



TEXAS TECH UNIVERSITY™

Operating Policy and Procedure

OP 70.05: Eligibility for Insurance and Other Benefits

DATE: April 4, 2019

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to define university policy and employee eligibility for insurance programs and other benefits.

REVIEW: This OP will be reviewed in June of odd-numbered years by the Assistant Vice President for Human Resources with substantive revisions forwarded to the Associate Vice President for Administration and Chief of Staff for the President.

POLICY/PROCEDURE

1. Retirement Programs

a. TRS and ORP Overview

Plan Design

Public education employees employed in a position that is eligible for the Teacher Retirement System of Texas (TRS) are automatically enrolled in TRS on their first day of employment.

Full-time faculty, librarians, and certain professionals and administrators employed in public higher education are eligible to elect the Optional Retirement Program (ORP) in lieu of TRS before the 91st day after becoming eligible. It is a one-time irrevocable choice between two distinct plans that are suitable to different individual needs, so the decision should be made very carefully after considering both plans in light of personal circumstances.

State law requires both the employee and the state to make contributions to TRS and ORP based on a percentage of the employee's salary. State contribution rates are established biennially by the Texas Legislature and they may fluctuate over time. Contributions and interest earnings under both plans are not subject to federal income tax until the funds are withdrawn or paid as a retirement annuity.

Federal limits on contributions or creditable compensation apply to both TRS and ORP but usually only affect highly compensated employees (generally, those with salaries over \$275,000 for 2018).

(1) Teacher Retirement System (TRS)

The TRS plan is a traditional defined benefit state retirement program in which investment risks are generally absorbed by the state. Contributions go into a large trust fund managed by knowledgeable professionals with a prudent, yet successful, investment strategy. This type of plan provides stability and does not require any investment decisions by individual members. Service credit is earned based on required

minimum service in a school year, and members also may be eligible to purchase additional service credit (e.g., military service or out-of-state public-school service). Retirement benefits are based on statutory formulas.

Additional specific plan information such as retirement eligibility benefits, disability benefits, and death and survivor benefits can be found by visiting the following websites: www.trs.texas.gov and www.theccb.state.tx.us.

TRS members who do not desire a retirement benefit may withdraw their employee contributions plus two percent interest upon termination of employment, but state contributions remain with TRS.

(2) Optional Retirement Program (ORP)

ORP is an individualized defined contribution plan in which each participant selects from a variety of investments offered by approved companies (authorized by TTUS) through annuity contracts or mutual fund investments. Because participants manage their own personal investment accounts, ORP entails more individual risk and responsibility than that associated with TRS membership. Benefits are a direct result of the amounts contributed and any net return on the investments selected by each participant.

Upon termination from Texas public higher education, ORP participants with more than one year of participation retain control over all contributions (both employee and state). Participants who terminate with one year or less of initial participation forfeit state contributions made during that period of employment. Post-termination distributions are determined by individual contract provisions, federal income tax law, and personal preference. Contracts may provide for complete or periodic withdrawals or annuity income for a specified number of years or life.

ORP has no provisions for death and disability benefits like those provided by TRS. Administrative costs are paid by the participant through varying fees, "loads," and/or amount of interest paid.

ORP-eligible employees are provided only one opportunity during their entire career in Texas public higher education to select between these two distinct types of plans, and the choice can directly affect financial resources at retirement. Therefore, new or prospective ORP-eligible employees should carefully consider the advantages and disadvantages of each plan in light of personal circumstances. Factors to consider include: age, current and anticipated salary in future years, expected length of employment in Texas, previous retirement program participation, current and anticipated financial position, and, if ORP is selected, willingness to take the risks and responsibilities of managing one's own retirement investments.

New or prospective ORP-eligible employees should obtain specific information from:

- The Human Resources Employee Services Center;
hrs.employee.services@ttu.edu
- TRS and its website – www.trs.texas.gov
- The university's authorized ORP company representatives and their respective

websites (list located on the Human Resources website);

- *An Overview of TRS and ORP* on the website www.theccb.state.tx.us; and
- Other information sources such as colleagues, personal financial advisors, financial market news, and insurance company rating services.

b. Income Tax Sheltered Programs

In addition to participation in the Teacher Retirement System or the Optional Retirement Program, employees of Texas Tech are eligible to set aside additional amounts of salary, up to annual IRS limits, without paying current income tax on those amounts. This income tax deferral is available under the Tax Deferred Annuity Program 403(b) and the Deferred Compensation 457 Program. Participation in these programs is voluntary, and employees may elect to participate in either or both programs. These programs are offered as a supplement to the retirement benefits provided by the Teacher Retirement System or the Optional Retirement Program.

(1) Tax Deferred Account Program (TDA)

The Tax Deferred Account Program is available to employees on an optional basis. Under the Tax Deferred Account Program, employees may enter into an agreement with Texas Tech to reduce current earnings, up to annual IRS limits, and apply the proceeds of such reduction to the purchase of fixed annuity, variable annuity, custodial, non-custodial, or mutual fund accounts with vendors approved by Texas Tech University System.

For additional information about the Tax Sheltered/Deferred Account Program, see [OP 70.09, Tax Deferred Account Program](#).

(2) TexaSaver Deferred Compensation 457 Program

The TexaSaver Deferred Compensation Program (IRC 457) is available to employees on an optional basis. Under the TexaSaver program, employees may enter into an agreement with the state to reduce current earnings, up to annual IRS limits, and apply the proceeds of such reductions to the purchase of investment products approved by the Employees Retirement System of Texas (ERS), the plan administrator. Employee deferrals and investment income become the property of the state of Texas until these funds are distributed to the employee.

For additional information about the TexaSaver deferred compensation program, visit the TexaSaver website link at www.texasaver.com

Contributions to both the 403(b) plan and the 457 plan offer a Roth option for additional retirement contributions. Roth contributions allow participants to contribute to the plan with after-tax dollars. No income taxes are withheld from Roth contributions or their earnings when a distribution is taken as long as it is a “qualified” distribution. Participants are allowed to designate all or a portion of elective retirement contribution as Roth contributions.

2. Group Insurance Plans

ERS administers health and other insurance benefits for Texas Tech. In addition, ERS administers TexFlex, a tax-savings flexible spending account program.

To enroll in the group insurance plans or learn more about the available benefits, including eligibility requirements, visit the ERS website, www.ers.texas.gov, or contact Human Resources Employee Services Center.

3. Termination of Insurance

Insurance coverage provided by the Group Benefits Plan (GBP) will automatically terminate as follows:

a. For insured employees

- (1) The end of the month in which employment is terminated;
- (2) The end of the month in which the employee ceases to be an eligible employee;
- (3) The end of the month the last premium payment is made for the employee;
- (4) The end of the month in which the employee dies; and/or
- (5) The end of the month in which the Human Resources Employee Services Center receives a cancellation request completed by the employee.

b. For insured dependents

- (1) The date the insured employee's coverage is terminated;
- (2) The end of the month in which a dependent no longer qualifies as a dependent; and/or
- (3) The end of the month following receipt of a cancellation request by the Human Resources Employee Services Center.

An insured's coverage will not terminate due to failure of Texas Tech to transmit reports, pay premiums, or comply with any other provisions of the policy when such failure is due to inadvertent error or administrative mistake.

4. Continuation of Insurance Coverage

a. Between Term Leave Without Pay

Employees not working during the summer months or who are working less than 50 percent time during the summer months are entitled to continue coverage in all of the insurance plans and to receive employer contributions toward health insurance premiums if the employee:

- (1) Worked and was an eligible participant during the semester immediately preceding the summer;
- (2) Is expected to return to a status eligible to participate in the fall;
- (3) Has not resigned or been separated from Texas Tech; and
- (4) Is not on a voluntary leave without pay for personal reasons.

These employees may continue group insurance coverage during a period of leave without pay provided the applicable premium payments are made to Payroll Services when due.

b. Leave without Pay

Employees who are in or expected to be in voluntary leave without pay status (do not work or receive pay) for a full month's time are not eligible to receive the state contribution unless the

leave is classified as FMLA. Information on FMLA can be located in [OP 70.32, Family and Medical Leave Act \(FMLA\) and Parental Leave](#). These employees will be reported to the ERS, which will be responsible for the collection of the total premium of all group insurance coverage, including the employer contribution, if applicable. The employee will receive a premium billing from ERS and must make prompt payment to avoid cancellation of all coverage.

Going on leave without pay is a qualifying life event (QLE). Employees may make changes to their insurance coverages and TexFlex elections consistent with the event. These changes will be effective the first of the month following the month the employee goes on leave without pay. An employee may change from FMLA to straight leave without pay status. The maximum period of eligibility while in a leave without pay status is 12 continuous months. When the maximum period of leave without pay is reached, all GBP coverage is automatically canceled.

c. Upon the Death of a Covered Employee

The covered dependents of an employee may continue the health and dental coverages in which they were enrolled on the date of the employee's death, provided the employee has at least 10 years of eligible retirement service credit and 10 years of participation with a GBP-participating agency or institution. The surviving dependents must pay their monthly insurance premium or their coverage will be canceled. Once the coverage is canceled, it cannot be reinstated. A surviving spouse may continue coverage as long as he or she pays the monthly premium. Surviving children may continue coverage as a surviving dependent only as long as they continue to meet GBP eligibility requirements and pay monthly premiums. Neither the state nor Texas Tech provides employer contributions toward the cost of coverage for the surviving spouse and/or children.

d. COBRA Continuation Coverage

Employees and their qualified dependents covered under the group medical and/or dental plans have a right to elect to continue their coverage for 18 or 36 months if their coverage otherwise ends because of certain qualifying events. Those events include the employee's death, voluntary or involuntary termination of employment, reduction of hours of employment, divorce, or legal separation. Dependent children who cease to be dependent children also may elect continuation coverage. The employee or qualified dependent must notify ERS of a qualifying event that is not the result of a change in employment status to complete an application for continuation coverage. Continuation coverage is provided without regard to the individual's evidence of insurability. The employee or dependent must pay the full premium costs plus a two percent administrative fee, and Texas Tech's employer contribution ceases. The covered surviving dependents of a deceased employee may continue their medical and/or dental insurance coverage under either of the above two paragraphs, but not under both.

Neither the state nor Texas Tech provides employer contributions toward the cost of continuation coverage.

5. Insurance Programs for Retirees

Upon retirement from the state and Texas Tech, regular employees are eligible to participate in the group insurance options made available under the GBP if all of the following requirements

are fulfilled. The Texas Legislature determines the level of funding for benefits and has no continuing obligation to provide benefits beyond each fiscal year.

- a. The employee has at least ten years of qualified GBP participation under either TRS, ORP, or ERS, or any combination thereof, and the employee has not voluntarily forfeited retirement benefits by withdrawal of the retirement account(s). A person who is eligible for a proportional retirement may also apply service credit from the Texas Municipal Retirement System (TMRS) or the Texas County and District Retirement System (TCDRS) as part of the ten years.
- b. Individuals must have at least 10 years of established service credit with the entities listed above and be age 65, or age plus years of creditable service must equal or exceed 80.
- c. The employee has terminated employment from all state agencies and higher education institutions that participate in the GBP or is no longer eligible for the GBP as an employee.
- d. The last Texas public employment prior to retirement was at a state agency or higher education institution that participates in the GBP.

If the retiring employee enrolls before or within 31 days of separation from employment, the retiree insurance is effective the first of the month following separation. Enrollment, thereafter, will require a 60-day waiting period for coverage to become effective and may require evidence of insurability.

If a participant in the insurance program for retirees obtains reemployment at Texas Tech in a non-benefits eligible position, the participant and enrolled dependents will remain in the retiree insurance program. Retirees returning to a full-time benefits eligible position will be given the choice between the active employee and retiree insurance plans.

Upon retirement, retirees have the following enrollment options under GBP:

- (1) Decline all GBP coverage by not enrolling
- (2) Enroll in the GBP (eligible coverage only)

Retirees and prospective retirees should contact the Human Resources Employee Services Center for detailed benefit booklets and/or additional information regarding available group insurance plans for retirees. Information is also available at www.ers.texas.gov.

The State of Texas makes a monthly contribution toward the cost of health insurance coverage for those employees with at least ten years of established service credit who are retiring at age 65 or whose age and years of creditable service equal 80.

The state's contribution is based on available funding provided by the Texas Legislature and depends on three things:

- Whether the retiree was a full-time or part-time employee at the time of retirement;

- Whether the retiree has at least five years of employment at a State of Texas agency or institution on September 1, 2014; and
- How many years the retiree worked for the State of Texas.

If you had five years by September 1, 2014, you are “grandfathered,” and the state will pay 100% of your health insurance premium (50% if you were a part-time employee in the last three months of your employment) when you become eligible.

If you had fewer than five years of service as of September 1, 2014, the state’s health insurance premium contribution will be “tiered” based on the number of years you participated in the GBP:

- 100% with the last 20 years,
- 75% with 15 years to 19 years, 11 months, or
- 50% with 10 years to 14 years, 11 months.

The covered surviving spouse and/or covered surviving dependent(s) of a retiree may continue the health and dental coverages in which they were enrolled on the date of the retiree's death, provided they pay the required premiums and continue to meet the residency requirements of the plans (if applicable). A spouse may continue coverage for life. Dependent children may continue coverage until they lose GBP eligibility, regardless of whether the spouse continues coverage. Texas Tech does not provide employer contributions toward the cost of coverage for the surviving spouse and/or dependent(s).

6. Cafeteria Benefits Program

Texas Tech offers an open benefits program for employees through the GBP. The cafeteria benefits program consists of a premium conversion plan, a health care reimbursement account, and a dependent care reimbursement account. The TexFlex program allows all eligible employees to pay for certain expenses with pre-tax dollars and save money on federal income taxes and social security taxes by redirecting dollars from employee pay checks before taxes are calculated. This program is covered under the Internal Revenue Code, Section 125.

An election to participate or not to participate in TexFlex is irrevocable for the plan year (September 1 to August 31) unless there is a QLE. Employees are automatically re-enrolled in the TexFlex reimbursement plans each year during the annual enrollment period for the next plan year. Account contributions remain the same unless the employee makes a change during annual enrollment.

a. Premium Conversion Plan

State employees enrolled in the GBP are required to participate in the premium conversion benefit portion of a cafeteria plan. Through premium conversion, employees will not pay income tax or social security tax on insurance premiums except for dependent life and disability premiums. Under premium conversion, employees may make insurance coverage changes only during annual enrollment unless there is a QLE. A request to change must be made within 30 days from the date of the QLE.

b. **TexFlex Health Care Spending Account**

This is a flexible spending account that allows employees to deposit pre-tax money into an account to use for eligible out-of-pocket health, dental, drug, and vision expenses. Limited changes are allowed during the plan year when an eligible event occurs and the change is consistent with the event.

c. **TexFlex Dependent Care Spending Account**

This is a flexible spending account that allows employees to deposit pre-tax money into an account to pay for their child's day care or after-school care (for a child under age 13) or for care of a qualifying adult family member. Limited changes are allowed during the plan year when an eligible event occurs and the change is consistent with the event.

Dependent care expenses reimbursed through the TexFlex Dependent Care Spending Account and the adjusted taxable wage will be reported on the employee's W-2 form at the end of each calendar year. The same dollar amount redirected through the TexFlex Dependent Care Spending Account cannot be deducted on the employee's personal income tax return.

d. **TexFlex Commuter Spending Account**

This flexible spending account lets you set aside pre-tax money from your paycheck to use for eligible parking and transit expenses. Because this program allows for pre-tax savings, it is regulated by the Internal Revenue Service (IRS).

For additional information about the flexible spending program (TexFlex), employees should refer to the detailed benefits booklets available from the Human Resources Employee Services Center or refer to www.ers.texas.gov.

7. Old-Age and Survivors Insurance (Social Security)

Employees of Texas Tech are required to participate in the Old-Age and Survivors Insurance Program (OASI) and the Medicare Hospitalization Insurance Program of Social Security. (Exceptions: Services performed by a non-resident alien temporarily in the United States as a non-immigrant under an F1 visa whose presence in the United States is less than five years or under a J1 visa whose presence in the United States is less than two years if the services are performed to carry out the purpose for which they were admitted to the United States. Social Security must be withheld for the entire calendar year in which the individual is no longer exempt. Employees hired into positions requiring student status as a condition of employment who meet certain enrollment requirements are also exempt from OASI.)

Visit the Social Security website, www.ssa.gov, for more information about OASI including retirement, disability, and survivor benefits.

8. Unemployment Compensation Insurance

Employees on the payroll of Texas Tech, in positions other than those positions requiring student status as a condition of employment, are covered by the Unemployment Compensation Insurance Program. Through the Unemployment Compensation Insurance Program, employees may be eligible for weekly benefit payments during a period of unemployment that occurs through no

fault of the employee.

Eligible employees of Texas Tech cannot be paid unemployment compensation benefits for any week of unemployment that begins during the period between two regular academic terms, or that begins during an established vacation period or holiday recess, if the employee worked in the first of such terms or work periods and has a reasonable assurance of work in the second of such terms or work periods.

The Unemployment Compensation Insurance Program is coordinated through Human Resources Talent Management. Control of costs under the program is a joint effort between the employing departments and Human Resources.

9. Workers' Compensation Insurance

The Workers' Compensation Insurance Program covers each employee on the payroll of Texas Tech. The State Office of Risk Management (SORM) is the agency directly responsible for administering this insurance program for state employees. For additional information, refer to [OP 70.13, Workers' Compensation Insurance](#).

10. Automobile Liability Insurance

Texas Tech maintains an automobile liability insurance policy to cover employees required to operate vehicles owned by Texas Tech as a part of their assigned job duties.

11. Legal Liability Insurance

The Attorney General is required to undertake the defense of and the state of Texas is required to assume the liability for damages awarded against Texas Tech employees arising from acts within the scope of university employment.

12. Texas Tech Federal Credit Union

The Texas Tech Federal Credit Union, operating under a charter from the federal government, is an employee-owned cooperative association established to provide savings and borrowing facilities for Texas Tech employees. Regular employees may establish membership by purchasing one share and paying a membership fee.

13. Death Benefits

Upon the death of an employee, Texas Tech shall pay the estate or lawful heirs for all of the employee's accumulated vacation leave and for one-half of the employee's accumulated sick leave or 336 hours of sick leave, whichever is less. The payment shall be calculated at the rate of compensation being paid the employee at the time of death.

Death benefits also may be payable under any one or more of the following retirement and insurance programs: Teacher Retirement System, Optional Retirement Program, Old-Age and Survivors Insurance (Social Security), life insurance, and accidental death and dismemberment insurance.

For additional information concerning death benefits, refer to [OP 70.22, Employee Deaths](#), or contact the Human Resources Employee Services Center.

14. Non-Discrimination

Employees will not be discriminated against in their eligibility for insurance and other benefits based on race, color, religion, sex, sexual orientation, or gender identity or expression, age, disability, national origin, veteran status, or any other protected class.

15. Right to Change Policy

Texas Tech reserves the right to interpret, change, modify, amend, or rescind this policy, in whole or in part, at any time without the consent of employees.

16. Authoritative References

§1551.207 Title 8, Chapter 1551, Texas Insurance Code
§1551.3195 Texas Insurance Code
Attorney General's Opinions M-731, M-850, and M-1156
Employee Retirement System
Internal Revenue Code Section 125
IRS Publication 519
Social Security Administration
Teacher Retirement System
Texas Civil Practice and Remedies Code, Title 5, Chapter 101
Texas Government Code, Chapter 830
Texas Government Code, Section 661.033
Texas Labor Code, Chapters 201-215

This material is intended to describe available benefit plans and provide a general explanation of the plan provisions. This document is not meant to include the complete details of all benefits available. Every effort has been made to ensure that the information is complete and accurate; however, if there is ever a conflict or difference between this document and the governing entity, the governing entity rules will prevail.