

## Lowering municipal pension costs through cash balance plan design



Hooker & Holcombe, founded in 1956, is a leading regional provider of comprehensive actuarial, investment advisory and retirement plan consulting services. Through the expertise of dedicated and knowledgeable professionals, including skilled actuaries and CFA Charterholders, the firm designs and implements customized retirement plan programs based on proven best practices and advanced technology that exceed client expectations. The firm also provides portfolio management services for individuals. Learn more at [hhconsultants.com](http://hhconsultants.com)

## Identify

Like many cities and towns attempting to fund their pension plans, the Town of Wallingford was facing a growing pension expense. With participants living longer and expected future asset returns decreasing, the town needed a solution to curb rising pension costs. Hooker & Holcombe (H&H) stepped in to offer an innovative alternative approach.

## Achieve

In order to help the Town control the rising cost of its pension, a cash balance plan design was introduced. Although not commonly used by municipalities, our consultants explained the benefits that could be achieved through this approach, which basically combines the best features of defined benefit and defined contribution plans.

Currently, the Town carries all of the investment risk for its defined benefit plan. Over the years, both actual and expected returns have been decreasing and this led to higher Town contribution levels. For the cash balance plan, we recommended a credit to the participants' accounts with the actual interest from plan returns.

This idea was presented to the union, who had concerns about the possibility of negative returns. We proposed a cost neutral solution that included both a floor and a cap on investment returns that resulted in never crediting less than 0% or more than 10.8%.

Our consultants quickly simplified the combined plan design features into one plan which not only assisted in controlling cost, but created a convenient and valuable way for participants to understand their pension benefit. Additionally, unlike defined contribution plans, disability benefits may also be funded in a cash balance plan, eliminating the need for the Town to purchase separate disability insurance.

## Exceed

Switching to a cash balance plan made predictability for costs easier on the Town and paved the way for less difficulty during budget season. Our consultants were able to confidently show the client how this innovative plan design could help them better predict pension costs, assist with reducing expenses, and provide a better overall retirement plan for its employees.

This is just one example of the many ways we help plan sponsors and their participants maximize benefits while lowering costs. Leverage our experience for your retirement plan needs. Visit [hhconsultants.com](http://hhconsultants.com) to learn more.



The elements of success