BCG Retirement News Roundup

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Boomershine Consulting Group, 3300 North Ridge Road, Suite 300, Ellicott City, Maryland 21043

www.boomershineconsulting.com 410-418-5525

Boomershine Consulting Group (BCG) has launched this monthly news roundup of highlighted significant articles from the retirement industry – for clients and friends. Retirement plan news has become increasingly pertinent for many audiences these days, including:

- Retirement Plan Sponsors – addressing both private and public sector issues
- Employers – dealing with complicated decision making for their plans
- Employees – educating the Boomer generation that is nearing retirement
- Industry Practitioners - helping to understand and resolve today's significant challenges

We review numerous industry news services daily and will include a collection of timely and significant articles each month concerning compliance, actuarial plan costs (including assumption debates), plan design change issues and benefit trends, as well as other related topics.

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Public Sector/Government Plans

NASRA: State, local governments spend 3% on public pension plan funding

Funding for public pension plans accounted for just 3% of state and local government spending in 2009, the most recent data available, according to a report from the National Association of State Retirement Administrators.

Spending levels varied among states. Alaska, California and Nevada spent the highest percentage on public pension plans, at 6.35%, 5.98% and 5.39%, respectively. Rhode Island spent the fourth-largest amount at 4.87%, followed by Illinois, 4.8%.

The variation in pension spending levels can be attributed to the differences in benefit levels, employer contributions and the size of unfunded liabilities among states. Cities face an even greater challenge; pension plan costs for cities are higher than states by about 50% of total spending. This is because of “the types of services delivered at the local level and the resulting larger sharer of municipal budgets that is committed to salaries,” according to the report.

According to the NASRA report, about 60% of public pension plan revenue comes from investment returns, while 28% comes from employer contributions and 12% from employee contributions.

Public pension plan spending has generally remained stable over the past 30 years, according to the report. State and local governments spent an average of 4% on public pension plans in 1980 and 2.9% in 2009.

BY MELANIE ZANONA
PUBLISHED: FEBRUA

GAO: Most public pension plans have enough assets to last at least 10 years

Most state and local public retirement systems “currently have assets sufficient to cover their benefit commitments for a decade or more,” despite suffering significant investment losses from the recent economic downturn, according to a Government Accountability Office report released March 2.

But “even if these plans received no more contributions or investment returns, most large plans would not exhaust their assets for a decade or longer, since they hold assets at least 10 times their annual expenditures,” noted the report, “State and Local Government Pension Plans: Economic Downturn Spurs Efforts to Address Costs and Sustainability.”

Among other findings, the GAO report raised concerns about issuing pension obligation bonds to finance retirement plans.

“These transactions involve significant risks for government entities because investment returns on the bond proceeds can be volatile and lower than the interest rate on the bonds,” the report said. “In these cases, POBs can leave plan sponsors worse off than they were before, juggling debt service payments on the POBs in addition to their annual pension contributions. In a recent brief, the Center for State and Local Government Excellence reported that by mid-2009, most POBs issued since 1992 were a net drain on government revenues.”

Because of these concerns, Pennsylvania “enacted legislation in 2010 prohibiting the use of POBs,” the report said.

Also, the report found “most public plans have experienced a growing gap between actuarial assets and liabilities over the past decade, meaning that higher contributions from government sponsors are needed to maintain funds on an actuarially based path toward sustainability,” at the same time state and local governments face fiscal pressures.

To help strengthen their plan's funding, state and local sponsors have enacted benefit and other changes to their plans. Among the changes, “35 states have reduced pension benefits, mostly for future employees due to legal provisions protecting benefits for current employees and retirees,” the report said. “A few states, like Colorado, have reduced post-retirement benefit increases for all members and beneficiaries of their pension plans.”

“Half of the states have increased member contributions, thereby shifting a larger share of pension costs to employees,” the report said.

“Georgia, Michigan and Utah recently implemented hybrid approaches, which incorporate a defined contribution plan component, shifting some investment risk to employees,” the report said.

“(M)ost plans continued to receive pre-recession contribution levels on an actuarial basis from their sponsors, with most plans contributing their full actuarial level,” although “there were some notable exceptions, and these plans continued to receive lower contribution payments,” the report said.

Several factors have contributed to the growing gap between plans' actuarial assets and liabilities. For example, large pension funds generally assumed investment returns ranging from 6% to 9% throughout the 2000s, including assuming returns of about 8%, on average, in 2009, despite the declines in the stock market during this time.

“Positive investment returns are an important source of funds for pension plans, and have historically generated more than half of state and local pension fund increases,” the report said. “However, rather than adding to plans' assets, investments lost more than $672 billion during fiscal years 2008 and 2009, based upon Census Bureau figures for the sector. Since 2009, improvements in investment earnings have helped plans recover some of these losses.”

BY BARRY B. BURR
PUBLISHED: MARCH 2, 2012

State and Local Government Pension Plans: GAO Finds Increased Efforts to Address Costs and Sustainability

Most large state and local government pension plans have assets sufficient to cover benefit payments to retirees for a decade or more, a recent Government Accountability Office (GAO) study found. However, pension plans still face challenges over the long term due to the gap between assets and liabilities. In the past, some plan sponsors have not made adequate plan contributions or have granted unfunded benefit increases, and many suffered from investment losses during the economic downturn. The resulting gap between asset values and projected liabilities has led to steady increases in the actuarially required contribution levels needed to help sustain pension plans at the same time state and local governments face other fiscal pressures.

GAO reports that since 2008, the combination of fiscal pressures and increasing contribution requirements has spurred many states and localities to take action to strengthen the financial condition of their plans for the long term, often packaging multiple changes together. GAO's tabulation of recent state legislative changes reported by National Conference of State Legislatures and review of reforms in selected sites revealed the following:

- Reducing benefits: 35 states have reduced pension benefits, mostly for future employees due to legal provisions protecting benefits for current employees and retirees. A few states, like Colorado, have reduced postretirement benefit increases for all members and beneficiaries of their pension plans.
- Increasing member contributions: Half of the states have increased member contributions, thereby shifting a larger share of pension costs to employees.
- Switching to a hybrid approach: Georgia, Michigan, and Utah recently implemented hybrid approaches, which incorporate a defined contribution plan component, shifting some investment risk to employees.

At the same time, some states and localities have also adjusted their funding practices to help manage pension contribution requirements in the short term by changing actuarial methods, deferring contributions, or issuing bonds, actions that may increase future pension costs. Going forward, growing budget pressures will continue to challenge state and local governments' abilities to provide adequate contributions to help sustain their pension plans.

Assembly passes pension overhaul; Part of burden shifts to teachers, local employees

The last act of the General Assembly before adjourning Saturday night will change the way most future state and local employees pay for their retirement, and shift part of the pension burden to every teacher and local employee in Virginia.

The legislature also committed itself over the next eight years to fully paying the contributions to state employee and teacher pensions that the Virginia Retirement System deems necessary to meet retirement obligations to employees.

"This requires us to quit using the (VRS) trust fund as a credit card," said Sen. John Watkins, R-Powhatan, who proposed the requirement to stop the state from deferring retirement contributions to pay other bills, as it did two years ago.
The changes were embodied in two bills adopted in each chamber after intense behind-the-scenes negotiations involving legislative leaders and Gov. Bob McDonnell, who supported both bills.

"The governor's primary concern is addressing the liabilities of the system, which we've done the best we can today," said Finance Secretary Richard D. "Ric" Brown.

The secrecy and haste drew strong objections from Democrats in the House of Delegates who said they had not been able to read the revised bills, much less discuss the provisions with affected constituents before the measures were put to a vote.

"What we're doing here is rushing to judgment," said House Minority Leader David J. Toscano, D-Charlottesville.

But Del. S. Chris Jones, R-Suffolk, said the proposals will make essential changes to the retirement system by reducing future benefits and increasing future contributions to pension plans that the state has chronically underfunded.
"I am sure the bill before you once and for all will put us on a track to address the Virginia Retirement System and its unfunded status," said Jones, chairman of the House Appropriations subcommittee on retirement and compensation.

The bills will:

Require teachers and local government employees to pay 5 percent of their salary to retirement, while requiring localities to offset the contribution with raises;
Create a mandatory retirement plan for most state and local employees hired after Jan. 1, 2014, that will combine reduced retirement benefits with a 401 (k) style contribution plan that the state will help fund (police, fire and other public-safety workers are exempt);

Reduce existing retirement benefits, including a cap on cost-of-living adjustments, for state and local employees with less than five years of service; and

Force the state to fund rates certified by the VRS Board of Trustees on a graduated scale over the three two-year budgets commencing July 1, 2014.
The assembly is expected to make additional changes to VRS through the two-year budget. Possible changes include a requirement that state employees pay an additional 1 percent of their salaries toward retirement in exchange for a 2 percent raise already proposed by both chambers in the second year of the budget.

The adopted compromises spared current state and local government employees from reductions in retirement benefits that were proposed by McDonnell and approved by the House. "We have totally protected current employees," said Sen. Janet D. Howell, D-Fairfax.

However, associations representing state employees and teachers opposed the new retirement plan for future employees, who they say will not be able to replace enough of their income for retirement. Watkins and Jones said they, and the governor, are willing to amend the legislation if employee groups proposed an alternative that still saves money and reduces pension liabilities.

"If they've got a better model, show us," Watkins said.

Richmond Times Dispatch (Virginia)

March 11, 2012 Sunday
Final Edition

NEWS; Pg. A-01

Judge rules Florida pension changes unconstitutional

TALLAHASSEE — In a dramatic defeat for the governor and the Florida Legislature, a Leon County circuit judge on Tuesday ruled that the decision last year to cut public employee salaries was an unconstitutional breach of the state's contract and ordered the money returned with interest.

The ruling leaves a potential $1 billion hole in the state budget for the 2011-12 budget year and another $1 billion hole for the 2012-13 budget year. It also has a $600 million impact for counties whose employees are in the Florida Retirement System.

"The 2011 Legislature, when faced with a budget shortfall, turned to the employees of the State of Florida and ignored the contractual rights given to them by the Legislature in 1974," wrote Circuit Judge Jackie Fulford, who also relied on a 1981 state Supreme Court ruling favoring public employees.

She said the Legislature's decision to cut public employee salaries 3 percent, without renegotiating their contracts, was an "unconstitutional taking of private property without full compensation" that violated the rights of public employees "to collectively bargain over conditions of employment."

The governor and Republican legislative leaders cut salaries 3 percent, eliminated cost of living adjustments, or COLAs, and shifted savings into the general revenue fund to offset the state's contribution to their retirement account. The change saved the state $1 billion during the 2011 legislative session and saved local governments $600 million.

Gov. Rick Scott blasted the ruling and said he would pursue a "swift appeal" of the decision so that it has no effect on the current budget. The state has already spent $500,000 defending against the lawsuit and has entered into a contract for another $300,000 for the appeal.

"As you would expect, I believe this decision is simply wrong," Scott said in a statement. He accused Fulford of ignoring "30 years of Supreme Court precedent" and called it "another example of a court substituting its own policy preferences for those of the Legislature."

The Florida Education Association and other state and local government unions challenged Scott and lawmakers, arguing that cuts to existing benefits for the 560,000 state and local employees in the Florida Retirement System needed to be negotiated in collective bargaining talks.

"This was a gamble that the governor and Legislature made last year," said Ron Meyer, attorney for the FEA. "They gambled taxpayers' money that they could balance the budget on the backs of the hardworking employees of this state. They lost that bet."

Lawyers for the House and Senate refused to comment on the ruling, but Senate President Mike Haridopolos, R-Merritt Island, was critical of Fulford and vowed to continue the legal battle.

"I think this is an example of judicial activism, and this is why we are immediately going to appeal this decision," Haridopolos said.

Meyer disagreed. He said "judicial activism is when a court ignores the law" and noted that the judge referred to a 1981 decision by the Florida Supreme Court, which ruled that while the Legislature could cut employee salaries, it could not breach the current contract it has with existing employees.

"This court cannot set aside its constitutional obligations because a budget crisis exists in the State of Florida," Fulford wrote. "To find otherwise would mean that a contract with our state government has no meaning."

Senate budget chairman JD Alexander said Tuesday that no matter how Fulford ruled on the lawsuit, it would have "no bearing at all" on this year's budget or last year's budget because the court can't order the Legislature to spend money.

"Only this Legislature can direct constitutional appropriations. Period. End of story," said Alexander, R-Lake Wales.

Countered the FEA's Meyer: "This is not a case of the state not having the ability to pay this money back. This is a case where the state has chosen not to pay these employees the money they are entitled to. We're not ordering a new appropriation."

The conflict is costing Florida taxpayers.

The state's Department of Management Services hired the Atlanta-based law firm of Alston and Bird to defend the state, paying eight lawyers $475 an hour. But the state exhausted the $500,000 retainer set aside for the initial defense, said Kris Purcell, spokesman for the Department of Management Services, so in December the state signed a second contract for $300,000.

FEA president Andy Ford called the ruling "historic" and said it proves "the Florida governor and the Florida Legislature are not above the law."

The ruling, however, could put some local governments in an awkward position, particularly those that gave employees bonuses or raises to offset the 3 percent contributions.

Hillsborough County agreed to pay most teachers bonuses of $750 this year to make up for changes to their retirement plan. The bonuses cost the school district more than $10 million.

Under Fulford's ruling, employees could stand to receive those bonuses on top of the 3 percent that had been taken from their paychecks.

By Mary Ellen Klas, Times/Herald Tallahassee Bureau
In Print: Wednesday, March 7, 2012
*Times/Herald s*taff writers Brittany Davis and Laura Isensee contributed to this report.

Private Sector

United States: Treasury Department And IRS Release Initial Lifetime Income Guidance; Additional Guidance Expected Shortly

Two years after the Internal Revenue Service (IRS) and U.S. Department of Labor (DOL) jointly issued a high-profile Request for Information regarding how defined contribution plans can better provide lifetime income, the IRS and Department of the Treasury have issued some initial guidance. DOL guidance, expected to further underscore the importance of the issue, is anticipated "in the near future."

On February 2, 2012, the U.S. Department of the Treasury and the Internal Revenue Service (IRS) released proposed regulations and a new Revenue Ruling relating to the purchase of longevity annuities (sometimes referred to as "longevity insurance" or a "deeply deferred annuity") inside defined contribution retirement plans and individual retirement accounts (IRAs). The new guidance is an initial package of guidance intended to remove regulatory barriers and simplify the offering of lifetime income benefits to retirees.

Introduction
The decline of traditional defined benefit pension plans and the increasing prevalence of defined contribution retirement plans (such as 401(k) plans) has created significant interest in providing lifetime income for participants in defined contribution plans, particularly after the economic downturn of 2008 decimated the account balances of many participants approaching retirement age. In February 2010, the IRS and the Department of Labor (the DOL) issued a joint Request for Information (RFI) on the use of annuities in 401(k) plans, and received nearly 800 written comments from a variety of organizations. In September 2010, the DOL and IRS held a joint hearing to receive testimony on issues such as specific participant concerns regarding the selection of a lifetime income option relative to other distribution options; the potential disclosure of 401(k) account balances as monthly income streams; and the potential fiduciary safe harbor for selection of lifetime income issuer/product.

In the intervening two years, DOL and Treasury/IRS officials have repeatedly indicated their interest in facilitating lifetime income for defined contribution plan participants, but no guidance had been issued. Several large employers have implemented or announced their intent to implement lifetime income options for participants in their defined contribution plans-notwithstanding the prior lack of DOL and IRS guidance.

In connection with issuing this new guidance, the President's Council of Economic Advisors issued a report entitled "Supporting Retirement for American Families" (Report). The Report describes a wide range of risks that can threaten a secure retirement for retirees, such as low rates of return and high administrative fees, unpredictable life events such as medical emergencies, increased life expectancies and other related factors. The Report advocates for the use of annuities to mitigate that risk by providing retirees with a guaranteed stream of income for life. In particular, the report noted that a longevity annuity contract-not a new insurance product, but simply a form of deferred annuity beginning at an advanced age (e.g., 80 or 85)-can help alleviate some of those risks.

This initial round of Treasury and IRS guidance on lifetime income focuses primarily on how the minimum distribution rules, joint and survivor rules, and disclosure rules apply to longevity annuity contracts. Each of those topics is discussed in this newsletter. In addition, at the same time the IRS and Treasury issued the guidance regarding longevity annuity contracts, they also issued two additional pieces of guidance:

A separate Revenue Ruling (Rev. Rul. 2012-4) describing how distributions from an employer's defined contribution plan may be rolled over to an employer's defined benefit plan (what the Report referred to as "self-annuitization"). It is unclear whether employers will be willing to increase liabilities under their defined benefit plans. Proposed regulations designed to encourage participants in defined benefit pension plans with a choice between lump sum and annuity benefits to choose to receive at least part of their benefit in the form of annuity (what the Report referred to as "partial annuitization"). This is designed to address a concern that many defined benefit plans have increasingly made lump sum cash payments either by adding a lump sum option to the plan's payout choices or converting the plan to a "hybrid" lump sum-oriented format, such as a cash balance plan, and that it would be desirable to offer combination options that avoid forcing participants to make an "all or nothing" choice. However, as discussed in Proposed IRS Regulations on Partial Lump Sum Pensions Require Comparison With Plans' Benefit Calculation Methods, the proposed regulations regarding partial annuitization may raise bigger questions than they solve.
How to Apply the Minimum Distribution Rules to Longevity Annuity Contracts
Relief from the required minimum distribution rules under Internal Revenue Code (Code) section 401(a)(9) is needed because the value of an annuity contract held under a defined contribution plan that has not yet been annuitized is included in determining the required minimum distributions from the participant's individual account. This could have the effect of requiring distributions from a longevity annuity to commence earlier than desired (i.e., at age 80 or 85).

To avoid that result, the new proposed regulations provide that the value of a deferred annuity meeting the requirements of qualifying longevity annuity contracts (QLACs) is not included in the account balance in determining required minimum distributions. In order to qualify as a QLAC, a number of requirements must be met. First, the amount of premiums paid for the deferred annuity under the plan may not exceed the lesser of 25 percent of the participant's account balance on the date of payment or $100,000 (reduced by the aggregate premiums paid for any other QLACs). Next, payments must commence no later than when the participant attains age 85. Further, the only benefit permitted to be paid from a QLAC after a participant's death is a life annuity, payable to a designated beneficiary, that meets certain requirements; no commutation benefit or right to receive the QLACs cash value is permitted. Variable annuities and equity-indexed contracts cannot qualify as a QLAC.

The proposed regulations apply to longevity annuity contracts purchased under tax-qualified defined contribution plans (such as Code section 401(k), 401(a) and 403(b) plans), individual retirement annuities and IRAs, and eligible governmental Code section 457 plans. The regulations do not apply to defined benefit plans or to Roth IRAs that, prior to the participant's death, are not subject to the minimum distribution requirements.

New Disclosure and Annual Reporting Requirements Applicable to Longevity Annuity Contracts

Under the proposed regulations, issuers of QLACs would be required to create a report, in plain language, describing the dollar and percentage limitations, annuity starting date and other related information, and to furnish each participant in whose name the QLAC has been purchased the information provided in the report. This statement is not required to be filed with the IRS. To comply with these reporting requirements, issuers must furnish the report beginning with the year in which premiums are first paid and ending with the earlier of the year the participant attains age 85 or dies. The forms, filing instructions and filing deadlines remain in development.

Applying Existing Survivor Annuity Rules to Longevity Annuity Contracts
Issued in tandem with the proposed regulations, new IRS Revenue Ruling 2012-3 clarifies how the qualified joint and survivor annuity (QJSA) and the qualified pre-retirement survivor annuity (QPSA) apply when a deferred annuity is purchased under a defined contribution plan. In general, the existing survivor annuity rules require that a participant who elects an annuity form of payment that does not qualify as a QJSA to obtain the written consent of the participant's spouse to that election. The IRS has acknowledged concerns as to how and when that requirement applies if a participant elects a deferred annuity. The ruling addresses three different situations, including the purchase of a deferred annuity, and explains in each case when the plan becomes subject to QJSA and QPSA rules, essentially identifying plan and annuity terms that will automatically protect spousal rights without requiring spousal consent before the annuity begins. Revenue Ruling 2012-3 also clarifies that, assuming the plan separately

accounts for the deferred annuity contract, the remainder of the plan is not subject to the QJSA and QPSA requirements.

Next Steps

Comments on the proposed regulations regarding longevity annuity contracts and on the proposed regulations regarding partial annuitization are due by May 3, 2012. A public hearing on both sets of proposed regulations is scheduled for June 1, 2012.

Observations

As noted in a Treasury Department Fact Sheet, the Revenue Rulings and proposed regulations described in this newsletter are only a first step in helping address what many employers view as a critical need to help participants in their defined contribution plans ensure they have adequate retirement incomes. This initial guidance does not attempt to address all of the issues raised by public comments in response to the DOL and IRS joint RFI. Rather, the guidance was intended to address some specific impediments to the use of longevity annuities that commentators indentified in responding to RFI, and to make it easier-and perhaps more cost-effective-for participants to transfer defined contribution plan amounts into annuities that will guarantee monthly payments until the participants die.

It is unclear whether this initial Treasury and IRS guidance alone will spark interest in longevity annuities-at least inside qualified retirement plans. Longevity annuity products are not new, and although the new guidance addresses some of the potential barriers, the application of the survivor annuity rules, the disclosure obligations and the QLAC restrictions may cause some participants to consider whether it is preferable to roll over all or a portion of their account balances into a Roth IRA, and pay income tax on those distributions but avoid some of the remaining administrative hurdles.

Guidance regarding annuities that allow participants both a lifetime income guarantee and the ability to remain invested in the market-so called "lifetime guaranteed withdrawal benefits," or LGWB-likely will generate additional interest in lifetime income options. That guidance reportedly remains on the Treasury Department's list of future guidance.

Another anticipated piece of guidance is a new DOL requirement for plan sponsors to communicate to participants in defined contribution plans the lifetime income that may be provided by their account balance. According to February 17, 2012, comments by Phyllis C. Borzi, Assistant Secretary of Labor for the Employee Benefits Security Administration, "[in the near future,] we will see a lifetime income illustration for benefit statements. ... Our goal is to raise understanding of what participants' lump-sum distribution will buy [in lifetime income options].

In short, this initial lifetime income guidance is expected to be followed by additional lifetime income guidance from both the Treasury and Labor Departments later this year.
The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

Mr Joseph Adams
McDermott Will & Emery
600 13th Street N.W.
Washington, DC
20005-3096
UNITED STATES
E-mail: pdevinsky@mwe.com
URL: www.mwe.com

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RETIRE: IT'S NOT IN THEIR VOCABULARY

A poll shows 81 percent of adults plan to work at least part-time after retirement.

You'd think it would be pretty clear why Hazel Johnson, at 86, is still in the workforce.

She has power, phone and gasoline bills. She's had cancer and open-heart surgery and so needs prescription drugs. She has groceries to buy.
But does she continue working at the West Palm Beach Health Center medical office in Riviera Beach because she has to -- or because she wants to, decades after she could have tried to make Social Security and her 401(k) retirement savings pay her way?

The answer for her and for many seniors is the same: They need the money, but they also need to keep at a job that gives them purpose.
"It keeps my mind going, keeps my body going. I pray to keep being able to work," she said. "I love to work."

More seniors are working past the traditional retirement age of 62 or 65, when Social Security benefits kick in. And few retirees say they plan to quit working altogether.

Most working adults -- 81 percent, according to a Gallup poll in April -- said they would continue working, at least part-time, after they retire.

AARP's Public Policy Institute tracks the numbers of Americans who continue working after 65. It found that 17.9 percent continue working, a huge jump from 1985, when only about 10.8 percent who were 65 or older did. And for those 75 and over? More than 7.5 percent were working in 2011, compared with 4.3 percent in 1990.

'I love coming to work'

That's what Bob Levinsohn, 86, a vice president at Boca Raton's Lynn University, has been saying all along. The school fundraiser lost most of his savings in his late 50s when he lost three hotels in the housing crunch of the late 1970s and early 1980s. But he continued working and has since written two books -- a novel and a self-help volume titled The Anti-Retirement Book.

"I don't believe in ever retiring," he said. "They'll have to carry me out on a stretcher. The people who say, 'I have to work,' should say, 'Thank God I can work.'"

Even those in dire situations, such as Lake Worth's Bill Turner, 78, never expected he'd be sitting back in retirement.

Turner was laid off in 2009 from his office job in a company that provides commercial generators. He and his wife of 57 years ate through their savings, racked up $35,000 in credit card debt, and doctors put him on medication because he was depressed as he struggled to find work -- he even became suicidal, he admits.

But then he came across Experience Works, a government-subsidized nonprofit that finds part-time jobs for the elderly where they can learn new skills to re-enter the workforce. They placed him at a cancer nonprofit, working 15 hours a week. But because of his background working in billing and payroll, including on computers, he since has become the executive assistant to the Experience Works CEO. And he's been able to pay down his debts.

"If you stop working, you'll die," Turner said. "I love coming to work. I absolutely love it."

In addition to Experience Works, there are other resources for helping seniors get back to work.

AARP has its own version of a job-training program, the Senior Community Service and Employment Program, which placed Hazel Johnson in her job and helps about 83 seniors at a time with their bills while they retrain for the job market. The goal is to get seniors who want to work back into the private sector. To qualify for the program, seniors must be 55 or older, make no more than $13,900 a year as an individual, and "have a serious commitment to get back to work," said Ted Simpkins, the Palm Beach County director.

As with Experience Works, they are placed with nonprofits where they can learn computer skills and learn how to tailor their résumés and post them online, and how to dress for, and act during, interviews -- skills seniors may not have tapped for decades.

Palm Beach County's AARP program has the country's best success rate -- 35 percent -- of placing seniors with a job, Simpkins said.

Employers, especially, can benefit from keeping on older workers, either full-time or as consultants, said Karl Pillemer, who surveyed more than 1,200 older Americans about success in life for his best-selling book 30 Lessons for Living: Tried and True Advice from the Wisest Americans.

"Older workers are as competitive as younger workers," Pillemer said. "They can be more dependable, more instructive, more loyal in the workplace."
However, more companies aren't taking advantage of that resource, he said: Workers should not feel pressured to leave their jobs, a sentiment he noted that has cost some companies lawsuits.

Most had planned return

Hazel Johnson experienced that firsthand, she said.
"When you tell people your age, they think you've got one foot in the grave and the other one on a banana peel," she said.

Barry Epstein of Boca Raton can't fathom retiring, even at 69, with the mortgage and car payments he and his wife have and the lifestyle they lead. But neither can he imagine life without his job as a public relations professional, a career he's held for 32 years.

"Even if I could afford to retire, I wouldn't want to," Epstein said. "My day is full, my life is full, and I just enjoy what I do."

Recently, he even gave up working for himself to become the senior vice president of a larger firm. He balances work by taking Fridays off to watch movies, which he reviews online and in a weekly podcast.
A growing number of seniors like Epstein are challenging the idea that seniors in the workforce are there because of unexpected financial catastrophes or poor financial planning, according to the Center for Retirement Research at Boston College.

While the average age for retirement is 64 for men and 62 for women, according to the center's study of the last Census, very few expect to quit working.
Almost half of all retirees expect to either continue working part-time or to return to work after retiring, according to a 2010 study titled "Back to Work:

Expectations and Realizations of Work After Retirement," in The Journal of Human Resources.

Twenty-six percent of retirees fully "unretired," according to the study, most of them taking two years off before jumping back into the working world.
And they're not going back to work against their will. The study showed that those returning to the workforce weren't doing so because they failed to plan, had a sudden financial hardship or ran out of money. Most had anticipated a return to work. The study followed workers within six years of retirement and found that a whopping 82 percent who went back to work decided they would do that before they left their jobs.

A slumping economy has been an incentive to keep working, especially for those such as Connie Talcott Smith, 70, of Delray Beach, who sold real estate from 1986 through the housing boom -- and bust.

"I'm trying to figure out how to keep it going for another 30 years," she said.
She had to sell off several properties in the past few years and often found herself sticking to a strict list when going to the grocery store. Last year, she saved up for six months before buying a skirt for work as she got back in the real estate game after spending a few years working with her son in a startup software-development company.

Now, she stands by her window on Atlantic Avenue, stepping out to speak to potential buyers.

But she hasn't let the economy dictate her attitude. She works a job she knows and enjoys. She does yoga three times a week, baby-sits at a local Marriott for families who come into town on vacation, and still plans to travel the world, visiting a son in Manila, Philippines, and her daughter, an Air Force lawyer.

And she has no desire to stop working.

"I have too many plans," she said. "You have to get over the pain. It's nine-tenths attitude."

Palm Beach Post (Florida)

March 21, 2012 Wednesday
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A SECTION; Pg. 1A
More Americans work past traditional retirement age

Many boomers are facing postponed retirement

Margaret Hinson, 58, had imagined the perfect retirement: She is 62, living in Daytona Beach near the ocean. When she isn't swimming or sailing, she is traveling to Europe, the Caribbean and other places she has always wanted to visit. But in recent months, that picture has faded. Instead of prepping for a life of leisure, Hinson is searching for a job.

For 20 years the Atlanta-area resident worked in customer service jobs, mostly for medical insurance companies. After getting laid off from a full-time job, Hinson took a temporary position. That job ended six months ago and she hasn't worked since. She's older now, and competition for jobs is fierce. With little money saved up, Hinson faces a harsh reality. "I have to work a bit longer than I planned," she said. "I need to make more money." Her new target retirement age is 66.

Over the next decade, the generation born between 1946 and 1964 will reach traditional retirement ages in numbers greater than any other generation. But studies show not all of them are prepared to exit the working world. While 47 percent of boomers surveyed in an October study by Knowledge Networks research firm said they are confident they will have the financial resources to live comfortably in retirement, 53 percent are not.

The majority of baby boomers (81 percent according to one AARP survey) say they will continue working after they retire. Some will work because they want to stay occupied, others need to work for financial security. The result of more people working past age 62 -- the youngest age at which some Social Security benefits can be claimed -- is a changed work force and a new life stage that is not all about leisure.

"This whole notion of retirement -- is going to look and feel so different from person to person," said Jean Setzfand, vice president of financial security for AARP. "People are living longer. They want to stay more productive or they have to stay more productive and it will be based on their own individual drive what that life will look like."

Among boomers who said their retirement outlook had changed for the worse, more than half cited the poor economy and 20 percent blamed unemployment, according to a July survey of boomers from AARP.

Hinson lives on unemployment and her rapidly diminishing savings. She realizes that without a job, she may not be able to stage a strong recovery. Her story is typical of many boomers 55 and older who have lost jobs and are dipping into savings to live. And since it takes twice as long for employees over 55 to find a job than workers of any other age, Setzfand said, the financial impact of a job loss can be devastating.

It's not quite the picture that many boomers had of the years leading up to retirement. But then, retirement as we have known it is a relatively new development created by the introduction of Social Security in the 1930s, followed by the expansion of private pension coverage and mandatory retirement ages. The elimination of retirement ages in 1986 and changes in retirement benefits are setting new standards for the so-called golden years.

"The retirement benefits system has shifted from that of the pension system to more of an individually guided system," said Setzfand. About 30 years ago, 401k's and IRA's became the primary vehicles for retirement, and 10 years of marginal returns coupled with the Great Recession has not provided the nest egg boomers had expected as they approach their 60s.

A comfortable middle class retirement in the Atlanta area can require between $500,000 to $1 million to sustain, said Marc Daner, senior vice president in investments for Wells Fargo Advisors in Alpharetta. Most people have under saved for retirement and a whopping 75 percent have no financial plan at all. Instead, boomers prefer to work longer rather than give up their current lifestyle. Daner said they may be able to accomplish their goals by taking a different view of retirement. Working part-time hours, working for lower pay or working temporary jobs during the retirement years can help boomers make significant gains in their savings.

The impact of boomers working longer is already reflected in work force trends. Between 2006 and 2016, the 55-and-older work force will grow five times faster than the overall work force, according to a 2007 survey from AARP.

Certain industries, such as health and education, have consistently ranked among those that welcome older employees. Large corporations interested in retaining older employees have begun to offer options for gradual retirement plans and opportunities for older employees to both teach and learn from younger staffers, said Maureen Kelly, business and community liaison for the Atlanta Regional Commission, Area Agency on Aging.

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Most people know little about Social Security beyond the basics

Most of us know some basics about Social Security.

We understand retirees can start taking retirement benefits at age 62. We realize we'll get a bigger monthly check if we wait a few years more until our normal retirement age to tap benefits. And who hasn't heard that Social Security has a long-term financial problem that Congress needs to address?

"When you scratch beyond the surface, the knowledge really plummets," said Jean Setzfand, vice president of financial security for AARP, which recently polled older adults on their Social Security knowledge. "I don't blame people for not knowing and understanding the details. It can be really confusing."
So to boost your Social Security IQ, here are things you might not know about the program:

Reward of waiting
Many workers don't realize just how much benefits can grow if you delay taking them.

For every year you postpone Social Security beyond your normal retirement age -- between 66 and 67 for those born in 1943 and after -- the annual benefit goes up by 8 percent until age 70. That's 32 percent more annually if a 66-year-old waits until 70 to claim benefits.
"Eight percent guaranteed is awfully good in any market environment," said Joe Lucey, an adviser and president of Secured Retirement Advisors in Minnesota. "The biggest mistake people make is they don't understand the benefits of deferral," he said.

But financial firms do.

California-based Financial Engines provides 401(k) advice to workers, including how they can make their money last in retirement. In some cases, the company recommends that retirees accelerate 401(k) withdrawals in the early years of retirement if that's what it takes to postpone drawing on Social Security.
Spousal benefit

You can get a benefit based on your own work history. Or you could take a benefit based on your spouse's work record if that amount is higher.
If you take Social Security at your normal retirement age, the spousal benefit would be half the amount of your mate's full benefit.

Financial advisers recommend strategies that use a spousal benefit to boost income in later years.

Take the case of Eric and Hanah, a married couple at full retirement age. Let's assume that Eric is entitled to a bigger benefit -- and the one they will want to maximize by delaying benefits as long as possible. (Yes, women are making gains in the work force, but they still tend to have smaller Social Security paychecks.)

To maximize his benefit, Eric can claim it now and immediately suspend it. This allows Hanah to apply for a spousal benefit on her husband's record. And the suspension means Eric's benefit can continue to grow as if he never took it, said Jason Scott, managing director of Financial Engines' Retiree Research Center. But say Hanah's benefit based on her own employment history is larger than what she would receive under a spousal benefit. In that case, Scott said, she can file for benefits on her own record and Eric can take the spousal benefit. His own benefit keeps growing until he claims it, ideally at age 70.

Survivor benefit

When one spouse dies, the other continues to receive whichever of the two benefits is larger. Delaying one partner's benefit as long as possible will mean a bigger survivor benefit.

"Many times, people come in my office and they think of 'me' and not 'we,' " said Lucey, the adviser. "They think of their own benefit and forget the survivorship benefit that Social Security provides."

A surviving spouse typically lives an additional decade, Scott said, so maximizing this benefit can make a sizable improvement in his or her lifestyle.
After divorce:

If your marriage lasted at least 10 years, you can receive benefits based on an ex's work history -- as long as you're unmarried now and that benefit is larger than you would get on your own.

And, unlike in other situations, you don't have to wait until your former spouse applies for benefits to take advantage of this, said Webster Phillips, senior legislative representative for the National Committee to Preserve Social Security & Medicare in Washington. You can receive benefits provided you and your ex are at least 62 and have been divorced for at least two years.

On second thought

Once you start taking Social Security benefits, you get one chance to change your mind and withdraw your application. You can reapply for benefits later. The catch: You must withdraw the application generally within 12 months of getting benefits, and you must repay all the money received.

This can be helpful to older unemployed workers who start taking benefits early -- at a reduced amount -- and then land a job within a year, Phillips said.
"They may want to pay that money back and avoid a reduction," he said.
An earnings penalty that really isn't

If you're still working and take Social Security before your normal retirement age, some benefits may be withheld.

The Social Security Administration deducts $1 of benefits for every $2 earned above $14,460. But for retirees turning 66 this year, the agency will withhold $1 for every $3 earned over $38,880 until the month of their birthdays. At full retirement age, there's no reduction of benefits for working.

"A lot of people don't work because they think this is a tax and it's gone forever," said Steven Sass, associate director for the Center for Retirement Research at Boston College.

But the agency makes it up later. Once you reach full retirement age, Social Security will recalculate your monthly benefit and adjust it upward.
"It's just as if you deferred it," Scott said.

Benefits may be taxed

If income exceeds $34,000 if single, or $44,000 for joint filers, up to 85 percent of Social Security benefits will be subject to tax, said Rande Spiegelman, Charles Schwab's vice president of financial planning.

Income, in this case, includes interest from tax-free municipal bonds. That way, even wealthy seniors collecting $1 million in tax-free municipal bond interest will have their Social Security benefits taxed, Spiegelman said.

That's not a problem for most people. Nearly 70 percent of beneficiaries, according to the AARP, don't pay taxes on benefits.

The value

Many workers underestimate the value of Social Security and its cost-of-living adjustments.

The average combined benefit for a retired couple is $1,994 per month, Lucey said. That may not seem like much. But if they were to buy an annuity that paid a similar benefit -- adjusted for inflation -- over 20 years, the cost would be $485,000, Lucey said.

And Social Security isn't just for retirees.

It provides benefits for young workers who are disabled or who die and leave behind a family, said Nancy Altman, co-director of the advocacy group Social Security Works.

For a 30-year-old earning $30,000 a year with a spouse and two young kids, Social Security is like having $465,000 in disability insurance and more than $475,000 in life insurance, she said.
"For most Americans, their largest asset is Social Security," Altman said.

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