

To: Chancellor Erroll B. Davis, Jr. and President Michael F. Adams
From: The University Council of The University of Georgia

The University Council of the University of Georgia, which includes the corps of instruction and the administrative officers in accordance with Regents' Policy, wishes to express serious concerns regarding the announced cuts in the state contribution in the University of Georgia Optional Retirement Plan (ORP).

Our concerns are multi-leveled:

1. For many faculty members who were hired post 1989 and without tenure at the time, the ORP emerged as the only practical option in light of the fact that the 10-year waiting period for vesting in TRS exceeds the 7-year probationary period for entering tenure-track faculty. The proposed cut offers a 1.53% reduction in their compensation. This will directly lower their retirement benefits and ultimately may increase the age of retirement for as many as 987 faculty members at UGA.
2. Faculty members are particularly concerned because as the ORP is being reduced the Teachers' Retirement System (TRS) of Georgia is being increased. The ORP state contribution rate will be reduced to 8.13% while the TRS will be increased to 9.28%.
3. This is not the first reduction in benefits for those people participating in the ORP.
4. The explanation for the rationale was announced after notification of the reduction and faculty members were not consulted, or involved in the process.
5. This measure will directly affect the University System's ability to recruit and contract highly qualified faculty.

Therefore, the University Council requests that the Legislature after consultation with the Board of Regents of the University System of Georgia (USG) take two actions:

1. That the earlier recommendation from the UGA University Council that an ORP committee or advisory group separate from that of TRS be established at the Board of Regents be forthwith initiated, as the first step. Second, we recommend that the administration of these programs should be separated. ORP should be managed by its own entity, not by TRS, in recognition of the fundamental differences between TRS and ORP, with respect to their financial models (defined benefit vs. defined contribution) and primary constituencies (K-12 educators vs. university faculty). Further, calculations relating to employer contributions should either be uncoupled entirely or reformulated for equal employer contribution in both programs (adhering to the precept of equal pay for equal work).
2. That a one-time open enrollment for all USG faculty presently in the ORP or TRS be granted the option to change their retirement plan.

Therefore, the University Council requests that the Human Resources division at UGA take two actions:

1. That all incoming faculty be give clear, concise information regarding the difference between the two programs.
2. That all faculty presently enrolled in the ORP be informed of their expected dollar loss in retirement benefits for the academic year and provided with the necessary information to increase individual contributions to 401a plans offered through UGA, if so desired.

In addition, we urge all faculty to contact and inform their state legislators about this matter and urge them to take the requested actions, as soon as possible.