



December 1, 2023

To: Mayor and Council
CC: N/A
From: Brandon Perkins, Town Manager
Re: Retirement Plan Study Results and Recommendations

As part of the Town's on-going efforts to remain competitive with our employee benefits, Council asked Staff to look into options for improving its retirement plan. As part of this request, staff had the Georgia Municipal Employee Benefit System (GMEBS) conduct an actuarial study and provide options for plan upgrades.

Before detailing the results of the study, it is important to summarize the Town's current plan:

- Rule of 70 Plan – Full retirement is possible once an employee's age plus years of service equal 70.
- Minimum age of 55 – Even if an employee achieves the Rule of 70, he or she cannot collect full retirement until they reach the age of 55.
- Multiplier: 1.25%
- Final Average Earnings (FAE) period: The average of the employees 5 highest years of pay.

To illustrate how this works, I provide the following example of an employee with final average earnings of \$62,000 (Tyrone's current average salary) at 20 years of service:

- $\$62,000 \times .0125$ (1.25% multiplier) \times 20 years of service = \$15,500 annual pension or \$1,291.67/month.

Study Summary

Staff asked GMEBS to provide us with the cost to upgrade the current plan to one of four new options:

1. Rule of 70/Minimum Age of 55/2% Multiplier

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2. Rule of 70/No Minimum Age/2% Multiplier
3. Rule of 70/Minimum Age of 55/2.5% Multiplier
4. Rule of 70/No Minimum Age/2.5% Multiplier

The results of the GMEBS cost study are as follows:

2023 Town of Tyrone Retirement Study

	Current Plan				
	Rule of 70 Min Age 55 1.25% Multiplier	Rule of 70 Min Age 55 2.0% Multiplier	Rule of 70 No Min Age 2.0% Multiplier	Rule of 70 Min Age 55 2.5% Multiplier	Rule of 70 No Min Age 2.5% Multiplier
Annual Employer Contribution Using Jan 1, 2023	\$157,371.00	\$303,048.00	\$366,339.00	\$400,674.00	\$479,784.00
Additional Annual Cost	\$0.00	\$145,677.00	\$208,968.00	\$243,303.00	\$322,413.00
Monthly Employer Contribution Using Jan 1, 2023	\$13,114.25	\$25,254.00	\$30,528.25	\$33,389.50	\$39,982.00
Additional Monthly Cost	\$0.00	\$12,139.75	\$17,414.00	\$20,275.25	\$26,867.75

Given the costs involved in any increases to the plan, we focused on the first option – the same plan we currently have, but increasing the multiplier from 1.25% to 2%. This seems like a small increase, but it has a big impact on the employee's pension. Using the same inputs from the previous example:

- $\$62,000 \times .02$ (2% multiplier) $\times 20$ years of service = \$24,800 annual pension or \$2066.67/month.

This .75% proposed increase in the multiplier represents a 62.5% increase in the employee's future retirement income.

As part of this research, we also looked at what a few other local government employers are offering for pension plans:

Jurisdiction	Multiplier	Final Average Earnings Period	Employee Contribution
Peachtree City	2.5%	3 years	3%
Fayetteville	2.5%	3 years	3%
Fayette County	2%	5 years	5%
Newnan	2%	3 years	0%
Griffin	2%	5 years	2%
McDonough	2.25%	5 years	0%
Fairburn	1.25%	3 years	0%
Tyrone (Proposed)	2%	5 years	0%

Given Council's previously stated desire to make improvements to employee compensation and benefits - where we can - in order to improve retention and recruiting, staff recommends adopting the proposed plan with a 2% multiplier and continue to require no employee contributions. If approved, the cost of



this upgrade would be an additional \$145,677.00 per year. This cost would be covered by General Fund Surplus.

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