

Optional Retirement Plan – Public Employee Retirement System



Photo: Western Oregon University

## Decision Making Guide

When considering your financial future, there are many issues you'll want to consider. This guide will help walk you through these issues. You can compare your options to determine which of the two employer-paid retirement plans is right for you.

Academic and Administrative Unclassified Employees

[Disclaimer – Please read carefully](#)

This material is intended to assist in the administration of the plan. If it conflicts with any formal plan documentation (including, but not limited to, the Plan Document), the formal plan documentation prevails.

## Optional Retirement Plan – Public Employee Retirement System

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## ORP Choices Materials

The information in the ORP Retirement Plan Decision-Making Guide is an integral part of the resources available to support your choice between two employer-paid retirement plans:

### **Oregon Public Service Retirement Plan (OPSRP)/ Public Employees Retirement System (PERS)**

#### **Optional Retirement Plan (ORP)**

The following materials encompass the critical resources available to help you make an informed decision. Please read all of these materials to ensure that you understand this important decision regarding your retirement benefit at OUS.

##### **1. Decision Making Guide**

When considering your financial future, there are many issues you'll want to consider. This guide will help walk you through these issues. You can compare your options to determine which of the two employer-paid retirement plans is right for you.

##### **2. Optional Retirement Plan Highlights**

This is a quick reference guide that includes information on ORP features, plan providers and detailed investment options. Our goal is to help you make informed decisions on your retirement options.

##### **3. Retirement Option Comparison – Tier One/Tier Two Employees**

Explore the unique features of the Optional Retirement Plan (ORP) and the Public Employees Retirement System (PERS) for those employees hired prior to August 29, 2003.

##### **4. Retirement Option Comparison – OPSRP/ ORP Tier Three Employees**

Explore the unique features of the Optional Retirement Plan (ORP) and the Oregon Public Service Retirement Plan (OPSRP) for those employees hired on or after August 29, 2003.

##### **5. Contact Information**

When you have questions, you want to get to the right person right away. This is where you'll find up-to-date contact telephone numbers for all your inquiries.

##### **6. How To Enroll**

A plan for your retirement benefits is just a few simple steps away. This guide will lead you through the process.



## Introduction

The retirement benefits provided to you as an eligible academic or academic administrative employee of the Oregon University System (OUS) can be a significant part of your income in retirement. Currently OUS offers you a choice between two employer-paid retirement plans:

### **Oregon Public Service Retirement Plan (OPSRP)/ Public Employees Retirement System (PERS)**

#### **Optional Retirement Plan (ORP)**

You must make a one-time, irrevocable decision by the end of a six-month waiting period from your hire date. You may choose between membership in OPSRP/PERS or participation in the ORP. You may make your decision at any time during your six-month waiting period, but keep in mind that this is a one-time opportunity.

The plan you choose will be the plan you participate in during the entire time you work for OUS as an eligible employee, even if you leave OUS and are later rehired.

Your OPSRP/PERS membership is based on your employment history with any PERS participating employer. Your ORP participation tier is based on your original date of hire by the Oregon University System.

Plan ahead! If you are interested in the ORP, allow yourself enough time before your enrollment deadline to contact the ORP providers, obtain plan literature, and complete an account application.

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## **OPSRP and PERS**

The Oregon Public Service Retirement Plan (OPSRP) and Public Employees Retirement System (PERS) are hybrid defined benefit/defined contribution plans for state, local government, and OUS employees.

The Public Employees Retirement System manages three plans for eligible public employees; the OPSRP pension, the PERS pension, and the Individual Account Program (IAP). Participation in these plans is based on an employee's original eligibility date. The plans are managed by the Public Employees Retirement System (PERS), which determines the plan available to you. You do not need to choose between OPSRP and PERS.

Members of either pension plan (OPSRP and PERS) also participate in the Individual Account Program (IAP).

If you elect to become a member of the OPSRP or PERS, and you are employed by another Oregon public employer, your service time at OUS is included in your OPSRP or PERS years of service, subject to PERS rules.



## Optional Retirement Plan (ORP)

The Optional Retirement Plan (ORP) is a defined contribution, participant-directed plan that is exclusively for OUS employees.

If you elect to participate in the ORP, prior PERS service time while employed by the OUS, if any, is recognized for vesting purposes. However, if you subsequently leave the OUS to work for another PERS employer, PERS does not give credit for the time you were an ORP participant. Your participation date and contribution tier corresponds to what it would have been under PERS.

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## Additional, Voluntary Retirement Plans

In addition to OPSRP/PERS and the ORP retirement plans, two voluntary retirement savings plans are also available. You may enroll in these plans as soon as your employment begins or any time thereafter. You decide the amount of your pre- and post-tax contributions.

- **Tax-Deferred Investment (TDI) Program**

The TDI program is an IRS Section 403(b) plan that offers tax-sheltered annuities and mutual funds. See an online description of the OUS Tax-Deferred Investment program at <http://www.ous.edu/dcretplans>.

- **Oregon Savings Growth Plan (OSGP)**

The OSGP is a governmental IRS Section 457(b) deferred compensation plan. A description of the OSGP is available online at <http://www.oregon.gov/PERS/OSGP/index.shtml>.

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This Decision Making Guide will help you make your retirement plan enrollment decision. The Guide contains many helpful features:

- Issues you may want to consider as you make your enrollment decision
- Questions to help focus your decision-making
- Enrollment instructions

You must return your completed OUS Retirement Plan Election Form to your campus Benefits Office by the 10th of the month in which you are eligible.

**Eligible employees who do not make a written enrollment selection during this period of time will be automatically enrolled in OPSRP/PERS.**

**Your decision to participate in the ORP or OPSRP/PERS is, by law, a one-time irrevocable decision.**



## PERS/OPSRP and ORP Accounts

### DISCLAIMER – Please Read Carefully

This Decision Making Guide provides an overview of the OPSRP/PERS and the ORP. The descriptions of OPSRP and PERS benefits in this Guide are based on OUS' and PERS' understanding of 2003 and subsequent legislation, as amended and as affected by judicial decisions, as of the date of this guide. Certain aspects of 2003 PERS legislation are or will be the subject of legal challenges. In addition, PERS regularly adopts administrative rules to implement legislative changes. The descriptions of OPSRP and PERS benefits in this guide are therefore subject to modification and/or clarification by new legislation, court decisions, and PERS' administrative rulemaking. In case of conflict between this guide and the official plan documents of the ORP and Oregon state law regulating OPSRP/PERS, the official plan documents, Oregon state law, and federal regulations will govern.

## PERS/OPSRP and Optional Retirement Plan (ORP) Accounts

PERS / OPSRP		ORP		
Hired before August 29, 2003	Hired on or after August 29, 2003	<b>OUS-Fidelity Investments</b>	<b>TIAA-CREF</b>	<b>VALIC*</b>
Tier 1 or Tier 2	OPSRP	Tier 1, 2, or 3	Tiers 1, 2, or 3	Tier 1, 2, or 3
<b>PERS Pension</b> Employer Account	<b>OPSRP Pension</b> Employer Account	Employer Account	Employer Account	Employer Account
Employee (6%) IAP	Employee (6%) IAP	Employee (6%) Account	Employee (6%) Account	Employee (6%) Account

\* VALIC is closed to new participants



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This section of the Decision Making Guide highlights key provisions of the Optional Retirement Plan (ORP), the Oregon Public Service Retirement Plan (OPSRP), and the Public Employees Retirement System (PERS). For more information, refer to the Retirement Options Comparison guide #4 for OPSRP/ORP Tier Three employees and the Retirement Options Comparison guide #3 for PERS/ORP Tier One and Tier Two employees. The summaries in these guides compare key features of your retirement options.

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## Section 1 – Highlights of the Optional Retirement Plan (ORP)

### ORP Investment Choices

You direct how your Employer and Employee Contributions are invested. Mutual fund and annuity investments are currently offered through these providers:

- **Fidelity Investments**
- **TIAA-CREF**
- **VALIC** (closed to new participants)

When you enroll in the ORP, you select a provider to invest contributions (Employer, Employee, and, if applicable, rollovers) in the investment funds you choose.

- You may change investment companies for future contributions once per calendar year, subject to any restrictions or fees required by your current provider.
- You may transfer existing account balances among ORP investment companies at any time, subject to provider fees and restrictions.
- You may change among investment funds offered by your current provider as often as permitted by the provider.
- See the ORP Plan Highlights for more information about the providers and where to find information about the investment programs and services they offer.



### ORP 401 (a) Plan Design

ORP:ous (Fidelity)	ORP:tiaa-cref		ORP: valic
<b>Core Menu</b> Target Retirement Data Funds Passively-Managed Index Funds Actively-Managed Mutual Funds ING Fixed and Variable Annuities	TIAA Traditional, Fixed Annuity		Fixed Annuity Variable Annuities
<b>Self-Direct Choice Menu</b> Fidelity Brokerage Account	CREF Variable Annuities	TIAA-CREF Mutual Funds	VALIC closed to new participants

### Choice of Investment and Services Programs

**ORP:ous (through Fidelity Investments)** offers an advised core investment menu of mutual funds, including lifecycle funds, passively managed index funds, actively managed funds for each of the nine Morningstar asset classes, and an array of ING fixed and variable annuities. Investments on the core menu are monitored for performance and fees by an investment adviser and committee, and may be changed from time to time as needed to meet the investment policy of the plan. Each investment bears different expenses for not only investment management, but also recordkeeping and participant education and services. In this program, OUS has negotiated a low recordkeeping cost in order to provide significant funding for state of the art participant services, education and retirement advising. Participant education and advising is available online, by phone, or through individual meetings with retirement counselors.

**ORP:tiaa-cref** offers a combination of mutual funds, plus fixed and variable annuities. A list of mutual funds supplements the long-established CREF variable annuities, the TIAA Traditional (fixed annuity), and TIAA real estate investment. The choice of mutual fund and annuity products allows a participant to diversify investments across a spectrum of investment performance and expenses. Participant education and advising is available online, by phone, or through individual meetings with retirement counselors.

**ORP: valic** offers variable and fixed annuity investments to participants who have been enrolled since October 10, 2007. Participant education and advising is available online, by phone, or through individual meetings with retirement counselors.



## Vesting

Vesting is a form of ownership. You earn a non-forfeitable right to your Employer Contribution Account based on the years of service. A year of service is each Plan year that an Employer contribution was made for you.

- You are 100% vested in your Employer Account after five (5) years of qualifying service.
- If you work less than 600 hours in your final year of service, but worked at least 600 hours in the prior year and would have worked 600 hours except for leaving OUS employment, your final year counts for vesting.
- You may also become vested in your Employer Account if you are working for OUS at age 50, even if you haven't worked five years of qualifying service.
- A participant who dies within 120 days of leaving OUS employment is 100% vested upon death.
- If you have participated in PERS during previous OUS employment, your years of qualifying service with PERS apply toward vesting in the ORP. If you are vested in PERS through prior OUS employment when you enroll in the ORP, you will also be vested in your ORP Employer Account.
- You are always 100% vested in your Employee Account and Rollover Account, including any related earnings.

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## Retirement Benefits

- Your retirement benefit is based on the value of your Employee Account plus the value of your Employer Account at the time you begin to receive benefits.
- Benefit payments are available as a single lump sum or any payment option offered by the provider with which you are investing. Contact the ORP providers for more specific information on the benefit payment options available.

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## Contributions

Employer and Employee Contributions to the ORP may be made for each employee working 600 or more hours in the calendar year. At the end of each calendar year, that year's contributions and earnings for any employee who works less than 600 hours in the year are withdrawn from the participant's Employer and Employee Accounts.

Under state law, the employer contribution to the ORP is based on the contribution rate for PERS/OPSRP.

Current contribution rates can be found in the ORP Plan Highlights and the Retirement Option Comparison guide for your contribution tier.

- Federal and state income taxes are deferred on contributions and any related earnings as long as they remain in the plan.



- ORP contribution rates may increase or decrease whenever PERS/OPSRP defined benefit pension plan funding methods are revised, or the PERS/OPSRP pension is valued to reflect new costs of providing member benefits.
- OUS cannot predict ORP contribution rates over the long term because funding of PERS' defined benefit pension plans rely on market performance, wages of active PERS members, utilization by retirees, and management decisions of the PERS Board.
- Significant action by the state legislature in 2003 and subsequent plan management actions by the PERS Board to control employer contribution rates for the PERS/OPSRP pension plans will continue to impact ORP contribution rates unless there is a legislative action to amend ORP statute ORS 243.800.
- Employer contribution rates since the ORP was first offered are shown below. **These past rates do not predict future employer contribution rates.**

### Historical ORP Contribution Rates (Percentage of Salary)

Years In Effect	Employer		Employee
Dates in Effect	Tier 1, Tier 2	Tier 3	Tier 1/Tier 2; Tier 3 (from 1/04)
1/1996 - 6/1997	8.46		6.00
7/1997 - 6/1999	8.20		6.00
7/1999 - 6/2001	9.73		6.00
7/2001 - 6/2003	9.49		6.00
7/2003 - 6/2005	11.31		6.00
1/2004	11.31	8.04	6.00
7/2005 - 6/2007	16.75	8.04	6.00
7/2007 - 6/2009	16.01	5.82	6.00
7/2009 - 6/2011	11.89	5.89	6.00

### Important Note about Contribution Limits

The ORP is a Defined Contribution Plan and is subject to IRS limits on contributions. The current IRS limits can be found in the ORP Plan Highlights. Contributions to your ORP accounts will be monitored annually by OUS to ensure that these limitations are not exceeded. If your account is affected, you will be notified by OUS of any corrective measures that may be needed.



## Rollovers and Transfers

Rollovers and transfers may be made to the ORP from several sources:

- PERS. If you are not vested in PERS, and elect to join the ORP, your Member Account will be rolled over regardless of whether you request it.
- PERS/OPSRP IAP. You may transfer your vested IAP Employee Account balance(s) to the ORP at the time you elect to participate in the ORP.
- OPSRP Pension. If the value of your OPSRP vested pension is \$5,000 or less you may transfer that balance to the ORP at the time you elect to participate in the ORP.
- PERS Tier One / Tier Two Pension. If you elect to roll over your PERS (Tier One or Tier Two) Member Account to the ORP, you will forfeit your PERS pension and any rights to future PERS retirement benefits, whether or not you are vested.
- Another employer's qualified retirement plan, subject to certain restrictions and provider rules.
- A tax-sheltered annuity under Internal Revenue Code Section 403(b).
- An eligible governmental deferred compensation plan under Internal Revenue Code Section 457(b).
- An Individual Retirement Account (IRA) if funds were rolled over to the IRA from a qualified retirement plan.

**Note:** The Internal Revenue Service has specific rules and time limits regarding rollovers and transfers. In addition, some investment companies may restrict rollovers.

If you are considering a rollover to the ORP, please contact the provider you wish to invest with for information and rules affecting rollovers.

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## Loans

Plan loans offer you access to the money in your account when you need it, even if you have not yet retired. If your provider is TIAA-CREF or VALIC, you may be eligible to borrow up to 50% of your combined, vested Employee and Rollover Account balances, up to a maximum of \$50,000. This limit includes loans from the OUS Tax-Deferred Investment 403(b) Plan. The minimum loan amount is \$1,000. Only one plan loan from all OUS ORP plan Providers is permitted in a calendar year. You are required to disclose any outstanding loan balances through these plans as part of the loan application process. Contact VALIC or TIAA-CREF for additional details of their loan programs. OUS approval is required for all loans to ensure coordination among all OUS and state plans and compliance with IRS loan regulations.



### **If You Leave OUS before Retirement**

ORP benefits become available when you leave OUS. You are eligible to receive your Employee Account balance and, if vested, your Employer Account balance. However, if you withdraw funds before age 55 and do not roll them over to a qualified plan or IRA, the distribution may be subject to an additional 10% early withdrawal penalty levied by the IRS and paid when you file your tax return.

You may leave your money in the ORP and continue to receive investment earnings and losses on your account balance until you withdraw your funds.

Check with the ORP providers for information and rules affecting distributions or rollovers from your account if you leave OUS before retirement.

If you leave before you are fully vested in the Employer Account, but return to OUS employment within five years, your Employer Account balance at the time of termination is returned to you, along with vesting credit for your service prior to departure. You must request restoration of your non-vested Employer Account at the time you are re-employed. To request restoration of your forfeited Employer Account balance, provide your campus benefits office the name of the ORP provider that held your ORP account and the date that you separated from service with an OUS campus. Tell the benefits office that you are requesting restoration of your forfeited ORP Employer Account balance.

If you leave the OUS and take a distribution from the Employee Account after normal retirement age, you are a retired participant and ineligible for Employer Account reinstatement. You would receive future contributions to the ORP only if you re-establish active participant status.



## Section 2 – Highlights of OPSRP and PERS

The Oregon Public Service Retirement Plan (OPSRP) pension applies to eligible employees hired on or after August 29, 2003, who have never been members of PERS.

The Public Employees Retirement System (PERS) pension applies to eligible employees who established membership or began the six-month waiting period prior to August 29, 2003.

The Individual Account Program (IAP) defined contribution companion account applies to both PERS and OPSRP members after December 31, 2003. The IAP account replaced the PERS “member account” for all future employee contributions beginning January 1, 2004.

Throughout this section, where OPSRP and PERS provisions differ, they are identified. The descriptions of OPSRP and PERS benefits in this guide are therefore subject to modification and/or clarification by new legislation, court decisions, and PERS’ administrative rulemaking. In case of conflict between this guide and the official plan documents of the ORP and Oregon state law regulating OPSRP/PERS, the official plan documents, Oregon state law, and federal regulations will govern.

PERS provides detailed information about your OPSRP and PERS options. Visit the PERS website at <http://oregon.gov/PERS/index.shtml>

### Hybrid Plan

The OPSRP and PERS retirement programs are hybrid plans that provide defined-benefit pensions and a separate, defined-contribution investment account for each member. The pension provides a monthly benefit amount at retirement, based on a pension formula. The individual account provides additional retirement funds based on the employee’s contributions plus investment returns.

Both the pension and IAP plans are managed by the Oregon Investment Council. You do not need to choose among investment options or monitor your investments for performance.

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### Contributions

Contributions to OPSRP/PERS are based on your salary and include the following:

- The Employer Contribution is based on the actuarially-determined amounts necessary to fully fund pension benefits. Although the contribution rate changes, your pension remains the same.
- Employee Contributions to the Individual Account Program (IAP) equal 6% of subject salary. Currently, the Employee Contribution is paid by OUS for most employees. The amount of compensation used for this contribution calculation is limited as outlined in the ORP Plan Highlights. This limit is periodically adjusted for cost-of-living increases.
- Federal and state income taxes are deferred on contributions and any related earnings as long as they remain in the plan.



## Vesting

**OPSRP Pension** – Generally, you are vested in the OPSRP pension funded by Employer Contributions after you have worked 600 hours or more in each of five qualifying calendar years, or on reaching normal retirement age (age 65) while an employee

## PERS Pension

You are 100% vested in your PERS pension funded by Employer Contributions after making contributions in each of five calendar years or age 50 while working in a qualifying position.

## IAP

You are always 100% vested in your IAP Employee Account.

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## How Retirement Benefits are Determined

Retirement benefits are the combination of your Individual Account Program (IAP) account(s), plus your OPSRP or PERS pension.

- **OPSRP Pension**  
Your OPSRP pension is based on the following formula:  $1.5\% \times \text{years \& months of service} \times \text{final average salary}$ .
- **Tier One and Tier Two PERS Pension**  
Your PERS pension is determined by one of three calculation methods that provides you the highest benefit. Those methods include:

The Full Formula Method, which bases your benefit on the formula:  $1.67\% \times \text{years \& months of service} \times \text{final average salary}$ .

The Money Match Method, matches your Employee Account balance with an equal Employer Account amount, and is then adjusted for your estimated life expectancy. This method applies only to Employee PERS accounts established prior to January 1, 2004. No new contributions were made after December 31, 2003.

The Formula Plus Annuity Method, which bases your benefit on the formula:  $1.00\% \times \text{years \& months of service} \times \text{your final average salary}$ , plus the value of your Employee Account, adjusted for your life expectancy. This method is available only to employees who made contributions prior to August 21, 1981.

Pension payments include life annuity, joint and survivor option, and lump sum forms of payment.

- **IAP Employee Account**  
Your account balance accrues through contributions to your employee account. For most employees, OUS makes this contribution for you. These contributions, plus the investment returns attributed to your account over time, determine your IAP retirement benefit.



## When You May Receive Retirement Benefits

Pension benefits become available under OPSRP/PERS as follows:

- Normal retirement age, which is defined as
  - Tier 1 members, age 58 or after 30 years of service
  - Tier 2 members, age 60 or after 30 years of service
  - OPSRP members, age 65 or at age 58 with 30 years of service
- Early retirement (after you reach age 55, but before your normal retirement age). However, your benefit as calculated under the Full Formula and Formula Plus Annuity Methods will be reduced if you retire before your normal retirement age, unless you have completed 30 or more years of PERS/OPSRP-creditable service. Your IAP Employee Account is available any time after you terminate your employment.

Withdrawal of your PERS, OPSRP, or IAP account requires that you withdraw all of your PERS accounts at the same time. Before requesting withdrawal of any account managed by the Public Employees Retirement System, confirm what effect a withdrawal will have on your other PERS accounts.

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## Rollovers

Rollover contributions to PERS/OPSRP/IAP are not available.

## If You Leave OUS before Retirement

The OPSRP and PERS pensions provide retirement benefits when you retire if you are 100% vested when you leave OUS, but benefits are forfeited if you leave OUS before you are 100% vested.

A member who withdraws either a member pension or IAP account balance is required to withdraw all accounts and to terminate PERS/ORPSP membership.

### OPSRP Pension

If you are vested, and the present value of your OPSRP pension benefit is \$5,000 or less, you may withdraw the present value of your benefit in a lump sum. Such a withdrawal cancels all of your rights under the OPSRP pension program. Contact PERS directly to determine the present value of your account.

### PERS Pension Tier One & Tier Two Member Accounts

If you are a Tier One or Tier Two PERS member, and you terminate employment with OUS before reaching age 55, you may withdraw your Member Account balance and related investment earnings.

- The Employer Contributions made for your pension are not considered part of your account balance. If you withdraw your Member Account balance when you leave OUS before retirement you give up member rights associated with the PERS pension, including the right to a pension based on Employer Contributions.



- If you are vested as a Tier One or Tier Two PERS member, you may avoid forfeiting the Employer contributory pension by leaving your PERS Member Account balance in the plan until you reach at least age 55.
- If you are not vested, your Tier One or Tier Two PERS member account may be refunded when you become a terminated member. Earnings additions stop after your membership has been terminated for five years.

### IAP

If you terminate employment with OUS before reaching age 55 and wish to withdraw funds from your IAP account, you are limited to the Employee and Rollover Account balances, if any, and related investment earnings. Regardless of your vesting status with the pension plan, you may leave your IAP account with OPSRP/PERS, and accrue investment earnings or losses on the account until withdrawal.

### Disability

**OPSRP Pension** – If you become disabled after earning at least 10 years of retirement credit under OPSRP, or your disability was caused by OPSRP-covered employment, you are eligible for a disability benefit equal to 45% of salary received on your last full month of employment before becoming disabled.

**PERS Pension** – If you become disabled and have 10 years of creditable service, benefits under PERS are based on your final month's salary as of the date of your disability and on the years of service you would have earned if you had worked to normal retirement age. You are eligible for disability benefits if your disability was caused by your PERS-covered employment, regardless of years of service prior to disability.

**IAP** – If you terminate employment because of disability, you may elect to withdraw your IAP account(s).

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### Death Benefits

**PERS Pension** – If you die before you begin receiving benefits, your benefits are payable to your beneficiary(ies). If you die after you begin receiving benefits from the plan, any benefits payable to your beneficiaries are based on the benefit option you selected.

**OPSRP Pension** – If you die before retirement and are vested, your surviving spouse or any other person who is constitutionally required to be treated in the same manner as a spouse for the purpose of retirement benefits receives a monthly death benefit for life. If you die after you begin receiving benefits, any death benefit payable depends on the payment option you selected at retirement.

**IAP** – If you die before receiving the full amount in your IAP Employee Account, any remaining balance is payable to your beneficiary(ies).



## Section 3 - ORP Providers and Investments

When you enroll in the Optional Retirement Plan (ORP), you select a provider that will invest your contributions according to your directions. The provider is also responsible for furnishing you with investment information and paying your benefits when you retire. This section provides a brief look at the investment companies currently participating in the ORP. Before selecting a provider, you should use the contact information in the Contact Information ORP brochure #5 to gather more information about the investments, fees, fund performance, and services available.

Current investment options, including fund fact sheets, performance, and investment expenses, are available through each provider.

### **To receive information on the correct program:**

Please identify yourself to provider service representatives as an Oregon University System employee considering the Optional Retirement 401(a) Plan (ORP) when you request information or enroll.

The ORP providers also offer investments under the voluntary retirement savings plan, called the OUS Tax-Deferred 403(b) Investment Plan.

### **More Information**

It is important to read the prospectus before investing in any investment option. The prospectus spells out details about the investment and provides information about the investment's objectives and past investment results. Keep in mind, as you review the information, that past returns do not guarantee future performance.

To order prospectus information, contact the investment sponsor using the phone numbers or websites listed in this booklet.

The Oregon State Board of Higher Education assumes no responsibility for determining that investments you select are suitable for you. When you participate in the ORP, you agree to indemnify and hold the Oregon State Board of Higher Education, its officers, employees and agents harmless from, and to pay the State of Oregon promptly on demand for, any and all losses, liabilities, claims, and costs including reasonable attorneys' fees that may arise from your acts or omissions related to your selection of investments or services. The release and indemnification is in addition to and in no way restricts any rights which may exist at law or under any other agreement(s) between you and State of Oregon.



## Section 4 – Choosing Between the ORP and OPSRP/PERS

### Things to Consider...

Your decision to enroll in the Optional Retirement Plan (ORP) or the Oregon Public Service Retirement Plan (OPSRP) / Public Employees Retirement System (PERS) is a one-time opportunity – the plan you select will be the plan you participate in during the entire period of your employment with OUS.

So, as you think about which retirement plan to choose, it's important to consider carefully your plans and financial objectives for the future as well as your personal comfort level and circumstances.

### Questions to ask yourself...

- **What are my plans for retirement?**  
If you haven't already done so, this may be a good time to consider your retirement goals.
- **What financial assets can I expect to have in retirement?**  
In addition to your OPSRP/PERS or ORP benefits, you may have retirement income available from Social Security, the Tax-Deferred 403(b) Investment (TDI) Plan, the Oregon Savings Growth Program, or other savings and investments.
- **Do I want to make my own investment decisions?**  
Although it's important for individuals to take responsibility for their financial futures, some of us are less comfortable or interested in making these decisions than others. If you choose ORP, you are responsible to monitor and manage your investment portfolio.
- **How long will I be participating in the plan?**  
You may, for example, expect to retire within the next few years. Or, perhaps you anticipate leaving OUS for a new job at some point in the future. Years of service are important factors in a PERS/OPSRP benefit calculation, and you generally must wait until retirement to receive your pension benefit. Years of service are not as important to an ORP account as the amount of your contribution and the performance of your selected investments, but you must participate long enough to vest in the employer contribution account.
- **How many years do I have to save for retirement at OUS?**  
Often, defined benefit pensions like OPSRP and PERS can be advantageous to employees who enter them later in their careers. On the other hand, defined contribution plans like the ORP support career mobility and reach retirement savings goals through consistent, disciplined management of investments. For more information, discuss these points with your financial, retirement, or tax adviser before deciding between the ORP and PERS/OPSRP.



- **Am I currently a member of PERS/OPSRP and am I vested?**

If you are vested in PERS, and you choose to enroll in the ORP, you may elect to leave your existing Member Account(s) in PERS. That means you will not forfeit your pension benefits from PERS. In addition, your PERS Member Account will continue to be eligible for investment earnings and you will be eligible for PERS benefits at retirement.

If you are not vested in PERS and you enroll in the ORP, your Member Account Balance will be rolled over to the ORP and you will forfeit your PERS pension benefits and membership in PERS.

If you are not vested in OPSRP pension and elect the ORP, you forfeit your OPSRP pension and related benefits.

- **How long have I been a PERS member?**

If you are already a PERS member, your years of creditable service continue only if you stay in PERS. If you enroll in the ORP, you do not lose PERS service credits, but PERS service credits do not continue to accumulate.

- **Do I earn – or expect to earn – more than the IRS compensation limit?**

Remember, contributions to the ORP, OPSRP and IAP employee accounts are currently based on salary limits as outlined in the ORP Plan Highlights. This limitation does not apply to PERS contributions or benefits if you were a PERS Tier One member before December 31, 1995.

- **Why does OUS offer the ORP as an alternative to OPSRP/PERS?**

OUS offers the ORP to recruit faculty on a national basis. Faculty members are mobile and may change jobs many times during their careers. With the ORP, employees may take their fully vested retirement funds with them when they leave OUS for another employer. The ORP provides participants with flexibility and choices in how the Employer and Employee Contributions are invested.

It's important to remember that the ORP is an alternative to PERS. Both the ORP and PERS/OPSRP are intended to provide a retirement income to meet a participant's goals and needs, based on each participant's own assessment.

- **Why has OUS made enrollment in the ORP a one-time, irrevocable decision?**

The 1995 legislation that established the ORP as an alternative to PERS requires that enrollment be a one-time, irrevocable decision.

- **The ORP is a “defined contribution” plan and OPSRP/PERS is a hybrid “defined benefit”/“defined contribution” plan. What does that mean?**

With a defined contribution plan like the ORP, regular contributions, plus earnings and losses on your investments over time, determine your retirement benefit. OPSRP/PERS offers a defined contribution plan, the Individual Account Program (IAP), alongside the defined benefit pension that provides retirement income on a fixed formula such as 1.5% X final average salary X years of service (OPSRP).



- **May I retire and subsequently return to work without it affecting my ORP retirement benefit?**

The ORP allows you to take a distribution of your account upon termination of employment. However, if you return to work after the earliest normal retirement age and have taken a distribution from your account, no additional contributions are made to the ORP for you as a retired participant, unless you re-establish active membership.

- **As a Tier 1 or Tier 2 PERS member, may I retire and subsequently return to work without it affecting my PERS retirement benefit?**

A Tier 1 or Tier 2 retired member who returns to employment with OUS must work less than 1,040 hours in a calendar year. If the retired member is concurrently employed with another participating public employer, hours served with both employers are counted toward the 1,040-hour limit. The limitation applies only to PERS retired members who are reemployed by a PERS-participating employer..Employment outside public service, or as an ORP participant, does not affect PERS retirement benefits.

There are some exceptions to the PERS post-retirement hours limitation. If a retired member who is not working under a PERS statutory exception exceeds the limitation, and the employment continues into the next month, the member's PERS retirement is cancelled and retirement allowance payment will cease. The last eligible retirement allowance payment will be for the month in which the member exceeded the hours limitation. That payment is paid the first of the month following the month in which the member worked 1040 hours or more . If PERS is unaware that the member has exceeded the hours limitation and the member continues to receive retirement allowance payments beyond that date, when PERS becomes aware of the violation, the member will be invoiced for the overpaid benefits.

To effect recovery of an overpayment, PERS must initiate recovery within six years of the date of the overpayment, as required by ORS 238.715(7) and OAR 459-005-0610(11). PERS initiates recovery by providing notice of the overpayment to the member. PERS may only recover overpayments made during the six-year period immediately preceding the date the notice is provided to the member.

- **The ORP seems to be like the Tax-Deferred 403(b) Investment Plan(TDI). If I enroll in the ORP, why would I want to participate in the Tax-Deferred Investment Plan?**

The Tax-Deferred Investment Program (TDI) is designed to help you supplement retirement income from PERS/OPSRP or the ORP. You may want to consider how the plans complement each other as part of an overall retirement investment strategy. The ORP and the voluntary TDI do have some features in common. For example, both give you the opportunity to select mutual funds and annuities from an investment menu and both allow you to design your own investment portfolio.



- **Can PERS change the formulas used to calculate retirement benefits? If I select OPSRP/PERS, what assurance do I have that benefits similar to those described in this booklet will be paid?**

PERS benefits are regulated by Oregon Revised Statutes, and may be changed by legislative action. In 2003, the legislature significantly revised the state retirement program and how retirement benefits are calculated. Changes can increase or decrease benefits for both OPSRP and PERS members, and these changes will likewise affect the ORP if they change the employer or employee contribution rates.

- **Will the ORP Employer and Employee Contribution remain the same all the time I participate in the ORP?**

The Employer and Employee Contribution amounts may change. The Employer Contribution is currently linked to the PERS contribution rate for general service employees of the State of Oregon, which is periodically adjusted by the Public Employees Retirement System. Consequently, ORP Employer Contribution rates may change from time to time. The Employee Contribution is 6% of salary under current state law.

- **What happens if I don't make an enrollment decision?**

If you don't make a decision during your enrollment period you will automatically be enrolled in the OPSRP or PERS. It is important that you make the decision about which retirement plan is best for you because you cannot change from OPSRP/PERS to the ORP at a later date.

- **What happens if I select an ORP provider when I enroll, but I do not decide which of the company's funds to use when I complete my application?**

Completing your enrollment requires two steps. First, you enroll in the ORP by selecting a specific provider and completing your PERS-ORP Election Form. Second, you complete your selected provider's application that directs your contributions into your choice of funds offered by the company.

If you do not name specific funds, the provider will invest your contributions in a default, interest-bearing account until you provide new instructions. Default investments will be into a target retirement date "lifecycle" mutual funds or a money market account, depending on the provider. A lifecycle or money market fund's earnings may not meet your retirement goals. Contact a financial adviser or talk to a retirement counselor to investigate which funds will meet your retirement needs and then complete investment directions for the company as soon as possible. The providers' retirement counselors may not give direct investment advice, but will help you understand the investments menu and tools to aid your decision making.



- **What happens if I enroll in the ORP and then decide that I don't like the provider I've chosen?**

You may change ORP providers for your future contributions once a year. If you change your ORP provider, you may consolidate your existing ORP accounts as allowed by your provider and subject to any restrictions and fees that your current provider may charge for transferring funds to another provider. In some cases, these fees can be substantial, especially if you want to discontinue an annuity product within the first few years of purchase. Before you select a provider, find out if you'll be charged any fees for making investment fund changes or transfers.

- **What if I'm happy with my ORP provider but I want to reallocate my investments among the funds I initially selected?**

In general, the investment companies will allow you to reallocate your investments among the funds they offer a number of times each year. It is important, however, to confirm this with the provider as there may be specific limitations or fees related to these changes.

- **How confident can I be that the ORP provider I choose will be around to pay benefits in the future?**

While no one can predict the future, OUS has made every effort to select providers for the Optional Retirement Plan that are financially sound.

- **I'm concerned about the possibility of losing my retirement plan investment if the stock market has a big downturn. So why would I want to enroll in the ORP?**

ORP accounts may bear more investment risk than OPSRP/PERS pensions, depending on the investments you select. However, there is also investment risk associated with the OPSRP/PERS Individual Account Program (IAP) and with the PERS Variable Account for Tier One and Tier Two members. Investment risk means that your investments could experience short-term downturns in value as well as increases. The level of investment risk you have under the ORP can vary significantly, depending upon the type and mix of investments you choose. Investment risk for OPSRP/PERS IAP accounts is managed by the Oregon Investment Council.

Investment risk is just one kind of risk you need to consider as you make your investment decisions. For example, another important consideration is inflation risk; that is, the risk that earnings on your investment won't increase enough. In this case, your money may lose buying power over time because of inflation if you choose ORP funds with low investment returns. In the short-term, moderate inflation may not seriously affect the buying power of your money. As a result, if you're saving for short-term goals, it may be appropriate to put your money in a very stable investment. In the long run, however, even a moderate inflation rate can have a major impact on the value of your money. If your goal is far off in the future, stable investments may not outpace inflation.



## Choosing Between the ORP and OPSRP/PERS Section 4

- **If I choose the ORP, what benefits will be available to my beneficiary if I die before retirement?**

Your beneficiary receives the value of your ORP Employee and Employer Accounts.

- **I plan to retire within the next few years. Since I already have a substantial account in PERS, does it make sense for me to stay in PERS or should I consider the ORP?**

Only you can make this decision. If you feel that you have accumulated a comfortable source of retirement income under PERS, you may want to consider other retirement investments for future contributions. Enrollment in the ORP offers the potential for higher earnings on future contributions – of course, at the risk of losing more as well.

You would be wise to consult a financial adviser or OPSRP/PERS counselor to review your decision and its effect before you make your final choice.

As you make your enrollment decision, it may help to know your current estimated benefit under PERS. Using the information provided in your annual PERS statement, Tier 1 and Tier 2 members can use the benefit estimate calculator developed and provided by PERS. If you would like a more detailed benefit estimate and if you are within two years of retirement, you may contact PERS Member Counseling.

- **If I choose OPSRP/PERS now, and leave OUS at some point in the future, may I enroll in the ORP if I return?**

No, your decision to enroll in the ORP or OPSRP/PERS is a one-time irrevocable decision. The plan you choose now will be the plan you participate in during your entire career with OUS – even if you leave employment and subsequently return to work for OUS.

- **If I switch from OPSRP/PERS to the ORP, how will benefits for my beneficiary change if I die before retirement?**

**OPSRP Pension Program** – If you are 100% vested in the OPSRP, your spouse receives 50% of the pension benefit you would have received if you had become an inactive member and then subsequently retired at the earliest retirement date, for the lifetime of your spouse. For this purpose, your spouse includes a person who is constitutionally required to be treated as your spouse. There is no pre-retirement death benefit payable to anyone other than your spouse.

**PERS (Tier One and Tier Two) Pension Program** – If you have a PERS member account, your beneficiary receives your PERS Member Account balance and a matching Employer amount in the event of your death. The matching Employer amount is available only if you die under one of the following circumstances...

- While working for a PERS-covered employer
- While on official leave without pay
- Within 120 days of your last day of paid employment with a PERS-covered employer



**Choosing Between the ORP and OPSRP/PERS** Section 4

**Individual Account Program (IAP)** – Your beneficiary receives your IAP Employee Account balance.

**Optional Retirement Plan (ORP)** – If you die after electing the ORP, your beneficiary receives the value of your ORP Employee and Employer Accounts.

- If you left your Member Account in PERS when you enrolled in the ORP, your beneficiary receives your PERS Member Account balance, as described for PERS Tier One and Tier Two pensions.
- If you did not transfer your IAP account(s), your beneficiary receives the balance of those accounts.
- Participation in the ORP does not reduce accrued PERS and IAP benefits.
- **Will my retirement plan change if I leave OUS for a period and then later return?**  
If you have not received PERS retirement benefits or had a loss of membership since leaving OUS, your PERS plan is not expected to change.

An inactive ORP participant who returns to OUS returns to the status and contribution rate based on the participant's first date of ORP or PERS/OPSRP participation (during OUS employment only), provided no retirement account distribution has occurred.

- **When I am ready to retire, will my PERS or OPSRP benefits affect my ORP retirement benefits or continued participation in the ORP?**  
If you retain your PERS account(s) and membership when you elect the ORP, you will have two separate retirement plans. The following summary briefly outlines how the plans may interact. At retirement, a PERS member is responsible to confirm retiree rules directly with PERS to protect his or her own retirement benefits through that program.

### **Tier One and Tier Two Employees**

If you are a Tier One or Tier Two member, and are eligible to receive a PERS retirement allowance (pension), your ORP participation will not affect your PERS pension. You are eligible for all benefits associated with your PERS retirement. However, you are responsible to abide by PERS' limits on work after retirement if you accept a post-retirement re-appointment up to 1040 hours that is available to Tier One and Tier Two PERS retirees.

**Retirement Allowance (Pension) PERS Option:** Generally, a PERS retiree may work 1,039 hours in a calendar year after retirement. You are obligated to track your worked hours to ensure that you do not meet or exceed PERS' 1040 hour limit. If you are reappointed to a PERS post-retirement job, your ORP contribution continues as long as you meet the ORP eligibility requirements and work at least 600 hours in each calendar year. You may not take a distribution from the ORP, however, until you separate from all service with OUS.

**Total Lump Sum PERS Option:** If you take a total lump sum distribution of your member account and pension after December 31, 2009, and receive a post-retirement reappointment, you may work less than 1040 hours in a calendar year. If you work more than 600 hours during your reappointment, you will be eligible for ORP contributions if you elected to participate in the ORP before your PERS retirement. If your PERS retirement



**Choosing Between the ORP and OPSRP/PERS** Section 4

benefit was taken as a total lump sum distribution prior to January 1, 2010, your post-retirement work was limited to 599 hours in a calendar year, and did not qualify for additional ORP contributions.

**OPSRP Employees**

If you are an OPSRP (PERS) member, and receive an OPSRP pension ORP participation will not affect your OPSRP benefit. However, you not could work enough hours to qualify for contribution to the ORP without exceeding the OPSRP hours limitation on post-retirement work.

Generally, if you work 600 hours or more after retirement, your OPSRP (PERS) pension ceases, and you would not be eligible for ORP contributions in any year that you worked less than 600 hours.

**IAP(PERS) Account**

Your retirement benefit through the Individual Account Program (PERS' "IAP") is not affected by your participation in the ORP.

