



DRS
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The investment options available in Plan 3 are not offered by or through the ICMA Retirement Corporation, the VantageTrust Company or ICMA-RC Services, LLC.

This brochure is available in alternate formats. To request, call 1-888-711-8773 or TDD 1-800-669-7471.

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**PLAN 3
CONTRIBUTION
RATE
BROCHURE**

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When you must choose your contribution rate

If you become a Plan 3 member by transferring from Plan 2, you must select your contribution rate at the time you transfer. If you are a new member, or if you are a Plan 3 member who is changing employers, you have up to 90 days from the date you begin working in an eligible position to select a contribution rate option. If you do not select a rate option within 90 days, the law requires that Option A (5 percent of pay at all ages) be assigned automatically.

Note: For substitute teachers, you may select only *one* contribution rate per school year, regardless of the number of employers. For more information about how to apply for service credit, ask for the brochure *Substitute Teachers' Service Credit*, which is available from your employer or the Department of Retirement Systems.

Limitations on annual contributions

Under Internal Revenue Code, Plan 3 is a qualified 401(a) program. If you are participating in tax-deferred plans in addition to Plan 3, be aware that your total tax-deferred contributions may be limited based on your annual taxable income and the 415 limitations set by the Internal Revenue Code. Consult the Internal Revenue Service (IRS) and/or a tax adviser for detailed information.

Things to consider when selecting a contribution rate

- The rate you choose is irrevocable. It cannot be changed unless you change employers.
- If you do not select a rate option within 90 days, you will automatically default into Option A (5 percent of pay at all ages).
- Future salary increases or selecting a contribution rate with a step-up provision, such as Option B or Option C, will allow you to make higher contributions at a later date.
- Expenses might rise (college tuition, balloon mortgage payment, etc.) so you might NOT be able to afford increases in your contribution rate.
- You need to contribute enough so you can adequately fund your retirement. It's important to decide how much you will need to contribute now so that you won't fall short in the future.

Selecting a contribution amount

The member-financed defined contribution component of Plan 3 provides tax-deferred earnings on funds invested. You may access these funds any time you separate from employment. Early withdrawal may have tax consequences. The amount of retirement income you generate from the defined contribution depends on how much you contribute and how well the investments you select do in the market. You have an initial choice in how much you contribute.

How much you may contribute

Contributions to your retirement plan are mandatory. Once you select a contribution rate, you cannot change it unless you change employers. Currently, there are six contribution rate options:

- Option A: 5 percent of pay at all ages.
- Option B: 5 percent of pay until age 35; 6 percent from age 35 until 45; and 7.5 percent age 45 and above.
- Option C: 6 percent of pay until age 35; 7.5 percent from age 35 until 45; and 8.5 percent age 45 and above.
- Option D: 7 percent of pay at all ages.
- Option E: 10 percent of pay at all ages.
- Option F: 15 percent of pay at all ages.

Note: The Employee Retirement Benefits Board (ERBB) can add new contribution rates at any time in the future. If new rates are added, the restrictions on changing contribution rates still apply.

How contribution rates affect retirement savings

How much savings you have available from your Plan 3 defined contribution account depends on the amount you contribute and what you earn on your contributions. To see how the amount you contribute affects your account, let's assume a rate of return of 8 percent annually. For a member who earns \$30,000 a year, here is the estimated growth of the account at contribution rate A (5 percent), E (10 percent) and F (15 percent):

Contributing more makes a difference



By saving more from your paycheck, your nest egg could be much larger at retirement. In this example, saving 5 percent with an 8 percent rate of return would grow to \$170,000, but saving 10 percent would yield approximately twice as much and saving 15 percent would yield approximately three times as much, assuming you continue to earn the same pay.



For more information

There are a number of helpful publications that provide more information about your retirement plan:

- *Plan 3 Investment Guide* — Formal fund descriptions including fees, processing rules and other important information.
- *Plan 3 Investment Options* — Simplified descriptions of Plan 3 investment options.
- *VantageLink/VantageLine Guide* — Shows you how to check your balance, change your allocations, get a current statement of your account, get current fund performance and daily share prices or get literature about your plan using VantageLine phone service and/or the VantageLink Internet service.

These publications are available from your employer or ICMA-RC at 1-888-711-8773. Or, you may get additional information from the Plan 3 Internet site at www.icmarc.org/plan3.