



Recovery of Withdrawn or Optional Service Credit for PERS, TRS, and LEOFF

This publication relates to the following Plan 1 retirement systems:

- Public Employees' Retirement System (PERS)
- Teachers' Retirement System (TRS)
- Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF)

Many public employees in Washington state leave public employment during their careers and exercise the option to withdraw their contributions from the retirement fund. Members who withdraw their contributions lose all service credit and any future benefits based on that service credit. There are three ways to recover service credit lost due to the withdrawal of contributions.

Restoration

You return to the same system from which a withdrawal was made and complete repayment of withdrawn contributions plus interest within your system's deadline after returning to service or before retirement, whichever comes first.

Dual member restoration

You join a retirement system other than the one you withdrew from, and restore the service withdrawn from the previous system within 24 months. Both retirement systems must be dual member systems. See page 2.

Service credit purchase past the deadline

If deadlines pass before restoration is completed, or you haven't started to restore, you still have the option to purchase withdrawn service credit. However, the cost will be higher. See page 3.

• What are the rules for restoration?

- Under restoration rules, you repay the full amount of the original withdrawal, plus recovery interest compounded from the time of withdrawal until the restoration costs are paid in full. Restorations can be paid in a lump sum, or in installment payments and must be completed before the deadline.

• How do I pay?

- You may make direct payment with either a personal or cashier's check. In many cases it's also possible to transfer funds from another eligible retirement account to purchase service credit. However, DRS cannot accept funds in excess of the cost to make your purchase. You are advised to check with the administrator of your account to see if you can transfer those dollars. DRS is classified by the Internal Revenue Service as a 401(a) account.

• To qualify for restoration

- You may not restore unless you have re-established membership by working in an eligible position in the same retirement system from which you withdrew.



Restoration deadlines and payment options

You are required to initiate and complete restoration payments within a specific time period after returning to service.

Restoration payments must be completed before retirement. Restoration payments not paid in full by the deadline, will be refunded and service credit will not be restored to your account.

Deadlines

Restoration deadlines vary depending on the system:

- PERS Plan 1: Payment must be completed within 60 service credit months of returning to service. See your member handbook for more detailed information about service credit.
- TRS Plan 1: You must make a lump sum payment or 20 percent of the total due, by June 30 of the fifth fiscal year after you return to membership (July 1 - June 30). If you choose to pay using installments, your final payments must be made by June 30 of the fourth fiscal year following the fiscal year the first payment was made.
- LEOFF Plan 1: Payment must be completed within 60 service credit months of returning to service or before retirement, whichever comes first. See your member handbook for information about service credit accumulation. For LEOFF Plan 1 only, interest is not charged on the withdrawn contributions.

If your employment is terminated before you complete restoration payments

Employment termination impacts restoration repayment based on the system:

- PERS Plan 1 and LEOFF Plan 1: the restoration deadline is determined by periods of service (service credit months). If you leave active service, payments must stop and cannot be resumed until you return to service.

- TRS Plan 1: If you leave active service and do not withdraw your contributions, you may continue making restoration payments. Your deadline remains the same.

Leaving service before restoration is complete

If you leave service and withdraw your contributions before completing restoration payments for a previous withdrawal, the restoration deadline for the service credit lost in the first withdrawal does not change. If you again return to service and apply for restoration, any contributions or interest associated with service credit earned after the initial withdrawal will be assigned a new deadline.

What are the rules for dual member restoration?

A dual member:

- Is currently an active member of PERS Plan 1, 2 or 3; TRS Plan 1, 2 or 3; SERS Plan 2 or 3; PSERS Plan 2; LEOFF Plan 2; WSPRS Plan 1 or 2; or the city retirement system of Tacoma, Seattle or Spokane; and
- Has previously been a member of one or more of these systems or the Statewide City Employees' Retirement System (SCERS) in addition to the system in which he or she is currently a member; and
- Has never been retired from service and is not currently receiving a disability retirement benefit or disability leave benefit from any public retirement system in the state of Washington.

Dual member restoration rules and deadlines apply to all dual member systems and plans

For restoration under dual membership, you must repay the amount withdrawn plus interest within 24 months of becoming a dual member or before you retire, whichever comes first.

For more information about dual membership rights, refer to the DRS publication, *What Is Dual Membership and How Does it Affect Me?* available on the DRS website.

How do I apply for optional service credit?

Plan 1 members have the option to apply for service credit for periods of public service or a leave of absence that falls under rules other than normally accumulated service credit. This is referred to as optional service. Optional service can be acquired by paying contributions within a specific time period immediately after returning to normal active service. Payment must be initiated while employed in a covered position. However, once initiated, payments can be completed regardless of employment status.

If deadlines have passed, you can still recover optional service credit

It is considerably more expensive than recovering the service within the deadline. However, you can purchase optional service any time during membership under service credit purchased past the deadline provisions.

What are the rules for service credit purchased past the deadline?

All Plan 1 members have the option to purchase withdrawn service credit even after deadlines for normal or dual member restoration have passed. Service credit purchased under this law costs more than restorations. The cost is based on the increased value of your retirement benefit, not on the amount of withdrawn contributions.

You may purchase service credit in increments as small as the amount earned in one month. You are not limited to a single purchase, and may purchase service credit up until you retire. **If you would like an estimate of the cost to purchase service credit past the deadline**, you may contact DRS, or use the Buy Back Calculator on the DRS website. You must contact DRS to request a billing.

Calculating the cost for service credit purchase past the deadline

DRS uses the formula below:

Part 1: Annual Average Salary x Service Credit Years to Purchase x Factor 1

Part 2: Annual Average Salary x Current Service Credit Years x (Factor 1 – Factor 2)

Total Cost = Part 1 cost + Part 2 cost

The Part 1 cost pays for the additional value of the service credit you plan to purchase.

The Part 2 cost pays for the increased value of your current service credit. The value of your current service credit may increase with this purchase because you may be eligible for earlier retirement, better early retirement factors, or both. For some situations your Part 2 cost will be \$0. The factors used in the example below are for illustrative purposes only. Please see the DRS website for current factors.

Example: Purchasing service credit past the deadline

Tom is a PERS Plan 1 member. He left his job and withdrew his contributions. Later, he returned to another PERS Plan 1 job, but did not restore within 60 months. He is now 50 years old with 18 years of current service credit and an annual average salary of \$50,000. He now wishes to purchase the three years he lost when he withdrew. His calculation is:

Part 1:
 $\$50,000$ (annual average salary) x 3 (years to purchase) x 0.1915 (factor 1) = \$28,725

Part 2:
 $\$50,000$ (annual average salary) x 18 (current service credit) x (0.1915 - 0.1729) (factor 1 - factor 2) = \$16,740

Total Cost = \$45,465 (Part 1 + Part 2)

Contacting DRS

For more information about recovery of withdrawn or optional service credit, visit the website or contact DRS directly. DRS office hours are 8 a.m. to 5 p.m., Monday through Friday, except legal holidays.

Website: www.drs.wa.gov

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Summary Description

The rules that govern withdrawn or optional service credit are contained in state retirement law. This publication is a summary, written in non-legal terms. It is not a complete description of the law. If there are conflicts between what is written in this publication, and what is contained in the law, the applicable law will govern.