TRS Plan 1 Handbook

Teachers' Retirement System

September 2020

WASHINGTON STATE

Department of Retirement Systems

Teachers'

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Teachers' Retirement System (TRS) — Plan 1

Teachers' Retirement System

T1 TRS Plan 1 summary

TRS Plan 1 is a defined benefit plan.
When you meet plan requirements and retire, you are guaranteed a monthly benefit for the rest of your life.

Your monthly benefit will be based on your earned service credit and compensation while a member of TRS Plan 1.
In most cases, this formula will be used to calculate your monthly benefit:

2% x service credit years x Average Final Compensation = monthly benefit

Your benefit calculation will use up to 30 years of service credit. And in most cases, **Average Final Compensation** (AFC) is the average of your two consecutive highest paid fiscal years. In most cases, your benefit can be no higher than 60% of your AFC.

You and your employer each contribute a percentage of your salary or wages to help fund the plan.
You contribute 6% of your salary or wages to your retirement plan. This rate is set by law. The Washington State Investment Board (WSIB) holds in trust and invests those funds as well as their earnings.

You are vested in the plan when you have five years of service credit.
Once you are **vested**, you have earned the right to a future monthly benefit. If you leave your job and withdraw your contributions, however, you give up your right to a benefit.

You are eligible to retire with a full benefit at:

- Any age with at least 30 years of service credit
- Age 55 with at least 25 years of service credit
- Age 60 with at least five years of service credit

As a TRS Plan 1 member, you earn one full year of service credit when you are compensated for at least four-fifths (144 full time days) of the 180-day school year.
If you work at least 20 days but less than four-fifths of a fiscal year, you will earn a fraction of a year's 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 (TRS) and the Deferred Compensation Program (DCP).

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.

To contact DCP

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 15.

How your plan works

Overview

TRS Plan 1 is a 401(a) **defined benefit** plan. 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.

Membership in TRS Plan 1

You are eligible for TRS Plan 1 membership if the teaching position you were hired into before Oct. 1, 1977, is eligible. The equivalent of 90 full-time workdays during a fiscal year (July 1-June 30) was required to establish your membership. If you end your employment, withdraw your contributions and then later return to an eligible teaching position, you will rejoin TRS Plan 1.

An eligible teaching position is full-time and employs you for 20 or more days within a school year.

A teacher is anyone who is certified to teach and is employed by a public school as an instructor, administrator or supervisor. This includes:

- State, educational service district and school district superintendents and their assistants
- School district and educational service district employees who the Washington Superintendent of Public Instruction certificated
- Any full-time school doctor a public school employs to provide instructional or educational services

If you are a substitute teacher, your membership in TRS is optional. To learn more, read [TRS Plan 1 Substitutes' Guide].

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 TRS Plan 1 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.

Contributing to the plan

You are required to contribute 6% of your salary or wages to your retirement plan. This includes overtime and tax-deferred wages, but it might not include some forms of severance pay or some cash payments for unused sick or vacation leave. If you have questions about the compensation your employer reports for you, please contact your employer.

Your employer's contributions are also based on a percentage of your salary or wages. They are not matching funds, and you cannot withdraw them if you leave public service.

When you retire, the monthly benefit you receive will have been funded over time by your contributions, your employer's contributions and investment earnings. At that time, you will have the option to withdraw all or a portion of your contributions plus interest and receive a reduced monthly benefit.

Earning service credit

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

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 earn 12 months of service credit when you are compensated for at least 144 full-time workdays within the 180-day school year. You earn partial service credit when you work between 20 and 144 days within the fiscal year.

Example
Earning service credit

You teach full time for 24 years. Then in the 2016-17 fiscal year, you teach for only 60 days. Teaching for 60 days equates to 33% of a full 180-day fiscal year. So the amount of service credit you have accrued so far is 24.33 service credit years, calculated as follows:

24 + 0.33 = 24.33

Claiming credit for substitute teaching

If you work as a substitute teacher, your employer reports your hours and earnings to DRS. However, contributions aren't deducted from your paycheck. If you meet eligibility requirements and would like to receive credit for your service, you must enroll with DRS after June 30 of each school year and pay the appropriate contributions.

To learn more, read TRS Plan 1 Substitutes' Guide.

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

Once you have at least five years of **service credit** in TRS, you have a **vested** right to a retirement benefit.

If you leave TRS employment before you're eligible to retire, you can choose to either leave your contributions in the plan, where they will continue to earn interest, or you can withdraw your contributions.

If you decide to withdraw your contributions, you give up your right to a future TRS retirement benefit. See "Returning to public service" on page 7 to learn more about re-establishing your benefit rights in certain circumstances.

When you will be eligible to retire

You are eligible to retire with a full benefit at:

- Any age with at least 30 years of service credit
- Age 55 with at least 25 years of service credit
- Age 60 with at least five years of service credit

How your monthly benefit will be calculated

Your benefit is determined by your **service credit** years and compensation. When you retire, this formula will be used to calculate your benefit:

2% x service credit years x AFC = monthly benefit

Average Final Compensation (AFC) is the average of your two consecutive highest paid fiscal years. Your benefit can be no higher than 60% of your AFC.

Example
Using the formula

If you retire at age 61 with 30 years of service credit and a monthly Average Final Compensation of $5,000, your monthly benefit is $3,000, calculated as follows:
2% x 30 x $5,000 = $3,000

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 plan. Here are some on the DRS website:

- Live webinars are available to attend online. Topics include Plan 2, Plan 1, plan choice, the Deferred Compensation Program (DCP), distributions from Plan 1, 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 1, 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

When you have at least five years of **service credit** in TRS Plan 1, you have a **vested** right to a retirement benefit. This is a significant milestone in your public service career.

Leaving public service

If you leave TRS employment, you can choose to either leave your contributions in the plan until you're eligible to retire or withdraw them.

If you leave your contributions in the plan, they will earn 5.5% interest annually, compounded quarterly. If you later return to a TRS-covered position, you retain your service credit from the earlier service. The IRS requires that you begin taking payment of your monthly benefit no later than age 70½, unless you are still employed.

Leaving TRS-covered employment is the only circumstance in which you can withdraw your contributions. Doing so cancels any rights and benefit you have accrued in TRS. You can restore your contributions and re-establish your benefit only in certain circumstances (see the next section).

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 [Withdrawal of Retirement Contributions] publication offers more detailed information.

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 designation current, because a divorce, marriage or other circumstance might invalidate it.

Returning to public service

If you don't withdraw your contributions when you leave and return to work for a state agency or public school position that the Public Employees' Retirement System (PERS) covers, then you will remain in TRS.

If you leave your position, withdraw your contributions and later return to TRS work, you might be able to restore your previous **service credit**. To do so, you must pay at least 20% of the contributions you withdrew plus interest by June 30 of the fifth fiscal year after returning to TRS membership. The remaining bill balance must be paid by June 30 of the fourth fiscal year following the fiscal year in which you first began repaying the contributions or before you retire, whichever comes first.

Payments can be made in a lump sum or in installments. If you choose installments, the first one must be 20% or more of the total amount due. Contact us to find out that amount. Partial restorations aren't allowed.

If you withdraw your contributions and later want to return to TRS membership, you can:

- Work as a contracted teacher for at least 90 days within the fiscal year (July 1-June 30)
- Work as a substitute for at least the equivalent of 90 full-time days within the fiscal year

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 TRS. 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 buy service credit after the deadline has passed. However, the cost in that case can often be much higher. You can learn more by reading [Plan 1 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 a TRS employer after receiving an honorable discharge
- Pay the contributions within five years of returning to employment or before you retire, whichever comes first

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 TRS Plan 1 Military Service Credit for more information.

Service credit for an unpaid, authorized leave of absence

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

- Return to work in a TRS-covered position
- Pay your contributions with interest for the period of time you were on leave

To do so, you must start paying your employee contributions within five fiscal years of returning to service. You must finish paying your contributions plus interest by the end of the fourth fiscal year following your first payment. You can learn more by reading Using or Purchasing Out-of-State Service Credit.

Disability before retirement

In some cases, you can obtain service credit for up to two years of missed work time 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.

To learn more, please refer to TRS Plan 1 Disability Benefits or call us for information.

Death before retirement

If you have fewer than 10 years of service credit at the time of your death, your accumulated contributions plus interest will be paid to your **beneficiary**.

If you have 10 or more years of service credit at the time of your death, your spouse (or the guardian of your minor children, if you aren't married) can choose to receive either a lump sum payment of your contributions plus interest or a monthly benefit. If you don't have a surviving spouse or minor children, your contributions plus interest will be paid to your beneficiary or estate.

The monthly benefit will be calculated as if you had retired and chosen a 100% **survivor** benefit (see Option 2 on page 11 in the "Ready to retire" section of this handbook).

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

An additional, one-time death benefit might also be payable to your beneficiary. If you die while employed full time in a TRS position or when eligible to receive temporary disability benefits, your beneficiary will receive $600. If you die after ending TRS-covered employment with at least 10 years of service credit or when eligible to retire, your beneficiary will receive $400.

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.

Refund of contributions after 30 years of service credit

Do you have at least 30 service credit years? If so, you can make a one-time, permanent choice to participate in a program in which post-30-year contributions are refunded at retirement. To do so, you must sign up within six months of earning 30 service credit years.

Program participants earn 7.5% interest on their post-30-year contributions. If you participate, your monthly benefit will be based on your earnings before you joined the program.

Before your 30th service credit year, DRS will contact you with information to help you make an informed decision. To learn more, read TRS Plan 1: Post-30-Year Program.

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 decide to retire after accruing 30 years of service credit?
- 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

You are eligible to retire with a full benefit if you have at least five years of service credit when you meet the age requirement.

For active and inactive members (see **membership status** in the glossary), you can retire at:

- Any age with at least 30 years of service credit
- Age 55 with at least 25 years of service credit
- Age 60 with at least five years of service credit

This formula will be used to calculate your monthly benefit:

2% x service credit years x AFC = monthly benefit

Your benefit calculation will use up to 30 years of service credit. AFC is the average of your two consecutive highest paid fiscal years. And in most cases, your benefit can be no higher than 60% of your AFC.

If your monthly benefit is less than $50, 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 TRS.

Example
Service retirement

If you retire at age 60 with 20 years of service credit and a monthly Average Final Compensation of $3,700, your monthly benefit is $1,480 each month, calculated as follows:

2% x 20 x $3,700 = $1,480

Using out-of-state service credit to qualify for early or normal retirement

If you're a vested member who earned service credit in an out-of-state retirement system that covers teachers, you may use that credit to qualify for retirement. No cost and no limit apply to how much out-of-state service credit you may use. Your retirement benefit will be based only on your Washington state service credit; out-of-state service credit isn't used in the calculation of your benefit.

For more information, read TRS Plan 1 Using or Purchasing Out-of-State Service Credit.

Using sick leave to qualify for retirement

You may use up to 45 days of unused sick leave to help you qualify for retirement. Sick leave not cashed out by your employer may be converted into a maximum of three months of service credit. However, this service credit isn't used in the calculation of your benefit. It can only be used to qualify for retirement.

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.

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 1 and four from the Teachers' Retirement System (TRS) Plan 1, you are a dual member. Without dual membership, your service would not 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 is calculated with service from that system. This is how your benefit is calculated:

2% x 3 (PERS service credit years) x Average Final Compensation (AFC) = PERS benefit

2% x 4 (TRS service credit years) x AFC = TRS benefit

PERS benefit + TRS benefit = total monthly benefit

Maximum benefit

If you retire as a dual member, your total benefit cannot exceed the amount you would have received if all your service had been in a single system. The maximum benefit limitation applies only if you have:

- 15 or more service credit years in a plan with a benefit cap
- More than 30 years total combined service

For more information, read the Dual Membership webpage.

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, TRS Plan 1 members have two available annuities.

TRS Plan annuity: With this annuity, the retirement benefit increase you receive is based on the dollar amount you choose to purchase. There are no minimum or maximum purchase amounts. 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.

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 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.

Applying for retirement on paper

Request a retirement application from us. 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).

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

Your benefit options

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

Maximum Option
Single Life

This option pays the highest monthly amount of the five choices, but it is for your lifetime only. No one will receive an ongoing benefit after you die. Any remaining value of your accumulated contributions will remain with the trust fund. However, your beneficiary will receive any unpaid final monthly benefit due.

Option 1
Single Life

This option pays the second-highest monthly amount of the five choices, but it is for your lifetime only. No one will receive an ongoing benefit after you die. If you die before the benefit you have received equals your contributions plus interest (as of the date of your retirement), the difference will be paid in a lump sum to your designated **beneficiary**.

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 contact the Health Care Authority at 800-200-1004 or www.hca.wa.gov.

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.

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 1099-R information). 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 paper 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

Optional Cost-of-Living Adjustment (COLA)

When you apply for retirement, you can choose to receive the Optional COLA in exchange for a lowered monthly benefit. (See your benefit estimate.) If you choose the 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.

Make your Optional COLA choice on your retirement application. Once you submit your application, your choice is permanent. To see your benefit with and without the Optional COLA, try the Optional COLA calculator.

Other adjustments

Several other COLAs apply to small groups of members. For more information, see the Plan 1 Optional COLA Frequently Asked Questions.

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 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 TRS membership and then retire again, you can choose a different Survivor Option when you retire again.

Glossary of terms

Average Final Compensation (AFC): The monthly average of your two consecutive highest paid fiscal years. 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): If you choose the Plan 1 Optional 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.

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.

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 when 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