



PUBLIC EMPLOYEES' RETIREMENT FUND

DEFINED BENEFIT VS. DEFINED CONTRIBUTION PLAN

TYPE	DESCRIPTION	BENEFIT FORMULA	BENEFIT DURATION	WHO MANAGES INVESTMENTS?	WHO IS AT FINANCIAL RISK?
Defined Benefit (DB plan)	Defines how much employee receives at retirement	1.1% x Average High 5 Year Salary x Years of Service	Guaranteed for life	Investment Professionals	Employer
Defined Contribution (DC plan)	Defines how much is contributed to employee's retirement account	Contributions x investment gains or losses	Until the money runs out. <i>(Purchasing an annuity is an option)</i>	Employee chooses from several investment options	Employee/Member

	DEFINED BENEFIT (DB)	DEFINED CONTRIBUTION (DC)
Employer	<ul style="list-style-type: none"> ■ No control over contribution rates ■ Confidence that longer-term employees have enough money at retirement ■ Less employee education needed 	<ul style="list-style-type: none"> ■ More control over contribution rates ■ Hope, but not confidence that employees will have enough money for retirement ■ Significant ongoing employee education needed
Employee	<ul style="list-style-type: none"> ■ Guaranteed benefit at retirement ■ No control over how money is invested ■ Longer vesting period ■ Not very portable 	<ul style="list-style-type: none"> ■ No guaranteed benefit at retirement ■ Control over how money is invested ■ Shorter vesting period ■ Portable



PUBLIC EMPLOYEES' RETIREMENT FUND

DEFINED BENEFIT VS. DEFINED CONTRIBUTION PLAN

CONTRIBUTIONS	PERF HYBRID PLAN	PERF ASA ONLY PLAN
Normal Cost ¹	ER pays (currently 5.8%)	ER can pay 0% up to 5.8% (the normal cost percentage) into the employee's ASA Only plan ²
Supplemental Rate ³ (unfunded liability)	ER pays (currently 5.4%)	ER pays (currently 5.4%, goes to INPRS, not EE account)
Employee Mandatory 3%	EE or ER pays or shares	EE or ER pays or shares
Additional employee contributions (10% maximum)	No ER match	ER match (0% <i>OR</i> 50% of the EE contribution)
ER = Employer EE = Employee/Member		

¹The "normal cost" is part of the rate employers pay into the PERF Hybrid plan.

²Effective Jan. 1, 2017 through Dec. 31, 2017, the normal cost of 4 percent is part of the rate employers will pay into the PERF Hybrid Plan. They can pay from 0 percent to 4 percent into an employee's ASA Only Plan.

³Effective Jan. 1, 2017 through Dec. 31, 2017, the supplemental rate will be 7.2%.

FOR YOUR BENEFIT

This employer handout is an overview of PERF's defined benefit and defined contribution plans. More information is available at www.inprs.in.gov. If you have questions, please contact the Employer Pension Plan Administration (EPPA) team at (888) 876-2707.

Every attempt has been made to verify that the information in this publication is correct and up-to-date. Published content does not constitute legal advice. If a conflict arises between information contained in this publication and the law, the applicable law shall apply.

One North Capitol, Suite 001 ■ Indianapolis, IN 46204 ■ toll-free: (888) 286-3544 ■ www.inprs.in.gov