

Draft Provisions for LC251¹

Short title: Establish two money purchase plans in TRS for new hires only

Plan Structural Issue	Money Purchase Plan Provision	Questions for Committee	Committee decision/direction
Overall structure	<p>Choice between two money purchase plans (Plan A or Plan B)</p> <p>Plan B will have same structure as Plan A, except that a Plan B member will contribute an additional one-half percent of salary to the account. If the member works 30 or more years, the additional contributions will be matched by the employer and granted interest. If the member works less than 30 years, the additional contributions are not matched by the employer or credited with interest.</p>	<p>* How long to give new hires to chose between A and B?</p> <p>* To which plan do new hires default if no selection is made? (PERS gives new hires 1 year, with the default being the DB plan.)</p> <p>*Give interest on the additional one-half percent only if the member stays 30 years or regardless?</p>	
Applicability	New hires only (after effective date of plan)		
Employee contribution	<p>Plan A: 7.15% of salary</p> <p>Plan B: 7.55% of salary, depending on employee choice of plan</p>		
Employer contribution	9.96% of salary (might change depending on funding decisions by 2011 Legislature)		

¹ As articulated by SAVA during its August 17, 2010, meeting.

Interest credit rate	Minimum: 5% Maximum: 9% Goal: 7% average over member's career	*Who should set interest credit rate? Board by rule? Legislature? Or are there guidelines the Legislature should provide to the Board? (The costing assumed the Board would set the interest credit rate.)	
Assumed interest rate	7.75%		
Vesting in employer match	15-year graded: <ul style="list-style-type: none"> • after 5 years: 25%; • increasing 5% per year for years 6 through 10; • increasing 10% per year for years 11 through 15. 		
Retirement eligibility	60 and vested		
Retirement benefit	An annuity at retirement age based on the member's accumulated account balance (contributions and interest) plus a 100% employer match, depending on vesting status		
Post-retirement benefit adjustment	1.5% GABA	*Should the GABA be an automatic feature of an annuity or should it be an option the retiring member can select? (In NE, members have an option to select a COLA to their annuity at retirement; in TX, governing bodies participating in the plan can set their own COLA provisions for their members.)	

Forms of payment at retirement	Annuity		
Investment control	Board of Investments for all contributions		
Termination	Member can receive lump sum payment of employee contributions plus interest; vested member can chose to receive a deferred retirement benefit with whatever level of employer match they have accrued.		
Death/Survivor benefits	Includes an option for withdrawal of the member's account balance or, if vested, a monthly benefit.		
Disability benefits	A monthly benefit based on account value/employer match.		
TRS Board composition		*Should a member be added to the Board to represent members of the Money Purchase Plans? (When PERS added DC, one board member representing employees was required to be a DC member. Currently TRS Board has 6 members. Three are from teaching profession and active members of the system; two are representatives of the public; one is a retired member of the system.)	

<p>Others?</p> <ul style="list-style-type: none">▶ Preamble clauses?▶ Staff permission to work with bill sponsor to resolve other issues that arise during drafting process?			
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