

Federal Update 2005-14

May 5, 2005

TO: NCTR Membership

FROM: Cindie Moore, Washington Counsel

RE: Victory! West Virginia Closes DC Plan to New Hires as of July 1, 2005

In a tremendous victory for defined benefit proponents, West Virginia has closed its teachers' defined contribution plan (the DC plan) to **new hires**. Anyone hired on or after July 1, 2005 joins the teachers' defined benefit plan (the DB plan). The total closure of the DC plan to **existing participants** may occur in the future. If the requisite number of participants so approve, the DC plan will merge into the DB plan in Spring 2006 and its participants will join the DB plan. If an insufficient number approve, the DC plan stays in existence. The provisions are part of HB 2984, a massive pension bill.

West Virginia closed its DB plan to anyone hired on or after July 1, 1991. Anyone hired on or after that date participates in the DC plan. West Virginia is the only state to create a mandatory statewide DC plan for teachers (although a very few statewide mandatory DC plans exist for other types of employees). In other states with DC plans, teachers (and other employees, if applicable) have the option whether to participate.

The key provisions of the bill follow:

- Closure of DC Plan to New Hires: The DC plan is closed to new members hired for the first time on or after July 1, 2005. The new hires become members of the DB plan. If a merger of the DB and DC plans takes place, all employees will become members of the DB plan effective July 1, 2006.
- Merger of DB and DC Plans: Existing DC plan members decide whether their plan should continue. If at least 50% of the members vote in favor of the merger during the election specified in HB 2984, the DC plan ends and the members go into the DB plan. If fewer than 50% approve, the DC plan continues.
- Education Program: The Consolidated Public Retirement Board (CPRB), which administers the DB plan, DC plan, and other plans in the state, must begin an educational program for existing DC plan members no later than August 1, 2005. The education program must include information such as the potential advantages and potential disadvantages of remaining in the DC plan or transferring to the DB plan.

- Election: The election may be held by certified mail and begins no later than March 1, 2006 and ends March 12, 2006. CPRB must certify the result to the Governor, Legislature, and DC plan members no later than April 5, 2006.