year of Service for Academic Employees. For purposes of calculating the CLF for academic employees, a complete year of service is granted if both spring and fall semesters in the same calendar year are worked, regardless of whether the faculty member is employed in the summer.

2.5 Distributions

2.5.1 Distributions Due to Employment Separation. Participants who separate employment with The University of Texas System may elect to receive a distribution of funds or to retain an existing UTSaver TSA account or

roll the account into another qualified plan, such as another 403(b) plan, a governmental 457(b) plan, a 401(a) plan, or an Individual Retirement Account. Rollovers are subject to the approval of the receiving vendor or plan. Income tax must be paid on any distributed amount.

2.5.2 Distributions While Employed. Participants may take a distribution after age 59 ½ and roll funds received into other types of employer sponsored plans, Individual Retirement Accounts, or other eligible options (see above).

2.5.3 Minimum Required Distributions. No later than April 1 following the year in which a participant turns 70 ½, unless employed, the participant must take a required minimum distribution. If the required minimum distribution is not taken appropriately, a penalty of 50% of the amount that should have been taken may be assessed by the IRS.

2.6 Loans

Loans are available to employees subject to availability established by the vendor and in compliance with the vendor's minimum loan amounts and repayment terms.

2.7 Withholding And Reporting Requirements

For an eligible rollover distribution, 20% of the amount must be withheld for federal taxes unless the participant makes a direct rollover to an eligible retirement plan or Individual Retirement Account.

2.8 Authorized UTSaver TSA Vendors

2.8.1 Participation Requires Selection of an Authorized Vendor. An employee electing to participate in the UTSaver TSA program may select a vendor from TSA companies that are authorized to provide products to employees of the U.T. System. No election to participate is considered to have taken place until the participant designates a vendor to which monthly deferrals are to be made.

2.8.2 Requirement to Select an Authorized TSA Vendor. An employee choosing to participate in the UTSaver TSA program, must select a vendor from the list of currently authorized UTSaver TSA vendors. An employee may elect to participate with a vendor that has been permitted to receive remittances through the special exception that was previously permitted.

2.8.3 Transfer of TSA Accounts. A TSA account may only be transferred to a currently authorized UTSaver TSA vendor.

2.9 Changing TSA Vendors

2.9.1 Limits on TSA Vendor Changes. An employee may change a TSA vendor selection as frequently as permitted by the institution, but no less than two times per year. Each U.T. System institution will determine the effective date of TSA vendor changes in accordance with institutional payroll procedures and the deadline for receipt of change applications at each institution.

2.9.2 Employee Vendor Change Options. An employee who requests a vendor change has three options regarding the annuity balance in the existing account at the time of the change.

(1) Leave the account intact for an indefinite period of time until a paid-up annuity or some other form of disbursement is requested.

(2) Transfer all or a portion of the account balance to the new vendor.

(3) Leave the account balance with the existing vendor until some later date and then request a transfer to the new vendor. The usual reason for this option is to be able to receive additional scheduled dividends or interest from the vendor and/or reduce or avoid withdrawal charges.

2.9.3 Participation with Multiple Vendors. A participant may select more than one vendor to which monthly TSA contributions are sent. Vendors that offer more than one product or who offer a clearinghouse arrangement may provide concurrent investment opportunities with more than one vendor and/or product in which a participant may invest.

2.10 Termination of Participation

A participant may cancel an ongoing TSA agreement with respect to future earnings at any time during a tax year by giving notice to the institution. A participant may enter into another TSA agreement during the tax year in which the cancellation took place. Each U.T. System institution shall determine how many Purchase/Change Agreements it will allow for TSA participants in any given tax year. No less than two changes per year or more than one agreement per month is permitted. A change of TSA vendors does not constitute termination of participation.

2.11 Qualified Domestic Relations Orders (QDRO's)

It is the responsibility of each currently authorized UTSaver TSA vendor to qualify and process Qualified Domestic Relations Orders (QDRO's). All TSA participants and alternate payees will be directed to contact the respective TSA vendor directly to file the necessary forms to process QDRO's.

2.12 Sales Solicitation

Authorized UTSaver TSA vendors may sell TSA products to participants subject to the following terms and conditions.

2.12.1 Compliance with Regents' Rules and Regulations Required. All vendors, participants, and advisors must adhere to the provisions of the Regents' *Rules and Regulations* and other U.T. System and U.T. System institution policies applicable to the UTSaver TSA program.

- (1) The Regents' *Rules and Regulations* prohibit solicitation in any building or structure on the campuses of U.T. System institutions.
- (2) TSA vendor representatives may not make un-requested sales presentations of any kind on campus, including in person, promotional cold-calls on employees.
- (3) TSA vendor representatives must not interfere with the academic or institutional programs and activities of the U.T. System institution.
- (4) Individual employees may request that information be provided to them by a TSA vendor representative during working hours provided that such presentations do not interfere or disturb the normal business of the U.T. System institution.
- (5) Any on-campus meetings to disseminate information about the UTSaver TSA Program must be sponsored by the U.T. System or a U.T. System institution. Activity at such meetings is limited to the provision of information about the various TSA products. No sales activities may occur at such meetings except in compliance with the following:
 - (A) Only At The Employee's Request. Individual employees may request that a TSA vendor representative provide information about proposed plans or coverages to them during working hours. However, such presentations must not interfere or disturb the normal business of the U.T. System institution.
 - (B) As A Guest Of The Employee.

- (C) In Compliance With Applicable Policies. All sales activity must be in accordance with the Regents' *Rules and Regulations* related to sales solicitation and any applicable policies and procedures of the U.T. System institution.
- (D) Sales Solicitation Agreement Required. All sales representatives representing a currently authorized TSA vendor must have completed and signed a Sales Solicitation Agreement with the U.T. System and a copy of the agreement must be on file with the currently authorized TSA vendor and with the U.T. System Office of Employee Benefits.
- (E) Sales And Presentation Activity. All sales, presentation, and related activity must be in conformity with the U.T. System institution's policies and procedures.
- (F) Sponsorship Required. Any meetings to disseminate information about TSA products are to be sponsored by either the U.T. System and/or U.T. System institutions. Activity at such meetings is limited to providing information about various TSA products and services.

2.12.2 Prohibited Gifts. No TSA vendor representative shall provide gifts or monetary rewards directly or indirectly to any employee of the U.T. System for information on employees. Any employee providing confidential information to a TSA vendor representative without authorization may be subject to disciplinary action up to and including termination from employment. Any vendor representative found to have provided gifts or monetary rewards to employees shall be subject to suspension of sales privileges on any U.T. System property for any length of time deemed appropriate by the U.T. System.

2.12.3 Disqualification. All U.T. System institutions shall report violations of these provisions to the TSA vendor and to the U.T. System Office of Employee Benefits. Vendor representatives found to have willfully or repeatedly violated these Regents' *Rules and Regulations* may be disqualified from any sales or related activity at the U.T. System institution or at any U.T. System institution, at the discretion of the U.T. System Office of Employee Benefits. Multiple violations of these provisions by representatives of a TSA vendor may result in removal of the TSA vendor from the U.T. System currently authorized TSA vendor list.

3. PROCEDURES

3.1 Enrollment

To enroll in the UTSaver TSA Program, an employee must select an authorized TSA vendor and complete the enrollment materials needed to establish a deferral agreement between the participant and the U. T. System.

The following forms must be completed to effect TSA enrollment:

- 3.1.1 Purchase/Change Agreement that includes provisions for a salary reduction agreement. This may be completed on the UTRetirement Manager.
- 3.1.2 Tax-Sheltered Annuity Contribution Limit Formula and Disclosure Form
- 3.1.3 TSA Vendor Application

3.2 Changing Selection of TSA Vendors

To change selection of a TSA vendor, participants may either utilize the UTRetirement Manager or complete the necessary paperwork and submit the forms provided by the U.T. System to the U.T. System institution benefits office. No substitute form will be accepted for use in changing TSA Companies.

Employees must complete the Purchase/Change Agreement to effect changing TSA Companies.

4. AUTHORITY

U. T. System Regents' *Rules and Regulations*, Series 30202, Section 8
Internal Revenue Code of 1986, as amended, § 403(b) and §415
Vernon's Texas Civil Statutes ann. Article 6228A-5