

OPTIONAL RETIREMENT PLAN (ORP)

The Optional Retirement Plan (ORP) is an alternative retirement plan (a “defined contribution plan”) provided by a private carrier for academic and professional employees of Louisiana colleges and universities.

WHY IS THIS CALLED A “DEFINED CONTRIBUTION PLAN”?

ORP is a “defined contribution plan” to which you, as an employee, and LSU make contributions to be invested in a retirement annuity contract in your name. ORP benefits are paid in the form of a lifetime income and, except for death benefits, single-sum payments (lump sum) are not permitted.

WHO ADMINISTERS THIS PLAN?

The Teachers’ Retirement System of Louisiana administers the plan. ORPs, which were first offered in 1990, are offered by:

Aetna Financial Services

Contact Mike Sotile, (225) 766-8711, or Linda Alumbaugh (225) 273-0844

Teachers’ Insurance and Annuity Association—College Retirement Equity Fund (TIAA-CREF)

Contact Kathryn Hildreth or John Douglas, 1-800-842-2006

Variable Annuity Life Insurance Company (VALIC)

Contact Fred St. Clair, (225) 295-5800

WHO IS ELIGIBLE FOR MEMBERSHIP?

You are eligible for membership if you are a new academic or professional staff member or a current staff member with less than five years of service credit to the Teachers’ Retirement System of Louisiana (with a few exceptions). Academic employees include all faculty ranks (instructor, assistant professor, associate professor, professor, and librarian). Professional and other academic employees include administrative officers, professional staff, teaching associates, research associates, library associates, and coordinators. If you are in the United States on a J1 or F1 visa, you are not eligible for membership in an ORP.

IF I DECIDE TO PARTICIPATE IN ORP, MAY I LATER CHANGE TO ANOTHER PLAN?

No, the decision to participate in ORP is irrevocable. You may not enroll in ORP and then later change to the TRSL defined benefit plan. You may elect to change ORP carriers in November and December of each year for an effective date of the following January 1.

WHAT INVESTMENT OPTIONS DO I HAVE?

There are many investment options in ORP. Each option has varying degrees of financial risk and rates of return. You may contact the ORP representatives for information concerning these options.

WHAT IS MY CONTRIBUTION TO THE PLAN?

Your employee contribution is 8 percent of gross salary and is tax-sheltered. TRSL charges you 0.1 percent to administer the funds. LSU contributes 6.7497 percent of your gross salary. The contribution rate is subject to change each July 1.

IF I TERMINATE EMPLOYMENT BEFORE RETIREMENT, CAN I RECEIVE A LUMP-SUM REFUND?

State law does not permit a lump-sum refund at termination of employment. You retain ownership of your account and you may elect to receive a monthly benefit based on the value of your account. Funds in

your ORP account are eligible for a single-sum IRA rollover, subject to withdrawal provisions of your ORP carrier.

SHOULD I DESIGNATE A BENEFICIARY?

Yes, it is important to designate a person to receive benefits in the event of your death prior to retirement.

HOW LONG MUST I PARTICIPATE TO BE VESTED?

Your ORP account is immediately vested.

IF I PARTICIPATE IN ORP, DO I ALSO CONTRIBUTE TO SOCIAL SECURITY?

No, if you contribute to ORP, you do not participate in Social Security; however, if you were hired after April 1, 1986, you must pay the Medicare portion of the FICA tax (1.45 percent of your salary).

WHEN MAY I RETIRE?

As an ORP participant, you are eligible to annuitize your ORP account at termination of employment. In order to be eligible to continue group insurance policies after retirement, you, as an ORP retiree, must have the same required years of service as the TRSL retiree (see section on TRSL).

WHAT DETERMINES THE AMOUNT OF MY BENEFIT?

Under the provisions of Louisiana law (Louisiana R.S. 11:923), you may receive your account only as a lifetime payout. Cash withdrawals from your ORP account are not allowed except under limited provisions at retirement. You may elect an initial benefit payment, not to exceed 36 months of your single-life annuity, when you elect to annuitize your account at retirement. If you elect to receive the initial benefit payment, all future payments will be reduced. At retirement or termination of employment, the funds in your ORP account are also eligible for a single-sum IRA rollover, subject to withdrawal provisions of your ORP carrier.

The ORP is a defined contribution retirement plan and the amount of the monthly income payable at retirement is directly related to the balance in your account, your age at retirement, and the income option you select. When you are ready to retire, you will select from several annuity income options (the options may differ slightly, depending on the company you have selected as your ORP carrier).

Lifetime Annuity Income

SINGLE LIFE ANNUITY • Payments are made for your lifetime. Payments cease upon your death; however, if you select a guarantee period, payments will be made to your beneficiary for the remainder of the guarantee period.

JOINT AND SURVIVOR ANNUITY • You and your co-annuitant (your spouse or other person selected) are guaranteed income for life. When one of you dies, the survivor's income will continue at either the same or a reduced rate, depending on the option you choose.

GUARANTEE PERIOD • A guarantee period is available with both the one- and two-life annuity options. You can choose a guarantee period for up to 20 years. If you select a single life annuity with a guarantee period, and you die prior to the end of the guarantee period, the benefits will be paid to your beneficiary for the remainder of the guarantee period. If you select a two-life annuity, benefits are payable to you and your annuity partner as long as either of you is alive. If you and your annuity partner die during the guarantee period, benefits will be payable to your beneficiary for the remainder of the guarantee period. If you and/or your annuity partner outlive the guarantee period, no payment will be made to a beneficiary when you and your annuity partner die.

INTEREST PAYMENT OPTION • Depending on the ORP carrier you have selected, you may have the option of receiving the interest that would have otherwise been credited to your account and preserve your accumulation until you are ready to convert to a lifetime annuity option. You may start the option as early as age 55, how-ever you must convert to either a lifetime income or minimum distribution at age 70 1/2.

MINIMUM DISTRIBUTION • Minimum distribution is the amount required by federal law to be paid from the ORP retirement plan, generally beginning by April 1 of the calendar year following the year in which you turn 70 1/2. This allows you to postpone making a final decision on the lifetime annuity option.

SURVIVOR BENEFITS • If you die before retirement, the total value of your account accumulations can be paid to your beneficiary(ies) as a lump sum payment, lifetime annuity, fixed period payment, or minimum distribution, if federal law permits.

Prior to electing to retire, you should have your ORP carrier provide you with a full explanation of your retirement income options and an estimate of the amount you will receive from your account accumulation.

WHAT IF I BECOME DISABLED?

If you become disabled, you must have at least five years of service in an ORP to apply for disability retirement. LSU will require a medical examination by an independent physician. The physician must certify that you are mentally or physically incapacitated for further performance of the duties currently being performed, that the incapacity is likely to be total and permanent, and that you should be retired.

If approved, you may continue participation in the insurance plans in effect at the time of your retirement on the ORP.

IF I DIE, WHAT BENEFITS ARE AVAILABLE TO MY SURVIVORS?

Your survivors may choose a lump-sum refund or elect to receive a monthly benefit based on the value of your account.