TRS Plan 1 Handbook

Teachers' Retirement System

making it *easy* to see your future

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WASHINGTON STATE

Department of Retirement Systems

Contents

TRS Plan 1 facts in a flash

Retire online Login 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.*

Vesting 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 retirement benefit. If you leave your job and withdraw your contributions, however, you give up your right to a benefit.

Contribution rate You are required to contribute 6 percent of your monthly earnable compensation. This rate is set by law and may only be changed by legislative action. See page 6.

Contributions Both you and your employer pay contributions that fund your retirement. Only your contributions are refundable if you leave TRS-covered employment. If you withdraw your contributions before retirement, you lose your right to future benefits. You cannot borrow from your contributions or withdraw contributions made by your employer.

Eligible for retirement You are eligible to retire if you:

- Have at least 30 service credit years regardless of age,
- Are at least age 55 and have at least 25 service credit years, or
- Are age 60 or older and have at least five service credit years.
  See page 12.

How service credit is accumulated You earn a full year of service credit if you receive compensation for at least four-fifths (144 full time days) of the 180-day school year, provided that contributions have been made to TRS. 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. See page 7.

Average Final Compensation (AFC) Your average final compensation is the total earnable compensation for your two consecutive highest-paid fiscal years divided by two. See page 12.

Benefit formula 2% x Service Credit Years x AFC ÷ 12 = Monthly Benefit.
In most cases, your retirement benefit may not exceed 60 percent of your AFC. Contact DRS for more information. See page 12.

Optional Cost-of-Living Adjustment (COLA) When you apply for retirement, you can choose to receive the Optional COLA. See page 15.

Disability retirement Temporary and permanent disability retirement benefits are available. See page 16.

Death in service survivor benefit If you die with less than ten years of service and you are not eligible to retire, your contributions plus interest are refunded to your beneficiary. If you die with ten or more years of service, or you are eligible to retire, your beneficiary can choose between monthly payments or a lump sum refund of your contributions plus interest. See page 17.

Contact the Department of Retirement Systems

Call

Olympia 360.664.7000
Toll free 800.547.6657
TTY 711
DCP 888.327.5596

Write

Department of Retirement Systems
PO Box 48380
Olympia, WA
98504-8380

Email

recep@drs.wa.gov

It might be possible for other people to read messages sent over the Internet. If you contact us by email, please include only the last four digits of your Social Security number.

Visit

6835 Capitol Blvd.
Tumwater, WA 98501

Directions are available on the DRS website.

Hours

Monday - Friday
8 am to 5 pm PST

Website

www.drs.wa.gov

You can also send us email through the DRS website. Visit the *Contact Us* page.

Website links

The links underlined throughout this booklet are active and clickable. Some will take you to different sections of this document. Other links will direct you to parts of the DRS website as well as external sites like the IRS.

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

This handbook is a summary

It is not a complete description of your retirement benefits under Plan 1 of the Washington State Teachers' Retirement System (TRS). State retirement laws govern your benefits. If there are any conflicts between the information shown in this handbook and what is contained in current law, the law will govern.

This handbook explains your rights and benefits under TRS Plan 1. TRS is managed by the Department of Retirement Systems (DRS). The plan provides an important source of income that, along with Social Security benefits (if you are eligible), personal savings, and other investments, will help pay your living expenses when you retire.

How your plan works

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 years of public service and your average final compensation (AFC).

Eligibility for TRS Plan 1

As a public school teacher, you are in Plan 1 if you became a TRS member at any time before October 1, 1977. The equivalent of 90 days full-time employment during a fiscal year (July 1 – June 30) was required to establish your membership. As a Plan 1 member, you rejoin the same TRS Plan 1 even if you end your employment and withdraw your contributions.

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

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

If you are a substitute teacher, read *The Substitute Teacher's Guide to Obtaining Service Credit* to see if you are eligible for Plan 1 membership.

How should I plan for retirement?

Planning for retirement is an ongoing process. We offer a *Retirement Planning Checklist* to assist you. Here are some simple things you can do to help plan for retirement:

- 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.
- Calculate your future retirement benefit using *Online Account Access*. Here, you can run a variety of retirement scenarios to see what works best for you.
- If you were a member of Plan 1 in the past and you withdrew your contributions, see *Plan 1 Recovery of Withdrawn or Optional Service Credit* to review any rules that apply to you. You may be able to restore service credit by repaying the withdrawn contributions.

Who pays for my benefits?

Your future benefits are funded by contributions made by you and your employer and the investment earnings from those contributions. Until you retire, these contributions are held in trust and invested by the Washington State Investment Board (WSIB).

Your contributions

You are required to contribute 6 percent of your salary or wages to your retirement plan. This rate is set by law and may be changed as necessary to reflect the cost of the plan.

Earnable compensation is all salaries and wages paid by an employer to a member for services rendered during the fiscal year. This includes:

- Pay for additional duties;
- Some forms of severance pay;
- Lump sum payments for accrued leave (except sick leave); and
- Tax-deferred wages, such as TRS contributions.

Contributions are required from all members contracted for 20 or more days during a fiscal year. If you are regularly employed, your contributions are deducted from your paycheck each pay period before federal income taxes are withheld. (Before September 1984, contributions were deducted after taxes.)

Substitute teachers have the option to join TRS and pay contributions at the end of the school year. For more information, see *The Substitute Teacher's Guide to Obtaining Service Credit*.

Acronyms used on this page
TRS - Teachers' Retirement System
DRS - Department of Retirement Systems
WSIB - WA State Investment Board
AFC - Average Final Compensation

What is DRS?
Department of Retirement Systems manages Washington state's public service retirement systems.

What is TRS?
TRS or Teachers' Retirement System is a 401 (a) defined benefit plan.

How much do I contribute to my plan?
You contribute 6 percent of your salary or wages to your retirement plan.

Where is my benefit money held?
The Washington State Investment Board (WSIB) holds and invests your future benefits funded by you and your employer.

Your contributions are credited to your annuity fund account. This account, with accrued interest, provides the annuity portion of your retirement benefit. At the time of retirement, you have the option to withdraw all or a portion of your contributions plus interest and receive a reduced benefit. Employer contributions are paid to the trust fund and are not refundable to you.

Loans

Because the plan is designed to provide retirement income, you may not borrow from or against your contributions.

What is service credit?

Service credit plays an important part in calculating your retirement benefit. The amount of your benefit is based on your service credit and your wages. Service credit is based on how many days of work are reported by your employer for each fiscal year (July 1 - June 30).

You earn one full year of service credit if you receive compensation at least 144 full-time days of the 180-day school year, provided that contributions have been made to TRS.

You may earn a partial year's service credit for working less than 144 days in a fiscal year, but no service credit will be given for less than 20 days of service within a fiscal year.

Example: Calculating service credit Suppose you taught full time for 24 years and then during the 2013-2014 fiscal year, you taught for a total of 60 days. Sixty days is 33 percent of a full 180-day fiscal year.

At the end of the 2013-2014 fiscal year, your service credit total would be 24.33 years.

Purchasing credit for substitute teaching

If you work as a substitute teacher, your employer(s) reports your hours and earnings to DRS. To receive credit for your service, you must apply for it after June 30. For information about this procedure, review *The Substitute Teacher's Guide to Obtaining Service Credit*. If your substitute teaching was before the 2004-2005 fiscal year, contact your employer(s) to obtain your quarterly reports.

Purchasing credit for past service

You may purchase service credit for past employment including:

- Up to two years of approved professional preparation following Washington state public school teaching.
- Up to five years of active service in the United States military if it interrupted your Washington state public school service. If the military service occurred in time of war, you can receive credit for more than five years.
- Up to four years of out-of-state teaching service while on an authorized leave of absence.

For more information, see *Plan 1 Recovery of Withdrawn or Optional Service Credit.*

Acronyms used on this page
TRS - Teachers' Retirement System
DRS - Department of Retirement Systems

What is service credit?
Service credit is the number of days you work that are reported by your employer each year. This total makes up part of your retirement benefit calculation.

Temporary duty disability

You may be eligible to apply for up to 24 months of service credit while on leave for a disability that occurred in the line of duty. Your injury must have occurred on or after July 22, 2007, and you must be eligible to receive workers' compensation benefits to qualify. For information on this subject, see *TRS Disability Benefits*.

What if I leave my TRS position?

Leaving your current TRS position before you retire will affect your benefits. The nature of the impact depends on your new employer and whether you withdraw your contributions from TRS.

Withdrawing your contributions

If you leave TRS-covered employment, you may withdraw your contributions plus interest. A withdrawal before retirement cancels all service credit and rights to future benefits in TRS. You cannot borrow or withdraw contributions made by your employer.

Withdrawal forms are in the *Withdrawal of Retirement Contributions packet.* Processing a withdrawal normally requires 60 to 90 days. You are not required to withdraw your contributions when you leave TRS-covered employment. If you leave your contributions in TRS, your funds will continue to accrue interest and your service credit will be preserved.

You are not eligible to receive a withdrawal if you resume employment with a TRS-covered employer before a benefit payment is made. If you do receive a withdrawal under these circumstances, you must return it to DRS immediately.

How does withdrawing my contributions affect my taxes?

Under federal law, any lump-sum withdrawal of tax-deferred retirement funds is subject to a withholding tax of 20 percent. The 20 percent tax can be avoided only by a direct rollover of funds to a qualified tax-deferred retirement account. See *Withdrawal of Retirement Contributions* to find more about this requirement.

Federal tax law may require you to pay a 10 percent penalty when you file your income tax. This penalty is in addition to regular income tax on the tax-deferred and interest portions of contributions that you withdraw before you reach age 59½. You may be able to avoid this tax penalty by rolling these funds into a qualified tax-deferred retirement account.

DRS is required to report all withdrawals to the Internal Revenue Service (IRS). It is your responsibility to account for the withdrawal on your tax return. For more information on how withdrawing your contributions will affect your taxes, contact the IRS or your tax advisor.

Leaving your contributions in the plan

You have the option of leaving your contributions in the plan until April 1 following the calendar year in which you reach age 70½ or retire, whichever is later. Your contributions earn 5.5 percent interest annually, compounded quarterly. If you leave your contributions in the plan and later return to a TRS-covered position, you retain service credit for the earlier service.

If you leave a TRS-covered position and keep your contributions in the plan, *keep DRS informed* of your current name, address and beneficiary.

Acronyms used on this page
TRS - Teachers' Retirement System
DRS - Department of Retirement Systems
IRS - Internal Revenue Service
PERS - Public Employees' Retirement System

What if I leave my TRS-covered position?
Leaving before you retire will affect your benefit. The impact will depend on factors like your new employer and whether you withdraw your contributions.

Will withdrawing my contributions affect my taxes?
Any lump-sum withdrawal is subject to a withholding tax of 20 percent.

Washington state public schools

If your next job is in a covered position with another public school in Washington state, your membership and service credit will continue.

State agency or public school employment

If you do not withdraw your contributions and your next job is with a state agency or a public school position covered by the Washington State Public Employees' Retirement System (PERS), you will remain in TRS.

If you withdraw your TRS Plan 1 contributions and then go to work in a state agency, you will be reported as a PERS member. As a dual member, you will be entitled to restore your withdrawn TRS contributions within two years of going to work with the agency (see page 10). Upon restoration of your withdrawn contributions, plus interest, you will return to TRS Plan 1 membership and earn TRS Plan 1 service credit from that time forward. Time spent as a PERS member will remain as PERS service credit.

Re-establishing membership

If you have withdrawn your contributions and wish to re-establish membership, you may do so by:

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

Membership exclusions

In most cases, if you are already receiving retirement benefits from another DRS plan, you will not be able to participate in TRS Plan 1. See the brochure, *Thinking About Working After Retirement?*

Inform your employer of previous TRS membership

Tell your employer if you have any past TRS membership, even if you withdrew your contributions.

How do I update my name or address?

Active members Download the *Name/Address Change form* and submit the completed form to your employer.

Inactive members Make updates to your address by logging in to *online account access*. You can also submit a *Name/Address Change form* to DRS.

Restoring credit for past service

Restoring TRS service credit

To restore service credit for a period of employment where you withdrew your contributions, you must begin repaying the amount withdrawn plus interest. Repayment must begin by June 30 of the fifth school year following your return to membership, or by retirement, whichever comes first.

Payment schedule

Payments may be made in a lump sum or in installments. The first installment must be at least 20 percent of the amount due, and the final payment must be made by June 30. You have four school years to complete the payments once they've begun, or they must be completed before retirement, whichever comes first. All payments must be completed by the deadline. Partial restorations are not allowed. This payment schedule does not apply to restoring dual membership service credit.

Acronyms used on this page
TRS - Teachers' Retirement System
PERS - Public Employees' Retirement System
DRS - Department of Retirement Systems

Can I re-establish membership in TRS Plan 1?
Yes, you can again become a TRS Plan 1 member by working the required minimum days.

Can I restore credit for past service?
Yes, however you must repay the amount withdrawn plus interest.

Purchasing service credit after the deadline

It is still possible to purchase withdrawn and some optional service credit after the deadline. The cost for purchasing service credit after the deadline is considerably more expensive. You can learn more about restoring service credit in *Plan 1 Recovery of Withdrawn or Optional Service Credit*.

What if I have been a member of another retirement system?

Dual membership

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.

Service credit for dual members

Dual members may combine service credit from qualified systems to become eligible for retirement.

Example: Combined service credit Suppose you are age 53 and have 20 years of TRS Plan 1 service credit. If you also have ten years of service credit in PERS Plan 1, you have a total of 30 years of service credit – enough to retire immediately under the rules of either system.

The provisions of each plan determine the amount of your benefit from each and when it can begin. If you are a dual member of two Plan 1 systems, and your combined service credit exceeds 30 years, your benefit will be reduced by law to the maximum benefit amount of 60 percent.

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 TRS service credit with credit you earned in the other system(s). For more information, see *What Is Dual Membership and How Does It Affect Me?*

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than TRS, you must repay the amount withdrawn, plus interest, within two years of becoming a dual member or before you retire, whichever comes first. To determine how much you owe to restore service credit, contact DRS.

We will need the following information:

- Your name, Social Security number, address and daytime phone number; and
- The system(s) in which you want to restore service credit.

To complete restoration under this provision, a lump sum payment must be made by the deadline.

Acronyms used on this page
TRS - Teachers' Retirement System
PERS - Public Employees' Retirement System
DRS - Department of Retirement Systems

What is dual membership?
If you are a member of more than one Washington State retirement system, you are a dual member.

Combining service credit:
You can combine service credit earned in all DRS dual member systems to help you become eligible for retirement.

Dual membership does not allow you to:

- Partially restore any single withdrawal; or
- Restore contributions and re-establish service credit in a system in which you are currently a member unless you are otherwise entitled.

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

How do I retire?

Becoming vested

When you have earned five or more years of service credit in TRS, you have a vested right to a retirement benefit. This is a significant milestone in your public service career.

As you get closer to retirement

- If you expect to retire within one year, be sure to go to your online account to request an official estimate of your benefit and to check the accuracy of your service credit. You can also use the online benefit estimator 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. If you find information you think is incorrect, contact DRS.
- Evaluate the option to purchase an annuity or additional service credit when you retire.
- Review options for health care coverage after retirement. Contact the Health Care Authority (HCA) at 800-200-1004 or visit the *HCA website* for more information.
- Consider catch-up options like the *Deferred Compensation Program (DCP)* or other employer-sponsored programs.
- Obtain a copy of *IRS Publication 575*, Pension and Annuity Income.
- Contact the Social Security Administration periodically to review the accuracy of your file. The toll-free number for Social Security information is 800-772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the *Social Security Administration website*.

Applying for retirement

Complete your retirement *online* or by mail. If you prefer to visit DRS to review your account information and retirement options, we can personally assist you. Please call for an appointment.

If you write to DRS for specific information about your pension account, be sure to provide the last four digits of your Social Security number and signature.

Can I obtain a refund of contributions paid after 30 years of service?

If you have 30 service credit years, you can make a one-time, permanent election to participate in a program in which post 30-year contributions are refunded at retirement. Program participants earn 7.5 percent interest on their post 30-year contributions. If you participate in the program, your monthly retirement benefits will be based on earnings before your election date. Your election date is the first of the month following the date DRS receives your election form. Election to participate is permanent and must be made within six months after earning 30 service credit years.

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

Acronyms used on this page
TRS - Teachers' Retirement System
DRS - Department of Retirement Systems
HCA - Health Care Authority
DCP - Deferred Compensation Program
IRS - Internal Revenue Service

What does "vested" mean?
You are vested when you have earned five or more years of service credit in TRS. Being vested means you have a right to a retirement benefit.

Did you know you can apply for retirement online?
Use *Online Account Access* on the DRS website to create your account!

Service retirement benefit

Eligibility

You are eligible to retire if you:

- Have at least 30 service credit years regardless of age;
- Are at least age 55 and have at least 25 service credit years; or
- Are age 60 or older and have at least five service credit years.

If you were not eligible to retire when you separated from TRS employment, your benefit begins to accrue on the date you become eligible for retirement. For example, if you terminate employment at age 54 with 25 years of service credit, you are eligible to retire on your 55th birthday.

Using out-of-state teaching service to qualify for retirement

Vested TRS members may use service credit earned in a public teachers' retirement system in another state to qualify for retirement. Out-of-state service is not used in your benefit calculation. It affects only your retirement date. Your benefit will be calculated using the service credit earned in TRS. If you use out-of-state service to qualify for retirement, your benefit will be reduced. See the brochure *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 to a maximum of 0.25 years of service credit. This service credit is not used in the calculation of your benefit. It can only be used to qualify for retirement.

Your retirement benefit

Your monthly retirement benefit is the sum of:

- Your pension, which is funded by the state and supplemented by contributions from your employer; and
- Your annuity, which is equal to your contributions and the interest. When you receive an annuity, you get a series of monthly benefit payments that last as long as you live instead of a lump sum.

Calculating your benefit

If you do not withdraw any of your contributions, the overall amount of your maximum monthly retirement benefit is calculated using the formula below:

2% x Service Credit Years (max. of 30 years) x average final compensation (AFC) ÷ 12 months

To determine your AFC, add the earnable compensation for your two consecutive highest-paid fiscal years (July 1 - June 30), and then divide by two (see the example).

Though other formulas may be used, the formula shown above generally yields a higher benefit. Your benefit will be calculated using the formula that pays you the higher benefit.

Example: Benefit calculation Suppose you retire at age 55 with 29 years of service credit and an average final compensation of $50,000. If you do not withdraw any of your contributions and interest (the annuity portion of your benefits), your monthly retirement benefit will be $2,416.66, calculated as follows:

2% x 29 years x $50,000 ÷ 12 months = $2,416.66

Your maximum monthly benefit would be $2,416.66.

Acronyms used on this page
TRS - Teachers' Retirement System
AFC - Average Final Compensation

Can I use out-of-state teaching service to qualify for retirement?
Once you are vested you can use service credit earned from another state to qualify for retirement. However, the out-of-state credit does not increase your benefit.

What is the formula to calculate my benefit?
2% x Service Credit Years (max 30) x AFC ÷ 12 months

Changing your annuity

When you retire, you may withdraw all or part of your contributions plus interest. Your monthly benefit is reduced based on the amount you withdraw.

Any part of the withdrawn amount that was tax-deferred when contributed, plus interest, is subject to a 20 percent withholding tax. You can avoid the tax by transferring the tax-deferred annuity directly into a qualified tax-deferred retirement account.

Purchasing an additional annuity

When you apply for retirement, you can increase your monthly benefit payment by making a one-time lump-sum payment to your annuity fund to purchase a larger annuity. You may roll over funds from another tax-deferred retirement account into TRS. *Contact DRS* for more information.

Full-time equivalency salary

If you work two fiscal years in a row at less than full time, DRS may calculate your AFC based on a full-time equivalency basis. *Contact DRS* for more information regarding full-time equivalency.

Calculating benefits for dual members

The service retirement benefit for dual members is the sum of the benefits earned separately from each system. Dual members with a total of five or more service credit years from all eligible systems are entitled to a benefit from each system, even if there are less than five years of service credit in any of the systems.

In most cases, dual members will receive a benefit based on the highest base salary from any system, whichever produces the better benefit. Base salary is the salary or wages earned, excluding overtime, lump-sum cashouts, severance pay and bonuses.

Example: Dual member benefits Suppose you are 60 years old and have 3 service credit years with TRS Plan 1 and 27 service credit years with PERS Plan 2. Without dual membership, you are not eligible for a benefit from TRS. With dual membership, however, you are eligible to retire with 30 years of service credit. You will receive a benefit from each plan, calculated according to the rules of each system as follows:

TRS Plan 1:
2% x 3 years TRS service credit x average final compensation
= TRS benefit

PERS Plan 2:
2% x 27 years PERS service credit x average final compensation
x early retirement factor = PERS benefit

At age 60, you can begin drawing a reduced PERS benefit or defer receipt of the PERS benefit until age 65 when you would be eligible for an unreduced retirement.

As of July 22, 2007, base salary can include overtime and other cash payments, if these payments can be used in all of the dual systems you are retiring from (excluding the Washington State Patrol Retirement System). For more information about base salary, see *What Is Dual Membership and How Does It Affect Me?*

As of July 22, 2007, the maximum benefit limitation does not apply to a dual member with:

- Less than 15 years of service credit in a plan with a retirement benefit cap; and
- Service in a plan with no retirement cap.

Acronyms used on this page
DRS - Department of Retirement Systems
AFC - Average Final Compensation
TRS - Teachers' Retirement System
PERS - Public Employees' Retirement System

Ready to retire

Applying for retirement

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.

If you prefer to retire using a paper application, contact DRS for a TRS Plan 1 retirement packet.

What are my benefit options?

When you retire, and select a benefit option, the law requires that you provide the written consent of your spouse or registered domestic partner. Consent must be provided on your retirement application and must be witnessed by a notary. If consent is not provided, the law requires that an Option 3 benefit be paid with your spouse as beneficiary.

Maximum retirement benefit option

This option provides the highest possible monthly benefit, which is payable for your lifetime. If you die before you receive the value of your accumulated contributions, any remaining balance of your contributions will be retained in the trust fund. Your beneficiary receives only the unpaid final monthly benefit due on the date of your death. This option is slightly different for disability retirees. See 16.

Option 1: Single life

This option pays you a benefit for your lifetime. When you die, the final unpaid monthly benefit due at the time of your death and any remaining balance from your annuity fund account are paid in a lump sum to your beneficiary. This option is not available for disability retirees, or those who withdraw all their contributions and interest.

Option 2: Joint and 100 percent survivor

Under this option, you receive a reduced benefit. If your beneficiary survives you, the amount remains the same and your beneficiary receives a monthly benefit for his or her lifetime.

Option 3: Joint and 50 percent survivor

This option provides a reduced benefit, but the reduction is smaller than in Option 2. If your beneficiary survives you, 50 percent of your benefit is paid for his or her lifetime.

Option 4: Joint and 66.67 percent survivor

You receive a reduced benefit, but the reduction is smaller than Option 2, and larger than Option 3. If your beneficiary survives you, 66.67 percent of your benefit is paid for his or her lifetime.

Lump sum instead of a monthly benefit

If your monthly benefit is less than $50, you may choose to take a lump sum payment. The lump sum is determined by comparing the projected value of your lifetime benefit to the total of your contributions, plus interest. The greater amount will be paid to you. The recipient of such a payment is considered retired from TRS.

Health care coverage

If you qualified for Public Employees Benefits Board (PEBB) health insurance coverage while employed, you must elect PEBB coverage within 60 days of separation from employment and immediately begin receiving a retirement benefit or a lump sum retirement payment.

All health care questions should be directed to the Health Care Authority (HCA) in the Olympia area at 360-412-4200 or 800-200-1004 outside Olympia. You may also visit the *HCA website.*

Acronyms used on this page
TRS - Teachers' Retirement System

Do I have multiple options for my retirement benefit?
Yes, you can choose from several options to decide how your benefit will be paid and what percentage your beneficiary will receive upon your death.

Purchasing an annuity

When you apply for retirement, you can supplement your monthly benefit by making a one-time, lump sum payment to purchase an annuity.

Why would I want to purchase an annuity?

Purchasing an annuity increases your monthly retirement benefit for the rest of your life, or your survivor's life if you choose a survivor option at retirement. You will continue to receive the annuity portion of your monthly benefit payment if you return to work, or return to membership.

If you are eligible for an annual Cost-of-Living (COLA) adjustment on the defined benefit part of your retirement benefit, you will receive the same COLA percentage on this annuity.

How is the annuity paid?

The annuity you purchase is a guaranteed lifetime payment that will be paid to you monthly. You will receive one payment each month from DRS that will include the combined value of your retirement benefit and the purchased annuity amount.

How do I purchase the annuity?

To purchase an annuity, contact DRS for a copy of the Request to Purchase an Annuity form. Or, if you are applying for retirement online, you may request an annuity purchase through that application. Once DRS receives this completed form, or your annuity purchase request through the online retirement application, a bill will be sent to you.

To learn more, see the publication *Purchasing an Annuity*.

Purchasing additional service credit

At the time of your retirement, you may purchase additional service credit to increase your monthly benefit. You may purchase from 1 to 60 months in whole month increments. Purchased credit may not be used to qualify for retirement. Call DRS for a *Request to Purchase Additional Service Credit* form, or submit it with your online retirement application.

Your benefit increase is based on the number of months you purchase and your average final compensation (AFC). The formula used is:

Months of Service Purchased ÷ 12 x 2% x AFC

= Monthly Increase

The cost to purchase additional service credit is determined by the annuity factor for your age at retirement and the monthly increase amount. The formula used is:

Monthly Increase ÷ Annuity Factor

= Cost to Purchase

For more information, review the DRS publication *Purchasing Additional Service Credit.* You may also estimate the monthly increase and cost by using *Online Account Access.*

Benefit adjustment

When you apply for retirement you can choose to receive the Optional COLA. This COLA reduces your benefit initially, but provides you with an automatic annual adjustment based on the consumer price index, which can be positive or negative. The annual adjustment cannot increase or decrease your benefit by more than 3 percent of your previous year's benefit and it can never reduce your benefit to less than your original amount.

Acronyms used on this page
PEBB - Public Employees Benefits Board
HCA - Health Care Authority
DRS - Department of Retirement Systems
COLA - Cost-of-Living Adjustments
AFC - Average Final Compensation

Purchasing additional service credit:
When you retire, you can purchase up to 60 months of service credit to increase your monthly benefit. However, you cannot use the purchased credit to qualify for retirement.

The Optional COLA selection is part of your retirement application. Once you submit your application, the choice is permanent. To see your benefit with and without the Optional COLA, try the Optional *COLA calculator*.

Working after retirement

Your benefits may be affected if you work for a TRS-covered employer after retirement. Under state law, your employer is required to report your hours to DRS. *Thinking About Working After Retirement?* explains how your benefit may be affected.

What if I become disabled?

Plan 1 provides two types of disability benefits:

- Temporary disability benefits, payable for up to two years of continuous disability; and
- Permanent disability retirement benefits, payable if you have at least five years of service credit.

Eligibility for temporary disability benefits

To be eligible for a temporary disability benefit, you must be:

- A member employed full time by a Washington public school at the time the disability occurs;
- Mentally or physically incapacitated for the performance of duty for at least 60 consecutive calendar days from the date of the disability; and
- A TRS member employed full-time in a covered position when applying for and receiving temporary disability benefits.

For more information about eligibility requirements, see the brochure, *TRS Plan 1 Disability Benefits.*

Benefits

Temporary disability benefits are $180 per month for up to two years for a single disability. The first payment is retroactive to the effective date of the disability. Benefits are not paid for periods of disability shorter than 60 consecutive calendar days, or for periods following separation from employment.

You may apply for benefits after you have been disabled for 60 consecutive calendar days. Applications must be filed no later than four years from the date of disability. The application can be made by you, your employer or by the legal representative (estate) of a deceased member who was eligible for benefits within the time limits.

Doctor and employer reports are required with the application. TRS may periodically also require additional doctor's reports. Application forms and medical report forms are available from DRS.

Eligibility for permanent disability retirement benefits

To be eligible for permanent disability benefits, you must:

- Be permanently disabled for the performance of your duties while employed under an annual contract as a contributing member of TRS;
- Have five or more years of service credit;
- End your public school service (members are advised to apply for disability retirement and establish eligibility before separating from employment); and
- Supply both a doctor's and an employer's report with your application.

If you qualify for a service retirement, your benefit will be processed as a service retirement, rather than as a disability retirement.

Acronyms used on this page
COLA - Cost-of-Living Adjustments
TRS - Teachers' Retirement System
DRS - Department of Retirement Systems

What if I become disabled?
TRS Plan 1 has two types of disability benefits: temporary and permanent. To be eligible for disability benefits, you must meet certain criteria (see the sections above).

Benefit formula
A disability retirement benefit is calculated the same as a service retirement. Members with at least five years of service credit also have survivor benefit options. These options are the same as those described on page 14, with one exception: If you choose the maximum retirement benefit and then die before receiving annuity payments equal to the value of your accumulated contributions, the balance of your contributions will be paid to your beneficiary or estate.

Disability withdrawal of contributions
A disabled member who terminates employment has the option of withdrawing his or her contributions, plus interest, and ending membership in the plan. This will cancel all rights and eligibility for future benefit payments.

Termination of benefits
A member retired for disability may be required to undergo a medical examination at any time. If the examination shows that the member is no longer disabled for the performance of public school service, the disability retirement benefit may be terminated. If that happens, full membership in TRS will be restored.

For more information about your disability benefits, see *TRS Plan 1 Disability Benefits*.

Survivor benefits

If you die after retirement
If you die after you begin a service or disability retirement, your survivors receive benefits according to the retirement option you chose.

If you die before retirement
If you die while employed or while receiving temporary disability benefits, the benefits paid to your survivors depend on your age and service credit. These benefits are also payable to your survivors if you left TRS-covered employment but did not withdraw your contributions.

If you have fewer than ten years of service
If you die before earning ten years of service credit and before becoming eligible for retirement, your beneficiary receives your contributions, plus interest.

If you have 10 or more years of service or you are eligible to retire
If you die after earning 10 years of service credit or after becoming eligible to retire, your survivors may choose between:

- A monthly benefit calculated as if you had elected (page 14), and reduced to reflect your age at the time of death (available only to a spouse or IRS-qualified dependents); or
- A refund of your contributions, plus interest.

Surviving spouse benefits continue for the life of the spouse. Dependent survivor benefits continue as long as proof of dependency is maintained or until the dependent(s) reaches the age of majority. At that point, any remaining member contributions will be paid in a lump sum to the beneficiary.

If you have no surviving spouse or IRS-qualified dependents, your remaining contributions will be paid in a lump sum to your designated beneficiary.

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

Acronyms used on this page
TRS - Teachers' Retirement System
IRS - Internal Revenue Service

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.

Designating your beneficiary

Your *Beneficiary Designation form* tells DRS who you wish to receive benefits upon your death. If you do not complete and submit this form, 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 submit a new form to DRS if you need to make a change or confirm your choices. If you marry, divorce or have another significant change in your life, be sure to update your beneficiary designation as these life events may 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.

At retirement, if you choose either the Maximum Benefit Option or Option 1 (see page 14), you may name a trust, your estate, an organization, or a person as your beneficiary. However, if you choose one of the survivor options (2, 3 or 4) at retirement, you must select a person as your beneficiary.

Changing a benefit option after retirement

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 return to membership, you may choose a different benefit option when you retire again.

Taxation and legal actions

Federal benefit limit

When you retire, your benefit may be limited if it exceeds the federally allowed amount. For 2016, the limit is $210,000, 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.

Acronyms used on this page
DRS - Department of Retirement Systems

Federal income taxes

Most of your retirement benefit is subject to federal income tax. The only portion that is exempt from tax is the part that was taxed before it was contributed. Since most public employers deduct contributions before taxes, it's likely that your entire retirement benefit will be taxable.

After you retire, DRS will let you know what portion of your contributions has already been taxed. The IRS refers to this taxed amount as your cost basis.

You must complete a *W-4P form* to tell DRS how much of your monthly benefit should be withheld for taxes. If you do not, DRS will follow the IRS rules that require withholding as if you are married and claiming three exemptions. It is your responsibility to declare the proper amount of taxable income on your income tax return.

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. 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 income 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. Find more information in *Can Legal Action Affect My Retirement Account?*

Additional information

Update your mailing address

Keep DRS informed of your current mailing address, even if you have your check deposited directly in your bank or credit union account. This way you can be assured of receiving information about your benefits and income taxes in a timely manner.

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 complete the *Authorization for Direct Deposit form* as part of your retirement application.

If you need to change your financial institution once you've started your retirement, just complete a *new authorization form* and send it to us.

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

Acronyms used on this page
DRS - Department of Retirement Systems
IRS - Internal Revenue Service

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