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Pensions & Retirement

Am I eligible to participate in a pension or retirement plan?

Usually, you can participate in your employer's pension or retirement plan if you are 21 or older, and you have worked for the employer for a year or more.

Do I get to keep my pension or retirement plan benefits when I retire?

Usually, you must work 5 to 7 years before your pension or retirement plan benefits are fully vested, but this depends on your plan. "Vested" means that you have a legal right to collect the pension or retirement plan benefits when you retire. Some plans have "graded vesting," which means you might get a portion of your pension if you leave your job before you are fully vested. Once your benefits are vested, you do not lose the right to get your benefits if you switch jobs, are fired, or retire.

What are the types of pension plans?

There are two types of pension plans: 1) defined benefit plans and 2) defined contribution plans.

- Defined benefit plans specify how much in benefits the plan will payout to a retiree. These are common for larger employers and give the retiree a fixed monthly amount as described in the plan.

- Defined contribution plans specify how much money the employer, employee, or both will pay into the plan each year for the employee. Your contributions are fixed each year, but your benefits might vary according to your past contributions and what those contributions have earned over the years. There are several types of defined contribution plans, including profit-sharing plans (an employer contributes an amount up to 25% of the employee's compensation), employee stock ownership plans (the employer's contribution is made in the form of company stock), and 401(k) plans.
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What are my legal rights to my pension and retirement plan?

The Employee Retirement Income Security Act (ERISA) is the federal law that protects pension and retirement plans. ERISA sets standards for the plans and makes sure that your rights to your benefits cannot be unfairly denied or taken from you. ERISA gives you the following rights:

- To get your plan's rules in writing in the Summary Plan Description. The summary must state who is eligible to participate in the plan, how benefits are determined, the age when you can start receiving benefits, who administers the plan, and benefits claim procedures.
 - To get the information in your summary within 30 days if you ask for it.
 - To your "personal benefit account," which tells you how many benefits you have and what benefits you have vested.
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Can my spouse get my benefits after I die?

Most plans provide for a "joint and survivor annuity." This means the employee can choose to have: 1) higher benefits that stop when he/she dies, or 2) smaller benefits that continue so long as the employee or his/her spouse is alive.

Are my pension and retirement plan benefits protected if my employer goes out of business?

Under ERISA, an employee's benefits are protected if an employer goes out of business, is purchased by another company, or tries to change or end the pension or retirement plan.

What if I am denied my benefits?

You have the right to be told in writing why you are being denied. You also have the right for the denial to be reviewed. If you feel like you have been wrongfully denied your benefits, talk to a lawyer right away about appealing the decision.

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