

PERS MEMBER HANDBOOK



Table of Contents

| | | | |
|---|---|--|----|
| Summary of benefits | 2 | Am I eligible for health insurance coverage after I leave employment? | 10 |
| Plan 1 membership definition | 3 | What is the purchase additional service credit option? | 10 |
| Ineligible or optional membership | 3 | Can my benefit increase after I retire? | 10 |
| What if I've previously been a member of another retirement system? | 4 | What benefits do my survivors receive? | 11 |
| When should I start planning for retirement? | 4 | Designating a beneficiary | 12 |
| Who pays for my benefits? | 5 | What if I become disabled? | 12 |
| What is service credit? | 5 | Can I obtain a refund of contributions paid after 30 years of service? | 13 |
| What if I leave my PERS position? | 6 | What if I work after retirement? | 13 |
| When can I retire? | 7 | Why does DRS need my Social Security number? | 13 |
| How do I retire? | 8 | Taxation and assignment of benefits | 13 |
| How is my benefit calculated? | 8 | Administrative information | 14 |
| What are my benefit options? | 9 | Contacting DRS | 14 |



PERS PLAN I: SUMMARY OF BENEFITS

Contribution Rate

You are required to contribute six percent of your monthly salary. This rate is set by law and may only be changed by legislative action. See “Who pays for my benefits?” on page 5.

Contributions

Both you and your employer pay contributions that fund your retirement. Your contributions are refundable only if you leave PERS-covered employment. If you withdraw your contributions before retirement, you lose your right to future benefits. You cannot borrow from your contributions or withdraw contributions made by your employer.

Eligible for Retirement

You can retire from active status at:

- Any age with 30 or more years of service credit, or
- Age 55 with 25 or more years of service credit, or
- Age 60 with 5 or more years of service credit.

You can retire from inactive status at:

- Age 60 or older with 5 or more years of service credit, with a reduced benefit, or
- Age 65 with 5 or more years of service credit, or
- Age 60 or older, if you separated from service on or after January 1, 2002, were at least age 50 at separation, and have at least 20 years of service credit at separation. See “When can I retire?” on page 7.

How Service Credit is Accumulated

Service credit is based on hours worked during a calendar month. 70 hours = 1 service credit month. Beginning September 1, 1991, members who work less than 70 hours in a month receive one quarter of a service credit month. See “What is service credit?” on pages 5-6.

Average Final Compensation (AFC)

The monthly average of your salary for the highest consecutive 24 service credit months before your retirement, termination or death. See “How is my benefit calculated?” on page 8.

Benefit Formula

$2\% \times \text{Service Credit Years} \times \text{AFC} = \text{Monthly Benefit}$. In most cases your retirement benefit may not exceed 60 percent of your AFC. Contact DRS for more information. See “How is my benefit calculated?” on page 8.

Cost-of-Living Adjustment (COLA)

Uniform and optional COLAs are provided. See “Can my benefit increase after I retire?” on page 10.

Death in Service Survivor Benefit

If you have less than ten years of service credit and are not eligible to retire, your contributions plus interest will be paid to your beneficiary(ies). If you have at least ten years of service, or are eligible to retire, your beneficiary can choose between a monthly benefit or a lump sum payment of your contributions plus interest. See “What benefits do my survivors receive?” on page 11.



This handbook explains your rights and benefits under Plan 1 of the Washington State Public Employees' Retirement System (PERS). PERS is administered by the Department of Retirement Systems (DRS). The plan is a 401(a) under Internal Revenue Service (IRS) rules. It provides an important source of income that, along with Social Security benefits (if you are eligible), personal savings, and other investments, will help pay your living expenses when you retire.

Plan 1 membership definition

You are a Plan 1 member if you established membership in PERS at any time before October 1, 1977. If you terminate your employment and withdraw your contributions, Plan 1 will be the plan you join if you ever re-establish membership in PERS.

It is important that you tell your employer if you have any past membership, even if you withdrew your contributions.

For purposes of this plan, an eligible position normally requires at least 70 hours of compensated service per month during five months each year. Eligible positions also include appointed judicial positions that meet these eligibility requirements. For more information, see the Judicial Benefit Multiplier (JBM) Program on the DRS Web site. Covered employer means an employer that participates in PERS. This includes:

- All departments, agencies, commissions, boards and offices of the state of Washington.
- All Washington State counties and public school districts.

- Most cities, towns, public utility districts, and higher education public institutions.
- Some diking districts, fire districts, health districts, housing authorities, irrigation districts, library districts, park districts, port districts, public utility districts, reclamation districts, sewer districts, water districts, airports and other political subdivisions within the state.

Ineligible or optional membership

Some employees may satisfy the basic eligibility criteria for membership but be ineligible for other reasons. If you belong to one of the following job categories, contact PERS to determine your eligibility.

You may be ineligible for membership if:

- You are a member or retiree from another public retirement system in Washington;
- You signed a student waiver during employment at an institution of higher education or a community college;
- You work for an institution of higher education or community college and you belong to that institution's retirement plan;
- You are providing professional services to an employer on a fee, retainer or contract basis;
- You are an employee or elected or appointed official of a first-class city that has its own retirement system (Seattle, Spokane or Tacoma); or
- You are enrolled in a state-approved apprenticeship program, and are employed by a local government to earn hours to complete the apprenticeship program.

Summary Description

The rules governing your benefits are contained in state retirement laws. This handbook is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this handbook and what is contained in the law, the current law will govern.

Membership may be optional for you if:

- You are an employee of the Legislature; or
- You are a current elected official or an official appointed by the Governor; or
- You are in an elected judicial position (for more information, see the JBM Program on the DRS Web site); or
- You are the city manager or chief administrative officer of a city, county, public utility, or port district who serves at the pleasure of an appointing authority. (You must apply for membership within 30 days of being appointed to the position.)

For more information, see the *PERS Plan 1 Rules for State Elected Officials* on the DRS Web site.

What if I've previously been a member of another retirement system?

Dual membership

If job changes have caused you to establish membership in more than one retirement system, you may qualify as a dual member, even if your membership in another system was terminated.

You qualify for dual membership if you meet all the following criteria:

- You are currently a member of PERS, the Teachers' Retirement System (TRS), the School Employees' Retirement System (SERS), the Washington State Patrol Retirement System (WSPRS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2, the Public Safety Employees' Retirement System (PSERS), or the City Retirement System of Tacoma, Seattle or Spokane;
- You previously contributed to a dual member system other than the one to which you now belong;
- You have not retired for service from any dual member system, or any other DRS-administered system; and
- You are not receiving disability retirement or disability leave benefits from any dual member system, or any other DRS-administered retirement system.

Former members of SCERS

If you were formerly a member of the Statewide City Employees' Retirement System (SCERS), you may establish service credit in PERS. Contact DRS for more information.

When should I start planning for retirement?

Planning for retirement is an ongoing process. We developed a *Retirement Planning Checklist* to assist you with planning for a successful retirement. The checklist is available on the DRS Web site. Here are some simple things you can do to help you plan for retirement:

- If you are within five years of retirement, attend one of the DRS Retirement Planning Seminars. These sessions feature speakers on a number of retirement subjects and are free of charge. The dates and locations for these seminars are available on the DRS Web site.
- Calculate your future retirement benefit using the *Online Account Access* service on the DRS Web site at www.drs.wa.gov. You can run a variety of retirement scenarios to see what works best for you.
- If you were a member of Plan 1 in the past and you withdrew your contributions, obtain a copy of the DRS brochure, *Plan 1 Recovery of Withdrawn or Optional Service Credit* or access the publication on the DRS Web site at www.drs.wa.gov, and review the rules that apply to your situation. You may be able to restore service credit by repaying the withdrawn contributions.

Who pays for my benefits?

Defined benefit plan

Your future benefits are funded by contributions made by you and your employer during your period of membership and the investment earnings from those contributions. These contributions are held in trust and invested by the Washington State Investment Board (WSIB).

Your plan is a defined benefit plan under Section 401(a) of the Internal Revenue Code. This means that you will receive a benefit based on service credit and average final compensation at retirement. The amount of your contributions or your employers' contributions will not be a factor in calculating your retirement benefit.

Your contributions

You are required to contribute six percent of your earnable compensation to PERS. The member contribution rate is set by law and may be changed only by legislative amendment.

Earnable compensation means all salaries and wages paid by an employer to a member for service. This includes overtime, back pay, lump-sum payments for accrued leave and tax-deferred wages as defined by the Internal Revenue Code.

Cash payments for unused sick leave are excluded from earnable compensation for employees of the state, four-year universities, The Evergreen State College, community and technical colleges and school districts.

For questions regarding earnable compensation reported to PERS, contact your employer.

Employer contributions

Employer contributions are based on a percentage of your salary and are not matching. Employer contributions go toward future retirement benefits, are not credited to your account and cannot be withdrawn.

Loans

Because the plan is designed to provide retirement income, you may not borrow from or against your contributions.

What is service credit?

Service credit is an important factor in determining your retirement benefit. Service credit is based on the number of hours of compensated employment reported by your employer.

You earn one service credit month for every calendar month in which you are compensated for 70 or more hours of employment. You may not earn more than one month's service credit in a month, even if you work more than 70 hours for each of two or more employers. Beginning September 1, 1991, if you are compensated for fewer than 70 hours in a month, you earn one quarter of a service credit month. Service credit years are calculated by dividing the total service credit months by 12.

EXAMPLE:

Calculating service credit

Suppose you were hired September 1, 1975, and worked for a covered employer until March 16, 2002, and then you retired. In each month you were compensated for at least 70 hours.

Your service credit will be as follows:

| Period | Months |
|--------------------------------|------------|
| September 1975 – December 1975 | 4 |
| January 1976 – December 2001 | 312 |
| January – March 2002 | 3 |
| Total | 319 |

$319 \text{ months} \div 12 \text{ months} = 26.5833 \text{ years}$, or 26 years and 7 months of service credit.

School employees

If you are employed by a school district, educational service district, the State School for the Blind, the Washington School for the Deaf, or an

institution of higher learning, you may receive 12 service credit months for the school year if you:

- Are employed in an eligible position; and
- Earn compensation during at least nine months of the school year; and
- Have at least 630 hours of compensated employment during the period September 1 through August 31.

Probationary period recovery

You may recover service credit for a six-month probationary period served between October 1, 1947 and June 30, 1965, by making contributions for that period. To learn if you are eligible and what your payment might be, contact DRS. Be prepared to provide:

- The full name of the agency where you served the probationary period; and
- The approximate dates of the probationary period.

Service credit from another retirement system

You may be able to combine your PERS service credit with credit earned in other Washington State retirement systems to qualify for retirement. For more information, see “What if I’ve previously been a member of another retirement system?” on page 4.

Military service credit

You may be eligible to acquire service credit at no charge for up to five years of time spent in the military. To determine if you are eligible for interruptive or non-interruptive military service credit, contact DRS.

Interruptive military service

Interruptive military service credit is available to those who interrupt their PERS service to serve in the U.S. military. You may receive credit for interruptive military service if you:

- Serve in one of the armed or uniformed services of the United States; and

- Return to work with a PERS-covered employer, within statutorily defined time limits.

Note: Effective July 24, 2005, a member who becomes totally incapacitated for continued employment as a result of service in the uniformed services of the United States, or the surviving spouse or eligible children of a member who dies while serving in the uniformed services of the United States, may apply for interruptive military service credit. Contact DRS for more information.

Non-interruptive military service

Non-interruptive military service credit is available to those who served in the U.S. military before becoming PERS members. To receive credit for military service performed before becoming a member, you must:

- Have at least 25 years of PERS Plan 1 service; and
- Be a veteran as defined in the Revised Code of Washington (RCW).

If you think you meet these requirements, contact DRS to apply. You can also find more information about military service credit requirements by reading the *PERS 1 Interruptive Military Service Credit*, or *PERS 1 Non-Interruptive Military Service Credit* publications on the DRS Web site.

Vesting

When you have five or more service credit years in PERS, you have a vested right to a retirement benefit when you meet the plan’s age requirement, even if you leave covered employment.

If you withdraw your contributions and terminate your membership, you give up your right to retirement benefits.

What if I leave my PERS position?

Leaving your current PERS-covered position before you retire will have an impact on your benefits. The nature of the impact depends on where you are employed and whether you withdraw your

contributions from PERS. If your next position is PERS eligible, your membership and service credit will continue.

Withdrawing your contributions

If you leave PERS employment, you may withdraw your accumulated contributions. This is the only circumstance in which a refund is permitted. A withdrawal before retirement cancels all service credit and rights to future benefits you have accrued in PERS. You can learn more by reading the *Withdrawal of Retirement Contributions*, publication available on the DRS Web site or through your employer.

You are not required to withdraw your contributions when you leave PERS-covered employment. If you leave your contributions with PERS, your funds will continue to accrue interest and your service credit will be preserved (see “Vesting” on page 6).

If you leave PERS-covered employment and leave your contributions in the plan, keep DRS informed of changes in your name, address and beneficiary.

Tax implications of withdrawing your contributions

DRS is required to withhold 20 percent of the tax-deferred portion of lump sum payments for federal income tax, unless the funds are transferred directly to another eligible retirement plan. Federal law may also require an additional ten-percent tax as an early withdrawal penalty if you are under age 59½.

DRS is required to report all withdrawals to the IRS. It is your responsibility to report the withdrawal on your tax return. For more information on this subject, contact the IRS or your tax adviser.

You may be required to begin receiving your untaxed benefit by April of the year following the year you reach age 70½. For additional

information refer to IRS Publication 575, *Pensions and Annuities*, also available on the IRS Web site at www.irs.gov.

Restoring PERS service credit

To restore service credit, you must repay the total amount withdrawn, plus interest, within 60 service credit months of returning to a PERS-eligible position, or before you retire, whichever comes first. Payment must be completed by the deadline.

It is still possible to restore PERS service credit after the deadline. However, the cost for purchasing the service credit is considerably more expensive.

You can learn more about restoration or purchase of service credit by reading the DRS publication, *Plan 1 Recovery of Withdrawn or Optional Service Credit*, available on the DRS Web site.

Restorations for dual members

If you are a dual member and wish to restore service credit, you must repay the amount withdrawn, plus interest, within two years of first becoming a dual member or before you retire, whichever comes first. To determine how much it will cost to restore service credit, contact DRS.

It may be possible to purchase service credit after the restoration deadline (see “Restoring PERS service credit” above). For details, see the DRS publication, *What is Dual Membership and How Does it Affect Me?*

When can I retire?

Eligibility

Your service retirement benefit depends on your Average Final Compensation (AFC), the survivor option you choose, and your service credit years at retirement. If you work up to retirement, you are eligible to retire at:

- Any age with 30 or more years of service credit, or

- Age 55 with 25 or more years of service credit, or
- Age 60 with five or more years of service credit.

If you stop working before retirement, you are eligible to retire at:

- Age 65 with five or more years of service credit, or
- Age 60 with five or more years of service credit (your benefit will be reduced, based on life expectancy factors from the state actuary, for each year you are under age 65), or
- Age 60 or older, if you separated from service on or after January 1, 2002, were at least age 50 at separation, and have at least 20 years of service credit at separation.

Note: You are considered inactive if you were not employed in the month immediately before your effective retirement date.

How do I retire?

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. DRS will return a retirement application with your estimate.
- Obtain a copy of IRS Publication 575, *Pensions and Annuities*, also available on the IRS Web site at www.irs.gov.

Applying for retirement

You can complete the entire retirement process through the mail. Contact DRS to request a retirement application packet. (If you request a benefit estimate, you will receive an application packet when your estimate is mailed to you.)

How is my benefit calculated?

Benefit formula

Your monthly retirement benefit is calculated using the following formula:

$$2\% \times \text{Service Credit Years} \times \text{AFC}$$

AFC is the monthly average of your 24 consecutive highest-paid service credit months. Your benefit can be no higher than 60 percent of your AFC.

EXAMPLE:

Benefit calculation

Suppose you retire at age 60 with 29.5 years of service credit and an average final compensation of \$2,500 per month. Your monthly retirement benefit will be \$1,475.00, calculated as follows:

$$\begin{aligned} 2\% \times 29.5 \text{ years} \times \$2,500 \\ 2\% \times 29.5 \text{ years} &= .59 \\ .59 \times \$2,500 &= \$1,475.00 \end{aligned}$$

Using annual or sick leave to increase your benefit

If you cash out leave (annual, sick, etc.), you may be eligible to use all or part of the cashout value in your AFC calculation. However, if your 24 consecutive highest-paid service credit months do not include the date in which you cash out leave, that leave cannot be used in your AFC calculation.

School district employees

School district employees may use up to 45 days of accumulated sick leave to retire early. For example, if you have 45 days of sick leave and are age 60 or older, you may retire with at least four years and ten months of service credit. Cashed out sick leave may not be used for this purpose.

Sick leave cannot be used to meet the age requirement or as service credit in determining the amount of your retirement benefit. If you plan to use sick leave to advance your retirement date, contact DRS before separating from employment.

Elected or appointed officials

Members who are elected or appointed to office in accordance with Articles II or III of the state Constitution receive an annual retirement benefit of three percent of their average final compensation for such service. For more information, see the *PERS Plan 1 Rules for State Elected Officials* on the DRS Web site.

Calculating benefits for dual members

The service retirement benefit for dual members is the sum of the benefits they have earned separately from each system. Dual members with a total of five or more years of service credit are entitled to a benefit from each system, even if they have less than five service credit years in any of the systems.

In most cases, dual members will receive a benefit based on the highest base salary from any system, whichever produces the better benefit. Base salary is the salary or wages earned, excluding overtime, lump-sum cashouts, severance pay and bonuses. Effective July 22, 2007, base salary can include overtime and other cash payments, if these payments can be used in all of the dual systems you are retiring from (excluding the Washington State Patrol Retirement System). For details, refer to the DRS publication, *What Is Dual Membership and How Does It Affect Me?*

EXAMPLE:

Dual member benefits

Suppose you are 53 years old and have 26 years of service credit from PERS Plan 1 and four years of service credit from TRS Plan 1. Without dual membership, you are not eligible for a benefit from TRS and do not meet retirement eligibility in PERS. With dual membership, however, you are eligible to retire with 30 years of service credit. You will receive a benefit from each plan, calculated according to the rules of each system as follows:

PERS Plan 1:

$2\% \times 26 \text{ years of PERS service credit} \times \text{average final compensation} = \text{PERS benefit}$

TRS Plan 1:

$2\% \times 4 \text{ years of TRS service credit} \times \text{average final compensation} = \text{TRS benefit}$

If you retire as a dual member, your total benefit cannot exceed the amount you would receive if all your service had been in a single system.

Note: Effective July 22, 2007, the maximum benefit limitation does not apply to a dual member with:

- Less than 15 years of service credit in a plan with a retirement benefit cap; and
- Service in a plan with no retirement cap.

What are my benefit options?

When you apply for a service or disability retirement, you must select a benefit option. This option can only be changed under certain circumstances after you retire (see “Changing a benefit option after retirement” on page 11).

If you are married, the law requires that you provide the written consent of your spouse for the benefit option you choose. This consent must be provided on your retirement application and must be witnessed by a notary. If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary.

Option 1

Single life

This option pays you a benefit for your lifetime. When you die, the final unpaid monthly benefit due at the time of your death and any remaining balance from your annuity fund account are paid in a lump sum to your beneficiary. This option is not available to disability retirees, or those who withdraw all their contributions and interest.

Option 2

Joint and 100 percent survivor

Under this option, you receive a reduced benefit. If your designated beneficiary survives you, the same benefit amount you were receiving is paid to your beneficiary for his or her lifetime.

Option 3

Joint and 50 percent survivor

This option also provides a reduced benefit, but the reduction is smaller than in Option 2. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

Option 4

Joint and 66.67 percent survivor

This option provides a reduced benefit that is smaller than in Option 2, but larger than in Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Am I eligible for health insurance coverage after I leave employment?

If your employer offers continuing health care coverage through the Public Employees Benefits Board (PEBB), you may qualify for health care coverage when you retire. If qualified, you must:

- Elect PEBB coverage within 60 days of separation; and
- Immediately begin receiving a retirement benefit or a lump sum retirement payment.

There are certain exemptions to this requirement. Please refer to WAC 182-12-171; WAC 182-12-200; or WAC 182-12-205 or contact the Health Care Authority (HCA) to determine whether you meet any of these exemptions.

To find out if you are qualified for PEBB benefits, contact your employer. You can also contact the HCA toll-free at 1-800-200-1004, or in Olympia at (360) 412-4200, or visit the Web site at www.hca.wa.gov.

What is the purchase additional service credit option?

When you retire, you may purchase additional service credit to increase your monthly benefit. You may purchase from one to 60 months in whole month increments. The purchased credit **may not** be used to qualify for retirement. You must submit the *Request to Purchase Additional Service Credit* form to DRS at the same time you submit your retirement application.

Your benefit increase is based on the number of months you purchase and your average final compensation (AFC). The formula used is:

$$\text{Months of Service Purchased} \div 12 \times 2\% \times \text{AFC} \\ = \text{Monthly Increase}$$

The cost to purchase additional service credit is determined by the annuity factor for your age at retirement and the monthly increase amount. The formula used is:

$$\text{Monthly Increase} \div \text{Annuity Factor} \\ = \text{Cost to Purchase}$$

For more information, review the DRS publication *Purchasing Additional Service Credit* available on the DRS Web site. You may also estimate the monthly increase and cost by using *Online Account Access* on the DRS Web site. Once you are in your account, select the *Purchasing Service* link.

Can my benefit increase after I retire?

Uniform Cost-of-Living Adjustment (COLA)

You qualify for the Uniform COLA if you have been retired for at least one year by July 1 of the calendar year in which the increase is given, and you reach age 66 by December 31 of the same year. Your benefit will be adjusted each July thereafter. If you have chosen a survivor option and you die, your beneficiary will receive the COLA in the July following his or her 66th birthday, provided it has been at least one year since you retired.

The Uniform COLA benefit adjustment is calculated by multiplying your years of service by the COLA amount.

Optional COLA

When applying for retirement, you may elect to receive an Optional COLA, which is in addition to the Uniform COLA (explained above). You will receive the Optional COLA every July after being retired one full year. The adjustment can be no

more than three percent per year, as measured by the Consumer Price Index. To offset the cost of this annual adjustment, your benefit is reduced.

Gain sharing

The 2007 Legislature passed a law to end gain sharing after January 1, 2008. The last regular gain sharing increase occurred in January 2008. The law includes an additional cost-of-living increase on July 1, 2009 for those who qualify.

If a court of law decides the repeal of gain sharing is invalid, the additional cost-of-living increase may not apply.

Changing a benefit option after retirement

Once you retire you may change your benefit option and beneficiary only in the following circumstances:

- If you choose one of the survivor options (2, 3 or 4), and your designated beneficiary dies before you, your retirement benefit may be adjusted to the higher Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS to initiate this adjustment.
- If you designate someone other than a spouse as the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement by contacting DRS. This option can be used only once and is irrevocable.
- If you retire under Option 1, then marry, and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. You must request this change in benefit option between your first and second wedding anniversary. If you opt for a survivor option, your monthly benefit will be reduced accordingly. This option can be used only once and is irrevocable.
- If you return to work and complete two or more years of uninterrupted active PERS service, you may select a new benefit option and/or beneficiary when you retire again.

What benefits do my survivors receive?

Death after retirement

If you die after you begin receiving a service or disability retirement, your survivors may be eligible to receive benefits according to the retirement option you chose (see “What are my benefit options?” on pages 9-10).

Death before retirement

If you die before retirement, benefits paid to your survivors depend on your age and service credit at the time of death. These benefits also apply to survivors of members who leave PERS-covered employment and do not withdraw their contributions.

If you have fewer than ten years of service and you are ineligible to retire

If you die before earning ten years of service credit and before becoming eligible for retirement, your beneficiary receives your contributions and interest earnings.

If you have ten or more years of service or you are eligible to retire

If you die after earning ten years of service credit or after becoming eligible to retire, your survivors may choose between:

- A monthly benefit calculated as if you had elected Option 2 (see page 9), and reduced to reflect your age at the time of death; or
- A refund of your contributions, plus interest.

If you have no surviving spouse or qualified dependents as defined by the IRS, your remaining contributions will be paid in a lump sum to your legal representative (estate).

If you die as a result of an injury or occupational disease sustained in the course of employment

If you are an active member or retiree who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of your covered employment, and the Department of Labor and Industries has determined eligibility for the payment, DRS will pay a \$150,000 death benefit to your designated beneficiary.

Designating a beneficiary

You should keep your beneficiary designation record up-to-date with DRS. The Beneficiary Designation form, which is available online, from your employer, or from DRS, must be mailed to DRS. If you fail to file a Beneficiary Designation form, DRS automatically pays your surviving spouse or, if none, your estate.

If you marry or divorce before retirement, you should file a new Beneficiary Designation form, even if your beneficiary remains the same. However, you should be aware that an ex-spouse may have a right to a portion of your benefits under certain circumstances (see “Taxation and assignment of benefits” on page 13).

At retirement, if you choose Option 1, you may name a trust, your estate, an organization or a person as your beneficiary. If you choose a survivor benefit (options 2, 3 or 4), you must select a person as your beneficiary.

What if I become disabled?

If a disability totally incapacitates you and prevents you from working, you may be eligible for disability retirement benefits regardless of how the disability was incurred. You can learn more in the publication *PERS Plan 1 Disability Benefits*.

DRS recommends that you contact a retirement service analyst if you become disabled and your disability appears terminal.

Duty disability benefits

Application deadline: You must apply for a duty disability benefit within two years of the date the injury occurred; or, in the case of occupational disease, the claim must be filed within two years of when you separate from service with your employer.

Eligibility: You may be eligible for duty disability retirement benefits if you become permanently unable to perform the duties of your job, or any other position for which you are qualified by experience or training, and the disability results from:

- A job-related accident suffered while performing your job duties; or
- An occupational disease for which you are eligible to receive benefits under Workers’ Compensation (Title 51 RCW).

Service credit for temporary disability

You have the option to apply for up to 24 months of service credit while on leave for a disability. To qualify:

- Your disability must have occurred in the line of duty; and
- You must have received your injury on or after March 27, 1984, and be eligible to receive Workers’ Compensation benefits; and
- You must make retirement contributions on the compensation you would have earned had you been working. DRS charges interest if the payments are made retroactively.

For more information on how to apply for disability service credit, contact DRS.

Non-duty disability benefits

You may be eligible for non-duty disability retirement benefits if:

- You have had at least five years of covered employment; and
- You leave covered employment as a result of the disability; and

- The disability totally and permanently prevents you from performing the duties of your position or any other position for which you are qualified by experience or training.

Resumption of employment

If you resume gainful employment, you will need to provide DRS with the name of your employer and your monthly salary. Your disability benefits may stop unless your total compensation (from employment and disability benefits) is less than your compensation at the time you became disabled. If this total is more, your benefits will be reduced so the total does not exceed the level of your pre-disability compensation, adjusted for inflation.

If you are a former member of SCERS, there may be other disability options available to you. For more information, contact DRS.

Can I obtain a refund of contributions paid after 30 years of service?

If you have 30 service credit years, you can make a one-time, irrevocable election to participate in a program in which post 30-year contributions are refunded at retirement. Program participants earn 7.5 percent interest on their post 30-year contributions. If you participate in the program, your monthly retirement benefits will be based on earnings before your election date. Your election date is the first of the month following the date DRS receives your election form. Election to participate is irrevocable and must be made within six months after earning 30 service credit years.

In the months before your 30th service credit year, DRS will contact you with information to help you make an informed decision. To learn more about the Post 30-Year Program, visit the DRS Web site or obtain a copy of the DRS brochure *Does Working Beyond 30 Years Affect My Benefit?*

What if I work after retirement?

Your benefits may be affected if you work for a DRS-covered employer after retirement. Under state law, the employer is required to report your hours to DRS. When you apply for retirement you will receive the publication, *Thinking About Working After Retirement?* which explains how your benefit may be affected. This publication is also available on the DRS Web site.

Why does DRS need my Social Security number?

DRS requires that you provide your Social Security number when you are conducting business with the agency. Internal Revenue Code Sections 6041 (A), and 6109 authorize DRS to solicit your Social Security number.

- DRS will use your Social Security number to track all data regarding your retirement account and to report required information to the IRS.
- DRS will not disclose your Social Security number to any party unless required to do so by law.

Taxation and assignment of benefits

Federal income taxes

Most of your retirement benefit will be subject to federal income tax. Only the portion taxed before it was contributed is exempt.

Since September 1, 1984, many employers began deducting member contributions before taxes.

After you retire, DRS will let you know what portion of your contributions have already been taxed. The IRS refers to this taxed amount as your cost basis. You must complete a W-4P form to notify DRS how much of your benefit should be withheld for taxes. If you do not, DRS will follow IRS rules requiring withholding as if you are married and claiming three exemptions. It is your

responsibility to declare the proper amount of taxable income on your income tax return.

Assignment and attachment of benefits

Retirement benefits are not generally subject to assignment or attachment. However, payments received by you in the form of retirement benefits, or as a refund of your contributions, may be subject to payment of court and administrative orders for spousal maintenance and child support, or payment of any orders authorized by federal law.

DRS is authorized to divide pensions between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, DRS will send the property division payment directly to the ex-spouse. For more information, review the DRS publications, *Can Legal Action Affect My Retirement Account?* or *How Can a Property Division Affect My Retirement Account?* available on the DRS Web site.

Administrative information

Administration of the system

The Public Employees' Retirement System is administered by DRS. The Director of DRS is appointed by the Governor.

Payment of retirement benefits

Your benefit is paid at the end of each month and, in most cases, you can deposit it directly into your bank or credit union account.

Benefit adjustments

If you receive an overpayment of your retirement benefit or withdrawal, DRS will require that the overpayment be repaid. If there is an underpayment, DRS will correct the error and pay you in full.

Petitions and appeals

Under DRS internal review procedures, all appeals begin as petitions. You may challenge a decision of a DRS administrator by filing a petition within 120 days of your receipt of the decision. A petition will be reviewed by the DRS Petitions Examiner.

To file a petition, complete and submit a detailed statement of:

- The relief you are requesting;
- The facts relating to your petition, including any relevant documents or sworn statements that support your request for relief;
- The legal basis for your petition, including any relevant legal provisions or precedents;
- The name and address of your legal counsel, if you choose representation; and
- Your name, address, Social Security number and signature.

The Petitions Examiner will ask for information from the parties involved. Usually, this means you, DRS and possibly your employer. After review, the Petitions Examiner will enter a written decision and mail it to you by certified mail.

If you are not satisfied with the petition decision, you may file an appeal within 60 days of receipt of the decision. Included with your petition decision will be information describing how to file an appeal. An appeal will be heard by either DRS' Presiding Officer or an Administrative Law Judge.

Contacting DRS

When you contact DRS about personal account information, be sure to include:

- Your Social Security number
- Your signature (for written correspondence)
- Your daytime telephone number
- Your mailing address
- The plan you are requesting information about

Mailing address

Department of Retirement Systems
PERS
Post Office Box 48380
Olympia, Washington 98504-8380

Telephone

Olympia (360) 664-7000
Toll-free..... 1-800-547-6657
TDD Line..... (360) 586-5450
Toll-free TDD Number..... 1-866-377-8895

E-mail address

recep@drs.wa.gov

Important: Electronic mail messages sent over the Internet are not secure. It may be possible for other people to read your e-mail message. For security purposes, include only the last four digits of your Social Security number.

Web address

www.drs.wa.gov

The DRS Web site contains the most recent edition of this handbook and other member publications for PERS and other DRS-administered systems.

The site also includes:

- Online access to your account, allowing you to review personal information such as your account balance, employment history, beneficiary information, and annual statements. With online access you may also create estimates of your retirement benefit and your costs to purchase service credit.
- Recent issues of the member newsletter, *Retirement Outlook*.
- Information about recent retirement-related legislation.
- A variety of other information of interest to retirement system members and public employers in Washington State.

Contact DRS for the following:

- To obtain more information about your rights and benefits under this plan.
- To apply for retirement.
- To schedule an appointment to review your account information and retirement options in person.

- To obtain copies of DRS publications mentioned in this handbook (DRS publications are also available on our Web site).

