Information and Procedures

For joining PERS

For use with the Employer Reporting Application (ERA)

WASHINGTON STATE
Department of
Retirement Systems

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Voluntary Social Security Coverage

(Section 218 Coverage)

Joining PERS could impact the Social Security coverage of your employees

PERS is a "qualifying retirement system," meaning that it is considered a FICA-replacement plan (or Social Security replacement plan). Most public employees who are members of a qualifying retirement system cannot participate in Social Security through public employment unless the retirement system group is covered by a Section 218 Agreement.

Brief History of Social Security and Public Employees

When the federal Social Security Act began in 1935, public employees were not eligible for Social Security benefits. This was due to a constitutional question regarding the federal government's power to tax state and local governments. Consequently, many government employees were without a retirement plan.

In 1951, Section 218 of the Social Security Act authorized states to voluntarily elect Social Security coverage for public employees.These Federal-State Agreements, often referred to as Section 218 Agreements, were entered into with the Federal Government. Washington entered into a Section 218 Agreement with the Federal Government on July 31, 1951.

Does your agency have Section 218 Coverage?

Contact DRS at oasi@drs.wa.gov to find out the status of your agency's Section 218 coverage. DRS will work with your agency to obtain voluntary Social Security coverage for PERS members if desired.

Overview – Public Employees' Retirement System (PERS)

Thank you for considering Washington State Public Employees' Retirement System (PERS) for your organization's retirement program. We hope the following information will help you determine whether PERS is the best retirement program for you and your employees.

PERS was established by the Legislature in 1947. Plan 2 was established in 1977. Plan 3 was implemented in 2002.

Today, new members have a choice between PERS Plan 2 and PERS Plan 3. The Plan Choice Booklet contains detailed information about Plan 2 and Plan 3.

Some of your employees may have previously established membership in one of the plans and may not have a plan choice.

- PERS Plan 1 was closed in 1977. See the PERS Plan 1 Member Handbook for more information.
- PERS Plan 2 is a defined benefit plan. See the PERS Plan 2 Member Handbook for more information.
- PERS Plan 3 is a hybrid plan with a defined benefit component and a defined contribution component. See the PERS Plan 3 Member Handbook for more information.

PERS statutes are in Chapter 41.40 RCW. The administrative rules are in Chapter 415-108 WAC.

Contribution rates are calculated by the Office of the State Actuary and subject to approval by the Legislature per Chapter 41.45 RCW. More information on contribution rates and pension funding can be found at http://leg.wa.gov/osa/pensionfunding/Pages/default.aspx

Tax Deferral of Members' Contributions

Washington state law allows an employer to deduct members' contributions from their gross pay before federal income tax is calculated (RCW 41.04.440 through RCW 41.04.455).

Under these laws, the gross pay is reduced for federal income tax purposes only. Deductions for retirement contributions do not impact Social Security, Medicare or other payroll taxes.

Tax deferral of PERS member contributions is optional and is a decision made by the employer; however, all PERS members must be treated the same by the organization for tax purposes per the Internal Revenue Service (IRS).

If an employer has employees covered by two or more retirement systems, such as PERS and LEOFF (Law Enforcement Officers' and Fire Fighters' Retirement System), the PERS members may be tax deferred and the LEOFF members may not, or vice versa.

Member contributions made under this program will be posted to the individual member's account. Contributions are refundable, with interest, upon separation from service; however, since taxes will be deferred under this program, all such contributions will be subject to taxation in the year the refund is made to the member, and may be subject to an additional 10% tax unless they are rolled over into another qualified plan.

The Department of Retirement Systems (DRS) will maintain an accounting of all contributions on which taxes have been paid for each member. This information will be reported annually to the member and, when appropriate, to the IRS upon the member's withdrawal of funds or retirement.

Purchase of Previous Service

Per RCW 41.40.057, service credit in PERS can be granted for service* rendered by an employee prior to the employer becoming a member of PERS. The amount of the employer and member contributions is referred to as previous service cost.

Employers have four options for purchasing previous service for current employees, but must use the same payment option for every employee enrolled in PERS.

Option A: Employer pays entire cost

Option B1: Member pays member contributions; employer pays employer contributions

Option B2: Member and employer each pay a percentage of total cost

Option C: Member pays entire cost

Details for each option are on pages 8-9.

Estimating the Cost of Purchasing Previous Service

Use the Purchase Previous Service Credit Calculator located in the Employer Reporting Application (ERA) Portal at https://eportal.drs.wa.gov/tools/pages/Login.aspx to:

- Estimate the amount of member contributions and employer contributions due for previous service
- Estimate your agency's cost based on the purchase option you expect to choose

Each employee has the choice to purchase previous service. The cost to the employee will depend on which payment option the employer chooses. Members who wish to purchase previous service* must purchase all prior time from their current hire date. Members must make their plan choice before requesting the purchase. DRS accepts rollovers from funds including IRAs, distributions from any former employer's pension plan, or plans under IRC 401(a), 403(a), 403(b), or 457.

*Service refers to a position that would have been eligible for PERS.

Purchase of Previous Service (continued)

Option A: Employer Pays Entire Previous Service Cost

The employer pays the entire previous service cost (both member and employer contributions). The employer has 15 years from the date of entry in PERS to complete payment. Either lump sum or installment payments are allowed. No recovery interest will be charged on the contributions due. No contributions from the previous service costs go into the member's account, meaning that the employee cannot later withdraw the member contributions paid by the employer for the cost of the previous service, but the member is granted service credit for the period of previous service.

Option B: Member and Employer Share Previous Service Costs

DRS allows employers to select one of two sub-options when the employer and member are sharing the cost. For both alternatives of Option B, the entire payment of the previous service cost must be completed within five years from the date the employer entered PERS (this includes both the member and employer portions). No recovery interest will be charged on the contributions due. Either lump sum or monthly installment payments are allowed. Once the member has paid their portion in full, the service credit will be added to the member's account. The contributions made by the member are placed in the member's account and, upon request, are refundable to the member upon termination from eligible employment.

See sub-option details for Option B on the next page.

The employer will be billed for employer contributions after the member pays their portion in full.

Example: An employer joins PERS on Jan. 1, 2019. All employer and member contributions are due no later than Jan. 1, 2024. The member chooses to pay in monthly installments and completes payment on Oct. 31, 2023. The employer is then invoiced and has until Jan. 1, 2024 to pay the employer portion.

Option B1: Member Pays Member Contributions and Employer Pays Employer Contributions

The employer's contributions are associated with the previous service cost. The member pays the member's contributions.

Option B2: Member and Employer Each Pay A Percentage

Both member and employer each agree to pay a percentage of the total amount of previous service cost. For example, the employer agrees to pay 30%; however, the member must first pay 70% of the total cost.

Regarding installment payments of employer's obligations for previous service costs
When Option A or B is selected, DRS will issue an invoice to the employer for the employer's portion of the previous service cost. If installment payments are chosen, the employer must contact DRS within 30 days of the invoice date to set up a payment plan. Interest will be applied to late payments.

Option C: Member Pays Entire Previous Service Costs

The member pays the entire previous service cost (both the member and employer contributions). The member has five years from the date the employer enters PERS to complete payment. No recovery interest will be charged on the contributions due. Either lump sum or installment payments are allowed. Once the member pays the previous service cost in full, the service credit will be added to the member's account. All contributions (both member and employer contributions paid by the member) from the previous service costs are placed in the member's account and, upon request, are refundable to the member upon termination from eligible employment.

Instructions and Steps for Joining PERS

Below are the steps in the process to join PERS. If you have any questions or concerns, please contact us at employersupport@drs.wa.gov, or by phone at 360-664-7200 (option 2).

- ☐ Contact DRS at oasi@drs.wa.gov if you have questions about your agency's Section 218 status (voluntary Social Security coverage), or if you wish to obtain coverage before joining PERS.

- ☐ For existing entities, use the Purchase Previous Service Credit Calculator located in the Employer Reporting Application (ERA) Portal at https://eportal.drs.wa.gov/tools/pages/Login.aspx to estimate the cost of purchasing previous service for employees. This will help determine who will pay (member, employer, or cost shared by both) if the employee chooses to purchase previous service.

- ☐ Submit the New PERS Employer Questionnaire to DRS (included in this booklet) along with supporting legal documentation regarding the formation of your agency. Please do this before having the governing board pass the Resolution Authorizing Participation in PERS (included in this booklet).

- ☐ Submit the fully executed Resolution Authorizing Participation in PERS to DRS.

- ☐ Your Main Contact will receive an email confirming your enrollment in PERS.

- ☐ DRS will coordinate with the Main Contact to schedule training for ERA users.

- ☐ Complete required training (provided by DRS).

- ☐ Complete tasks to prepare for submission of first Retirement Transmittal Report.

- ☐ Create and submit first Retirement Transmittal Report.

- ☐ Complete and submit the Verification of Earnings (VOE) Forms for employees who choose to purchase service credit (not applicable to newly created entities).

Clear Form

New PERS Employer Questionnaire

New employers use this form to join the Public Employees' Retirement System (PERS).

Send completed form to:
Employer Support Services
Department of Retirement Systems
PO Box 48380 • Olympia, WA 98504-8380
email: *employersupport@drs.wa.gov*
website: *www.drs.wa.gov/employer/*
360.664.7200 • 800.547.6657 • TTY: 711

Important Information

Fill out this questionnaire and submit it along with supporting legal documentation regarding the formation of your agency. This is the first step to join PERS and must be completed before you have the governing board pass the Resolution Authorizing Participation in PERS (enclosed in this packet).

Employer Information

Legal Name	Doing Business As (DBA)

Does your agency currently participate in a DRS-administered retirement plan or the Washington State Deferred Compensation Plan (DCP)?

☐ No (Skip the next question and complete the rest of the form.)
☐ Yes (Answer the next question.)

Has your agency migrated to the new Employer Reporting Application (ERA)?

☐ Yes (Stop here. We should have your agency's information.)
☐ No (Complete the rest of the form.)

Date Organization Created	Email or attach formation documents with this Questionnaire. Examples of formation documents are city or county ordinance, election results, inter-local agreement, etc.

Mailing Address	City	County	State	ZIP

Main Contact (person responsible for managing access for other ERA users at your agency)

Name	Title
Phone	Email
When did or when will your organization hire its first employee?	Federal Employer Identification Number (FEIN)

Describe your payroll cycle. Example: If your agency's payroll cycle is semi-monthly, the payroll is paid on the 10th of the month for the 16th-31st of the prior month, and the 25th of the month for the 1st-15th of the same month.

What software do you use for human resources and payroll functions? Examples of software are PeopleSoft, BIAS, etc.

Which version of the software do you use? For example: version 2.0, version 5.4, etc.

Please return the completed Questionnaire to *employersupport@drs.wa.gov*.
Or you can return the completed Questionnaire through the mail to the address above.

Resolution Authorizing Participation in PERS Resolution No. _____

New employers use this form to join the Public Employees' Retirement System (PERS).

Send completed form to:
Employer Support Services
Department of Retirement Systems
PO Box 48380 • Olympia, WA 98504-8380
email: *employersupport@drs.wa.gov*
website: *www.drs.wa.gov/employer/*
360.664.7200 • 800.547.6657 • TTY: 711

Important Information

Fill out this resolution for authorizing and approving your participation in the Washington State Public Employees' Retirement System (PERS). It must be fully excuted and signed before you submit it to DRS.

Authorization

_____, a political subdivision of the state of Washington, authorizes and approves the following:

1. Its eligible employees shall participate in PERS as allowed by RCW 41.40.06
2. The necessary funds shall be made available to cover its proportionate share for participation in PERS
3. PERS membership shall begin on _____
(mm/dd/yyyy)

Tax Status (select one)

☐ Will submit tax-deferred member contributions
☐ Will not submit tax-deferred member contributions

Purchase of Previous Service (select one)

☐ **Not applicable**
Check this box if your agency is newly created **and** the effective date of PERS participation is equal to the date of hire of the first employee(s).

☐ **Option A**
Employer pays all previous service costs (both member and employer contributions). Payment must be completed within 15 years from entry into PERS.

☐ **Option B**
Employer and member share previous service cost. Payment must be completed within five years from entry into PERS. Choose one of these variations:

- ☐ **B1** Member pays member contributions. Employer pays employer contributions.
- ☐ **B2** Member pays _____% of previous service cost.

☐ **Option C**
Member pays all previous service costs (both member and employer contributions). Payment must be completed within five years from entry into PERS.

Complete and sign the authorizing and approving participation signature section on the back of this form.
Please return the completed and signed form to employersupport@drs.wa.gov.
Or you can return the completed and signed form through the mail to the address above.

Authorizing Signatures

Resolution Number	Passed this _____ day of _____, 20_____.

Authorizing signatures and titles

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

_____ Title: _____

CONTACT INFORMATION:

6835 Capitol Boulevard, Tumwater, WA 98501

employersupport@drs.wa.gov

360.664.7200 or 800.547.6657

360.753.1090 (fax)

http://www.drs.wa.gov/employer/