Law Enforcement Officers’ and Fire Fighters’

Washington State
Department of Retirement Systems

Plan 2 Member Handbook
June 2015
# Washington State Law Enforcement Officers’ and Fire Fighters’ Retirement System – Plan 2

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Facts in a flash

Plan summary

LEOFF Plan 2 is a defined benefit plan. When you meet plan requirements and retire, you are guaranteed a monthly benefit for the rest of your life.

Your retirement benefit will be based on your years of service (while a member of LEOFF Plan 2) and your compensation. This formula will be used to calculate your monthly retirement benefit:

\[2\% \times \text{service credit years} \times \text{Final Average Salary} = \text{monthly benefit}\]

You and your employer and the state each contribute a percentage of your salary or wages to help fund the plan. The LEOFF Plan 2 Retirement Board adopts contribution rates and periodically adjusts them to reflect the overall cost of the plan.

You are vested in the plan when you have five years of service credit. Once you are vested, you have earned the right to a future retirement benefit. If you leave your job and withdraw your contributions, however, you give up your right to a benefit.

You are eligible to retire with a full benefit at age 53 if you have at least five years of service credit. You can retire with a reduced benefit as early as age 50 if you have at least 20 service credit years.

If the unexpected happens — disability or death before retirement — benefits could be available. You might be eligible for benefits if you become disabled and are not able to work in your LEOFF position.

If you die before retirement, your survivor might be eligible to receive a benefit based on your years of service credit. There are additional benefits available if you die in the line of duty.

You can use DRS online account services to keep up to date on your retirement plan. Track your contributions and service credit; read the latest newsletter; use your individual data to estimate your retirement benefit under different scenarios; request official estimates; or apply for retirement online. You’ll find online services on the DRS website at www.drs.wa.gov.
How to contact the Department of Retirement Systems

Contact DRS

Call
Olympia 360.664.7000
Toll free 800.547.6657
TTY 711
DCP 888.327.5596

Write
Department of Retirement Systems
PO Box 48380
Olympia, WA 98504-8380

Email
recep@drs.wa.gov

Visit
6835 Capitol Blvd.
Tumwater, WA 98501

Directions are available on the DRS website.

Hours
Monday - Friday
8 am to 5 pm PST

Website
www.drs.wa.gov

You can also send us email through the DRS website. Visit the Contact Us page.

Glossary:
Terms highlighted in bold print appear in the glossary of terms on page 15.

Privacy of your information
We are committed to protecting the privacy of your personal account information, including your Social Security number, which we use to track your account and submit required reports to the IRS. We will not disclose your information to anyone unless we are required to do so by law.

If you have insurance coverage through the Washington State Public Employees Benefits Board (PEBB), we may share your information with PEBB to better serve you.

Handbook summary
This handbook is not a complete description of your retirement benefit under Plan 2 of the Washington State Law Enforcement Officers’ and Fire Fighters’ Retirement System. State retirement laws govern your benefit. If any conflicts exist between the information shown in this handbook and what is contained in current law, the law governs.
Welcome to the Law Enforcement Officers’ and Fire Fighters’ Retirement System

How your plan works

Overview
LEOFF Plan 2 is a 401(a) defined benefit plan. When you retire, you will receive a monthly benefit for the rest of your life that is based on your years of public service and your Final Average Salary. Even though the contributions you make help to fund the plan overall, they do not factor into the retirement benefit you receive.

Eligibility for LEOFF Plan 2
You are eligible for LEOFF Plan 2 membership if you were hired on or after Oct. 1, 1977, as a full-time, fully compensated and fully commissioned law enforcement officer or fire fighter.

Law enforcement officers
A law enforcement officer is someone who works for a LEOFF employer and is fully commissioned and empowered to enforce the laws of the state of Washington. These positions include:

- County and deputy sheriffs
- Police chiefs
- City police officers (if appointed to offices, positions or ranks that a city charter provision or ordinance specifically designates)
- Town marshals and deputy marshals
- General authority law enforcement officers a state university or port district employs
- Directors of public safety and public safety officers (if cities or towns whose populations are less than 10,000 employ them)

The following positions are excluded from LEOFF membership:

- Noncommissioned people in positions that are primarily clerical or secretarial
- Deputy sheriffs who have not passed a civil service exam
- Directors of public safety or public safety officers in cities or towns whose populations are less than 10,000, if they were receiving a LEOFF retirement allowance on July 25, 1993

Fire fighters
A fire fighter is someone who has the legal authority and primary responsibility to direct or perform fire protection activities (preventing, controlling and extinguishing fires). Secondary fire protection activities might include incidental functions, such as housekeeping, equipment maintenance, grounds maintenance, fire safety inspections, lecturing, performing community fire drills, and inspecting homes and schools for fire hazards. Supervisory fire fighter personnel meet the criteria of a fire fighter.

The following positions are excluded from LEOFF membership:

- Fire fighters who have not completed a civil service exam (if the employer requires it)
- Volunteer or resident volunteer fire fighters

Membership in LEOFF might be optional for some elected or appointed officials. Please contact DRS if you are elected or appointed to the Legislature or another state elective office.

Previous membership in another Washington public service retirement system
Membership in another of Washington’s public service retirement systems (including the city retirement systems of Seattle, Tacoma or Spokane) can affect your:

- Eligibility for LEOFF Plan 2 membership
- Eligibility to retire
- Benefit calculation

If you have ever been a member in another of Washington’s public service plans, it is important to tell your LEOFF employer.
Contributing to the plan

You are required to contribute a percentage of your basic salary to your retirement plan. This includes overtime and tax-deferred wages, but it does not include lump-sum payments for unused sick leave, vacation or annual leave or any form of severance pay. If you have questions about the compensation your employer reports for you, please contact your employer.

The state’s contributions and your employer’s contributions are also based on a percentage of your salary or wages. They are not matching funds, and you cannot withdraw them if you leave public service.

When you retire, the monthly benefit you receive will have been funded over time by contributions made by you, your employer, the state and the investment earnings from those contributions. Contributions are held in trust and the Washington State Investment Board invests them. The LEOFF Plan 2 Retirement Board adopts contribution rates and periodically adjusts them to reflect the overall cost of the plan.

Federal law limits the amount of compensation on which you can pay retirement system contributions that can be used in your benefit calculation. In 2014, that limit was $260,000, but the amount can be adjusted each year. If you reach the limit in any calendar year, you won’t pay contributions for the remainder of the year and any salary earned over that amount will not be used in your pension calculation.

Earning service credit

Service credit is based on the number of hours you work, which your employer reports to DRS. You receive one service credit month for each calendar month in which you are compensated for 90 or more hours of work. No more than one month of service credit can be earned for each calendar month, even if more than one employer is reporting hours you worked.

You receive one half of a service credit if you work fewer than 90 hours, but at least 70 hours. You receive one quarter of a service credit for any calendar month in which you receive compensation for fewer than 70 hours in a calendar month.

When you retire, your service credit will be a part of your retirement benefit calculation.

Designating your beneficiary

Your Beneficiary Designation form tells DRS whom you wish to receive benefits upon your death. If you do not complete and submit this form, any benefit due will be paid to your surviving spouse, partner or minor child. If you do not have a surviving spouse, partner or minor child, we will pay your estate.

Be sure to review your beneficiary designation periodically and submit a new form to DRS if you need to make a change or confirm your choices. If you marry, divorce or have another significant change in your life, be sure to update your beneficiary designation because these life events could invalidate your previous choices.

State-registered domestic partners have the same survivor and death benefits as married spouses:

- Partnerships in which at least one member is 62 or older qualify as domestic partnerships.
- Same-sex partnerships in which both parties are younger than 62 converted into marriages unless the partnership was dissolved or the partners married before June 30, 2014.

Please contact the Secretary of State’s Office if you have questions about domestic partnerships.

When you will be vested

Once you have at least five years of service credit in LEOFF, you have a vested right to a retirement benefit.

If you leave LEOFF employment before you’re eligible to retire, you can choose to either leave your contributions in the plan, where they will continue to earn interest, or you can withdraw your contributions. If you have 10 or more years of LEOFF service credit, you may withdraw 150 percent of your accumulated contributions.

* Civil Marriage law entitles same-sex couples to marry and all spouses (regardless of gender) to equal rights in LEOFF Plan 2.
If you decide to withdraw your contributions, you give up your right to a future retirement benefit. See “Returning to public service” on page 7 to learn more about the ability to re-establish your benefit rights under certain circumstances.

**When you will be eligible to retire**

You are eligible to retire at age 53 if you have at least five years of service credit.

There are options to retire earlier. However, if you do, your benefit will be reduced to reflect the fact that you will be receiving it over a longer period of time. To retire early, you must be at least 50 and have 20 or more years of service credit.

If you have at least 20 years of service credit and leave LEOFF-covered employment before age 53, you don’t have to retire immediately. You can wait until age 53 to retire. If you do, your benefit will increase by approximately 3 percent per year from the date you leave LEOFF-covered employment until the date you reach age 53.

**How your retirement benefit will be calculated**

Your service credit years and compensation determine your benefit. When you retire, this formula will be used to calculate your benefit:

\[
2\% \times \text{service credit years} \times \text{Final Average Salary} = \text{monthly benefit}
\]

Final Average Salary is the average of your 60 consecutive highest-paid service credit months. Any severance pay or lump-sum payment for unused sick leave or vacation/annual leave is not included.

**HERE’S AN EXAMPLE:**

Suppose you retire at age 53 with 20 years of service credit and a monthly Final Average Salary of $8,000. Your retirement benefit would be $3,200 each month, calculated as follows:

\[
2\% \times 20 \times $8,000 = $3,200
\]

**Planning for retirement**

Even though retirement might seem far away, planning for it now is one of the best things you can do for yourself and your family. Your retirement benefit will be an important part of your income in retirement, but it is just a portion of what you will need.

How do you begin developing your personal plan for retirement? First, estimate how much money you will need. That can vary based on factors that include:

- The lifestyle you’ll want to lead when you retire
- Your health
- Whether you’ll carry any debt into retirement
- Your life expectancy

Next, estimate how much money you will receive from all sources (consider Social Security, personal savings, other employer pension plans, etc). When you compare this number with what you think you will need, then you can adjust your savings plan accordingly.

A number of different tools can help you with this. A few are available on the DRS website:

- The benefit estimator within DRS online account services will calculate your retirement benefit under a variety of different scenarios (for example, different retirement dates), using your actual account data. Choose Log in on the website home page. If you haven’t already registered for this service, it takes just a few minutes to do so.
- The Deferred Compensation Program (DCP) offers an online calculator (also accessible from the DRS website) that can estimate your DCP savings and analyze whether you are on schedule to meet your income needs. Another calculator shows the effects of different DCP deferral amounts on your take-home pay.

Be sure to revisit your plan and adjust for changes in your professional and personal life that will happen over time.

**Milestones/life changes**

**Becoming vested**

When you have earned five or more years of service credit in LEOFF, you have a vested right to a retirement benefit. This is a significant milestone in your public service career.
Leaving public service

If you leave LEOFF employment, you can choose to either leave your contributions in the plan until you’re eligible to retire or withdraw them. The IRS requires that you begin taking payment of your retirement benefit when you reach age 70 ½ unless you are still employed in a LEOFF position.

Leaving your LEOFF position is the only circumstance in which you can withdraw your contributions. If you do, you will cancel any rights and benefits you have accrued in LEOFF. If you have 10 or more years of LEOFF service credit, you may withdraw 150 percent of your accumulated contributions.

If you have at least 20 years of service credit when you leave employment, your benefit will increase about 3 percent for each year you delay receiving your benefit — up to age 53.

There are also tax implications to withdrawing your contributions, so you might want to contact the IRS or your tax advisor before making a decision. The Withdrawal of Retirement Contributions publication contains more detailed information.

You are not required to withdraw your contributions when you leave covered employment. If you leave your contributions with LEOFF, your funds will continue to accrue interest and your service credit will be preserved for you in the event you return to employment as a law enforcement officer or firefighter.

Be sure to inform us of any changes to your name, address or beneficiary. The Beneficiary Designation form you complete and submit tells DRS whom you want to receive your benefit upon your death. It’s very important that you keep your beneficiary designation current because a divorce, marriage or other circumstances could invalidate it.

Returning to public service

If you leave your position, withdraw your contributions and later return to LEOFF employment, you might be able to restore your previous service credit. To do so, you must repay the total amount of the contributions you withdrew plus interest within five years of returning to employment or before you retire, whichever comes first. Contact us to determine how much you owe.

A dual member (someone who belongs to more than one retirement system) might be able to restore service credit earned in a retirement system other than LEOFF. The deadline is within two years of becoming a dual member or before retirement, whichever comes first.

It might still be possible to purchase service credit after the deadline has passed; however, the cost is considerably higher. To learn more, read Recovery of Withdrawn or Optional Service Credit for PERS, SERS, TRS, PSERS and LEOFF. You could also find helpful information in What Is Dual Membership and How Does It Affect Me?

Employment with another covered employer

If your next job is in a LEOFF position, your membership will continue. Your employer will ask you to fill out a new enrollment form.

Marriage or divorce

Marrying or divorcing can affect your retirement benefits.

Court-ordered property division

A court-ordered property division could affect your benefit. As long as the order complies with the applicable laws, we will pay your retirement benefit according to the property division.

An ex-spouse might have a right to a portion of your benefit under certain circumstances. The DRS publication How Can a Property Division Affect My Retirement Account? contains detailed information.

Updating your beneficiary

The Beneficiary Designation form you complete and submit tells DRS whom you want to receive your benefit upon your death. If you marry or divorce before you retire, you need to fill out a new beneficiary form, even if your beneficiary remains the same. It’s very important that you keep your beneficiary designation up to date.
If the unexpected happens

Temporary leave from your job
You might need to take a temporary leave from your job because of:

• Military service
• An authorized leave of absence
• A temporary disability
If so, you might be able to obtain service credit for work time missed while you were on leave.

Service credit for military service
If you leave your position for uniformed military service, you might be eligible to receive service credit for that period of military service. To qualify, you must complete payment of the contribution within five years of returning to employment or before you retire, whichever comes first. Contributions might not be required if your military service occurred during certain periods of war.

If you become totally incapacitated as a result of serving in the United States military, you (or in the case of your death, your surviving spouse, partner or children) can apply for military service credit without your return to employment.

Read DRS’ Military Service Credit publication for more information.

Service credit for an unpaid authorized leave of absence
You can earn a maximum of two service credit years if your employer approves you for an unpaid leave of absence at any time during your career. To qualify for this service credit, you must:

• Return to work in a LEOFF-eligible position
• Pay member, employer and state contributions, plus interest, for the period of time you were on leave
You must complete payment within five years of returning to employment or before you retire, whichever comes first. To learn more, read Recovery of Withdawned or Optional Service Credit for PERS, SERS, TRS, PSERS and LEOFF.

If you’re a law enforcement member and your employer authorizes a part-time leave of absence, you can purchase part-time service credit when you return to full-time employment.

Disability before retirement
In some cases, you can obtain service credit for work time missed while you are on leave for a temporary disability.

If you become totally incapacitated and leave your job as a result, you might be eligible for a disability retirement benefit. Three types of disability retirement are available, each with its own eligibility requirements. The three types are:

• Nonduty disability
• Duty disability
• Catastrophic duty disability
DRS determines your eligibility for disability retirement based on your application and medical documentation. To learn more, read the LEOFF Plan 2 Disability Benefits publication or call us.

Death before retirement
With less than 10 years of service credit and not eligible for retirement
Your accumulated contributions plus interest will be paid to your beneficiary. If you do not have a living beneficiary, your contributions will be paid to your spouse, partner or, if none, estate.

With 10 or more years of service credit or eligible to retire
Your spouse or partner (or, if none, the guardian of your minor children) can choose to receive either a lump-sum payment of 150 percent of your contributions plus interest or a monthly benefit. If you do not have a surviving spouse, partner or minor children, your contributions plus interest will be paid to your beneficiary or estate.

The monthly benefit will be calculated as if you had retired and chosen a 100 percent survivor benefit (see “Option 2” on page 12 in the “Ready to retire” section of this handbook). If your spouse or partner dies while receiving the benefit, your minor children will continue to receive the benefit that was being paid to your survivor. The benefit will be
divided equally among the children and paid until each turns 18.

If you die in the line of duty
If the state Department of Labor & Industries determines that your death occurred from injuries in the course of employment or as a result of an occupational disease or infection that arose from your employment, your beneficiary will be entitled to a one-time, duty-related death benefit.

In addition (and regardless of your years of service credit), your surviving spouse, partner or, if none, the guardian of your minor children will be eligible to choose one of the following options:

- A lump-sum payment of 150 percent of your contributions
- A monthly benefit equal to 10 percent of your Final Average Salary plus 2 percent of your Final Average Salary for each year of service beyond five years (which is not reduced for a survivor option and is not taxable)

Your survivors are also entitled to free health care benefits through the Public Employees Benefits Board (PEBB). Health care is paid for your survivor’s lifetime and for your children until they are no longer eligible under PEBB rules.

Retirement planning checkup
This is a good time to check in on your retirement planning. Have you analyzed how much you will need and how much you will have in retirement income? Has anything in your plan changed? Have you joined the state’s Deferred Compensation Program (DCP) or another supplemental savings program?

Consider the following points:

- **Identify your retirement lifestyle goals.** Will you want to travel the world or stay close to home? Different lifestyle choices can mean different financial goals.
- **Take care of your health.** The cost of medical care can be one of the largest expenses you incur in retirement. Getting regular checkups now and maintaining a healthy lifestyle can have an impact on what those costs will be as a retiree.

- **Pay down debt.** Debt lessens the money you have available to save. Paying off debt while you’re still generating a paycheck will affect how much you have to save and give you greater flexibility in retirement.

- **Sign up for DCP or another similar savings vehicle.** To get started with DCP, you can defer as little as $30 a month from your paycheck, and you can increase that amount whenever you are ready.

- **Increase your contribution to DCP or another savings vehicle.** Making even a small increase to the amount you save each month can make a big difference in the long run. Use the calculator on the DCP website to see how different contribution amounts play out. Here’s an important tip: If you’re age 50 or older, you are allowed to save even more in your DCP account because the IRS allows higher contribution limits for people who are 50 and older.

Approaching retirement
You have many important questions to think about as you approach retirement:

- Do you know how much income you will need in retirement?
- Do you know what your retirement benefit will be?
- How will your benefit change if you work past age 53 or decide to retire early?
- Will you want to purchase additional service credit to increase your benefit?
- What other income will you have available to you in retirement?

In this section, we’ve included information to help you find answers to these questions. If you haven’t already signed up for online account access on the DRS website, you’ll want to do so at www.drs.wa.gov. With this access, you can calculate your benefit under different scenarios using your individual account information.
Service retirement
You are eligible to retire at age 53 if you have at least five service credit years. This formula will be used to calculate your monthly benefit:

\[2\% \times \text{service credit years} \times \text{Final Average Salary} = \text{monthly benefit}\]

Final Average Salary is the average of your 60 consecutive highest-paid service credit months. Any severance pay or lump-sum payment for unused sick leave or vacation/annual leave is not included.

**HERE’S AN EXAMPLE:**

If you retire at age 53 with 20 years of service credit and a monthly Final Average Salary of $8,000, your retirement benefit will be $3,200 each month, calculated as follows:

\[2\% \times 20 \times $8,000 = $3,200\]

If your monthly benefit is less than $50, you can choose to take a lump-sum retirement benefit. (Only a member who retires with few service credit years or as a dual member is likely to receive this type of payment.) If you receive a lump-sum payment, you are considered retired from LEOFF.

**Early retirement**

If you have at least 20 service credit years, you can retire at or after age 50 with a reduced benefit. The reduction is 3 percent for every year (prorated monthly) of early retirement before age 53.

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<thead>
<tr>
<th>Age at Retirement</th>
<th>% of Option 1 Benefit</th>
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<tbody>
<tr>
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<td>91%</td>
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<tr>
<td>51</td>
<td>94%</td>
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<tr>
<td>52</td>
<td>97%</td>
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<td>53</td>
<td>100%</td>
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</tbody>
</table>

Retiring as a dual member
If you are a member of more than one Washington state retirement system, you are a dual member. You may combine service credit earned in all dual-member systems for the purpose of becoming eligible for retirement.

In most cases, your retirement benefit will be based on the highest base salary you earned, regardless of which system you earned it in. Base salary includes your wages and overtime and can include other cash payments if those payments are included as base salary in all the retirement systems you are retiring from.

**HERE’S AN EXAMPLE:**

If you retire at age 53 with three years of service credit from LEOFF Plan 2 and four from the Public Employees’ Retirement System (PERS) Plan 2, you are a dual member. Without dual membership, your service is too short in either system for a retirement benefit. With dual membership, you can combine your service credit, giving you enough to retire. Keep in mind that your benefit from each system will be calculated using service credit from that system alone as follows:

\[2\% \times 3 \text{ (LEOFF service credit years)} \times \text{Final Average Salary} = \text{LEOFF benefit}\]

\[2\% \times 4 \text{ (PERS service credit years)} \times \text{Average Final Compensation} = \text{PERS benefit}\]

\[\text{LEOFF benefit} + \text{PERS benefit} = \text{total monthly benefit}\]

For more information, read the publication *What Is Dual Membership and How Does It Affect Me?*

Estimating your benefit
If you expect to retire within the year, be sure to go to your online account to request an official estimate of your benefit. Remember, you can also use the online benefit estimator to estimate your benefit at different retirement dates. If you’ve received an official estimate and are within one year of retirement, you can apply online.
Purchasing an annuity
When you apply for retirement, you can make a one-time, lump-sum payment to purchase an annuity to supplement your benefit. The minimum purchase price for this annuity is $25,000. A rollover from a qualified plan a governmental employer offers must fund this payment. This includes rollovers from the state of Washington’s Deferred Compensation Program.

Why purchase an annuity?
Purchasing an annuity increases your monthly retirement benefit for the rest of your life. You will continue to receive the annuity portion of your monthly benefit payment if you return to work or return to membership. If you choose a survivor option for your retirement, DRS will continue paying the increase to your survivor after your death. If you do not select a survivor option, any remaining portion of your annuity will be paid to your designated beneficiary or your estate. The survivor you select for your retirement benefit is the same survivor who will receive your annuity after your death.

If you are eligible for an annual Cost-of-Living Adjustment (COLA) on your retirement benefit, you will receive the same COLA on this annuity.

How is an annuity paid?
The annuity you purchase is a guaranteed lifetime payment that will be paid to you monthly. You will receive one payment each month from DRS that will include the combined value of your retirement benefit and the purchased annuity amount. Your annuity will begin once DRS receives your payment and your retirement is processed. The actuarial factor that will be used to determine the amount of your annuity will be based on your retirement date or your retirement application date, whichever is later.

How do I purchase an annuity?
Contact DRS to obtain a copy of the Purchasing an Annuity form. Or you may request an annuity purchase through the online retirement application. Once DRS receives the completed form, or your annuity purchase request through the online retirement application, a bill will be sent to you for the annuity amount you requested to purchase. For more information, contact DRS.

Purchasing additional service credit
At the time you retire, you may purchase additional service credit. Any credit you purchase will not be used to qualify you for retirement; instead, it will be used to increase your monthly benefit. We can provide you with estimates for the cost of purchasing the service credit and the increase it can make in your benefit. If you choose to purchase, a Request to Purchase Additional Retirement Service Credit form must be submitted to us at the same time you submit your retirement application.

For more information, read the Purchasing Additional Service Credit publication.

Updating your plan for retirement
Has anything changed that needs to be reflected in your retirement planning? Perhaps you want to work longer or retire earlier than you previously thought. Be sure to adjust your planning as needed.

If you are within five years of retirement, you might want to attend one of DRS’ retirement planning seminars. At a seminar, you’ll hear from a variety of speakers and gain valuable tips on preparing for retirement. Check the schedule, and sign up online.

Ready to retire
Applying for retirement
When you are ready to begin the process, request an official estimate online. Once you have the estimate, you can apply for retirement online. Be sure to submit all required signatures and documentation, including proof of age for you (and your survivor if you chose one of the options with a survivor benefit).

Remember, if you’re purchasing service credit, you’ll need to complete and turn in your purchase form with your retirement application.
Benefit options

When you apply for retirement, you will choose one of the four benefit options shown below. Once you retire, you can change your option in very limited specific circumstances only, so please select carefully.

**Option 1**
**Single life**
This option pays the highest monthly amount of the four choices. It pays the amount for your lifetime only. No one will receive an ongoing benefit after you die. If you die before the benefit you have received equals your contributions plus interest (as of the date of your retirement), the difference will be paid in a lump sum to your designated beneficiary.

**Option 2**
**Joint and 100 percent survivor**
Your monthly benefit under this option is less than in Option 1. After your death, your survivor will receive the same benefit you were receiving for his or her lifetime.

**Option 3**
**Joint and 50 percent survivor**
This option has less of a reduction to your monthly benefit than Option 2. After your death, your survivor will receive half of the benefit you were receiving for his or her lifetime.

**Option 4**
**Joint and 66.67 percent survivor**
This option has less of a reduction to your benefit than Option 2 and more of a reduction than Option 3. After your death, your survivor will receive 66.67 percent (or about two-thirds) of the benefit you were receiving for his or her lifetime.

**Your spouse or partner must consent to your choice of option**
If you are married or in a domestic partnership, the law requires that your spouse or partner consent in writing to the option you choose. If your spouse’s or partner’s consent is not provided, an Option 3 benefit will be paid to you with your spouse or partner designated to receive the survivor benefit.

Health insurance coverage

Ask your employer if you will be eligible for health insurance coverage through the Public Employees Benefits Board (PEBB) once you retire. You can also call the Health Care Authority at 800-200-1004 or visit its website at www.hca.wa.gov.

If you qualify for continuing coverage, you must meet strict timelines to apply or request a deferral.

Federal benefit limit

When you retire, your benefit might be limited if it exceeds the federally allowed amount. For 2015, the limit is $210,000, but it may be adjusted annually for inflation. Members hired before Jan. 1, 1990, have different limits. We will contact you if you are inside this parameter. This limit should impact only a few retirement system members. If you believe it might impact you, please call us for additional information.

Federal tax on your retirement benefit

Most, if not all, of your benefit will be subject to federal income tax. The only exception will be any portion that was taxed before it was contributed. When you retire, we will let you know if any portion of your contributions has already been taxed.

Since most public employers deduct contributions before taxes, it’s likely your entire retirement benefit will be taxable.

At retirement, you must complete and submit a federal W-4P form to let us know how much of your benefit should be withheld for taxes. If you do not, IRS rules require withholding as if you are married and claiming three exemptions. To adjust your withholding amount at any time during retirement, fill out and return a new W-4P form.

For each tax year you are in receipt of a retirement benefit, we will provide you with a 1099-R form to use in preparing your tax return. These forms are usually mailed at the end of January for the previous year. The information is also available in your online retirement account beginning in mid-January.
It is your responsibility to declare the proper amount of taxable income on your income tax return.

**Legal actions**

In general, retirement benefits are not subject to assignment or attachment. They might, however, be subject to court and administrative orders issued under federal law or for spousal maintenance, property division and/or child support.

You can find more information in the publication *Can Legal Action Affect My Retirement Account?*

**When and how your benefit will be paid**

After you retire, your retirement benefit will be paid at the end of each month. It will be directly deposited into your bank or credit-union account. You must complete the *Authorization for Direct Deposit* form as part of your retirement application.

If you need to change your financial institution once you’ve started your retirement, just complete a new authorization form and send it to us.

In rare cases, if you are unable to receive payment by direct deposit, payment will be mailed at the end of each month.

**Once you retire**

**Cost-of-Living Adjustment (COLA)**

On July 1 of every year that follows your first full year of retirement, your monthly benefit will be adjusted a maximum of 3 percent per year, as the Consumer Price Index determines.

**Working after retirement**

It’s important to remember that before you can be covered under return-to-work law, you must retire. To retire, you must:

- Meet the age and service requirements
- Completely separate from service with your employer to terminate all employment
- File an application for retirement with DRS

To be covered under return-to-work rules, you must first terminate all employment with your employer to formally retire. This is called “separating from service.” Separating from service shows you’ve completed the necessary actions of leaving employment.

For example, you’ve returned any employer-issued items, your computer access has been shut off and your employment has been ended through the payroll system.

You have not terminated all employment with your employer if you accept a verbal or written offer of employment with the same employer before you separate from your LEOFF position. You must complete the necessary actions of leaving employment before you accept a new job with the same employer, even if that job is in a different department or division or is not LEOFF eligible.

If you’re eligible to retire when you separate from service, your effective retirement date is the first of the following month. If you are not eligible to retire when you separate from service, your effective retirement date is the first of the month following the date you meet the age and service requirements for retirement. If you then decide to return to public service in Washington state, your benefit could be affected, depending on the position you accept.

If you return to work in a position that is eligible for membership in the Washington State Public Employees’ Retirement System (PERS), Public Safety Employees’ Retirement System (PSERS), School Employees’ Retirement System (SERS) or Teachers’ Retirement System (TRS), you can choose to continue to receive your benefits or you can choose to become a member of that retirement system.

If you think you might be returning to work after retirement, please call us to find out whether your benefit will be affected. You’ll also find helpful information in the publication *Thinking About Working After Retirement?*
Benefit overpayments or underpayments

If you ever receive an overpayment of your pension benefit, you will be required to repay it. If we determine an underpayment has occurred, we will correct the error and pay you in full.

Changing a benefit option or survivor after you retire

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

- If you designated someone other than your spouse or partner to receive your survivor benefit, you can change to an Option 1 (no survivor) benefit at any time after retirement.
- If you chose one of the survivor options (2, 3 or 4), and you and your designated survivor divorce or he or she dies before you, your retirement benefit may be adjusted to the higher Option 1 payment level. Be sure to notify us to initiate this adjustment.
- If you retire under Option 1, then marry or enter into a domestic partnership and remain married or in that partnership for at least one year, you might be able to change your benefit option and provide a survivor benefit to your new spouse or partner. To qualify for this opportunity, you must request the change between your first and second year of marriage. Please contact us for estimates on how this will affect your benefit. Also, be aware that this opportunity might not be available if a court-ordered property division has affected your benefit.
Glossary of terms

**Beneficiary:** The person, estate, organization or trust you designate to receive any benefits that are payable upon your death.

**Cost-of-Living Adjustment (COLA):** On July 1 of every year that follows your first full year of retirement, your monthly benefit will be adjusted.

**Defined benefit:** A benefit that is based on a set formula. The benefit is paid for your lifetime.

**Domestic partner:** Qualified domestic partners have the same survivor and death benefits as married spouses. In a qualified domestic partnership, both individuals meet the state’s legal requirements and register their partnership with the Secretary of State’s Office or another jurisdiction. Please contact the Secretary of State’s Office if you have questions about these requirements.

**Dual member:** An individual who establishes membership in more than one of the state of Washington’s retirement systems, including the First Class city retirement systems for Seattle, Spokane and Tacoma.

**Early retirement:** Retirement before the age of 53 is considered early retirement.

**Final Average Salary:** The monthly average of your 60 consecutive highest-paid service credit months. Your Final Average Salary is used in determining your retirement benefit.

**Reduced benefit:** A benefit that has been decreased by a factor the Office of the State Actuary provides. Benefits are reduced in two situations: When you retire early or you retire and select a survivor benefit option (which continues to pay a benefit to a survivor after your death).

**Service credit:** The credit you receive each month for working in a position one of the state of Washington retirement systems covers. Service credit is used to determine your eligibility for retirement and your benefit amount.

**Survivor:** The individual you designate at retirement to receive benefit payments upon your death. Your survivor will receive payments if you die after retirement and selected a retirement option that provides for a survivor.

**Vested:** You have earned the right to receive a retirement benefit once you meet your retirement system’s requirements. LEOFF Plan 2 requires at least five years of service credit in the plan.
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