

FPPA Defined Benefit System Defined Benefit Selection Project Employer Q & A

1. What has prompted this Defined Benefit Selection project?

Defined benefit selection has become an issue with departments that chose a partial re-entry into the FPPA Defined Benefit System, in particular with employees who initially chose to participate in the Statewide Hybrid Plan-Money Purchase Only Component (a defined contribution plan).

Those employees moved to FPPA as part of the first re-entry process, but did not choose one of the two defined benefit options available to them. Those employees, who have since come to see the value of a defined benefit pension, have seen their fellow employees who initially refused to join FPPA be given a subsequent opportunity to join one of FPPA's defined benefit plans. This occurred when the department later filed a full-entry resolution.

Those who had been supportive of and initially moved to one of FPPA's plans did not have a subsequent opportunity to move to an FPPA defined benefit plan.

The issue has been brought to FPPA staff by affected Members since 2009. In 2012 the FPPA Board, adopted a rule to permit this change, (Section 3.03 of the Statewide Hybrid Plan rules), but the project was put on hold pending the outcome of the Statewide Defined Benefit Plan Member Contribution Rate Election, which concluded in August 2014.

2. Why is FPPA supportive of this project?

The Board's philosophy in seeking legislative authority for the re-entry process and in adopting the rule allowing for a subsequent defined benefit selection was to encourage all Members to seek the stability provided by a defined benefit component to a retirement plan. This is especially important to FPPA Members who typically lack the safety net of a Social Security benefit.

3. Who is considered an "Active Eligible Member" as it relates to Defined Benefit Selection?

Those active Members who were part of a department re-entry process (to join FPPA) and who elected to participate in the Statewide Hybrid Plan - Money Purchase Component (SWH-MP) only. (See enclosed roster.)

The rule change, and this project, does not pertain to a department Chief who opted out of the SWDB Plan and elected coverage in the SWH-MP plan.

Further, the rule change and project does not apply to those who elected the SWH Plan with both the DB and MP components, since those members already have a defined benefit component.

4. Why does the Employer decide if their Members get to participate?

The rationale to make this an Employer Decision is two-fold:

- a) This follows the initial FPPA re-entry process where the Employer must first file a resolution and agree to allow Members an opportunity for re-entry into the FPPA Defined Benefit system.
- b) There could be an impact to the Employer's payroll system because, if a Member elects to participate in the Statewide Defined Benefit Plan, the portion to the member contribution rate that is greater than the current (2014) member contribution rate will need to be submitted on an "after-tax" basis (for this project's group only; not for all SWDB Plan members). The Employer must evaluate if their payroll process and systems can accommodate an "after-tax" pension contribution.

5. When would the change result in "after-tax" contributions for some Members?

If the member contribution rate increases as a result of an election to change plans, contributions attributable to the increase in the rate must be submitted as "after-tax" contributions. Our research indicates that this is only the case if a Member moves from the Statewide Hybrid Plan with the Money Purchase Component only (SWH-MP) to the Statewide Defined Benefit Plan (SWDB).

This is not the case if they move from the SWH-MP to the Statewide Hybrid Plan that contains both a Defined Benefit and Money Purchase Component (SWH - DB & MP). Please see enclosed *Department Contribution Rate Information Form*.

6. The Employer Decision Form on Defined Benefit Selection must be signed by an "Authorized Employer Representative"; who is acceptable?

The Employer approval process is a local determination. FPPA anticipates that the form may be signed by a City or District Manager, HR Director, Finance Director (or someone in a similar role), or the Mayor or District Board Chairman, but ultimately, where the authority lies is a local determination.

7. What is the deadline for the Employer's Decision Form on Defined Benefit Selection?

The *Employer Decision Form on Defined Benefit Selection* "must be **received by FPPA** no later than **Friday, January 9, 2015**. Completed forms may be submitted as follows:

- By Mail: FPPA, 5290 DTC Parkway, Suite 100, Greenwood Village, CO, 80111
Attn: CBO
- E-mail: generalbenefits@fppaco.org
- Fax: 303-771-7622

8. If the Employer chooses not to participate at this point, will we get another opportunity to participate in the future?

The Board has the authority, but there is no requirement to allow a defined benefit selection again in the future. Staff urges you to approach this decision as if this is your only opportunity.

9. When and how will the eligible Members be notified of this option?

FPPA will review the Employer decisions, and then prepare a mailing to all eligible Members. See enclosed timeline. Also, all eligible Members were copied on this mailing.

10. If we participate in the project and one of our FPPA Member's changes plans, how does that change take place?

FPPA will notify the Employer of the Member's new plan selection.

11. Will there be an asset transfer process requiring the Employer participation like at the time of re-entry?

No. Since the Member's Money Purchase Plan assets are already held by FPPA/Fidelity, no transfer process is necessary. If a Member changes plans he or she will individually decide whether or not to use the transfer account to purchase defined benefit service credit.