



THE VALUE OF SERS BENEFITS

You are Lucky: Your SERS Pension is a Defined Benefit

You receive your SERS pension every month. Your SERS pension is a defined benefit (DB) plan. That's great news for you.

It's a paycheck for the rest of your life. This retirement income is guaranteed as long as you live.

Consider yourself lucky. Fewer employers today are offering DB plans.

Not offering a DB plan is cheaper for employers because it costs less to outsource account management to investment companies. They also can reduce support to retirement funds and transfer the risk of funding benefits entirely onto the employee. Many employers have switched to offering other retirement plans, including defined contribution (DC) plans, such as a 401(k).

According to the U.S. Bureau of Labor Statistics, in 2023, only about 29% of U.S. adults reported having access to a DB plan through their employer, and in the private sector, the number of those participating in DB plans dropped from 26 million to 12 million.

With a DB plan, the employee is paid for life. If the employee lives longer than expected, the plan still has to pay. This means that if you live to be 125 years old, you will still receive your SERS pension.

With a DC plan, the employer has no ongoing obligation to an employee. If the employee lives longer than expected, a 401(K) can run dry. Once it's gone, it's gone.

Not so with a DB plan. Your SERS pension will never run out.

With a DB plan, the employer pays a set retirement income, regardless of how the underlying investments perform. DB plans place the responsibility for investing employee contributions in the hands of financial professionals.

With a DC plan, however, investments can be negatively impacted by the stock market, and the responsibility of investing is placed on the employee.

Additionally, DB plans, like your SERS pension, may be eligible for Cost-of-Living Adjustments (COLA). They often rise with inflation.

With a DC plan, there are no COLA increases.

