

## Key Questions about Hybrid Plan

The Tentative Agreement between the State of Connecticut and SEBAC includes the following language on the Hybrid Plan:

**Hybrid Defined Benefit/Defined Contribution Plan for Employees in Higher Education** - Individuals hired on or after July 1, 2011 otherwise eligible for the Alternate Retirement Plan (hereinafter referred to as "ARP") shall be eligible to be members of the new Hybrid Plan in addition to their existing choices. Individuals who are currently members of the ARP shall be eligible to join the Hybrid Plan on a one time option at the full actuarial cost. The Hybrid plan shall have defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but shall require employee contributions three percent (3%) higher than the contribution required from the Applicable Tier II/IIA/III Plan. An employee shall have the option, upon leaving state service, of accepting the defined benefit amount, or electing to receive a return of his/her contributions to the Hybrid Plan, plus a five percent (5%) employer match, plus four percent (4%) interest (hereinafter referred to as the "cash out option" . In the event the employee elects the cash out option, he/she shall permanently waive any entitlement they may have to health insurance as a retired state employee unless they convert the cash out option to a periodic payment as would be required under the current ARP plan.

**Here are some Q&A's about the new plan:**

**Question 1:** What type of hybrid plan is this? There are at least six different types of hybrid retirement plans. Are there examples in other states?

**Answer:** The plan was put together with elements from several different models. It is identical to Tiers II/IIA except for the 3% higher contributions and the ability to "cash out" or take a pension upon leaving state service.

**Question 2:** What is the purpose of the hybrid plan?

**Answer:** The primary purpose it to allow higher education employees who are uncertain whether a defined contribution plan is best for them (most likely because they expect to be short term with the state) or our defined benefit plan (which is geared towards career employees) to hedge their bets. By paying extra contributions towards

the defined benefit plan, they guarantee themselves all the benefits of the defined benefit plan, with the upsides which can accompany a defined contribution plan for shorter term employees

**Question 3:** Will the ARP and SERS plans also be options for Higher Ed Employees.

**Answer 3:** Yes

**Question 4:** Will current employees be allowed to buy in using their ARP money as they would under the ARP award:

**Answer:** That is the intent. We do not anticipate the issues that have delayed implementation of the ARP award being issues with the Hybrid Plan.

**Question 5:** Will the plan allow for partial buy-ins of service credits?

**Answer:** Yes.

**Question 6:** Will individuals be allowed to use funds other than those in their ARP accounts to purchase service credits?

**Answer.** We do not know the answer to that yet.

**Question 7:** Will ARP members be allowed to wait until the Grievance Award IRS issues are settled to make a decision about transferring to the Hybrid Plan?

**Answer:.** Yes.

**Question 8:** Will those ARP members who transfer to the Hybrid Plan be allowed to later transfer to SERS if the Grievance Award IRS issues are favorably settled?

**Answer:** This would be up to the IRS.

**Question 9:** How long will it take to put the Hybrid Plan in place?

**Answer:** We hope to do it within a few months of ratification of the SEBAC agreement.

**On Saturday, June 4, SEBAC will hold a Question and Answer session on the Tentative Agreement from 2:00 P.M. to 5:00 P.M. at the State Armory, 360 Broad Street, Hartford.**