

Pension Reform
Frequently Asked Questions V (FAQs)

Questions should be forwarded to pension.questions@atlantaga.gov

1. Is it true that Mayor Reed presented some pension reform options to City Council last week?

Yes, on Wednesday, March 16th, the Mayor, together with the Chief Operating Officer, Peter Aman, presented the Finance Executive Committee members with several proposed pension options.

2. What is the Mayor's proposal for pension reform?

The proposal, which offers two options for consideration, maintains the Mayor's commitment to leave the benefits already earned by current employees unaffected by future changes. All accrued benefits in the DB plan would be frozen at the level existing on the effective date of the legislation. **More specifically, the multiplier and formula used to calculate the current DB pension will NOT be affected by any of the proposed options.** Changes will only affect benefits that would have been earned in the future.

Below are the two different options the Mayor outlined to the Atlanta City Council for consideration:

Option 1:

All employees would be moved to a Defined Contribution (DC) plan (similar to a 401K in the private sector) in which employees contribute 6% of their salary and the City of Atlanta contributes 6%. Many City employees and officials are already in this plan, including Mayor Reed, most Cabinet members, some Councilmembers and almost 1,000 other civilian employees.

Option 2:

Employees would have the individual choice to enter into the federal Social Security system. The City of Atlanta would match up to 8 % of employee contributions into a DC plan for those who opt into Social Security or up to 12% for those who opt out of Social Security.

Both options provide a sustainable plan, lessen the financial risk to the City, and diversify the retirement options available to employees. The options also provide a long-term, sustainable and fiscally responsible solution to support our employees through retirement and will allow us to recruit as well as retain employees.

3. Currently in the Defined Benefits (DB) plan, upon retirement, accrued sick leave and annual leave would be elements of my pension calculation; will these elements still be a part of my pension if the DB is frozen?

It has not yet been determined how accrued sick leave hours or annual leave payout will be incorporated in your current DB pension calculation. Once those elements are determined, we will be sure to communicate it to employees.

4. Will accrued vacation be paid to employees at the time of retirement under the DC plan?

Accrued vacation is paid to employees at the time of separation from the City under the **current DC plan**; and 6 % of this final payment also is allocated to your DC retirement account.

5. It appears from the presentation that employees grade 19 and above will go into the DC Plan with no opt in to Social Security)?

The DC plan as it exists today is only open to employees at Grades 19 and above. The Mayor has presented 2 pension reform options to Council. Both options propose that *all* employees in the DB plan will transition into the DC plan.

6. If Option 2 is chosen, a combination of DC and Social Security (SS), and an employee does not decide to enroll in SS, will that employee still be affected by the Windfall Elimination Provision (WEP)?

Yes. The WEP essentially affects people who earned a pension from working for a government or any other agency that does not pay Social Security taxes. However, in order to qualify for Social Security, you must earn at least 40 credits (quarters) at other jobs where they paid Social Security taxes.

7. How is the monthly pension calculated for the DC plan?

The monthly pension is strictly based on the contributions from the employee and the employer. It can be treated like an annuity by the employee, paid out in a lump sum or be left in the employee's account to continue to accrue interest through the employee's chosen investment portfolio.

8. If the DB plan is frozen, will employees be required to continue making contributions?

No, employees will not be required to make any further contributions to the DB plan if it becomes frozen.

9. Do we know how long the pension fund might be solvent?

If corrective measures are taken, the fund should be solvent until the last pension payment is made to the last surviving retiree or his/her surviving beneficiary.

10. Is there a separate IRS penalty under the DC plan if an employee chooses to retire before age 62?

Yes, there is a penalty assessed if an employee chooses to access funds from the DC plan prior age 59 ½. It remains the employee's choice as to when he/she chooses to access the funds.

IMPORTANT NOTE: This document contains only a summary discussion of the City's pension plans and certain changes to those plans currently being considered by the City. Not all terms of the pension plans which affect the calculation of and eligibility for pension benefits are discussed in this summary. For a complete discussion of the terms of the pension plans and how those terms apply to you, please direct your attention to the pension plans themselves. Also, to the extent there are any differences between this summary description and the terms of the pension plans, the pension plans will co