

# TRS Plan 2 Handbook

Teachers' Retirement System

making it *easy* to see your future

October 2016

WASHINGTON STATE  
Department of Retirement Systems





## Teachers' Retirement System (TRS) — Plan 2

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# Welcome to the Teachers' Retirement System



## Plan summary

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### **TRS Plan 2 is a defined benefit plan.**

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

### **Your monthly benefit will be based on your years of service while a member of TRS Plan 2 and your compensation.**

This formula will be used to calculate your monthly benefit:

$$2\% \times \text{service credit years} \times \text{Average Final Compensation} = \text{monthly benefit}$$

### **You and your employer each contribute a percentage of your salary or wages to help fund the plan.**

The Pension Funding Council adopts contribution rates and periodically adjusts them to reflect the overall cost of the plan. The Legislature has the final decision on contribution rates.

### **You are vested in the plan when you have five years of service credit.**

Once you are **vested**, you have earned the right to a future monthly benefit. If you leave your job and withdraw your contributions, however, you give up your right to a benefit.

### **You are eligible to retire with a full benefit at age 65 if you have at least five years of service credit.**

Retirement before 65 is considered an **early retirement**. If you have at least 20 years of **service credit** and are 55 or older, you can choose to retire early, but your benefit might be reduced. There is less of a reduction if you have 30 or more years of service credit.

### **If the unexpected happens — disability or death before retirement — a benefit might be available.**

If you become totally incapacitated and leave your job as a result, you might be eligible for a disability retirement benefit.

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

### **Log in to or sign up for online access to your retirement account.**

Track your contributions and service credit. Read the latest newsletter. Update your **beneficiary** information or email address. Use your individual data to estimate your monthly benefit. And when you're ready, apply for retirement. You can get started at [www.drs.wa.gov/oa](http://www.drs.wa.gov/oa).





## How to contact the Department of Retirement Systems

The Washington State Department of Retirement Systems (DRS) administers the Teachers' Retirement System and the Deferred Compensation Program (DCP).

### To contact DRS

|   |  |  |
|---|--|--|
| <p><b>Call</b></p> <p>Phone 360.664.7000<br/>800.547.6657</p> <p>TTY 711</p>   | <p><b>Write</b></p> <p>Department of Retirement Systems<br/>PO Box 48380<br/>Olympia, WA 98504-8380</p>  | <p><b>Email</b></p> <p><a href="mailto:recep@drs.wa.gov">recep@drs.wa.gov</a></p> <p>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.</p>  |
| <p><b>Visit</b></p> <p>6835 Capitol Blvd.<br/>Tumwater, WA 98501</p> <p><i>Directions are available on the DRS website.</i></p>  | <p><b>Hours</b></p> <p>Monday - Friday<br/>8 am to 5 pm Pacific Time</p>                                  | <p><b>Website</b></p> <p><a href="http://www.drs.wa.gov">www.drs.wa.gov</a></p> <p>You can also send us email through the DRS website. Visit the <i>Contact Us</i> page.</p>    |

### To contact DCP

|   |   |   |
|---|---|---|
| <p><b>Call</b></p> <p>Phone 888.327.5596<br/>TTY 711<br/>Fax 866.745.5766</p>  | <p><b>Website</b></p> <p><a href="http://www.drs.wa.gov/dcp">www.drs.wa.gov/dcp</a></p>  | <p><b>Email</b></p> <p><a href="mailto:savewithwa@empower-retirement.com">savewithwa@empower-retirement.com</a></p>  |
|---|---|---|

#### 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 could share your information with PEBB to better serve you.

#### Handbook summary

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

#### Glossary

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



## How your plan works

### Overview

TRS Plan 2 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). Even though the contributions you make help to fund the plan overall, they do not factor into the monthly benefit you receive.

### Eligibility for TRS Plan 2

You are eligible for TRS Plan 2 membership if the teaching position you were hired into (on or after Oct. 1, 1977) is eligible. An eligible teaching position is one that is normally compensated for at least 70 hours of work per month for at least five months between September and August.

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

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

If you are a substitute teacher, your membership in TRS is optional. To learn more, read the *TRS Plans 2 & 3 Substitute's Guide*.

### Previous membership in another Washington state public service retirement system

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

- Eligibility for TRS Plan 2 membership
- Eligibility to retire
- Benefit calculation

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

### Contributing to the plan

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

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

When you retire, the monthly benefit you receive will have been funded over time by your contributions, your employer's contributions and investment earnings. The *Pension Funding Council* adopts contribution rates and periodically adjusts them to reflect the overall cost of the plan. The Legislature has the final decision on contribution rates.

Federal law limits the amount of compensation you can pay retirement **system** contributions on and that can be used in your benefit calculation. In 2016, that limit is \$265,000; 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.

## Earning service credit

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

No more than one month of service credit can be earned each calendar month, even if more than one employer is reporting hours you work.

Review the following chart to determine how much service credit you earn:

### Earning service credit

| Hours worked   | Amount of service credit   |
|--|--|
| You work 810 hours or more, beginning work in September and working at least nine months of the school year. | You earn 12 service credit months per school year.*  |
| You work 630-809 hours, beginning work in September and working at least nine months of the school year.     | You earn six service credit months (0.5 service credit for each month) per school year.*   |
| You work at least 630 hours, working at least five months within a six-month period during the school year.  | You earn six service credit months per school year, beginning with the 2008/2009 school year.*   |
| Your work situation isn't covered above.   | You earn: <ul style="list-style-type: none"><li>• One service credit for each month you work 90 or more hours</li><li>• 0.5 service credit for each month you work at least 70 but fewer than 90 hours</li><li>• 0.25 service credit for each month you work fewer than 70 but more than zero hours.</li></ul> |

\* A school year spans Sept. 1 through Aug. 31.

## Claiming credit for substitute teaching

If you work as a substitute teacher, your employer reports your hours and earnings to DRS. However, contributions aren't deducted from your paycheck. If you meet eligibility requirements and would like to receive credit for your service, you must enroll with DRS after Aug. 31 of each school year and pay the appropriate contributions.

To learn more, read the *TRS Plans 2 & 3 Substitute's Guide*.

## Designating your beneficiary

The **beneficiary** information you give DRS tells us the person(s) you want to receive your remaining benefit, if any, after your death. You can submit or update your beneficiary information at any time 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 don't submit this information, any benefits due will be paid to your surviving spouse or minor child. If you don't have a surviving spouse or minor child, we will pay your estate.

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

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

## When you will be vested

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

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

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

re-establishing your benefit rights in certain circumstances.

### When you will be eligible to retire

You are eligible to retire at age 65 if you have at least five years of **service credit**.

Options to retire earlier are available (see “Early retirement” on page 10), but your benefit will be reduced to reflect that you will be receiving it over a longer period of time.

- Hired on or before April 30, 2013: To retire early, you must be at least 55 and have 20 or more years of service credit. There is less of a benefit reduction for **early retirement** if you have 30 or more years of service credit.
- Hired on or after May 1, 2013: To retire early, you must be at least 55 and have 20 or more years of service credit. If you are at least age 55 with 30 or more years of service credit, your benefit reduction will be 5% for each year (prorated monthly) before you turn age 65.

### How your monthly benefit will be calculated

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

$$2\% \times \text{service credit years} \times \text{AFC} = \text{monthly benefit}$$

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

#### Example

##### Using the formula

If you retire at age 65 with 32 years of service credit and a monthly Average Final Compensation of \$5,000, your monthly benefit is \$3,200, calculated as follows:

$$2\% \times 32 \times \$5,000 = \$3,200$$



## Planning for retirement

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

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

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

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

A number of different tools can help you with this. Here are a couple on the [DRS website](#):

- The benefit estimator within [online account access](#) can calculate your monthly benefit based on a variety of scenarios (for example, different retirement dates) using your actual account data. If you haven’t already registered to access your online retirement account, it takes just a few minutes to do so.
- The [Deferred Compensation Program \(DCP\)](#) offers an [online calculator](#) (also accessible from the DRS homepage) that can estimate your DCP savings and analyze whether you are on track to meet your income needs. Another calculator shows the effects of different DCP deferral amounts on your take home pay.

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

## Milestones/life changes



### Becoming vested

When you have at least five years of **service credit** in TRS Plan 2, you have a **vested** right to a retirement benefit. This is a significant milestone in your public service career.



### Option to transfer to TRS Plan 3

If you became a member of TRS Plan 2 before Plan 3 began (that is, July 1, 1996), you have an opportunity each January, while you are employed, to transfer to Plan 3. Plan 3 has two parts — a **defined benefit** and a **defined contribution** — and is referred to as a “hybrid plan.”

If you decide to transfer, your Plan 2 contributions plus any interest they have earned will be moved to a Plan 3 defined contribution account. If you transfer to Plan 3, you cannot return to Plan 2.

Making a retirement plan choice is an individual decision. Your decision should be based on your personal situation. For more information, visit the [Plan Choice section of the Plan 3 website](#).



### Leaving public service

If you leave TRS employment, you can choose to either leave your contributions in the plan until you're eligible to retire or withdraw them. The IRS requires that you begin taking payment of your monthly benefit no later than age 70½, unless you are still employed.

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

your benefit only in certain circumstances (see the next section).

There are tax implications to withdrawing your contributions, so you might want to contact the IRS or a tax advisor before making a decision. The [Withdrawal of Retirement Contributions](#) publication offers more detailed information.

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



### Returning to public service

If you leave your position, withdraw your contributions and later return to TRS work, you might be able to restore your previous **service credit**. To do so, you must repay the total amount of the contributions you withdrew plus interest within five years of returning to work or before you retire, whichever comes first. Contact us to find out that amount.

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

It might still be possible to purchase service credit after the deadline has passed. However, the cost in that case is considerably higher. To explore financial projections and comparisons of your estimated retirement benefits, try using [Financial Modeling Software](#). You can learn more by reading [Plan 2 Recovery of Withdrawn or Optional Service Credit for PERS, SERS, TRS, PSERS and LEOFF](#). You might find helpful information in [What Is Dual Membership and How Does It Affect Me?](#) as well.



## Marriage or divorce

Marrying, divorcing or separating can affect your monthly benefit.

### **Court-ordered property division**

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

### **Updating your beneficiary**

The **beneficiary** information you give DRS tells us the person(s) you want to receive your remaining benefit, if any, after your death. You can submit or update your beneficiary information at any time in your *online retirement account*. Sign up for 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 marry or divorce before you retire, you need to update your beneficiary information, 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 might need to take a temporary leave from your job because of:

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

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

### **Service credit for military service**

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

To qualify, you must:

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

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

Read the *Military Service Credit* publication for more information.

### **Service credit for an unpaid, authorized leave of absence**

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

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

You must complete payment within five years of returning to employment or before you retire, whichever comes first. You can learn more by reading *Recovery of Withdrawn or Optional Service Credit for PERS, SERS, TRS, PSERS and LEOFF*.

### **Disability before retirement**

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

If you become totally incapacitated and leave your job as a result, you might be eligible for a disability retirement benefit.

To learn more, please refer to the *Disability Benefits* publication or call us for information.

### Death before retirement

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

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

The monthly benefit will be calculated as if you had retired and chosen a 100% survivor benefit (see Option 2 on page 13 in the "Ready to retire" section of this handbook).

If your surviving spouse dies while receiving the benefit, your minor children will receive the benefit that was being paid to your surviving spouse. The benefit will be divided equally among the children, and each will receive his or her portion until he or she turns 18.

### Death as a result of an injury or occupational disease sustained during employment

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

## Approaching retirement



### Retirement planning checkup

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

Things to consider:

- Identify your retirement lifestyle goals. Will you want to travel the world or stay close to home? Different lifestyle choices can mean different financial goals.
- Take care of your health. The cost of medical care can be one of the largest expenses you incur in retirement. Getting regular checkups now and maintaining a healthy lifestyle can have an impact on what those costs will be when you retire.
- Pay down debt. Debt lessens the money you have available to save. Paying off debt while you're still generating a paycheck will affect how much you have to save and give you greater flexibility in retirement.
- Sign up for DCP or another similar savings vehicle. If you choose to get started with DCP, you can defer as little as \$30 a month from your paychecks, and you can change that amount whenever you want.
- Or increase your contribution amount to DCP or another savings vehicle. Making even a small increase to the amount you save each month 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 50 or older, the IRS allows a higher contribution limit, which enables you to save even more in your DCP account if you choose.

These questions are key as you approach retirement:

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

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



## Service retirement

You are eligible to retire when you are age 65 and have at least five **service credit** years. This formula will be used to calculate your monthly benefit:

$$2\% \times \text{service credit years} \times \text{AFC} = \text{monthly benefit}$$

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

### Example

#### Service retirement

If you retire at age 65 with 20 years of service credit and a monthly Average Final Compensation of \$3,700, your monthly benefit is \$1,480 each month, calculated as follows:

$$2\% \times 20 \times \$3,700 = \$1,480$$

If your monthly benefit is less than \$50, you can choose to take a lump sum retirement benefit. (It's likely that only a member who

retires early on disability or as a **dual member** would receive this type of payment.) If you receive a lump sum payment, you are considered retired from TRS.

### Purchasing public education experience to meet retirement requirements

If you're an active member with at least two years of TRS **service credit**, you may buy up to seven years of public education experience earned as a teacher in another U.S. state or with the U.S. federal government to qualify for retirement. This service credit is used in the calculation of your benefit.

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

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

For more information, read [Using Service Credit Earned Outside the Washington State Teachers' Retirement System](#) brochure.

### Using sick leave to qualify for retirement

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



## Early retirement

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

## Early Retirement Factors

| Retirement age | At least 20 years of service credit* | 30 years or more of service credit (prorated monthly) |           |         |
|----------------|--------------------------------------|---|-----------|---------|
|                |                                      | 3% ERFs   | 2008 ERFs | 5% ERFs |
| 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 20-year ERFs are subject to change based on State Actuary figures. To review the factors in detail, visit the [complete table](#) online.

Here are the early-retirement options:

- Hired on or before April 30, 2013: To retire early, you must be at least 55 and have 20 or more years of **service credit**. If you have 30 or more years of service credit, your benefit reduction will be smaller. With 30 or more years of service credit, you can retire at or after age 55 under one of two provisions:
  1. Your benefit is reduced by 3% for each year before you turn 65.
  2. A smaller (or no) reduction is made to your benefit, but you agree to stricter rules about returning to public service employment (that is, your pension payments stop if you return to public service and don't start again until you leave employment or reach age 65). This second provision is referred to as the 2008 ERFs.
- Hired on or after May 1, 2013: To retire early, you must be at least 55 and have 20 or more years of service credit. If you are age 55 with 30 or more years of service credit, your benefit reduction will be 5% for each year (prorated monthly) before you turn age 65.

The *Thinking About Retiring Early?* publication offers in-depth information on what you'll need to know if you are thinking about retiring early.



## Retiring as a dual member

If you are a member of more than one Washington state retirement **system**, you are a **dual member**. You can combine **service credit** earned in all dual member systems to become eligible for retirement.

In most cases, your monthly benefit will be based on the highest base salary you earned, regardless of which system you earned it in. Base salary includes your wages and overtime and can include other cash payments if those payments are included as base salary in all the retirement systems you are retiring from.

### Example

#### Dual member

If you retire at age 65 with three years of service credit from TRS Plan 2 and four from the Public Employees' Retirement System (PERS) Plan 2, you are a dual member. Without dual membership, your service wouldn't be eligible for a monthly benefit from either system. With dual membership, your service credit is combined, giving you enough to retire. Your benefit is calculated with service from that system alone. Here's the calculation:

$$2\% \times 3 \text{ (TRS service credit years)} \times \text{Average Final Compensation (AFC)} = \text{TRS benefit}$$

$$2\% \times 4 \text{ (PERS service credit years)} \times \text{AFC} = \text{PERS benefit}$$

$$\text{TRS benefit} + \text{PERS benefit} = \text{total monthly benefit}$$

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



## Estimating your benefit

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If you expect to retire within the next year, we encourage you 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.



## Purchasing an annuity

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

### Why would I want to purchase an annuity?

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

If you are eligible for an annual **Cost-of-Living Adjustment** (COLA) on your monthly benefit, you will receive the same COLA 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 a single payment each month from DRS that will include the combined value of your monthly benefit and the purchased annuity.

### How do I purchase the annuity?

You can request an annuity purchase through the online retirement application within [online account access](#). Or you can contact DRS and ask for the *Request to Purchase an Annuity* form.

Once DRS receives your annuity purchase request, a bill will be sent to you for the annuity amount you requested. For more information, [contact DRS](#).



## Purchasing additional service credit

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At the time you retire, you may purchase additional **service credit** to increase your monthly benefit. You cannot use the additional service credit to qualify for retirement. This also applies to the 3% and 2008 ERFs.

We can provide you with estimates for the cost of purchasing the service credit and the increase to 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.

For more information, read the [Purchasing Additional Service Credit](#) publication.



## Updating your plan for retirement

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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 to meet your needs.

If you are within five years of retirement, we encourage you to attend a DRS retirement planning seminar. 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 [online account access](#) and either sign up for or log in to your account.

The online retirement application will display only what you need based on your retirement **system**, plan and retirement eligibility rules. Follow the step-by-step instructions and electronically submit the application to us when you're ready.



### Applying for retirement on paper

Request a retirement application from us. Submit the completed application with all required signatures and documentation, including proof of age for your **survivor** if you choose a Survivor Option (see Options 2, 3 and 4 below).

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



### Your benefit options

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

#### Option 1 Single Life

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

#### Option 2 Joint and 100% survivor

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

#### Option 3 Joint and 50% survivor

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

#### Option 4 Joint and 66.67% survivor

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

#### Your spouse must agree to the option you pick

If you are married and choose a Survivor Option other than Option 3, the law requires that your spouse consent to your choice by cosigning your retirement application. If your spouse's consent is not provided, an Option 3 benefit will be paid to you and your spouse will be 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 [www.hca.wa.gov](http://www.hca.wa.gov).

If you qualify for continuing coverage, you must meet strict timelines to apply or request a deferral. If you are not entitled to PEBB coverage, you might be eligible for health insurance your employer provides. For more information, consult your employer.



## Federal benefit limit

When you retire, your benefit could be limited if it exceeds the federally allowed amount. For 2016, the limit is \$210,000, but it can be adjusted annually for inflation. Members hired before Jan. 1, 1990, have different limits. When we process your benefit estimate, we will notify you if your benefit exceeds the limit.

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



## Federal tax on your monthly benefit

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

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

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

For each tax year you receive a retirement benefit, we will provide you with a 1099-R form to use in preparing your tax return (see the *1099-R sample*). These forms are usually mailed at the end of January for the previous year. The information is also available through *online account access*.

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



## Legal actions

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

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



## When and how your benefit will be paid

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

If you need to change your financial institution once you've started your retirement, just update your information in your online account or send us a new authorization form. In rare cases, if you are unable to receive payment by direct deposit, payment will be mailed at the end of each month.

## Once you retire



### Cost-of-Living Adjustment (COLA)

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



### Working after retirement

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

In certain circumstances, you might be required to become a member of, and pay contributions to, another retirement **system**. You might be able to work limited hours with no impact to your benefit. If you retire early under provisions put in place in 2008 (see "Early retirement" on page 10), your benefit could be stopped if you return to public service.

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



### Benefit overpayments or underpayments

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



## Changing a benefit option or survivor after you retire

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

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



## Glossary of terms

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

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

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

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

**Defined contribution** (a 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 you contribute and any investment gains, losses or expenses applied to your account.

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

**Dual member:** You are a dual member if you have established membership in more than one Washington state retirement system, including First Class City Retirement

Systems for Seattle, Spokane and Tacoma, but excluding Plan 1 of the Law Enforcement Officers' and Fire Fighters' Retirement System.

**Early retirement:** Retiring before age 65.

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

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

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

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

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

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

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

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