

Purchasing Additional Service Credit



Washington State Department of Retirement Systems

You may purchase additional service credit to increase your monthly retirement benefit. You can purchase additional service credit at the time of your retirement only. You cannot use the additional service credit to qualify for retirement.

Why would I want to purchase additional service credit?

Purchasing additional service credit increases your monthly retirement benefit for the rest of your life and, if you choose a survivor option, the Department of Retirement Systems (DRS) will continue paying the increase to your survivor after your death.

You may purchase between one and 60 months of service credit in whole-month increments. The cost of service is based on the annuity factor for your age and plan. The monthly increase to your benefit is based on the same formula used to calculate your retirement benefit.

The administrative factors used in the following examples are for illustrative purposes only. See *Administrative Factors* on the DRS website for the most current numbers.

Example

Lee is a 65-year-old PERS Plan 2 member who has 22 years (264 months) of service credit. Her Average Final Compensation (AFC) is \$3,000 per month. She wants to purchase five years (60 months) of additional service credit.

Step 1 Before filing her retirement application, Lee calculates her estimated monthly retirement benefit without the purchase of additional service credit:

$$2\% \times \text{service credit years} \times \text{AFC} = \text{monthly benefit}$$

So Lee's estimated monthly benefit will be \$1,320 ($2\% \times 22 \times \$3,000 = \$1,320$).

Step 2 Lee uses the same formula to calculate how much her monthly benefit will increase when she purchases five years (60 months) of additional service credit.

$$2\% \times 5 \times \$3,000 = \$300$$

Purchasing 60 months of service credit will bring up Lee's monthly retirement benefit to \$1,620 ($\$1,320 + \$300 = \$1,620$).

Step 3 Lee must figure out the cost to purchase the additional five years (60 months) of service credit.

So she divides the amount of the benefit increase (\$300) by an annuity factor based on her age:

$$\$300 \div 0.0069798 = \$42,981$$

Lee will pay \$42,981 to purchase five years (60 months) of service credit.

Purchase Service Credit Example

10-month increments

Months to Purchase	Monthly Increase to Benefit	Annuity Factor	Estimated Cost
10	\$50	0.0069798	\$7,164
20	\$100	0.0069798	\$14,327
30	\$150	0.0069798	\$21,491
40	\$200	0.0069798	\$28,654
50	\$250	0.0069798	\$35,818
60	\$300	0.0069798	\$42,981

What's the next step?

Log in to your *online account* and create an estimate. This should help you determine how to proceed. Then, if you want to purchase additional service credit, submit a completed *Request to Purchase Additional Retirement Service Credit* form with your online retirement application.

A bill will be created in the month you retire. Your payment must be made in full for the entire amount of service credit you purchase within 90 days of the bill issue date.

To pay your bill, you can make a one-time cash or check payment, an electronic funds transfer, or roll over funds from a tax-deferred retirement account, such as the state's Deferred Compensation Program or an IRA. After DRS receives your payment, your benefit will increase. For more information, *contact DRS*.

Contact DRS

Call



Olympia 360.664.7000
Toll free 800.547.6657
TTY 711
DCP 888.327.5596

Write



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

Visit



6835 Capitol Blvd.
Tumwater, WA 98501

Directions are available on
the DRS website.

Hours



Monday - Friday
8 am to 5 pm PST

Email



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

You can also send us email
through the DRS website.
Visit the *Contact Us* page.

This document is a summary. It is not a complete description for purchasing additional service credit. State retirement laws govern your benefit. If a conflict exists between the information shown in this document and what is contained in current law, the law governs.