

Did you know that your retirement benefit will provide you with guaranteed lifetime payments and is based on a variety of factors? It's important for you to understand how your benefit works so that you can plan for your future.

As you prepare to retire from public service, think about the many options you have to choose from and the decisions you make. DRS is here to answer questions you might have along the way.

Teachers' Retirement System (TRS) Plan 1 information:

- » How does TRS Plan 1 work?
- » How is my benefit calculated?
- » What is service credit?
- » What is the Post-30 Year Program?
- » What is dual membership?
- » When can I retire?
- » When is my retirement effective?
- » Benefit option selection
- » How can I maximize my retirement benefit?
- » Optional cost-of-living adjustment (COLA)
- » What will happen if I work after retirement?
- » Preparing for retirement

This plan overview is a summary. It is not a complete description of your retirement benefits under Plan 1 of the Washington State Teachers' Retirement System. State retirement laws govern your benefits. If there are any conflicts between the information shown in this overview and what is contained in current law, the law will govern.

How does TRS Plan 1 work?

- Once you retire, you are guaranteed a monthly retirement benefit for the rest of your life
- Your retirement benefit is based on your service credit and Average Final Compensation
- Both you and your employer contribute to the plan while you are working

How is my benefit calculated?

The following is used to calculate your base retirement benefit:

- A factor of two percent
- Your service credit years (SCY)
- Your Average Final Compensation (AFC), which is the total earnable compensation for your two consecutive highest paid fiscal years (July 1 - June 30) divided by two, no matter when your service occurred

Here is the formula used to calculate your benefit:

$$2\% \times \text{service credit years (SCY)} \times \text{Average Final Compensation (AFC)} \div 12 = \text{lifetime monthly benefit}$$

For example:

If you have 30 service credit years and your Average Final Compensation is \$60,000, the formula would be: $0.02 \times 30 \times \$60,000 \div 12 = \$3,000$ (monthly benefit)

Practice here:

$$2\% \times \frac{\text{SCY}}{\text{SCY}} \times \$ \frac{\text{AFC}}{\text{AFC}} \div 12 = \$ \frac{\text{Monthly Benefit}}{\text{Monthly Benefit}}$$

Maximum benefit: In most cases, your retirement benefit may not exceed 60 percent of your AFC.*

*If you established membership on or before April 25, 1973, a different formula may be used to calculate your benefit. Please contact DRS for more information.

The amount you receive each month may also depend on the choices you make at retirement such as the optional Cost-of-Living Adjustment (COLA), the benefit option you select, and/or purchasing additional service credit.

What is service credit?

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 when you are reported with at least 144 full-time days of the 180-day fiscal year.

You may earn a partial year of service credit if you are employed for at least 20 days but less than 144 days during the school year. The amount of service credit is determined by dividing the number of days reported by 180.

NOTES

You may be able to purchase additional optional service credit for earlier periods of employment including:

- Up to two years of approved professional preparation, if it interrupts your 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 may receive credit for more than five years.
- Up to four years of out-of-state teaching service while on an authorized leave of absence.

You must submit proof of service and a lump sum payment of the required amount (contributions plus interest) by June 30 of the fifth school year following return to membership, or by retirement, whichever comes first.

It is still possible to purchase service credit after the statutory deadline. For more information, see the publication *Plan 1 Recovery of Withdrawn or Optional Service Credit* on the DRS website at www.drs.wa.gov.

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

Vested 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.

Substitute teaching credit

If you work as a substitute teacher, your employer(s) reports to DRS your compensation and the hours you worked. To receive credit for your service, you must apply for it after June 30. For information about this procedure, see the publication *The Substitute Teacher's Guide to Obtaining Service Credit*. If your substitute teaching was before the 2004–2005 fiscal year, contact your employer(s) to get your quarterly reports.

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 *TRRS Plan 1 Disability Benefits* publication, available on the DRS website.

What is the Post 30-Year Program?

TRRS Plan 1 members who earn 30 service credit years may choose to have their post 30-year retirement contributions placed in a separate, refundable account that earns 7.5 percent interest annually (compounded quarterly on the previous quarter's balance). If you elect to participate in the Post 30-Year Program, your contributions will be refunded when you retire, and will not reduce your retirement benefit.

However, you should keep in mind that your AFC at retirement will be based on the highest 24 consecutive months (two years) of compensation earned before you made the decision to participate. Also, your service credit must have been earned in TRRS Plan 1. Any service credit you may have earned in another DRS-covered plan may not be used to meet the 30-year service credit requirement.

To learn more about the Post 30-Year Program, refer to the *TRRS Plan 1 Post-30 Year Program* publication on the DRS website, or call DRS and ask for a Post-30 Retirement Specialist.

What is dual membership?

If you are a member of more than one Washington State retirement system or a member of a First Class City plan (see the glossary in the Resources section), you may be able to combine your service credit to become eligible for retirement. Provisions of each plan determine the amount of the benefit and when it is payable.

If your combined service makes you eligible to retire under any one dual member system, you may elect to retire from all dual member systems to which you belong. If a system's laws would not allow retirement because you are younger than the minimum retirement age, you may:

- Defer receiving a benefit until you reach full retirement age under the plan; or
- Begin receiving a reduced benefit before you reach normal retirement age.

Although you can combine service from all systems to become eligible for retirement, the amount of the benefit you receive and when you may begin receiving it is determined by the rules of each individual system. Please call DRS to discuss your circumstances.

NOTES

When can 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.

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.

When is my retirement effective?

If you have 144 full-time days and meet the age requirement, your retirement date is July 1.

If you worked less than 144 full-time days during a fiscal year and meet the age requirement, your retirement is effective on the first of the month after your last day of employment. For example, if you separate from employment on February 27, your retirement date is March 1, which means you receive your first benefit check on or about March 31.

If you are not currently employed in a TRS-covered position (see the glossary in Resources section for definition of covered position), your retirement date is your date of birth.

For example, you leave public service on May 9 with five service credit years, and you will turn 60 on October 15. Your retirement date will be October 15.

It's important to remember that your retirement date is not the same as your last day of work.

Benefit option selection

When you apply for a service or disability retirement, you must select a benefit option. Your selection is irrevocable as of your retirement date, except under the circumstances identified on page 7. Use the examples on the next page to assist in your option selection.

Benefit option examples (The following examples assume that you do not withdraw your contributions.)

<p>Pat (member): Age 61 Chris (beneficiary): Age 57 Average Final Compensation: \$60,000 Service credit: 30 years Account balance: \$145,953 (Member's contributions plus interest.) 2% x 30 (SCY) x \$60,000 (AFC) ÷ 12 (months in a year) = \$3,000 Monthly Benefit</p>
<p>Single Life – Maximum. Your designated beneficiary receives only the unpaid portion of the final month's benefit through the date of death.</p>
<p>2% x 30 x \$60,000 ÷ 12 = \$3,000 monthly benefit Upon Pat's death, Chris receives only the unpaid final monthly benefit due at the date of death.</p>
<p>Option 1 – Single Life Benefit. Your designated beneficiary receives the accumulated contributions not paid as the annuity portion of your benefit in a lump sum and the unpaid portion of the final month's benefit through the date of death. (Option 1 is not available if you elected to withdraw all of your tax-deferred and after-tax contributions and interest.)</p>
<p>2% x 30 x \$60,000 ÷ 12 = \$3,000 monthly benefit \$145,953 (account balance) x .0079156 (annuity factor) = \$1,155.31 \$1,155.31 x .977631 (Option 1 factor) = \$1,129.47 \$1,155.31 - \$1,129.47 = \$25.84 (annuity minus value of Option 1 factor) \$3,000 - \$25.84 = \$2,974.16 revised monthly benefit Pat will receive a reduced monthly benefit and upon Pat's death, Chris will receive any remaining account balance.</p>
<p>Option 2 – Joint and 100% Survivor. Your designated survivor will receive the same amount during his or her lifetime.</p>
<p>2% x 30 x \$60,000 ÷ 12 = \$3,000 (monthly benefit) \$3,000 x .891 = \$2,673 monthly benefit Survivor benefit = \$2,673 Upon Pat's death, Chris will receive the same continuing monthly benefit Pat received: \$2,673.</p>
<p>Option 3 – Joint and 50% Survivor. Your designated survivor will receive 50% of your benefit during his or her lifetime.</p>
<p>2% x 30 x \$60,000 ÷ 12 = \$3,000 (monthly benefit) \$3,000 x .942 = \$2,826 monthly benefit \$2,826 x .50 = \$1,413.00 Survivor benefit = \$1,413.00 Upon Pat's death, Chris will receive a continuing monthly benefit of \$1,413.00, half of the monthly benefit Pat received.</p>
<p>Option 4 – Joint and 66.67% Survivor. Your designated survivor will receive 66.67% of your benefit during his or her lifetime.</p>
<p>2% x 30 x \$60,000 ÷ 12 = \$3,000 \$3,000 x .924 = \$2,772 monthly benefit \$2,772 x .6667 = \$1,848.09 Survivor benefit = \$1,848.09 Upon Pat's death, Chris will receive a continuing monthly benefit of \$1,848.09, 66.67% of the benefit Pat received.</p>

Note: Use your online account access on the DRS web site at www.drs.wa.gov/oaa to estimate your retirement benefit survivor options.

Changing a benefit option after retirement

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

- If you select someone other than a spouse to receive your survivor benefit, you can change to the Maximum Benefit payment any time after retirement by contacting DRS.
- If you chose one of the survivor options (2, 3 or 4), and the person you named as your survivor dies, your retirement benefit can be adjusted to the Maximum Benefit payment level. Be sure to notify DRS if this happens.
- If you marry (or remarry) after retirement and remain married for at least one year, you may change your benefit option and name your new spouse as your survivor. Your benefit will be reduced. To qualify for this opportunity, you must request the option change between your first and second year of marriage. Also, be aware that this opportunity may not be available if your benefit has been impacted by a court-ordered property division that requires you to name an ex-spouse as a survivor.
- If you go back to work and re-enter TRS membership, you can retire again and select a new benefit option and/survivor.

How can I maximize my retirement benefit?

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 into TRS from another tax-deferred retirement account, or pay with cash, wire transfer or personal check. Contact DRS for more information.

Example:

Current benefit = \$3,000

Member has savings of \$145,953

$\$145,953 \times .0079156$ (annuity factor) = \$1,155.31

$\$3,000 + \$1,155.31 = \$4,155.31$

Purchasing additional service credit

You have the option at retirement to purchase up to 60 months of additional service credit in whole month increments. This service credit is only used to increase the amount of your benefit and cannot be used for retirement eligibility. **If you decide to purchase service credit, you must make that request at the time you apply for retirement.** You will have up to 90 days to pay the bill for this additional service credit.

Example: TRS 1 member, 61 years of age, \$5,000 AFC, 30 Service Credit Years.

$2\% \times 30$ (SCY) \times \$5,000 = \$3,000

Member decides to purchase 60 months (5 years) of additional service credit: $2\% \times 5$ (SCY) = \$500

Total monthly benefit: $\$3,000 + \$500 = \$3500$

Cost to purchase 60 months: \$500 divided by 0.0079156 (annuity factor) = \$63,166

For more information, review the DRS publication *Purchasing Additional Service Credit*, available on the DRS website at www.drs.wa.gov. You may also estimate the monthly increase and cost by logging on or signing up for *online account access* on the DRS home page.

Administrative Factors

DRS uses administrative factors to calculate benefit adjustments. There are several types of benefit

adjustments, but the most common are: survivor, early retirement and purchasing service credit.

Cost-of-living adjustments (COLA)

The Optional COLA

When applying for retirement, you may elect to receive an Optional COLA. If you elect the Optional COLA at retirement, you will receive the COLA every July after being retired one year regardless of age. The Optional COLA is up to three percent per year, as measured by the Consumer Price Index. To offset the cost of this annual adjustment, your benefit is reduced.

What will happen if I work after retirement?

You must wait at least 30 consecutive calendar days after your retirement date before returning to work for a TRS-covered employer or your benefit will be affected. This includes substituting. A TRS employer is a K-12 employer, state agency, or institution of higher education.

If you return to work for a TRS employer less than 30 days after your effective retirement date:

- Your benefit will be reduced by 5.5 percent for every seven hours you work in a month, to a maximum of 140 hours per month.
- If the reduction is more than your benefit, the excess is taken from your benefit payment the following month. The reduction continues until you terminate employment for a full 30 days.

If you return to work for a public educational institution in Washington State, you can work up to 867 hours* in a fiscal year (July 1 – June 30) and continue to receive your monthly benefit. If you work more than the maximum number of hours allowed, your retirement benefit will be suspended for the remainder of the fiscal year or until you terminate employment, whichever comes first.

*If you're a TRS retiree in a position eligible for a Higher Education Retirement Plan (HERP), your hours count toward the fiscal-year work limit of 867 hours. HERPs are retirement plans offered by institutions of higher education, such as, University of Washington Retirement Plan (UWRP), and Western Washington University Retirement Plan (WWURP). If you work for a higher education employer, please check with your employer to see if your position is HERP-eligible.

NOTES

Preparing for retirement

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. We will send you a retirement application with your estimated monthly retirement benefit.
- Evaluate the option to purchase additional service credit when you retire. See *Purchasing Additional Service Credit* available on the DRS website at www.drs.wa.gov/member.
- Use your *online account access* on the DRS home page at www.drs.wa.gov to create an estimate of your retirement benefit and to determine how Purchasing Additional Service Credit will increase your benefit. You can also check the accuracy of your service credit (if you find information that you think is incorrect, contact your employer).
- Consider “catch-up” options for the Deferred Compensation Program or other employer-sponsored programs.
- Review options for health care coverage after retirement. Contact the Health Care Authority (HCA) at 800-200-1004 or visit the HCA website: www.hca.wa.gov for more information.
- Contact the Social Security office periodically to review the accuracy of your file. The toll-free telephone number for Social Security information is 800-772-1213. You can also get valuable information about Social Security and Medicare by visiting the Social Security Administration website: www.socialsecurity.gov.
- Get a copy of IRS Publication 575, *Pension and Annuity Income*, available on the IRS website: www.irs.gov.

Applying for retirement

You can complete the entire retirement process online or through the mail. If you prefer to visit DRS to review your account information and retirement options, Retirement Services Analysts are available to assist you. Please call for an appointment.

NOTES

NOTES

Contacting DRS

Mailing address

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

Street address

6835 Capitol Boulevard
Tumwater, WA 98501

Telephone

Olympia	360.664.7000
Toll free	800.547.6657
TTY	711

Email address: *recep@drs.wa.gov*

It may be possible for other people to read messages sent over the Internet. If you contact us by email, please include only the last four digits of your Social Security number.

Website: *www.drs.wa.gov*