Helping you prepare for a more fit retirement journey

What plan is right for you? TRS vs ORP

The University of Texas System
Optional Retirement Plan

Agenda

1. ORP overview
2. TRS overview
3. What works better for you?

Section 1

ORP overview

ORP overview

Your Optional Retirement Plan (ORP)

- The ORP is a defined contribution plan.
- Both you and UT System make contributions to your plan.
- You choose how to allocate these contributions among the plan's investment lineup.*
- Your account balance is based on contributions plus accumulated earnings. Account value may be subject to market fluctuation.**
- When you retire, you have control over how much you withdraw from the account. The government does require minimum annual distributions, which start at roughly 4% at age 70.5, and ratchet up as you age.

* Keep in mind that asset allocation does not ensure a profit or protect against market loss.

** Investing involves risk, including the possible loss of principal. Investment values of variable products fluctuate so that investment units, when redeemed, may be worth more or less than their original cost.

ORP overview

Contribution rate

- Employer: 8.5%
- Employee: 6.65% (mandatory)

Account setup

- You can select between a group of plan providers to open an account
- Rollovers between providers are permitted
- Be sure to review fund choices and fees carefully*

* **Investors should carefully consider the investment objectives, risks, fees, charges and expenses before investing. This and other important information is contained in the fund prospectuses, which can be obtained from your financial professional, at corebridgefinancial.com/retire or by calling 1.800.428.2542 and following the prompts. Read the prospectuses carefully before investing.**

ORP overview

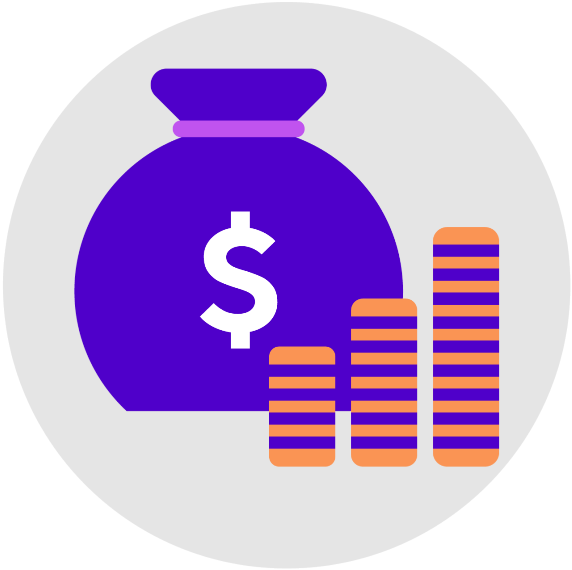
Advantages of the ORP:

- You are still eligible to save additional pretax dollars in the 403(b) plan and/or 457(b) deferred compensation plan. Roth options are available in both the 403(b) and 457(b) deferred compensation plans.
- Personal financial guidance from an on-site financial professional.
- Access to an array of investment options.
- Vesting — You are always 100% vested in all your contributions to your ORP account.
- Should you still have a balance in the account upon your death, you can specify who will receive it.

Section 2

TRS overview

TRS overview



The Teacher's Retirement System (TRS):

- The TRS is a defined benefit plan.
- Both you and UT System make contributions to your plan.
- There are no investment decisions to make.
- Once you retire, you choose among several options for receiving money from your accrued benefit.

TRS overview

Contribution rate

- State Contribution Rate: 8.25% (as of 09/01/2023).
- Employee: 8.25% (as of 09/01/2023).
- Your years of service and salary determine the ultimate monthly pension benefit.
- When you retire, you will have the choice between several annuitization options. You may wish to have payments continue for your lifetime. Alternatively, you may choose a reduced payment that lasts for both your lifetime and that of a spouse.
- In some cases, you can “buy” additional years of service, which can greatly impact your ultimate retirement benefit. We recommend talking to a representative in your state’s pension office to get the details on this option if contemplating such a strategy.

TRS overview

Advantages of the TRS:

- You are still eligible to save additional pretax dollars in the 403(b) plan and/or 457(b) deferred compensation plan. Roth options are available in both the 403(b) and 457(b) deferred compensation plans.
- There are no investment decisions to make, or even an account to monitor.
- If you stay in the university system long enough, then you can retire with a guaranteed income for life.
- The TRS option is largely designed to reward long periods of service to a single university system.

TRS overview

Calculating the standard Annuity

- TRS uses the following formula:
  - Total years of service X 2.3% = Total %
  - Total % X average highest five-year salary = Annual annuity
  - Annual annuity divided by 12 = Monthly annuity

Example

Keith Rogers is an employee with 30 years of service. The average of his highest five years of salaries is $40,000.00.

- 30 years of service X 2.3% = 69%
- 69% X $40,000.00 = $27,600.00 annual annuity
- $27,600.00 divided by 12 = $2,300.00 monthly annuity

* source: www.trs.texas.gov

TRS overview

TRS changes

- Member contribution rate
  - Increased to 8.25% on September 1, 2023
- Interest earned on contributions
  - Interest on your contributions is currently computed at the rate of two percent a year. TRS credits interest on August 31 of each year.*
- Membership categories (6 tiers)
  - Effective on September 1, 2014, any member with less than five years of service credit in TRS as of August 31, 2014 or any member who has an entry date on or after September 1, 2014, is affected by the changes made to the service retirement eligibility criteria by Senate Bill 1458 (passed in 2013).

* Source: https://www.trs.texas.gov/TRS%20Documents/benefits_handbook.pdf

TRS overview

Tier 1	Tier 2	Tier 3
Grandfathered if: • Your memberships started before September 1, 2005, and • You are at least 50 years of age, or • Your age & years of service credit combined total at least 70, or • You have at least 25 years of service credit.	**Non-Grandfathered if:** • Your membership started before September 1, 2007, and • You do not meet the eligibility requirements to be "grandfathered."	**2007 and beyond if:** • Your membership started on or after September 1, 2007. • You had at least 5 years of service as of August 31, 2014.
Eligibility to retire: • Meet the Rule of 80 (combined age and years of service credit equal at least 80) and have at least 5 years of service, or • You are at least 65 years old with at least 5 years of service. * Standard annuity calculation for Tier 1 uses the average of the <u>3</u> highest annual salaries. You have the availability to take the Partial Lump Sum Option (PLSO) when you meet the Rule of 80.	**Eligibility to retire:** • Meet the Rule of 80 (combined age and years of service credit equal at least 80) and have at least 5 years of service, or • You are at least 65 years old with 5 years of service. * Standard annuity calculation for Tier 2 uses the average of the <u>5</u> highest annual salaries. You have the availability to take the Partial Lump Sum Option (PLSO) when your age and years of service total 90.	**Eligibility to retire:** • Meet the Rule of 80 (combined age and years of service credit equal at least 80) and have at least 5 years of service, and • You are at least 60 years old. * Standard annuity calculation for Tier 3 uses the average of the <u>5</u> highest annual salaries. You have the availability to take the Partial Lump Sum Option (PLSO) when your age and years of service total 90.

* Source: https://www.trs.texas.gov/TRS%20Documents/benefits_handbook.pdf

TRS overview

Tier 4	Tier 5	Tier 6
Grandfathered, but after 2007: • You meet the requirements to be "Grandfathered" but current TRS membership began on or after September 1, 2007 but prior to September 1, 2014. * Please Note: Beginning September 1, 2014 you must also have at least 5 years of service credit in TRS as of August 31, 2014	**New changes if:** • You do not have at least 5 years of service on August 31, 2014.	**Grandfathered, but new if:** • You meet the requirements to be "Grandfathered," and • ANY of the following apply: – You did not have at least five years of service credit on August 31, 2014. – Your current membership in TRS began on or after September 1, 2014. – You had at least five years of service on August 31, 2014, BUT you terminated your membership in TRS by withdrawing your accumulated contributions AND resumed membership in TRS after August 31, 2014.
Eligibility to retire: • Meet the Rule of 80 (combined age and years of service credit equal at least 80) and have at least 5 years of service, and • You must be at least 60 years old * Standard annuity calculation for Tier 4 uses the average of the <u>3</u> highest annual salaries. You have the availability to take the Partial Lump Sum Option (PLSO) when your age and years of service total 80.	**Eligibility to retire:** • Meet the Rule of 80 (combined age and years of service credit equal at least 80) and have at least 5 years of service, and • You are at least 62 years old. * Standard annuity calculation for Tier 5 uses the average of the <u>5</u> highest annual salaries. You have the availability to take the Partial Lump Sum Option (PLSO) when your age and years of service total 90.	**Eligibility to retire:** • Meet the Rule of 80 (combined age and years of service credit equal at least 80) and have at least 5 years of service, and • You are at least 62 years old. * Standard annuity calculation for Tier 6 uses the average of the <u>3</u> highest annual salaries. You have the availability to take the Partial Lump Sum Option (PLSO) when your age and years of service total 90.

* Source: https://www.trs.texas.gov/TRS%20Documents/benefits_handbook.pdf

Section 3

What works better for you?

What works better for you?

TRS vs ORP

- TRS is a basic option as you have no choice on investment selection
- The ORP allows you the opportunity to select funds and create your own investment mix
- TRS has six payout options and guarantees a payment for life
- The ORP has more flexibility of withdrawals during retirement, however, if it is not handled correctly, you could run out of money

Important considerations before deciding to move funds either into or out of a Corebridge retirement services account

There are many things to consider. For starters, you will want to carefully review and compare your existing account and the new account, including: fees and charges; guarantees and benefits; and, any limitations under either of the accounts. Also, you will want to know whether a surrender of your current account could result in charges. Your financial professional can help you review these and other important considerations.

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