

TRS MEMBER HANDBOOK



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# TRS PLAN 3: SUMMARY OF BENEFITS

## Membership Definition

All public school teachers hired into an eligible position on or after July 1, 1996 until June 30, 2007, are covered by TRS Plan 3. Also, Plan 2 members hired before July 1, 1996 have the option to transfer to Plan 3. TRS members who are first hired on or after July 1, 2007 have a 90-day window to choose Plan 2 or Plan 3. If no choice is made, the member will be defaulted into Plan 3.

## Contribution Rates

Contributions to TRS Plan 3 are mandatory. Once you select a contribution rate you may change it only if you change employers or during the rate change window in January as allowed by the Internal Revenue Service (IRS). Currently, there are six contribution rate options.

## 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 TRS-covered employment.

## How Service Credit is Accumulated

You earn 12 service credit months for each school year (September 1 through August 31) in which you work in the month of September, work at least nine months and work at least 810 hours in that year. It is possible to earn service credit in smaller increments.

## Eligible for Retirement

TRS Plan 3 provides for a normal retirement benefit at age 65 if you have:

- At least 10 service credit years; or
- Five service credit years, including 12 service credit months that were earned after your 44th birthday; or
- Five service credit years earned in TRS Plan 2 prior to July 1, 1996.

An early retirement benefit may be available beginning at age 55.

## Average Final Compensation (AFC)

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

## Benefit Formula

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

## 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.

## Disability Retirement

If you become totally incapacitated for continued employment with a covered employer, and leave that employment as a result of the disability, you may be eligible for a disability retirement benefit.

## 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.

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**T**his handbook explains your rights and benefits under Plan 3 of the Washington State Teachers' Retirement System (TRS). 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.

**TRS Plan 3**

The Washington State Legislature created Teachers' Retirement System (TRS) Plan 3, a dual-component retirement plan, in 1995. It became effective July 1, 1996.

**TRS Plan 3 is composed of two separate retirement benefit components**

TRS 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 final average compensation and could be affected if you choose a survivor benefit option (see pages 14-15).

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).

**Plan 3 membership definition**

All public school teachers hired into an eligible position on or after July 1, 1996 until June 30, 2007, are covered by TRS and are required to join Plan 3. Currently, an eligible position is one which normally requires five or more months of 70 or more hours of compensated employment from September through August.

TRS members who first become hired on or after July 1, 2007 have 90 days to choose between TRS Plan 2 and TRS Plan 3. Individuals who do not choose either TRS Plan 2 or TRS Plan 3 within 90 days will be defaulted into TRS Plan 3.

This plan choice provision is based on the repeal of gain sharing. If the repeal of gain sharing is found to be invalid, a member hired after the court action will not have a plan choice and would be mandated into Plan 3.

If you established membership in TRS on or after October 1, 1977, but before July 1, 1996, you began TRS membership in Plan 2. Plan 2 members hired between October 1, 1977 and June 30, 1996, have the option to transfer to Plan 3 each January. If you established membership in TRS before October 1, 1977, you are covered by Plan 1. Plan 1 members cannot transfer to Plan 3.

**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.

Teacher means any person who is qualified to teach and is employed by a public school in an instructional, administrative or supervisory position. This includes:

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

Substitute teachers should request the publication *TRS Plan 2 and 3 Substitute's Guide* to determine their participation status. This is available from your employer and the DRS Web site at [www.drs.wa.gov](http://www.drs.wa.gov).

### **Membership exclusions**

If you are already receiving retirement or disability benefits from a public employer in Washington, you may be prohibited from joining this plan. If this applies to you, contact DRS (see page 20).

### **Inform your employer of previous retirement system membership**

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

### **TRS Plan 3 features**

Here are some of the plan's key features:

- The defined benefit component provides a lifetime monthly benefit once you meet the plan's minimum requirements.
- Your personal retirement account increases or decreases based on the performance of your investments.

- You have several options for the amount of money you contribute. Once you select a contribution rate you may change it only if you change employers or during the rate change window in January as allowed by the IRS.
- 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 TRS-covered employment. You cannot withdraw contributions made by your employer (see page 9).
- Taking payment of your contributions does not affect your defined benefit component. The defined benefit component of Plan 3 is financed by your employer's contributions.
- You remain a member of the plan if you transfer to another TRS-covered employer in a TRS-eligible position.
- If you are a dual member, you may be able to combine service credit with that earned in other Washington State retirement systems in order to qualify for retirement (see page 9).
- The plan provides disability retirement benefits and survivor benefits if you meet the requirements (see page 18).

### **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.

- 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.
- Learn more about investing at an Investment Education Seminar. Seminar locations can be found online on the TRS Plan 3 Investment Education Web site at [www.icmarc.org/trs](http://www.icmarc.org/trs).

## Who pays for my benefits?

TRS Plan 3 is a 401(a) defined benefit plan with a defined contribution component (see “Defined contribution component” below). 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.

### 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 WSIB.

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.

### Defined contribution component

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

## How much am I required to contribute?

Contributions to your retirement plan are mandatory. Once you have selected a contribution rate you may change it only if you change employers or during the rate change window each January as allowed by the IRS. 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

You must decide on your rate option at the time you become a member of TRS 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. Refer to the *Plan Choice* booklet for more information. This booklet is available through ICMA-Retirement Corporation (ICMA-RC), DRS’ contracted Plan 3 record-keeper or your employer.

### Limitations on annual contributions

If you are a contracted teacher, your contributions are tax-deferred. If you are participating in other tax-deferred plans, be aware that your tax-deferred contributions can be limited based on your annual taxable income. Tax-deferred contributions decrease your taxable income. Consult the IRS and/or a tax adviser for detailed information.

## How will my contributions be invested?

Under TRS 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 to establish your investment allocation. Use the automated phone line, Web site or speak with a customer service representative to choose which self-directed fund(s) you want your contributions invested in. You can also complete a *Plan 3 Self-Directed Investment Allocation Form* and forward it to ICMA-RC. 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 TRS Plan 3, you must use the *Member Information Form* to select your investment program. You can contribute to only one of the two investment programs at a time.

## Changing your investment program

You may change your investment program at any 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 *Member Information* and *Plan 3 Change of Investment* 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 (see page 21 for ICMA-RC contact information).

## What is service credit?

The amount of your defined benefit depends upon your time in service and your earnable compensation. Service credit is based on the total compensated time spent in an eligible position and reported by your employer on your behalf. Service credit rules may not be used in combination.

You earn 12 service credit months for each school year (September 1 through August 31) in which you:

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

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

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

Beginning with the 2008/2009 school year, you earn six service credit months for each school year in which you:

- Receive earnable compensation in at least five months within a six-month period; and
- Receive earnable compensation for at least 630 hours.

If you do not meet the requirements above, your service credit will be determined as follows:

- You earn one service credit month for any calendar month in which you receive earnable compensation for at least 90 hours. The 90 hours may be earned with one or more employers.
- Beginning September 1, 1991, you receive one half of a service credit month for any calendar month in which you receive compensation for fewer than 90 but at least 70 hours.
- You receive one quarter of a service credit month for fewer than 70 hours in a calendar month.

No more than one month's service credit may be earned for each calendar month worked, regardless of the number of employers for whom you work.

### EXAMPLE

#### Calculating service credit

Suppose you taught full-time from the 1999-2000 school year and continuing through the end of the 2004-2005 term – six full years. Then you reduced your hours. During the 2005-2006 school year, your hours and service credit were as follows:

	HOURS	SERVICE CREDIT MONTHS
September	140	1
October	140	1
November	0	0
December	0	0
January	70	0.5
February	120	1
March	100	1
April	110	1
May	120	1
June	40	0.25
July	0	0
August	0	0
<b>TOTAL</b>	<b>840</b>	<b>6.75</b>

Although you worked more than 810 hours in the 2005-2006 school term, you did not work nine months, so you would receive six and 3/4 service credit months for your work in September, October, January, February, March, April, May and June. Total service credit for the period beginning with the 1999-2000 term and ending with the 2005-2006 term would be six years, six and 3/4 months.

### Claiming 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 August 31.

For information about this procedure, ask your employer for a copy of the publication *TRS Plan 2 and 3 Substitute's Guide*. This publication is also available on the DRS Web site at [www.drs.wa.gov](http://www.drs.wa.gov).

If your substitute teaching was before the 2004-2005 school year, contact your employer(s) to obtain your quarterly reports.

### **Service credit from another retirement system**

You may be able to combine your TRS 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 9).

### **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 TRS-covered employment to enter the uniformed services; and
- Applied for re-employment within 90 days of an honorable discharge.

For more information, refer to the *Military Service Credit* publication for TRS 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.

### **Unpaid leave of absence**

You may purchase 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 a TRS-eligible position, and pay both member and employer contributions, including interest for both, for the time on leave. Contributions are based on the average of your earnable compensation at the time you were granted the leave and at the time you resume your employment. The compensation calculated for this period will not be used in your AFC.

You must contact DRS for recovery of service credit for authorized leave. Payment must be completed prior to retirement or within five years of returning to employment, whichever comes first.

### **Purchase of temporary duty disability service credit**

TRS Plan 3 members who are injured in the course of employment may purchase up to 24 consecutive months of service credit for each period of Temporary Duty Disability (TDD). The period of separation from employment must be caused by an injury that occurred on or after July 22, 2007.

To be eligible, you must become disabled in the line of duty and receive benefits under Title 51 Revised Code of Washington or a similar federal workers’ compensation program. You may not receive more than one month’s service credit in a calendar month.

You do not need to be an active member to purchase the TDD service credit. You and your employer must make employer and member contributions on the compensation you would have earned had you been working. If contribution payments are made retroactively, interest will be charged at the rate set by the DRS Director for both employee and employer contributions. Service credit will not be granted until payment is made in full.

## What if I leave my TRS 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.

If you have separated from TRS-covered employment, 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. The options you have for receipt of the money are outlined in the *Plan 3 Request for Payment of Defined Contribution Funds* booklet available from the DRS Web site or from ICMA-RC.

If you leave TRS-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.

If you leave TRS-covered employment and withdraw your defined contribution money, this will not affect the defined benefit portion of your retirement plan.

### 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 TRS service credit

You may restore withdrawn service credit from TRS Plan 2 or TRS Plan 3. To restore withdrawn service credit you must repay the total amount withdrawn, plus interest, within five calendar years of returning to a TRS-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 before 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*.

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

### Dual membership

If you have been a member of 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 become a member of TRS and also:

- Have service credits in the School Employees' Retirement System (SERS), Public Employees' Retirement System (PERS), 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 for Tacoma, Seattle or Spokane; and
- Have not retired from service with any public retirement system in the state of Washington; and
- Are not currently receiving a disability retirement or disability leave benefits from any public retirement system in the state of Washington.























