

- WASHINGTON STATE -  
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THIRD QUARTER • 2011

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## Investment Fund Options - Update

The Washington State Investment Board (WSIB), working closely with the Department of Retirement Systems (DRS), has developed an updated menu of options that includes proven familiar performers as well as new options that reflect changing markets. We recently mailed a letter and a guide that explains the details of the transition, how it may affect you and what you may need to do.

Below are key dates and a checklist for how to proceed.

### Between now and October 28, 2011:

- ✓ Review your DCP investment strategies.
  - Are they on track with your goals?
  - Would you like to make any changes?
  - Are you interested in finding out more about the new fund options?
- ✓ Determine whether you are currently invested in any funds that are being discontinued.

### If you are invested in a discontinued fund ... before 1:00 p.m. PT October 28, 2011:

- ✓ Transfer your balance(s) from a discontinued fund into a fund(s) that will remain in the lineup.
- ✓ Direct your future payroll deferrals into a fund(s) that will remain in the lineup.

If you remain invested in a discontinued fund after 1:00 p.m. PT on October 28, your balance will be moved into a Retirement Strategy Fund based on your birth year and an assumed retirement at age 65. *(continued)*





## Investment Fund Options - Update (continued)

The updated fund lineup at a glance:

- Retirement Strategy Funds  
*managed by Alliance Bernstein*
- Emerging Market Equity Index Fund  
*managed by BlackRock, Inc.*
- US Small Cap Value Index Fund  
*managed by BlackRock, Inc.*
- Global Equity Index Fund  
*managed by BlackRock, Inc.*
- US Large Cap Equity Index Fund  
*managed by BlackRock, Inc.*
- Socially Responsible Balanced Fund  
*managed by Walden Asset Management*
- Washington State Bond Fund  
*managed by WSIB*
- Savings Pool  
*managed by WSIB*

You can evaluate your current investments, review fact sheets on the new options, and make changes online at [www.drs.wa.gov/dcp](http://www.drs.wa.gov/dcp) or by calling **888-327-5596** (select option 1). Any changes made to your investments will be reflected in your fourth quarter statement.

The transition guides and other resources are available online—just click on the Fund Transition article in the *News* section on the DCP homepage. If you have any questions, give us a call.

It's always a good idea to periodically review your investments to make sure you're on track to reach your savings goals. Be sure to consult your financial adviser if you have any questions about your investment strategy.

## Fund Fact Sheets

We've changed the format of the DCP Investment Guide to give you more timely updates on fund performance. You'll now find links to fund fact sheets, prepared by the fund managers and updated quarterly instead of annually, on the *Investments* page of the website.





## Rock or Roll?

If you separate from employment, there is no requirement to roll your money out of DCP. In fact, there are compelling reasons to leave your money in DCP. Here are a few things to consider if you're thinking of looking into new investment possibilities.

### Options and flexibility

Whether you're in a Retirement Strategy Fund or in a mix of individual funds, DCP offers a range of investment choices so you can maintain a diversified portfolio. When you're ready to begin drawing a benefit, you will have a number of distribution options to suit your financial needs, including periodic installments and partial withdrawals. And unlike many other plans, there is no 10% early withdrawal penalty on distributions you receive before age 59½.

### Fees and potential penalties

As a DCP participant, you get the benefit of strength in numbers, which allows you access to institutional pricing that is not typically available with IRAs or small retirement programs. Low fees can make a big difference to your savings over the long term. Also keep an eye out for transfer penalties—if you decide to move your money from DCP into a new retirement plan, make sure you know what the tax consequences will be on future distributions.

### 24/7 account management

As a DCP participant, you can continue to access your account, program information and investment resources 24 hours a day, seven days a week—either online or over the phone.

While reviewing your options to decide what's right for you, consider that DCP offers many of the same features as an IRA and other retirement plans. Plus it has the added benefits of low cost, flexibility and the expertise of the Washington State Investment Board—one of the most successful public institutional investors in the country.

## It's Important to Name a Beneficiary

You've worked hard to accumulate the assets in your DCP account. In the event of your death, you would want your benefits to be paid to the individual(s) you have chosen. If you haven't named a beneficiary, there could be a delay or other complications in paying your benefits. Be sure to look at your beneficiary information periodically. It may be appropriate to review it once a year, or sooner, if there are changes in your family or relationships, laws or your health. You may change your beneficiary at any time.





# Make Your Savings Last

## Planning for retirement

How much money will you need to live on when you retire? Do you think your expenses will change in the years to come? Take the steps below to help you set realistic goals.

## Assess your expenses

Most financial advisers say you'll need about 70% of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living.<sup>1</sup> Reason: Inflation gradually increases your cost of living while eroding the purchasing power of your money, especially if you have a lot of it parked in cash investments. What's more, you may face high medical costs. You may be eligible for Medicare at age 65, but the federal insurance program may not cover all your expenses.

## Do the math

Examine your current budget and estimate how it might change. Then add up all your anticipated sources of retirement income, including Social Security benefits and a pension, if you have one. The difference between your annual income and expenses is the amount you'll need to withdraw from savings.

## Follow the 4% rule

Today's 65-year-olds have a 30% chance of living past age 92.<sup>2</sup> To make your savings last, financial planners generally suggest that you withdraw no more than 4% of your savings during the first year of retirement, and then adjust for inflation each year thereafter. At that rate, your portfolio could last 25 to 30 years—not bad, considering today's long life spans.

For more information, contact us:

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<sup>1</sup> "Top 10 Ways to Prepare for Retirement," 2011, [dol.gov/ebsa/Publications/10\\_ways\\_to\\_prepare.html](http://dol.gov/ebsa/Publications/10_ways_to_prepare.html).

<sup>2</sup> U.S. Department of Health and Human Services, National Center for Health Statistics, August 19, 2009.