



## Using Service Credit Earned Outside the Washington State Teachers' Retirement System (TRS)

If you are a member of TRS Plan 3, you have two options that allow you to use service credit earned as a teacher outside TRS:

- Out-of-State Service Credit Program – page 2
- Public Education Experience Program – page 4

You may take advantage of one or both of these programs (see example on page 6).

### How do I decide which way to use service credit earned outside TRS?

This will depend on your personal situation, and the eligibility rules as described inside this brochure. The table below shows some of the key differences between the two ways you may use service credit.

| Out-of-State Service Credit Program   | Public Education Experience Program   |
|---|---|
| No payment required   | Payment is required   |
| No limit to how much out-of-state service credit you may use  | You may purchase up to seven years of service credit  |
| Service credit must be earned in an out-of-state public retirement system that covers teachers  | Service credit must be earned as a teacher in a public school in another U.S. state or with the U.S. federal government and covered by a retirement or pension system |
| Allows you to qualify for early retirement  | Allows you to qualify for normal or early retirement  |
| Retirement benefit is based only on your Washington State service credit; the out-of-state service credit is not used in your benefit calculation | Retirement benefit is based on both your TRS service credit and the service credit you purchase   |
| Must be a vested member of TRS  | Must be an active member with two years of TRS service credit   |



## Out-of-State Service Credit Program

If you are a vested member of TRS Plan 3 you may use service credit earned in an out-of-state public retirement system that covers teachers to qualify for early retirement. However, it's important to remember that only your Washington State service credit will be used to calculate your retirement benefit. For any out-of-state service credit used, your benefit will be reduced for each year you are under age 65.

### What is my normal retirement age?

You are eligible for normal retirement at age 65 if you have at least:

- 10 service credit years; or
- Five service credit years provided at least 12 service credit months were earned after age 44; or
- Five service credit years earned in Plan 2 before July 1, 1996 and transferred to Plan 3.

### What is the earliest age I can retire?

Retirement before age 65 is considered an early retirement. You can retire as early as age 55 with a reduced benefit if you have at least 10 service credit years. In some cases you can retire at age 62 with an unreduced benefit (see the table on page 3).

### How can I use out-of-state service credit?

If you have enough Washington State service credit to qualify for a normal retirement at age 65, there is no need to use your out-of-state service credit.

If you **do not** have enough Washington State service credit to retire early with at least 10 years and are at least age 55, you may use your out-of-state service credit to qualify for and begin collecting a benefit. However, your benefit will be reduced for each year you are under age 65.

If you have at least 10 years of Washington State service credit, and you want to reach 30 years, you may qualify for a smaller benefit reduction if you use your out-of-state service credit.

### How do the benefit reductions apply if I use out-of-state service to reach 10 years of service credit?

If you use out-of-state service credit to reach 10 years, your benefit will be reduced for each year you are under age 65.

#### EXAMPLE:

Suppose you are 57 years of age with seven years of Washington State service credit and a monthly Average Final Compensation (AFC) of \$5,000. You have three years of out-of-state service credit that you could use to meet the 10-year service requirement for early retirement. Your benefit would be reduced based on the difference between your age (57) and the normal retirement age (65). Your early retirement factor would be .435 in this case, because you are eight years away from 65. (See page 3 for a listing of early retirement factors.) While your out-of-state credit helps you qualify for retirement, your benefit is calculated using only the seven years of Washington State service credit.

Here's how the calculation works:

$$\begin{aligned} \text{Service Credit Years} \times 1\% \times \text{AFC} \times \text{Early Retirement} \\ \text{Factor} &= \text{Monthly Benefit} \\ 7 \times 1\% \times \$5,000 \times .435 &= \$152.25 \end{aligned}$$

**Your monthly retirement benefit would be \$152.25.**

## How do the benefit reductions apply if I use out-of-state service to reach 30 years of service credit?

There are two reduction factors that apply if you use your out-of-state service to retire with 30 service credit years. One reduction factor is based on the amount of out-of-state service credit you are using to reach 30 years. The other reduction factor is determined by subtracting the out-of-state service credit you are using from the total number of years you are retiring early.

### EXAMPLE:

Suppose you are age 57 with 25 years of Washington State service credit and a monthly AFC of \$5,000. You plan to retire on November 1, 2009. If you retire *without* using the out-of-state service program, your benefit would be reduced by a factor of 0.435 (you are retiring eight years early with 25 years of service). However, if you have five years of out-of-state service, you qualify for the reduction factors available to those with 30 years of service and your benefit reduction would be smaller. Here are the steps for calculating your benefit:

#### Step 1 – Determine your base benefit

TRS Service Credit Years x 1% x AFC = Base Benefit  
 $25 \times 1\% \times \$5,000 = \$1,250$

#### Step 2 – Determine the first benefit reduction

The factor is based on the number of years of out-of-state service you are using. In the following chart, use the column for at least 10 years of service. The factor for five years is .588.

Base Benefit x Reduction Factor 1 = Reduced Benefit 1  
 $\$1,250 \times .588 = \$735.00$

#### Step 3 – Determine the final reduced benefit

The final factor is determined by subtracting the years of out-of-state service you are using to reach 30 years from the total number of years you are retiring early (8 - 5 = 3 years). In the following chart, use the columns for 30 years or more of service.

### EXAMPLE CONTINUED:

Because you are retiring after September 1, 2008, you can choose which factor to use – either 1.00 (the 2008 Early Retirement Factor [ERF]) or 0.91 (the three percent ERF).

Reduced Benefit 1 x Reduction Factor 2 =  
 Final Reduced Benefit

#### Your benefit using the 2008 ERF:

$\$735 \times 1.00 = \$735$

#### Your benefit using the three percent ERF:

$\$735 \times 0.91 = \$668.85$

The 2008 ERF provides a smaller benefit reduction, but imposes stricter return to work rules. Please see the *Thinking About Retiring Early?* brochure for more information.

| Early Retirement Factors |                           |                          |           |
|--------------------------|---------------------------|--------------------------|-----------|
| Years to age 65          | At least 10 years service | 30 years or more service |           |
|                          |                           | 3% ERF                   | 2008 ERF* |
| 10                       | 0.358                     | 0.70                     | 0.80      |
| 9                        | 0.395                     | 0.73                     | 0.83      |
| 8                        | 0.435                     | 0.76                     | 0.86      |
| 7                        | 0.481                     | 0.79                     | 0.89      |
| 6                        | 0.531                     | 0.82                     | 0.92      |
| 5                        | 0.588                     | 0.85                     | 0.95      |
| 4                        | 0.652                     | 0.88                     | 0.98      |
| 3                        | 0.724                     | 0.91                     | 1.00      |
| 2                        | 0.805                     | 0.94                     | 1.00      |
| 1                        | 0.896                     | 0.97                     | 1.00      |

\* These factors were available beginning 9/1/2008, and were established by legislation which ended gain sharing. If a court of law decides the repeal of gain sharing is invalid, the factors and return to work rules in place before passage of the law will apply.

## Public Education Experience Program

Eligible members of TRS Plan 3 can purchase service credit for public education experience earned as a teacher (as defined by your former retirement system) outside TRS. The service credit purchased is considered membership service, may be used to qualify for normal or early retirement, and will be used in calculating your benefit. To help determine your costs, you may wish to use the online DRS calculator for Public Education Experience at <https://fortress.wa.gov/drs/tree>.

To be eligible, you must:

- Be an active member of TRS Plan 3; and
- Have earned at least two years of TRS service credit.

### How much can I purchase?

You may purchase up to seven years of service credit in whole month increments. Multiple purchases are not allowed. For example, if you purchased four years of public education experience, you will not be able to make another purchase even though your total is less than seven years.

### What type of public education experience qualifies for service credit purchase?

Qualifying public education experience is that which you have earned as a teacher in a public school in another U.S. state or with the U.S. federal government. You must have been granted service credit in a retirement or pension system for working as a teacher. Your former retirement system will be required to verify this information on your service credit purchase application.

### How much does it cost to purchase the service credit?

You must pay the actuarial equivalent value of the resulting increase in your future benefit. The actuarial equivalent value is the amount needed today to pay for the increase in your monthly benefit over your lifetime.

Use this service credit purchase cost formula to calculate your cost:

$$\text{Annual Average Final Compensation (AFC)} \times \text{Service Credit Months} \times \text{Purchase Factor} = \text{Cost}$$

- *Average Final Compensation* is the monthly average of your 60 consecutive highest-paid service credit months.
- If you have fewer than 60 months of service credit, your average earnings for the period of time you have worked in TRS will be used in the calculation.
- *Service Credit Months* is the number of months of service credit you would like to purchase.
- The *Purchase Factors* in the table below are based on the number of years between your age at the date you purchase the service credit and the age at which you would be eligible for a normal retirement. The example on the next page shows you how the service credit purchase cost formula works.

| Purchase Factors*          |        |
|----------------------------|--------|
| Years to normal retirement | Factor |
| 10                         | 0.1765 |
| 9                          | 0.1824 |
| 8                          | 0.1885 |
| 7                          | 0.1949 |
| 6                          | 0.2014 |
| 5                          | 0.2081 |
| 4                          | 0.2151 |
| 3                          | 0.2223 |
| 2                          | 0.2297 |
| 1                          | 0.2374 |
| 0                          | 0.2454 |

\* For the Purchase Factors in monthly increments, please see WAC 415-02-370 (3).

**EXAMPLE:**

Ron is an active TRS Plan 3 member who currently has seven years of service and wants to purchase three years of service credit to reach 10 years. Ron is 61. His monthly AFC is \$4,166.

Ron is eligible for normal retirement at age 65. Since Ron is currently 61, he has four years until normal retirement. The purchase factor for four years is 0.2151.

We calculate the cost of Ron's service credit purchase like this:

$$\text{AFC} \times \text{Service Credit Months} \times \text{Purchase Factor} = \text{Cost}$$

$$\$4,166 \times 36 \times 0.2151 = \$32,260$$

**Ron's total cost to purchase three years of service credit is \$32,260.**

**Do I need to give up my right to a benefit from my former public retirement system for the service credit I purchase in TRS?**

No. At the time you purchase service credit in TRS, you only need to prove that:

- You are not currently receiving a benefit from your former system; and
- You are not currently eligible for an unreduced benefit from your former public retirement system.

Your former public retirement system must verify this information on your application.

**When do I pay?**

You must pay your service credit bill in full within 90 days of the bill issue date. You will receive your bill after we receive your application.

**Can I make installment payments?**

You are not allowed to make installment payments.

**How do I pay?**

Payment must be made in full in a lump sum. 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 pay your bill. However, the Department of Retirement Systems (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.

**Can I retire before I send DRS my payment?**

No. We must receive your complete payment before you retire.

**Can my employer choose to contribute to the purchase?**

Your employer may choose to contribute to the cost of your service credit purchase. Payments sent in by employers must reference your bill number on their check.

**Can I purchase this service credit if I am a substitute teacher?**

Yes. If you are a substitute teacher who is currently reported by your employer as an active substitute and you meet the eligibility requirements.

**How is my payment applied to my account?**

As a Plan 3 member, 50 percent of the amount you pay will go to your defined contribution account and the remainder will go toward funding your defined benefit.

**What happens to my payment if I quit work and withdraw my contributions?**

When you separate from employment and request a refund of your contributions, the 50 percent of your payment that went to your defined contribution account will be refunded to you based on the market value of your contributions, including earnings and losses, at the time you withdraw. The 50 percent that went to the defined benefit side is not refundable and will be used to help fund your monthly benefit payments once you become eligible. If you do not become eligible to receive

benefits, that portion will remain within the Plan 3 trust fund.

### How do I apply for one or both of these programs?

The attached application must be completed by you and your former retirement system to verify your previous service.

Complete Section 1 of the attached application. Send it to the retirement system where you earned the service credit. The retirement system should complete Section 2 and return the application to the DRS. Please refer to the instructions on the back of the application.

### How do I take advantage of both programs?

The following example shows how to take advantage of both programs.

#### EXAMPLE:

Mary is 60 years of age with five years of Washington State service credit and would like to retire. Mary has five years of service credit earned in another state that she can use to meet the 10-year service requirement for early retirement. She decides to purchase three years under the Public Education Experience Program and use two years to qualify under the Out-of-State Service Credit Program. Mary must purchase her Public Education Experience Service Credit while she is an active member. This is an example of Mary's cost:

$$\text{AFC} \times \text{Service Credit Months} \times \text{Purchase Factor (see factors table on page 4)} = \text{Cost}$$

$$\$4,333 \times 36 \times 0.2081 = \$32,461$$

**Mary's total cost to purchase three years of service credit is \$32,461.**

#### EXAMPLE CONTINUED:

Once Mary purchases the three years of service credit, it is applied to her total membership service. Now she has eight years of service credit. If she uses her other two years to qualify for early retirement, her benefit will be reduced based on her age (60) and the normal retirement age (65). In this case an early retirement factor of .588 would be applied, as Mary would have 10 years of service and be five years away from 65. Mary's benefit will be calculated using only the eight years of Washington State service credit. Below is an example of how the calculation works:

$$\text{TRS Service Credit Years} \times 1\% \times \text{AFC} \times \text{Early Retirement Factor (see table on page 3)} = \text{Monthly Benefit}$$

$$8 \times 1\% \times \$4,333 \times .588 = \$203.82$$

**Mary's monthly retirement benefit would be \$203.82.**

#### Contacting DRS

For more information about using service credit earned as a teacher outside the Washington State retirement system, contact DRS directly. Office hours are 8 a.m. to 5 p.m., Monday through Friday, except legal holidays.

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

Telephone: 1-800-547-6657, or  
360-664-7000 in the Olympia area

TTY: 1-866-377-8895, or  
360-586-5450 in the Olympia area

E-mail: [recep@drs.wa.gov](mailto:recep@drs.wa.gov)

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

July 2009

#### Summary Description

The rules governing your benefits 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.



TEACHERS' RETIREMENT SYSTEM (TRS)

PLAN 3 APPLICATION FOR OUT-OF-STATE SERVICE AND PUBLIC EDUCATION EXPERIENCE

PO Box 48380 Olympia, WA 98504-8380 ♦ www.drs.wa.gov
Toll Free: 1-800-547-6657 ♦ Olympia Area: 360-664-7000 ♦ TTY: 360-586-5450

SECTION 1: Member Information – To be completed by the member

Please read the instructions carefully, located on the back of this form, before completing.
Member Name Social Security Number
Mailing Address
City State ZIP Daytime Phone Number Date of Birth
Complete the following (complete A if you wish to use Out-of-State service credit and/or B if you wish to purchase Public Education Experience service credit):
A. I wish to use \_\_\_ years \_\_\_ months of Out-of-State service credit to qualify for early retirement. (See pages 2 and 3.)
B. I wish to purchase \_\_\_ years \_\_\_ months of Public Education Experience service credit earned outside of TRS. (See pages 4 and 5.)
I am submitting forms from multiple retirement systems.
I authorize the retirement system listed in Section 2 to release information to the Washington State Department of Retirement Systems.
Member Signature Date

SECTION 2: Verification of Service Credit – To be completed by the former public retirement system

Please read the instructions carefully, located on the back of this form, before completing.
Retirement System Name
Mailing Address
City State ZIP Phone Number
1. Does this retirement system cover public school teachers? Yes No
2. Has the member named above earned teaching service credit in this retirement system? Yes No
3. How much service credit has been earned? \_\_\_ years \_\_\_ months
4. Is this member currently receiving a retirement benefit from this retirement system? Yes No
5. Is this member currently eligible to receive an unreduced benefit from this retirement system? Yes No
The information entered on this form is a true and accurate account of the above member's retirement system record.
Authorized Personnel Signature Title Date
Authorized Personnel Name (printed) Phone Number



# APPLICATION INSTRUCTIONS

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## INSTRUCTIONS

### SECTION 1: Member Information

Please complete the form using black ink. Use your legal name and mailing address.

Mark the check box and complete a form for each out-of-state retirement system if you have service credit in more than one.

Once you've completed Section 1, mail the application to your former retirement system.

### SECTION 2: Verification of Service Credit

Instructions to member: This section is completed by your former public retirement system.

Instructions to former retirement system:

Complete the form using black ink. Fill in the retirement system name and mailing address. Please answer **all** five questions. We require verification of whether or not your system covers public school teachers and of the service credit this person earned in your system.

Once you've answered all five questions, sign, date and print your name on the form where indicated in Section 2, and return the completed form to:

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

### ADDITIONAL INFORMATION

A member of the Washington State Teachers' Retirement System (TRS) may apply service credit earned in an out-of-state retirement system that covers teachers in public schools, solely for the purpose of determining when the member may retire. A member may also purchase public education experience earned as a teacher, as defined by your retirement system, in a public school within the United States or with the U.S. federal government.

Department of Retirement Systems (DRS) requires that you provide your Social Security number for this form.

- DRS will use your Social Security number as a reference number and to ensure that any funds disbursed under your account are correctly reported to the IRS.
- DRS will not disclose your Social Security number unless required by law.
- Internal Revenue Code Sections 6041(a) and 6109 allow DRS to request your Social Security number.