

## New options for non-union members



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## Identify

A large municipality recently amended its ordinances to provide additional retirement options to non-union active participants in the City's pension plan. Their goal was to identify ways to reduce pension-related liabilities and costs for current and future non-union employees, while not losing sight of their responsibility to provide these employees with retirement income.

## Achieve

As the current actuary, we understood the City's pension plans and goals. Using our extensive knowledge, we were able to craft an innovative plan design that includes an ongoing "opt-out" feature that enables active pension plan participants to elect to stop participating in the current defined benefit (DB) plan and join the City's defined contribution (DC) plan going forward.

Additionally, retiring or terminating participants with a vested benefit now have various new options, such as:

- **Active members not yet age 62** may opt-out of the DB plan via a plan-to-plan transfer of the lump sum value of the member's vested DB plan accrued benefit to the City's DC plan.
- **Active members age 62+** may elect to opt out of the DB plan and transfer the lump sum value of the their vested DB plan accrued benefit to any qualified plan or receive the lump sum as taxable cash. All future contributions are made to the DC plan only.
- **Retiring members with a vested benefit** may choose a lump sum option that can be rolled over into any qualified plan or may elect to receive the distribution as taxable cash, in addition to the current annuity options.
- **Terminating members** may elect to receive a lump sum distribution of the value of the member's vested DB plan benefit in lieu of receiving a future benefit from the DB plan at retirement.
- **New employees** may elect to participate in either the DB or DC plan within 60 days of hire, with a default provision to participate in the DB plan.

Current non-union members who opt-out of the DB plan, as well as new hires electing to participate in the DC plan, will receive an employer contribution to a specified fixed percentage of their base pay.

## Exceed

Feedback from the retirement plan committee was overwhelmingly positive. Because the actuarial basis for determining the lump sum option was consistent with the assumptions used in the funding valuation that develops the City's Actuarially Determined Employer Contribution (ADEC), adding the lump sum option was cost-neutral. The City was able to eliminate a portion of the accrued liabilities associated with the City's DB plan, while exceeding the expectations of its non-union employees by giving them choices specific to their unique situation and retirement goals.

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