

PERS Plan 3 Handbook

Public Employees' Retirement System

making it *easy* to see your future

December 2016

WASHINGTON STATE
Department of Retirement Systems





Public Employees' Retirement System (PERS) — Plan 3

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Facts in a flash

Plan 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 retirement benefit will be based on your years of service (while a member of PERS Plan 3) and your compensation. There is no limit on the **service credit** years included in your benefit calculation. This formula will be used to calculate your monthly retirement benefit:

$1\% \times \text{service credit years} \times \text{Average Final Compensation} = \text{monthly benefit}$

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

You are vested in the plan when you have:

- Ten service credit years; or
- Five years of service credit and at least 12 of those months were earned after the age of 44; or
- 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 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 may 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 — benefits may be available. If you become totally incapacitated and leave your job as a result, you may be eligible for a disability retirement benefit.




If you die before retirement, your **survivor** may be eligible to receive a benefit based on your years of service credit.

Log in or sign up for online access to your retirement account. Track your contributions and service credit; read the latest newsletter; use your individual data to estimate your retirement benefit; and when you're ready, apply for retirement. Get started at www.drs.wa.gov.

How to contact the Washington State Department of Retirement Systems

The Department of Retirement Systems (DRS) administers the Public Employees' Retirement System and the Deferred Compensation Program (DCP). DRS maintains your defined benefit component (the part your employer contributes to). Empower Retirement, the Plan 3 record keeper, maintains your defined contribution account (the part you contribute to). Contact DRS to obtain more information about your benefits under this plan, to apply for retirement or to schedule an appointment.

To contact DRS

Call 360.644.7000 800.547.6657 TTY 711		Write Department of Retirement Systems PO Box 48380 Olympia, WA 98504		Email General inquiries: <i>recep@drs.wa.gov</i> Send a secure message through your online account: <i>drs.wa.gov/oa</i>	
Visit 6835 Capitol Blvd. Tumwater, WA 98501 See the DRS website for directions.		Hours Monday - Friday 8 am to 5 pm Pacific Time		Website <i>drs.wa.gov</i> You can also send email through the Contact Us page on the DRS website.	

For questions about your defined contribution or DCP, contact Empower Retirement.

Call 888.327.5596 TTY 711 Fax 866.745.5766		Email <i>savewithwa@empower-retirement.com</i>		Website <i>drs.wa.gov/savewithwa</i>	
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Glossary:

Terms highlighted in **bold** print appear in the glossary of terms on page 16.

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 **Public Employees Benefits Board (PEBB)**, we may share your information with PEBB to better serve you.

Handbook summary

This handbook is not a complete description of your retirement benefit under Plan 3 of the Washington State Public Employees' Retirement System. 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.

Welcome to the Public Employees' Retirement System

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 years of public service and your **Average Final Compensation**.

You also have a defined contribution component. You choose how your contributions will be invested from a range of options provided by the Washington State Investment Board. The amount of your defined contribution account depends on the amount you contribute and the performance of your investments.

Eligibility for PERS Plan 3

You are a Plan 3 member if you were first hired into a PERS-eligible position as a:

State Employee	Local government employee
On or after March 1, 2002, and you chose Plan 3.	On or after September 1, 2002, and you chose Plan 3.

If you had the opportunity to make a plan choice, but didn't finalize your selection, you were defaulted into Plan 3. You could have also transferred to Plan 3 from PERS Plan 2.

A PERS-eligible position is one that 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 (agency, department, board, 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; or
- Airport.

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:

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

Membership in PERS may be optional for some elected or appointed officials, employees of the Legislature, city managers, and chief administrative officers of city, county, port or public utility districts. Read the PERS Plan 3 Rules for *State Elected, Local Elected and Governor-Appointed Officials* publication.

Previous membership in another Washington public service retirement system

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

- Eligibility for PERS Plan 3 membership;
- Eligibility to retire; and
- Benefit calculation.

If you have ever been a member in another of Washington's public service plans, it is important to tell your PERS employer.

Contributing to the plan

Your defined contribution account

Your **defined contribution** benefits are funded by your contributions and their investment earnings. You are required to contribute a percentage of your salary or wages to your retirement plan. You choose how much to contribute from one of the six rate options.

Plan 3 Mandatory Member Contribution Rates

Option A: 5% all ages

Option B: 5% up to age 35; 6% ages 35 through 44; or 7.5% age 45 and older

Option C: 6% up to age 35; 7.5% ages 35 through 44; or 8.5% age 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, the mandatory default rate will be chosen for you: Option A: 5% all ages.

Once you choose or are defaulted to a rate, you can change it only when you change PERS-covered employers. Changing means working for a different employer, not another division or department where you currently work.

Federal law limits the amount of compensation you can pay retirement system contributions on and that can be used in your benefit calculation.

In 2017, that limit is \$270,000; the amount can be adjusted each year. If you reach the limit in any calendar year, you don't pay contributions for the remainder of the year and any salary earned over that amount isn't used in your pension calculation.

Your defined benefit

Your future **defined benefit** is funded by contributions made by your employer and is based on a percentage of your salary or wages. They are not matching funds and you cannot withdraw them if you leave public service.

Investment program selection

The defined contribution part of Plan 3 offers you the choice between two investment programs: the Self-Directed Investment Program and the Washington State Investment Program.

The Self-Directed Investment Program

If you choose the Self-Directed Investment Program, there are two different approaches you can take. One is the Build and Monitor approach and the other is One-Step Investing.

Build and Monitor – you select, monitor and adjust your investments

With Build and Monitor, you select 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

One-Step Investing — your investments are automatically adjusted for you

The One-Step Investing approach is made up of 12 Retirement Strategy Funds. Each one is diversified and automatically rebalances, adjusting your asset mix as you move toward a target date that meets your needs and lifestyle. To select the Retirement Strategy 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

$$1968 \text{ (birth year)} + 65 \text{ (retirement age)} = 2033 \text{ (target date)}$$

Pick the fund with the date closest to your target date (in our example above, 2035 would be the target date):

Retirement Strategy Funds

2060	2025
2055	2020
2050	2015
2045	2010
2040	2005
2035	Maturity Strategy*
2030	

* The Retirement Maturity Strategy Fund is allocated for investors who have been retired for 15 years or more.

The WSIB Investment Program

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

If you do not make a selection

If you do not select either the Self-Directed or WSIB Investment Program, you will be defaulted into the Self-Directed Investment Program. All of your contributions will be invested in the Retirement Strategy Fund that assumes you'll retire at age 65.

Earning service credit

Service credit is based on the number of hours you work, which your employer reports to DRS. 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 for each calendar month, even if more than one employer is reporting hours that you worked.

You receive one half of a service credit if you work fewer than 90, but at least 70 hours. You receive one quarter of a service credit for any calendar month in which you receive compensation for fewer than 70 hours in a calendar month.

When you retire, your service credit will be a part of your retirement benefit calculation.

If one or both of the following applies to you, there is service credit information you need to know.

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 less 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.

You're an employee with previous membership in another Washington public retirement system:

- If you have earned service credit in another of the state's public retirement systems, you may be able to combine your PERS service credit with credit you earned in the other system(s). Read the [What Is Dual Membership and How Does It Affect Me?](#) publication.

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 in your *online retirement account*. Sign up or log in to your account, select "My Account," and then "View/Edit" beside "Beneficiary." You have the option of submitting a paper *Beneficiary Designation* form instead if you prefer.

If you do not submit this information, any benefits due will be paid to your surviving spouse or minor child. If you do not 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** 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; or
- Five service credit years and at least 12 of those months were earned after age 44; or
- 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. Should you decide to withdraw your contributions, you may 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 early are available. If you choose to retire early, your benefit will be reduced to reflect that you will be receiving it over a longer period of time. To retire early, you must be at least 55 and have 10 or more years of service credit (see *Early retirement* on page 11). There is less of a benefit reduction for **early retirement** if you have 30 or more years of service credit.

How your retirement benefit will be determined

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. There is no limit on the service credit years included in your benefit calculation. When you retire, this formula will be used to calculate your benefit:

$$1\% \times \text{service credit years} \times \text{Average Final Compensation} = \text{monthly benefit}$$

Average Final Compensation 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.

How the value of your defined contribution account is determined

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

HERE'S AN EXAMPLE:

Suppose you retire at age 65 with 32 years of service credit and a monthly Average Final Compensation of \$2,000. Your retirement benefit would be \$640 each month, calculated as follows:

$$1\% \times 32 \times \$2,000 = \$640$$

The value of your defined contribution account will depend on the investment performance of your contributions.

Planning for retirement

Though retirement may seem far away at the moment, planning for it now is one of the best things you can do for yourself and your family. Your retirement 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; and
- Your life expectancy.

Next, estimate how much money you will receive from all sources (consider Social Security, personal savings, other employer pension plans, etc). When you compare this number with what you think you will need, then you can adjust your savings plan.

A number of different tools can help you, including:

- The benefit estimator within online account access will calculate your retirement benefit under a variety of different 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 and adjust for changes that will happen over time.

Milestones/life changes

Becoming vested

You are **vested** in the plan when you have:

- 10 service credit years; or
- Five service credit years and at least 12 of those months were earned after age 44; or
- Five service credit years earned in PERS Plan 2 before June 1, 2003.

This is a significant milestone in your public service.

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 approximately three percent for each year you delay receiving it, up to age 65.

As a Plan 3 member, you may 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. There are also tax implications to withdrawing your contributions, so you might want to contact the IRS or a tax advisor before deciding. For more withdrawal information, visit the [Plan 3 forms and publications webpage](#).

Any service you've accumulated is not affected by withdrawing your contributions.

The IRS requires that you begin taking payment of your retirement benefit when you reach age 70½ unless you are still employed.

Be sure to keep us updated on any changes in your name, address or **beneficiary**.

Returning to public service

If you leave your position, withdraw your contributions, and later return to PERS employment, you may reinstate your Plan 3

contributions at any time unless you have waived your **defined benefit**.

A **dual member** (one who belongs to more than one retirement system) may be able to restore **service credit** earned in a retirement system other than PERS. The deadline is within two years of first becoming a dual member or before retirement, whichever comes first.

It may still be possible to purchase service credit after the deadline has passed; however, the cost is considerably higher. You can learn more by reading *Plan 3 Recovery of Withdrawn or Optional Service Credit* and *What Is Dual Membership and How Does It Affect Me?*

Marriage or divorce

Marrying or divorcing can affect your retirement benefits.

Court-ordered property division

Your benefit may be affected by a court-ordered property division. As long as the order complies with the applicable laws, we will pay retirement benefits according to the property division.

An ex-spouse may have a right to a portion of your benefits under certain circumstances. 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 in your *online retirement account*. Sign up or log in to your account, select "My Account," and then "View/Edit" beside "Beneficiary." You have the option of submitting a paper *Beneficiary Designation* form instead.

If you marry or divorce before you retire, you need to fill out a new **beneficiary** form, even if your beneficiary remains the same. It's very important that you keep your beneficiary designation up to date.

If the unexpected happens

Temporary leave from your job

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

- Military service;
- An authorized leave of absence; or
- A temporary disability.

If so, you may 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 may 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; and
- Complete payment of the contributions within five years of returning to employment or before you retire, whichever comes first. Contributions may not be required if your military service occurred during certain periods of war.

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

Service credit for an unpaid authorized leave of absence

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

- Return to work with the same PERS employer; and
- Pay your contributions, as well as your employer's contributions, plus 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. Read *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 may be eligible for a disability retirement benefit. Read *PERS Disability Benefits*.

Death before retirement

Defined benefit component

If you die before you retire, your surviving spouse, (or if you are not married, the guardian of your minor children), will receive a **defined benefit** payment calculated as if you had:

- Elected an Option 2 benefit; and
- Retired on the first of the month following the date of your death. The benefit will be reduced, based on life expectancy factors from the state actuary, for each year you were under age 65 at death.

Should your **survivor** die while receiving the benefit, your minor children will continue to receive the benefit that was being paid to your survivor. The benefit will be divided equally among the children and paid until they turn 18.

Defined contribution account

Your **beneficiary** has the right to:

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

Death after retirement

Defined benefit component

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

Defined contribution account

If you still have money in the account, your beneficiary should contact *Empower Retirement*. 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 and Industries determines that your death occurred from injuries in the course of employment or as a result of 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 checklist

This is a good 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.

Many important questions need considering as you approach retirement, including:

- Do you know how much income you will need in retirement?
- Do you know how much your monthly benefit will be?
- How will your benefit change if you work past age 65 or 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?

If you haven't already signed up for *online account access*, you'll want to do so at the *DRS website*.

With this access, you can calculate your benefit under different scenarios, using your individual account information.

Service retirement

When you will be eligible to retire

You are eligible to retire at age 65 if you are **vested**.

There are options to retire earlier, but your benefit will be reduced to reflect the fact that you will be receiving it over a longer period of time. To retire early, you must be at least 55 and have 10 or more years of service credit (see *Early retirement* in the next column). There is less of a benefit reduction for **early retirement** if you have 30 or more years of service credit.

How your retirement benefit will be determined

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. There is no limit on the service credit years included in your benefit

calculation. When you retire, this formula will be used to calculate your benefit:

$$1\% \times \text{service credit years} \times \text{Average Final Compensation} = \text{monthly benefit}$$

Average Final Compensation 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.

How the value of your defined contribution account is determined

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

HERE'S AN EXAMPLE:

Suppose you retire at age 65 with 32 years of service credit and a monthly Average Final Compensation of \$2,000. Your retirement benefit would be \$640 each month, calculated as follows:

$$1\% \times 32 \times \$2,000 = \$640$$

The value of your defined contribution account will depend on your contributions and investment performance.

If your benefit is less than the minimum payment, you may choose to receive a lump sum payment instead of the monthly benefit. The minimum monthly payment amount is indexed and changes each year. For the current minimum monthly payment amount, please contact DRS. If you qualify, we will provide you with the lump sum payment option when you receive an estimate. 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.

Early retirement

Any retirement before age 65 is an **early retirement**. Your benefit depends on how much service credit you have earned, your age and the early retirement factor applied.

If you have at least 10 service credit years, you can retire at or after age 55 with a **reduced benefit**. However, an early retirement factor is applied as you will be receiving your benefit over a longer period of time.

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

- A benefit that is reduced by three percent for each year (prorated monthly) before age 65; or
- A smaller (or no) reduction in your benefit, but stricter rules on returning to public service employment (your pension stops if you return to public service and doesn't start again until you've left employment or reach age 65).

The second provision is referred to as the 2008 Early Retirement Factors (ERFs). If you're thinking about retiring early, you'll want to read our *Thinking About Working After Retirement?* publication to make sure you understand the restrictions that may apply in returning to work.

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 five percent for each year (prorated monthly) before age 65.

Early Retirement Factors

Retirement age	At least 10 years service	30 years or more service (prorated monthly)		
		3% ERF	2008 ERF	5% ERF
55	0.365	0.70	0.80	0.50
56	0.401	0.73	0.83	0.55
57	0.442	0.76	0.86	0.60
58	0.487	0.79	0.89	0.65
59	0.537	0.82	0.92	0.70
60	0.594	0.85	0.95	0.75
61	0.657	0.88	0.98	0.80
62	0.728	0.91	1.00	0.85
63	0.808	0.94	1.00	0.90
64	0.898	0.97	1.00	0.95

The *Thinking About Retiring Early?* publication contains in-depth information on what you'll need to know if you are thinking about an early 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 may combine service credit earned in all dual member systems for the purpose of becoming eligible for retirement.

In most cases, your retirement 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 of the retirement systems you are retiring from.

HERE'S AN EXAMPLE:

Suppose you retire at age 65 with six years of service credit from PERS Plan 3 and five from the Teachers' Retirement System (TRS) Plan 3. Without dual membership, your service would be too short in either system for a retirement benefit. With dual membership, you can combine the service credit, giving you enough to retire, but your benefit from each system will be calculated with service from that system alone. This is how your benefit would be calculated:

$1\% \times 6$ (PERS service credit years) \times Average Final Compensation = PERS benefit

$1\% \times 5$ (TRS service credit years) \times Average Final Compensation = TRS benefit

PERS benefit + TRS benefit = total monthly benefit

Read *What Is Dual Membership and How Does It Affect Me?*

Estimating your benefit

If you expect to retire within one year, be sure to contact us to request a written estimate of your benefit. Remember, you can also use online account access to estimate your benefit at different retirement dates. If you've received an official estimate and are within one year of retirement, you can apply online.

Purchasing additional service credit

At the time you retire, you may purchase additional service credit to increase your monthly benefit. You can't use the additional service credit to qualify for retirement. This also applies to the three percent and 2008 Early Retirement Factors (ERFs).

We can provide you with estimates for the cost of purchasing the service credit and the increase it can make in your benefit. If you choose to purchase, a *Request to Purchase Additional Retirement Service Credit* form must be submitted to us at the same time you submit your retirement application. Read *Purchasing Additional Service Credit*.

Updating your plan for retirement

Has anything changed with your retirement planning? Perhaps you want to work longer or retire earlier than you previously thought? Be sure to adjust your planning.

If you are within five years of retirement, we encourage you to attend one of DRS' retirement planning seminars. Seminars offer valuable tips on preparing for retirement. Check the *schedule* and sign up online. You also have the option of watching a *retirement planning seminar* online.

Ready to Retire

Applying for retirement — online

To apply online, go to www.drs.wa.gov and either sign up for or log in to your retirement 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 — paper application packet

When you are ready to begin the process, request a retirement application from us. Be sure to submit the completed application with all required signatures and documentation, including proof of age for your survivor if you choose one of the options with a survivor benefit.

Remember, if you're purchasing service credit, you'll need to complete and turn in your purchase form with your application.

Your defined benefit options

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

Option 1

Single life

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

Option 2

Joint and 100 percent survivor

Your monthly benefit under this option is less than in Option 1, but after your death, your survivor will receive the same benefit you were receiving, for his or her lifetime.

Option 3

Joint and 50 percent survivor

This option has less of a reduction to your monthly benefit than Option 2. Your survivor will receive half the benefit you were receiving for his or her lifetime.

Option 4

Joint and 66.67 percent survivor

This option has less of a reduction to your benefit than Option 2 and more of a reduction than Option 3. Your survivor will receive 66.67 percent (or roughly two-thirds) of the benefit you were receiving, for his or her lifetime.

Your spouse must consent to your choice

If you are married, the law requires that your spouse consent in writing to the option you choose. If your spouse's consent is not provided, an Option 3 benefit will be paid to you, with your spouse designated to receive the survivor benefit.

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 their website at www.hca.wa.gov.

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

Federal benefit limit

When you retire, your benefit may be limited if it exceeds the federally allowed amount. For 2017, the limit is \$215,000, but it may be adjusted annually for inflation. Members hired before January 1, 1990, have different limits. We will contact you if you are inside this parameter. Few retirement system members should be impacted by this limit, but if you believe it may impact you, please call us for additional information.

Federal tax on your retirement 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 that 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 do not, 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 are in receipt of a retirement benefit, we will provide you with a 1099-R form to use in preparing your tax return. These forms are usually mailed at the end of January for the previous year. The information is also available online by logging into your retirement account.

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

Legal actions

In general, retirement benefits are not subject to assignment or attachment. They may, however, 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 bank or credit union 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 that follows your first full year of retirement, your monthly benefit will be adjusted to a maximum of 3 percent per year, as determined by the Consumer Price Index.

Working after retirement

If you return to public service in Washington after you retire, your benefit may be affected, depending on the position and how many hours you work.

Under certain circumstances, you may be required to become a member of, and pay contributions to, another retirement system. You may be able to work limited hours with no impact to your benefit, or if you retired early under provisions put in place in 2008 (see the early retirement information on pages 11-12), your benefit may be stopped if you

return to public service.

If you think you might be returning to work after retirement, please call us to see if your benefit will be affected. You'll also find helpful information in the publication *Thinking About Working After Retirement?*

Benefit overpayments or underpayments

If you ever receive an overpayment of your pension benefit, we will require you to repay it. If we determine there has been an underpayment, we will correct the error and pay you in full.

Changing a benefit option or survivor after you retire

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

- If you designated 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 chose one of the survivor options (2, 3 or 4), and your designated survivor dies before you, your retirement benefit may be adjusted to the higher Option 1 payment level. Be sure to notify us to initiate this adjustment.
- If you marry or remarry after retirement and remain married for at least one year, you may 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 between your first and second year of marriage. Please contact us for estimates on how this will affect your benefit. Also, be aware that this opportunity may not be available if your benefit has been impacted by a court-ordered property division.
- If you go back to work and complete two or more years of uninterrupted active PERS membership, you can retire again and select a new benefit option and/or survivor.

Glossary of terms

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

Beneficiary: The person, estate, organization or trust you have designated to receive any benefits that are payable upon your death.

Cost-of-Living Adjustment (COLA): On July 1 of every year that follows your first full year of retirement, your monthly benefit will be adjusted.

Defined benefit: A benefit that is based on a set formula. The benefit is paid for your lifetime.

Defined contribution: (a component of Plan 3 only; some members of Plan 2 have the option to transfer to Plan 3): A benefit that consists solely of the money contributed by the member and any investment gains, losses or expenses applied to the member's account.

Domestic partner: 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. In a qualified 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.

Dual member: An individual who has established membership in more than one of the state of Washington's retirement systems, including first-class city retirement systems for Seattle, Spokane and Tacoma.

Early retirement: Retirement before the age of 65 is considered early retirement.

Reduced benefit: A benefit that has been decreased by a factor provided by the Office of the State Actuary. Benefits are reduced in two situations: When you retire early; or you retire and select a survivor benefit option (which continues to pay a benefit to a survivor after your death).

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

Survivor: The individual you designated at retirement to receive benefit payments upon your death. Your survivor will receive payment if you die after retirement and selected a retirement option which provides for a survivor.

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

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