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

"Securing tomorrow’s pensions today."
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