

## Retirement Information for ORP Participants

This document provides general information for ORP participants who are considering retirement. For specific information about your individual situation, contact the Human Resources Office at your last ORP employer ([Texas public institutions of higher education](#)).

### **Retirement Funds**

ORP funds are available for distribution when you terminate employment with all ORP employers. There are no minimum age or years of service requirements. (Participants who are at least age 70-1/2 are permitted to take pre-termination distributions.)

Once terminated, you may leave your ORP funds on account with your ORP employer's plan or you may withdraw them and pay taxes or roll them to another eligible plan such as an IRA. (See Retiree Group Insurance information below regarding withdrawal of all ORP funds.) The IRS has a 10% early withdrawal penalty that generally applies to withdrawals made before age 59-1/2 but there are several exceptions, including termination of employment after age 55. As a terminated participant, you will continue to work with your ORP company representative to manage your ORP funds, including arranging any withdrawals or rollovers.

Each ORP employer's plan may contain specific provisions regarding permissible distribution and investment options upon termination of employment/retirement, so you should contact your ORP employer for detailed information on their plan provisions. The individual ORP contract with the ORP company may also contain some provisions regarding distributions and post-retirement options. (In case of any conflict between the employer's ORP plan provisions and the contractual provisions, the plan provisions take precedence.)

There are no statewide ORP provisions specifically addressing IRS required minimum distributions (RMDs); however, ORP law allows pre-termination distributions beginning at age 70-1/2 to accommodate participants who need to take RMDs. The IRS permits active (contributing) participants to delay taking RMDs from ORP accounts with their current ORP employer until they have terminated that period of employment, but you should contact your ORP employer for information about any local plan provisions regarding RMDs. All participants (both active and terminated/retired) who reach the age that RMDs must begin (currently age 73) should contact any former ORP employers for information about RMDs.

An ORP retiree who returns to work with the same or another Texas public institution of higher education is no longer eligible to participate in ORP (*i.e.*, make contributions to an ORP account) even if employed in what would otherwise be considered a benefits-eligible position. ("Once retired, always retired.")

### **Retiree Group Insurance**

An ORP participant establishes retiree status by enrolling in retiree group insurance as an ORP retiree.

ORP participants are covered by one of three separate group insurance programs based on the participant's employing institution:

- UT System component institutions
- TAMUS component institutions
- All other Texas public institutions of higher education (including community colleges)

The group insurance programs for UT System and TAMUS employees are administered by the system offices. The group insurance program for all other participants is administered by the Employees Retirement System (ERS).

## Retirement Information for ORP Participants

Your last ORP employer is responsible for determining whether you meet the eligibility requirements (including any applicable exceptions) and if so, for enrolling you in retiree group insurance.

**Questions about your eligibility for group insurance as an ORP retiree should be directed to your last ORP employer.** If you were covered as an employee by more than one of the above three group insurance programs, contact all of your ORP employers for information on eligibility for group insurance as an ORP retiree. You may be eligible to combine years of participation in more than one group insurance program.

**CAUTION:** Pre-retirement employment with a non-higher education Texas public education employer (e.g., ISD) may make you ineligible to enroll in any of the above three retiree group insurance programs (whether or not you meet the age and service requirements). Before accepting a post-higher education position with a non-higher education Texas public education employer, check with your last ORP employer for information on this provision.

**NOTE:** Retiree group insurance is not a guaranteed lifetime benefit. The Texas Legislature and administering governing boards may make future changes to eligibility, benefits, funding or other program provisions.

**The following information is for participants covered by the ERS group insurance program.**

Essentially, the requirements to enroll in ERS retiree group insurance program as an ORP retiree are:

- At least 10 years of participation as an employee (not a dependent) in the group insurance program administered by ERS (or eligibility to participate) at one or more covered employers
- At least age 65 or, if less than 65, would have been eligible to retire under TRS (Teacher Retirement System) with the Rule of 80 (age plus years of service is at least 80) if you had stayed in TRS instead of electing ORP

*If your age plus years of service are close to 80, your employing institution may need to consult with TRS to be sure that the calculation is accurate. The TRS method of determining a year of service might allow you to retire earlier (for example, after the fall semester rather than the following spring semester).*

- Eligible to take an annuity or periodic distribution of ORP funds, which means that you must have some ORP funds on account

*This requirement has been interpreted by ERS to mean that ORP retirees must maintain some ORP funds in their ORP employer's plan for the duration of their enrollment in the group insurance program as an ORP retiree. No minimum amount of funds is required by ERS but retirees should check with their ORP employer to see if there are any local plan provisions regarding automatic distribution of low account balances. If so, retirees who withdraw funds from their account need to leave more than the amount that triggers this provision (e.g., \$7,000), keeping in mind that no new ORP contributions will be going into the account. Additional considerations include: any policy fees that are charged directly to the account; estimated future net earnings/losses; and Required Minimum Distributions (RMDs).*