

**UNIVERSITY OF HOUSTON SYSTEM
ADMINISTRATIVE MEMORANDUM**

SECTION: Personnel

NUMBER: 02.C.04

AREA: Fringe Benefits

SUBJECT: Tax Deferred Annuity Program

1. PURPOSE

1.1. All regular employees of the University of Houston System are eligible to participate in the Tax Deferred Annuity (TDA) program, a voluntary supplemental retirement program. This administrative memorandum sets out the policies and guidelines of the program.

2. POLICY

2.1. The TDA program is a qualified plan under Section 403(b) of the Internal Revenue Code. Investments are made through life insurance companies and mutual fund companies licensed to do business in the State of Texas and approved by the University of Houston System. Tax deferred annuities permit employees to defer payment of federal income taxes on a portion of their income to later periods. Such taxes are not due until the funds are withdrawn.

2.2. All regular, benefits-eligible employees may elect to purchase a TDA at any time. The TDA will become effective on the first day of the month following such election.

2.3. For the purpose of this administrative memorandum, a "regular" employee is defined as one who is employed for at least 50% FTE (20 hours per week) for a period of at least four and one-half continuous months, or a full semester of more than four months, excluding students employed in positions which require student status as a condition of employment.

2.4. Voluntary contributions from the employee only are made through payroll deduction. There is no matching contribution by the state or the University of Houston System or its components for the TDA. An employee must execute a salary reduction agreement form authorizing the Payroll Department to reduce future earnings and purchase a TDA with the chosen company.

- 2.5. The maximum amount of salary which will qualify each tax year for tax deferment must be determined annually by the employee and his or her agent through use of the Maximum Exclusion Allowance (MEA) calculation form prescribed by the University of Houston System. The MEA calculation is necessary in order to avoid violating the IRS regulations regarding exceeding the maximum allowed tax deferment. A new salary reduction form must be submitted to the Payroll Department when the MEA calculation shows that the contributions amount must be changed.
 - 2.6. It is the employee's responsibility to make his or her own determination with regard to the selection of annuities and the federal income tax status of contributions. The University of Houston System assumes no liability or responsibility either for federal income tax aspects of the TDA program or for the terms and provisions of any annuity contracts issued thereunder.
 - 2.7. The minimum monthly contribution for a TDA is \$25.00. The annual maximum contribution of 20% of salary or \$9,500, whichever is less, is the standard level of tax deferred contributions. However, certain "catch up" provisions exist under the IRS Code which increases the maximum allowed based on length of service and prior contributions. The MEA calculation will determine the appropriate amount for each employee.
 - 2.8. An employee may change companies two times per calendar year and make one change in the amount per calendar year. An employee may also stop the TDA payroll deduction at any time by submitting a request to the component Human Resources Department, to go into effect on the first day of the month following receipt of the request.
 - 2.9. Withdrawal of a TDA account value is available at termination from employment or upon reaching age 59 1/2.
 - 2.10. A new MEA calculation must be submitted by the employee whenever there is a change in the employee's salary or if the employee is changing carriers.
 - 2.11. If an employee elects to tax shelter under a MEA alternative option which allows a catch up instead of tax sheltering under the general limit, the employee cannot change that option other than to change to the general limit and may not in the future select a different catch up option that would allow for greater tax sheltering.
3. SOLICITATION REGULATIONS
- 3.1. The University of Houston System maintains a list of approved vendors (companies) with whom agreements have been entered allowing the vendors to write contracts with employees of the University of Houston System for TDAs. The list is available in the component Human Resources Department.

- 3.2. Representatives of approved carriers are not authorized to initiate contact with employees. Employees interested in TDA should contact one of the listed representatives of the carrier of their choice to obtain information and to secure forms to apply for the program of their choice.
 - 3.3. Authorized representatives are permitted to make sales presentations to eligible employees on University of Houston System premises only at the employee's request and may not solicit business with any employee unless contacted first by the employee.
 - 3.4. Representatives of carriers are permitted in University of Houston System facilities as guests and are expected to comply with all applicable rules and regulations.
 - 3.5. No campus mailings or telephone campaigns are permitted to campus offices.
 - 3.6. The providing of gifts or monetary rewards in exchange for information on newly hired employees is strictly prohibited.
 - 3.7. All carrier representatives are expected to abide by the parking regulations in effect at the various campus locations.
 - 3.8. Approved carriers are responsible for supplying administrative service to University of Houston System.
 - 3.9. Carrier forms are the responsibility of the carrier and the employee. A Salary Reduction Agreement must be submitted to the Human Resources/Personnel Services Department. Any Salary Reduction Agreement submitted which is incorrect or incomplete will be returned to the employee. It is the responsibility of the employee to resubmit a corrected Salary Reduction Agreement within the eligibility period. The final Salary Reduction Agreement submitted will determine the effective date of the participation.
 - 3.10. Carrier representatives must be familiar with the benefits provided under TRS and with applicable Texas laws, Coordinating Board rules and regulations, and Internal Revenue Service Code.
 - 3.11. The University of Houston System reserves the right to limit or revoke the solicitation privileges of any representative or carrier at its discretion.
4. TRANSMITTAL OF FUNDS TO CARRIERS
- 4.1. All TDA funds will be forwarded by the University of Houston System to carriers within 10 business days after the close of each month.

5. REVIEW AND RESPONSIBILITIES

Responsible Party: Vice Chancellor for Administration and Finance

Review: Annually on or before September 1

6. APPROVAL

Approved: William P. Hobby
Chancellor

Date: January 22, 1996