

Retirement

OUTLOOK

Baby boom generation approaches retirement

The baby boom generation, those Americans born in the years following World War II, is nearing retirement. This year leading edge boomers will begin to turn 65. For some, it will mean a time for relaxation and enjoying the fruits of a well-planned retirement. But for others, recent economic factors and a lack of personal saving and planning could make for a bumpy road to retirement bliss.

“Start with what you can afford,” says baby boomer Judi Owens when asked for her retirement planning advice. “And take advantage of the savings opportunities your employer offers – like the state’s Deferred Compensation Program.”

Owens spent the first 25 years of her career doing mainframe computer work in private industry. But when her youngest daughter was a senior in high school, she applied for a computer operator position with the Central Valley School District. At the time she didn’t really think of it as an “education position” since she’d been doing the same type of work in private industry for many years. However, it turned out to be her introduction to the real passion of her professional life: education in the State of Washington.

“It was just another job at the time. But over the years I’ve become fully vested in making sure our education system is the best,” she says. “I have the utmost respect for folks who dedicate themselves to helping kids succeed.”

She says this passion for Washington education fueled an interest in government.

“That led to me running for city council in my community and I’ve been able to serve for the last 10 years,” she says. “I sure didn’t anticipate that as a young working mother.”



Owens is currently President of the Public School Employees of Washington (PSE), a labor union that represents over 26,000 of the state’s classified educational support professionals. She says that for many years she didn’t think too much about retirement. That all changed following the cancer-related deaths of her parents.

“My mom and dad were prudent savers. They were born during the Depression and married at the end of World War II,” she says, “so they knew how important it was to prepare. When they passed away I became the oldest in my family and I had to take a hard look at the example I was setting. You can’t preach about the importance of saving if you aren’t ‘walking the walk’ yourself.” *continued on page 2*

Beginning this year, the first members of the baby boom generation will turn 65. Every day for the next 18 years, 10,000 more baby boomers will do the same.

From that point Owens and her husband Charlie, who was retired from the Air Force, got serious about retirement. They took stock of their finances and decided to put much more of Owens' income into the state's Deferred Compensation Program (DCP), in addition to contributions they made to a 403b plan and her monthly contributions to SERS Plan 3.

"My take home pay was barely enough to cover our lunches," she says. "But we felt good about the progress we made each month. We didn't make huge sacrifices, but we did take positive steps; and after all, every journey begins with a few small steps."

In addition to starting with what you can afford, Owens says the key is to have a plan.

"My advice to my kids, siblings, friends and colleagues is to make a plan and stick to it."

DCP

Along with starting a saving plan as early as possible, and sticking with it, Owens says that getting some professional help can also be beneficial.

"I'm probably in the minority, but I do believe that Social Security will be there for me. But it certainly won't allow me to retire the way I want to. My husband and I have a financial advisor that we trust and I think that's important. It's never too early, or late, to take positive steps. And don't think you can do it all without advice from a professional."

Owens says that she plans to retire when her current term as President of the PSE ends.

"I've been able to live a great life in my very own American dream world," she says. "I plan to retire August 31, 2012, and until then I'll work on my bucket list...

...and continue to save." ■

A few tips for baby boomers approaching retirement:

Begin planning now

If you haven't yet, it's important to begin thinking about the lifestyle you want in retirement. Get started today. You'll find [calculators](#) on the DRS website that will help you with retirement planning. Long term goals are best reached through small wins along the way.

Increase your savings

Even a small increase in your monthly savings rate can pay big dividends later. The state's [Deferred Compensation Program](#) (DCP) is an excellent way to put away tax-deferred dollars. There are also "catch-up" options that might be beneficial for baby boomers. If you haven't joined DCP, consider doing so. If you are already a DCP participant, think about increasing your contribution. If you don't have access to DCP, you might explore saving options through your employer or through your banking institution.

Consider postponing retirement

If you're a late saver, choosing to retire at a later date will give you longer to build your savings. Combining this approach with an increase in your monthly savings will get you even closer to your retirement goals.

Reduce expenses

Cutting back on expenses can mean having a lot more money to save for life through retirement. A shorter vacation, or one less time eating out each month, can lead to big savings over just a few years.

Legislative update

The 2011 legislative session has proven to be a busy one. “The state budget is the shadow that has loomed over everything this session,” says DRS Legal and Legislative Services Manager Dave Nelsen, “and funding issues related to pensions have been a part of the discussions on how to address the budget deficit.”

Most of the attention, Dave notes, has focused on retire/rehire programs, the automatic annual increase in PERS and TRS Plan 1 and protecting pensions from the impact of furloughs.

At press time, the legislature’s special session had not yet concluded. You can find the most up-to-date information on the status of pension legislation, including the bills proposed by the Select Committee on Pension Policy, in the legislative section of our [website](#). ■

New contribution rates are scheduled to take effect, for most members, in the coming months

The Pension Funding Council has adopted [new plan contribution rates](#) that are scheduled to take effect beginning July 1, 2011. As always, the rates are subject to change by the Legislature.

If you’re a member of PERS Plan 2, your contribution rate will increase from 3.9% of your salary to 4.59% on July 1.

Also effective July 1, the contribution rate for WSPRS Plan 1 and Plan 2 members will increase from 5.09% to 6.59%. Pending final budget approval, the rate for LEOFF Plan 2 members will remain unchanged at 8.46% and PSERS members will see a slight decrease in the rate – from 6.55% to 6.36%.

Effective September 1, members of TRS Plan 2 will see an increase from 3.36% to 4.68% and the rate for SERS Plan 2 members will increase from 3.15% to 4.08%.

Every two years the state actuary updates contribution rates to reflect the latest data, plan provisions and experience. The Pension Funding Council reviews the updated contribution rates and is responsible for officially adopting any changes, subject to revision by the Legislature. More information is available on the [Office of the State Actuary](#) website.

Contribution rates for members of PERS Plan 1 and TRS Plan 1 are set in statute and will not change. Plan 3 members choose their contribution rate at the time they enter the plan (or change employers). ■

Benefits for Qualified Domestic Partners

Legislation passed in 2009 ensures that spouses and domestic partners are treated equally in Washington as long as there is no conflict with federal law. For state-administered retirement plans, this means that qualified domestic partners will have the same survivor and death benefits as married spouses, though there may be differences in how taxes are handled at the federal level.

This provision is already in place for members and retirees of the Law Enforcement Officers’ and Fire Fighters’ Retirement System Plan 2 and the Washington State Patrol Retirement System. It will go into effect for all other retirement plans, as well as the Deferred Compensation Program, in January 2014.

In a [qualified domestic partnership](#), both individuals have met the state’s legal requirements and registered their partnership with the Secretary of State’s office or another jurisdiction. Contact the [Secretary of State’s office](#) if you have questions about these requirements. ■

Annual retirement statements now available

If you're a member of one of the following retirement systems, your 2010 annual retirement statement is now available to you online:

- Public Employees
- Law Enforcement Officers and Fire Fighters
- Washington State Patrol
- Judicial
- Public Safety Employees

If you are employed in education your annual statement will be available in November 2011.

To review your statement, log on to (or sign up for) online access to your account. Just visit the [DRS website](#) for more information. You'll find the account access service under "myDRS."

It's important to review your annual statement. If you find discrepancies or have questions, please contact your employer's payroll office, or if you are no longer employed, contact us. ■

Fund lineup analyzed

The Washington State Investment Board recently analyzed the lineup of investment options offered to DCP participants, members of Plan 3, and the Judicial Retirement Account. The fund lineup will be changing later this year. More information is available on our website and will also be sent out this summer. ■

DRS Education and Outreach Team

Whether you're at the beginning of your career or nearing the end of it, the decisions you make now will impact your quality of life in retirement. Reliable information, as well as the opportunity to ask questions and have them answered by experts, is the key to making those decisions.

The DRS Education & Outreach team travels across the state to increase knowledge about retirement benefits. The team presents retirement information in an easy-to-understand manner, answers questions and helps you better understand your retirement benefits and options.

We offer educational presentations on all retirement systems administered by DRS and the Deferred Compensation Program (DCP). You can attend one of the many [seminars](#) that we schedule around the state, or your employer can schedule us to come to your place of employment.

As part of our employer visits, we are also available for one-on-one appointments. These appointments are typically 15-20 minutes and include topics such as:

- How do I sign up for and use online services?
- When can I retire?
- How do I make changes to my account information?
- Where can I find information on choosing between Plan 2 and Plan 3?
- How can DCP help me prepare for retirement?

You will also see us at benefit fairs, new employee orientations, staff meetings, conferences and other events.

The [retirement seminars](#) we conduct around the state are designed for employees who are within five years of retirement. These seminars cover Social Security, VEBA and PEBB health insurance, along with retirement system and DCP benefits.

If you'd like the DRS Education and Outreach team to visit your workplace, contact your human resources office or your training manager. ■



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