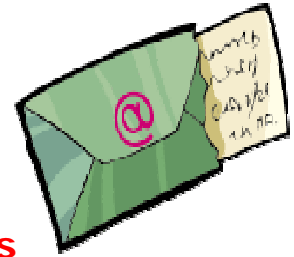


HR Messenger Alert

Department of Human Resources



Defined Benefit Pension Plan Changes

April 23, 2010

To all employees:

It was announced today during the City Council budget retreat that legislation will be introduced which could affect your pension plan. The proposed legislation will reinstate the 2.0% multiplier and 15 year vesting for all new employees and non-vested employees who participate in the Defined Benefit plan.

What does this mean?

The proposed legislation will not affect any employees participating in the Defined Contribution plan. Those employees in the Police, Fire and General Employees' Defined Benefit plan with 10 years or more of creditable service will not be affected. Non-vested employees in the Police, Fire and General Employee's Defined Benefit Plans, those having less than 10 years of creditable service, and all new employees will be covered by the proposed legislation. The key changes in the proposed legislation are moving all new and non-vested employees from their current multiplier and 10 year vesting schedule to a 2.0% multiplier and 15 year vesting.

Why is this being proposed?

The City of Atlanta's annual pension contribution has risen on average 13% each year over the past ten years and is projected to continue to grow. In 2009, the pension contribution cost was \$144M – an increase from \$55M in 2001. Currently one out of every five tax dollars from Atlanta's general fund is going to pay for a pension system with increasing costs that are rapidly becoming unsustainable.

Understandably, these actions may cause concern for some employees and the City of Atlanta takes those concerns very seriously. The primary goal is to ensure the long-term financial health of the City of Atlanta while also recognizing the service and dedication of thousands of employees and considering fair and equitable solutions to a growing challenge.

What are the next steps?

Legislation with proposed changes to the pension plan will be introduced in the coming weeks and should it pass, it will be included in the FY2011 budget. This critical first step to solving the pension problem will reduce the City's current financial liability by approximately 8%.

The Pension Reform Panel, which is comprised of subject matter experts and key stakeholders from the public and private sectors, will meet soon to present its findings of the challenges facing the City's pension plan. Based on these findings, additional recommendations to changing the pension plan may be studied in greater detail. Additionally, over the next year, we will be

examining the current pay and benefits of all employees with the goal of making the City of Atlanta more competitive in attracting and retaining employees. We are very seriously considering joining the Social Security system which would be an added benefit to the overall retirement package.

BACKGROUND INFORMATION ON CHANGES TO PENSION PLANS IN 2002 AND 2005

In 2001, the City of Atlanta adopted legislation that resulted in an increase to a 3.0 % multiplier for police and fire employees. In 2005, general employees moved to a 2.5 % multiplier. The vesting schedule for fire, police and general employees changed from 15 years to 10 years in 2005. That same year, the age penalty was eliminated for those employees who had 30 years of creditable service.

CONTACT FOR MORE INFORMATION:

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