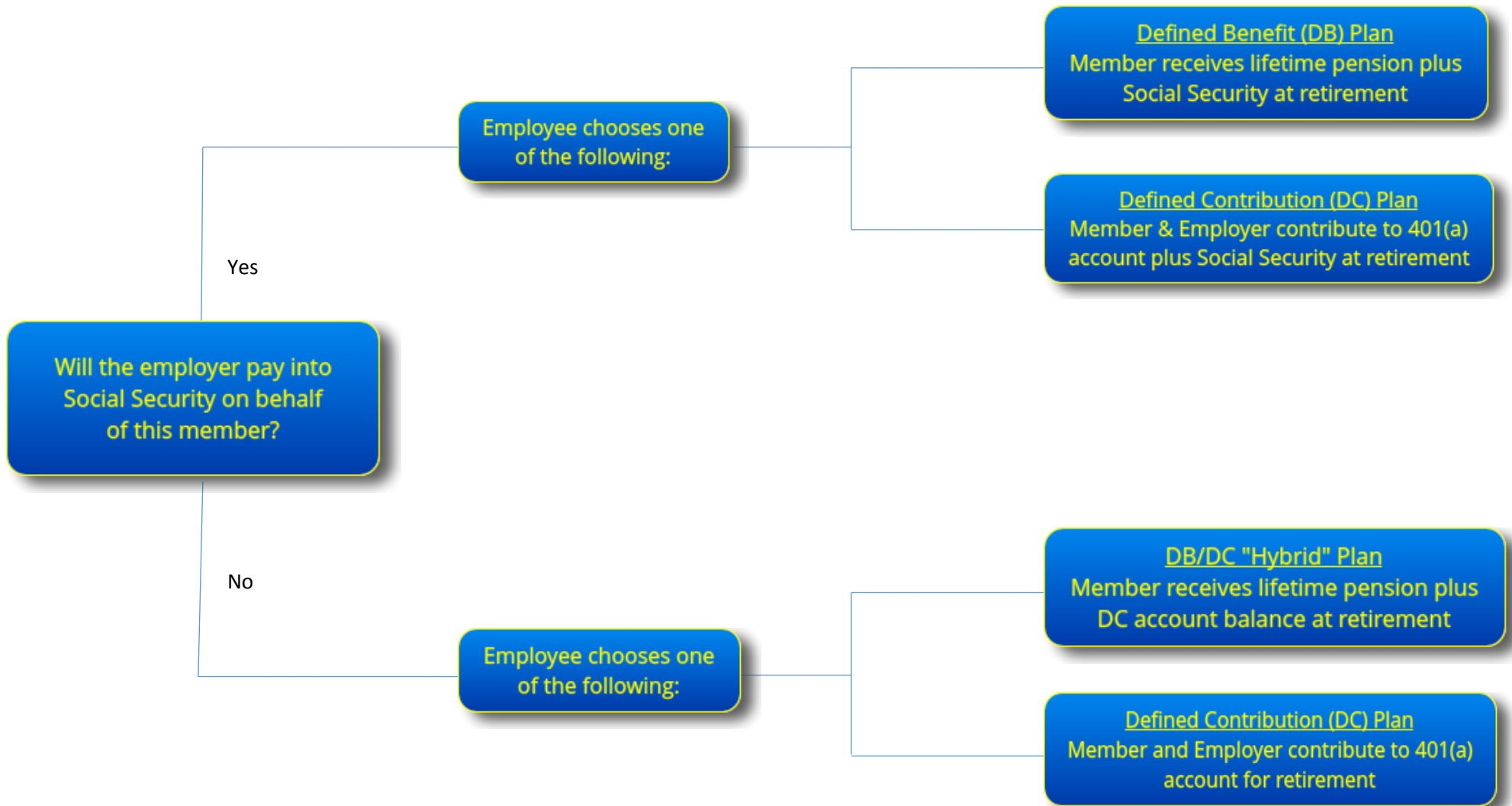


# PSPRS Tier 3 Member Benefit Options



## Explanation of Options

### **PSPRS Defined Benefit Plan (for Social Security-covered employees)**

This plan offers a lifetime monthly pension at retirement, and even provides for spouses if a member passes away. Benefits are calculated based on years of service and average salary. Members are able to retire as early as age 55 with 15 years of service and may be eligible for monthly disability benefits in the event of injury during active service. Members joining the DB Plan will pay a contribution rate that will be calculated annually by an actuary and will fluctuate from year to year. It may be as low as 7.3%, but it is more likely to remain between 9 – 11% of pay. While investments are handled by PSPRS in the DB Plan, member benefits are not dependent on investment performance. The DB Plan is a good choice for members who hope to remain in public service for at least 15 years and want to receive a monthly retirement benefit for life.

### **PSPRS Defined Contribution Plan (for both Social Security and non-Social Security employees)**

This plan works much like a 401(k) but is structured as a 401(a) qualified plan. Members who choose this option receive their own retirement account and select investments from a menu of options, including target date funds, index funds, mutual funds and bond funds. This plan is funded from an employee contribution of 9% of salary, matching employer contributions up to 9% and compounding investment returns. This plan does not offer a guaranteed outcome like a lifetime pension but does offer members a considerable employer match and the opportunity to manage their retirement funds with the guidance of qualified financial consultants (if requested).. Members who retire and have reached a minimum of 50 years of age may withdraw a lump sum equal to all contributions and investment earnings or “roll over” the balance to an IRA or purchase annuities. Members can also leave the money in the 401(a) to generate investment returns until the member reaches 70.5 years of age. DC Plan members earn a “vested” right to 10% of employer contributions each year and become fully vested in employer contributions after working in a PSPRS-covered position for 10 years. Members may be eligible for monthly disability benefits if injured during active service but this plan does not offer additional spousal benefits beyond the balance of the investment account. The DC Plan is a good choice for members who want to manage their retirement money and/or those who are unsure of or not planning to serve for at least 15 years.

### **PSPRS Hybrid Plan (for employees not covered by Social Security)**

This plan combines a lifetime pension with the added benefit of DC plan participation to offset members’ inability to collect Social Security during retirement. Under this plan, members contribute an adjustable percentage of their salary towards their pension plus a fixed 3% of their salary to a 401(a) retirement account. Members are entitled to matching employer contributions and are able to select investments under the guidance (if requested) of qualified financial consultants. Spousal and disability benefits are also available for Hybrid Plan members. Employees earn “vested” ownership of employer contributions at a rate of 10 % a year and are entitled to all employer contributions after 10 years in a PSPRS-covered position. The contribution rate for the DB Plan will be calculated annually by an actuary and is likely to remain between 9 – 11% of pay. This plan is a good choice for members who want the security of a pension and the ability to supplement their retirement through a 401(a) account.