

# PLAN 2

## Recovery of Withdrawn or Optional Service Credit for PERS, SERS, TRS, PSERS and LEOFF

This publication relates to the following Plan 2 retirement systems:

- Public Employees' Retirement System (PERS)
- School Employees' Retirement System (SERS)
- Teachers' Retirement System (TRS)
- Public Safety Employees' Retirement System (PSERS) and 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 different 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You return to the same system from which a withdrawal was made and complete repayment of withdrawn contributions plus interest within 60 months (five years) after returning to service.

### 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You join a retirement system other than the one you withdrew from, and restore the service withdrawn from the previous system within 24 months.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.

### 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pass before restoration is completed, or you haven't started to restore, you still have the option to purchase withdrawn service credit.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.

### • 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. Once membership has been re-established, you do not need to be working to make payments for restoration.



### **Restoration deadlines and payment options**

Except where dual membership is involved, payment must be completed within 60 calendar months (five years) of 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.

### **If employment is terminated before completing restoration payment**

While you must be an active member in Plan 2 to initiate restoration, you can continue your restoration payments even if you leave active service.

If you return to service then leave your job and again withdraw your contributions, you must complete payment for the first withdrawal by the original deadline or the service is permanently unrecoverable under restoration rules.

Each withdrawal is handled separately and deadlines are assigned according to the rules of the system. You can regain service credit no longer recoverable under restoration rules by using the option to purchase service credit past the deadline.

### **Example: Leaving service prior to completion of restoration**

Mary is a Plan 2 member. After six years of service, she ended employment and withdrew her accumulated contributions. Later she returned to work and began restoration installment payments. Under Plan 2, she had five calendar years (60 months) to complete payment. After four years, Mary again left employment and withdrew her contributions, however she had not completed payment for restoration of her first withdrawal.

Mary could have continued her installment payments but chose not to. Two years later she returns to service and elects to restore her withdrawn credit. Mary is unable to resume payment for the six years of service credit lost for the first withdrawal because her deadline (60 calendar months) passed while she was out of service. She is, however, able to begin restoration for the two years she worked after the first withdrawal, and has five years to complete this. To recover the first six years, Mary would have to use the rules for purchasing service credit past the deadline, which involves a higher cost.

## What are the rules for dual member restoration?

A dual member:

- Is currently an active member of PERS Plans 1, 2 or 3; SERS Plans 2 or 3; TRS Plans 1, 2 or 3; PSERS Plan 2; LEOFF Plan 2; WSPRS Plans 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 2 members have the option to apply for service credit for periods of public service or a leave of absence that fall 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.

**Please note:** the type of optional service credit determines whether the member or employer makes the contribution. To find out more information specific to your situation, contact DRS.

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

Though it is considerably more expensive than recovering the service within the deadline, optional service can be purchased any time during membership.

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

All Plan 2 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

James is a TRS Plan 2 member. He left his job and withdrew his contributions. Later, he returned to another TRS 2 job but did not restore within 60 months. He is now 45 years old with 15 years of current service credit and an annual average salary of \$55,000. He now wishes to purchase the five years he lost when he withdrew. His calculation is:

Part 1:

$\$55,000$  (annual average salary)  $\times$  5 (years to purchase)  $\times$  0.1756 (factor 1) = \$48,290

Part 2:

$\$55,000$  (annual average salary)  $\times$  15 (current service credit)  $\times$  (0.1756 - 0.1494) (factor 1 - factor 2) = \$21,615

Total Cost = \$69,905 (Part 1 + Part 2)

## Disaster response service credit for LEOFF Plan 2 members

If you're a Plan 2 member of Law Enforcement Officers' and Fire Fighters' there are certain circumstances, on or after March 22, 2014, when you might qualify for disaster response service credit during a leave of absence. There is no cost to you for this service credit, but you are limited to five years. Your death or disability must have occurred while you were in eligible federal service providing eligible emergency management

services. Your surviving spouse or registered domestic partner, or if none, the guardian of your minor child or children may qualify for this service credit if you die as a result of this federal service.

### What do I need to do?

To initiate service credit recovery, or to obtain an estimate for the cost of recovering service credit, contact DRS. Please be prepared to provide your:

- Name
- Retirement system and plan
- Social Security number
- Mailing address
- Daytime telephone number

### 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 am to 5 pm, Monday through Friday, except legal holidays.

Website: [www.drs.wa.gov](http://www.drs.wa.gov)

Telephone: 800.547.6657, or  
360.664.7000 in the Olympia area

TTY: 711

Email: [recep@drs.wa.gov](mailto:recep@drs.wa.gov)

Address: PO Box 48380  
Olympia, WA 98504-8380

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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.