

# PLANNING YOUR FUTURE

## CHOOSING YOUR RETIREMENT PLAN



Indiana State Teachers Association

<b>TRADITIONAL DEFINED BENEFIT HYBRID (DB/DC)</b>	<p>What is it? Hybrid plan using:</p> <ul style="list-style-type: none"> <li>• DB is a pension.</li> <li>• DC is an annuity.</li> </ul> <p>Eligibility includes regularly employed teachers in public school corporations.</p> <p>All eligible teachers may select this hybrid plan. If no selection is made, teacher will default into this program.</p>	<b>DEFINED CONTRIBUTION (DC) OR MY CHOICE PLAN</b>	<p>What is it? Operates similarly to a 401(k).</p> <p>Beginning in 2019 - 20 school year, new hires may select this plan.</p> <p>All newly-hired, eligible teachers have 60 days from the date of hire (which has been deemed by INPRS to be the contracted start date) to select DC-only plan.</p>
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**Review your options carefully, as your choice is irrevocable.**

PLAN COMPARISON	DB/DC	DC-ONLY/MY CHOICE PLAN
<b>BENEFITS</b>	<p>Plan combines a monthly pension (DB), using a formula of salary and years of service, plus an annuity (DC).</p> <p>Through collective bargaining, most local school districts pay the employee contribution.</p> <p>Provides a guaranteed monthly pension benefit for the duration of an INPRS member's life.</p>	<p>A participant in the DC-only plan may receive the qualifying vested amount upon retirement or employment termination.</p> <p>Through collective bargaining, most local school districts pay the employee contribution.</p> <p>Based solely on contributions made to the individual INPRS member's DC account and provides less financial security in retirement.</p>
<b>VESTING</b>	<p>Ten years of creditable service for DB.</p> <p>Immediate for DC.</p>	<p>Immediate vesting, but eligibility for full benefits is incremental over the first five years of creditable service before becoming fully receivable.</p>
<b>INVESTMENT OPTIONS</b>	<p>For DB plan, INPRS determines investment options. For DC, participants may choose from a variety of investment options.</p>	<p>Participants may choose from same investment options available to DC plan in DB/DC plan.</p>

PLAN COMPARISON	DB/DC	DC-ONLY/MY CHOICE PLAN
<p><b>PORTABILITY</b></p>	<p>Portable inside the state and outside of the state, once vested (10 years).</p> <p>If employee terminates employment before vesting, they may take the DC balance with them.</p> <p>If member terminates employment but returns to a participating employer, previous service is credited.</p>	<p>Portable and eligible to receive balance based on creditable service.</p>
<p><b>CONTRIBUTION RATES</b></p> <p><i>Through collective bargaining, most local school districts will pay the employee contribution in both plans.</i></p>	<p>Employer contributes 100 percent of DB benefit (currently 5.5 percent of gross wages). Employee must contribute 3 percent of gross wages into DC account.</p> <p>Employee may voluntarily contribute up to 10 percent of gross wages post-tax to DC account.</p>	<p>Employer contributes a percentage (currently 5.5 percent) of gross wages. Employee must contribute 3 percent of gross wages.</p> <p>Employee may voluntarily contribute up to 10 percent of gross wages post-tax.</p>

**CONSIDER THE FACTS**

ISTA opposed the creation of the DC-only plan, not because teachers shouldn't have options, but because this option will likely not yield in retirement comparable financial results after a full career of teaching in Indiana.

- The DB/DC hybrid plan shares the risk between employers and employees, where the DC-only plan shifts risk to employees and is vulnerable to market volatility.
- Pensions help recruit and retain committed educators. The DC-only plan does not incentivize teachers to remain in the profession, which means fewer, less experienced teachers in classrooms.
- DB plans outperform DC plans over a 20-year period (Center for American Progress) offering more stability and higher returns (National Institute of Retirement).

**For full information on retirement plans offered, visit [in.gov/inprs/teachers](http://in.gov/inprs/teachers).**

You know what's best for your career and retirement goals. ISTA strongly recommends that you consult a financial expert before making your retirement plan selection, as once made, it is irrevocable.