PERS Plan 3 Handbook

Public Employees' Retirement System

September 2020

WASHINGTON STATE

Department of Retirement Systems

Public Employees'

P 3

Public Employees'

P3

Public Employees' Retirement System (PERS) — Plan 3

Welcome to the Public Employees' Retirement System

P3 PERS Plan 3 summary

PERS Plan 3 has two parts — a defined benefit part and a defined contribution part.
Your employer contributes to your **defined benefit** part. You contribute to the **defined contribution** part.

When you meet plan requirements and retire, you are guaranteed a monthly benefit for the rest of your life from the defined benefit part.

Your monthly benefit will be based on your earned service credit and compensation while a member of PERS Plan 3.
This formula will be used to calculate your monthly benefit:

1% x service credit years x Average Final Compensation = monthly benefit

The value of your defined contribution part will consist of your contributions and their investment returns.

Your employer contributes a percentage based on your salary or wages to help fund the defined benefit part of PERS Plan 3.
The Pension Funding Council adopts contribution rates and periodically adjusts them to reflect the overall cost of the plan. The Legislature has the final decision on contribution rates.

You are vested in the plan when you meet one of the following service requirements:

- 10 service credit years
- Five years of service credit with at least 12 of those months being earned after age 44
- Five service credit years earned in PERS Plan 2 before June 1, 2003

Once vested, you are eligible to retire with a full benefit at age 65.
Retirement before 65 is considered an **early retirement**. If you have at least 10 years of **service credit** and are 55 or older, you can choose to retire early, but your benefit might be reduced. There is less of a reduction if you have 30 or more years of service credit.

If the unexpected happens — disability or death before retirement — a benefit might be available.
If you become totally incapacitated and leave your job as a result, you might be eligible for a disability retirement benefit.

If you die before you retire, your spouse, registered **domestic partner** or minor child, if applicable, could be eligible to receive a benefit based on your years of service credit.

Log in to or sign up for online access to your retirement account.
Track your contributions and service credit. Read the latest newsletter. Update your **beneficiary** information or email address. Use your individual data to estimate your monthly benefit. And when you're ready, apply for retirement. You can get started at drs.wa.gov/oaa.

How to contact the Department of Retirement Systems

The Washington State Department of Retirement Systems (DRS) administers the Teachers' Retirement System and the Deferred Compensation Program (DCP). DRS maintains your defined benefit component (the part your employer contributes to). The DRS Plan 3 record keeper maintains the investment account you contribute to.

To contact DRS

Call 360.664.7000 800.547.6657 TTY 711	**Write** Department of Retirement Systems PO Box 48380 Olympia, WA 98504	**Email** General inquiries: *drs.contact@drs.wa.gov* Send a secure message through your online account: *drs.wa.gov/oaa*
Visit 6835 Capitol Blvd. SE Tumwater, WA 98501 See the DRS website for directions.	**Hours** Monday - Friday 8 am to 5 pm Pacific Time	**Website** *drs.wa.gov* You can also send email through the Contact Us page on the DRS website.

Plan 3 investment account record keeper

Call 888.327.5596 TTY 711 Fax 844.449.2551	Contact the DRS record keeper, Voya Financial for assistance with your investment account. You can also log into your investment account and chat live with an associate. Visit **drs.wa.gov/rk** for more information.

Privacy of your information

We are committed to protecting the privacy of your personal account information, including your Social Security number, which we use to track your account and submit required reports to the IRS. We will not disclose your information to anyone unless we are required to do so by law. If you have insurance coverage through the Washington State Health Care Authority (PEBB or SEBB for example), we could share your information with HCA to better serve you.

Handbook summary

This handbook is not a complete description of your retirement benefit. State retirement laws govern your benefit. If any conflicts exist between the information shown in this handbook and what is contained in current law, the law governs.

Glossary

Terms highlighted in **bold** print appear in the glossary of terms on page 17.

How your plan works

Overview

PERS 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 earned service credit and your **Average Final Compensation** (AFC). Even though the contributions your employer makes help to fund the plan overall, they don't factor into the monthly defined benefit you will receive.

For your defined contribution portion, you choose how your contributions will be invested. The Washington State Investment Board provides a range of options. The amount of your defined contribution account depends on how much you contribute and the performance of your investments.

Membership in PERS Plan 3

In general, you are automatically a member of PERS if you are hired into an eligible position. A PERS-eligible position is normally compensated for at least 70 hours of work per month for at least five months of each year and the employer is one of the following:

- State government (for example, agency, department, board or commission)
- Local government, including a city, town or county
- Public utility district
- Public institution of higher learning
- Housing authority
- Diking, fire, health, irrigation, park, library, port, reclamation, sewer or water district
- Airport

Enrollment in your specific PERS plan (Plan 2 or Plan 3) depends on additional conditions, including your hire date and the plan you chose at the time you first went to work for a DRS-covered employer.

Some employees might satisfy the basic membership criteria but be ineligible for other reasons. If one of the following applies to you, please contact us to determine whether you're eligible for PERS:

- You are a member of, or have retired from, another public retirement **system** in Washington state.
- You work for a college or university and belong to that entity's retirement plan.
- You signed a student waiver while employed by a college or university.
- You work for the city of Seattle, Spokane or Tacoma, or you are an elected or appointed official of one of these cities.
- You provide professional services on a fee, retainer or contract basis and the income you receive from those services is less than 50% of your gross income for work performed in that profession.
- You are enrolled in a state-approved apprenticeship program, employed to earn hours for completing the program, and making contributions to a union-sponsored or Taft-Hartley retirement plan.

Membership in PERS might be optional for some elected or appointed officials; employees of the Legislature; city managers; and chief administrative officers of city, county, port and public utility districts. If you think you might fall into this category, consider visiting the DRS Elected or Governor-Appointed Official webpage.

Previous membership in another Washington state public service retirement system

Membership in another of Washington's public service retirement **systems** (including the city retirement systems of Seattle, Tacoma or Spokane) can affect your:

- Eligibility for PERS Plan 3 membership
- Eligibility to retire
- Benefit calculation

If you have ever been a member in another of Washington's public service plans, it is important that you contact us to confirm your eligibility and discuss your retirement options.

Your employer's contributions to the plan

Contributions your employer makes fund your future **defined benefit**. They are based on a percentage of your salary or wages. They aren't matching funds, and you cannot withdraw them if you leave public service.

Your contributions to the plan

Your contributions and their investment earnings fund your **defined contribution** benefit. You are required to contribute a percentage of your salary or wages to your retirement plan.

When you retire, your benefit could be limited if it exceeds the federally allowed amount. The amount can be adjusted each year (see the current IRS limit). Members hired before Jan. 1, 1990, have different limits. When we process your benefit estimate, we will notify you if your benefit exceeds the limit.

Few retirement system members should be impacted by this limit. If you think it could impact you, please call us for additional information. You choose how much you contribute from six rate options.

Member contribution rate options	
Option A	5% all ages
Option B	5% up to age 35 6% ages 35 through 44 7.5% ages 45 and older
Option C	6% up to age 35 7.5% ages 35 through 44 8.5% ages 45 and older
Option D	7% all ages
Option E	10% all ages
Option F	15% all ages

If you don't choose a contribution rate, your withholding will default to Option A.

Once your rate is set, you can change it only when you change PERS-covered employers.

Changing means working for a different employer, not another division or department within your current workplace.

Your investment options

You have two investment program options: the Self-Directed Investment Program and the Washington State Investment Program.

If you choose the Self-Directed Investment Program, you can pick from two approaches: One-Step Investing and Build and Monitor.

The One-Step Investing approach consists of a series of Retirement Strategy Funds (RSFs), also known as "target date" funds. Each RSF offers a diversified asset mix that automatically rebalances over time, adjusting as you move toward a target date for retirement or withdrawal of funds.

The Retirement Strategy Funds are identified by a target retirement year, spaced in five-year increments. (See the full list under Retirement Strategy Funds on Plan 3 Investments.) To select the fund that's right for you, take the year you were born and add it to the age you expect to retire or withdraw your funds. The sum is your target date.

How it works: One-Step Investing

1993 (birth year) + 65 (retirement age) = 2058 (target date)

Once you have a target date, pick the fund with the year closest to your target. In this example, the selection would be the 2060 Retirement Strategy Fund.

With Build and Monitor, you choose your own mix of individual funds and decide how much to invest in each one. You choose from a menu of professionally managed funds and are responsible for monitoring your investments and making changes.

Build and Monitor funds
Emerging Market Equity Index
U.S. Small Cap Value Equity Index
Global Equity Index
U.S. Large Cap Equity Index
Socially Responsible Balanced
Washington State Bond Fund
Short-Term Investment Fund

If you choose the Washington State Investment Program, the Washington State Investment Board (WSIB) will invest your contributions in its Total Allocation Portfolio (TAP). A monthly valued fund, TAP is a diversified portfolio of U.S. and international stocks, bonds, private equity and real estate investments.

If you don't choose an investment program, your contributions will default into the Self-Directed Investment Program. They will be invested in the Retirement Strategy Fund that assumes you'll retire at age 65.

To find out more about your investment options, visit Plan 3 Investments.

Earning service credit

Service credit is based on the number of hours you work, which your employer reports to DRS. When you retire, your service credit is a part of your monthly defined benefit calculation.

You receive one service credit month for each calendar month in which you are compensated for 90 or more hours of work. No more than one month of service credit can be earned each calendar month, even if more than one employer is reporting hours you work.

You receive one-half of a service credit if you work fewer than 90 hours but at least 70 hours in a calendar month. You receive one-quarter of a service credit if you are compensated for fewer than 70 hours in a calendar month.

If one or both of the following apply to you, you need to know additional service credit information:

- You're an employee who has previous membership in another Washington state public retirement **system**:
  - » If you have earned **service credit** in another of the state's public retirement systems, you might be able to combine your PERS service credit with credit you earned in the other system(s) to become eligible for retirement. For more information, read the Dual Membership webpage.
- You're an employee of the Washington State School for the Blind, the Center for Childhood Deafness and Hearing Loss, or an institution of higher learning:
  - » If you begin working in September in an eligible position and earn compensation during at least nine months of the school year, you can receive 12 service credit months for the school year if you are compensated for at least 810 hours of employment. Six service credit months can be awarded if you start in September and are compensated for at least 630 hours but fewer than 810 hours during the school year.
  - » If you earn compensation in fewer than nine months of the school year, you will receive service credit based on the number of hours you are compensated for each month.

Designating your beneficiary

The **beneficiary** information you give DRS tells us the person(s) you want to receive your remaining benefit, if any, after your death. You can submit or update your beneficiary information at any time before retirement in your online retirement account. Sign up for or log in to your account. Then select **My Account** > **View/Edit** (beside **Beneficiary**). You have the option of submitting a paper Beneficiary Designation form instead, if you prefer.

If you don't submit this information, any benefits due will be paid to your surviving spouse or minor child. If you don't have a surviving spouse or minor child, we will pay your estate.

Be sure to review your beneficiary designation periodically and update it in your online retirement account if you need to make a change. If you marry, divorce or have another significant change in your life, be sure to update your beneficiary designation because these life events might invalidate your previous choices.

State-registered **domestic partners**, according to RCW 26.60.010, have the same **survivor** and death benefits as married spouses. Contact the Secretary of State's Office if you have questions about domestic partnerships.

When you will be vested

You are vested in the plan when you have:

- 10 service credit years
- Five years of **service credit** with at least 12 of those months being earned after age 44
- Five service credit years earned in PERS Plan 2 before June 1, 2003

If you leave PERS employment before you're eligible to retire, you can leave your contributions in the plan. If you leave money in your defined contribution account, it will still be able to grow (subject to market conditions) while you retain control of your investment choices. If you decide to withdraw your contributions, you could reduce an important source of your retirement income.

When you will be eligible to retire

You are eligible to retire at age 65 if you are vested. Options to retire earlier are available (see "Early retirement" on page 12), but your benefit could be reduced to reflect that you will be receiving it over a longer period of time.

To retire early, you must be at least age 55 and have 10 or more years of service credit. Your early retirement benefit reduction will be smaller if you have 30 or more years of service credit.

Two parts to your benefit

Your benefit has two parts — a **defined benefit** part and a **defined contribution** part. Your employer contributes to your defined benefit part. You contribute to the defined contribution part.

How your defined benefit will be calculated

Your defined benefit is determined by your service credit years and compensation. No limit applies to the number of service credit years that can be included in your benefit calculation. When you retire, this formula will be used to calculate your benefit:

1% x service credit years x AFC = monthly benefit

Average Final Compensation (AFC) is the average of your 60 consecutive highest paid service credit months. Any severance pay or lump sum payment for unused sick leave or vacation/annual leave isn't included.

Example
Using the formula

If you retire at age 65 with 32 years of service credit and a monthly Average Final Compensation of $5,000, your monthly benefit is $1,600, calculated as follows:

1% x 32 x $5,000 = $1,600

Planning for retirement

Even though retirement might seem far away, planning for it now is one of the best things you can do for yourself and your family. Your monthly benefit will be an important part of your income in retirement, but it is just a portion of what you will need.

How do you begin developing your personal plan for retirement? First, estimate how much money you will need. That can vary based on factors that include:

- The lifestyle you'll want to lead when you retire
- Your health
- Whether you'll carry any debt into retirement
- Your life expectancy

Next, estimate how much money you will receive from all sources, such as your defined contribution, Social Security, personal savings and other employer pension plans. When you compare this number with what you think you will need, you can adjust your savings plan accordingly.

Many tools can help you with your planning. Here are some on the DRS website:

- Live webinars are available to attend online. Topics include Plan 2, Plan 3, plan choice, the Deferred Compensation Program (DCP), distributions from Plan 3, investment basics and Social Security basics.
- Retirement seminars are available to attend in person. You can also watch seminars when it's convenient for you on the DRS Retirement Seminars webpage. Topics include Plan 1, Plan 2, Plan 3, DCP, Social Security and health care options, and the Voluntary Employees' Beneficiary Association (VEBA).
- The benefit estimator within your online account can calculate your monthly benefit based on a variety of scenarios (for example, different retirement dates) using your actual account data. If you haven't already registered for this service, it takes just a few minutes to do so.
- The Deferred Compensation Program (DCP) is a special type of savings program that helps you invest for the retirement lifestyle you want to achieve. Unlike traditional savings accounts, DCP is tax-deferred. That means it lowers your taxable income while you are working and it delays payments of income on your investments until you withdraw your funds. Contributions are automatically deducted from your paycheck, so saving is easy. You can start with as little as $30 per month. You can also let your contributions grow with percentage deductions.

Be sure to revisit your plan periodically and adjust for any changes in your professional and personal life.

Milestones/life changes

Becoming vested

You have earned a right to a **defined benefit** when you have:

- 10 **service credit** years
- Five years of service credit with at least 12 of those months being earned after age 44
- Five service credit years earned in PERS Plan 2 before June 1, 2003

This is called being **vested**. It's a significant milestone in your public service career.

Leaving public service

The **defined benefit** part of your plan is designed to provide you with a source of income throughout your retirement. You can't withdraw the contributions your employer makes to this part of your plan.

If you have at least 20 years of service credit when you leave employment, your defined benefit will increase by about 3% for each year you delay receiving it, up to age 65.

As a Plan 3 member, you can withdraw your contributions and investment earnings from your **defined contribution** account at any time after you leave PERS-covered employment. However, if you do, you could reduce an important source of your retirement income.

Withdrawing your contributions doesn't affect the amount of service credit you've earned. That means that if you are vested in PERS Plan 3, you will still receive a monthly defined benefit once you retire.

There are tax implications to withdrawing your contributions, so you might want to contact the IRS or a tax advisor before making a decision. The Plan 3 Withdrawals webpage offers more detailed information.

The IRS requires that you begin taking payment of your monthly benefit no later than age 70½, unless you are still employed.

Be sure to keep us up to date on any changes to your name, address or **beneficiary**. It's important that you keep your beneficiary choice current, because a divorce, marriage or other circumstance might invalidate it.

Returning to public service

If you leave your position, withdraw your contributions and later return to PERS work, you can restore your Plan 3 contributions at any time unless you waived your **defined benefit**. To do so, you must repay the total amount of the contributions you withdrew within five years of returning to work or before you retire, whichever comes first. Contact us to find out that amount.

A **dual member**, or someone who belongs to more than one retirement **system**, might be able to restore service credit earned in a retirement system other than PERS. Each time you become a **dual member**, you'll have 24 months to restore service credit earned in a previous retirement system.

It might still be possible to purchase service credit after the deadline has passed. However, the cost in that case is considerably higher. To explore financial projections and comparisons of your estimated retirement benefits, try using our Plan Choice Calculator.

Find out more by reading Plan 3 Recovery of Withdrawn or Optional Service Credit. You might find helpful information in What Is Dual Membership and How Does It Affect Me? as well.

Marriage or divorce

Marrying, divorcing or separating can affect your monthly benefit.

Court-ordered property division

A court-ordered property division could affect your benefit. As long as the order complies with applicable laws, we will pay a monthly benefit to your ex-spouse according to the division. The DRS publication How Can a Property Division Affect My Retirement Account? contains detailed information.

Updating your beneficiary

The **beneficiary** information you give DRS tells us the person(s) you want to receive your remaining benefit, if any, after your death. You can submit or update your beneficiary information at any time before retirement in your online retirement account. Sign up for or log in to your account. Then select **My Account** > **View/Edit** (beside **Beneficiary**). You have the option of submitting a paper Beneficiary Designation form instead, if you prefer.

If you marry or divorce before you retire, you need to update your beneficiary information, even if your beneficiary remains the same. It's important that you keep your beneficiary designation up to date.

If the unexpected happens

Temporary leave from your job

You might need to take a temporary leave from your job because of:

- Military service
- An authorized leave of absence
- A temporary disability

If so, you might be able to obtain **service credit** for work time missed while you were on leave.

Service credit for military service

If you left your position for uniformed military service, you might be eligible to receive service credit for that period of military service.

To qualify, you must:

- Apply for a position with the same PERS employer within 90 days of receiving an honorable discharge
- Pay the contributions within five years of returning to employment or before you retire, whichever comes first; contributions might not be required if your military service occurred during certain periods of war

If you become totally incapacitated as a result of serving in the United States military, you (or your surviving spouse or children, in the case of your death) can apply for military service credit without your return to employment. Read Plans 2 and 3 Military Service Credit for more information.

Service credit for an unpaid, authorized leave of absence

You could be able to earn up to two years of service credit for an unpaid leave of absence that your employer authorized. To do so, you must:

- Return to work in a PERS-covered position
- Pay your contributions with interest as well as your employer's contributions with interest for the period of time you were on leave

You must complete payment within five years of returning to employment or before you retire, whichever comes first.

See Plan 3 Recovery of Withdrawn or Optional Service Credit.

Disability before retirement

In some cases, you can obtain **service credit** for work time missed while you were on leave for a temporary disability.

If you become totally incapacitated and leave your job as a result, you might be eligible for a disability retirement benefit. Read Disability Benefits or call us for information.

Death before retirement

If you are vested and die before you retire, your surviving spouse or registered **domestic partner** (or the guardian of your minor children), will receive a **defined benefit** payment calculated as if you had chosen a 100% survivor benefit (see Option 2 on page 14 in the "Ready to retire" section of this handbook) and retired the first of the month following the date of your death. The benefit will be reduced based on life expectancy factors for each year between the date of your death and the date you would have turned age 65.

If your surviving spouse or partner dies while receiving the benefit, your minor children will receive the benefit that was being paid to your survivor. The benefit will be divided equally among the children, and each will receive their portion until reaching age 18.

Regarding your **defined contribution** portion of your benefit, your beneficiary will have the right to choose one of the following options:

- Take payment in a lump sum cash distribution.
- Set up a scheduled payment plan.
- Roll over your defined contribution account into an eligible retirement account.

Death after retirement

If you die after you begin a service or disability retirement, your survivor could be eligible to receive a defined benefit, depending on the retirement option you chose.

If your defined contribution account has a balance in it, your beneficiary should contact DRS to find out more about their options. If you purchased an annuity, the payments continue or stop based on the terms of the annuity.

Death as a result of an injury or occupational disease sustained during employment
If the Department of Labor & Industries determines that your death was the result of injuries sustained during the course of employment or an occupational disease or infection that arose from your employment, your beneficiary will be entitled to a one-time, duty-related death benefit.

Approaching retirement

Retirement planning checkup

Consider taking time to check in on your retirement planning. Have you analyzed how much you will need and how much you will have in retirement? Has anything in your plan changed? Have you joined the state's Deferred Compensation Program (DCP) or another supplemental savings program?

Things to consider:

- Identify your retirement lifestyle goals. Will you want to travel the world or stay close to home? Different lifestyle choices can mean different financial goals.
- Take care of your health. The cost of medical care can be one of the largest expenses you incur in retirement. Getting regular checkups now and maintaining a healthy lifestyle can have an impact on what those costs will be when you retire.
- Pay down debt. Debt lessens the money you have available to save. Paying off debt while you're still generating a paycheck will affect how much you have to save and give you greater flexibility in retirement.
- Sign up for DCP or another similar savings vehicle. (It's never too late to get started.) If you're already saving with DCP or another plan, consider increasing your contribution amount. Making even a small increase can make a big difference over the long run. Use the calculator on the DCP website to see the impact different contribution amounts could have. Here's an important tip: If you're age 50 or older, the IRS allows a higher contribution limit, which enables you to save even more in your DCP account if you choose.

These questions are key as you approach retirement.

- How much income will you need in retirement?
- What will your monthly benefit be?
- How will your benefit change if you work past age 65 or you decide to retire early?
- Will you want to increase your benefit by purchasing additional **service credit**?
- What other income will you have available to you in retirement?

This section can help you find the answers. If you haven't already signed up for an online account, consider doing so. With this account, you can calculate your benefit using different scenarios and your individual account information.

Service retirement

Plan 3 has two parts: a **defined benefit** and a **defined contribution**. During retirement, you could receive two checks — one from each part. The defined benefit (pension) guarantees payments for life. The defined contribution (investments) payments are made until the account balance is exhausted; unless the annuity option is chosen and in that case, payments can be guaranteed for life.

If you are vested, you are eligible to retire when you turn age 65. This formula will be used to calculate your monthly defined benefit:

1% x service credit years x AFC = monthly benefit

AFC is the average of your 60 consecutive highest paid service credit months. Any severance pay or lump sum payment for unused sick leave or vacation/annual leave is not included.

Example
Defined benefit service retirement

If you retire at age 65 with 20 years of service credit and a monthly Average Final Compensation of $3,700, your monthly defined benefit is $740 each month, calculated as:

1% x 20 x $3,700 = $740

If your monthly benefit is less than $203.28 (as of January 2020), you can choose to take a lump sum retirement benefit. (It's likely that only a member who retires early on disability or as a **dual member** would receive this type of payment.) If you receive a lump sum payment, you are considered retired from PERS.

You will also receive your defined contribution. It consists of your contributions and their earnings. Your payment will be based on your account balance and the payment option you select. Those options include lump sum, rollover, installments and/or annuity. Find out more at Plan 3 withdrawals.

Early retirement

Any retirement before age 65 is an **early retirement**. If you retire early, your benefit will be reduced to reflect that you will be receiving it over a longer period of time. Your benefit depends on how much service credit you have earned, your age and the Early Retirement Factor (ERF) applied.

Early Retirement Factors

Retirement age	At least 10 years of service credit*	30 years or more of service credit (prorated monthly): 3% ERFs	2008 ERFs	5% ERFs
55	0.386	0.70	0.80	0.50
56	0.423	0.73	0.83	0.55
57	0.463	0.76	0.86	0.60
58	0.507	0.79	0.89	0.65
59	0.556	0.82	0.92	0.70
60	0.611	0.85	0.95	0.75
61	0.672	0.88	0.98	0.80
62	0.741	0.91	1.00	0.85
63	0.817	0.94	1.00	0.90
64	0.903	0.97	1.00	0.95

* The 10-year ERFs are subject to change based on State Actuary figures. To review the factors in detail, visit the complete table online.

If you have at least 10 service credit years, you can retire at or after age 55 with a reduced benefit.

If you have 30 or more years of service credit, there's still a reduction to your benefit, but it will be less. You can retire at or after age 55 under one of two provisions:

- You can choose to have your benefit reduced by 3% for each year (prorated monthly) before age 65.
- Using the 2008 ERFs, you can choose a smaller (or no) reduction to your benefit, but you accept stricter rules on returning to work in Washington state public service. If you accept this ERF option, your pension will be stopped if you return to public service. It won't restart again until you leave employment or reach age 65.

The early retirement rules are different for members who are first hired into eligible positions on or after May 1, 2013. At age 55 with 30 years of service credit, your benefit will be reduced by 5% for each year (prorated monthly) before age 65. The Thinking About Retiring Early? publication offers in-depth information on what you'll need to know if you are thinking about retiring early.

Retiring as a dual member

If you are a member of more than one Washington state retirement **system**, you are a **dual member**. You can combine **service credit** earned in all dual member systems to become eligible for retirement. However, your retirement benefit will be calculated using only the service credit earned in each system.

In most cases, your monthly benefit will be based on the highest base salary you earned, regardless of which system you earned it in.

Base salary includes your wages and overtime and can include other cash payments if those payments are included as base salary in all the retirement systems you are retiring from.

Example
Dual member

If you retire at age 65 with three years of service credit from PERS Plan 3 and four from the Teachers' Retirement System (TRS) Plan 3, you are a dual member. Without dual membership, your service wouldn't be eligible for a monthly benefit from either system. With dual membership, your service credit is combined, giving you enough to retire. Your benefit from each system is calculated with service from that system alone. This is how your benefit is calculated:

> *1% x 3 (PERS service credit years) x Average Final Compensation (AFC) = PERS benefit*
>
> *1% x 4 (TRS service credit years) x AFC = TRS benefit*
>
> *PERS benefit + TRS benefit = total monthly benefit*

For more information, read the publication What Is Dual Membership and How Does It Affect Me?

Estimating your benefit

If you are within five years of retirement, we encourage you to review your online account and use the online benefit estimator to determine how much your benefit might be. You can use this estimator at any point in your career.

If you expect to retire within the next year, contact us through your online account or call to request a written estimate of your benefit.

Annuity options

An annuity is a guaranteed income plan you purchase. When retiring, PERS Plan 3 members have three available annuities.

TAP Annuity: The Total Allocation Portfolio or TAP annuity is exclusively available to Plan 3 members. You can use your Plan 3 contributions to purchase this annuity.

PERS Plan annuity: With this annuity, the retirement benefit increase you receive is based on the dollar amount you choose to purchase. While there is no maximum amount, a minimum purchase of $5,000 is required. The funds to purchase this annuity must come from an eligible governmental plan, such as your DCP savings. Estimate the monthly retirement income increase through the "Purchase an Annuity" calculator in your online account.

Service credit annuity: This annuity allows you to add up to 60 months to your service in the final pension calculation. Purchased service credit does not actually increase the number of years you've worked and won't help you qualify for retirement, but it can make a big impact when it comes to your pension benefit! Estimate the monthly retirement income increase as well as the annuity cost through the "Purchasing Service" calculator in your online account. So how do you fund this annuity? Many members use their DCP savings account.

For more information about these annuities, see DRS annuities.

Ready to retire

Applying for retirement online

To apply online, go to your online account and either sign up for or log in to your account.

The online retirement application will be available for you once your formal estimate has been completed. It will display only what you need based on your retirement **system**, **plan** and retirement eligibility rules. Follow the step-by-step instructions and electronically submit the application to us when you're ready, including any forms or documents the Retirement Tracker requires.

Applying for retirement on paper

Request a formal estimate. Once the estimate is finished, DRS will send you a retirement application. Submit the completed application with all required signatures and documentation, including proof of age for your **survivor** if you choose a Survivor Option (see Options 2, 3 and 4 below).

If you're purchasing **service credit**, complete a *Request to Purchase Retirement Service Credit* form with your application.

Your defined benefit options

When you apply for retirement, you will choose one of the four benefit options shown below. Once you retire, you can change your option in only limited, specific circumstances, so select carefully.

Option 1
Single Life

This option pays the highest monthly amount of the four choices, but it is for your lifetime only. No one will receive an ongoing benefit after you die.

Option 2
Joint and 100% survivor

Your monthly benefit under this option is less than the Single Life Option. But after your death, your **survivor** will receive the same benefit you were receiving for their lifetime.

Option 3
Joint and 50% survivor

This option applies a smaller reduction to your monthly benefit than Option 2. After your death, your survivor will receive half the benefit you were receiving for their lifetime.

Option 4
Joint and 66.67% survivor

This option applies a smaller reduction to your benefit than Option 2 and a larger reduction than Option 3. After your death, your survivor will receive 66.67% (or roughly two-thirds) of the benefit you were receiving for their lifetime.

You must get consent in certain circumstances

If you are married, legally separated or a registered domestic partner and do not leave a survivor option for your spouse/partner, the law requires their consent to your choice. If their notarized consent is not provided on your retirement application, your benefit will be calculated at Option 3 and they will be the designated survivor.

Health insurance coverage

Ask your employer if you will be eligible for health insurance coverage through the Public Employees Benefits Board (PEBB) once you retire. You can also call the Health Care Authority at 800-200-1004 or visit www.hca.wa.gov.

If you receive PEBB coverage, you can delay receiving your retirement benefit and still be eligible for coverage.

If you qualify for continuing coverage, you must meet strict timelines to apply or request a deferral.

If you are not entitled to PEBB coverage, you might be eligible for health insurance your employer provides. For more information, contact your employer or HCA.

Federal benefit limit

When you retire, your benefit could be limited if it exceeds the federally allowed amount. It can be adjusted annually for inflation (see the current IRS limits). Members hired before Jan. 1, 1990, have different limits. When we process your benefit estimate, we will notify you if your benefit exceeds the limit.

Few retirement **system** members should be impacted by this limit. If you think it could impact you, please call us for additional information.

Federal tax on your monthly benefit

Most, if not all, of your benefit will be subject to federal income tax. The only exception will be any portion that was taxed before it was contributed. When you retire, we will let you know if any portion of your contributions has already been taxed.

Since most public employers deduct contributions before taxes, it's likely your entire retirement benefit will be taxable.

At retirement, you must complete and submit a federal W-4P form to let us know how much of your benefit should be withheld for taxes. If you don't, IRS rules require withholding as if you are married and claiming three exemptions. You can adjust your withholding amount at any time during retirement by completing a new W-4P form or by logging in to your online retirement account.

For each tax year you receive a retirement benefit, we will provide you with a *1099-R form* to use in preparing your tax return (see the 1099-R guide). These forms are usually mailed at the end of January for the previous year.

The information is also available through your online account.

It is your responsibility to declare the proper amount of taxable income on your income tax return.

Legal actions

In general, your monthly benefit isn't subject to assignment or attachment. However, it could be subject to court and administrative orders issued under federal law or for spousal maintenance and child support.

You can find more information in the publication Can Legal Action Affect My Retirement Account?

When and how your benefit will be paid

After you retire, your retirement benefit will be paid at the end of each month and directly deposited in your financial institution account. You must enter your banking information in your online retirement account or complete the Direct Deposit Authorization form as part of your retirement application.

If you need to change your financial institution once you've started your retirement, just update your information in your online account or send us a new authorization form.

In rare cases, if you are unable to receive payment by direct deposit, payment will be mailed at the end of each month.

Once you retire

Cost-of-Living Adjustment (COLA)

On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted to a maximum of 3% per year, as determined by the Consumer Price Index.

Working after retirement

If you return to public service in Washington state after you retire, your benefit could be affected, depending on the position and number of hours you work.

In certain circumstances, you might be required to become a member of, and pay contributions to, another retirement **system**. You might be able to work limited hours with no impact to your benefit. If you retire early under provisions put in place in 2008 (see "Early retirement" on page 12), your benefit could be stopped if you return to public service.

If you think you might be returning to work after retirement, call us to see if your benefit will be affected. Consider reviewing the Thinking About Working After Retirement? publication.

Benefit overpayments or underpayments

If you ever receive an overpayment of your monthly benefit, you are required to repay it. If we discover your benefit has been underpaid, we will correct the error and award you a retroactive payment, if applicable.

Changing a benefit option or survivor after you retire

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

- If you name someone other than your spouse to receive your survivor benefit, you can change to an Option 1 (no survivor) benefit at any time after retirement.
- If you choose a Survivor Option (Option 2, 3 or 4) and your named survivor dies before you do, your monthly benefit can be adjusted to the higher Option 1 payment level. Be sure to notify us to begin this change.
- If you marry or remarry after retirement and remain married for at least one year, you might be able to change your benefit option and provide a survivor benefit for your new spouse. To qualify for this opportunity, you must request the change during your second year of marriage. Contact us for estimates on how this will affect your monthly benefit. Also, be aware that this opportunity might not be available if a court-ordered property division has impacted your benefit.
- If you re-enter PERS membership and earn 24 months of uninterrupted **service credit**, you can choose a different Survivor Option when you retire again.

Glossary of terms

Average Final Compensation (AFC): The monthly average of your 60 consecutive highest paid service credit months. Your Average Final Compensation is used in determining your monthly benefit.

Beneficiary: The person(s), estate, organization or trust you have designated to receive any benefit payable upon your death. Your beneficiary must have a federal tax identification number or a Social Security number.

Cost-of-Living Adjustment (COLA): On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted to reflect the percentage change in the Consumer Price Index — to a maximum of 3% per year.

Defined benefit: A retirement plan in which your benefit is based on a formula rather than an account balance. The formula provides a monthly benefit based on your years of service and your Average Final Compensation.

Defined contribution: A benefit that consists solely of the money you contribute and any investment gains, losses or expenses applied to your account.

Domestic partner: In a registered domestic partnership, both individuals have met the state's legal requirements and registered their partnership with the Secretary of State's Office or another jurisdiction. Contact the Secretary of State's Office if you have questions about the requirements. Registered domestic partners have the same survivor and death benefits as married spouses. However, differences could occur in how taxes are handled at the federal level.

Dual member: You are a dual member if you have established membership in more than one Washington state retirement system, including First Class City Retirement Systems for Seattle, Spokane and Tacoma, but excluding Plan 1 of the Law Enforcement Officers' and Fire Fighters' Retirement System.

Early retirement: Retiring before age 65.

Membership status: The status of your retirement membership. This can be:

- Active, which means you are currently employed in a position covered by one of the state retirement systems
- Inactive, which means you no longer are actively contributing to the state retirement system and have not withdrawn your contributions after leaving employment (which might leave you eligible to receive a benefit once you reach retirement age)
- Withdrawn, which means you were employed in a position covered by one of the state retirement systems and you withdrew your contributions after leaving employment

Reduced benefit: A benefit that has been decreased by a factor provided by the Office of the State Actuary. A benefit is reduced in two situations: when you retire early or you retire and select a Survivor Option (which pays a benefit to your survivor after your death).

Service credit: The credit you receive each month for working in a position covered by one of the state retirement systems. Service credit is used to determine your eligibility for retirement and your benefit amount.

Survivor: The individual you choose — when picking Option 2, 3 or 4 at retirement — to receive benefit payments after your death.

System/plan: The retirement system and plan in which you are a member.

Vested: You have earned the right to receive a retirement benefit once you reach an eligible age.

Index