

PERS MEMBER HANDBOOK



Table of Contents

Summary of benefits	2	•	How does retirement before age 65 affect my benefit?	11
PERS Plan 3 highlights	3	•	How do I retire?	12
Plan 3 membership definition	4	•	How is my benefit calculated?.....	12
Ineligible or optional membership.....	4	•	What is the purchase of additional service credit option?	13
What if I've previously been a member of another retirement system?.....	4	•	What are my benefit options?	14
When should I start planning for retirement?	5	•	What defined benefits do my survivors receive?	15
Who pays for my benefits?	5	•	What happens if I die before I receive my defined contributions?	15
What is a defined contribution plan?.....	6	•	Designating a beneficiary	15
How much am I required to contribute?	6	•	What if I become disabled?	16
How will my contributions be invested?	6	•	What if I work after retirement?	16
How is the value of my defined contribution account determined?.....	7	•	Am I eligible for health insurance coverage after I leave employment?	16
When can I access my defined contribution money?.....	8	•	Why does DRS need my Social Security number?	16
Gain sharing	8	•	Taxation and assignment of benefits.....	17
What is service credit?	8	•	Administrative information	17
What if I leave my PERS position?.....	10	•	Contacting DRS	18
When can I retire?	11	•	Contacting ICMA-RC.....	18



PERS PLAN 3: SUMMARY OF BENEFITS

Defined Contribution Account

Your member contributions are deposited in a defined contribution account. That money is invested according to your instructions and you can take payment of that account any time you terminate from all covered employment (see page 6).

Contribution Rates

Contributions to PERS Plan 3 are mandatory. Under current federal law, once you select a contribution rate you cannot change it unless you change employers. Currently, there are six contribution rate options (see page 6).

Benefit Formula

$1\% \times \text{Service Credit Years} \times \text{AFC} = \text{Monthly Benefit}$

Eligible for Retirement

PERS Plan 3 provides:

Normal retirement at age 65 if you have at least:

- 10 service credit years; or
- 5 service credit years including 12 service credit months earned after age 44; or
- 5 service credit years, earned in PERS Plan 2 before June 1, 2003.

Early retirement at age 55 with a reduced benefit if you have at least 10 service credit years.

How Service Credit is Accumulated

Service credit is based on hours worked during a calendar month.

90 hours = 1 service credit month.

Less than 90 but at least 70 hours = 1/2 service credit month.

Less than 70 hours = 1/4 service credit month (see page 8 – 9).

Service Credit for Military Time

You may be eligible to receive service credit for time spent in the military (see page 9).

Average Final Compensation (AFC)

Your AFC is the monthly average of your 60 consecutive highest-paid service credit months. Not included are payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation or annual leave (see page 12).

Death in Service Survivor Benefit

If you die before you have initiated payment from your defined contribution account, your beneficiary will receive the balance in that account. If you die before you retire, your surviving spouse, or if none, your minor children, will receive a defined benefit (see page 15).

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 3 percent per year (see page 14).

Health Insurance Coverage

If you qualify for Public Employees Benefits Board (PEBB) health insurance coverage, you must elect PEBB coverage within 60 days of separation from employment (see page 16).

PLAN
3

This handbook explains your rights and benefits under Plan 3 of the Washington State Public Employees' Retirement System (PERS). The plan is a 401(a) and is designed to be 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.

PERS Plan 3 is composed of two separate retirement benefit components

PERS Plan 3 has a dual benefit structure. Member contributions finance a defined contribution component, and employer contributions finance a defined benefit component.

The member-financed, defined contribution component provides an investment program you may access any time you separate from covered employment. The amount of retirement income generated depends on how much you contribute and the performance of your investments. You choose how much you contribute, where your contributions are invested, and how and when you take payment.

The employer-financed, defined benefit component provides a normal retirement at age 65, or an early retirement as early as age 55. The benefit amount is based on your years of service credit and your average final compensation and could be affected if you choose a survivor benefit option (see page 14). If you retire early, the amount of your reduction is based on your service credit, your age, the date you retire and the early retirement factor used (see page 11).

PERS Plan 3 highlights

Here is a brief summary of the plan's provisions.

- You have several options for the amount of money you contribute. Once chosen, your contribution rate can be changed only if you change employers.
- Your personal retirement account increases or decreases based on the performance of your investments.
- You can choose between two investment programs: the Washington State Investment Board (WSIB) Investment Program or the Self-Directed Investment Program (see page 6).
- Your contributions can only be withdrawn if you leave PERS-covered employment. You cannot withdraw contributions made by your employer (see page 10).
- Taking payment of your contributions has no effect on your defined benefit component of Plan 3. The defined benefit component of Plan 3 is financed by your employer's contributions.
- The defined benefit component provides a lifetime monthly benefit once you meet the plan's minimum requirements.
- The plan provides disability retirement benefits and survivor benefits if you meet the requirements (see page 16).
- You remain a member of the plan if you transfer to another PERS-covered employer in a PERS-eligible position.
- If you are a dual member of PERS and another Department of Retirement Systems (DRS) plan, you may be able to combine service credit in order to qualify for retirement (see page 13).

Summary Description

The rules governing your benefits are contained in state retirement law. This handbook is a summary, written in non-legal 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 applicable law will govern.

Plan 3 membership definition

You are a member of Plan 3 if you chose or defaulted to the plan when you were first hired into an eligible position with a covered state agency or higher education employer on or after March 1, 2002, or on or after September 1, 2002 with a local government employer. To become a Plan 3 member, you also could have transferred to PERS Plan 3 from PERS Plan 2.

For the purposes of this plan, an eligible position normally requires five or more months of 70 hours or more of compensated employment in a 12-month period. A covered employer is one that participates in PERS. Covered employers include:

- All departments, agencies and offices of the state of Washington.
- All Washington State counties.
- Most cities, towns and public utility districts, and higher education public institutions.
- Many diking districts, fire districts, health districts, housing authorities, irrigation districts, library districts, park districts, port districts, reclamation districts, sewer districts, water districts, airports and other local government entities 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 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.

Membership may be optional for you if:

- You are an employee of the Legislature;
- You are a current elected official or an official appointed by the Governor; 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 3 Rules for State Elected, Locally Elected and Governor Appointed Officials* on the DRS Web site.

Inform your employer of previous PERS membership

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

What if I've previously been a member of another 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.

Dual membership

If you establish membership in more than one Washington State public service retirement system, you may qualify as a dual member, even if your membership in another system has been terminated.

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

- You are currently a member of PERS, Teachers' Retirement System (TRS), School Employees' Retirement System (SERS), Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2, Public Safety Employees' Retirement System (PSERS), the Washington State Patrol Retirement System (WSPRS), or the city retirement system of Seattle, Tacoma or Spokane; and
- You have not retired from service with any public retirement system in the state of Washington; and
- You are not receiving disability retirement or disability leave benefits from any public retirement system in the state of Washington.

When should I start planning for retirement?

Planning for retirement is an ongoing process. The sooner you start, the more likely you are to enjoy a comfortable and successful retirement. Here are some simple things you can do to help prepare 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 at www.drs.wa.gov.

- Calculate your future retirement benefit using the *Online Account Access* on the DRS Web site. You can run a variety of retirement scenarios to see what works best for you.
- Because there are statutory time limits on restoring contributions withdrawn from your state pension, obtain a copy of the DRS brochure *Plan 3 Recovery of Withdrawn or Optional Service Credit* or view the publication on the DRS Web site and review the rules that apply to your situation.

Who pays for my benefits?

Defined contribution component

Your defined contribution benefits are funded by your contributions and the investment earnings from those contributions. The amount of your benefit depends on the amount you contribute and the performance of your investments.

Defined benefit component

Your future defined benefit is funded by contributions made by your employer during your period of membership and the investment earnings from those contributions. Employer contributions are held in trust and invested by the Washington State Investment Board.

PERS Plan 3 is a 401(a) defined benefit plan. This means that at retirement you will receive a benefit based on service credit and average final compensation. The amount of contributions made will not be a factor in calculating your defined benefit.

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.

What is a defined contribution plan?

A defined contribution retirement plan is one in which your benefit is based entirely on the amount you contribute and the performance of the investments you choose. Contributions may be deducted from your salary before taxes. Check with your employer to find out if your contributions are tax deferred. Investment returns (both gains and losses) are tax deferred. They are credited to your account as long as you have money in the plan.

How much am I required to contribute?

Contributions to your retirement plan are mandatory. Under federal law, once you select a contribution rate you cannot change it unless you change PERS-covered employers. Currently, there are six contribution rate options:

- Option A: 5% fixed rate at all ages
- Option B: 5% up to age 35
6% ages 35 through 44
7.5% ages 45 and older
- Option C: 6% up to age 35
7.5% ages 35 through 44
8.5% age 45 and older
- Option D: 7% fixed rate at all ages
- Option E: 10% fixed rate at all ages
- Option F: 15% fixed rate at all ages

Choosing a contribution rate

If you become a PERS Plan 3 member by transferring from PERS Plan 2, or if you are a new member who irrevocably chooses PERS Plan 3, you must decide your rate option at the time you choose Plan 3.

If you changed employers or are a returning Plan 3 member, you have 90 days from your date of hire to choose a rate. If you do not select a rate option within 90 days, the law requires that Option A be assigned automatically.

Limitations on annual contributions

If your contributions are tax-deferred (consult your employer) and you are participating in other tax-deferred plans, be aware that your tax-deferred contributions can be limited based on your annual taxable income. Remember, tax-deferred contributions decrease your taxable income. Consult the Internal Revenue Service (IRS) and/or a tax adviser for detailed information.

How will my contributions be invested?

Under PERS Plan 3 you may choose between two separate investment programs. They are the WSIB Investment Program and the Self-Directed Investment Program.

The WSIB Investment Program

The WSIB Investment Program enables you to invest in the Total Allocation Portfolio (TAP), a portfolio with an asset allocation that is determined, managed and continuously rebalanced by the WSIB. If you do not select an investment program, your contributions will automatically be directed to this program.

Self-Directed Investment Program

The Self-Directed Investment Program enables you to design your own investment portfolio from a menu of funds or to choose a pre-set portfolio based on your investment time horizon.

If you choose the Self-Directed Investment Program, you must contact ICMA-RC, the Plan 3 record keeper, and establish your investment allocation. Use the automated phone line, Internet, or speak with a customer service representative to choose which self-directed fund(s) you want your contributions invested in. If you select the Self-Directed Investment Program and do not set up an allocation, your contributions will be invested in the 2010 Retirement Strategy Fund.

You can learn more about the WSIB and Self-Directed Investment Program by obtaining a copy

of the *Plan 3 Investment Guide* from your employer or ICMA-RC.

How you select an investment program

When you become a member of PERS Plan 3, you use the *Member Information Form* to select your investment program. You can contribute to only one of the two investment programs at a time. If you wish to change your investment program, complete a *Plan 3 Change of Investment Program* form and return it to your employer. Both of these forms are available on the DRS Web site or through your employer.

How you transfer account balances between investment programs

Though you can contribute to only one of the two investment programs at a time, you may have investments in both programs. If you wish to move all or a portion of the balance of your investment account between investment programs, contact ICMA-RC.

How is the value of my defined contribution account determined?

There is no benefit formula used to calculate the value of your defined contributions. The value of your account will be based entirely on the amount you contribute and the performance of the investments. As in any investment, there is an element of risk.

How the WSIB Investment Program values its funds

The WSIB values the TAP once each month. Since the WSIB Investment Program is composed of a variety of investment vehicles, its value is measured by the composite worth of the fund's entire portfolio as determined by the current market value of each investment. Your contributions are converted to shares in the fund. The cost of a share is based on the composite value of the fund at the time the share is purchased. Share values increase or decrease at the same rate as the TAP.

How the Self-Directed Investment Program values its funds

Within the Self-Directed Investment Program, member portfolios are valued daily. There are a variety of investments available through the Self-Directed Investment Program. Each investment is valued separately based on its current selling price in the market.

How your retirement contributions are processed

Your employer transmits your contributions and member data to DRS at a minimum on a monthly basis. Under state law, employers are required to provide DRS with member contributions and data by the 15th of the month following the month in which the contributions were deducted from your paycheck.

Both investment programs incorporate a Short-Term Investment Fund (STIF) where contributions are placed and begin earning interest. When individual member contributions (reported by an employer) are reconciled with the cash DRS receives from the employer, the process of moving your contributions into your investment program begins.

Depending on your employer's reporting schedule and your choice of investment program, there will be some variation in the time it takes for contributions to move between the STIF and your investment allocation. For more information about how your investments are processed, refer to the *Plan 3 Investment Guide* available on the DRS Web site.

Separate quarterly statements are issued for each investment program

WSIB Investment Program account statements are issued 45 days after the end of the quarter. Self-Directed Investment Program account statements are issued 10 business days after the end of the quarter.

When can I access my defined contribution money?

Your defined contribution investments are part of your retirement income. However, if you choose, you can elect to withdraw the funds in your PERS Plan 3 defined contribution account any time you separate from all PERS-covered employment. You may take payment under a variety of payment plans, including installments, lump sum or rollover, which you design to fit your specific retirement goals. In addition, the Self-Directed Investment Program offers a lifetime annuity payment option.

To learn more about your withdrawal options, obtain the *Plan 3 Request for Payment of Defined Contribution Funds* packet from ICMA-RC or the DRS Web site. ICMA-RC offers individualized consultations on payment plans by calling their toll-free customer service phone line (see page 18).

Processing a withdrawal

The withdrawal process, from the time you leave employment and submit your withdrawal request until you receive payment or the money is rolled over to a qualified account, usually requires 30 to 90 days. The length of time depends on your employer's reporting cycle, how long you have been separated from employment, the time of month you submit the request, and the investment program from which you are withdrawing.

Tax implications of withdrawing your defined contributions

You will owe income tax on your tax-deferred contributions and investment earnings when you withdraw funds from your defined contribution account.

The IRS requires that 20 percent of any lump sum or partial payment withdrawal of tax-deferred funds be withheld. If you are under age 59½ when you take payment, an additional 10-percent tax for early withdrawal may be assessed by the IRS when you file your annual tax return. All withdrawals paid to you are reported to the IRS as earnings in the year the withdrawals are paid.

If you wish to avoid the withholding tax and 10-percent additional tax, you may roll the funds directly into a tax-deferred retirement account, or a qualified employer-sponsored retirement plan.

For more information about withdrawing your defined contribution money and the associated tax requirements, obtain a copy of Publication 575, *Pension and Annuity Income*, from the IRS.

Gain sharing

The 2007 Legislature passed a law to end gain sharing after January 1, 2008. The last gain sharing payment for Plan 3 members occurred in January 2008. The same legislation established new benefits for members.

Beginning July 1, 2008 Plan 2 and Plan 3 members who are age 55 with at least 30 years of service will have a choice of retiring using new lower early retirement reduction factors or retiring using the existing early retirement reduction factors. See "How does retirement before age 65 affect my benefit?" on page 11.

If a court of law decides the repeal of gain sharing is invalid, the reduction factors for early retirement at age 55 with 30 years of service that were in place before the passage of the new law will apply.

What is service credit?

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

You receive one service credit month for each calendar month in which you earn compensation for 90 or more hours. No more than one service credit month can be obtained in any calendar month, even if you work more than 90 hours for each of two or more employers in a month. Beginning September 1, 1991, one half of a service credit month is granted for any calendar month in which you receive compensation for fewer than

90, but at least 70 hours. One quarter of a service credit month is granted for fewer than 70 hours in a calendar month.

Your service credit years at retirement are calculated by dividing service credit months by 12.

EXAMPLE:

Calculating service credit

Suppose you were hired April 1, 1982, and worked full-time until February 23, 2002, when you retired. In your final month of employment you are compensated for 88 hours. Your service credit would be as follows:

Period	Months
April 1982 — December 1982	9.0
January 1983 — December 2001	228.0
January and February 2002	1.5
Total	238.5

238.5 months ÷ 12 months = 19.88 years, or 19 years and 10.5 service credit months

School employees

If you are employed by 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:

- Begin working in September in an eligible position; and
- Earn compensation during at least nine months of the school year; and
- Have at least **810 hours** of compensated employment during the period September 1 – August 31.

You may receive six service credit months for each school year if you:

- Begin working in September in an eligible position; and
- Earn compensation during at least nine months of the school year; and
- Have at least **630 hours, but fewer than 810 hours**, of compensated employment during the school year.

If you earn compensation in fewer than nine months of the school year, you will receive service credit based on the number of hours compensated each month.

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 in order to qualify for retirement (see “What if I’ve previously been a member of another retirement system?” on page 4).

EXAMPLE:

Combined service credit

Suppose you are an active PERS Plan 3 member, age 55, and have 13 PERS Plan 3 service credit years. If you also have seven service credit years in TRS Plan 1, you have a total of 20 service credit years — enough to be eligible to retire with a reduced benefit.

See page 11 for information about retiring at age 55, and page 13 for information about calculating a dual member benefit.

Military service

You may be eligible to receive up to five years of service credit for military service by paying member contributions for the time spent in the military. You must complete payment of these contributions prior to retirement or five years from the time you resume employment, whichever comes first. To qualify you must have:

- Left PERS-covered employment to enter the uniformed services; and
- Applied for re-employment with the same employer within 90 days after an honorable discharge.

For more information, refer to the *Military Service Credit* publication for PERS Plan 3 members on the DRS Web site.

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. The member or eligible spouse or children would pay only the employee contributions. Contact DRS for more information.

Leave of absence

You may earn service credit for an unpaid leave of absence authorized by your employer. Service credit for a leave of absence is limited to a maximum of two years during your working career.

To obtain service credit for unpaid leave, you must return to work in an eligible position for a PERS-covered employer, and pay both member and employer contributions, including interest for both, for the time on leave. Payment must be completed within five years of returning to service, or retirement, whichever comes first.

What if I leave my PERS position?

If you leave covered employment, you can leave your defined contribution money in the plan.

As long as you have a balance in your defined contribution account, its value will continue to rise or fall depending on investment performance.

Federal law requires that you begin receiving a minimum amount from your retirement account by April 1 of the year after you reach age 70½, or when you retire, whichever comes later. The portion of your account that you must receive cannot be rolled over. The options you have for receipt of the money are outlined in the *Plan 3 Request for Payment of Defined Contribution Funds* booklet available on the DRS Web site.

If you leave covered employment and leave your defined contributions in the plan, be sure to inform ICMA-RC of any name, address and beneficiary changes. You will continue to receive quarterly statements and be able to move your money between investments.

Delaying receipt of your benefit

If you accumulate 20 service credit years or more and separate from service, your defined benefit will be increased by three percent each year, and the reduction to your benefit for early retirement will be less (see “How does retirement before age 65 affect my benefit?” on page 11). The three percent increase will be from the date of separation until you begin drawing your benefit.

Restoring PERS service credit

You may restore withdrawn service credit from PERS Plan 2 or PERS Plan 3. To restore withdrawn service credit you must repay the total amount withdrawn, plus interest, within five calendar years of returning to a PERS-eligible position, or before you retire, whichever is first.

It is still possible to purchase withdrawn or optional service credit after the statutory deadline. The cost for purchasing service credit after the deadline date is considerably more expensive.

If you restore service within the deadline, all contributions will be placed in your Plan 3 defined contribution account. If you purchase service credit after the deadline, the money will be split equally between the defined benefit and your defined contribution account.

You can learn more about purchase of service credit by obtaining the DRS brochure, *Plan 3 Recovery of Withdrawn or Optional Service Credit*.

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than PERS, you must repay the amount withdrawn, plus interest from the date of the withdrawal until paid in full, within two years of first becoming a dual member or before you retire, whichever comes first. To find how much it will cost you to restore, contact DRS.

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

When can I retire?

You are eligible for normal retirement at age 65 if you have:

- 10 service credit years; or
- Five service credit years including 12 service credit months earned after age 44; or
- Five service credit years, earned in PERS Plan 2 before June 1, 2003.

You are eligible for early retirement at age 55 with a reduced benefit if you have at least 10 service credit years (see “How does retirement before age 65 affect my benefit?” below).

How does retirement before age 65 affect my benefit?

Retirement before age 65 is an early retirement. Your benefit depends on how much service credit you earned, the date you retire, your age and the early retirement factor used.

If you have at least 10 service credit years:

- You can retire at or after age 55 with a reduced benefit. Your benefit is reduced to reflect the fact that you will receive it over a longer period of time. The amount of the reduction is greater than if you retire with at least 30 service credit years (see the table on the right).

If you have at least 30 service credit years and you retire before July 1, 2008:

- You can retire at or after age 55 with a reduced benefit. Your benefit is reduced by three percent for each year of retirement before age 65 (see the table on the right).

If you have at least 30 service credit years and you retire on or after July 1, 2008, you can choose either:

- The three percent Early Retirement Factor (ERF) shown in the table on the right; OR
- The 2008 ERF which provides a smaller benefit reduction but imposes stricter return to work rules.

Note: See the DRS publications *Thinking About Working After Retirement?* and *Thinking About Retiring Early?* available on the DRS Web site.

Early Retirement Factors			
Retirement age	At least 10 years service	30 years or more service	
		3% ERF	2008 ERF*
55	0.37	0.70	0.80
56	0.40	0.73	0.83
57	0.43	0.76	0.86
58	0.49	0.79	0.89
59	0.55	0.82	0.92
60	0.61	0.85	0.95
61	0.67	0.88	0.98
62	0.73	0.91	1.00
63	0.82	0.94	1.00
64	0.91	0.97	1.00

*These factors were available beginning 7/1/2008 and were established by legislation which ended gain sharing. If a court of law decides the repeal of gain sharing is invalid, the factors and return to work rules in place before passage of the law will apply.

EXAMPLES

Examples are based on the benefit formula:
 $1\% \times \text{Service Credit Years} \times \text{Average Final Compensation (AFC)} \times \text{ERF} = \text{Monthly Benefit}$

Retirement on March 1, 2008 at age 55 with 22 years of service credit

You retired on March 1, 2008 at age 55 with 22 years of service credit. Your average final compensation is \$3,600. You retired early so your benefit is 37% of what it would be at age 65. Your monthly benefit is calculated as follows:

Monthly Benefit

$$= 1\% \times 22 \text{ years} \times \$3,600 \times 37\%$$

$$= .01 \times 22 \times \$3,600 \times .37$$

$$= \$293$$

