



Higher Education Plan 3 30-Day Retirement System Choice

As a new higher education institution employee, first hired on or after July 1, 2011, who is eligible to participate in a higher education retirement plan (HERP), you have 30 days to choose your retirement system. You may choose membership in either the Washington State Department of Retirement Systems (DRS) Plan 3, or your institution's HERP. If you choose DRS membership, you will participate in Plan 3 of the Teachers' Retirement System (TRS) (if you are in a faculty position) or Public Employees' Retirement System (PERS) (if you are in a non-faculty position).

You have 30 days from your hire date to choose a plan. If you do not choose within 30 days, your plan will be the HERP offered by your employer. Your plan selection or plan default (if you don't choose a plan within 30 days) is permanent. Carefully consider your options as this is a very important decision. You may wish to consult with your financial advisor before making a choice.

This guide is designed to help you understand PERS and TRS Plan 3. If you choose to participate in Plan 3, please complete a *Higher Education Employees Plan 3 Investment Program* form and return it to your employer. For questions and information about HERP, please contact your employer.

Plan 3 Summary

Plan 3 is a 401(a) defined benefit plan with a defined contribution component. When you retire, you will receive a monthly benefit for the rest of your life that is based on your years of public service and your average final compensation. You also have a defined contribution component. You choose how your contributions will be invested from a

range of options provided by the Washington State Investment Board. The amount of your defined contribution account depends on the amount you contribute and the performance of your investments. The chart on the following pages describes each component of Plan 3. For additional information, please review the *TRS Plan 3* or *PERS Plan 3 handbooks*.



DEPARTMENT OF RETIREMENT SYSTEMS PLAN 3

DEFINED BENEFIT

DEFINED CONTRIBUTION

PLAN 3 STRUCTURE

Part of the benefit in Plan 3 is based on the length of time you've worked, your pay and your age at retirement. You will receive a benefit for the rest of your life. The payments are guaranteed by the State of Washington. Your employer contributes to this part of your plan.

The other part of the benefit is based on what you contribute to the plan and how the investments you select perform. Your investments are tax deferred.

BENEFIT CALCULATION

1% x service credit years x average final compensation = defined benefit

Your contributions and investment performance = defined contribution

CONTRIBUTION RATES

Your employer contributes to this part of your benefit; you do not.

You select your rate. You cannot change your rate unless you change employers.

- Option A:** 5% all ages
- Option B:** 5% up to age 35
6% ages 35-44
7.5% age 45 and older
- Option C:** 6% up to age 35
7.5% ages 35-44
8.5% age 45 and older
- Option D:** 7% all ages
- Option E:** 10% all ages
- Option F:** 15% all ages

THE ROLE OF INVESTMENTS

Your employer contributes to this part of your benefit. Those contributions are invested for you by the Washington State Investment Board. Your benefit is guaranteed and is not dependent on investment performance.

You choose how your contributions will be invested from a range of options provided by the Washington State Investment Board. The amount of your benefit depends on the amount you contribute and the performance of your investments. Learn more about investment options in the *Plan 3 Investment Guide*.

DEPARTMENT OF RETIREMENT SYSTEMS PLAN 3

DEFINED BENEFIT

DEFINED CONTRIBUTION

VESTING

- Ten service credit years; or
- Five service credit years if 12 service credit months were earned after age 44.

Vesting does not apply to this part of your benefit. You may withdraw the account balance if you leave all system-covered employment.

ELIGIBILITY FOR NORMAL RETIREMENT

- Age 65 or older with at least 10 service credit years; or
- Age 65 or older, with at least five service credit years if at least 12 of those months were earned after the age of 44.

There is no specific age requirement for this part of your benefit. You may access your money at any time after you leave all system-covered employment.

ELIGIBILITY FOR EARLY RETIREMENT WITH A REDUCED BENEFIT OR A FULL BENEFIT

Early and reduced benefit: Age 55 or older with at least 10 service credit years. There is less of a reduction to your benefit if you have at least 30 service credit years.

There is no age requirement for this part of your benefit. You may withdraw your money at any time after you leave all system-covered employment.

LEAVING ALL DRS-COVERED EMPLOYMENT BEFORE YOU ARE ELIGIBLE TO RETIRE

You don't contribute to the defined benefit part of your plan. Your employer makes those contributions and you cannot withdraw those funds. If you're vested, you can choose to leave employment and retire at a later date.

Your money can remain in the plan or you can access your contributions and investment earnings. A variety of distribution options are available.

COST-OF-LIVING ADJUSTMENTS

On July 1 of every year after your first full year of retirement, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index, up to a maximum of 3 percent per year.

There are no Cost-of-Living Adjustments for the defined contribution part of your benefit.

HEALTH CARE COVERAGE IN RETIREMENT

To qualify you must elect coverage within 60 days of termination. As long as you meet the age and service requirements of the plan (age 55 or older, with 10 or more years of service credit) you can delay receiving your retirement benefit and still be eligible for Public Employees Benefits Board (PEBB) coverage.

Leaving your contributions in the plan or starting to draw them does not impact your eligibility for health care coverage under PEBB.

Contact Information

Plan 3 questions

Call DRS:

Olympia.....360-664-7000

Toll free.....800-547-6657

TTY.....360-586-5450

Toll-free TTY.....866-377-8895

Website: *www.drs.wa.gov*

HERP questions

Please contact your employer.

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Summary Description

The actual provisions governing Plan 3 retirement benefits are contained in the Revised Code of Washington (RCW). This brochure is a summary of those provisions, not a complete description of the law, and describes provisions currently in effect. If there are any conflicts between what is written in this brochure and what is contained in the law the applicable law will govern.