

Talking Points: Hybrid Plans

Opposing Hybrid Plans

What are hybrid plans?

- Hybrid plans are a combination of Defined Benefit (DB) retirement plans and Defined Contribution (DC) retirement plans.
- Teachers in Louisiana pay into a DB retirement plan. The payout from a DB retirement plan is guaranteed based on a payment formula. In other words, you receive a guaranteed amount using a formula that is based on your years of service and salary.
- A DC retirement plan is similar to a 401(k) plan. While both DB and DC plans are affected by the market, the payout for a DC plan is based on how well investments performed before withdrawal. The amount paid out by a DC plan is not guaranteed.

Why do we OPPOSE DC and/or Hybrid Plans?

- Changing to a hybrid plan does not eliminate debt.
 - States that switched to hybrid retirement plans before paying down the debt actually increased the debt (Bond and Doonan, 2019).
- Switching to a DC retirement plan from a DB retirement plan could cost nearly twice as much to maintain (Rhee and Joyner, 2019).
- Hybrid retirement plans offer benefits that are less than DB retirement plans.
 - The amount paid out by the DC portion of the plan is not guaranteed.
 - The accrual rate of the DB portion of the plan will be significantly lower than the accrual rate of a full DB plan. Therefore, the guaranteed payout from the DB portion is significantly lower.
 - No state has effectively implemented a hybrid plan that produces benefits equal to or greater than our current plan.
- We do not recommend a change until research indicates that hybrid plans are effective.
- Research shows DB plans attract and retain teachers, which is linked to improve student achievement (Rhee and Joyner, 2019).

Research

- Rhee, N. & Joyner, Jr., L.F. (2019). Teacher pensions vs. 401(k)s in six states: Connecticut, Colorado, Georgia, Kentucky, Missouri, and Texas. *National Institute on Retirement Security*.
- Bond, T. & Doonan, D. (2019) Examining the experiences of states that closed pension plans. *National Institute on Retirement Security*.

Start talking to your state Representatives and Senators NOW. They need to know about the issues that affect their constituents. To find your Representatives' and Senators' contact information, see the attachment or go to <http://www.legis.la.gov/legis/FindMyLegislators.aspx>.