Governmental Retirement Plan Basics

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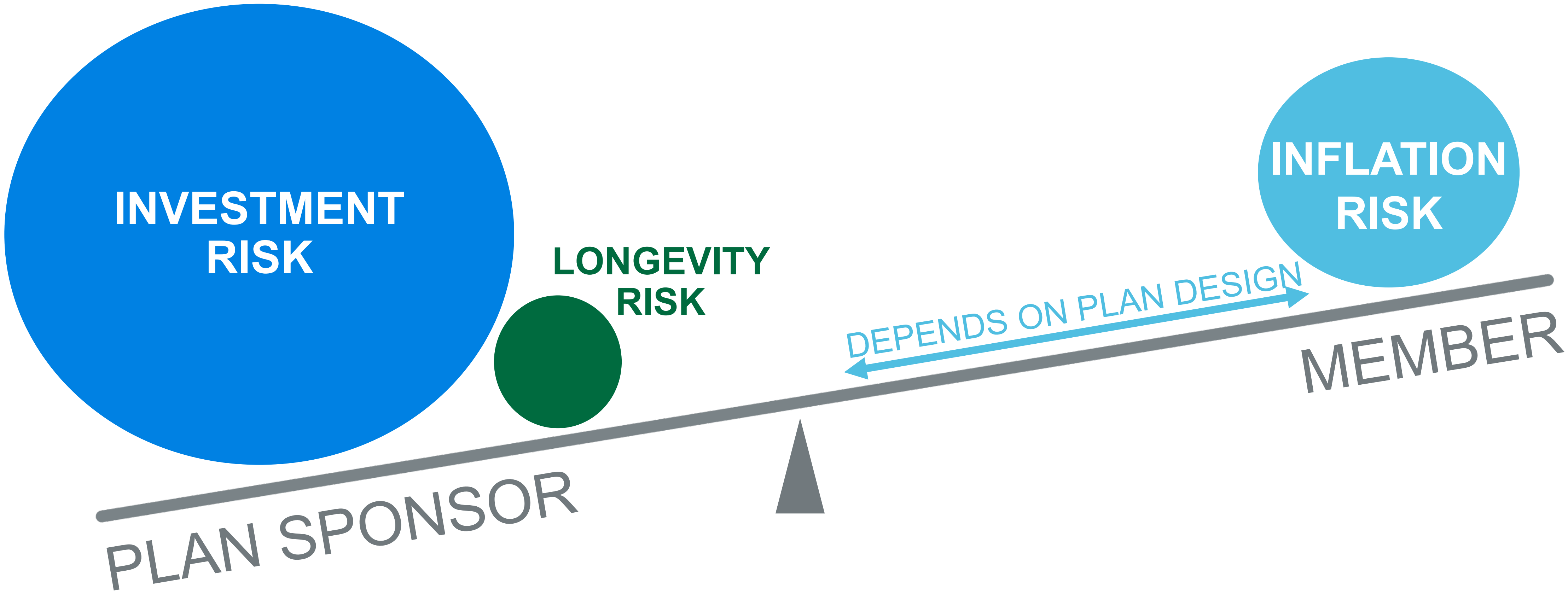
Milliman

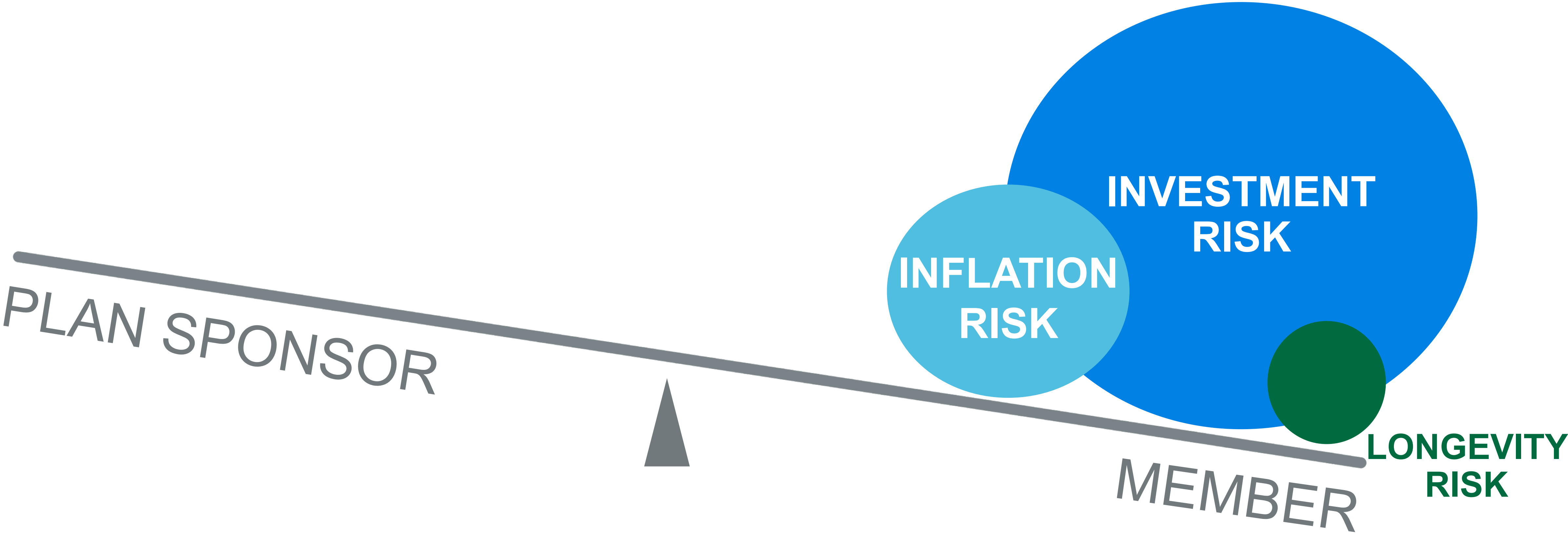
Types of Retirement Plans

- **Defined Contribution (DC)** account balance paid at termination of employment
  - **401(k)** – corporate employers – voluntary employee contributions, employer match, profit sharing
  - **401(a)** – all types of employers – fixed required employer and employee contributions
  - **403(b)** – healthcare, education – typically fixed required employer and employee contributions
  - **457** – governmental employers – voluntary employee contributions, employer match
- **Defined Benefit (DB)** monthly benefits paid for retiree's lifetime
  - **Final Average Pay** e.g., 2% x average pay x years of service
  - **Career Average Pay** e.g., 2% x total pay received during entire career
  - **Flat Benefit** e.g., $20 x years of service
  - **Cash Balance** hypothetical lump sum account that grows with pay credits and interest credits
- **Other Post-Employment Benefit Plans (OPEB)**
  - Retiree medical, dental, life insurance

Traditional Defined Benefit Plans

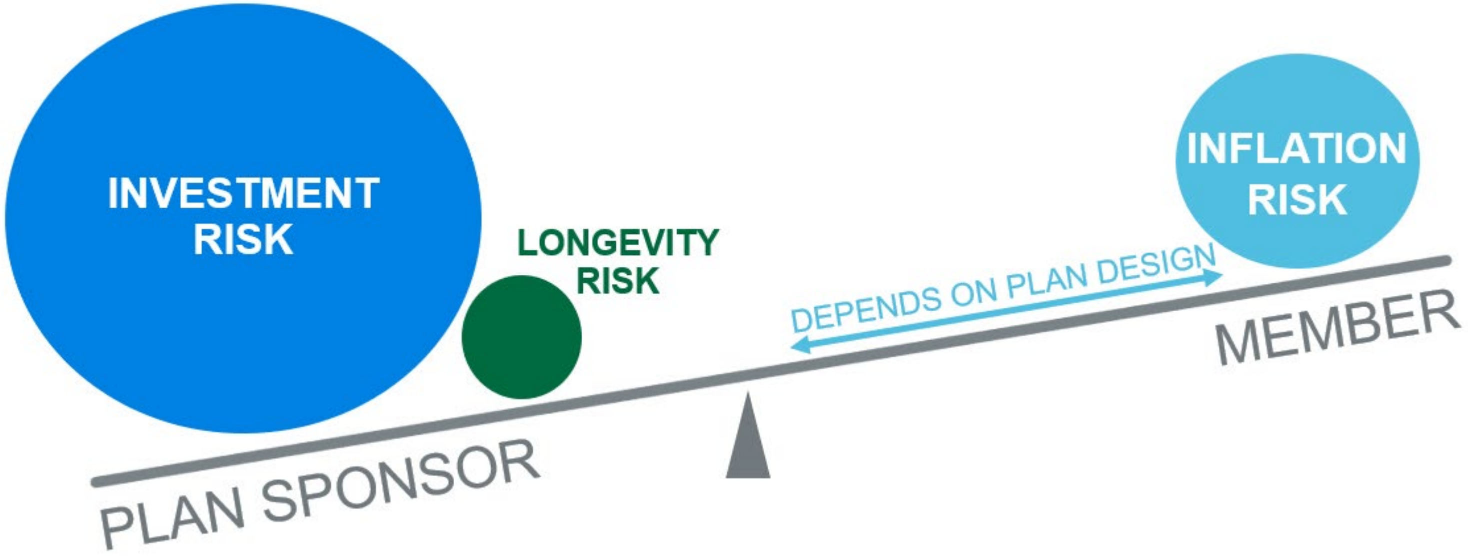


Traditional Defined Contribution Plans



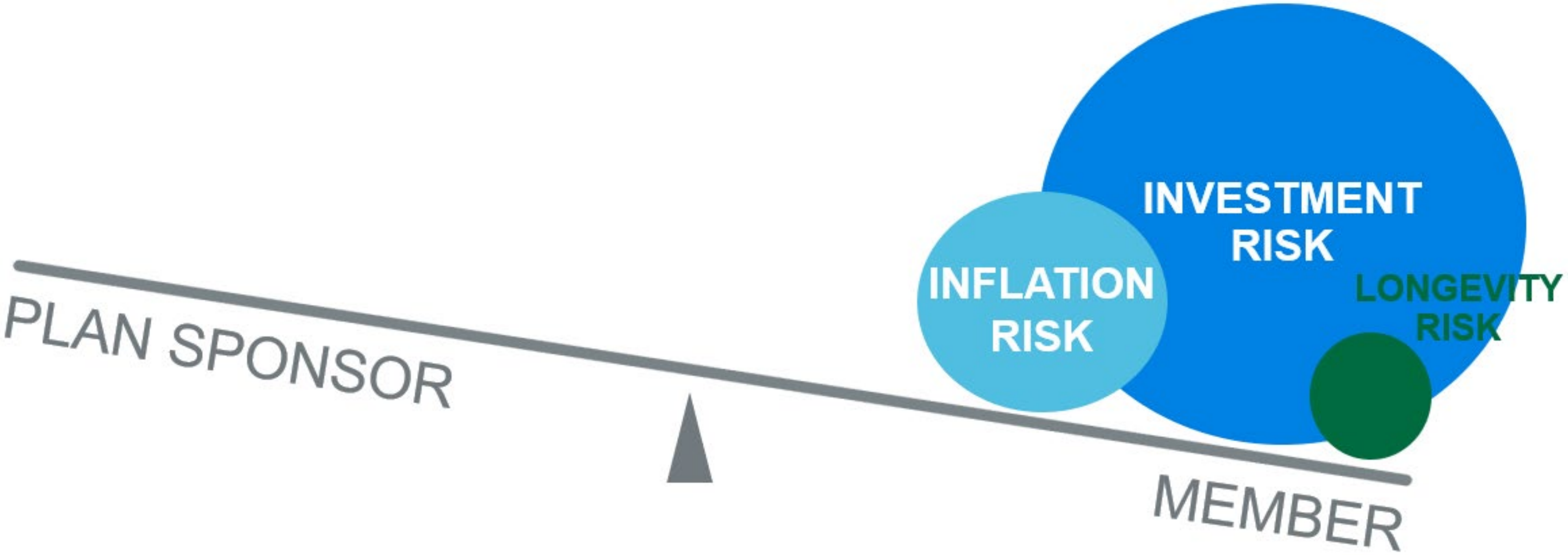
Hybrid Approaches Gaining In Popularity

Traditional DB plan



plus

Traditional DC plan



Desirable Features of a Governmental Retirement Plan

Financial considerations	Stable, predictable employer contributions Intergenerational taxpayer equity Efficient use of taxpayer money
HR considerations	Supports recruiting and retention goals Fosters predictable retirement patterns Easy for members to understand / anticipate retirement income
Employee considerations	Lifetime income Inflation protection No possibility of benefit decreases

Predominant Public DB Plan Type: Final Average Pay

Benefit = **2%** x **average pay** x **years of service**

- Referred to as the **benefit multiplier**
- There might be different multipliers that apply to different periods of service
- Typically the **salary averaging period** is either the final 3-5 years of employment or the highest 3-5 years of employment
- **Pensionable earnings** might be base salary or total gross wages or somewhere in between; there are IRS caps
- There are many different ways to determine **service** for pension purposes
- There might be a **cap** on the amount of service
- There might be a cap on the total monthly benefit, as well as an IRS cap

Key Benefit Provisions

- DB plans
  - → Benefit multiplier
  - → Eligibility for unreduced service pension [e.g., age 65; age 55 with 30 years of service]
  - → Pensionable earnings
  - → Employee contribution rate
  - → Cost of living adjustments (“COLA”)
- OPEB plans
  - → Premium sharing
  - → How long do benefits last?
  - → Is retiree’s cost fixed based on premiums at retirement or floating as premiums change?
  - → How much coverage is available for spouses / dependents?

DB / OPEB Plan Terminology

- Open vs. Closed Plans

  Open: all employees participate and accrue benefits in the plan

  Closed / Soft Frozen: no new employees enter the plan, but employees who are already in the plan continue to earn benefits

  Hard Frozen: no new employees enter the plan **and** employees who are already in the plan will not earn any more benefits

- Types of Plan Members

  Active: an employee who is currently working for the plan sponsor and earning benefits

  Terminated / deferred / inactive: a former employee who is entitled to receive benefits in the future, but has not yet started receiving their benefits

  Retiree / in pay status: a former employee who has retired and is currently receiving benefits

Fundamental DB / OPEB Funding Formula

Benefits Paid + Expenses Paid = Contributions + Investment Income

Lower investment income means higher contributions will be needed to pay for the benefits and expenses, and vice versa

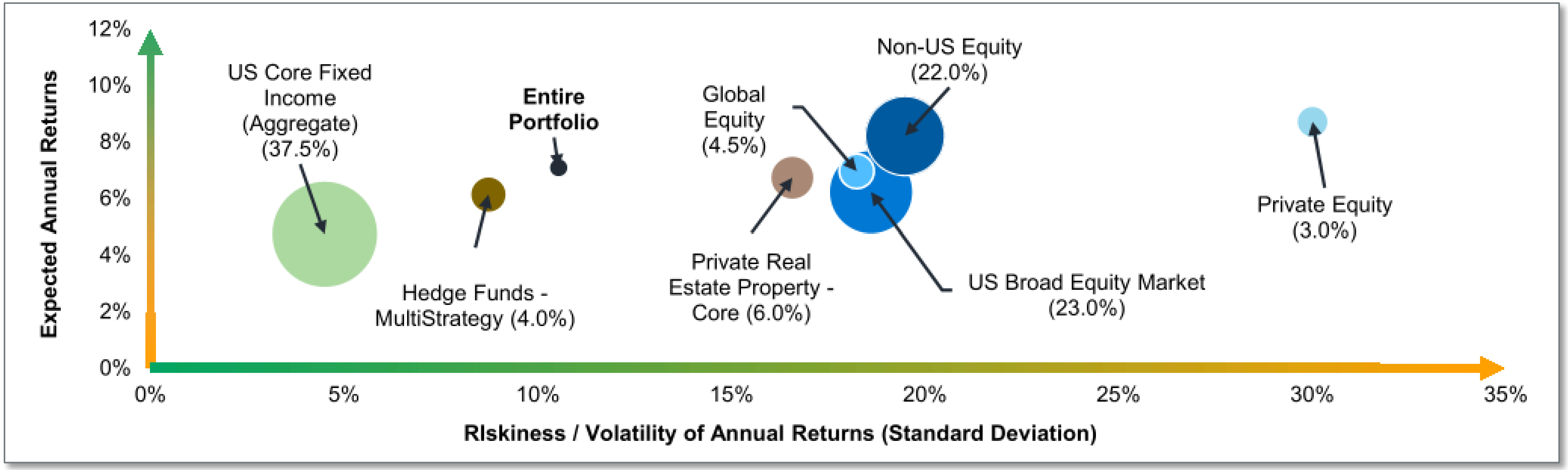
Actuarial Valuations

- Conducted annually or biennially
- Update plan's **liability** = the value today of benefits that will be paid in the future
  1. Collect **census data** for all members in the plan on the valuation date
  2. Calculate the **benefits expected to be paid** to each member
     - How likely is it that the member will continue to work and qualify for benefits?
     - When will benefits start being paid?
     - How much will the benefits be?
     - How long will the member receive the benefits?
  3. **Discount** the expected benefit payments from the payment date back to the valuation date
- Compare the plan's liability to the plan's current **assets**
- Determine the amount of contributions from the plan sponsor that are needed to bring the plan to a fully funded position within a reasonable period of time

Key Actuarial Assumptions

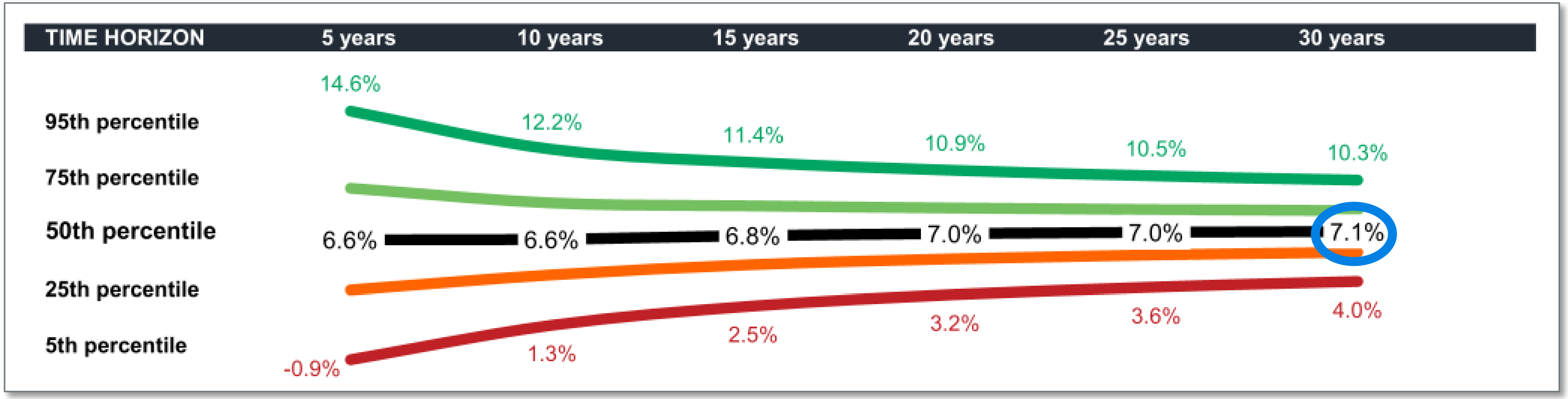
Demographic	Economic	OPEB
Turnover – how likely is it that an individual will remain employed long enough to qualify for a benefit? **Disability** – what is the probability an employee will become disabled? **Retirement** – when will the employee stop working and start collecting benefits? **Mortality** – how long will the retiree live and collect benefits?	**Pay Increases** – how much will the employee's pay go up between now and when they terminate employment? **Inflation** – will the retiree's monthly benefit increase over time? **Interest Rate** – how much are the future benefit payments worth in today's dollars? how much income are the plan's assets expected to generate?	**Trend** – how much will medical / dental costs go up over time? **Age Curve** – how do medical / dental costs vary by plan, age, gender, employees vs. spouses? **Election** – how likely is it that a retiring employee will choose to continue coverage for self? for spouse / dependents? **Non-Medicare-Eligibles** – what proportion of future retirees will **not** be covered by Medicare?

Setting the Interest Rate Assumption



The specifics of each plan's target asset allocation…

… drive what we expect the long-term returns will be



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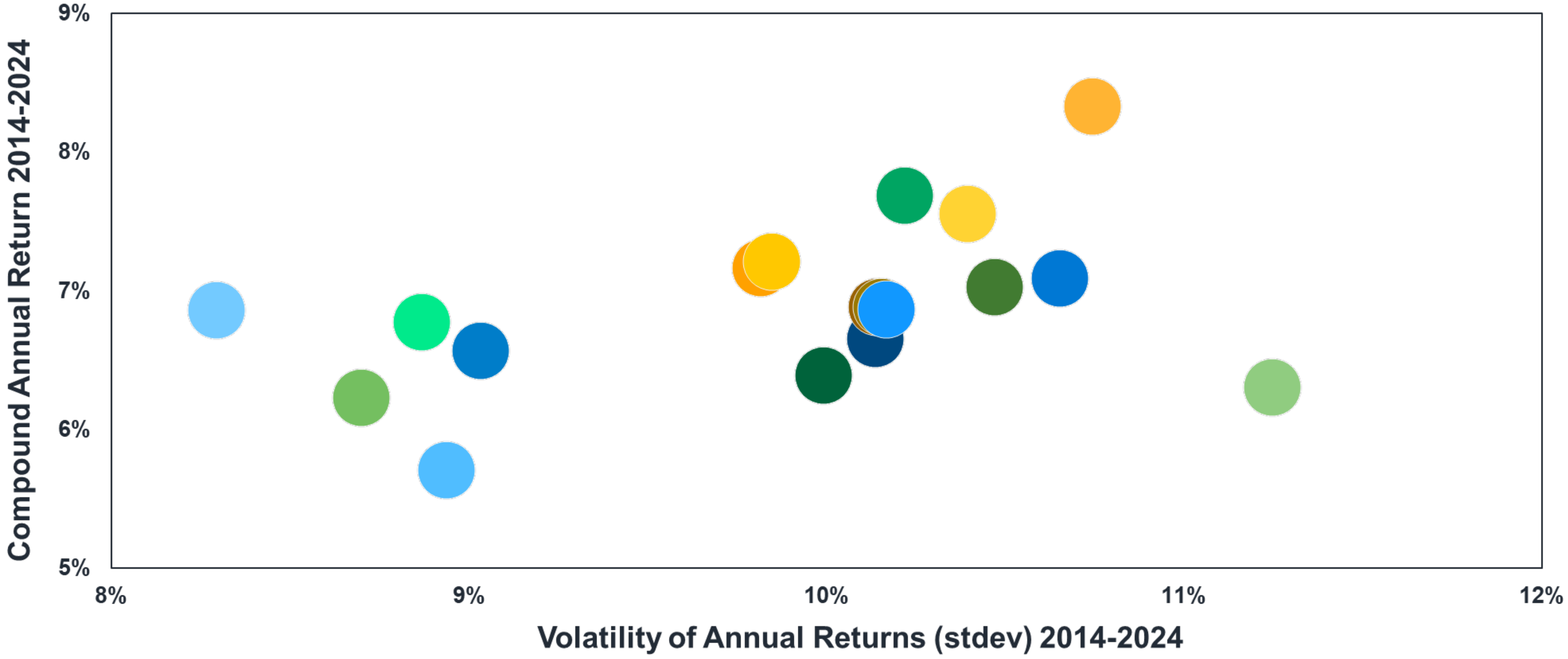
Investment Volatility: 18 Large CT Municipal Plans



Source: Comprehensive Annual Financial Reports filed with the CT Office of Policy and Management.
Compounded returns and volatility of returns for 2014-2024 were calculated by Milliman.

Asset Smoothing: Actuarial Value of Assets

- Markets are volatile, so the plan's assets will move around a lot
- Municipal budgets cannot easily deal with large swings in the annual contribution
- Asset smoothing dampens the impact of market volatility
- Asset smoothing period is typically 4-5 years
- Result is sometimes constrained to within +/- some percentage of Market Value

1.	Expected Market Value of Assets:	
	a. Market Value of Assets as of July 1, 2023	$101,898,472
	b. Town Contributions and Member Contributions	1,841,618
	c. Benefit Payments and Administrative Expenses	(4,669,672)
	d. Expected Earnings Based on 6.125% Interest	6,154,755
	e. Expected Market Value of Assets as of July 1, 2024	105,225,173
2.	Actual Market Value of Assets as of July 1, 2024	108,449,762
3.	Market Value (Gain)/Loss: (1e) - (2)	(3,224,589)
4.	Delayed Recognition of Market (Gains)/Losses	

Plan Year End	(Gain)/Loss	Percent Not Recognized	Amount Not Recognized
06/30/2024	($3,224,589)	80%	($2,579,671)
06/30/2023	(3,665,032)	60%	(2,199,019)
06/30/2022	17,658,284	40%	7,063,314
06/30/2021	(19,534,729)	20%	(3,906,946)
			(1,622,322)

5.	Actuarial Value of Assets as of July 1, 2024: (2) + (4)	106,827,440

Actuarially Determined Contribution

1 **Normal Cost / Service Cost**

- Cost of benefits that will be earned this year by active members
- Offset by contributions expected to be made by active members
- Often includes an estimate of administrative expenses that are expected to be paid out of plan assets

2 **Past Service Cost / Amortization Payment**

- Annual payment to bring the plan to fully funded (assets = liabilities) within a specified period of years

3 **Interest / Timing Adjustment**

Actuarial Cost Method

- Allocates the cost of benefits being earned by an active member over their working lifetime
- Two main methods used by governmental plans
- **Entry Age Normal**
  - Allocates costs as a level percentage of earnings over working lifetime
  - Required for financial reporting [GASB 67/68, GASB 74/75]
  - Used to determine funding amounts by about 80% of governmental DB plans
  - Provides stable contribution patterns
- **Projected Unit Credit**
  - Allocates costs evenly over years in working lifetime
  - Costs can rise sharply towards the end of an employee’s career

Amortizing the Unfunded Accrued Liability

- Amortization Period
- Amortization Method

  Open: same amortization period used every year

  Closed: amortization period goes down by 1 year every year

  Layered: a new amortization 'base' is established for any unexpected changes in the Unfunded Accrued Liability that occurred since the last valuation

- Amortization Growth Rate

  Level dollar: amortization payment is the same every year

  Level percent: amortization payment increases by a specified % every year

In determining the Past Service Cost, the Unfunded Accrued Liability is amortized as a level percent over a closed 20 year period starting on July 1, 2020.

		July 1, 2023	July 1, 2024
1.	Accrued Liability		
	Active Members	$9,621,825	$8,534,663
	Terminated Members	783,426	918,740
	Service Retirees	13,175,756	15,287,502
	Disabled Retirees	0	0
	Beneficiaries	777,972	868,951
	Total	24,358,979	25,609,856
2.	Actuarial Value of Assets (see Exhibit 2)	22,019,564	23,056,936
3.	Unfunded Accrued Liability: (1) - (2)	2,339,415	2,552,920
4.	Funded Ratio: (2) / (1)	90.4%	90.0%
5.	Amortization Period	17	16
6.	Amortization Growth Rate	3.50%	3.50%
7.	Past Service Cost: (3) amortized over (5)	171,272	195,986

Annual Financial Reporting

- Required disclosures in ACFR Notes and Required Supplementary Information
- GASB 67/68: DB and DC plans
- GASB 74/75: OPEB plans
- Disclosures also apply to benefits provided by third-party plans
  - **CT State Teachers Retirement System**
  - **CT Municipal Employees Retirement System**
- Some pension plans issue their own stand-alone ACFRs

NOTE 4 EMPLOYEE RETIREMENT PLAN (CONTINUED)

A. Pension Trust Fund (Continued)

Changes in the Net Pension Liability (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Town, calculated using the discount rate of 6.50%, as well as what the Town's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	One Percent Decrease (5.50%)	Current (6.50%)	One Percent Increase (7.50%)
General Government	$ 9,343,086	$ 13,930,593	$ 19,417,016
Police	10,048,789	6,597,935	3,721,626
Board of Education	17,066,628	12,792,182	9,126,982
Total	$ 36,458,503	$ 33,320,710	$ 32,265,624

RSI-4A

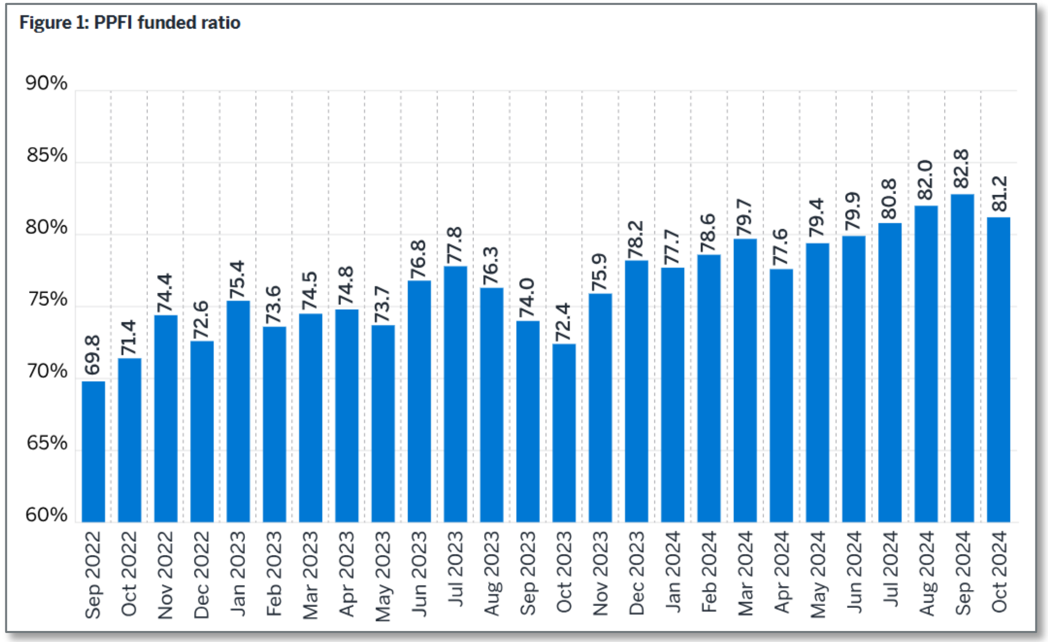
TOWN OF SIMSBURY, CONNECTICUT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
TOWN PENSION PLAN
LAST TEN FISCAL YEARS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability:										
Service Cost	$ 742,696	$ 770,819	$ 669,268	$ 700,538	$ 629,377	$ 673,731	$ 668,192	$ 651,746	$ 607,101	$ 605,889
Interest	2,613,253	2,555,101	2,364,718	2,205,899	2,156,775	2,070,339	1,939,574	1,864,604	1,793,949	1,718,093
Changes of Benefit Terms	-	-	-	-	-	-	291,643	-	(16,733)	-
Differences Between Expected and Actual Experience	(601,710)	167,817	(58,874)	1,599,221	206,134	269,122	509,974	(259,385)	99,498	(1,191)
Changes of Assumptions	444,070	510,795	2,635,850	-	815,182	-	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(2,466,612)	(2,216,848)	(2,139,369)	(2,104,246)	(1,917,120)	(1,557,045)	(1,536,992)	(1,296,608)	(1,321,430)	(1,157,072)
Net Change in Total Pension Liability	731,697	1,787,684	3,471,593	2,401,412	1,890,348	1,456,147	1,872,391	960,357	1,162,385	1,165,719
Total Pension Liability - Beginning	40,675,086	38,887,402	35,415,809	33,014,397	31,124,049	29,667,902	27,795,511	26,835,154	25,672,769	24,507,050
Total Pension Liability - Ending	41,406,783	40,675,086	38,887,402	35,415,809	33,014,397	31,124,049	29,667,902	27,795,511	26,835,154	25,672,769
Plan Fiduciary Net Position:										
Contributions - Employer	1,450,539	1,390,773	1,272,157	1,031,101	950,965	920,889	877,664	1,023,393	1,013,590	985,741
Contributions - Member	413,923	337,794	296,132	326,518	365,409	302,656	295,408	445,994	223,536	175,834
Net Investment Income	1,826,691	(3,535,516)	6,057,599	755,523	1,183,630	1,491,838	2,563,793	(20,390)	417,241	2,628,574
Benefit Payments	(2,466,612)	(2,216,848)	(2,139,369)	(2,104,246)	(1,917,120)	(1,557,045)	(1,536,992)	(1,296,608)	(1,321,430)	(1,105,875)
Refunds of Member Contributions	-	-	-	-	-	-	-	-	-	(51,197)
Administrative Expense	(46,907)	(39,567)	(39,320)	(49,745)	(58,623)	(22,443)	(34,812)	(37,476)	(35,251)	(32,427)
Net Change in Plan Fiduciary Net Position	1,177,634	(4,063,364)	5,447,199	(40,849)	524,261	1,135,895	2,165,061	114,913	297,686	2,600,650
Plan Fiduciary Net Position - Beginning	26,298,556	30,361,920	24,914,721	24,955,570	24,431,309	23,295,414	21,130,353	21,015,440	20,717,754	18,117,104
Plan Fiduciary Net Position - Ending	27,476,190	26,298,556	30,361,920	24,914,721	24,955,570	24,431,309	23,295,414	21,130,353	21,015,440	20,717,754
Town's Net Pension Liability - Ending	$ 13,930,593	$ 14,376,530	$ 8,525,482	$ 10,501,088	$ 8,058,827	$ 6,692,740	$ 6,372,488	$ 6,665,158	$ 5,819,714	$ 4,955,015
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.36%	64.66%	78.08%	70.35%	75.59%	78.50%	78.52%	76.02%	78.31%	80.70%
Covered Payroll	$ 6,745,332	$ 6,597,800	$ 6,859,123	$ 6,832,071	$ 7,110,117	$ 7,124,309	$ 6,870,896	$ 6,476,467	$ 6,477,000	$ 6,491,000
Town's Net Pension Liability as a Percentage of Covered Payroll	206.52%	217.90%	124.29%	153.70%	113.34%	93.94%	92.75%	102.91%	89.85%	76.34%

Funded Levels

Funded ratios are volatile in the short term because plan assets move in response to changes in market conditions

Over the longer term, funded ratios have not improved significantly despite continued infusions of contributions from plan sponsors and plan members



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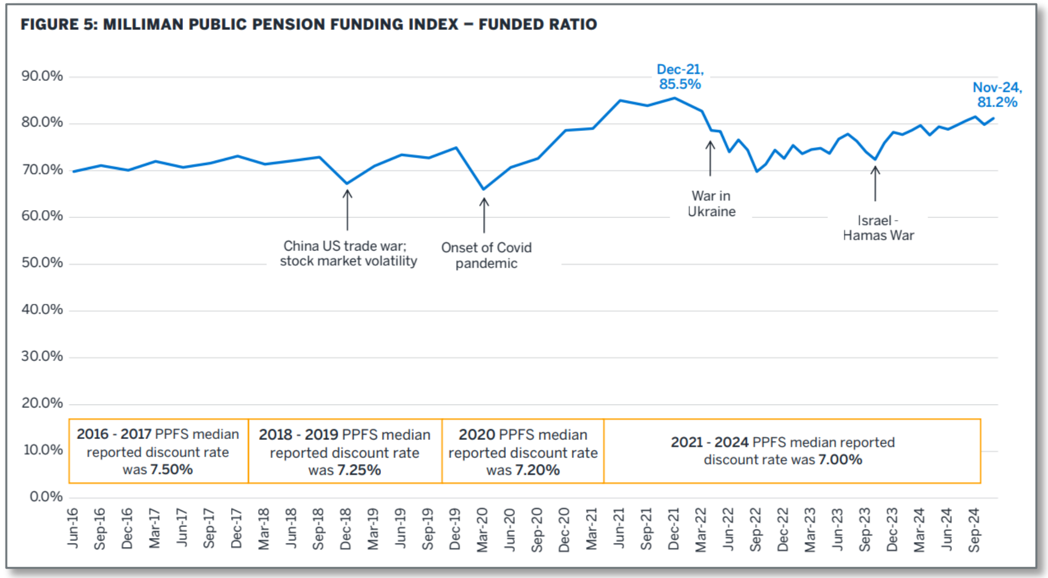

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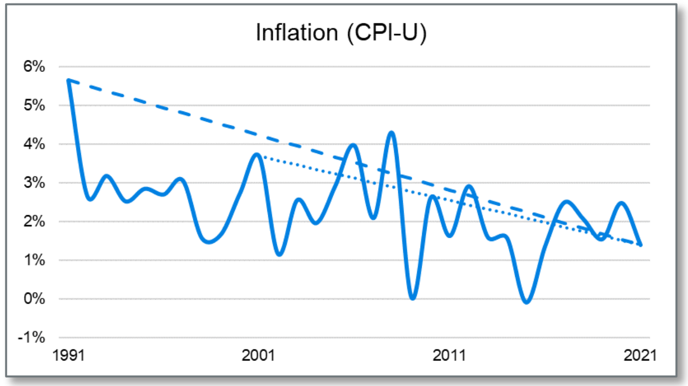
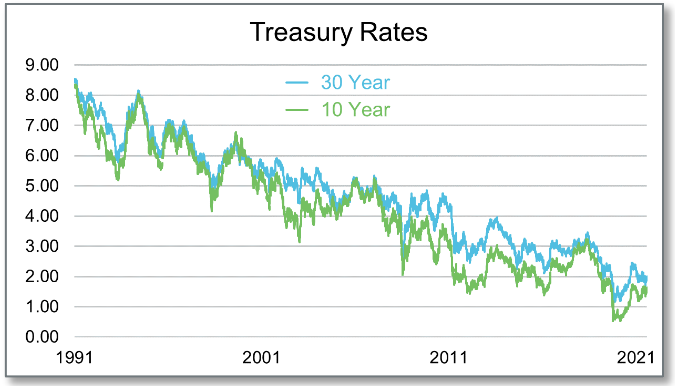
Significant Headwinds For Pension Funded Levels

Two Decades of Declines in Inflation and Market Interest Rates



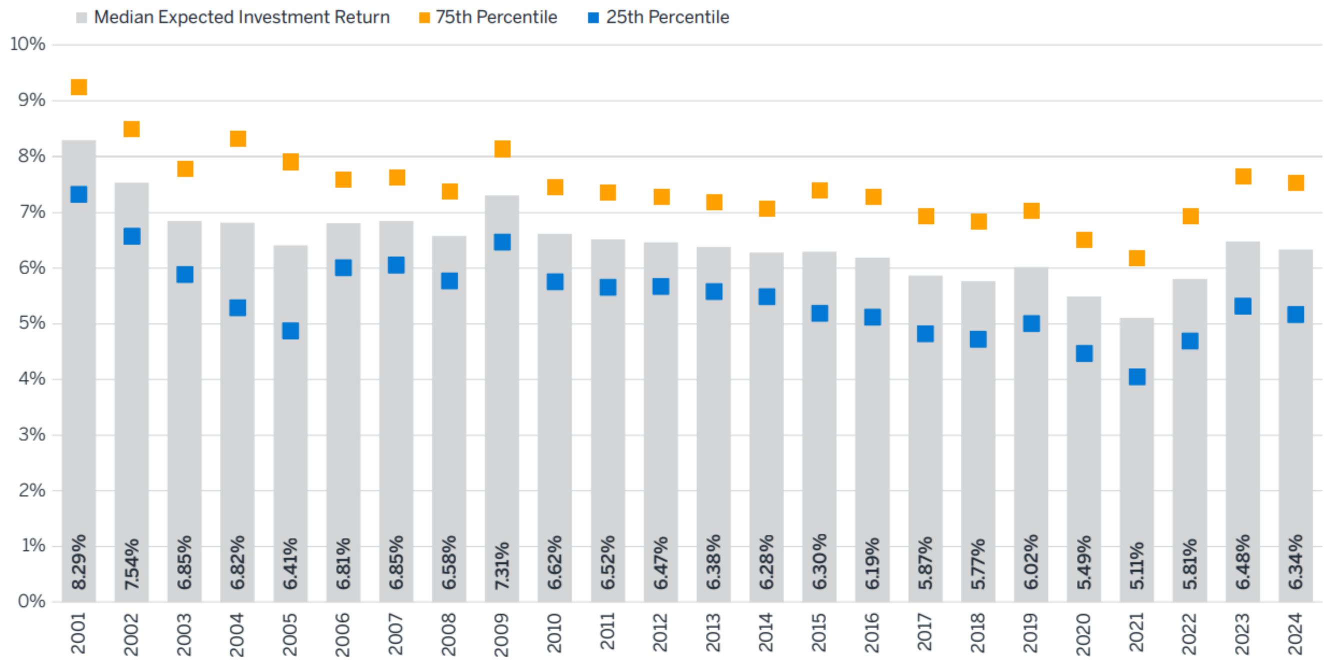
https://www.bls.gov/cpi/



https://fred.stlouisfed.org/series/DGS10 and DGS30

Result: Two Decades of Declining Interest Rate Assumptions for Governmental Pension Plans

FIGURE 16: EXPECTED 30-YEAR COMPOUNDED ANNUAL RETURN FOR A HYPOTHETICAL ASSET ALLOCATION BASED ON MILLIMAN'S CAPITAL MARKET ASSUMPTIONS



Note: Hypothetical asset allocation consists of 35% broad U.S. equities, 15% developed foreign equities, 25% core fixed income, 5% high-yield bonds, 10% mortgages, 5% real estate, and 5% short-term investments; the inflation assumption is fixed at 2.5% for all years.

milliman.com/en/retirement-and-benefits/pension-funding-studies/public-pension-funding-study

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Thank you

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FIDUCIENT
Advisors

Helping Clients Prosper

Governance & Committee Best Practices for Stewards of Public Fund Assets

November 2025

Presenters

Christopher Kachmar, CFA, *Partner, Chief Market Strategist*

- 25+ years industry experience
- Responsible for guiding the firm’s investment strategies as well as working with corporate, nonprofit and government clients
- Chairs the firm’s Discretionary Committee, Member of the firm’s Investment Committee and Capital Markets Team
- Boston University, BS, William E. Simon Graduate School of Business Administration at the University of Rochester, MBA
- CFA® charterholder and member of the CFA Institute and Hartford CFA Society
- Email – ckachmar@fiducient.com

Scott Boulton, *Principal, Senior Consultant*

- 14 years of industry experience
- Services institutional clients by providing counsel and guidance on fund menu design, manager selection, vendor due diligence, investment policy statements and performance monitoring
- Member of the firm’s Defined Contribution Business Council
- Board Member and Treasurer for Mental Health Connecticut, Inc.
- University of Northern Colorado, BSBA
- Email – sboulton@fiducient.com

Fiducient Advisors

Partnering with Public Plans for 30 Years

Fiducient Advisors

200+ Associates

31% Investment Consultants
38% Research & Analytics
18% Operations & Compliance
13% Client Service

Firm Assets

$330+ billion

Business Lines

Defined Contribution
Defined Benefit
Financial Institutions

Endowments & Foundations
Private Clients

Associate Ownership

40 Partners
>18% of firm Associates have ownership

As of June 30, 2024, percentages are approximate. There may be overlap in responsibilities of some research professionals.

Trusted Advisor to Public Plans

Size & Knowledge

Trusted advisor to corporate and public pension plans and over $19 billion in assets.

30 Years of Public Pension Experience

Serve 50+ municipalities across over 120 plans with $11 billion in assets.

Investment Depth

40+ Professionals providing thoughtful, practical and actionable research.

Fiduciary Trail®

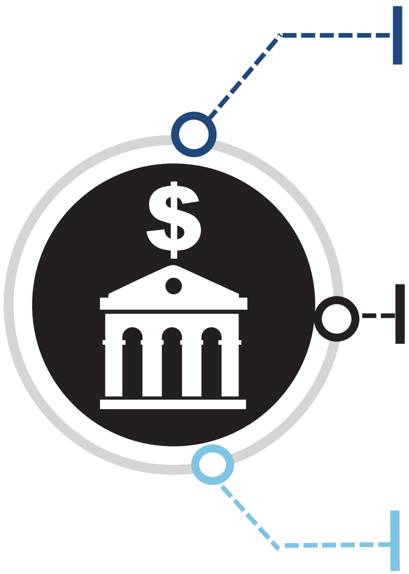
Provides a structured and well-documented process to ensure a sound governance practice

Service Excellence

A dedicated and tenured team providing proactive solutions.

All information as of June 30, 2022.

Public Fund Industry Experience*



Significant and Longstanding Presence Providing Advice to Public Funds

Active in numerous organizations dedicated to educating and assisting fiduciaries and decision makers

- *Connecticut Government Finance Officers Association (GFOA)*
- *Connecticut Council of Small Towns (COST)*
- *Connecticut Public Pension Forum (CPPF) – founding member*
- *Mass Association of Contributory Retirement Systems (MACRS)*
- *Government Finance Officers Association (GFOA) of Pennsylvania*
- *Pennsylvania Association of Public Employee Retirement Systems (PAPERS)*

Frequent speakers at national and local conferences on investing and fiduciary oversight for public pensions

- *CPPF Webinar on POB's and COVID Implications*
- *Opal Financial Group's Annual Public Funds Summit East*
- *Pennsylvania Assoc. of Public Employee Retirement Systems Fall Workshop*
- *New England States GFOA Training Seminar*
- *MACRS Fall Conference*

Strive to look beyond the merely routine issues associated with public retirement systems

- *Assist municipalities with the establishment of and the appropriate investment of proceeds from pension obligation bonds (POBs)*
- *Develop investment strategies for municipalities with reserve pools*
- *Assist municipalities in the creation of asset allocation strategies and portfolio design for newly established Other Post Retirement Benefits (OPEB) Trusts*

**Industry presence gained through Fiduciary Investment Advisors, a wholly owned affiliate, which combined with Fiducient Advisors in 2020.*

Governance & Committee Best Practices for Public Plans

Governance & Oversight

Public fund fiduciaries shoulder a significant responsibility in managing and overseeing the assets entrusted to them by the public

- While governmental plans **are not subject to Title I of ERISA**, which deals with fiduciary duties, they are however subject to **applicable provisions in the Internal Revenue Code ("Code") and state laws.**
- Legislative history suggests that the satisfaction of ERISA rules would be sufficient to satisfy the Code requirements … **"Spirit of ERISA"**
- The "exclusive benefit rule" under IRC Section 401(a)(2) has been interpreted to mean **exercise of prudence i**n the investment of plan assets is a requirement.
- Many states, like CT, have adopted "prudent investor" language, which includes many of the basic ERISA fiduciary principles (including duty of loyalty, duty of prudence, duty to diversify).
- The **Connecticut Uniform Prudent Investor Act** is a law that establishes standards for how trustees should manage trust assets. It requires trustees to act in the best interests of the beneficiaries and exercise reasonable care, skill, and caution.

"Five Key Duties"

Duty of Loyalty:
Act exclusively in the interest of plan participants and beneficiaries

Duty of Prudence:
Act in accordance with the "prudent expert rule"

Duty to Diversify Investments:
Diversify the portfolio options to balance risk

Duty to Follow Plan Documents:
Follow the plan provisions and policies governing the plan

Duty to Avoid Prohibited Transactions:
Ensure legal and appropriate transactions and be free from conflict

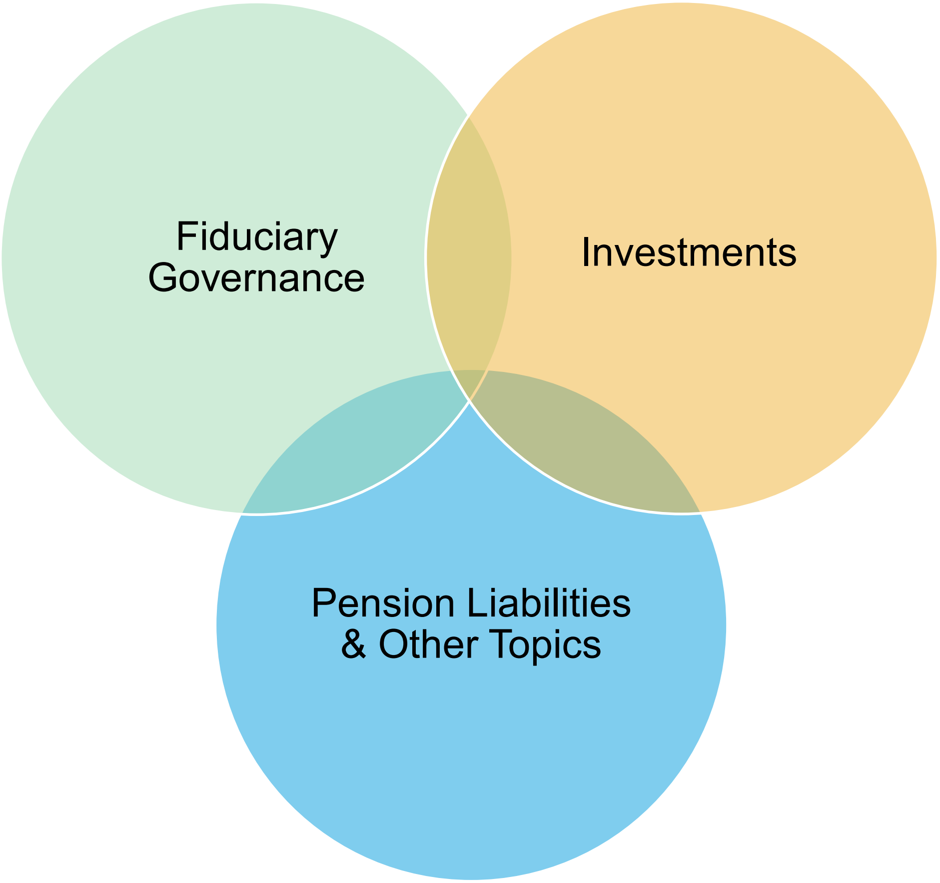
Board Educational Support

Training & Education to Assist Board Members in Making Informed Decisions

Fiduciary Governance
A thorough discussion regarding your role and responsibilities, and embracing Committee Best Practices, as a fiduciary to public fund assets.

Investments
In-depth reviews of global capital markets and specific asset classes, the concept of diversification and asset allocation, and the various types of strategies that may be used by investment managers.

Pension Liabilities & Other Topics
Understanding key concepts and assumptions that drive pension liability valuations and contribution volatility, and other topics of interest to a governing body



Governance & Committee Best Practices

Ensuring Effective Governance & Oversight

- **Public pension committees** play a critical role in safeguarding the retirement benefits of public employees and effective governance and oversight are essential for ensuring the long-term sustainability of these funds.

- **Maintaining transparency** and accountability is fundamental to building trust with stakeholders. Committees should ensure that decisions are well-documented and communicated to all relevant parties (e.g., Board of Finance; Board of Selectman; Freedom of Information (FoI) inquiries).

- A comprehensive **governance policy** should outline the committee's mission, values, and principles. This policy should be revisited and updated regularly to reflect changing circumstances and best practices across public plans.

- Regular **public disclosures** of financial performance, investment strategies, and governance practices are recommended to keep stakeholders informed.

- **Continuous education** is crucial for committee members to stay informed about industry trends, regulatory changes, and best practices. Regular training sessions, workshops, and conferences can help members enhance their skills and knowledge.

- Effective **succession planning** ensures the continuity and stability of the committee. This includes identifying and mentoring potential new members, as well as establishing a process for the orderly transition of roles and responsibilities.

Committee/Board Best Practices

Structure/Makeup

- **Leadership**
  - Effective leader with the ability to see the big picture and set the direction to achieve objectives – seeks input from other board members.
  - Ideally, experience with pension benefits, investments, finance, actuarial science, etc., or perhaps has other leadership roles along the lines of board chair, etc.,
- **Committee/Board Makeup**
  - ✓ A mix of skills, experience, and perspectives fosters lively discussion and varied points of view.
  - ✓ Controlled turnover leads to well-informed Committee/Board members and preserves institutional memory.
  - ✓ Large enough to promote meaningful discussion/debate, but small enough to reach consensus.

Governance

- **Meeting Frequency/Attendance**
  - ✓ Meetings must be frequent enough for the Committee/Board to fulfill its duties, not so frequent as to discourage attendance.
  - ✓ Meeting attendance is expected, member participation during a meeting should be encouraged.
- **Meeting Preparation**
  - ✓ Use of a formal agenda leads to a structured, efficient meeting.
  - ✓ Materials should be sent in advance and reviewed by all members prior to the meeting.
- **Governance Checklist**
  - ✓ Ensures that fiduciary responsibilities/obligations are reviewed on a regular basis.
  - ✓ Allows for a structured long-term approach in the face of potential short-term “fire drills”.

Documentation

- **Investment Policy Statement**
  - ✓ Serves as the Committee’s/Board’s blueprint for the management of the investment pool.
  - ✓ Outlines roles and responsibilities of the Committee/Board members and other parties.
  - ✓ Establishes framework for asset classes; asset allocation ranges; investment performance evaluation criteria; hiring/terminating managers.
- **Meeting Minutes**
  - ✓ Should be scribed and ultimately reviewed and approved by all Committee/Board members at each meeting.
  - ✓ Provide historical context for why/how decisions were made and educate newer members on past decisions.
- **Properly Safekeep Meeting Materials**
  - ✓ Materials, including minutes, should be safekept and made available upon inquiry.

Fiduciary Governance Calendar

The fiduciary governance calendar is designed to create a disciplined framework around governance, which helps ensure that the plan sponsor is informed on key aspects of the pension or OPEB portfolio.

Q1
Governance

- **Investment Review**
- **Investment Policy Statement (IPS) Review**
- **Fiduciary Training**

Q2
Fee Focus

- **Investment Review**
- **Portfolio Expense and Liquidity Review***

Q3
Municipal Landscape

- **Investment Review**
- **Municipal Landscape Update**
- **Actuarial Education / Annual Valuation Report**

Q4
Asset Allocation Focus

- **Investment Review**
- **Capital Markets Assumptions**
- **Asset Allocation Analysis**

Fiduciary Trail® Fiduciary Lockbox®

*Liquidity analysis is provided only for portfolios with marketable alternatives and/or private equity.

Public Defined Contribution Plans

Establishing A Governance Practice

Governance & Committee Best Practices

Ensuring Effective Governance & Oversight – Defined Contribution Plans

- **A participant directed defined contribution plan** is the primary retirement vehicle option for many public employees
- Public defined contribution plans **have grown in size** (participant count and assets) over the years
- Unlike the legacy pension plan which has a governing body (pension committee/board) the defined contribution plan tends to reside **under the purview** of the municipality's human resources area or the finance director.
- Some municipalities have **multiple defined contribution recordkeepers** (vendors) servicing the 401a or the 457 plan which can add to administrative complexity, confusion, and higher costs.
- Unlike the pension plan, participants in a defined contribution plan **are tasked with investment decisions** and creating optimal asset allocation strategies based on their retirement goals and objectives.
- Public plan sponsors should be mindful of their **responsibilities** tasked with overseeing the defined contribution plans.
- Public plan sponsors should consider establishing a **due diligence process** around fund menu design; recordkeeping fees; investment fund performance and participant education

Fiduciary Best Practices Review

Governance Related

- Consider establishing a governing body/committee for the defined contribution program.
- Periodically review all governance documents, plan documents/amendments, and summary plan description (SPD).
- Consider insurance coverages that may help protect plan fiduciaries (e.g. *Fiduciary Liability Insurance*).

Participant Related

- Evaluate fund menu design and benchmarking fund performance.
- Evaluate participant education (on-site sessions) and advice services.
- Discuss plan design features that may benefit participant retirement readiness.
- Periodically ensure that all eligible employees have the opportunity to elect deferrals, and deferrals are limited to 402(g) limits and deposited in a timely manner.
- Periodically review the plan's procedures for locating lost participants.

Plan Related

- Periodically evaluate Plan Recordkeeper(s) – are they still the right fit for your organization?
- At least annually, review and document all plan related fees to ensure reasonableness.
- Ensure that all required plan related disclosures are sent to participants.
- Periodically review all service provider cybersecurity protocols.