

Did you know that your retirement benefit will provide you with guaranteed lifetime payments and is based on a variety of factors? It's important for you to understand how your benefit works so that you can plan for your future.

As you prepare to retire from public service, think about the many options you have to choose from and the decisions you make. DRS is here to answer questions you might have along the way.

The Plan 2 section includes information on the following systems:

- » Public Employees' (PERS), Teachers' (TRS), School Employees' (SERS), Law Enforcement Officers' and Fire Fighters' (LEOFF), Washington State Patrol (WSPRS) and Public Safety Employees' (PSERS)
 - › How does Plan 2 work?
 - › How is my benefit calculated?
 - › What is service credit?
 - › What is dual membership?
 - › When can I retire?
 - › When is my retirement effective?
 - › Benefit option selection
 - › How can I maximize my retirement benefit?
 - › Cost-of-living adjustment (COLA)
 - › What will happen if I work after retirement?
 - › Preparing for retirement

This plan overview is a summary. It is not a complete description of your retirement benefits under Plan 2 of the Washington State Public Employees' Retirement System, School Employees' Retirement System and Teachers' Retirement System Law Enforcement Officers' and Fire Fighters' Retirement System, Washington State Patrol Retirement System and Public Safety Employees' Retirement System. State retirement laws govern your benefits. If there are any conflicts between the information shown in this overview and what is contained in current law, the law will govern.

How does Plan 2 work?

- Once you retire, you are guaranteed a monthly retirement benefit for the rest of your life
- Your retirement benefit is based on your service credit and Average Final Compensation (Final Average Salary for LEOFF and Average Final Salary for WSPRS), not on the amount contributed
- Both you and your employer contribute to the plan while you are working

How is my benefit calculated?

The following is used to calculate your base retirement benefit:

- A factor of two percent
- Your service credit years
- Your average final compensation¹, which is the monthly average of your 60 consecutive highest-paid service credit months, no matter when your service occurred. Average final compensation does not include payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation or annual leave

Here is the formula used to calculate your benefit:

2% x service credit years x average final compensation = lifetime monthly benefit
(maximum benefit for WSPRS is 75% of AFS)

For example, if you have 25 service credit years and your average final compensation is \$4,000.00, the formula would be: $0.02 \times 25 \times \$4,000.00 = \$2,000.00$ (monthly benefit)

Practice here:

$$2\% \times \frac{\text{service credit years}}{\text{service credit years}} \times \$ \frac{\text{average final compensation}}{\text{average final compensation}} = \$ \frac{\text{monthly benefit}}{\text{monthly benefit}}$$

The amount you receive each month may also depend on the choices you make at retirement such as the benefit option you select and/or purchasing additional service credit.

What is service credit?

Service credit is based on the hours of compensated employment reported by your employer. You earn one service credit month for any calendar month in which you receive earnable compensation for at least 90 hours. The 90 hours may be earned with one or more employers.

Beginning in September 1991, you can earn one half of a service credit month for any calendar month in which you receive compensation for fewer than 90, but at least 70 hours. You earn one-quarter service credit for each month in which compensation is earned for less than 70 hours.

You may be able to increase your service credit total if you:

- Had military service interrupt your retirement plan membership
- Taught outside the state for a public education employer (TRS only)
- Worked as a substitute (TRS/SERS only)
- Were on temporary duty disability
- Took an authorized unpaid leave of absence
- Restore withdrawn contributions

For more information, review the DRS publications on these specific topics relevant to your retirement system and plan on the DRS website at www.drs.wa.gov.

¹For LEOFF Plan 2, Final Average Salary (FAS), and WSPRS Plan 2, Average Final Salary (AFS), is used in place of average final compensation.

NOTES

Public education employees

Only *public education* service credit is based on a 12 for 9 rule, which allows you to earn 12 service credit months for each school year (September 1 through August 31) in which you:

- Begin working in September;
- Work nine months; and
- Receive earnable compensation for 810 or more hours.

You earn six service credit months for each school year in which you:

- Begin working in September;
- Work nine months; and
- Receive earnable compensation for at least 630 hours, but fewer than 810 hours.

As of the 2008–2009 school year, TRS and SERS Plan 2 members can earn six months of service credit when they meet the following criteria:

- Employed for at least five months of a six-month period, from September through August; and
- Earn 630 hours or more within that six-month period.

For **Washington State Patrol Retirement System (WSPRS)** members, you receive one service credit month for each calendar month in which you receive salary for 70 or more hours. No more than one service credit month may be earned during any calendar month, even if you receive salary for more than 70 hours.

What is dual membership?

If you are a member of more than one Washington State retirement plan or system, or a member of a First Class City plan (see the glossary in the Resources section), you may be able to combine your service credit to become eligible for retirement. Provisions of each plan determine the amount of the benefit and when it is payable.

If your combined service makes you eligible to retire under any one dual member system, you may elect to retire from all dual member systems to which you belong. If a system's laws would not allow retirement because you are younger than the minimum retirement age, you may:

- Defer receiving a benefit until you reach full retirement age under the plan; or
- Begin receiving a reduced benefit before you reach full retirement age.

Although you can combine service from all systems to become eligible for retirement, the amount of the benefit you will receive is determined by the rules of each individual system. Please call DRS to discuss your circumstances.

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When can I retire?

Vesting

When you have five or more service credit years, you have a vested right to a retirement benefit. If you withdraw your contributions, you terminate your membership and you lose your right to future retirement benefits. Your retirement date will be different from the date you leave your job (separate from employment).

PERS/SERS/TRS

You are eligible for a retirement benefit at:

- Age 65 with at least five service credit years;
- Age 55 with at least 20 service credit years (if you retire before age 65, your benefit will be reduced for early retirement); or
- Age 55 with at least 30 service credit years (you can retire as early as age 62 with an unreduced benefit).

Retirement before age 65 is considered an early retirement.

What is the impact on my benefit if I retire early?

While you are able to begin receiving a retirement benefit when you retire early, your benefit is affected because you will begin receiving it before age 65. The amount of the impact depends on your service credit, the date you retire, your age and the early retirement factor used.

If you retire with at least 20, but less than 30 service credit years:

- Your benefit is reduced by a factor that is based on your average life expectancy. The reduction is greater than if you retire with at least 30 service credit years.

If you retire on or after July 1, 2008 (PERS) or September 1, 2008 (TRS and SERS), and have 30 years or more of service credit, you can choose either:

- The three percent ERF, which reduces your benefit by an early retirement factor of three percent for each year before age 65 that you retire; OR
- The 2008 ERF which provides a smaller benefit reduction, but imposes stricter return to work rules. See the table on the following page.

Early retirement rules will be different for members who are first hired into eligible positions on or after May 1, 2013. At age 55 with 30 years of service credit, your benefit will be reduced by five percent for each year before age 65.

What reductions apply if I retire early?

If you retire before age 65, your benefit is reduced to reflect the fact that you will receive it over a longer period of time. The amount of the reduction depends on how much younger than age 65 you are when you retire and the amount of service credit you have. The table below shows the early retirement factors used.

Examples

Plan 2 is based on the benefit formula: $2\% \times \text{service credit years} \times \text{average final compensation} \times \text{ERF} = \text{monthly benefit}$

You retire at age 62 with 30 years of service credit. Your average final compensation is \$4,000. If you choose the three percent ERF, your monthly benefit is calculated as follows:

Monthly benefit = $2\% \times 30 \text{ years} \times \$4,000 \times 91\%$ or $.02 \times 30 \times \$4,000 \times .91 = \$2,184$

If you choose to retire under the 2008 ERF, your benefit is unreduced but you have stricter return to work rules. Your retirement benefit will be suspended immediately if you return to work before age 65. Your monthly benefit is calculated as follows:

Monthly benefit = $2\% \times 30 \text{ years} \times \$4,000 \times 100\%$ or $.02 \times 30 \times \$4,000 \times 1.00 = \$2,400$

Table 1: Early Retirement Factors

Retirement age	At least 20 years service*	30 years or more service		
		3% ERF	2008 ERF	5% ERF*
55	0.365	0.70	0.80	0.50
56	0.401	0.73	0.83	0.55
57	0.442	0.76	0.86	0.60
58	0.487	0.79	0.89	0.65
59	0.537	0.82	0.92	0.70
60	0.594	0.85	0.95	0.75
61	0.657	0.88	0.98	0.80
62	0.728	0.91	1.00	0.85
63	0.808	0.94	1.00	0.90
64	0.898	0.97	1.00	0.95

* If you were hired on or after May 1, 2013, have 30 years of service credit and are age 55 or older, your ERF reduces your benefit by 5% for each year before age 65.

When can I retire?

PSERS

- Age 65 with at least 5 service credit years
- Age 60 with at least 10 years of PSERS service credit
- Age 53 with at least 20 service credit years (your benefit will be reduced by three percent per year for early retirement)

LEOFF

- Age 53 with at least five service credit years
- Age 50 with at least 20 service credit years (if you retire before age 53, your benefit will be reduced by three percent per year for early retirement)

WSPRS

- Any age with 25 or more service credit years
- Age 55 or older with no minimum required service credit
- Age 65 mandatory retirement (except for the Chief)

Formula: $2\% \times \text{service credit years} \times \text{Average Final Salary} = \text{lifetime monthly benefit} \times \text{early retirement factor} = \text{early retirement lifetime monthly benefit}$

When is my retirement effective?

Your retirement is effective on the first of the month after your last day of employment. For example, if you separate from employment on June 15, your retirement date is July 1, which means you receive your first benefit check on or about July 31. For WSPRS members, your retirement is effective the day after your last day of employment. For example, if you separate from service on June 15, your retirement date is June 16.

If you are not currently employed in a covered position (see the glossary in the Resources section), your effective date is the first day of the month after you become eligible for retirement. For example, you left state service at age 52 and decided to wait until age 65 to retire so you can receive your full benefit. Your retirement date will be the first of the month following your 65th birthday. It's important to remember that your retirement date is not the same as your last day of work.

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Benefit option selection

When you apply for a service or disability retirement, you must select a benefit option. Your selection is irrevocable as of your retirement date, except under the circumstances identified on page 8. Use the examples below to assist in your option selection.

Benefit option examples (examples represent a PERS Plan 2 member)

<p>Pat (member): Age 65 Chris (beneficiary): Age 61 Average final compensation: \$4,000.00 Service credit: 25 years 2% x 25 x \$4,000.00 = \$2,000.00 Monthly Benefit</p>
<p>Option 1 – Single Life Benefit. Provides the maximum benefit for your lifetime. Beneficiaries receive a final payment, but do NOT receive a monthly benefit.</p>
<p>2% x 25 x \$4,000.00 = \$2,000.00 monthly benefit Upon Pat’s death, Chris will receive any contributions that may be remaining in the account.</p>
<p>Option 2 – Joint and 100% Survivor. Provides a reduced benefit during your lifetime. After you die, your designated survivor will receive the same amount during his or her lifetime.</p>
<p>\$2,000.00 (monthly benefit) x .773 = \$1,546.00 monthly benefit Upon Pat’s death, Chris will receive the same continuing monthly benefit Pat received: \$1,546.00.</p>
<p>Option 3 – Joint and 50% Survivor. Provides a reduced benefit during your lifetime. After you die, your designated survivor will receive 50% of the benefit during his or her lifetime.</p>
<p>\$2,000.00 (monthly benefit) x .872 = \$1,744.00 monthly benefit Survivor benefit = \$872.00 Upon Pat’s death, Chris will receive a continuing monthly benefit of \$872.00, half of the monthly benefit Pat received.</p>
<p>Option 4 – Joint and 66.67% Survivor. Provides a reduced benefit during your lifetime. After you die, your designated survivor will receive 66.67% of the benefit during his or her lifetime.</p>
<p>\$2,000.00 (monthly benefit) x .836 = \$1,672.00 monthly benefit Survivor benefit = \$1,114.72 Upon Pat’s death, Chris will receive a continuing monthly benefit of \$1,114.72, two-thirds (66.67%) of the benefit Pat received.</p>

Use your online account access on the DRS web site at www.drs.wa.gov/oaa to estimate your retirement benefit survivor options.

Changing a benefit option after retirement

Once you retire, you may only change your benefit option or survivor in the following circumstances:

- If you select someone other than a spouse or partner* to receive your survivor benefit, you can change to Option 1 any time after retirement by contacting DRS.
- If you chose one of the survivor options (2, 3 or 4), and the person you named as your survivor dies, your retirement benefit can be adjusted to the higher Option 1 benefit level. Be sure to notify DRS if this happens.
- If you marry, remarry or enter into a qualified domestic partnership and remain married or in that partnership for at least one year, you may change your benefit option and name your new spouse or partner as your survivor. Your benefit will be reduced. To qualify for this opportunity, you must request the option change between your first and second year of marriage. If you're a WSPRS retiree, you must request the option change between your second and third year of marriage. Also, be aware that this opportunity may not be available if your benefit has been impacted by a court-ordered property division that requires you to name an ex-spouse as a survivor.
- Returning to work and contributing to your retirement system again:
 - TRS** – If you re-enter TRS membership, you can retire again and select a new benefit option and/or survivor.
 - PERS, SERS and PSERS** – If you complete two or more years as a contributing member, you can retire again and select a new benefit option and/or survivor.
 - LEOFF and WSPRS** – If you work as a contributing member (there is no time requirement), you can retire again and select a new benefit option and/or survivor.

A change to your benefit will be effective the month following your request.

*Only LEOFF and WSPRS offer rights and benefits to state-registered domestic partners. On June 30, 2014, the definition of domestic partner changed. Only partnerships where at least one member was 62 or older continue to be domestic partnerships. Same-sex partnerships where both parties are younger than 62 converted to marriages unless the partnership was dissolved or the partners married before June 30, 2014.

How can I maximize my retirement benefit?

You have the option at retirement to purchase up to 60 months of additional service credit in whole month increments. This service credit is only used to increase the amount of your benefit and cannot be used for retirement eligibility. **If you decide to purchase service credit, you must make that request at the time you apply for retirement.** You will have up to 90 days to pay the bill for this additional service credit.

For example: Pat has 25 service credit years and is 65, with an average final compensation of \$4,000.00. She has an additional five service credit years she can choose to purchase.

Pat's standard monthly benefit: $2\% \times 25$ (service credit years) \times \$4,000.00 = \$2,000

If she purchases the additional service credit: $2\% \times 5$ (service credit years) \times \$4,000.00 = \$400

Total new monthly benefit: \$2,400.

Her cost for purchasing the additional service credit: $\$400 \div 0.0068403$ (PERS annuity factor) = \$58,477.00.

For more information, review the DRS publication *Purchasing Additional Service Credit*, available on the DRS website at www.drs.wa.gov. You may also estimate the monthly increase and cost by logging on or signing up for online account access on the DRS home page.

TRS 2 Members: At retirement, you can supplement your monthly benefit by making a one-time, lump sum payment to purchase an annuity. You may pay for this annuity by making a one-time cash or check payment; an electronic fund transfer; or you may roll over funds from another tax-deferred retirement account such as the state of Washington's Deferred Compensation Program.

LEOFF 2 Members: At retirement, you may make a one-time, lump-sum purchase of an annuity to supplement your retirement benefit. The annuity must be purchased by rolling over funds from an eligible governmental plan such as the state of Washington's Deferred Compensation Program. The minimum amount you may roll over must total at least \$25,000.

Administrative Factors

DRS uses administrative factors to calculate benefit adjustments. There are several types of benefit adjustments, but the most common are: survivor, early retirement and purchasing service credit.

Cost-of-living adjustment (COLA)

Your monthly benefit will be adjusted by a yearly Cost-of-living adjustment (COLA). On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index, to a maximum of three percent per year.

What will happen if I work after retirement?

If you return to work for a DRS-covered employer **less** than 30 consecutive days after your effective retirement date:

- For **PERS/SERS**, your benefit will be reduced by 5.5 percent for every eight hours you work in a month, to a maximum of 160 hours.
- For **TRS**, your benefit will be reduced by 5.5 percent for every seven hours you work in a month, to a maximum of 140 hours.
- If the reduction is more than your benefit, the excess is taken from your next month's benefit payment.
- The reduction continues until you leave employment for a full 30 consecutive days.

If you return to work for a DRS or HERP-covered employer in an eligible position **more** than 30 days after your effective retirement date:

You can work up to **867 hours** in a calendar year and continue to receive your monthly benefit. If you work more than the maximum number of hours allowed, your retirement benefit will be suspended for the remainder of the calendar year or until you terminate employment. If you retire under the 2008 ERFs (see pages 5-6) and return to work before age 65, your benefit will be immediately suspended.

For more information, refer to the DRS publication *Thinking about working after retirement?* available on the DRS website at www.drs.wa.gov.

LEOFF

If you return to work for a DRS-covered employer:

- In a LEOFF-eligible position, your benefit will be stopped and you will re-enter LEOFF membership.
- In an eligible position for another DRS-administered retirement plan, you will have two options:
 - Become a member of the new retirement plan and temporarily suspend receiving your LEOFF monthly benefit; or
 - Do not become a member of the new retirement plan and continue to receive your LEOFF monthly benefit.

WSPRS

- If you return to work as a commissioned Washington State Patrol officer, your benefit will be stopped and you will re-enter WSPRS membership.
- If you return to work in any other position, your benefit is not affected.

PSERS

If you return to work for a DRS-covered employer:

- In a PSERS eligible position, more than 30 days after your effective retirement date, your benefit will be stopped and you will re-enter PSERS membership.
- In a PERS/SERS/TRS eligible position, more than 30 days after your effective retirement date, you can work up to the annual limit of 867 hours in a calendar year before your benefit will be suspended for the remainder of the calendar year or until you terminate employment.
- In a LEOFF or Washington State Patrol eligible position, please contact DRS.

Preparing for retirement







As you get closer to retirement, consider the following:

- If you are within a year of your retirement date, request an estimate of your benefit from DRS.
- Evaluate the option to purchase additional service credit or an annuity when you retire. For more information, review the DRS publications *Purchasing Additional Service Credit*, *TRS Annuity*, and *LEOFF 2 Annuity* available on the DRS website at www.drs.wa.gov.
- Use your *online account access* on the DRS home page at www.drs.wa.gov to create an estimate of your retirement benefit and to determine how Purchasing Additional Service Credit will increase your benefit. You can also check the accuracy of your service credit (if you find information that you think is incorrect, contact your employer).
- Consider catch-up options for the Deferred Compensation Program or other employer-sponsored programs.
- Review options for health care coverage after retirement. If you are eligible for PEBB, contact the Health Care Authority (HCA) at 800-200-1004 or visit the HCA website: www.hca.wa.gov for more information.
- Contact the Social Security office periodically to review the accuracy of your file. The toll-free telephone number for Social Security information is 800-772-1213. You can also get valuable information about Social Security and Medicare by visiting the Social Security Administration website: www.socialsecurity.gov.
- Get a copy of IRS Publication 575, *Pension and Annuity Income*, available on the IRS website: www.irs.gov.

Applying for retirement

You can complete the entire retirement process online or through the mail. If you prefer to visit DRS to review your account information and retirement options, Retirement Specialists are available to assist you. Please call for an appointment.

Contact DRS

<p>Call</p>  <p>Olympia 360.664.7000 Toll free 800.547.6657 TTY 711 DCP 888.327.5596</p>	<p>Write</p>  <p>Department of Retirement Systems PO Box 48380 Olympia, WA 98504-8380</p>	<p>Email</p>  <p>recep@drs.wa.gov</p> <p>It might be possible for other people to read messages sent over the Internet. If you contact us by email, please include only the last four digits of your Social Security number.</p>
<p>Visit</p>  <p>6835 Capitol Blvd. Tumwater, WA 98501</p> <p><i>Directions are available on the DRS website.</i></p>	<p>Hours</p>  <p>Monday - Friday 8 am to 5 pm Pacific Time</p>	<p>Website</p>  <p>www.drs.wa.gov</p> <p>You can also send us email through the DRS website. Visit the <i>Contact Us</i> page.</p>