



**ADMINISTRATIVE
POLICIES AND PROCEDURES MANUAL**

**DATE ISSUE
6/1/98**

**REVISION
1**

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D5-170.0**

SUBJECT

RETIREMENT PLANS

SUB-TOPIC

DEFERRED COMPENSATION PROGRAM

THE PROGRAM

This program is not designed to replace an employee's present retirement plan, but rather it is intended to be a supplement to it. Any regular UTD employee may participate in this program, the object of which is to allow tax deferral on present earnings (which would normally be taxed) into the future, usually at retirement when it is possible to be in a lower tax bracket. Details of this program are available through the Human Resources Office.

BENEFITS

Two potential benefits arising from the program are:

1. An employee immediately excludes from taxable income that portion of his/her present salary which is contributed to the program, and
2. Contributions to the program, and returns on these contributions, can accumulate on a tax-deferred basis. That is, no money earned within the program is subject to current income tax, if kept in the program.

Four (4) "funding products" may be elected by an employee in which deferred income may be invested and include:

1. Life Insurance Policy,
2. Fixed Annuity Contract,
3. Variable Annuity Contract, and
4. Mutual Fund Shares.

ELIGIBILITY TO PARTICIPATE

Though all regular UTD employees are eligible to participate, this program should be considered only by those who have adequate current income to provide for all necessities, have funds set aside for emergencies, and are not heavily indebted. As a guide, an interested employee should investigate the program if:

1. He/she feels that current income taxes are excessive,
2. A family has more than one income,
3. He/she is single and wishes to reduce current income taxes,
4. He/she does not have adequate life insurance,



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ELIGIBILITY TO PARTICIPATE, Continued

5. He/she has adequate life insurance but is interested in accumulating additional retirement income, or
6. He/she is currently investing "after-tax" money.

DISPOSITION OF FUNDS

Contributions to the program may be withdrawn upon the occurrence of one of the following:

1. Death of the employee,
2. Retirement,
3. Approval of a claim for total disability,
4. Approval of a claim for financial hardship, or
5. Termination of employment.

OTHER CONSIDERATIONS

Certain charges are assessed each type of "funding product" and should be considered and weighed against benefits of the program.

An employee should be aware of:

1. The net amount of periodic charges, after deductions, for initial overhead expenses,
2. Expense charges made against any assets and earnings the program may gain, and
3. Tax and other guarantees included in the contract.