**Discussion of Retirement Plan Models**

**City of Burlington Retirement Committee**

**Prepared by Keith Brainard**

**July 2014**

**Model: Champlain College**

**Discussion**

According to a representative of the Champlain College human resources office, in June 2006, the college closed its defined benefit plan, freezing benefit accruals for plan participants and closing the plan to new hires. The college sold the plan’s assets and liabilities to an insurance company, who accepted responsibility for paying the plan’s liabilities.

Defined benefit plan participants who were at least age 35 with 5 years of service were permitted to keep their pension benefits. Members of that group also qualify for a *discretionary supplemental contribution*, to compensate (at least partly) for the loss of benefits resulting from the closure of the pension plan. The amount of the supplemental contribution is based on an actuarial chart (which I do not have) that pays higher amounts to older workers and those with more years of service in the plan.

The retirement plan in place for Champlain College workers since the pension plan was closed is a defined contribution plan. The employer matches employee contributions on a two to one basis for employee contributions up to five percent of pay: employees who contribute five percent receive an employer contribution to their retirement account of ten percent. Contributions vest immediately.

Champlain College’s closure of its DB plan and its sale of its pension assets and liabilities is not unusual for organizations outside the public sector. The Washington Post last week ran a story on companies that have sold off their pension plan to insurance companies (please see accompanying article).

Because Champlain College is not a public entity, its retirement plan is governed by ERISA, the body of federal laws that regulate private sector retirement benefits. Among other provisions, ERISA prescribes how much employers who sponsor a pension plan must contribute to their plan. This requirement, which creates volatility and uncertainty of employer costs, has been identified as a leading cause of corporate decisions to abandon their pension plans in lieu of a defined contribution plan.