

Did you know that your retirement benefit will provide you with guaranteed lifetime payments and is based on a variety of factors? It's important for you to understand how your benefit works so that you can plan for your future.

As you prepare to retire from public service, think about the many options you have to choose from and the decisions you make. DRS is here to answer questions you might have along the way.

### **Public Employees' Retirement System (PERS) Plan 1 information:**

- » How does PERS Plan 1 work?
- » How is my benefit calculated?
- » What is service credit?
- » What is the Post-30 Year Program?
- » What is dual membership?
- » When can I retire?
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- » What will happen if I work after retirement?
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This plan overview is a summary. It is not a complete description of your retirement benefits under Plan 1 of the Washington State Public Employees' Retirement System. State retirement laws govern your benefits. If there are any conflicts between the information shown in this overview and what is contained in current law, the law will govern.

## How does PERS Plan 1 work?

- Once you retire, you are guaranteed a monthly retirement benefit for the rest of your life
- Your retirement benefit is based on your service credit and average final compensation, not on the amount contributed
- Both you and your employer contribute to the plan while you are working

## How is my benefit calculated?

The following is used to calculate your base retirement benefit:

- A factor of two percent
- Your service credit years
- Your average final compensation, which is the monthly average of your 24 consecutive highest-paid service credit months, no matter when your service occurred

Here is the formula used to calculate your benefit:

$$2\% \times \text{service credit years} \times \text{average final compensation} = \text{Monthly Benefit}$$

### For example:

If you have 25 service credit years and your average final compensation is \$4,000, the formula would be:  $0.02 \times 25 \times \$4,000 = \$2,000$  (monthly benefit)

### Practice here:

$$2\% \times \frac{\text{service credit years}}{\text{service credit years}} \times \$ \frac{\text{average final compensation}}{\text{average final compensation}} = \$ \frac{\text{Monthly Benefit}}{\text{Monthly Benefit}}$$

**Maximum benefit:** In most cases your retirement benefit may not exceed 60 percent of your average final compensation.\*

\*If you established membership before April 25, 1973, a different formula may be used to calculate your benefit. Please contact DRS for more information.

The amount you receive each month may also depend on the choices you make at retirement such as the optional Cost-of-Living Adjustment (COLA), the benefit option you select, and/or purchasing additional service credit.

## Using annual or sick leave to increase your benefit

If you cash out leave (annual, sick, etc.), you may be eligible to use all or part of the cash out value in your average final compensation calculation. However, if your 24 consecutive highest-paid service credit months do not include the dates in which you earned the leave you are cashing out, that leave cannot be used in your average final compensation calculation. The administration of leave cash outs can vary, based on your position and employer. Contact your payroll officer for more information.

## What is service credit?

Service credit is based on the hours of compensated employment reported by your employer. You earn one service credit month for every calendar month in which you are compensated for 70 or more hours of employment. Beginning in September 1991, you earn one-quarter service credit for each month in which compensation is earned for less than 70 hours.

You may be able to increase your service credit total if:

- Military service interrupted your PERS membership
- You served in the military before joining PERS
- You were on Temporary Duty Disability
- You restore withdrawn contributions

For more information, review the following DRS publications available on the DRS website:

- *PERS Plan 1 Interruptive Military Service Credit*
- *PERS Plan 1 Non-Interruptive Military Service Credit*
- *Plan 1 Recovery of Withdrawn or Optional Service Credit*

## Public education employees

Only *public education* service credit is based on a 12 for 9 rule, which allows you to earn 12 service credit months for each school year (September 1 through August 31) in which you:

- Begin working in September;
- Work nine months; and
- Receive earnable compensation for 630 or more hours.

School district employees may use up to 45 days of accumulated sick leave to retire early. For example, if you have 45 days of sick leave and are age 60 or older, you may retire with at least four years and 10 months of service credit. Cashed out sick leave may not be used for this purpose.

Sick leave cannot be used to meet the age requirement or as service credit in determining the amount of your retirement benefit. If you plan to use sick leave to advance your retirement date, contact DRS before separating from employment.

## What is the Post 30-Year Program?

PERS Plan 1 members who earn 30 service credit years may choose to have their post 30-year retirement contributions placed in a separate, refundable account that earns 7.5 percent interest annually (compounded quarterly on the previous quarter's balance). If you elect to participate in this *Post 30-Year Program*, your contributions will be refunded when you retire, and will not reduce your retirement benefit. However, you should keep in mind that your average final compensation at retirement will be based on the highest 24 consecutive months (two years) of compensation earned before you made the decision to participate in the *Post 30-Year Program*. Also, your service credit must have been earned in PERS Plan 1. Any service credit you may have earned in another DRS-covered plan may not be used to meet the 30-year service credit requirement. For more information about the *Post 30-Year Program*, contact DRS.

## What is dual membership?

If you are a member of more than one Washington State retirement plan or a member of a First Class City plan (see the glossary in the Resources section) plan, you may be able to combine your service credit to become eligible for retirement. Provisions of each plan determine the amount of the benefit and when it is payable.

If your combined service makes you eligible to retire under any one dual member system, you may elect to retire from all dual member systems to which you belong. If a system's laws would not allow retirement because you are younger than the minimum retirement age, you may:

- Defer receiving a benefit until you reach full retirement age under the plan; or
- Begin receiving a reduced benefit before you reach full retirement age.

Although you can combine service from all systems to become eligible for retirement, the amount of the benefit you receive and when you may begin receiving it is determined by the rules of each individual system. Please call DRS to discuss your circumstances.

## When can I retire?

### Vesting

When you have five or more service credit years, you have a vested right to a retirement benefit. If you withdraw your contributions, you terminate your membership and you lose your right to future retirement benefits.

You are eligible to retire from **active** service (you are still working) at:

- Any age with 30 or more service credit years; or
- Age 55 with 25 or more service credit years; or
- Age 60 with five or more service credit years.

If you retire from inactive status, your benefit may be reduced. You are eligible to retire from **inactive** status (you are not working) at:

- Age 60 with five or more service credit years with an actuarially reduced benefit; or
- Age 60 or older, if you separated from service on or after January 1, 2002, were at least age 50 at separation, and had at least 20 service credit years at separation; or
- Age 65 with five or more service credit years.

**Important note:** You are considered inactive if you were not employed in the month immediately before your effective retirement date.

### When is my retirement effective?

Your retirement is effective on the first of the month after your last day of employment. For example, if you separate from employment on June 15, your earliest retirement date is July 1, which means you receive your first benefit check on or about July 31.

If you are not currently employed in a covered position (see the glossary in the Resources section), your effective date is the first day of the month after you become eligible for retirement.

For example, you leave state service on July 9, and will turn 60 on October 15. Your retirement date will be November 1.

It's important to remember that your retirement date is not the same as your last day of work.

## Benefit option selection

When you apply for a service or disability retirement, you must select a benefit option. Your selection is irrevocable as of your retirement date, except under the circumstances identified on page 6. Use the examples below to assist in your option selection.

### Benefit option examples

<p><b>Pat (member):</b> Age 61  <b>Chris (beneficiary):</b> Age 57  <b>Average final compensation:</b> \$4,000.00  <b>Service credit years:</b> 25 years  <b>2% x 25 (service credit years) x \$4,000.00 (average final compensation)</b>  <b>= \$2,000.00 Monthly Benefit</b></p>
<p><b>Option 1 – Single Life Benefit.</b> Provides the maximum benefit for your lifetime. Beneficiaries receive a final payment, but do NOT receive a monthly benefit.</p>
<p>Pat’s monthly benefit is \$2,000.00. Upon Pat’s death, Chris will receive any contributions that may be remaining in the account.</p>
<p><b>Option 2 – Joint and 100% Survivor.</b> Provides a reduced benefit during your lifetime. After you die, your designated survivor will receive the same amount during his or her lifetime.</p>
<p>\$2,000.00 (monthly benefit) x .865 = \$1,730.00 <i>Pat’s</i> monthly benefit. Upon Pat’s death, Chris will receive the same continuing monthly benefit Pat received: \$1,730.00.</p>
<p><b>Option 3 – Joint and 50% Survivor.</b> Provides a reduced benefit during your lifetime. After you die, your designated survivor will receive 50% of the benefit during his or her lifetime.</p>
<p>\$2,000.00 (monthly benefit) x .928 = \$1,856.00 <i>Pat’s</i> monthly benefit.  Survivor benefit = \$928.00  Upon Pat’s death, Chris will receive a continuing monthly benefit of \$928.00, half of the monthly benefit Pat received.</p>
<p><b>Option 4 – Joint and 66.67% Survivor.</b> Provides a reduced benefit during your lifetime. After you die, your designated survivor will receive 66.67% of the benefit during his or her lifetime.</p>
<p>\$2,000.00 (monthly benefit) x .906 = \$1,812.00 <i>Pat’s</i> monthly benefit.  Survivor benefit = \$1,208.06.  Upon Pat’s death, Chris will receive a continuing monthly benefit of \$1,208.06, two-thirds (66.67%) of the benefit Pat received.</p>

**Note:** Use your online account access on the DRS web site at [www.drs.wa.gov/oaa](http://www.drs.wa.gov/oaa) to estimate your retirement benefit survivor options.

## Changing a benefit option after retirement

Once you retire, you may only change your benefit option or survivor in the following circumstances:

- If you select someone other than a spouse to receive your survivor benefit, you can change to Option 1 any time after retirement by contacting DRS.
- If you chose one of the survivor options (2, 3 or 4), and the person you named as your survivor dies, your retirement benefit can be adjusted to the higher Option 1 benefit level. Be sure to notify DRS if this happens.
- If you marry (or remarry) after retirement and remain married for at least one year, you may change your benefit option and name your new spouse as your survivor. Your benefit will be reduced. To qualify for this opportunity, you must request the option change between your first and second year of marriage. Also, be aware that this opportunity may not be available if your benefit has been impacted by a court-ordered property division that requires you to name an ex-spouse as a survivor.
- If you go back to work and complete two or more years as a contributing member, you can retire again and select a new benefit option and/or survivor.

## How can I maximize my retirement benefit?

You have the option at retirement to purchase up to 60 months of additional service credit in whole month increments. This service credit is only used to increase the amount of your benefit and cannot be used for retirement eligibility. **If you decide to purchase service credit, you must make that request at the time you apply for retirement.** You will have up to 90 days to pay the bill for this additional service credit.

### For example:

Pat has 25 service credit years and is 61 years of age, with an average final compensation of \$4,000. She has an additional five service credit years she can choose to purchase.

Pat's standard monthly benefit:  $2\% \times 25 \text{ service credit years} \times \$4,000 = \$2,000$ .

If she purchases the additional service credit:  $2\% \times 5 \text{ service credit years} \times \$4,000 = \$400$ .

Total new monthly benefit:  $\$2,400 (2\% \times 30 \times \$4,000)$ .

Her cost of purchasing the additional service credit:  $\$400 \div 0.0080985 \text{ (annuity factor)} = \$49,391.86$ .

The length of time it would take her to recoup the cost: 123 months or 10.25 years.

For more information, review the DRS publication *Purchasing Additional Service Credit*, available on the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov). You may also estimate the monthly increase and cost by logging on or signing up for *online account access* on the DRS home page.

## Administrative Factors

DRS uses administrative factors to calculate benefit adjustments. There are several types of benefit adjustments, but the most common are: survivor, early retirement and purchasing service credit.

## Cost-of-living adjustments (COLA)

### The Optional COLA

When applying for retirement, you may elect to receive an Optional COLA. If you elect the Optional COLA at retirement, you will receive the COLA every July after being retired one year regardless of age. The Optional COLA is up to three percent per year, as measured by the Consumer Price Index. To offset the cost of this annual adjustment, your benefit is reduced.

### What will happen if I work after retirement?

**You must wait at least 30 consecutive calendar days after your retirement date** before returning to work for a DRS-covered employer or your benefit will be affected. Working for an employer not covered by DRS will not affect your benefit.

If you return to work for a DRS-covered employer less than 30 consecutive days after your effective retirement date:

- Your benefit will be reduced by 5.5 percent for every eight hours you work in a month, to a maximum of 160 hours per month.
- If the reduction is more than your benefit, the excess is taken from your next month's benefit payment.
- The reduction continues until you terminate employment for a full 30 days.

**If you return to work in an eligible position for a DRS-covered employer**, you can work up to 867 hours\* in a calendar year and continue to receive your monthly benefit. If you work more than the maximum number of hours allowed, your retirement benefit will be suspended for the remainder of the calendar year or until you terminate employment, whichever comes first.

\*If you're a PERS retiree in a position eligible for a Higher Education Retirement Plan (HERP), your hours count toward the annual work limit of 867 hours. HERPs are retirement plans offered by institutions of higher education, such as, University of Washington Retirement Plan (UWRP), and Western Washington University Retirement Plan (WWURP). If you work for a higher education employer, please check with your employer to see if your position is HERP-eligible.

### NOTES

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## Preparing for retirement

As you get closer to retirement, consider the following:

- If you are within a year of your retirement date, request an estimate of your benefit from DRS. We will send you a retirement application with your estimated monthly retirement benefit.
- Evaluate the option to purchase additional service credit when you retire. See *Purchasing Additional Service Credit* available on the DRS website at [www.drs.wa.gov/member](http://www.drs.wa.gov/member).
- Use your *online account access* on the DRS home page at [www.drs.wa.gov](http://www.drs.wa.gov) to create an estimate of your retirement benefit and to determine how Purchasing Additional Service Credit will increase your benefit. You can also check the accuracy of your service credit (if you find information that you think is incorrect, contact your employer).
- Consider “catch-up” options for the Deferred Compensation Program or other employer-sponsored programs.
- Review options for health care coverage after retirement. Contact the Health Care Authority (HCA) at 800-200-1004 or visit the HCA website: [www.hca.wa.gov](http://www.hca.wa.gov) for more information.
- Contact the Social Security office periodically to review the accuracy of your file. The toll-free telephone number for Social Security information is 800-772-1213. You can also get valuable information about Social Security and Medicare by visiting the Social Security Administration website: [www.socialsecurity.gov](http://www.socialsecurity.gov).
- Get a copy of IRS Publication 575, *Pension and Annuity Income*, available on the IRS website: [www.irs.gov](http://www.irs.gov).

## Applying for retirement

You can complete the entire retirement process online or through the mail. If you prefer to visit DRS to review your account information and retirement options, Retirement Specialists are available to assist you. Please call for an appointment.

### Contact DRS

<p><b>Call</b></p>  <p>Olympia 360.664.7000 Toll free 800.547.6657 TTY 711 DCP 888.327.5596</p>	<p><b>Write</b></p>  <p>Department of Retirement Systems PO Box 48380 Olympia, WA 98504-8380</p>	<p><b>Email</b></p>  <p><a href="mailto:recep@drs.wa.gov">recep@drs.wa.gov</a></p> <p>It might 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.</p>
<p><b>Visit</b></p>  <p>6835 Capitol Blvd. Tumwater, WA 98501</p> <p><i>Directions are available on the DRS website.</i></p>	<p><b>Hours</b></p>  <p>Monday - Friday 8 am to 5 pm Pacific Time</p>	<p><b>Website</b></p>  <p><a href="http://www.drs.wa.gov">www.drs.wa.gov</a></p> <p>You can also send us email through the DRS website. Visit the <i>Contact Us</i> page.</p>