

Purchasing Additional Service Credit

You may purchase additional service credit to increase your monthly retirement benefit. You can only purchase additional service credit at the time of your retirement. You cannot use the additional service credit to qualify for retirement.

Why would I want to purchase additional service credit?

Purchasing additional service credit increases your monthly retirement benefit for the rest of your life and, if you choose a survivor option, the Department of Retirement Systems (DRS) will continue paying the increase to your survivor after your death.

You may purchase from one to 60 months of service credit in whole month increments. The cost of service is based on the annuity factor for your age and plan. The monthly increase to your benefit is based on the same formula used to calculate your retirement benefit.

Example

Becky is a 65-year-old PERS Plan 2 member who has 22 years (264 months) of service credit. Her average final compensation (AFC) is \$3,000 per month. She wants to purchase five years (60 months) of additional service credit.

Step one: Before filing her retirement application, Becky will calculate her estimated monthly retirement benefit without the purchase of additional service credit.

The formula is: $\text{Months of service credit} \div 12 \times 2\% \times \text{AFC} = \text{monthly benefit}$.

For Becky, this means: $264 \text{ months} \div 12 \times 2\% \times \$3,000 = \$1,320$.

Step two: Becky will use the same formula to calculate how much her monthly benefit will increase when she purchases five years (60) months of additional service credit.

$60 \text{ months} \div 12 \times 2\% \times \$3,000 = \$300$

Purchasing 60 months of service credit will increase Becky's monthly retirement benefit to \$1,620.
($\$1,320 + \$300 = \$1,620$)

Step three: Becky must figure the cost to purchase the additional five years (60) months of service credit.

To figure the cost, she will divide the amount of the benefit increase (\$300) by an annuity factor for her age and plan (0.0069798). See the annuity chart on the back page for a partial list of factors.

$\$300 \div 0.0069798 = \$42,981$

Becky will pay \$42,981 to purchase 5 years (60 months) of service credit.



Purchase Service Credit Example Example of 10 month increments.			
Months to Purchase	Monthly Increase to Benefit	Annuity Factor	Estimated Cost
10	\$50	0.0069798	\$7,164
20	\$100	0.0069798	\$14,327
30	\$150	0.0069798	\$21,491
40	\$200	0.0069798	\$28,654
50	\$250	0.0069798	\$35,818
60	\$300	0.0069798	\$42,981

Annuity Factors									
Age	LEOFF 1	LEOFF 2	PERS 1	PERS 2/3	PSERS 2	SERS 2/3	TRS 1	TRS 2/3	WSPRS 1/2
53	0.0052853	0.0054978	0.0074471	0.0056258	0.0055733	0.0054938	0.0073367	0.0054189	0.0055849
55	0.0054807	0.0056802	0.0076058	0.0057184	0.0057498	0.0055902	0.0074767	0.0055411	0.0057777
56	0.0055889	0.0057814	0.0076921	0.0058127	0.0058440	0.0056775	0.0075550	0.0056278	0.0058848
58	0.0058273	0.0060042	0.0078773	0.0060140	0.0060619	0.0058646	0.0077298	0.0058208	0.0061211
60	0.0060997	0.0062589	0.0080922	0.0062396	0.0063106	0.0060720	0.0079310	0.0060395	0.0063915
61	0.0062505	0.0064002	0.0082202	0.0063666	0.0064504	0.0061903	0.0080462	0.0061608	0.0065415
62	0.0064118	0.0065513	0.0083578	0.0065016	0.0065977	0.0063169	0.0081703	0.0062902	0.0067019
63	0.0065841	0.0067129	0.0085052	0.0066506	0.0067558	0.0064550	0.0083036	0.0064296	0.0068736
65	0.0069647	0.0070694	0.0088312	0.0069798	0.0071083	0.0067597	0.0085990	0.0067357	0.0072527

For a complete list of annuity factors for all ages and plans, see WAC 415-02-340.

What’s the next step?

Log into your online account and create an estimate – this should help you determine how to proceed. After you do this, if you would like to purchase additional service credit you must submit a completed Request to Purchase Additional Retirement Service Credit form with your completed Retirement Application.

A bill will be created in the month you retire. Your payment must be made in full for the entire amount of service credit you purchase within 90 days of the bill issue date. You may pay your bill with a check or you may roll money from a qualified plan, such as the Washington State Deferred Compensation Plan, or an IRA. Upon receipt of payment you will receive the increased benefit retroactive to your

retirement date. For more information about purchasing additional service, visit our website at www.drs.wa.gov or contact DRS directly.

Contacting DRS

Website: www.drs.wa.gov

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

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360-586-5450 in Olympia area

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Summary Description

The actual provisions governing the purchase of additional 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.