



November 28, 2016

MEMORANDUM

TO: Chief Human Resources Officers, University System of Georgia

FROM: Lisa Joe, System Retirement Plan Manager

SUBJECT: 2017 Retirement Plan Limits

Eligible employees of the University System of Georgia participate in one of two qualified retirement plan options: (1) the Optional Retirement Plan/Regents Retirement Plan – a defined contribution plan; or (2) the Teachers Retirement System of Georgia – a defined benefit plan. The plan year for the Optional Retirement Plan, or Regents Retirement Plan, is a calendar year (January 1 – December 31). The plan year for the Teachers Retirement System of Georgia is a fiscal year (July 1 – June 30). The limits listed below should be determined based on the plan year; calendar year for ORP and fiscal year for TRS.

2017 IRC Section 401(a) (17) Limits

Both of the University System of Georgia qualified retirement plan options are deemed to be Section 401(a) (17) plans under the Internal Revenue Code (IRC). IRC Section 401(a) (17) identifies the maximum wage, or compensation, that may be used for computing retirement benefits. For 2017, the maximum compensation that is to be used for computing retirement benefits is \$270,000.

Please be reminded of the following important facts. The IRC Section 401(a) (17) maximum salary limitation applies only to those Optional Retirement Plan (ORP) employees hired on or after January 1, 1996. The IRC Section 401(a) (17) maximum salary limitation applies only to those Teachers Retirement System of Georgia employees hired on or after July 1, 1996. The Internal Revenue Service allowed public employee retirement systems, such as the Teachers Retirement System of Georgia and the Optional Retirement Plan/Regents Retirement Plan, to grandfather all employees hired prior to these respective 1996 dates, with no maximum salary limitation.

2017 IRC Section 415 Limits

The IRS, also imposes limits on the amount contributions that may be allocated to an employee's defined contribution retirement plan accounts in any one year. This is known as an IRC Section 415 limit. For 2017, the IRC Section 415 limit is the lesser of \$54,000 or 100% of compensation. The 415 limit applies to the ORP Plan and the 403(b) Plans. They are subject to separate 415 limits.

A University System of Georgia ORP plan participant may allocate his/her contributions among three (3) different approved carriers. If an ORP participant divides his/her investment among multiple carriers, the minimum investment for any carrier must be at least 10%. The three (3) approved carriers for the University System of Georgia ORP are Fidelity, TIAA-CREF, and VALIC.

Each institution within the University System of Georgia must monitor the total employee and employer contributions of its respective Optional Retirement Plan & employee contribution for the 403(b) participants to ensure that the 2017 IRC Section 415 limit of \$54,000 is not exceeded. Each plan is subject to a separate 415 limit. These plans are not aggregated in determining the 415 contribution limit. Please note that contributions made to the 457(b) plan are excluded from the IRC Section 415 limit.

Some of our member institutions may have employees who have transferred to the University System of Georgia from another State of Georgia agency, and, who have retained their membership in the Employees Retirement System (ERS). Should you have questions regarding the 2017 Retirement Plan Limits for employees under ERS, please telephone (404) 350-6500 or go to the following link for the ERS web-site: <http://www.ers.ga.gov>

2017 IRC Section 403(b) and 2017 IRC Section 457(b) Elective Deferral Plan Limits

Many of our member institutions provide their eligible employees with the opportunity to participate in and contribute to an elective 403(b) Tax Deferred Retirement Savings Plan, and/or, an elective 457(b) Deferred Compensation Plan. In addition the Internal Revenue Code provides employees, under certain conditions, with the opportunity to contribute additional monies to their respective elective 403(b) plan, or, their elective 457(b) plan. These opportunities are designated as "age catch up" provisions.

For 2017, the maximum contribution that an employee may allocate to his/her 403(b) plan is \$18,000 if he/she is under age 50 and, \$24,000 if he/she is age 50 or older. For 2017, the maximum contribution that an employee may allocate to his/her 457(b) plan is \$18,000 if he/she is under age 50 and, \$24,000 if he/she is age 50 or older.

For 2017, this means that an employee, under age 50, may contribute \$18,000 to a 403(b) plan ***and*** \$18,000 to a 457(b) plan (total of \$36,000 for 2017) and an employee, age 50 or older, may contribute \$24,000 to a 403(b) plan ***and*** \$24,000 to a 457(b) plan (total of \$48,000 for 2017).

Although not recommended some institutions allow for an additional length of service catch up provision. Please keep in mind that the age catch up provision and the length of service catch up provision cannot be done in the same year. Each institution is responsible for monitoring and ensuring employees contributions are not exceeding these limits.

Your cooperation and assistance are appreciated.