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MEMORANDUM

TO: All Chief Human Resource Officers and Benefits Representatives, University System of Georgia

FROM: Tom Scheer, Associate Vice Chancellor for Human Resources

RE: ORP Changes

DATE: August 21, 2012

Effective January 1, 2013 the Optional Retirement Plan (ORP) rates will be as follows:

Employer Contribution	9.24% (no change)
Employee Contribution	6.00% (up from 5%)

The change in employee contribution is determined by the Teachers' Retirement System (TRS) Board of Trustees per current legislation.

After extensive survey work and consultation with the State Accountant, the State Auditor and the Office of Planning and Budget, it was determined not to increase the ORP Employer contribution rate.

The rationale for this decision is three-fold:

1) In a national higher education survey (peers), data indicates that the current employer contribution percentage is better than competitive, as the average employer contributions to plans of this type is about 8.25%

2) Financial – the cost to increase the employer contribution by 1% is estimated to be $10.5 Million dollars annually. An increase in employer costs in the current environment is unsound

3) The recent increases in TRS contributions have not increased the potential benefit for our employees. The TRS funding and rates are determined by the TRS Board and are beyond our control. Their rates keep the TRS plan properly funded to provide a benefit sometime in the future for participants with 10 or more years of service. This ORP defined contribution plan cannot be compared with the TRS defined contribution plan as the use of funds and benefits are entirely different. Every dollar contributed to the ORP goes directly into a participants fully vested account.

Two additional provisions have been added to the ORP Plan:

1) Qualified Domestic Relations Orders (QDROs) can now be accommodated by the plan effective September 1, 2012. Some of the details of the QDRO provision are still being worked out and we will be providing you more information as it becomes available.

2) Furloughs (if any) will not reduce the amount of contributions to the ORP. This provision mirrors the TRS Plan and the language we had in the Plan when furloughs were mandated by the State.

3) Added language to the ORP Plan to bring the plan into compliance with the HEART Act: Requires that upon death during military service, the participant/employee is treated as having returned to employment the day before death for vesting and would be eligible for any special survivor benefits which may only apply to active employees. Since vesting in the ORP is 100% upon plan entrance and because the ORP survivor benefit is the same for active employees, employees on leave, or terminated employees, the HEART changes have little impact on the administration of our plan.

Please note: The ORP plan already allows an employee on military leave to make up his/her employee contributions for the period of time he/she was on unpaid military leave and receive retroactive employer matching contributions up to 5 years after the return from leave. Georgia law permits the beneficiary or estate to make up the employee contributions in the event of the employee's death while on military leave within one year from the date of death.

Feel free to contact us with any questions or concerns.

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