

# Defined Benefit or Defined Contribution Retirement Plan?

## Defined Benefit Plan – TRA

- ✓ **Benefit** – lifetime pension payment based on years of service, salary and age
- ✓ **Vesting** – immediate for employee contributions; 3 years FTE for pension eligibility
- ✓ **Portability** – combined service with other public employment in MN; or employee contributions eligible for rollovers
- ✓ **Investments** – TRA is responsible for investment decisions and bearing investment risk
- ✓ **Payout options** – lifetime pension or refund of contributions plus interest
- ✓ **Early retirement** – eligible at age 55, affects accumulation
- ✓ **Contribution amount** – 8.55% for employer and 7.5% for employee per paycheck
- ✓ **In General** – lifetime pension and lower risk

## Defined Contribution Plan – IRAP

- ✓ **Benefit** – based on account value, which includes contributions and investment performance
- ✓ **Vesting** – immediate for both employee and employer contributions
- ✓ **Portability** – both employee and employer contributions eligible for rollovers
- ✓ **Investments** – employee is responsible for investment decisions and bearing investment risk
- ✓ **Payout options** – various options
- ✓ **Early retirement** – affects accumulation
- ✓ **Contribution amount** – 6.0% for employer and 7.5% for employee per paycheck
- ✓ **In General** – portability and investment control

