



# CITY OF ATLANTA

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**TO:** Yolanda Adrean, Chair, and members of the Finance/Executive Committee

**FROM:** Leslie Ward, City Auditor

**DATE:** June 20, 2011

**SUBJECT:** Comparison of characteristics of participants in defined benefit and defined contribution pension plans

We prepared this memorandum to provide information for the discussion of pension plan reform proposals. Department of Human Resources staff provided us with spreadsheets listing participants in the various plans.

**Number of participants.** About 7,200 current employees participate in the city's pension plans, with about 85% participating in a defined benefit plan. The largest group participates in the general employee defined benefit plan. Participants in the defined contribution include both classified and unclassified employees. Nearly all participants in the plans are fulltime regular employees (see Exhibits 1 and 2).

## Exhibit 1: Number of Current Employees in Defined Benefit Plans

	Fulltime- Regular	Fulltime- Temporary	Part time- Regular	Part-time- Temporary	Total
General	3,350	1	18	3	3,372
Police	1,782	21	0	0	1,803
Fire	917	0	0	0	917
Total	6,049	22	18	3	6,092

**Source:** Department of Human Resources, Oracle Human Resources Management System.

**Exhibit 2: Number of Current Employees in Defined Contribution Plans**

	Fulltime- Regular	Fulltime- Temporary	Part time- Regular	Part time- Temporary	Total
Unclassified	829	1	28	2	860
Classified	246	0	0	0	246
Temporary	1	2	1	0	4
<b>Total</b>	<b>1,076</b>	<b>3</b>	<b>29</b>	<b>2</b>	<b>1,110</b>

**Source:** Department of Human Resources, Oracle Human Resources Management System.

**Salary distribution of participants.** Current employees participating in the defined contribution plan have a higher median salary than current employees in the general employees defined benefit plan. However, salaries for the 246 current classified employees participating in the defined contribution plan are a little lower than the salaries of the current employees in the general employees’ defined benefit plan (see Exhibit 3). The minimum salary level is about the same in all groups of general employees.

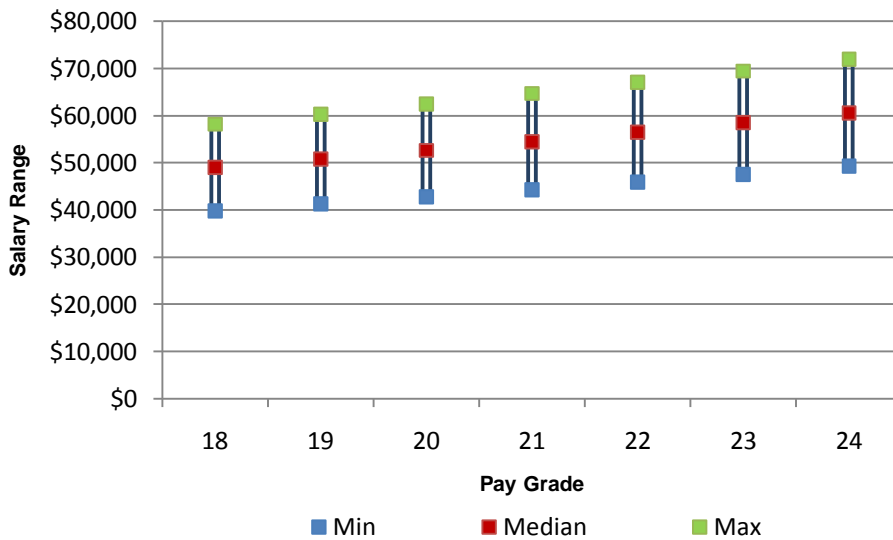
**Exhibit 3: Salary Comparison between Participants in the Defined Contribution Plan and Participants in the General Employees Defined Benefit Plan (Full Time Employees)**

Salary	Defined Benefit General Employees	Defined Contribution		
		All Employees	Classified	Unclassified
Minimum	\$24,231	\$24,921	\$24,921	\$24,921
25 <sup>th</sup> Percentile	\$33,397	\$44,094	\$30,463	\$51,053
Median	\$38,370	\$54,998	\$35,775	\$62,697
75 <sup>th</sup> Percentile	\$45,693	\$71,586	\$41,762	\$76,393
Maximum	\$148,466	\$221,109	\$92,664	\$221,109

**Source:** Department of Human Resources, Oracle Human Resources Management System.

**Overlapping salary ranges.** Successive pay grades are separated by a difference of 3.6 percent at the minimum, median, and maximum points and the ranges overlap. Exhibit 4 shows the overlap of ranges for pay grades 18 through 24. With some exceptions, most employees in the general defined benefit plan occupy positions at grades 18 and below; most defined contribution plan participants have jobs at grades 19 and above. When the city established the defined contribution plan in 2001, existing general employees at all levels had the option to transfer into the new plan from the defined benefit plan. In 2005, defined contribution plan participants in pay grades 18 and below, as well as employees in the relatively few classified positions above pay grade 18, could choose to transfer into the defined benefit plan. These factors result in overlap between salary distributions for the two plans. Half of the fulltime employees participating in the defined contribution plan are at salary grade 24 or below.

**Exhibit 4: Salary Ranges for General Employee Pay Grades 18-24**



Source: General Employees Salary Schedule January 2008.

**Participants’ years of service.** Current employees participating in the general employee defined benefit plan have a higher median number of years of service with the city than current employees in the defined contribution plan (see Exhibit 5). The difference reflects the more recent establishment of the defined contribution plan. The minimum number of years of service is less than a year in all groups of general employees.

**Exhibit 5: Years of Service Comparison between Participants in the Defined Contribution Plan and Participants in the General Employees Defined Benefit Plan (Full Time Employees)**

Years of Service	Defined Benefit General Employees	Defined Contribution		
		All Employees	Classified	Unclassified
Minimum	0.1	0.1	0.5	0.1
25 <sup>th</sup> Percentile	5.6	3.6	6.6	2.7
Median	13.0	6.1	7.9	5.0
75 <sup>th</sup> Percentile	21.3	8.1	11.7	7.1
Maximum	50.1	40.8	40.0	40.8

Source: Department of Human Resources, Oracle Human Resources Management System.

**Age distribution of participants.** The range of ages of current employees participating in the defined benefit plan is wider than the range of ages of those participating in the defined contribution plan (see Exhibit 6). The middle 50 percent is similar for all groups, ranging from the late 30’s to the early 50’s with median ages in the middle 40’s.

**Exhibit 6: Age Comparison between Participants in the Defined Contribution Plan and Participants in the General Employees Defined Benefit Plan (Fulltime Employees)**

Age	Defined Benefit	Defined Contribution		
	General Employees	All Employees	Classified	Unclassified
Minimum	20.3	24.6	25.8	24.6
25 <sup>th</sup> Percentile	39.8	37.2	36.3	37.4
Median	47.7	44.4	44.2	44.6
75 <sup>th</sup> Percentile	54.3	52.3	52.0	52.3
Maximum	84.2	70.0	66.5	70.0

**Source: Department of Human Resources, Oracle Human Resources Management System.**

Cc:

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