

## Retirement Plans Comparison – The University of Arizona Defined Benefit Plans vs. Defined Contribution Plans

The Arizona State Retirement System (ASRS) is a **defined benefit plan** in which the retirement benefit is defined by a standard formula payable at a normal retirement age. The employee and University make equal contributions to the plan of a specific amount established by Arizona legislation and the ASRS. The plan assumes the investment risk for plan assets from which the benefit will be paid.

The Arizona Board of Regents Optional Retirement Plan (ORP) is a **defined contribution plan** in which the retirement benefit is determined by the amount of contributions and the results of employee investment choices. The employee and University make equal contributions of a specific amount to the plan, and the employee determines investment allocations. The employee accepts full responsibility and risk for investment choices.

	Arizona State Retirement System (ASRS)	Optional Retirement Plan (ORP)
Type of Plan	Defined Benefit Plan	Defined Contribution Plan
IRS Code	Section 401(a) of Internal Revenue Code (IRC)	Section 401(a) of Internal Revenue Code (IRC)
Who Can Participate	All eligible Classified Staff must participate. (Non-pharmacy clinical assistants, graduate assistants, students, and FICA-exempt employees are not eligible to participate; Peace Officers and Federal employees should check with their departments.) Default plan for Appointed Personnel if ORP not elected.	Eligible Appointed Personnel may elect participation in the ORP with a choice of investment vendors, in lieu of ASRS plan. Vendors: Fidelity, TIAA-CREF. (Non-pharmacy clinical assistants, graduate assistants, students, and FICA-exempt employees are not eligible to participate; Peace Officers and Federal employees should check with their departments.)
Mandatory vs. Voluntary	Mandatory for Classified Staff and offered as an option for Appointed Personnel (in lieu of ORP). If ASRS is elected (or defaulted) by Appointed Personnel, membership in ASRS is permanent and irrevocable.	Voluntary election by Appointed Personnel is permanent and irrevocable for duration of continuous employment with Arizona University System. May change between the ORP investment companies once per fiscal year.
Contribution Amount	Participant and University each contribute a percentage of earnings on a pretax basis as set by Arizona State Statute. This percentage can vary from year to year. Current contribution rate: 11.39% for employee, 10.10% for employer up to <a href="#">IRS Maximum Compensation Limits</a> .	Participant and University each contribute 7% of gross earnings on a pretax basis, up to <a href="#">IRS Maximum Compensation Limits</a> . Employer contribution is held in a trust account until participant has met 100% vesting and then is transferred to participant's account (with interest) in full.
Vesting	Vesting applies upon termination of ASRS membership. Participants are 100% vested in their own contributions.  A participant with ASRS membership on or after July 1, 2011 will forfeit University contributions when the account balance is withdrawn upon termination unless the termination is due to a layoff, in which case the ASRS vesting schedule will apply.  A participant with ASRS membership prior to July 1, 2011 with monies still on account is partially vested in the University contributions after five years of ASRS participation, with full vesting in University contributions after 10 years	Participants are immediately vested in their own contributions. Five years of ORP participation are required to be fully vested in the University contributions. Participants may be immediately vested in the University contributions if they have an active contract (monies on deposit) in a qualified defined benefit or defined contribution retirement program of a college, university, or higher education organization or research organization located anywhere in the United States (or in any country or territory other than the United States) or with the Arizona State University Foundation, the Northern Arizona University Foundation, or the University of Arizona Foundation.

	<p>of ASRS participation.</p> <p>Visit <a href="http://www.azasrs.gov">www.azasrs.gov</a> for the vesting schedule.</p>	<p>If employed in an ORP-eligible position for the first time after initial employment date, without a break in continuous retirement-eligible employment, and previously participated in the ASRS, the credited years of service under the ASRS will be applied toward vesting period in the ORP.</p>
Control of the Investments	ASRS controls and monitors investments.	Participant selects the investment company and determines the investment allocations.
Retirement Benefits	Retirement benefit is based on years of service, average monthly salary, and an actuarial formula.	Retirement benefit is based on performance of investments participant selects. The ultimate account balance is a result of the amount of contributions deposited to account and the performance of participant's chosen investments.
Normal Retirement	<p>For participants with an ASRS membership date on or after July 1, 2011:</p> <ul style="list-style-type: none"> <li>• Age 65, or</li> <li>• Age 62 with at least 10 years of service, or</li> <li>• Age 60 with at least 25 years of service, or</li> <li>• Age 55 with at least 30 years of service</li> </ul> <p>For participants with an ASRS membership date before July 1, 2011:</p> <ul style="list-style-type: none"> <li>• Age 65, or</li> <li>• Age 62 with at least 10 years of service, or</li> <li>• When sum of age and years of service equal 80 points.</li> </ul>	Age 65
Loans	No loans are available.	No loans are available.
Additional Contributions	No additional contributions permitted.	No additional contributions permitted. However, rollover and transfer of eligible funds allowed under the plan provisions.
Purchase of Service Credits	<p>May be eligible to purchase service credits if have forfeited, or have non-eligible, years of service:</p> <ul style="list-style-type: none"> <li>• with a current or former public employer;</li> <li>• for unpaid leave of absence with a current or former ASRS employer;</li> <li>• for military service, including active military reserve and National Guard time.</li> </ul> <p>Contact ASRS for additional information.</p>	Service credit purchases are not available.

Long-term Disability	Long-term disability (LTD) is insurance coverage that will pay a monthly benefit when participant is disabled and unable to work for an extended period of time, generally six months or more. LTD coverage will pay up to 66% of pre-disability monthly earnings during disability. The current employee contribution is 0.26% of gross earnings. This coverage is required as part of ASRS participation.	Long-term disability (LTD) is insurance coverage that will pay a monthly benefit when participant is disabled and unable to work for an extended period of time, generally six months or more. LTD coverage will pay up to 66% of participant's first \$10,000 of monthly pre-disability earnings, reduced by deductible income, during disability. There is no cost to the participant.
Health Benefits upon Retirement	Health and dental benefit plans are available through the Arizona Department of Administration or the ASRS upon retirement. A retiree health insurance premium subsidy is available with at least five years of credited service in the ASRS plan. The amount of the premium subsidy is based on age and years of service.	Health and dental benefit plans are available through the Arizona Department of Administration or the ASRS upon retirement. There is no health insurance premium subsidy upon retirement.
Distribution Options at Retirement*	<p>ASRS offers annuity and non-annuity options. ASRS retirement annuity options listed below provide a monthly benefit for life. Upon retirement, participant may choose one of the following annuity options:</p> <ul style="list-style-type: none"> <li>• Straight Life Annuity</li> <li>• Life Annuity, 5 Year Certain</li> <li>• Life Annuity, 10 Year Certain</li> <li>• Life Annuity, 15 Year Certain</li> <li>• Joint and Survivor, 100%</li> <li>• Joint and Survivor, 66⅔%</li> <li>• Joint and Survivor, 50%</li> </ul> <p>Alternatively, participant may select from one of following payment options that may not provide benefits for the rest of participant's life:</p> <ul style="list-style-type: none"> <li>• Partial Lump Sum Distribution</li> <li>• Level Income Alternative</li> <li>• Optional Premium Benefit Program</li> </ul>	<p>The following distribution options may be available to ORP retirees:</p> <ul style="list-style-type: none"> <li>• Full or partial cash withdrawal</li> <li>• Systematic withdrawal</li> <li>• Interest-only payments</li> <li>• Minimum distribution payments</li> <li>• Lifetime annuity option</li> <li>• Life expectancy option</li> </ul> <p>Distribution options listed above may not be offered by all approved ORP investment companies. Distribution options should be reviewed with ORP investment company well in advance of retirement date. Not all distribution options will meet requirements necessary for some retiree benefits. Contact University Human Resources Office for additional information.</p>
Distribution Options at Termination*	<p>The following distribution options are available upon separation of employment from all ASRS employers:</p> <ul style="list-style-type: none"> <li>• Obtain a refund of the vested portion of account;</li> <li>• Roll over pretax contributions to an IRA or another qualified retirement account; or</li> <li>• Leave retirement account on deposit with ASRS in an inactive membership status for a future benefit.</li> </ul>	<p>The following distribution options are available upon separation of employment from all Arizona University System employers:</p> <ul style="list-style-type: none"> <li>• Withdraw all or some of vested funds;</li> <li>• Roll over account to an IRA or another qualified retirement account; or Leave retirement account on deposit for a future benefit.</li> </ul>

\*Distributions may be subject to taxes and IRS penalties.