



Representative Lindsey Holmes

House Bill 247

FAQ- Variable Benefit Retirement System (VBRS)

What is the Variable Benefit retirement system?

This proposed plan provides to our members the distinct advantages and efficiencies of a defined benefit at retirement and provides to our employers the fiscal discipline and control of the fixed statutory funding of a defined contribution plan.

What is the goal of the VBRS?

Our stated goal is to fund a retirement system through employee and employer contributions that will provide for individuals in retirement and ensure they remain independent and self-sufficient. At the same time this plan must protect employers and taxpayers and ensure they cannot be held liable for adverse experience (unfunded liability).

How does the VBRS accomplish this goal?

The long-term sustainability of the Plan will be achieved without the risk of additional employer funding inherent in most defined benefit plans by: • setting affordable benefits • establishing rigorous funding policies, and • immediately correcting for adverse experience by modifying certain benefits and features as needed

What are the advantages of a VBRS?

Professional money management, lower fees, pooled risk and long term investment strategies are some of the advantages associated with our plan.

Why is the VBRS needed?

Tier 4 participants are not mandated to participate in Social Security or SBS. Most municipal public safety employees are not allowed to participate in either. Tier 4 places all investment risk at the individual level and provides a small window for investments to succeed. (One career instead of 50 or 100 years) Tier 4 also made no effort to account for the shorter careers of public safety employees. The VBRS would allow risk to be pooled and would provide a long term investment horizon. The VBRS would also provide a benefit as long as the member was alive. This would prevent individuals from outliving their savings.

Will overtime factor into a final pension calculation?

No. Under our proposal contributions related to overtime will be placed in a DC account and will not count toward a final pension calculation. This will prevent any form of overtime spiking from occurring.

Are there minimum age requirements to qualify for retirement?

Yes. Unlike the previous defined benefit system there are minimum retirement age requirements under this plan. Age 55 for a public safety employee and age 60 for a non-sworn employee.

What are the contribution rates for employers?

Employers will continue to contribute 22% of payroll per employee. For public safety employees participating in the variable benefit plan 14% will go toward the new tier and 8% will go toward the unfunded liability. For non-sworn employees participating in the variable benefit plan 12% will go toward new tier and 10% will go toward the unfunded liability.

What are the employee contributions?

Public safety employees will start at 9%. The rate is adjustable with a ceiling of 12% and a floor of 8%. Non-sworn will start at 8%. The rate is also adjustable and will have a ceiling of 11% and a floor of 7%.

Who will participate in this plan?

Individuals who work for public safety organizations and are or would be enrolled in Tier 4 will participate in the Variable Benefit Retirement. We estimate less than 1000 participants at the start of this plan. All future public safety employees will participate.

How will this plan deal with adverse market experience or changes in life expectancy?

Employee benefits in this plan are variable in nature. Cola adjustments, 0 amount of medical stipend and employees contribution rates are all adjustable. These are just a few of the tools available to restore fiscal soundness in the face of adverse experience.

Will Employers accumulate liability with this plan or be asked to contribute more?

The answer to both questions is no. Employer contributions are fixed just like a defined contribution plan. Shortfalls will be dealt with by adjusting benefits not by asking employers to cover the shortfall.