

# Retirement Programs



A Guide To Investing  
In Your Future

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## Will you be able to live the life you want after you stop working?

Experts estimate that you will need 85% of your annual pre-retirement income to meet expenses each year in retirement. Facing rising health care costs, inflation, and a retirement that may last 30 years or more, you may need to save more to enjoy the retirement lifestyle you desire.

Most retirees find that income from their employer retirement plans and Social Security is not enough to maintain the standard of living they would like to enjoy during retirement. To be truly comfortable, most people need personal savings as well.

Within The Texas A&M University System retirement programs, you have a choice of additional optional plans which are intended to supplement your mandatory retirement plan (TRS or ORP). This guide will help you choose a plan that is right for you.

Most of your retirement income will come from four sources:

1. Your mandatory retirement plan - Teacher Retirement System (TRS) or the Optional Retirement Program (ORP)
2. Other employers' retirement plans
3. Your personal savings
4. Social Security

# Saving For Retirement

You may think you are too young to begin planning for retirement, but the sooner you start saving, the more comfortable your retirement years will be. When you start saving at a young age, not only are you able to contribute more to savings, but your investment earnings over the years will make your account even larger.

The average family in the U.S. in 2016 has a mean retirement savings of \$95,776 as reported by the Economic Policy Institute (EPI). The median, or those at the 50th percentile, is just \$5,000, reflecting families with little to no savings. The EPI explains that the large difference between the mean and median suggests that the accounts of families with the most savings are driving up the average.

The **median** savings, or  
50th percentile of all U.S.  
families

**\$4,830**

In 2013, **fewer** than

**1 in 10**

families in the bottom  
income fifth had  
retirement account  
savings

The **mean** retirement  
savings of all U.S. families

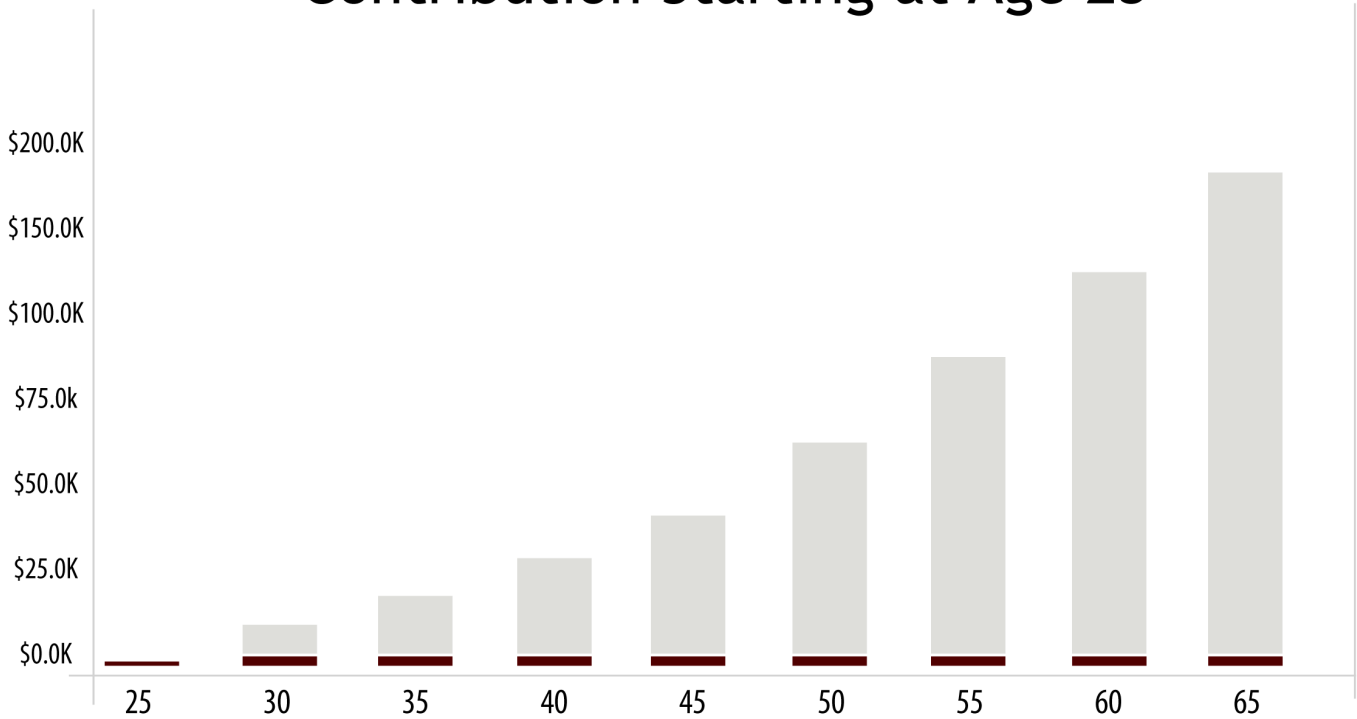
**\$95,776**



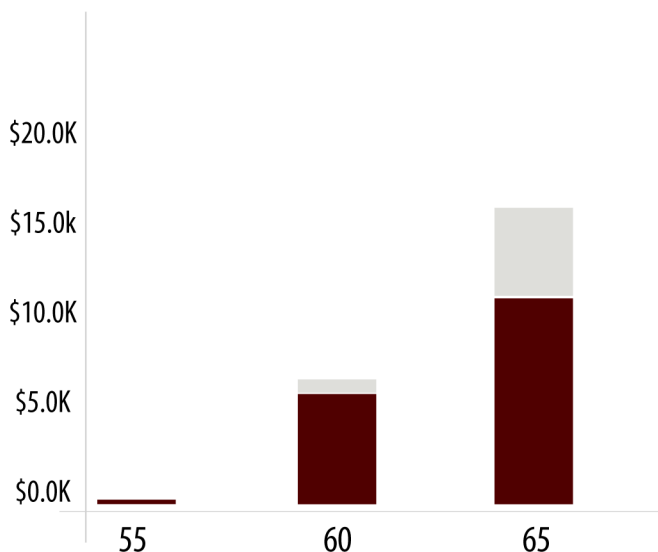
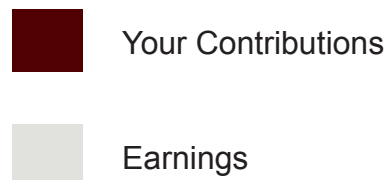
Let's look at what would happen if you saved just during your first 10 years of employment, say from age 25 to 35, and then simply left your savings invested until age 65. We will compare that to what would happen if you saved only during your last 10 years of employment before retiring. In both cases, we will assume you saved \$100 a month and earned 8% a year on your savings.

As you can see, saving early is a major advantage. Of course, if you start early and continue to save throughout your career, you will have far more in savings for a secure retirement.

## Contribution Starting at Age 25



## Contribution Starting at Age 55



# Plans at a Glance

## Mandatory Plans

**Teachers Retirement System of Texas (TRS)** – A mandatory retirement program in which all benefit eligible employees are automatically enrolled unless they qualify for, and elect to participate in, the Optional Retirement Program (ORP). This is a defined benefit plan which enables you to receive a lifetime annuity upon retirement based on a set formula.

**Optional Retirement Program (ORP)** - A mandatory retirement program in which qualified employees, generally faculty and high-level administrators, choose to participate as an alternative to TRS. This is a defined contribution plan under Internal Revenue Code 403(b) with employee and employer contributions. With a defined contribution plan, you decide how to distribute your funds during retirement.

## Voluntary Plans

**Tax-Deferred Account Program (TDA)** - A voluntary program in which you may make pre-tax or after-tax (Roth) contributions. This is a defined contribution plan under Internal Revenue Code 403(b). Upon retirement, you decide how to utilize your account balance.

**Texa\$aver Deferred Compensation Plan (DCP)** – A voluntary program to which you make pre- tax or after tax (Roth) contributions. This is a defined contribution plan under Internal Revenue Code 457(b). Upon retirement, you decide how to utilize your account balance. The Employees Retirement System of Texas (ERS) administers this plan through Empower Retirement.



# How To Enroll

The enrollment process varies depending on the type of plan. Please review the enrollment steps below for each of the plans available to you.

## TDA

1. Contact your chosen vendor(s) to enroll with them and choose your investment options (annuities, mutual funds, target date funds, etc.).
2. Complete a Vendor Application
3. Log into Workday and select the Benefits Worklet. Click Change Benefits.
4. Select the TDA Plan Change Benefit Event Type.
5. Enter your Employee Contribution (the amount you want to come out of your check each month). You can use a dollar amount or percentage of your pay. Do not put 100% in the Employee Contribution box or you will receive a \$0.00 paycheck
6. Enter the Employee Contribution Allocation, or the percentage of the Employee Contribution that will go to each of your chosen vendors. The total allocation must equal 100%.

## Texa\$aver DCP

1. Go to [www.Texasaver.com](http://www.Texasaver.com) and select the 457 plan.
2. The website contains instructions on how to enroll and details the investment options available to participants of the plan.
3. You may also contact a representative directly at (800) 634-5091.



## ORP

If you are eligible and choose to enroll in ORP during your one-time irrevocable eligibility period, you need to:

1. Select an Investment Vendor.
2. Complete a Vendor Application.
3. A Workday ORP Enrollment event will be initiated and delivered to your inbox based on your eligibility. Complete the ORP Enrollment event in your Workday inbox to select your vendor.

Teacher Retirement System (TRS)	Optional Retirement Program (ORP)
<ul style="list-style-type: none"> <li>• All benefit-eligible employees are automatically enrolled</li> <li>• Defined benefit plan</li> <li>• TRS controls/monitors investments</li> <li>• Benefit based on a formula including years of service and salary</li> <li>• Pre-tax employee contributions</li> <li>• Employer contributions</li> <li>• Vested after 5 years of service credit</li> <li>• Vested right to a lifetime annuity upon retirement</li> <li>• Disability benefit available</li> </ul>	<ul style="list-style-type: none"> <li>• May be chosen (irrevocably) by certain eligible employees during initial period of eligibility as an alternative to TRS</li> <li>• Defined contribution plan 403(b)</li> <li>• You manage your investments</li> <li>• Account growth based on performance of your selected investment portfolio</li> <li>• Pre-tax employee contributions</li> <li>• Employer contributions</li> <li>• Vested in employer contributions after one year and one day</li> <li>• No disability benefit available</li> <li>• Rollovers permitted from other Texas ORP plans only</li> <li>• Distributable events – termination of employment from all Texas institutions of higher learning, retirement, death, or reaching age 70 ½</li> </ul>

	Tax-Deferred Account (TDA)		Texa\$aver DCP	
	Traditional	Roth	Traditional	Roth
Employee Contributions	Pretax dollars	After tax dollars	Pretax dollars	After tax dollars
Employer Contributions	None	None	None	None
Employee Withdrawals	Taxable when withdrawn	Tax free when withdrawn	Taxable when withdrawn	Tax free when withdrawn
General Contribution Limits+	\$23,000 IRS maximum for both traditional and Roth sources. (Each dollar of a Roth contribution reduces the amount that can be contributed pretax, and vice versa.)		\$23,000 IRS maximum for both traditional and Roth sources. (Each dollar of a Roth contribution reduces the amount that can be contributed pretax, and vice versa.)	
Over Age 50 Catch-Up+	\$7,500 combined between traditional and Roth		\$7,500 combined between traditional and Roth	
Three Years Prior to Retirement Catch-up (Special Catch-up)+	N/A	N/A	Up to \$23,000 (may not be used simultaneously with age 50 catch-up. Combined between traditional and Roth)	
Distribution Events	Termination, retirement, death, or reaching age 59½		Termination, death, reaching age 73, or de minimis distribution+++	
Early Distribution	Distributions made prior to age 59½ will be subject to ordinary income tax and possibly a 10% penalty	“Nonqualified” distributions made prior to age 59½ will be subject to ordinary income tax and possibly a 10% penalty on earnings*	Distributions made will be subject to ordinary income tax	“Nonqualified” Distributions made prior to age 59½ will be subject to ordinary income tax on earnings*
Loans	Yes**	Yes**	Yes	Yes
Hardships	Yes**	Yes**	Yes	Yes
Contract Exchanges/ Transfers	Yes***	Yes***	Yes	Yes
Rollovers	May rollover from another eligible retirement plan. Roth IRAs are not accepted.		May rollover from another eligible retirement plan. Roth IRAs are not accepted.	

+ Contribution limits shown are IRS maximums for 2024; ++Additional eligibility requirements may apply; +++If your 457 Plan has less than \$5,000 and has been inactive for two years, you may take it as a de minimis distribution

\*A qualified distribution occurs when the Roth account has been in place for five taxable years (from the year of first contribution) and a distributable event has occurred; \*\*If permitted by your vendor; \*\*\*Contract restrictions and surrender charges may apply



# Approved Vendors

The A&M System requires vendors to meet certain criteria including, for example, maximum allowable fees, Roth availability, and minimum participation standards.

The following are Texas A&M University System approved retirement vendors who will partner with you to invest your contributions. You may actively contribute to one vendor for ORP and up to two for TDA. The approved vendors are:

<b>Fidelity Investments</b>	1-800-343-0860	<a href="https://nb.fidelity.com/public/nb/texasam/home">https://nb.fidelity.com/public/nb/texasam/home</a>
<b>Voya</b>	1-800-873-5518	<a href="https://texasam.beready2retire.com/">https://texasam.beready2retire.com/</a>
<b>Lincoln Financial Group</b>	1-800-454-6265	<a href="https://www.lfg.com/tamu">https://www.lfg.com/tamu</a>
<b>Pentegra</b>	1-866-633-4015	<a href="http://www.pentegra.com">http://www.pentegra.com</a>
<b>TIAA</b>	1-800-842-2776	<a href="https://www.tiaa.org/tamus/">https://www.tiaa.org/tamus/</a>
<b>VALIC</b>	1-800-448-2542	<a href="https://tamus.tamus.corebridgefinancial.com">https://tamus.tamus.corebridgefinancial.com</a>

The approved providers all offer a wide variety of investment opportunities. A summary of the investments and services offered by each vendor is included in this brochure.

## Manage Your Investments Directly Through Your Vendor

Once you have enrolled with a provider, you will manage your account directly through them. You will have direct online access to your account information and a toll-free number where you can speak with a representative.



# Selecting a Vendor

Planning and research are the keys to maximizing your investments. Ask friends and colleagues who have invested successfully which products and companies they selected. Study product performance information using websites like [www.morningstar.com](http://www.morningstar.com) for mutual funds or [www.moody's.com](http://www.moody's.com) for rating annuity companies. Narrow your choices, and then visit with a vendor representative. Some important questions to ask include:

- ▶ How long has this company been in business?
- ▶ Where is your office? If you're not available to answer questions or help me with my account(s), will anyone else be able to do so?
- ▶ How are you paid? What incentives are you given for servicing my account(s)? Do you get more commission or incentive for selling certain products?
- ▶ How many A&M System clients do you have?
- ▶ How many companies do you represent?
- ▶ How do you decide which products to recommend to particular clients?
- ▶ Do you offer both fixed investments with guaranteed interest rates and variable, high-growth investments?
- ▶ What have the earnings been on each product over the past year/five years/ten years?
- ▶ What fees will I have to pay (such as commissions, management fees, etc.)?
- ▶ What risks are associated with each option?
- ▶ Can I invest in a combination of funds, and can I transfer money between funds? Is there a fee for transferring money?
- ▶ What payment options do you offer at retirement?
- ▶ How often do you provide account statements, and what information do they include?

# Investment Options

The six approved vendors each offer a wide variety of investment products. Not all vendors offer investments in each category. Investment product information can be found at the end of this brochure.

Each vendor has representatives who can meet with you to help you choose investments for your retirement portfolio. In addition, many provider websites offer online planning tools to help you manage and track your portfolio on your own. To schedule a consultation, contact your vendor directly.



## **Asset Allocation or Lifecycle Options**

These are mutual funds designed for investors who want a simple yet diversified approach to investing. They are professionally managed and periodically rebalanced according to their investment objective. Lifecycle funds are rebalanced according to a target retirement date; asset allocation funds are rebalanced based on risk objectives.

## **Core Investment Options**

These include a limited menu of investment options that represent mutual funds invested primarily in three major classes (stocks, bonds, and short-term investments). This is for investors who are comfortable diversifying investments on their own or with the assistance of an investment advisor and/or asset allocation tool.

## **Expanded Options**

These include a larger menu of investment options for more sophisticated investors. These are for investors who are comfortable managing a portfolio, either on their own or with the help of an investment advisor, and understand how to research, evaluate, and monitor a variety of investments.

## **Annuity Options**

Some providers also offer fixed and/or variable annuity products. An annuity is a contract with an insurance company. You can accumulate contributions through a variety of investment options, including mutual funds and guaranteed fixed-interest accounts. An annuity also provides you the option of receiving regular income payments over your lifetime or for another specified period of time and may provide a guaranteed death benefit for your beneficiary. Check with each provider for the guarantees contained in their contracts.

# Frequently Asked Questions

## **How often can I change my contribution amount to my Tax-Deferred Account (TDA)?**

You may change your contribution amount once each month. Complete the Workday TDA Plan Change process to change your contribution amount.

## **How often can I change Optional Retirement Program (ORP) or TDA vendors?**

You may change your vendor whenever you choose. Complete the Workday ORP Vendor Change or TDA Plan Change process to change your vendor.

## **Do I have to transfer my existing ORP or TDA account in order to change vendors?**

No. You may leave your existing account with your former vendor and change future contributions to a new vendor. You may also contribute to two different TDA vendors at the same time.

## **What is the difference between a Roth TDA or DCP and a traditional TDA or DCP?**

With a traditional TDA or DCP, your contribution is deducted from your pay before federal income tax is calculated, so you do not pay current income tax on your contributions or on the investment earnings on your savings. When you make withdrawals from your TDA or DCP account upon retirement, you will pay federal income tax on the withdrawals. With a Roth TDA or DCP, your contribution is deducted from your pay after federal income tax is calculated, so you pay current income tax on your contributions. You do not pay income tax on your investment earnings now or in the future. When you make withdrawals from your Roth TDA or DCP account upon retirement, you will not pay federal income tax on the withdrawals.

## **Are loans or hardship withdrawals allowed from an ORP account?**

No. Texas state law prohibits distributions, including loans and hardship withdrawals, under the Optional Retirement Program (ORP) until a participant retires, dies, reaches age 70½ or terminates employment with all Texas public institutions of higher education.

## **Are loans or hardship withdrawals allowed from a TDA account?**

Yes. The TDA program does allow loans and hardship withdrawals. Not all TDA vendors offer loans and hardships. Hardship withdrawals include major unreimbursed medical expenses, college costs for immediate family members, purchase of your primary residence or payments to prevent eviction from or foreclosure on your primary residence.

## **Am I permitted to take a distribution from my ORP account while employed with the A&M System?**

Texas state law prohibits distributions under the Optional Retirement Program (ORP) until a participant retires, dies, reaches age 70½ or terminates employment with all Texas public institutions of higher education.

## **Am I permitted to take a distribution from my TDA account while employed with the A&M System?**

The TDA program allows distributions from your account once you have reached age 59 ½, retire, or end employment with the A&M System. The TDA program also allows hardship withdrawals (see previous).

## **Can I contribute to the TDA and the Texa\$aver DCP at the same time?**

Yes. The TDA and the Texa\$aver DCP are two separate plans with separate contribution limits.

## **Can I contribute to both a traditional TDA and a Roth TDA?**

Yes; however, both are subject to the same total TDA annual limit.

## **What if I leave A&M System employment?**

You may leave your account invested until retirement but may make no further contributions. You may withdraw your funds, but you will pay a 10% penalty tax unless you are disabled, you reach age 59 ½, you retire at age 55 or older, or you take an annuity at any age. You may roll your account balance into a similar plan without penalty.



**Retiring to the life you want  
requires planning, investing, and  
most importantly, time.**



Call Fidelity to talk about how much I should be contributing to retirement.



**1** call Fidelity today at 1-800-642-7131.

**2** set up a phone appointment with a Retirement Planner.

**3** discuss a variety of financial topics free of charge.



Saving and planning for your retirement may feel like something you can put off until later. Whether you feel like it's a long way off or not a top priority, we understand. It is important to us that you are aware of the resources available to help you with your finances starting now, and in the future when retirement is in sight.

We want you to know we feel it's essential that you personally save for your retirement, even if it's a small amount for now.

**4** Help is available

**Did you know Fidelity Investments offers confidential consultations on a variety of financial topics at no additional charge?** Your conversations and any information shared are kept confidential.

**Why not get the conversation started?** Reach out to Fidelity directly for a phone appointment with a Retirement Planner at a time that is convenient for you. Meetings can last 10 minutes or an hour – whatever agrees with your schedule and financial needs. We encourage you to include your spouse, family member, or loved one in the conversation.

Call Fidelity today at **1-800-642-7131**. Phone appointments are available Monday through Friday, from 8:00 am to 9:00 pm Eastern time.

# Taking care of your future starts here



## Isn't it time you took advantage of one of the best benefits yet?

At Texas A&M, we strive to provide benefits that can help you achieve overall wellness. Making the most of your retirement plan is one important way that you can actively manage your financial health. Besides, it's chock-full of great reasons to participate.

- ❶ For ultimate flexibility and convenience, contributions can be automatically deducted from your paycheck on a before-tax basis (traditional contributions) or after-tax basis (Roth contributions). The choice is yours!
- ❷ If you change jobs, you can take your contributions with you, no matter where you go.
- ❸ Thanks to the power of compounding, any growth can help get you to your goal more quickly.
- ❹ Choose from an array of investment options, including one-step, pre-diversified funds that help make it easy.

### Want to enroll? Meet with a representative.

Take advantage of free, totally confidential services that are designed to help you attain the future you deserve.

### Already in the plan? Meet with a representative.

Find out where you stand and get helpful tips for getting—and staying—on track.

### Getting there starts here.

Whether you're just starting out or thinking of retiring soon, on-site financial representatives can help you put together a personalized plan toward achieving financial wellbeing.

## Lincoln Financial Group will be onsite

9:30 a.m. – 1:30 p.m. the first Wednesday of every month

Set up your one-on-one appointment with a Lincoln Financial representative by visiting <https://lfg.com/tamuschedule>. If you need to contact a representative directly, please feel free to contact any of the following representatives:



**John K. Kriel, CFP®, CRPC®, CRPS®**  
Retirement/Wealth Advisor  
[John@Krielfinancial.com](mailto:John@Krielfinancial.com)  
979-213-4031



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Meetings are located in the General Services Complex Human Resources and Organizational Effectiveness Suite 1201.

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## The Pentegra 403(b) Advantage

### Save For Retirement—Tax Deferred

Pentegra offers employees of Texas A&M University the opportunity to save for retirement—tax-deferred. Enjoy the ease of a single, flexible solution for personalized retirement investing with the confidence that comes with unlimited, unbiased fund options and objective advice.



### Ultimate Fund Flexibility

We offer access to an investment platform with thousands of funds to choose from, with no hidden charges, surrender fees or penalties. Our independent approach means that you can work with your choice of independent advisors as well as investment funds to structure the best retirement program for your needs.

### Independent Advisors

Pentegra partners with local, independent, investment advisors. Our partner advisors are registered investment fiduciaries who are obligated by law to put the best interests of their clients first. They will work with you to design a plan that works for your individual goals and situation. Their services are always provided in a fee-based, objective, commission-free environment.

### The Pentegra 403(b) Advantage Delivers:

- Access to thousands of mutual funds, with no minimum investment or commissions
- Independent, local investment advisors
- No minimum investment
- Unlimited allocation adjustments and transfers
- Review and manage your account online 24/7, [www.pentegra.com](http://www.pentegra.com)
- Customizable online statements
- Informative, easy to understand quarterly statements

For new participants please contact [403b-ops@pentegra.com](mailto:403b-ops@pentegra.com) or 1-866-634-5873.

- 403(b) Enrollment Application Form
- 403(b) Exchange/Transfer Form (if rolling over assets)

Mutual funds and other securities are NOT insured by the FDIC or any other government agency, and are not deposits or other obligations of, or guaranteed by any financial institutions or Pentegra Services, Inc. or any of its affiliated companies. Investment in mutual funds and other securities will fluctuate, so that an investor's shares when redeemed may be worth more or less than their original cost and are subject to investment risk, including the possible loss of the principal amount invested.

**THE**  
**TEXAS A&M**  
**UNIVERSITY**  
**SYSTEM**

**PENTEGRA**





# About TIAA



For more information about the complete menu of investment options available to you through your retirement plan, visit [TIAA.org/tamus](https://TIAA.org/tamus) or call **800-842-2252**, weekdays, 7 a.m. to 9 p.m. and Saturday, 8 a.m. to 5 p.m. (CT).

With \$1 trillion in total assets under management,<sup>1</sup> TIAA has been serving people who work at nonprofit organizations for 100 years. Millions of people who work at academic, research, medical, government and cultural organizations have chosen our wide range of financial products and services to help support their financial well-being. Your retirement plan offers an array of investment options that focus on long-term outcomes, like lifetime income.

## TIAA offers the following advantages:

- **Personalized advice**—TIAA financial consultants offer participants personalized one-on-one advice and education based on the plan's investment options—via phone, in person and online.
- **Financial education**—We engage employees with relevant savings messages tailored to their life stages and communication preferences.
- **Income options for every need**—Annuities give employees choices, including lifetime income<sup>2</sup> and other flexible options.

## Personalized help from TIAA

To schedule an appointment with a financial consultant, visit [TIAA.org/schedulenow](https://TIAA.org/schedulenow) or call **800-732-8353**, weekdays, 7 a.m. to 7 p.m. (CT). For information about how to enroll or to discuss your account, call **800-842-2252**, weekdays, 7 a.m. to 9 p.m. and Saturday, 8 a.m. to 5 p.m. (CT).

THE  
TEXAS A&M  
UNIVERSITY  
SYSTEM

BUILT TO PERFORM.

CREATED TO SERVE.

# Get FutureFIT® with VALIC

## The Texas A&M University System Plan



### Why VALIC?

Everyone wants a future worth looking forward to. Helping people achieve their goals is what VALIC is all about. It's called being FutureFIT— which stands for Freedom. Individually Tailored®.

FutureFIT is a smarter, more personalized approach to help you prepare for your future, one that's easier to relate to and encourages you to take action toward your goals. It's about owning your future — living tomorrow how you choose. Some key features of the FutureFIT experience include:

- **FutureFIT Calculator** — A dynamic retirement calculator that projects your current savings into future monthly retirement income
- **FutureFIT University** — Interactive educational modules to share with your family
- **Education Center** — Curated content including articles, videos and more, tailored to your individual interests

Choose from a wide array of investment options from well-known mutual fund companies to help you create an investment strategy that's right for you.

### Beyond nine to five

When class is dismissed, it doesn't mean your day ends. Financial advisors are available to meet face-to-face when it's convenient for you — between classes or after the final bell — to provide comprehensive financial planning, at no cost.

### Turn-by-turn directions for your goals

Guided Portfolio Services® (GPS) is an investment advice and managed account program to help with retirement readiness. GPS offers objective investment advice from independent financial expert, Morningstar Investment Management LLC. GPS is offered through VALIC Financial Advisors, Inc. and is available for an additional fee. For more information, contact your local financial advisor.

**Great things come to those who don't wait**

### Enrolling is easy:

- **Online:** VALIC.com/tamus
- **By phone:** 1-800-448-2542
- **In-person appointments:** Contact your local Texas A&M University System office

### Your Future is Calling. Meet It with Confidence.

Securities and investment advisory services offered through VALIC Financial Advisors, Inc. ("VFA"), member FINRA, SIPC and an SEC-registered investment advisor. VFA registered representatives offer securities and other products under retirement plans and IRAs, and to clients outside of such arrangements.

Annuities issued by The Variable Annuity Life Insurance Company ("VALIC"). Variable annuities distributed by its affiliate, AIG Capital Services, Inc. ("ACS"), member FINRA. VALIC, VFA and ACS are members of American International Group, Inc. ("AIG").



With Voya<sup>®</sup>, you have the flexibility to build a portfolio that supports your retirement goals.

## Help and Education

Voya's representatives are available throughout the TAMU System. They are located on campus for your convenience to assist you:

- ✓ Identify your retirement goals and develop long-term retirement savings strategies.
- ✓ Understand how you can adjust your asset allocation if you wish to address lifestyle changes, age, years to retirement, and market conditions.
- ✓ Refine your investment strategy, if necessary, as you approach retirement.
- ✓ Transition from accumulating assets to withdrawing income after you retire.

Our representatives use seminars and tailored tools to assist you at every stage of your retirement planning. Our Educator's Financial Analysis & My Retirement Overview can incorporate the Teachers Retirement System of Texas defined benefit plan, the Optional Retirement Program (ORP), your Voluntary plans and Social Security to help you evaluate different savings and distribution scenarios.

## Investment Choice

You are in control when you build your investment portfolio with Voya. You can choose from over 100 mutual funds, from conservative to aggressive, from over 30 well known investment providers.

## Getting Started

To enroll online with Voya or to contact one of our local offices, call or visit:

<https://texasam.beready2retire.com/>

Plan No. 666242 (ORP), 666243 (TDA)  
Verification No. 158166

Or you can schedule a call or meeting on our campus with your dedicated local advisors at

<https://texasam.beready2retire.com/contact-information/contact-us>

# THE TEXAS A&M UNIVERSITY SYSTEM



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# Helpful Definitions

## **Annual Insurance Fee**

This covers mortality and expense (M & E) risk charges and other administrative expenses. It also provides for a guaranteed death benefit and for lifetime guaranteed income payouts.

## **Annual Policy Fee**

This covers the costs of maintaining and administering an account during the accumulation phase. It is often waived when an account's value reaches a certain level.

## **Annual Sub-account Fee**

A fee deducted for fund operating costs, management fees, and other asset-based costs incurred by the fund. This charge is assessed at the sub-account level and is not deducted from policy values.

## **Annuitant**

The person(s) who receives the income from an annuity contract.

## **Annuitize**

To begin a series of payments from an annuity. When someone who has been investing in an annuity retires, a payout schedule is selected according to need. The company that sold the annuity then pays a fixed-dollar amount for an extended period of time, often the rest of the policyholder's life.

## **Annuity**

Form of contract sold by life insurance companies that guarantees a fixed or variable payment to the annuitant at some time in the future, usually retirement. Prior to the annuity date, during the accumulation phase, the cash values of the annuity accumulate tax-deferred, with specific contractual guarantees and at competitive interest rates. During the payout phase, a fixed annuity will ultimately pay out the accumulated value in regular installments varying only with the payout method selected. In a variable annuity, the cash accumulations reflect the performance of an underlying portfolio of investments such as stocks and bonds.

## **Asset Allocation**

A method of portfolio management that allows investors to determine an appropriate mix to produce the maximum reward given the level of risk they are willing to accept.

## **Asset Category**

A broad group of assets that corresponds to an investment objective such as growth, income or stability. Stocks represent the asset category for growth, bonds for income, and cash equivalents for stability.

## **Asset Class**

A group of assets that is similar in type and investment objective, for example, large company stocks or international government bonds.

## **Asset Management Fee**

Fees charged by the investment advisor to manage the assets in a plan.

## **Back-end Load Fund**

An open- or closed-end investment company that charges a fee upon the redemption or sale of its fund shares. Typically, loads are reduced based on the value of the shares and/or the passage of time. Are also referred to as Class B shares.

## **Blue Chip Stock**

The common or preferred stock of well-known, major corporations that is traded on a national stock exchange. Blue chip status is derived from long periods of earnings growth, dividend payments and financial stability.

## **Bond**

A certificate of debt or negotiable promissory note of a corporation or public body that promises to repay on a maturity date some years in the future and to pay periodic interest until then.

## **Defined-benefit Plan**

An employer-sponsored retirement plan in which the employee receives a future benefit based upon a predetermined formula. (Example: \$100 per month at retirement for each year employed).

## **Defined-contribution Plan**

An employer-sponsored plan in which the amount of the employee's retirement benefit is determined by contributions, rather than a predetermined formula. The employee's benefit equals his/her accumulated contributions plus earnings.

## **Expense Guarantee**

A guarantee common to all annuities which is that expenses, the cost of doing business, will not be increased or exceed a certain percentage of the annuity contributions.

## **Fixed Annuity**

An annuity that pays a set rate of interest.

## **Fixed Investment Option**

A fund that has a guaranteed or a “fixed” rate of interest (AKA fixed-income investment).

## **Front-load Fund**

An open- or closed-end investment company that charges a fee upon the purchase of its shares. This fee, called “the load,” is deducted from the amount invested. Also called Class A shares.

## **In-service Withdrawal**

A participant-initiated withdrawal from an employer-sponsored retirement plan while the participant is still employed by the company.

## **Margin**

The amount of money paid by investors when they use their broker’s credit to buy a security.

## **Maturity**

The date on which a bond must be repaid.

## **Minimum Distribution**

The minimum annual required distribution amount from an employer-sponsored retirement plan account. Distributions are required when the participant reaches age 70½ or retires, whichever is later.

## **Money Market**

An asset class consisting of short-term debt instruments and government securities that carry little risk.

## **Mortality and Expense (M&E) Risk Charge**

A fee that covers contract guarantees in annuity contracts, such as death benefits.

## **Mutual Fund**

A fund established by an investment management company to invest the pooled money of individual shareholders in a diversified portfolio of securities selected to meet stated goals. Funds offer shareholders diversification, liquidity and professional management.

## **Rebalancing**

Adjusting a portfolio, through fund transfers or sales or purchases, to re-establish the initial allocation of assets.

## **Rollover**

The nontaxable transfer of assets from one eligible retirement plan to another, such as from a defined contribution plan to an IRA.

## **Surrender Charge**

A fee imposed for terminating an annuity contract prior to its maturity.

## **Term Life Insurance**

Insurance that covers the insured for a specified period such as one, five or 10 years, often with an option to renew. Premiums are paid throughout this time, but generally become higher during the course of the term, as the policyholder grows older.

## **Variable Annuity**

A tax-advantaged retirement-planning and payout vehicle offered only through a life insurance/annuity company. A variable annuity serves as an accumulation vehicle prior to retirement by accepting contributions and providing the investor with a choice from among variable-return investment options. It serves as an income vehicle, starting at retirement, and bases its income payments on the performance of the underlying variable-return investments.

## **Vesting**

A participant's right of ownership to the money in his or her plan account. A participant's contributions and his/her earnings are always 100% vested; however, company contributions and employer matching contributions may become vested over a period of time.

## **Whole Life Insurance**

Form of life insurance policy that offers protection in case the insured dies and also builds cash value. The policy stays in force for the lifetime of the insured, unless the policy is canceled or lapses. The policyholder usually pays a set annual premium to whole life, which does not rise as the person grows older, as in the case with term insurance.



# Notes







# Resources

The Texas A&M System Retirement Programs Website:

<http://www.tamus.edu/benefits/retirement-programs/>

Retirement Forms:

<http://www.tamus.edu/benefits/benefits-administration/retirement-forms/>

Plan Document ORP:

<http://assets.system.tamus.edu/files/benefits/pdf/retirement/A&MSystemORP-WrittenPlan.pdf>

Plan Document TDA:

<http://assets.system.tamus.edu/files/benefits/pdf/retirement/A&MSystemTDA-WrittenPlan.pdf>

Human Resources Contacts:

<https://www.tamus.edu/benefits/benefits-administration/human-resources-contacts/>

ORP Rules and Regulations:

<https://www.highered.texas.gov/about/human-resources/careers/optional-retirement-program/>

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