

TRS MEMBER HANDBOOK



Table of Contents

Summary of benefits 2

Plan 1 membership definition 3

When should I start planning for retirement? 3

Who pays for my benefits? 4

What is service credit? 4

Purchasing credit for substitute teaching 5

Can I purchase credit for past service? 5

Temporary duty disability 5

What if I leave my TRS position? 5

Re-establishing membership 6

Can I restore credit for past service? 7

What if I've previously been a member of another retirement system? 7

How do I retire? 8

Can I obtain a refund of contributions paid after 30 years of service? 9

What is my service retirement benefit? 9

What are my benefit options? 11

Can I continue health care coverage after I retire? 12

What is the purchase additional service credit option? 12

Can my benefit increase after I retire? 12

What if I work after retirement? 13

What if I become disabled? 13

What benefits do my survivors receive? 14

Taxation and assignment of benefits 16

Why does DRS need my Social Security number? 16

Administrative information 16

Contacting DRS 17



TRS PLAN I: SUMMARY OF BENEFITS

Contribution Rate

You are required to contribute six percent of your monthly earnable compensation. This rate is set by law and may only be changed by legislative action. See “Who pays for my benefits?” on page 4.

Contributions

Both you and your employer pay contributions that fund your retirement. Your contributions are refundable only if you leave TRS-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 are eligible to retire if you:

- Have at least 30 service credit years regardless of age,
- Are at least age 55 and have at least 25 service credit years, or
- Are age 60 or older and have at least five service credit years. See “What is my service retirement benefit?” on page 9.

How Service Credit is Accumulated

You earn a full year of service credit if you receive compensation for at least four-fifths – 144 full time days – of the 180-day school year, provided that contributions have been made to TRS. If you work at least 20 days, but less than four-fifths of a fiscal year, you will earn a fraction of a year’s service credit. See “What is service credit?” on page 4.

Average Final Compensation (AFC)

Your average final compensation is the total earnable compensation for your two consecutive highest-paid fiscal years divided by two. See “Calculating your benefit” on page 10.

Benefit Formula

$2\% \times \text{Service Credit Years} \times \text{AFC} \div 12 = \text{Monthly Benefit}$. In most cases, your retirement benefit may not exceed 60 percent of your AFC. Contact DRS for more information. See “Calculating your benefit” on page 10.

Cost-of-Living Adjustment (COLA)

Uniform and optional COLAs are provided. See “Can my benefit increase after I retire?” on page 12.

Disability Retirement

Temporary and permanent disability retirement benefits are available. See “What if I become disabled?” on page 13.

Death in Service Survivor Benefit

If you die with less than ten years of service and you are not eligible to retire, your contributions plus interest are refunded to your beneficiary. If you die with ten or more years of service, or you are eligible to retire, your beneficiary can choose between monthly payments or a lump sum refund of your contributions plus interest. See “What benefits do my survivors receive?” on page 14.



This handbook explains your rights and benefits under Plan 1 of the Washington State Teachers' Retirement System (TRS). TRS 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 TRS at any time before October 1, 1977. The equivalent of 90 days of full-time employment during a fiscal year (July 1-June 30) is required to establish membership. If you terminate your employment and withdraw your contributions, Plan 1 will be the plan you join if you ever re-establish membership in TRS.

For purposes of this plan, teacher means any person who is qualified to teach and is employed by a public school in Washington as an instructor, administrator or supervisor. This includes:

- School district and educational service district superintendents and their assistants;
- State, school district and educational service district employees who are certificated by the Superintendent of Public Instruction; and
- Any full-time school doctor who is employed by a public school and who renders instructional or educational services.

If you are a substitute teacher you should request the publication *The Substitute Teacher's Guide to*

Obtaining Service Credit to determine your eligibility. This is available from your employer or TRS and can be downloaded from the DRS Web site at www.drs.wa.gov.

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.

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.

Who pays for my benefits?

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).

TRS Plan 1 is a defined benefit plan structured under Section 401(a) of the Internal Revenue Code. This means that you will receive a benefit based on your service credit and Average Final Compensation (AFC) at retirement.

Your contributions

You are required to contribute six percent of your earnable compensation to TRS. This rate is set by law and may be changed as necessary to reflect the cost of the plan.

Earnable compensation means all salaries and wages paid by an employer to a member for services rendered during the fiscal year. This includes:

- Pay for additional duties;
- Some forms of severance pay, lump sum payments for accrued leave (except sick leave); and
- Tax-deferred wages, such as TRS contributions.

Contributions are required from all members contracted for 20 or more days during a fiscal year. If you are regularly employed, your contributions are deducted from your paycheck each pay period before federal income taxes are withheld. Before September 1984, contributions were deducted after taxes.

Substitute teachers have the option to join TRS and pay contributions at the end of the school year. For more information, see the publication, *The Substitute Teacher's Guide to Obtaining Service Credit*. This publication is also available on the DRS Web site.

Your contributions are credited to your annuity fund account. This account, with accrued interest, provides the annuity portion of your retirement benefit. At the time of retirement, you have the option to withdraw all or a portion of your contributions plus interest and receive a reduced benefit. Employer contributions are paid to the trust fund and are **not** refundable to you.

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. The amount of your retirement benefit is based on your service credit and your earnable compensation. Service credit is based on the number of days of compensated employment reported by your employer for each fiscal year (July 1 through June 30).

You earn one full year of service credit if you receive compensation for at least 144 full-time days of the 180-day school year, provided that contributions have been made to TRS. You may earn a fraction of a year's service credit for working less than 144 days in a fiscal year, but no service credit will be granted for less than 20 days of service within a fiscal year.

EXAMPLE:

Calculating service credit

Suppose you taught full time for 24 years and then during the 2005-2006 fiscal year you taught for a total of 60 days. Sixty days is 33 percent of a full 180-day fiscal year. At the end of the 2005-2006 fiscal year, you have a total of 24.33 years of service credit.

Purchasing credit for substitute teaching

If you work as a substitute teacher, your employer(s) reports to DRS the amount of service performed. To receive credit for your service, you must apply for it after June 30. For information about this procedure, ask your employer or TRS for a copy of the publication *The Substitute Teacher's Guide to Obtaining Service Credit*. This publication is also available on the DRS Web site. If your substitute teaching was before the 2004-2005 fiscal year, contact your employer(s) to obtain your quarterly reports.

Can I purchase credit for past service?

You may purchase service credit for earlier periods of employment including:

- Up to two years of approved professional preparation following Washington State public school teaching.
- Up to five years of active service in the United States military if it interrupted your Washington State public school service. If the military service occurred in time of war, you can receive credit for more than five years.
- Up to four years of out-of-state teaching service while on an authorized leave of absence.

For more information, see the brochure *Plan 1 Recovery of Withdrawn or Optional Service Credit* or contact DRS.

Temporary duty disability

You may be eligible to apply for up to 24 months of service credit while on leave for a disability that occurred in the line of duty. Your injury must have occurred on or after July 22, 2007, and you must be eligible to receive workers' compensation benefits to qualify. For information on this subject, refer to the publication *TRS Disability Benefits*, available on our Web site, or contact DRS.

What if I leave my TRS position?

Leaving your current TRS position before you retire will have an impact on your benefits. The nature of the impact depends on your new employer and whether you withdraw your contributions from TRS.

Withdrawing your contributions

If you leave TRS-covered employment, you may withdraw your contributions plus interest. A withdrawal before retirement cancels all service credit and rights to future benefits in TRS. You cannot borrow or withdraw contributions made by your employer.

Withdrawal forms are included in the DRS publication *Withdrawal of Retirement Contributions* which is available through your employer or DRS. You can also download this publication and appropriate forms from the DRS Web site. Processing a withdrawal normally requires 60 to 90 days. You are not required to withdraw your contributions when you leave TRS-covered employment. If you leave your contributions in TRS, your funds will continue to accrue interest and your service credit will be preserved (see "Vesting" on page 8).

If you resume employment with a TRS-covered employer before payment is made, you are not eligible to receive a withdrawal. If you receive a withdrawal under these circumstances, you must return it to DRS immediately.

Tax implications of withdrawing your contributions

Under federal law, any lump-sum withdrawal of tax-deferred retirement funds is subject to a withholding tax of 20 percent. The 20-percent tax can be avoided only by a direct rollover of funds to a qualified tax-deferred retirement account. You can find more about this requirement by reading *Withdrawal of Retirement Contributions*, a publication which is available through your employer or DRS and is also available on the DRS Web site.

Federal tax law may require that you pay a ten-percent penalty at the time you file your income tax. This penalty is in addition to regular income tax on the tax-deferred and interest portions of contributions that you withdraw before you reach age 59½. You may be able to avoid this tax penalty by rolling these funds into a qualified tax-deferred retirement account.

DRS is required to report all withdrawals to the Internal Revenue Service (IRS). It is your responsibility to account for the withdrawal on your tax return. For more information on the tax consequences of withdrawing your contributions, contact the IRS or your tax adviser.

Leaving your contributions in the plan

You have the option of leaving your contributions in the plan until April 1 following the calendar year in which you reach age 70½ or retire, whichever is later. Your contributions earn 5.5 percent interest annually, compounded quarterly. If you leave your contributions in the plan and later return to a TRS-covered position, you retain service credit for the earlier service.

If you leave a TRS-covered position and leave your contributions in the plan, keep TRS informed of your current name, address and beneficiary.

Washington State public schools

If your next job is in a covered position with another public school in Washington State, your membership and service credit will continue.

Employment with a state agency or public school

If you do not withdraw your contributions and your next job is with a state agency or a public school in a position normally covered by the Washington State Public Employees' Retirement System (PERS), you will remain in TRS.

If you withdraw your TRS Plan 1 contributions and then go to work in a state agency, you will be reported as a PERS member. As a dual member, you will be entitled to restore your withdrawn

TRS contributions within two years of going to work with the agency (see "Restorations for Dual members" on page 8). Upon restoration of your withdrawn contributions, plus interest, you will return to TRS Plan 1 membership and earn TRS Plan 1 service credit from that time forward. Time spent as a PERS member will remain as PERS service credit.

Re-establishing Membership

If you have withdrawn your contributions and you wish to re-establish membership, you may do so by:

- Working as a contracted teacher for at least 90 calendar days within the fiscal year (July 1 - June 30); or
- Working as a substitute for at least the equivalent of 90 full-time working days within the fiscal year.

Membership exclusions

In most cases, those who are already receiving retirement benefits from another DRS plan will not be able to participate in TRS Plan 1. Contact DRS for more information. Information is also available in the brochure, *Thinking About Working After Retirement?* which is available from your employer or DRS. You may also access a copy from the DRS Web site.

Inform your employer of previous TRS membership

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

Name or address change

If you have made a change to your name or address, and you are an:

Active member:

- Download the *Name/Address Change* form from the DRS Web site and submit the completed form to your employer.

Inactive member:

- Download the *Name/Address Change* form from the DRS Web site or contact DRS for a copy of the form. Submit the completed form to DRS.

Designating a beneficiary

To designate a beneficiary, or to change a beneficiary designation, submit a completed Beneficiary Designation form to DRS. The form is available from your employer or from the DRS Web site.

Can I restore credit for past service?

Restoring TRS service credit

To restore service credit for a period of employment for which you've withdrawn your contributions, you must begin repaying the amount withdrawn plus interest by June 30 of the fifth school year following your return to membership, or by retirement, whichever comes first. See "Payment schedule" below.

Payment schedule

Payments may be made in a lump sum or in installments. The first installment must be at least 20 percent of the amount due, and the final payment must be made by June 30 of the fourth school year following the school year in which the first payment was made, or before retirement, whichever comes first. All payments must be completed by the deadline. Partial restorations are not allowed. This payment schedule does not apply to restoring dual membership service credit.

Purchasing service credit after the statutory deadline

It is still possible to purchase withdrawn and some optional service credit after the deadline. The cost for purchasing service credit after the deadline is considerably more expensive. You can learn more about purchasing service credit by obtaining the DRS brochure, *Plan 1 Recovery of Withdrawn or Optional Service Credit*. Publications are available from DRS, your employer, or the DRS Web site.

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

Dual membership

If you establish membership in more than one 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 become a member of TRS and also:

- Have service credits in the Public Employees' Retirement System (PERS), the School Employees' Retirement System (SERS), the Washington State Patrol Retirement System (WSPRS), the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF) Plan 2, the Public Safety Employees' Retirement System (PSERS) or the City Retirement System of Seattle, Tacoma or Spokane;
- Have not retired from service with any dual member system, or any other DRS-administered system; and
- Are not receiving disability retirement or disability leave benefits from any dual member system, or any other DRS-administered retirement system.

Service credit for dual members

Dual members may combine service credit from qualified systems to become eligible for retirement.

EXAMPLE:

Combined service credit

Suppose you are age 53 and have 20 years of TRS Plan 1 service credit. If you also have ten years of service credit in PERS Plan 1, you have a total of 30 years of service credit – enough to retire immediately under the rules of either system.

The provisions of each plan determine the amount of your benefit from each and when it can begin. If you are a dual member of two Plan 1 systems,

and your combined service credit exceeds 30 years, benefit reductions will be made to comply with retirement law regarding the maximum benefit amount.

Dual members may have the option of restoring service credit in the other system(s). See “Restorations for dual members” below. If you retire under dual membership provisions, your benefit will be calculated using the highest base salary from either system. See “Calculating benefits for dual members” on page 10.

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than TRS, 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 you owe to restore service credit, contact DRS.

We will need the following information:

- Your name, Social Security number, address and daytime phone number; and
- The system(s) in which you want to restore service credit.

To complete restoration under this provision, a lump sum payment must be made by the statutory deadline.

The provisions governing dual membership do not permit you to:

- Partially restore any single withdrawal; or
- Restore contributions and re-establish service credit in a system in which you are currently a member unless you are otherwise entitled.

How do I retire?

Vesting

You have a vested right to a retirement benefit after you earn five or more service credit years. Vesting means you have earned the right to a future benefit, even if your covered employment ends. However, if you withdraw your contributions and terminate your membership, you give up your right to retirement benefits.

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 send a retirement application with your estimate.
- Use *Online Account Access* on the DRS Web site to create an estimate of your retirement benefit and to check the accuracy of your service credit. If you find information that you think is incorrect, contact DRS.
- Evaluate the option to purchase additional service credit when you retire. See “What is the purchase additional service credit option?” on page 12.
- Review options for health care coverage after retirement. Contact the Health Care Authority (HCA) at 1-800-200-1004 or visit the HCA Web site at www.hca.wa.gov for more information.
- Consider catch-up options for the Deferred Compensation Program or other employer-sponsored programs.
- Obtain a copy of IRS Publication 575, *Pension and Annuity Income*, also available on the Web at www.irs.gov.

- Contact the Social Security office periodically to review the accuracy of your file. The toll-free telephone number for Social Security information is 1-800-772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the Social Security Administration Web site at www.socialsecurity.gov.

Applying for retirement

You can complete the entire retirement process via the mail. See DRS contact information on page 17. If you prefer to visit DRS to review your account information and retirement options, we can personally assist you. Please call for an appointment.

If you write to DRS for specific information about your pension account, be sure to provide your Social Security number and signature.

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 is my service retirement benefit?

Eligibility

You are eligible to retire if you:

- Have at least 30 service credit years regardless of age;
- Are at least age 55 and have at least 25 service credit years; or
- Are age 60 or older and have at least five service credit years.

If you retire from active TRS employment or you are eligible to retire when you separate from service, and

- You worked 144 full time days or more in the fiscal year, your effective retirement date is July 1.
- You worked less than 144 full time days in the fiscal year, your benefit begins to accrue the first day of the month following the month in which you terminated all employment with your TRS-covered employer.

If you were **not eligible to retire** when you separated from TRS employment, your benefit begins to accrue on the date you become eligible for retirement.

Using out-of-state teaching service to qualify for retirement

Vested TRS members may use service credit earned in a public teachers' retirement system in another state to qualify for retirement. Out-of-state service is not used in your benefit calculation. It affects only your retirement date. Your benefit will be calculated using the service credit earned in TRS. If you use out-of-state service to qualify for retirement, your benefit will be reduced. Contact DRS for an information packet on out-of-state service credit.

Using sick leave to qualify for retirement

You may use up to 45 days of unused sick leave to help you qualify for retirement. Sick leave not cashed out by your employer may be converted to a maximum of 0.25 years of service credit. This service credit is not used in the calculation of your benefit. It can only be used to qualify for retirement.

Your retirement benefit

Your monthly retirement benefit is the sum of:

- Your pension, which is funded by the state and supplemented by contributions from your employer; and
- Your annuity, which is equivalent in value to your contributions and the interest. When you receive an annuity, you get a series of monthly benefit payments that last as long as you live instead of a lump sum of cash.

Calculating your benefit

If you do not withdraw any of your contributions, the overall amount of your maximum monthly retirement benefit is calculated using the formula below:

$$2\% \times \text{Service Credit Years (max. of 30 years)} \times \text{Average Final Compensation (AFC)} \div 12 \text{ months}$$

To determine your AFC, add the earnable compensation for your two consecutive highest-paid fiscal years (July 1 - June 30), and then divide by two (see the example in the next column).

Though other formulas may be used, the formula shown above generally yields a higher benefit. Your benefit will be calculated using the formula that pays you the higher benefit. Contact DRS for details.

EXAMPLE:

Benefit calculation

Suppose you retire at age 55 with 29 years of service credit and an average final compensation of \$50,000. If you do not withdraw any of your contributions and interest (the annuity portion of your benefits), your monthly retirement benefit will be \$2,416.66, calculated as follows:

$$2\% \times 29 \text{ years} \times \$50,000 \div 12 \text{ months} = \\ \$2,416.66$$

Your maximum monthly benefit would be \$2,416.66.

Changing your annuity

When you retire, you may withdraw all or part of your contributions plus interest. Your monthly benefit is reduced based on the amount you withdraw.

Any part of the withdrawn amount that was tax-deferred when contributed, plus interest, is subject to a 20-percent withholding tax. You can avoid the tax by transferring the tax-deferred annuity directly into a qualified tax-deferred retirement account.

Purchasing an additional annuity

When you apply for retirement, you can increase your monthly benefit payment by making a one-time lump-sum payment to your annuity fund to purchase a larger annuity. You may roll over funds from another tax-deferred retirement account into TRS. You can purchase an amount up to the value of your existing annuity. Contact DRS for more information.

Full-time equivalency salary

If you work for two years in a row at less than full time, DRS may calculate your AFC based on a full-time equivalency basis. Contact DRS for more information regarding full-time equivalency.

Calculating benefits for dual members

The service retirement benefit for dual members is the sum of the benefits they earned separately from each system. Dual members with a total of five or more service credit years from all eligible systems

are entitled to a benefit from each system, even if they have less than five years of service credit 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 60 years old and have 3 service credit years with TRS Plan 1 and 27 service credit years with PERS Plan 2. Without dual membership, you are not eligible for a benefit from TRS. 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:

TRS Plan 1:

$2\% \times 3 \text{ years TRS service credit} \times \text{average final compensation} = \text{TRS benefit}$

PERS Plan 2:

$2\% \times 27 \text{ years PERS service credit} \times \text{average final compensation} \times \text{early retirement factor} = \text{PERS benefit}$

As you are age 60, you can begin drawing an actuarially reduced PERS benefit or defer receipt of the PERS benefit until age 65 when you would be eligible for a normal retirement.

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 retire, you must select a benefit option. If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. 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.**

Maximum retirement benefit option

This option provides the highest possible monthly benefit, which is payable for your lifetime. If you die before you receive the value of your accumulated contributions, any remaining balance of your contributions will be retained in the trust fund. Your beneficiary receives only the unpaid final monthly benefit due on the date of your death. This option is slightly different for disability retirees. See “What if I become disabled?” on page 13.

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 benefit amount remains the same and your beneficiary receives it for his or her lifetime.

Option 3

Joint and 50 percent survivor

This option 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

You receive a reduced benefit, but the reduction is smaller than Option 2, and larger than Option 3. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Lump sum instead of a monthly benefit

If your monthly benefit is less than \$50, you may choose to take a lump sum payment. The lump sum is determined by comparing the projected value of your lifetime benefit to the total of your contributions, plus interest. The greater amount will be paid to you. The recipient of such a payment is considered retired from TRS.

Can I continue health care coverage after I retire?

If you qualified for Public Employees Benefits Board (PEBB) health insurance coverage while employed, you must elect PEBB coverage within 60 days of separation from employment and immediately begin receiving a retirement benefit or a lump sum retirement payment.

All health care questions should be directed to the Health Care Authority (HCA) in the Olympia area at (360) 412-4200 or 1-800-200-1004 outside Olympia. You may also visit the HCA 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.

Can my benefit increase after I retire?

Uniform Cost-of-Living Adjustment (COLA)

You qualify for the Uniform COLA if you have been retired at least one year by July 1 in the calendar year in which the annual increase is given, and reach at least age 66 by December 31 of the same year. Your benefit will be adjusted each July thereafter. The size of your benefit adjustment is based on the total service credit you accumulated as a TRS member.

If you chose a survivor option (see pages 11-12), your beneficiary will receive the COLA in July of the year they turn 66, if it is at least one year after you retired.

The Uniform COLA 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. To offset the cost of this annual adjustment, your benefit is reduced. The Optional COLA is no more than three percent per year, as measured by the Consumer Price Index, and takes effect in July after you have been retired for one full year.

Gain sharing

The 2007 Legislature passed a law to end gain sharing after January 1, 2008. The last regular gain sharing increase for Plan 1 members occurred in January 2008. The law includes an additional cost-of-living increase 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.

What if I work after retirement?

Your benefits may be affected if you work for a TRS-covered employer after retirement. Under state law, your employer is required to report your hours to DRS.

Legislation passed in 2007 prohibits prior re-employment agreements and requires employers to document the need and the hiring process. As a TRS Plan 1 retiree, if you return to work for a public educational facility at least 30 calendar days after you retire, you can work 867 hours before your benefit is suspended. You can work 1500 hours without your benefit being suspended if you return to work at least 45 days after you retire and are hired under the hiring procedures established by your employer.

There is also a lifetime limit of 1900 hours for any hours worked over 867 in a year while receiving a benefit. The 45 day waiting period and hiring process changes do not apply to TRS Plan 1 members who have a retirement date before July 22, 2007.

To learn more, you can obtain a copy of the brochure, *Thinking About Working After Retirement?* available on the Web site at www.drs.wa.gov or by contacting DRS.

What if I become disabled?

Plan 1 provides two types of disability benefits:

- Temporary disability benefits, payable for up to two years of continuous disability; and
- Permanent disability retirement benefits, payable if you have at least five years of service credit.

Eligibility for temporary disability benefits

To be eligible for a temporary disability benefit, you must be:

- A member employed full time by a Washington public school at the time the disability occurs;
- Mentally or physically incapacitated for the performance of duty for at least 60 consecutive calendar days from the date of disablement; and
- A TRS member employed full time in a covered position when applying for and receiving temporary disability benefits.

For more information about eligibility requirements, see the brochure, *TRS Plan 1 Disability Benefits*, available from TRS or your employer. This publication is available on the DRS Web site at www.drs.wa.gov.

Benefits

Temporary disability benefits are \$180 per month for up to two years for a single disability. The first payment is retroactive to the effective date of the disability. Benefits are not paid for periods of disability shorter than 60 consecutive calendar days, or for periods following separation from employment.

You may apply for benefits after you have been disabled for 60 consecutive calendar days.

Applications must be filed no later than four years from the date of disability. The application can be made by you, your employer or by the legal representative (estate) of a deceased member who was eligible for benefits within the time limits.

A doctor's report is required with the application. TRS may periodically also require additional doctor's reports. Application forms and medical report forms are available from DRS.

Eligibility for permanent disability retirement benefits

To be eligible for permanent disability benefits, you must:

- Be permanently disabled for the performance of your duties while employed under an annual contract as a contributing member of TRS;
- Have five or more years of service credit; and
- End your public school service. (Members are advised to apply for disability retirement and establish eligibility before separating from employment.)

If you qualify for a service retirement, your benefit will be processed as a service retirement, rather than as a disability retirement.

Benefit formula

A disability retirement benefit is calculated the same as a service retirement. Members with at least five years of service credit also have survivor benefit options. These options are the same as those described on pages 11-12, with one exception: If you choose the maximum retirement benefit and then die before receiving annuity payments equal to the value of your accumulated contributions, the balance of your contributions will be paid to your beneficiary or estate.

Disability withdrawal of contributions

A disabled member who terminates employment has the option of withdrawing his

or her contributions, plus interest, and ending membership in the plan. This will cancel all rights and eligibility for future benefit payments.

Termination of benefits

A member retired for disability may be required to undergo a medical examination at any time. If the examination shows that the member is no longer disabled for the performance of public school service, the disability retirement benefit may be terminated. If that happens, full membership in TRS will be restored.

For more information about your disability benefits, see the brochure, *TRS Plan 1 Disability Benefits*. You can obtain this publication from DRS, your employer, or the DRS Web site.

What benefits do my survivors receive?

If you die after retirement

If you die after you begin a service or disability retirement, your survivors receive benefits according to the retirement option you chose.

If you die before retirement

If you die while employed or while receiving temporary disability benefits, the benefits paid to your survivors depend on your age and service credit. These benefits are also payable to your survivors if you left TRS-covered employment but did not withdraw your contributions.

If you have fewer than ten years of service

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

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 pages 11-12), and reduced to reflect your age at the time of death (available only to a spouse or IRS-qualified dependents); or
- A refund of your contributions, plus interest.

Surviving spouse benefits continue for the life of the spouse. Dependent survivor benefits continue as long as proof of dependency is maintained or until the dependent(s) reaches the age of majority. At that point, any remaining member contributions will be paid in a lump sum to the beneficiary.

If you have no surviving spouse or IRS-qualified dependents, your remaining contributions will be paid in a lump sum to your designated beneficiary.

Lump sum death benefit

An additional, one-time death benefit may also be payable to your beneficiary. Your beneficiary will receive \$600 if you die while employed full-time in a TRS position or when eligible to receive temporary disability benefits. Your beneficiary will receive \$400 if you die after ending TRS-covered employment with at least ten years of service credit or if you were eligible to retire.

If you die as a result of an injury or occupational disease sustained in the line of duty

If you are an active member or disability 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

As an active member, you should keep your beneficiary designation up-to-date with DRS. If you marry or divorce, you should file a new Beneficiary Designation form, even if your beneficiary remains the same. If you fail to file a Beneficiary Designation form, DRS will pay death benefits to your surviving spouse or, if none, your estate.

To change your beneficiary, you must submit a new Beneficiary Designation form to DRS. The form is available from your payroll department or DRS.

At retirement, if you choose either the Maximum Benefit Option or Option 1 (see page 11), you may name a trust, your estate, an organization, or a person as your beneficiary. However, if you choose one of the survivor options (2, 3 or 4) at retirement, you must select a person as your beneficiary.

Changing a benefit option after retirement

Once you retire you may change your benefit option and beneficiary only by returning to active membership, except 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 can be adjusted to the maximum benefit by written request to DRS.
- If you choose someone other than a spouse as the beneficiary of a survivor benefit, you can change to the Maximum Benefit Option at any time after retirement. This option can be used only once and is irrevocable.
- If you retire under the Maximum or Option 1 benefit, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request this change between the first and second year of your marriage. If you change to a survivor option, your benefit will be reduced accordingly. You can use this option only once and it is irrevocable.

Taxation and assignment of benefits

Federal income taxes

Most of your retirement benefit is subject to federal income tax. The only portion that is exempt from tax is the part that was taxed before it was contributed. Since September 1, 1984, your contributions made through payroll deductions have not been taxed.

After you retire, DRS will let you know what portion of your contributions has already been taxed. The IRS refers to this taxed amount as your cost basis.

You must complete a W-4P form to tell DRS how much of your monthly benefit should be withheld for taxes. If you do not, DRS will follow the IRS rules that require 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 generally are not subject to assignment or attachment or the operation of bankruptcy or insolvency laws. 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, TRS will send the property division payment directly to the ex-spouse. For more information, refer to the DRS brochure, *Can Legal Action Affect My Retirement Account?* available from DRS or your employer. This brochure is also on the DRS Web site at www.drs.wa.gov.

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.

Administrative information

Keep DRS informed of your mailing address

After you retire, it is important that you keep DRS informed of your current mailing address, even if you have your check deposited directly in your bank or credit union account. This way you can be assured of receiving information about your benefits and income taxes in a timely manner.

Administration of the system

The Teachers' Retirement System is administered by the Department of Retirement Systems. 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, can be deposited directly into your bank or credit union account.

Benefit adjustments

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

Petitions and appeals

Under the 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 relevant information from the involved parties. 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 the 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

Teachers' Retirement System
PO 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 TRS 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).