

## Advantages and Disadvantages

Both retirement plans have advantages and disadvantages. The plan that's best for you (i.e., the one that will provide the highest income at retirement) will depend on your personal situation. Following are some pros and cons to consider for each plan.

	Advantages	Disadvantages
<b>The FRS Pension Plan</b>	<ul style="list-style-type: none"> <li>• Members can earn a substantial benefit if they spend their full career as a Pension Plan member or start FRS service later in life.</li> <li>• Members don't have to worry about investing with this plan; the FRS and the employer bear all the investment risk.</li> <li>• Vested members may receive a benefit even if they retire early.</li> <li>• Members cannot outlive their benefit.</li> <li>• Members can participate in DROP, the Deferred Retirement Option Program, if they're eligible.</li> <li>• Members are eligible for the Health Insurance Subsidy (HIS).</li> <li>• Members may be eligible for disability and In-Line-of-Duty survivor benefits.</li> <li>• Members have access to the free, unbiased MyFRS Financial Guidance Program resources.</li> </ul>	<ul style="list-style-type: none"> <li>• If the member is a younger employee, it may take many years of service to build a large benefit.</li> <li>• A member who leaves FRS-covered employment after only a few years could end up with no benefit (they are not vested in the Pension Plan until they have completed 6 years of service) or a small benefit that may not be of much value in retirement.</li> <li>• Members have no say in how the money is invested.</li> <li>• All the distribution options are monthly payments; there are no lump sums (except under DROP. Visit MyFRS.com for details.)</li> <li>• The benefit is reduced by 5% per year if they choose to receive benefits early.</li> </ul>

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<b>The FRS Investment Plan</b>	<ul style="list-style-type: none"> <li>• Members are vested after 1 year of service, rather than the 6 years it takes to vest in the Pension Plan.</li> <li>• If the member is a younger employee, their account balance has more time to grow.</li> <li>• The member's account could grow significantly if the underlying investments do well.</li> <li>• Members have 20 investment funds to choose from, including balanced funds, stock funds, bond funds, a TIPS fund, and a money market fund.</li> <li>• If a member leaves their job, they can keep their benefit growing by leaving it in the plan or rolling it over to another qualified retirement plan.</li> <li>• Flexible distribution options are available.</li> <li>• Members who have a qualified retirement plan benefit from a former employer may be able to roll it over to the Investment Plan.</li> <li>• Members who meet Health Insurance Subsidy (HIS) requirements may be eligible for the HIS.</li> <li>• Members may be eligible for disability benefits.</li> <li>• Members have access to the free unbiased MyFRS Financial Guidance Program resources.</li> </ul>	<ul style="list-style-type: none"> <li>• There is investment risk involved. The benefit may decrease in value if the investments in the member's account don't perform well.</li> <li>• Members must have enough discipline to take a long-term approach to investing.</li> <li>• Members need to actively monitor their investments.</li> <li>• Older employees may not have enough time to accumulate a large account balance before they retire.</li> <li>• Members could outlive their benefit if they don't plan carefully or buy an annuity that provides a guaranteed monthly payment option for life.</li> <li>• They're not eligible for DROP.</li> <li>• If a member decides to use their 2<sup>nd</sup> Election to transfer to the Pension Plan and their Investment Plan account balance is lower than the amount needed to fully fund the Pension Plan account, it is their responsibility to make up the difference using personal resources.</li> <li>• Members are not eligible for the Health Insurance Subsidy until they reach their normal retirement age or date (as defined under the Pension Plan). They cannot receive their HIS until they reach age 62 (or age 55 for Special Risk employees), at which time they must apply for the HIS.</li> </ul>