



Defined Benefit Plan Summary

A defined benefit plan (“DB plan”), also called a pension plan, is a qualified employer-sponsored retirement plan. A DB Plan guarantees you a certain benefit when you retire. How much you receive generally depends on factors such as your salary, age, and years of service with the company. Below are some FAQs on the general features of a DB Plan.

How are Retirement Benefits Calculated?

Retirement benefits under a DB Plan are based on a formula. This formula can provide for a set dollar amount for each year you work for your employer, or it can provide for a specified percentage of earnings.

Example: XYZ’s Defined Benefit Plan provides a monthly Single Life Annuity amount at Normal Retirement Age of 62 equal to \$100 for each year of service with XYZ Company.

How will Retirement Benefits be paid?

Many DB Plans allow you to choose how you want your benefits to be paid. Payment options commonly offered include:

- *Single Life Annuity*: You receive a fixed monthly benefit until you die; after you die, no further payments are made to your survivors.
- *Qualified Joint and Survivor Annuity*: You receive a fixed monthly benefit until you die; after you die, your surviving spouse will continue to receive benefits (in an amount equal to at least 50% of your benefit) until his or her death.
- *Lump-sum Payment*: You receive the entire value of your benefit in a lump sum; no further payments will be made to you or your survivors.

How do Defined Benefit Plans differ from Defined Contribution Plans?

As the name implies, a defined benefit plan focuses on the ultimate benefits paid out. Your employer promises to pay you a certain amount at retirement and is responsible for making sure that there are enough funds in the plan to eventually pay out this amount, even if plan investments don’t perform well.

In contrast, a defined contribution plan focuses primarily on current contributions made to the plan. Your plan specifies the contribution amount you are entitled to each year (contributions made by either you or your employer), but your employer is not obligated to pay you a specified amount at retirement. Instead, the amount you receive at retirement will depend on the investments you choose and how those investments perform.

The discussion above contains a general overview of Defined Benefit plans. Please contact your Randall & Hurley consultant for more details on your employer’s Defined Benefit plan.

How to Get More Information