

Select Committee on Pension Policy



Retirement Readiness

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Today's Presentation

- OSA staff
 - Basic considerations when preparing for retirement
 - Types of data that might inform discussion of retirement readiness
- DRS staff
 - Types of data currently available
 - Data that can be researched for future discussions
 - New DRS program to help employees prepare for retirement



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Retirement Preparation Involves More Than Just Retirement Plan

- No single piece is meant to cover all costs in retirement
- Traditional three-legged stool
 - Retirement plan
 - Replace a percentage of income
 - At least some guaranteed level
 - Social Security
 - Minimum level of benefits or safety net
 - Not all employees participate
 - Personal savings
 - Deferred Compensation (DCP), IRAs, CDs, cash, etc.



Other Considerations

- Health benefits
 - Health care costs can account for large portion of retiree budgets
 - Retirees may be eligible for PEBB
 - Retiree PEBB health care subsidy
 - Especially important consideration for those who retire before Medicare eligibility
- Work
 - Full retirement or leaving retirement system
 - New career or retire-rehire
 - Phased-retirement
 - Part-time supplemental income



Other Considerations *(Continued)*

- Normal retirement age
 - Can work longer or retire early
 - Assuming the same lifespan
 - Working past normal retirement age means a higher benefit over a shorter time
 - Early retirement means reduced monthly benefit over a longer time
 - Other considerations such as physical health
- Air time
 - Purchase of additional service credit
 - Out-of-pocket cost can be comparatively high, but so is increase in benefits over time
- Annuities
 - Purchase of lifetime payments
 - Joint annuity provides smaller monthly benefit, but continues after retiree's death



What Data Might Inform A Future Study Of Retirement Readiness?

- DRS will be presenting today
 - Sample Plan 3 data
 - Rate choices
 - Member account balances
 - Comparison of annuitized DC benefits to DB portion
 - Participation in deferred compensation plan (DCP)
 - Hypothetical examples
- Additional data that could be researched for future discussions
- Recent WSIPP study of comparability in retirement benefits
 - WSIPP study covered this among other things
 - SCPP received briefing on the report last December



WSIPP Study Included Comparison Of Retirement Benefits In Washington

- Sample takeaways
 - Retiring at age 55, Plan 3 replaced higher percent of income than Plan 2
 - Retiring at age 65, Plan 2 replaced higher percent of income than Plan 3
- See report for assumptions about salary and future market conditions
- Includes comparisons with other states
- Doesn't attempt to answer question of what is an "adequate benefit"
- Links
 - [Full report](#)
 - [Appendices](#)



Next Steps

- DRS will present
 - New program: Retirement Readiness
 - Plan 3 data

