

The Texas A&M University System
GUIDELINES FOR ORP AND TDA TRANSFERS AND ROLLOVERS

The following information clarifies permissible transfers and rollovers and provides processing procedures.

DEFINITIONS

Direct Transfer – A direct transfer, also referred to as a contract exchange, occurs when an employee moves money between investment options that are structured under the same section of the Internal Revenue Code and which have been contributed through the sponsoring employer's retirement plan. For our employees this means that funds are moved from one A&M System approved ORP or TDA vendor to another A&M System approved ORP or TDA vendor without a taxable distribution occurring to the employee. The plan sponsor is involved in the transfer of funds. The check is made payable to the new vendor. This would include a direct transfer of Texas ORP funds from another Texas institution of higher education into the A&M System ORP.

Direct Rollover – A direct rollover is like a direct transfer in that the funds move from one investment vendor to another without a taxable distribution being made to the employee. However, unlike the direct transfer, the funds may be invested in plans structured under different sections of the IRC, i.e. 403(b), 401(k), 457(b) and the plan sponsor does not become involved in the rollover of the funds. The check is made payable to the new vendor.

Indirect Rollover – An indirect rollover occurs when an employee requests a taxable distribution of funds from one investment vendor and, within 60 days, reinvests the funds with another investment vendor and subsequently claims a refund on the taxes previously paid. Like a direct rollover, the funds may be invested in plans structured under different sections of the IRC and there is no involvement in the rollover of the funds by the employer. The check is made payable to the employee less mandatory federal tax withholding.

Distributable Event – A distributable event occurs when an employee terminates, retires or reaches age 59½ while still employed, thus gaining access to his/her TDA funds. An ORP distributable event occurs when the participant dies, retires, terminates employment from all Texas institutions of higher education, or attains age 70½ while employed. A distributable event must occur in order for an employee to execute a direct or indirect rollover from an investment vendor, i.e., our ORP or TDA plan but not a direct transfer.

OPTIONAL RETIREMENT PROGRAM PROCEDURES

Only direct transfers may occur in the ORP. No direct or indirect rollovers are permitted to or from an ORP vendor until an employee terminates employment in all Texas institutions of higher education, retires, dies or reaches age 70½ while still employed. While similar to the distributable events outlined above, the ORP distribution restrictions are imposed by State law and do not include the age 59½ criteria that is considered a distributable event in other retirement

plans. The only funds that may be deposited in an employee's ORP account are the employee and employer contributions that are generated by payroll activity and direct transfers from another Texas ORP account, whether it is with the A&M System or another Texas institution of higher education. Funds contributed to a retirement plan with another institution of higher education outside of Texas, even if it was a 403(b) plan, may not be transferred or rolled over into an ORP account. Upon termination from all Texas institutions of higher education, retirement, death or reaching age 70½ and upon execution of a HR 15 form, an ORP participant may execute either a direct or indirect rollover of their ORP funds.

TAX-DEFERRED ACCOUNT PROGRAM PROCEDURES

Only direct transfers to A&M System approved TDA vendors may occur until a distributable event occurs. Upon terminating employment, retirement or reaching age 59½ while still employed, funds in a TDA may be directly or indirectly rolled over at the employee's discretion to investment vendors outside the umbrella of the A&M System TDA Program. In addition, unlike the ORP, a TDA vendor may accept direct or indirect rollovers from other plans held by the employee at any time, provided a distributable event has occurred that permits the employee to move the funds from the prior plan.

TEXA\$AVER DEFERRED COMPENSATION PLAN PROCEDURES

The DCP is administered by the Employment Retirement System of Texas (ERS). For more information on the DCP plan rules regarding transfers and rollovers, go to www.texasaver.com and click on '457'. You may also contact TexaSaver directly at (800) 634-5091.

This document is not intended to be tax or legal advice. It has been provided for informational purposes only.