

Proposed
**LASERS-SPECIFIC
NEW RETIREMENT PLAN**

Sponsored by Sen. Price (D) and Rep. Bacala (R) and supported by our Board, this bi-partisan bill (number pending) would create a New Retirement Plan with a Defined Benefit (DB) foundation and a Defined Contribution (DC) add-on. This bill is LASERS-specific.

WHY A NEW PLAN?

- Approximately 2.5% of new hires joining at age 35 will receive full unreduced benefit.
- 70% of new hires will terminate and receive only their employee contributions.
- Members are leaving at increasingly higher rates.

NEW PLAN OBJECTIVES

- Better meet the needs of a new generation of LASERS rank-and-file members.
- Provide retirement security for career members with a benefit comparable or greater than current plan benefit.
- Reduce risk of future Unfunded Accrued Liability (UAL).
- Increase predictability of employer cost.
- Continue to provide an accruing benefit at less cost than that of Social Security.

MEMBERSHIP

- LASERS-specific.
- New hires in **rank-and-file** positions hired on or after January 1, 2024.
- Not applicable to Hazardous Duty Plan Members or Judges.
- Not available to current LASERS members.

RETIREMENT ELIGIBILITY

- 5 years at age 62.
- 20 years at any age, actuarially reduced.

PLAN STRUCTURE

ONE RETIREMENT BENEFIT

Components annuitized together at retirement to provide a guaranteed lifetime defined benefit.

Defined Benefit
Component

Defined Contribution
Component

60 mo. FAC x Years of
Service x 1.8%

Lifetime DC Balance
(Contributions + Earnings)

BUILT-IN COLAS

- Includes a pre-funded periodic cost-of-living adjustment.
 - 2% every odd numbered year.
 - Includes disability and survivor beneficiaries.

OPT-OUT PROVISION

- New hires will be automatically enrolled in the new plan; however, they will have **2 years** to opt-out and enroll in current DB only plan.
- Notices will be provided to members relative to this withdrawal option.

CONTRIBUTIONS

- **Member:** 8% of pay
 - 4% applied to the DB component; and,
 - 4% applied to the DC component.
- **Employer:** Employers pay an actuarially determined percent of payroll to the DB component, including payment toward the existing Unfunded Accrued Liability and 3% of payroll of those in the plan to the DC component.

DEFINED CONTRIBUTION ACCOUNTS

- Members will have individual accounts in the DC component, with the ability to manage those accounts.
- Default account for the DC component will be a stable value fund.
- Target Date Funds and a self-directed brokerage account will be offered.
- Individual DC accounts will be managed through a third-party administrator.
- All money in DC accounts will remain a part of the System fund.

PORTABILITY

- Employee contributions refunded upon termination at member request.
- If a member requests a refund of his DC account, he must also request a refund of employee contributions in DB component.
- For DC component account, employer contributions and investment earnings are subject to refund on a vesting schedule:

Vesting Schedule

At least 24 months: 50%

At least 36 months: 75%

At least 48 months: 100%

MEMBER EDUCATION

- LASERS will provide education to members of the new plan relative to investments.
- New members are required to take at least one hour of training within their first year of enrollment.

DISABILITY RETIREMENT

- Current law relative to disability retirement will apply to DB component, including the accrual rate of 2.5%.
- Upon disability, DC component contributions will cease, and no disbursements will be made until the member reaches the age of retirement or converts to regular retirement.
- Upon reaching retirement age or converting to regular retirement, the member's DC account will be annuitized.

SURVIVOR BENEFITS

- Current law relative to survivor benefits will apply to DB component, including the accrual rate of 2.5%.
- The vested portion of the DC component shall be payable to a named beneficiary as a lump sum or rollover
- If the beneficiary is the spouse, the spouse may elect to annuitize any vested portion.

OPTIONS AT RETIREMENT

- At retirement, members of the new plan will have the ability to choose the maximum or an option to provide for a beneficiary as in current law.
- Members will have the option to select an Initial Benefit Option (IBO) that would provide for an initial benefit of up to 12 months of their monthly payment, paid as a lump sum or rollover.
- The Deferred Retirement Option plan (DROP) will not be available.