

# **FPPA**

Fire & Police Pension Association of Colorado

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## **STATEWIDE HYBRID PLAN EXECUTIVE SUMMARY**

The Statewide Hybrid (SWH) Plan (the Plan) has been created under the authority granted by §31-31-1102 C.R.S. as an option for local money purchase plans and participants in the statewide money purchase plan to migrate to a defined benefit plan administered by FPPA. As drafted, the SWH Plan is one of two tiers of the Defined Benefit System. The other tier is the Statewide Defined Benefit (SWDB) Plan. The purposes of creating one Defined Benefit System for these two Plans is for simplification in seeking IRS qualified plan status, greater portability and flexibility in benefits under the two tiers, and simplification in the implementation and qualification of the new Statewide Health Care Defined Benefit Plan.

The following is an executive summary of the highlights of the Plan. The Plan is divided into two documents. The first document is the Plan Document that would be approved by the employers and Members entering the plan. The second document is the Rules and Regulations of the Plan which address the administration of the Plan in detail and which can be amended by the FPPA Board of Directors without employer or member approval. The documents together constitute the Plan and are what the IRS will consider for its approval. The plan documents shall control over this executive summary in determining the terms of the plan.

Both the employer and the members on the local level must approve entry into the Defined Benefit System. Article II of the Plan Document Rules and Regulations sets forth the application process for adoption of the Plan Document by a local department. The SWH Plan offers a combination of a Defined Benefit (DB) Component and Money Purchase (MP) Component. As members of the Plan on the effective date of transfer, members may elect to participate in both components of the Plan or they may choose only to participate in the MP Component of the Plan. The employer may also elect to offer the members a third option to participate the SWDB Plan tier, at a higher rate of contributions (currently set by the FPPA Board at 20% of pay).

The SWH Plan allows a combination of defined benefits and money purchase savings to accrue for retirement. Generally speaking the DB Component of the Plan operates like the SWDB Plan and the MP Component of the Plan operates like the Statewide Money Purchase Plan. The differences are in the

contributions and in the benefits earned. The minimum contribution under the SWH Plan is 16% of pay with 14% going towards the DB Component and the balance contributed towards the MP Component. Under the DB Component, a member earns 1.5% of the highest average salary for each year of service credit earned. Normal, deferred, early and vested retirements will be available as well as the options to reduce a retirement benefit and share it with a designated beneficiary. These types of retirements and options operate in the same manner as the SWDB Plan. Vesting is at 5 years. The vesting period for the DB Component begins when the Member enters the SWH Plan. A vested member may aggregate years of service credit in the SWDB Plan and the SWH Plan to determine eligibility for retirement. Where a member has earned service credit under both defined benefit plans, benefits would be paid from each plan based on service credit earned under the respective plans.

Under the MP Component of the SWH Plan, a member self directs the investment of the contributions made to his account so that the benefit available to the member at retirement is a function of the returns on invested contributions. The MP Component accounts will be held for investment through Fidelity, as the Statewide Money Purchase Plan is held. The Member's Account may include monies transferred from their local money purchase plan. (The balances from the local money purchase plan may also be used to purchase service credit under the DB Component.) Vesting under the MP Component will also be a 5-year period. However, a member may aggregate service in the local or the Statewide Money Purchase Plan with years of service earned under the MP Component of the SWH Plan to determine vesting. For example, a member who enters the SWH Plan MP Component with five years or more of service in their local plan will be one hundred percent vested in the MP Component from the date of entry.

Except for those members electing a straight MP Component option (with no defined benefit), all employer contributions are credited to the DB Component and the MP Component will only contain member contributions.

A somewhat unique aspect of the Plan allows SWH members to elect to purchase an additional monthly defined benefit with their money purchase balance at retirement. This is accomplished through an annuitization of the money purchase balance.

The employer may elect to put employees hired after the effective date of entry into the Defined Benefit System, as a group, in either the SWH Plan or the SWDB Plan. In either case, contributions will be 16% of pay for these subsequently hired members.

The SWH Plan allows clerical and other personnel of a fire protection district or fire authority to participate in the plan, as in the SWDB Plan. Part-time personnel from any department may also participate in the MP Component. Department chiefs may also elect participation in the SWH Plan.