

# New Hire Retirement Plans Made Easier

At MEA, we know that you didn't get into the education field to become a public policy plan specialist or financial advisor. Unfortunately, you only have 75 days from your first payroll date to choose which retirement plan you will take — and your decision cannot ever be changed. In order to aid you in your decision, MEA has boiled down the essential elements of the two retirement plans available to you, and created a side-by-side comparison chart below. While the Office of Retirement Services is the final word on how these programs work, we hope you will find this tool useful in your research as you make this important decision.

<b>PENSION COMPONENT</b>	<b>PENSION PLUS</b>	<b>DEFINED CONTRIBUTION</b>	
Pension Retirement Age	60 years old	Not applicable.	No Pension.
Pension vested after	10 years of Earned Service Credit	Not applicable.	No Pension.
Pension amount	FAC <sup>1</sup> x 1.5% x YOS <sup>2</sup>	None.	No Pension.
Service Credit Purchase Available	Generally not available. <sup>3</sup>	Not applicable.	No Pension.
Expected Annual Pension Payout for a member with 30 YOS	With 30 years, 45% of your F.A.C. (10 years = 15%, 20 years = 30%, etc.)	None.	No Pension.
Employee cost/contribution	3% of salary for first \$5,000 earned; 3.6% of salary for next \$10,000 earned; 6.4% of salary for all annual earnings above \$15,000.	None.	No Pension.
Investment risk is the problem of	the Employer and State Government	Not applicable.	No Pension.
<b>SAVINGS COMPONENT</b>	<b>PENSION PLUS</b>	<b>DEFINED CONTRIBUTION</b>	
Employee cost/contribution (457 plan)	Maximum/default: 2% of salary <sup>4</sup>	Maximum/default: 6% of salary <sup>4</sup>	
Employer contribution to employee 401k	50% match of 457 contribution (equal to 1% of salary max) <sup>4</sup>	50% match of 457 contribution (equal to 3% of salary max) <sup>4</sup>	
Employee vested in 457 after	Immediate for employee (457 plan) contributions.	Immediate for employee (457 plan) contributions.	
Employee vested in 401k after	Vesting for Employer (401k) contributions is based on the following schedule: 2 years for 50%, 3 years for 75%, and 4 years for full vesting of employer contributions.	Vesting for Employer (401k) contributions is based on the following schedule: 2 years for 50%, 3 years for 75%, and 4 years for full vesting of employer contributions.	
Employee Personal Healthcare Fund (really just another part of your 457 plan) cost/contribution	Maximum/default: 2% of salary <sup>4</sup>	Maximum/default: 2% of salary <sup>4</sup>	
Employer contributions to Employee Healthcare (the same 401k account as above)	100% match of Personal Healthcare Fund contribution (equal to 2% of salary)	100% match of Personal Healthcare Fund contribution (equal to 2% of salary)	
HRA Account Benefit	One-time credit of \$1,000 if accessed before turning 60 years old, grows to \$2,000 if first accessed at age 60 or older.	One-time credit of \$1,000 if accessed before turning 60 years old, grows to \$2,000 if first accessed at age 60 or older.	
HRA Account vested after	10 years of service	10 years of service	

<sup>1</sup> FAC = Final Average Compensation, which is the average of your highest 5 consecutive years of service.

<sup>2</sup> YOS = Years of Service, which is your total service credit.

<sup>3</sup> Purchases are available for Intervening Military or to repay of previously cashed out service credit ONLY. Most new members will not be eligible for either purchase.

<sup>4</sup> The employee has the right to adjust this contribution up or down by whole percentages. The employer match will be adjusted accordingly, but cannot exceed the initial/default percentage of salary. Consequently, the employer maxes out at 1% for Pension Plus members, and 3% for Defined Contribution members. The additional employer contribution for Defined Contribution members is offered as a partial offset for the pension they will not receive (the cost of which to the employer already exceeds 3%). In no case may an employee's contributions to his or her 457 plan exceed the IRS annual contribution limit.