



# Thought Provokers

Consider these questions as you evaluate your Defined Benefit (DB) retirement plan election options under Public Act 264.

**Election Deadline: Friday, March 2, 2012, 5:00 p.m. EST**

## 1 What's the future of my state employment?

- How long do I plan to work for the state?
  - At least 10 years to vest?
  - More than 10 years but less than 30 years?
  - 30 years or more years?

## 2 What are my retirement plan needs?

- Do I wish to have guaranteed lifetime income in the form of a pension?
- Do I wish to potentially leave a lump-sum to a beneficiary in the form of a Defined Contribution (DC) account balance?
- Do I wish to have flexibility of the DC plan on my rate of withdrawal and level of retirement income?
- What other income options will my spouse or I have?
- What is the better option if I still have young children?
- What kind of risks am I willing to take?

## 3 What if I choose to remain in the DB plan?

- Can I afford the mandatory 4 percent pre-tax contribution to remain in the DB plan?
  - Have I estimated what that 4 percent contribution will cost over the remainder of my expected career?
  - Is the pension I'll receive by paying the 4 percent contribution and staying in the DB plan worth the decrease in pay over the long run?
- Have I estimated the value of my frozen DB pension as of April 1, 2012?
- Have I estimated the value of my DB pension as of my earliest eligibility date?

- Have I estimated the value of my DB pension as of my attainment date (the date I reach 30 years of service, if enrolled in the DB 30 plan)?
- Have I estimated the value of my DB pension out to my expected retirement effective date if I stay in the DB plan?
- If I elect to freeze my DB pension benefit now or at attainment, will it provide sufficient income in retirement?

## 4 What if I choose to switch to the DC plan?

- Do I understand the requirements of the DC plan?
  - The state's mandatory 4 percent contribution?
  - The requirements for obtaining the 3 percent match?
  - The vesting requirements for the state's contributions?
  - The vesting requirements for my contributions?
- If I switch to DC, can I afford the 3 percent contribution needed to gain the full 3 percent match from the state?
- If I switch to DC, what rate of return will I need to make on my DC money, that when added to my frozen DB pension, will equal or exceed my DB pension earned for the same period of time if I stayed in the DB plan?
  - What rate of return is required on the 4 percent employer mandatory contributions to be a benefit to me? Does that rate of return seem realistic?
  - What rate of return is required on the 10 percent contributions to the DC account (4 percent employer mandatory + 3 percent employer match + 3 percent employee elective) to be a benefit to me? Does that rate of return seem realistic?
- When do I plan to draw on my DC/Deferred Compensation savings?

*Note:* These questions are not designed to guide you toward any particular election option. Instead, these are questions that are representative of those that other state employees are asking as they attempt to determine if one election option is better than another for their own personal circumstances. In some cases, a question may not apply to you at all. In others, your own personal facts may have you consider the weight of one question over another. In addition, no list of questions can cover all of the possible variables that may go into the consideration of the election options. The questions are also not designed to take a position as to any current or future policy. Future federal and state law changes may impact both the answers to the questions and the impact of making various election options. These questions are simply provided to help assist you in considering the election options.