

# PLAN 3

## Recovery of Withdrawn or Optional Service Credit

This publication relates to the following Plan 3 retirement plans:

- Public Employees' Retirement System (PERS)
- School Employees' Retirement System (SERS)
- Teachers' Retirement System (TRS)

The information in this brochure is intended for Plan 3 members wishing to reinstate withdrawn Plan 3 contributions; apply for optional service credit; recover withdrawn Plan 2 service credit; or restore service credit under the rules of dual membership.

### How do I reinstate my withdrawn Plan 3 contributions?

Plan 3 members wishing to reinstate withdrawn Plan 3 contributions may do so at any time after re-establishing membership. Reinstated contributions go directly into a member's defined contribution account. Members do not pay interest on funds they are reinstating. Also, members may reinstate all or only a portion of the funds that they withdrew from their Plan 3 defined contribution account. There is no time limit for reinstating withdrawn Plan 3 contributions.

Funds reinstated into the Plan 3 account will not be refunded, and are not eligible to be withdrawn until the member leaves employment or is eligible to withdraw. If you have questions regarding reinstating withdrawn Plan 3 contributions, contact the Department of Retirement Systems (DRS).

### How do I apply for optional service credit?

In addition to reinstating withdrawn Plan 3 contributions, Plan 3 members may also purchase service credit for eligible periods of public service or qualifying leaves of absences. 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.

• **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 credit can be purchased any time during membership. If you have questions about optional service credit, please contact DRS.

### Recovering Plan 2 service credit

• Plan 3 members may recover withdrawn Plan 2 service credit. There are two ways to recover the service, and the rules for each method of service credit recovery are listed below. Plan 3 members may also be eligible to recover service credit under the rules of dual membership described later.

• **Restoration:** A member returns to the same system from which a withdrawal was made and completes restoration within 60 months after returning to service.

### 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, Plan 3 members can repay the full amount of their original Plan 2 withdrawal in a lump sum, or in installment payments.

### 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 credits. 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

Plan 3 members may not restore Plan 2 service credit unless they have re-established membership by working in a position covered by the same system from which they withdrew. Once membership has been re-established, Plan 3 members do not need to be working to start or complete payments for restoration of withdrawn Plan 2 contributions. If you wish to apply for restoration, contact DRS.

### Restoration deadlines and payment options

When restoring withdrawn Plan 2 contributions, you are required to initiate and complete restoration payments within a specific time period after re-establishing membership or becoming employed in an eligible position. Restoration payments must be completed before the deadline or retirement, whichever comes first. Except where dual membership is involved, payment must be completed within 60 calendar months of returning to service or retirement, whichever comes first.

### If employment is terminated before completing restoration payment

As a Plan 3 member, if you re-establish membership, you can initiate and/or continue your Plan 2 restoration payments even if you subsequently leave active service. If you again leave service, you must complete payment for the withdrawal by the original

deadline or the service is not recoverable under restoration rules. Service credit that is no longer recoverable under restoration rules can be regained using the service credit purchase past the deadline option.

#### Example: Leaving service before completing restoration

Mary is a former Plan 2 member. In 1992, after six years of service, Mary ended employment and withdrew her accumulated Plan 2 contributions. In 1996, she returned to work, transferred to Plan 3 and began restoration of her old Plan 2 service credit in installment payments. Under restoration rules, she had five calendar years (60 months) to complete payment.

In 2000, after four years in Plan 3, Mary again left employment without having completely restored her withdrawn Plan 2 service credit. She elected not to complete payment after separating from service, and her deadline (60 calendar months) subsequently passed. Since she did not completely restore her Plan 2 service credit, she receives no service credit under the rules of restoration. There is no partial restoration of service credit.

## 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.

### **What are the rules for Plan 2 service credit purchased past the deadline?**

All Plan 3 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.

If you purchase service credit under this law, 50 percent of the amount you pay will be credited to your defined contribution account and the remainder will be used to fund the one percent defined benefit. 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 3 member. Early in his career, he left his TRS Plan 2 job and withdrew the five years of contributions he had accumulated. Later, he returned to another TRS Plan 2 job, then transferred to Plan 3, 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 of Plan 2 service credit he lost when he withdrew. His calculation is:

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

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

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

## 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 a.m. to 5 p.m., 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

The provisions governing the recovery of withdrawn or optional service credit are contained in the Revised Code of Washington (RCW) pertaining to each specific retirement system. 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.