

SERS Pension Share Increase Effects on the ARP and the Hybrid

Question	Answer
1. We've heard that under the Framework Document which may lead to changes in the SEBAC Agreement, SERS Covered Employees will eventually pay pension contribution increases of 2% over their current contributions. What happens to participants in the Hybrid Plan, and the ARP?	Yes, SERS participants would pay an additional 1.5% pension contribution beginning 7/1/17, and an addition .5% beginning on 7/1/19. Let's start with how this affects participants in the Hybrid Plan. Under the rules of the Hybrid Plan, participants always pay 3% more than their equivalent SERS Tier. That's because the Hybrid plan is a better plan. That is, it provides all of the benefits of the equivalent SERS Tier, plus a cash withdrawal option unavailable to standard SERS plans (the employee's contribution, a 5% employer match, plus a guaranteed 4% annual interest). So when SERS pension contributions go up, the Hybrid plan contributions go up automatically to always stay 3% higher than the other SERS plans.
2. How does this effect people in the Tier 2 Hybrid. I pay 3% into the SERS plan (3% more than the 0% paid by Tier 2 SERS). But I also am required by the IRS to contribute 2% into my ARP account. Will that requirement continue?	Not fully. The IRS requires that your pension contribution not go lower than the 5% you used to pay to the ARP. On 7/1/17 when the SERS Contribution is raised to 4.5%, you be given an option to "opt out" of continuing your full 2% contribution to the ARP, and reducing it to .5%, so that your total remains 5%. In July of 7/1/19, you will be given the same option about the additional .5%. If you "opt out" of that as well, you will be paying 5% into SERS and nothing into the ARP. Again your total remains at 5%, the minimum allowed by the IRS.
3. What about the ARP. The Framework says that the employer contribution to the ARP diminishes by ½% for each 1% a SERS employee's contribution goes up. How will that work?	Right now, the Employer contribution to the ARP is 8%, and the employee pays 5%. Effective 7/1/17, the Employer contribution will go down by ¾% (or .75%) to 7.25%. 7/1/19, the Employer share will go down an additional ¼% (.25%) to 7%. Each time this happens, the Employee contribution will go up by the same amount, to keep the total contribution at 13% unless the individual employee chooses to "opt out", and retain their 5% contribution rate. In this case, the total contribution into the employee's ARP account will diminish to reflect the lowered Employer contribution of 7%.
6. Where can I find out more information?	The best place is through your elected union leadership or through your union's website. You can also find helpful links here: CTStateEmployees