TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER

Operating Policy and Procedure

HSC OP: 70.45, Tax Deferred Account Program

PURPOSE: The purpose of this Operating Policy/Procedure (OP) is to define policies and procedures which are applicable to the Tax Deferred Account Program of Texas Tech University Health Sciences Center.

REVIEW: This OP will be reviewed by February 1 of each even-numbered year (ENY) by the Assistant Vice President of Human Resources, with recommendations for revisions forwarded to the Executive Vice President for Finance & Administration by February 15.

POLICY/PROCEDURE:

1. General Plan Description. The Tax Defer red Account (TDA) Program is a 403(b) plan under the Internal Revenue Code and is subject to federal regulation, regulation by the Coordinating Board of the State of Texas, and by Texas Tech. Traditional and Roth accounts are available. The TDA program is a government plan and is not covered by the Employee Retirement Income Security Act of 1974 (ERISA).

   Traditional TDA - the employee s contributions will be deducted from his/her pay before federal income tax is calculated, so the employee does not pay current income tax on the contribution or on the investment earnings.

   Roth TDA the employee s contributions will be deducted from his/her pay after federal income tax is calculated, so the employee pays current income tax on the contributions. The employee does not pay income tax on the investment earnings now or in the future.

   A 403(b) plan, also known as a tax-sheltered annuity (TSA) plan, is a retirement plan for certain employees of public schools and employees of certain tax-exempt organizations.

   Individual accounts in a 403(b) plan can be one of the following types:
   - An annuity contract, which is a contract provided through an insurance company
   - A custodial account, which is an account invested in mutual funds

   Under the TDA Program, employees enter into an agreement with Texas Tech (Attachment A) to reduce gross salary up to specified limits, and to request that Texas Tech apply the proceeds of such reduction to the purchase of a 403(b) fixed annuity, variable annuity or custodial mutual fund account from companies approved by Texas Tech. Contributions made under the TDA Program which are within the prescribed limits, are not subject to income tax until received by the employee unless they are designated Roth contributions. The employee owns and controls all rights to the benefits of the plan selected. The investment values of the plan will accumulate income tax-free until retirement, death, disability, or until such other time as the employee elects to receive the benefit payments, subject to provisions of the IRS Code.

   The Tax Deferred Account Program may be combined with participation in the Teacher Retirement System, the Optional Retirement Program, and/or the TexaSaver plan up to the limits prescribed by law.

   No contract issued under the Tax Deferred Account Program may provide a life insurance feature.

   Participation in the Tax Deferred Account Program is voluntary.

   It is the responsibility of the employee to select and monitor companies and investments. Texas Tech has no fiduciary responsibility for the market value of the investments or for the financial stability of the company.

2. Eligibility. All employees , except students performing services described in IRC 3121(b)(10), are eligible to participate in the Tax Deferred Account

i. Approved companies are responsible for supplying administrative service to Texas Tech.

j. Company forms are the responsibility of the company and the employee. A Texas Tech

(b) Exchanges of the full balance from the company to which the employee is currently contributing can only be made if the employee changes their current deduction so that contributions are directed to the receiving company or to another approved company.

(4) Upon receipt of the proper company transfer forms and In-service Exchange Certificah 9--12.3(mB7TJ 2.0451TC Tw (b)Tj-3.20083Tw-42.701T,d[2a2)(t4-8(am)-126.31(t8-4ande12.13)1d-ts)-8(e

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the calendar year following the year in which age 70 ‰ is attained regardless of the actual retirement date. One exception is if the employee turned age 70 ‰ after December 31, 1987 and is still employed at a public institution of higher education. Then, distributions must begin no later than April 1 following the year in which employment with that institution is terminated. Distributions that do not begin by this deadline will be subject to an additional tax equal to 50 percent of the amount of the minimum amount that should have been distributed.

b. If the entire account balance is not totally distributed to the participant pursuant to the above provisions, th(ot)-1.1(t)-1.14814 B1(pr)to 1.1(h)-12.32h(ot)2.3(ws)-8(t)-1.1(be)-12.3(i)3n tributtoTJ 0

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