

The Department of Retirement Systems

LEOFF Plan 2 Retirement Board Meeting

November 28, 2007

AGENDA

- ▶ Education and Outreach
- ▶ RSA Classification Study
- ▶ Making it easy for you...

Education and Outreach

- ▶ Redesigned seminar curriculum for members close to retirement
 - Designing seminars for younger workers
- ▶ Promoting the Deferred Compensation Program (Social Marketing Project)
 - Increase participation in the 40–55 age range initially
- ▶ Redesign DRS web site with more tools and information
 - Easier to access and designed using customized portals

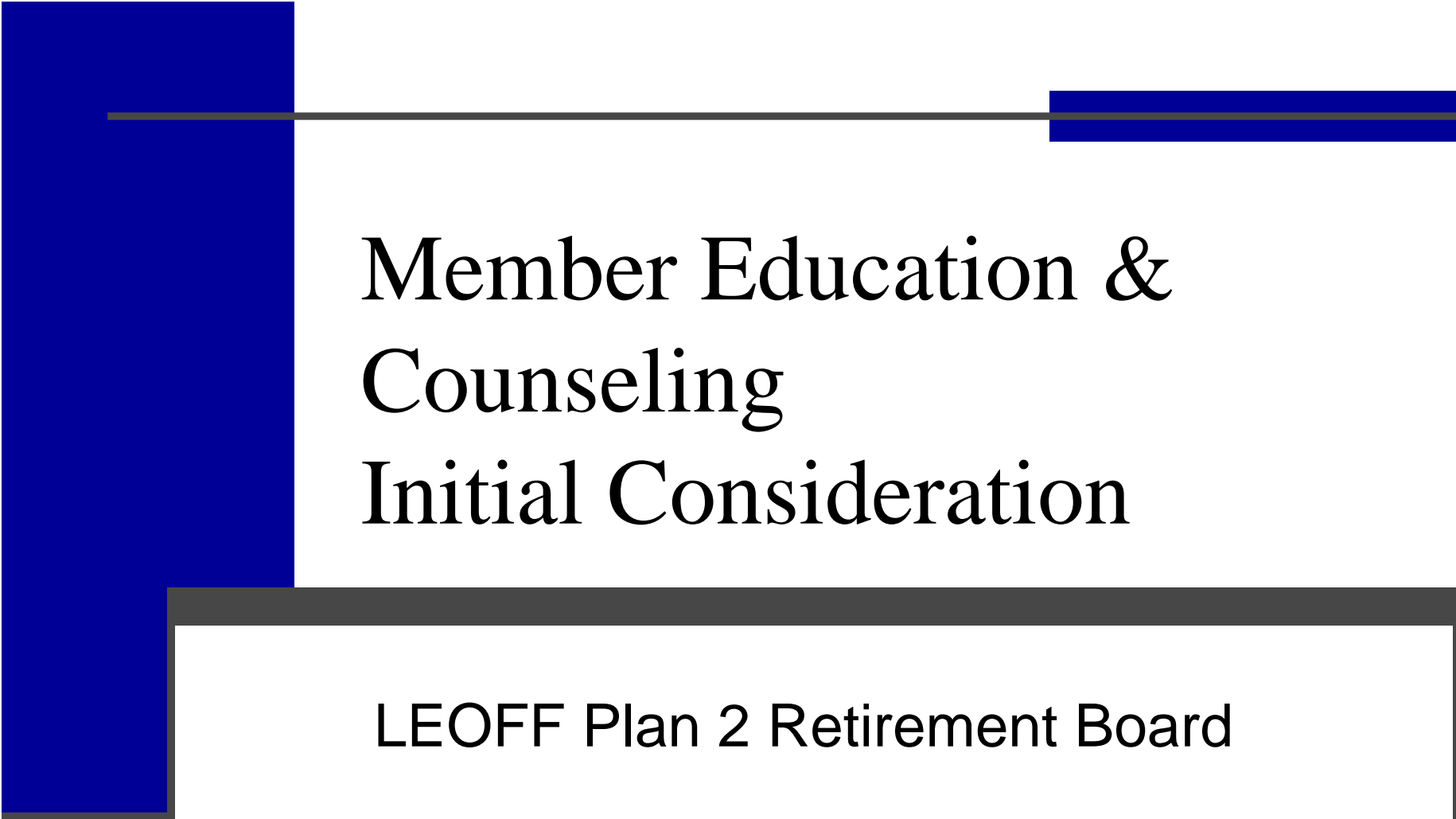
RSA Classification Study

- ▶ Organizing work into management and technical tracks
- ▶ Creating more positions at Level 3 to deal with complexity
- ▶ Providing training on identifying and addressing member questions more fully
 - Balancing not providing advice but providing comprehensive information for members to make informed decisions
- ▶ Death and Disability Processes

Making it Easy...

- ▶ Accessing DRS services through multiple channels
 - Pre-filled retirement application with information we have
 - Single sign-on for DB, DCP and Plan 3
- ▶ Forms and Publications Project
 - Restructure and combine forms for ease of use, cross reference publications and rewrite for clarity
- ▶ Estimates
 - Multiple retirement date scenarios in one package – implemented
- ▶ Death and Disability
 - Correspondence
 - Technology improvements

Questions?



Member Education & Counseling Initial Consideration

LEOFF Plan 2 Retirement Board

November 28, 2007

Overview

- Issue
- Current Process
- Member Preparedness

Issue

- Education Versus Advice
 - Liability
 - Administration
 - Cost

Current Process

- Seminars
- One-On-One Counseling
- Internet Websites
 - Calculators

Member Preparedness

- 2006 Retirement Confidence Survey
- International Foundation Retirement Education

Summary

- Issue
- Process
- Preparedness



Member Education & Counseling

QUESTIONS?

LAW ENFORCEMENT OFFICERS' AND FIRE FIGHTERS' PLAN 2 RETIREMENT BOARD

Member Education and Counseling Initial Consideration

November 28, 2007

1. Issue

Should members be provided with more than the basic retirement option information?

2. Staff

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3. Members Impacted

Based on the actuarial data as of September 30, 2006, there were 15,718 active and 597 vested terminated LEOFF Plan 2 members. Expanding services to members to include advice could impact all active and vested terminated LEOFF Plan 2 members.

4. Current Situation

The Department of Retirement Systems (DRS) provides educational seminars to LEOFF Plan 2 members. The seminars provide members with information on how the specific plan elements work. DRS also provides members the opportunity of one-on-one counseling sessions at their offices. These counseling sessions provide plan specific information.

5. Background Information and Policy Issues

Background

The Department of Retirement Systems provides members with education about their plans. They provide this by group presentations or by individual appointments. In the group presentations members receive an overview of their state pension plan, financial planning, estate planning, social security, Voluntary Employee Beneficiary Association (VEBA), Statewide Health Insurance Benefits Advisors (SHIBA), and the Washington State Deferred Compensation Program. Members, who choose to meet individually with a DRS Retirement Services Analyst (RSA), may do so by scheduling an appointment at DRS in Tumwater. This information is strictly to educate the member as to what the different aspects of their plan means. For example, how does a joint survivor option work and what does it cost in the form of a benefit reduction. While some retirement services analysts may go into greater detail, the normal response, when asked for advice by the member, would be for the member to talk with a certified financial planner or estate attorney to determine their best course of action. Ultimately the member makes their own decisions.

The San Diego County Employees Retirement Association (SDCERA) goes a little farther than most. For example, they offer two different levels of seminars, a mid-career and a late-career.

The mid-career seminar is designed for members who are three to ten years from retirement. Key components of this seminar include an overview of the retirement plan and how service credit, age at retirement and final compensation factor into the benefit calculation. In addition to the information given on the retirement system, a representative from their deferred compensation program provides an explanation of how to use deferred compensation as a source of retirement income. The latter half of their seminar is presented by a financial education firm and covers important financial planning strategies.

The late-career seminar is designed for members who are approximately six to twelve months from retirement. The key features of this program include detailed retirement plan information presented by SDCERA personnel about the various benefit choices and documents required at retirement. At this time a presentation is done by the Social Security Administration as well as their benefit office and deferred compensation office. The benefit's office discusses COBRA, CalCOBRA health benefits and life insurance conversion. Their deferred compensation office provides information on what to do with 401(a) and 457 defined benefit contributions.

Policy Issues

At first glance it would appear that there is adequate information being provided for members to make informed decisions. However, upon further review, there appears to be a big disconnect between perception and reality when it comes to preparedness for retirement.

Studies, such as the 2006 Retirement Confidence Survey¹, show that workers are overly optimistic about their future given the steps they have taken for retirement. Dr. Mathew Greenwald, Ph.D. president and CEO of Mathew Greenwald & Associates, believes the reasons why people are not preparing for retirement can be attributed to three things:

1. Many workers don't know how much money it takes to have a comfortable retirement.
2. Many workers are confident about their financial situation in retirement and this confidence may keep them from rationally examining their retirement preparations.
3. Many workers are basing their retirement planning on assumptions that may or may not prove true.

Another valuable source of information comes from the International Foundation for Retirement Education (InFRE). They recently issued a report on their Retirement Readiness Project² designed to create a comprehensive profile of retirement readiness among Americans and develop an effective retirement education message and delivery approach. InFRE created the InFRE Retirement Readiness Profile® to provide a qualitative measure of total retirement well-being.

The report is very comprehensive and covers many different areas. The approach was to focus not only on being financially secure in retirement, but to explore the areas of happiness and health. The idea was in order to know how much it would take to be financially secure, one would also need to know what kind of activities and lifestyle a person would be planning on and how their health can impact their retirement. The overall numbers indicate that people are not on-track planning for their retirement needs.

¹ The Retirement Confidence Survey is sponsored by the Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC) and Mathew Greenwald & Associates.

² The complete report and research paper can be found at www.caplefoundation.org/research/documents/NewModelforRetirementEducationandCounseling_MWfinalpaper.pdf