

# Board mulls reduced retirement plan

## Proposal would reduce multiplier to 1 percent for county workers

By Kim Isaza  
kisaza@mdjonline.com

**MARIETTA** — County employees trying to figure out their retirement benefits should get a calculator handy.

As Cobb County attempts to regain balance in its pension responsibilities to employees, a key number is 1 percent.

That is the multiplier, the number by which an employee's years of service and average salary are multiplied to determine the employee's annual retirement benefit. It's called the "defined benefit."

The formula is: years of service x 1 percent x average salary = annual retirement benefit. For example, an employee with 20 years of service and whose average salary was \$50,000 would receive an annual retirement benefit of \$10,000.

If approved by the Board of Commissioners, the 1 percent multiplier would affect employees hired after Dec. 31, 2009. (The other part of the hybrid is called "defined contribution" and is similar to a private 401(k). It would likely generate additional income for the retiree.)

The multiplier "is by far

the major change," said Virgil Moon, the county's director of support services who also chairs the pension plan's board of trustees. In calculating benefits for future employees, the county has made other notable changes.

For one, overtime hours will no longer be considered in the salary calculations. Also, previous military service will no longer be considered in years of service.

For employees of seven or more years, the multiplier will remain at 2.5 percent. Thus, an employee with 20 years of service whose average salary was \$50,000 is entitled to an annual retirement benefit of \$25,000.

The proposal is prompted by losses in financial markets, which has left the retirement fund with only 52 percent of the amount needed to pay benefits owed, according to a memo Moon sent to the Board of Commissioners. The county has 4,200 full-time employees. Of those, 2,500 are vested, meaning they have

seven or more years of service. (Employees hired after Jan. 1, 2009, must put in 10 years to be vested.)

On the front end of the proposal, pension trustees also propose to shift the burden of contributions into the plan more onto employees and off of Cobb taxpayers.

Here is a summary of what the board has proposed.

The formula for calculating retirement benefits under the proposal would be:  
**Years of service x 1 percent x average salary = annual retirement benefit**

**EXAMPLE:** An employee with 20 years of service and an average salary of \$50,000, would receive an annual benefit of \$10,000.

■ Employees who have seven or more years of service on Dec. 31, 2009, will stay in the current Defined Benefit plan. Those employees now contribute 5 percent of their pay to the plan. In 2010, they would put in 5.5 percent, and each year after that would put in an additional .25 percent, until they are contributing 8.75 percent of pay in 2023. The county, meanwhile will increase its contributions from 11.5 percent in 2009 to 13.5 percent in 2015. In calculating benefits, that magic figure, the multiplier, remains at 2.5

percent.

■ Employees with less than seven years can choose to remain in that plan, or go to the hybrid plan. The hybrid plan has two parts: a defined benefit portion, and a defined contribution portion. Only the defined benefit portion is mandatory for hybrid participants. Employees would put in 5 percent, an amount that should not go up over time.

The county would put in 10 percent, and up to 11.5 percent by 2015. The county will calculate the retirement benefit in two ways (using 2.5 percent mul-

tiplier for years worked through 2009 and 1 percent for all later years; or 1 percent multiplier for all years) and pay whichever amount is higher. Under the hybrid's defined contribution portion, which is voluntary and similar to a private 401(k), employees can contribute a portion of their salary, with the county matching 50 cents for every dollar, up to two percent. Benefits would be subject to market conditions and IRS rules.

■ Full-time employees hired after Dec. 31, 2009, will be enrolled in the hybrid plan.