

**Regulation on Enrolling Senior Academic and Administrative Officers in the
Optional Retirement Program**

I. Background. Administrative Memorandum Number 387 reported the Board of Governors decision that persons occupying positions officially designated, pursuant to board policies and procedures, as Senior Academic and Administrative Officers (SAAO) are eligible to elect enrollment in the Optional Retirement Program (ORP). Administrative Memorandum Number 391 refined that guidance concerning eligibility by reporting that having concurrent faculty status is not a prerequisite to ORP enrollment of persons occupying such administrative positions. As anticipated in Administrative Memorandum Number 391, the following should be followed in providing ORP enrollment opportunities for two categories of incumbent employees:

A. SPA employees who now occupy positions that were designated as SAAO by the Board of Governors on November 13, 1998, and who elect to convert from SPA to the exempt SAAO category.

B. Other incumbent employees who now occupy positions previously designated by the Board of Governors as SAAO1 but who in the past were not offered an opportunity for ORP enrollment. (An individual who previously was appointed to an eligible position, who was offered an opportunity to enroll in the ORP, but who declined such enrollment may not be afforded a renewed opportunity to elect participation in the ORP.)

Persons appointed to eligible administrative positions after the effective date of this memorandum shall be offered opportunities for ORP enrollment in the customary manner, e.g., election or declination of ORP participation within 30 days of their appointment.

II. Senior Officers Electing To Remain in TSERS. Senior officers who elect to remain enrolled in the Teachers' and State Employees' Retirement System (TSERS) continue to contribute to TSERS and retain all benefit entitlements provided under the provisions of this program. An election to remain in TSERS is a lifetime irrevocable election. An election to decline an offer to enroll in the ORP should be duly recorded and retained in the senior officer's personnel file.

III. Senior Officers Electing to Enroll in the ORP. Senior officers who elect to enroll in the ORP have the following options available:

A. A senior officer may elect to leave his or her contributions in the Retirement System and retain all TSERS benefit entitlements towards age and service requirements and eligibility for the Disability Income Plan of North Carolina. (This means that a senior officer who has at least five years of TSERS service as a contributing member is entitled to a retirement benefit once he or she meets the early or service retirement age/creditable service criteria.) The Survivor's Alternate Benefit and Death Benefit are in effect only for 180 days following the last day the employee is paid as a TSERS contributing member. (Refer to pages 6 and 7 in the "Your Retirement Benefits" handbook for more information about the Survivor's Alternate Benefit and the Death Benefit.)

B. A senior officer may elect to withdraw his or her TSERS employee contributions (plus statutory interest, if the officer has at least five years of service as a contributing member) but forfeit any membership credits earned towards age and service requirements and eligibility for the Disability Income Plan of North Carolina, even if these contributions are rolled over to the ORP. For example, if TSERS contributions are withdrawn, under the Disability Income Plan a senior officer must have at least one year of participation in the ORP earned within the 36 calendar months preceding disability to be eligible for short-term disability benefits, and five years of ORP participation earned within the 96 calendar months prior to the end of the short-term disability period to be eligible for long-term benefits. Credit towards vesting of ORP employer contributions begins at the time of enrollment in the ORP.

A refund of TSERS employee contributions that is eligible for rollover can be taken in two ways. The taxable portion of the payment can be (1) paid as a direct rollover to an IRA or other qualified plan (such as the ORP) or (2) paid directly to the employee.

If a direct rollover is chosen, the employee is not taxed on the payment until it is later withdrawn from the IRA or other qualified plan. If the refund is paid directly to the employee, it is subject to 20 percent income tax withholding and also taxed in the year in which the employee receives it unless, within 60 days, it is rolled over to an IRA or other qualified plan that accepts rollovers. An employee may roll over up to 100 percent of the eligible rollover distribution, including an amount equal to the 20 percent that was withheld. If 100 percent is rolled over, the employee must find other money within the 60-day period to contribute to the IRA or qualified plan to replace the 20 percent that was withheld. Alternatively, if only 80 percent that is received by the employee is rolled over, the employee will be taxed on the 20 percent that was withheld. If the refund is not rolled over, a 10 percent penalty charge is imposed on the taxable portion of the refund, which is made prior to death, disability, or the attainment of age 59 1/2. The employee should consult his or her accountant, attorney, or other financial counsel with regard to tax treatment on these distributions.

IV. ORP Enrollment Window

A. A former SPA employee who elects to convert to exempt SAAO status, under I.A. above, and who holds a permanent three-quarter time or more position within the University, has 30 days from the effective date of his or her election to convert to SAAO status to enroll in the ORP.

B. Other incumbent employees, under I.B. above, must elect to enroll in the ORP by no later than March 31, 1999.

V. ORP Enrollment Process. The process for electing ORP is effected by doing both of the following:

A. The senior officer completes an "Election of Optional Retirement Program The University of North Carolina," Form ORP-1A. The institutional representative transmits this form to the State Retirement System, with a copy sent to the office of the Associate Vice President-Finance and University Benefits Officer, UNC General Administration.

B. The senior officer completes an ORP enrollment form that is submitted to the appropriate ORP carrier(s) through the institutional representative.

If the employee elects to withdraw his or her TSERS contributions, he or she must complete an "Application for Refund of Retirement Contributions," Form 5. This form is sent to the State Retirement

System, through the institutional representative, and should include (1) the name of the IRA sponsor (usually a financial institution) or ORP carrier or other qualified plan carrier (such as the ORP) to whom the refund check should be made payable, (2) the employee's address, and (3) his or her account number if the employee elects to have a direct rollover. (The payment is actually sent to the employee for transmittal to the appropriate sponsor or qualified carrier.)

VI. Effect on Other Benefits

A. Supplemental Disability Insurance Benefits. A senior officer who falls under I.A. or I.B. above, who elects to enroll in the ORP, is also eligible to enroll in the TIAA Disability Income Plan. To avoid the burden of furnishing evidence of insurability satisfactory to TIAA, such senior officer must enroll in the TIAA Disability Income Plan during the applicable ORP enrollment window referenced in IV., above.

An ORP participant is not eligible to continue disability coverage under the Liberty Mutual Disability Plan and must cancel that coverage through his or her institutional representative immediately upon enrolling in the ORP.

B. Sick Leave. Only members of TSERS are eligible to have sick leave credit converted to creditable service upon retirement. For ORP participants, any unused sick leave balance at termination or retirement is forfeited.

[This is a rewrite of Administrative Memorandum #393.]

¹By action of the Board of Governors, senior officers consist of the President, vice Presidents, chancellors, vice chancellors, provosts, deans, and such other officers of equivalent rank and responsibility as may be designated by the Board of Governors (November 14, 1986); associate and assistant vice chancellors, associate and assistant deans, and specific other officers of the University having significant administrative responsibilities and duties as may be designated by the President and subject to confirmation by the Board of Governors (October 12, 1990 and as augmented on January 9, 1998 and November 13, 1998).