International Association of Fire Fighters

Response to
2011 Proposed Pension Legislation

Presentation will show that Mayor's proposal is deficient

- Mayor's proposal is illegal and unjust
  - Courts have held that once granted, government pensions may not be reduced
  - Would destroy life plans of many employees
- Mayor's proposal is bad policy
  - Would not provide adequate retirement income
  - Would result in firefighters and police officers working well past age they can perform effectively
  - Better benefit could be provided for lower cost

Brief history of Atlanta's 2.5% and 3% multiplier - Before 2001 and 2005 improvements:

Metro Government	Multiplier	Social Security
Atlanta	2%	No
Clayton	2.5%`	Yes
Cobb	2.5%	Yes
DeKalb	2.75%	Yes
Fulton	2.5%	Yes

After 2001 and 2005 improvements:

Metro government	Multiplier	Social Security
Atlanta	2.5% general / 3% public safety	No
Clayton	2.5%	Yes
Cobb	2.5%	Yes
DeKalb	2.75%	Yes
Fulton	2.5%	Yes

After the 2001 and 2005 improvements:

- Atlanta pensions were still LESS generous than major metro Atlanta governments
  - Marginally higher DB multiplier, but
  - No Social Security (~1.5% multiplier)
  - Lower pay = Lower pension = Lower total compensation
  - Between 2000 and 2010, Atlanta salaries lagged market 20% to 30%
  - No pay steps in 7 of 10 years

Current metro pension comparison for new hires:

Metro government	Defined benefit multiplier	Defined contribution match	Social Security
Atlanta	2%	No	No
Clayton	2.5%	5.5% (option)	Yes
Cobb	1%	4%	Yes
DeKalb	2.25	No	Yes
Fulton	No	8%	Yes

No other Georgia government has revoked vested pension rights

- State of Georgia moved to a hybrid plan for new hires only
- Cobb County moved to a hybrid plan for new hires only
- DeKalb County reduced multiplier and maximum allowed benefit for new hires only
- Fulton County moved to a DC plan for new hires only
- Vested pension rights are protected by U.S. and Georgia Constitutions

Atlanta's broken business model

- When it comes to salary and pension, Atlanta doesn't have a spending problem, it has a revenue problem:
  - Atlanta's workforce comparable to peer cities
  - Atlanta has saved hundreds of millions by not paying Social Security
  - After improvements, Atlanta's pensions were less generous than metro area governments
  - Atlanta current pension benefit is less generous than many other metro area governments
  - Atlanta's salaries, on which pensions are based, are lower than other area governments

Pension review panel

- Work product produced by Chair and paid consultants - panel had minimal input and acted as a sounding board only
  - Did not look back to see how we ended up with unfunded liability
  - Did not explore strategies to fund pension obligations
  - Focused on reducing benefit
  - Did not compare DB and DC costs going forward
  - Did not quantify past Social Security savings or future costs
  - Most importantly, did not calculate increased costs associated with closing a plan

will get answer to ↑ @ 28th pension workshop to police

Expert testimony -

- Hank Kim, Executive Director, National Conference on Public Employee Retirement Systems - largest trade group association of public employee pensions in nation
  - Relative costs and benefits of defined benefit vs. defined contribution
- William Fornia, President, Pension Trustee Advisors actuary American Society of Actuaries
  - Comparison of existing plan vs. the mayor's proposal
  - Analysis of mayor's proposal
- Mary Carole Cooney, Attorney at Law
  - Legal brief in opposition to mayor's proposal

Defined contribution plan would be public safety disaster

- Would result is firefighters and police officers on active duty well past age that they can effectively perform duties – 62 to 67 years old.
- Increased workers comp costs
- Does not provide for line of duty survivors benefit or disability
- Would result in an unstable public safety work force as fire and police look for better opportunities (over 80% of governments still have DB for public safety)

Appeal for due diligence

- Problem is getting better – not worse
  - Markets are improving
  - Based on market value of assets, current liability is 65% funded and improving
  - There is time for council to act deliberatively
- Council cannot exercise due-diligence on pensions AND budget before June 30
  - Each is a critical issue and deserves adequate attention
- Council should exercise its declared intention under 11-R-0329, including:
  - Look back – How did we get here
  - Unintended consequences – Retirement age, costs associated with closing pension plan…
  - Costs of participating in Social Security – Irrevocable decision
  - Avoid large legal expense and division in workforce