



GEORGIA STATE EMPLOYEES' PENSION AND SAVINGS PLAN

TYPE OF PLAN: Mandatory Hybrid Plan

YEAR EFFECTIVE: 2009

WORKERS COVERED: General state employees eligible for membership in the Georgia Employees' Retirement System (ERS) who were hired after January 1, 2009. In addition, members of Georgia ERS as of December 31, 2008 may join the hybrid plan at any time.

ACTIVE PARTICIPANTS: 2,105 general employees as of June 30, 2009.

CONTRIBUTION RATE: Members automatically contribute 1 percent of salary to the 401(k) plan, with optional additional contributions of up to 5 percent. The State matches 100 percent of the automatic contribution and 50 percent of optional contributions. Additionally, members contribute 1.25 percent of salary to the defined benefit plan, while the State contributes an actuarially-determined rate, which was 6.54 percent of payroll in 2009.

VESTING SCHEDULE: State matching contributions to the 401(k) plan are increasingly vested over five years in 20-percent increments. The defined benefit plan has a flat 10-year vesting period.

INVESTMENT OPTIONS: 13 investment options within five asset classes, including index and asset allocation funds. The default is automatic enrollment into a target-date fund based on member age and projected retirement date. Members also have the option of establishing a Self-Directed Brokerage Account for amounts over \$5,000.

ORIGIN OF PLAN: The State of Georgia Merit System, a public human resources consulting office, contracted with Mercer Human Resource Consulting in 2008 to evaluate employee satisfaction with Georgia's total compensation package. The study found that public workers were dissatisfied with salary levels; they thought pay was below market rates and poorly reflective of performance. Employees under age 30 earning less than \$35,000 annually – who comprised the majority of Georgia's public workforce in 2008 – were particularly dissatisfied. These employees valued current salary higher than deferred benefits, and were concerned about the lack of portability of their defined benefit plan.

In response to the study, then-governor Sonny Perdue (R) allocated \$400 million of the 2008 budget to public employee wage increases. Subsequently, Republicans Bill Heath, Nancy Schaefer, and Jack Murphy cosponsored Georgia Senate Bill 328, which established the hybrid plan and closed the traditional defined benefit plan for new hires. The bill passed with relatively little opposition.

LEARN MORE

- *The Georgia Statement* 9(4). Winter-Spring 2007. Atlanta, GA: The Georgia Merit System.
- Employees Retirement System of Georgia. Online at <http://www.ers.ga.gov/default.aspx>.