Thinking About Retiring Early?

For Plan 2 and 3 members of the Public Employees’ Retirement System (PERS), School Employees’ Retirement System (SERS) and Teachers’ Retirement System (TRS)

As a Plan 2 or 3 member of PERS, SERS or TRS, you have the option to retire early and begin receiving a retirement benefit once you meet the minimum service requirements. This publication provides information about some of the things to consider before deciding if early retirement is right for you.

What is my normal retirement age?

If you are a Plan 2 member, you are eligible for normal retirement at age 65 if you have at least 5 service credit years.

If you are a Plan 3 member, you are eligible for normal retirement at age 65 if you have at least:

- 10 service credit years, or
- 5 service credit years provided at least 12 service credit months were earned after age 44, or
- 5 service credit years earned in Plan 2 before:
  » June 1, 2003 (PERS) and transferred to Plan 3, or
  » September 1, 2000 (SERS) and transferred to Plan 3, or
  » July 1, 1996 (TRS) and transferred to Plan 3.

What is the earliest age I can retire?

If you are a Plan 2 member, you can retire as early as age 55 with a reduced benefit if you have at least 20 service credit years.

If you are a Plan 3 member, you can retire as early as age 55 with a reduced benefit if you have at least 10 service credit years.

Plan 2 and Plan 3 members: In some cases you can retire at age 62 with an unreduced benefit (see page 2). Retirement before age 65 is considered an early retirement.

What is the impact on my benefit if I retire early?

While you are able to begin receiving a retirement benefit when you retire early, your benefit is affected because you will begin receiving it before age 65. The amount of the impact depends on your service credit, the date you retire, your age and the early retirement factor used.

If you retire with at least 20 but less than 30 service credit years (Plan 2), or you retire with at least 10 but less than 30 service credit years (Plan 3):

Your benefit is reduced by a factor that is based on your average life expectancy. The reduction is greater than if you retire with at least 30 service credit years.
When you retire and have 30 years or more of service credit, you can choose either:

- A three percent early retirement factor (ERF) reduction each year, where the reduction is prorated monthly before age 65, OR
- The 2008 ERF which provides a smaller benefit reduction but imposes stricter return to work rules.

See the section “Can I retire early then return to work and continue to receive my benefit?” on page 4.

The early retirement rules will be different for members who are first hired into eligible positions on or after May 1, 2013. At age 55 with 30 years of service credit, your benefit will be reduced by five percent for each year (prorated monthly) before age 65.

See the table in the next column for the ERF that applies to your specific situation.

### What reductions apply if I retire early?

If you retire before age 65, your benefit is reduced to reflect the fact that you will receive it over a longer period of time. The amount of the reduction depends on how much younger than age 65 you are when you retire and the amount of service credit you have. The following table shows a sample of the early retirement factors used (see Washington Administrative Code 415-02-320 for more information on how early retirement will impact your benefit).

<table>
<thead>
<tr>
<th>Retirement age</th>
<th>At least 10 or 20 years service&lt;sup&gt;1&lt;/sup&gt;</th>
<th>3% ERF</th>
<th>2008 ERF</th>
<th>5% ERF&lt;sup&gt;2&lt;/sup&gt;</th>
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<td>64</td>
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<td>0.97</td>
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<td>0.95</td>
</tr>
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</table>

<sup>1</sup> Plan 3 members must have at least 10 years of service. Plan 2 members must have at least 20 years of service.

<sup>2</sup> If you were hired on or after May 1, 2013, have 30 years of service credit and are age 55 or older, your ERF reduces your benefit by 5% for each year (prorated monthly) before age 65.
**EXAMPLES**

Plan 2 is based on the benefit formula:
2% x Service Credit Years x Average Final Compensation x ERF = Monthly Benefit

Plan 3 is based on the benefit formula:
1% x Service Credit Years x Average Final Compensation x ERF = Monthly Benefit

**Retirement on October 1, 2013 at age 55 with 22 years of service credit**

You retire on October 1, 2013 at age 55 with 22 years of service credit. Your average final compensation is $3,600. You are retiring early so your benefit is 36.5% of what it would be at age 65. Your monthly benefit is calculated as follows:

**Plan 2 Monthly Benefit**
= 2% x 22 years x $3,600 x 36.5%
= 0.02 x 22 x $3,600 x 0.365
= $578.16

**Plan 3 Monthly Benefit**
= 1% x 22 years x $3,600 x 36.5%
= 0.01 x 22 x $3,600 x 0.365
= $289.08

**Retirement on March 1, 2008 at age 60 with 30 years of service credit**

You retire on March 1, 2008 at age 60 with 30 years of service credit. Your average final compensation is $4,000. You are retiring early so your benefit is 85% of what it would be at age 65. Your monthly benefit is calculated as follows:

**Plan 2 Monthly Benefit**
= 2% x 30 years x $4,000 x 85%
= 0.02 x 30 x $4,000 x 0.85
= $2,040

**Plan 3 Monthly Benefit**
= 1% x 30 years x $4,000 x 85%
= 0.01 x 30 x $4,000 x 0.85
= $1,020

**Retirement on October 1, 2009 at age 62 with 30 years of service credit**

You retire on October 1, 2009 at age 62 with 30 years of service credit. Your average final compensation is $4,400. If you choose the three percent ERF, your monthly benefit is calculated as follows:

**Plan 2 Monthly Benefit**
= 2% x 30 years x $4,400 x 91%
= 0.02 x 30 x $4,400 x 0.91
= $2,402

**Plan 3 Monthly Benefit**
= 1% x 30 years x $4,400 x 91%
= 0.01 x 30 x $4,400 x 0.91
= $1,201

If you choose to retire under the 2008 ERF, your benefit is unreduced but you have stricter return to work rules (see page 4). Your monthly benefit is calculated as follows:

**Plan 2 Monthly Benefit**
= 2% x 30 years x $4,400 x 100%
= 0.02 x 30 x $4,400 x 1.00
= $2,640

**Plan 3 Monthly Benefit**
= 1% x 30 years x $4,400 x 100%
= 0.01 x 30 x $4,400 x 1.00
= $1,320
Can I retire early then return to work and continue to receive my benefit?

Your benefit is not impacted if you return to work for an employer not covered by a Washington state retirement system.

If you retire with less than 30 years of service credit or you retire under the 3% ERF, and wait at least 30 calendar days after retirement before returning to work, you can work:

- Up to 867 hours each calendar year in a position that is eligible for retirement system coverage and continue to receive a benefit. If you work over 867 hours, your benefit will stop until you quit working or the next calendar year begins.
- An unlimited number of hours each calendar year in a position that is not eligible for retirement system coverage and continue to receive a benefit.

If you retire using the 2008 ERF, and have not reached age 65, you cannot work:

- In any capacity for a DRS-covered employer and continue to receive your benefit. If you do return to work, you will not receive your monthly benefit for any month in which you work. Your benefit will restart the first of the month after you stop working. Once you reach age 65, you can work under the rules previously described.

You cannot earn compensation from a DRS-covered employer for services performed as a contractor and continue to receive a monthly benefit.

For more information, refer to the DRS publication "Thinking About Working After Retirement?"

Contacting DRS

For more information about retiring early or returning to work after retirement, visit the DRS website or contact DRS directly. DRS office hours are 8 am to 5 pm, Monday through Friday, except legal holidays.

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