SECTION IV

RETIREMENT PLAN

The Retirement Plan for City of Atlanta employees was initially adopted in 1927. The Pension Act for the employees of the Fulton County Board of Education first was passed in 1937. Since both plans were originally adopted they have undergone several changes, the most recent major revision occurring in 1962 for both Plans. The Plans have been contributory since their inception with the policy that the respective Boards match the amounts contributed by the employees. Historically, each increase in benefits has generated a corresponding increase in the rate of employee contributions. Further, in order to receive the higher benefits active employees have had the option of "repaying" contributions they would have paid had the current contribution level existed since the employee was hired.

Since active employees do not have to accept increased benefits (and "make up" back contributions), the present Retirement Plan covers employees at several different benefit levels with different rates of employee contributions. However, since the majority of employees who were active in 1962 have opted to take the increased benefits and all employees hired since 1962 automatically are covered for those benefits, we will discuss the provisions of the Retirement Plan as they currently exist.

Comparison of Plans

The provisions of the Retirement Plans of both Fulton County and the City of Atlanta are almost identical. The following description will point out where differences exist in Plan provisions.

Normal Retirement Date:	Employees are eligible to retire on full unreduced pension after completing 25 years of service and attaining age 60. Employees may work to age 65 at their option.
Early Retirement Date:	Employees are eligible to retire early on a reduced pension at any time after completing 25 years of service and attaining age 55. Pension is reduced 1/12th of 2% for each month the employee is less than 60.
Normal Retirement Benefit:	2% of first \$300 of monthly Earnings, plus 1 1/2% of monthly Earnings in excess of \$300 times years of "creditable" service. Earnings equal average of highest five years of earnings during employment.

Maximum Benefit: In no event will normal benefit plus Primary Social Security exceed 75% of Earnings on which benefit is determined.

Disability Benefit: After 10 years service benefit accrued to date is payable.

Pre-Retirement Death Benefit: If employee is killed in the line of duty during first five years of employment, his beneficiary receives 1/5th of full 25 year service pension; after five years, pro-rata portion of full service pension. (Fulton County's Plan apparently does not contain this provision.)

Post-Retirement Death Benefit: Certain eligible dependents are entitled to 50% of the benefit being received by the pensioner. If the beneficiary is more than five years younger than the pensioner, such beneficiary's pension is reduced 1/12th of 2% for each month that she is more than five years younger than the pensioner. No reduction if beneficiary is age 60 or over.

Employee Contributions: 5% of Earnings; 6% of Earnings if desire post-retirement death benefits.

Termination of Employment: Return of all employee contributions.

Minimum Benefit: If a pensioner (or pensioner and beneficiary) dies prior to receiving at least the total amount of his contributions, the balance will be payable to the pensioner's estate.

Make-up of "Back" Contributions: All active employees during 1962 could elect the increased benefits by paying "back" contributions. Once determined, such amounts could be paid in a lump sum or in 60 monthly installments. If not elected within six months from Effective Date, 4% interest is charged from Effective Date to the date the employee elects to be covered under the increased benefits.

In addition, both Boards match the amounts of employee current and "back" contributions. The matching of "back" contributions may be amortized over a 20 year period.

Suggested Plan

An examination of the above provisions demonstrates that both Plans are identical with one minor exception. We do recommend that a combined Plan contain the provision to allow for the payment of benefits if an employee is killed in the line of duty. (The Fulton County Plan apparently does not have this provision.)

We suggest that no changes of a major nature be considered during the period the merger is taken under consideration.

Comments on Suggested Plan

This paragraph will discuss that area where both present Plans do not have complete identical provisions. We suggest that the provision for payment of benefits in the event an employee is killed in the line of duty be maintained. The probability of such an event is remote, but does exist for school bus drivers and teachers who must travel between employment locations.

Method of Financing

The Retirement Plan for the Fulton County School personnel is maintained and accounted for separately from the retirement plan for other Fulton County employees. The City of Atlanta maintains one overall Retirement Plan which covers both Board of Education employees and other City personnel. (Policemen and Firemen are not included.) No separate accounting policy is followed solely for employees of the Board of Education. The financial information and numbers of employees we will be referring to in this subsection were taken from interviews with Miss Lula Carson of Fulton County and Mr. Gus Langford of the City of Atlanta. In addition, the most recently available audit reports of both Funds were used, i.e., December 31, 1967 as certified by H. G. Jackson & Company for the City of Atlanta and June 30, 1968 as certified by Respess and Respess for Fulton County. It is important to note at this point that the City of Atlanta follows a cash accounting system, whereas Fulton County follows an accrual accounting system.

The following financial information is pertinent to this study.

	CITY OF ATLANTA	FULTON COUNTY
Number of Active Members:	Unavailable	2,629
Monthly Employee Contributions:	\$337,070 (School) 99,390 (Non - school)	\$77,543
Number of Retired Members:	2001 (No breakdown available between school and non-school)	279 (plus 54 pre-1952 retirees who receive benefits directly from County)
Monthly Benefit Payments:	\$292,000 (School) 73,000 (Non-school)	\$68,592 (plus \$7,306 from County for pre-1952 retirees).
Fund Assets:	\$12,591,328 (Cash and investments at cost)	\$10,104,979 (Includes \$738,485 due as matching funds)

An examination of the above information clearly shows that the City of Atlanta Retirement Plan is substantially larger than that of Fulton County. Further, the majority of the City of Atlanta Plan's members, contributions and, therefore, liabilities and fund assets are attributed to Board of Education personnel For this reason, we feel that a combined Board of Education Plan should include the non-school employees of the City of Atlanta. Failure to do so may bring serious financial disadvantage to a plan maintained solely for the City of Atlanta non-school personnel.

Should the Plans merge, the surviving political entity would inherit the responsibility of paying all existing pensioners' benefits and making matching contributions on all future employee contributions. (The obligation for payment of benefits to the 54 pre-1952 retirees in the present Fulton County Plan would in all likelihood remain an obligation of the County.) Further, the contributions from the Teachers' Retirement System of Georgia would continue to be paid to the combined Fund.

As the nature of this report is preliminary, it was deemed inadvisable at this time to perform cost projections or determinations of assets and liabilities of the two present plans. However, should the merger come to fruition, it will be necessary to perform a detailed audit of both plans and, we suggest, an actuarial valuation to determine the relative financial strength of both present plans and the surviving plan. In addition, the exact amount of matching contributions due (both current and "make-up") would have to be determined as of the effective date of the combined plan, and arrangements made with the existing sponsoring political bodies for future payment to the combined fund.

The current funds are invested in U.S. Government Treasury Notes, Bills and Bonds and Certificates of Deposit at most local banks and savings and loan associations. In addition, cash accounts are maintained. In all likelihood this existing arrangement would not be altered.

Installation Procedure

As stated previously, the actual establishment and installation of a combined plan would prudently be done only after an analysis of the present financial situation of both Plans and the necessary legislative requirements have been completed. Once the new sponsoring political body accepts the financial obligation and liabilities of a combined Plan, the actual "transfer" and combination of people and funds can be accomplished with relative ease through bookkeeping procedures.

It would be necessary to appoint a new combined Pension Board and to establish an administrative team charged with the responsibilities of detailed record keeping, payment of benefits and other administrative requirements.

Further, the combined Plan would require redrafting of the Pension Act and sponsorship in the Legislature.

Should the merger be accomplished, it is vitally important to communicate to employees (especially those nearing retirement) the purpose of the combined arrangement and to assure them that benefits will not be affected.

SECTION V

CONCLUSIONS AND SUMMARY

An analysis of all benefits currently provided by both Systems shows that they are quite compatible. The medical plans are different from a conceptual design standpoint, but the benefits provided are similar. From this we conclude that the plans may be merged with relative ease.

The result of combining the plans should reduce the gross overall costs from those of maintaining two separate systems. Assuming that the employee contribution rates currently applicable to the City of Atlanta medical plan (employee pay all except for $1.00 per month toward major medical) are adopted, the present employees of Fulton County will pay less than they are currently paying for employee coverage but slightly more for dependents coverage. However, benefits will be increased.

Next Steps

The responsibility for a decision to continue further rests with the respective School Systems. An ultimate decision will be contingent on many factors, one of which should include an actuarial valuation of both present retirement plans to determine their respective level of funding and financial condition.