

WKU MANDATORY RETIREMENT PLAN COMPARISON CHART

Defined Benefit vs. Defined Contribution Plan

All full-time faculty and eligible professional staff must make a retirement election between KTRS (Defined Benefit Plan) or the ORP (Defined Contribution Plan) within 30-days of initial hire. The chart below summarizes the core differences between the two plans:

	DEFINED BENEFIT PLAN Kentucky Teachers' Retirement System (KTRS)	DEFINED CONTRIBUTION PLAN Optional Retirement Plan (ORP)
Vendors	KTRS	Members can elect from four retirement vendors: <ul style="list-style-type: none"> • Fidelity • ING • TIAA-CREF • VALIC
Service Retirement	<p>Eligible at any age with 27 years of service; age 60 with 5 years of service. Reduced benefit retirement if fifty-five (55) or more but less than age sixty (60) who have ten (10) or more years of service, but less than twenty-seven (27) years of service.</p> <p>Upon retirement, participants are eligible to draw a retirement allowance for life regardless of how much is contributed to the retirement system over one's career. The formula at full retirement is as follows:</p> <p>Final Compensation x Benefit Factor x Years of Service Credit = Annual Benefit</p> <p>Contributions to KTRS are currently fixed at:</p> <ul style="list-style-type: none"> • 7.16% from the employee • 14.84% from the employer 	<p>Eligible to withdraw funds at age 59 1/2. Income at retirement is based on the value of the member's account.</p> <p>Contributions to the ORP are currently fixed at:</p> <ul style="list-style-type: none"> • 6.16% from the employee • 8.74% from the employer
Vesting	Employee is vested after 5 years of service	Employee is immediately vested
Investment Allocation Decisions	Made by KTRS financial and investment professionals	Each employee makes all investment allocation decisions for his/her account
Investment Risk and Reward	Employee assumes no investment risk	Investment risk is assumed entirely by the employee. All gains or losses accrue to the member's account.

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Inflation Protection/COLA	Annual 1.5% cost-of-living adjustments after retirement	Automatic cost-of-living adjustments are not provided
Benefit Portability	<p>Upon separation from employment, members are eligible to withdraw <u>their</u> contributions. Employer contributions are not eligible for withdrawal.</p> <p>Account withdrawals are paid as lump-sum distributions, part of which may be taxable at the time of withdrawal, or may be rolled over to an IRA, an eligible employer plan or another qualified plan.</p> <p>Member is no longer eligible for KTRS service retirement once account is withdrawn.</p>	<p>Upon separation from employment, members are eligible to withdraw the full value of their account. Both employee and employer contributions and the gains or losses on those contributions are eligible for withdrawal.</p> <p>Account withdrawals are paid as lump-sum distributions, part of which may be taxable at the time of withdrawal, or may be rolled over to an IRA, an eligible employer plan or another qualified plan.</p>
Disability Benefits	After 5 years of service, members are eligible to apply for disability benefits under the disability allowance program.	Account balance is available to members who terminate employment and withdraw their account.
Death and Survivor Benefits	<p>Qualified survivors are eligible to receive benefits.</p> <p>A \$2,000 life insurance benefit is also provided.</p> <p>Visit www.ktrs.ky.gov for specific details regarding death and survivor benefits</p>	Account balance available to beneficiaries. A spouse may continue to manage the member's account or withdraw the account.
Health Care Coverage	Upon attaining retirement status, individuals (including disability benefit recipients and survivor benefit recipients) and their dependents are eligible for access to optional health care coverage with KTRS.	Healthcare coverage is NOT available to retirees.
Traditional Method of Payment at Retirement	A lifetime annuity. Several different payment plans to protect survivors are available.	Members can take payment through a rollover, a lump-sum withdrawal or a variety of lifetime annuities.

NOTE: The information provided on this chart is based on current rates, factors, and laws – all of which are subject to change.