

# A CONDENSED RETIREMENT PLAN NARRATIVE

..... for .....

## *new employees*

Upon hire, employees are given the choice of three types of retirement benefit plans to elect – two “defined benefit” plans, a defined contribution plan, and a Hybrid.

Which choice is best will depend upon an individual’s circumstances. Especially since this is a one-time irrevocable choice, new hires are urged to carefully review the attached materials, to consult with any advisors they deem appropriate, and to get further plan details from any of the following sources: [www.osc.ct.gov/rbsd/highered/higheredretire.htm](http://www.osc.ct.gov/rbsd/highered/higheredretire.htm)

## DEFINED BENEFIT PLAN

Defined benefit plans provide a predefined monthly retirement income for life, with the amount being affected by years of service, retirement age, and Final Average Earnings.

- Connecticut’s State Employees’ Retirement System (SERS) plan employee contributions are 2%. SERS provides a COLA adjustment, which is a percentage of cost of living increases after retirement. Because Final Average Earnings (from state employment) is part of the formula for determining benefits, and those earnings tend to be higher as an employee nears retirement age, defined benefit plans are intended to favor employees who continue working for Connecticut until they are at or very near retirement age.
- Connecticut’s other defined benefit plan is called the Teachers’ Retirement System (TRS), which is a plan designed for public school teachers in Connecticut. State employees who find TRS the best choice are often those who come to the state after service as a public school teacher, and who choose to add to that service as they work in higher education for the State.

## DEFINED CONTRIBUTION PLAN

Defined Contribution plans like Connecticut’s Alternate Retirement Program (ARP) promise no particular benefit upon retirement – the participant has available their 5% contribution and the employer 8% contribution, and the earnings on those contributions during the employment period. There is no built-in COLA post retirement. However, ARP is portable, and the benefit is not reduced by leaving state service well before retirement.

## HYBRID PLAN

Connecticut’s Hybrid plan is designed to allow new hires to utilize both a defined contribution and a defined benefit plan. Hybrid participants contribute 5%, which is 3% more than SERS participants. A Hybrid participant upon retirement may choose the same defined benefit as a SERS participant. The 3% additional employee contribution, however, provides Hybrid participants an additional option when they leave state service. They can choose to take their 5% contribution, plus an equal employer match, plus 4% annual interest, and receive it as a lump sum. Since this lump sum is portable, and it is also not reduced by leaving state service well before retirement, Hybrid participants gain some of the advantages of a defined contribution plan, but retain the option of a defined benefit upon retirement.