TRS Plan 3 Handbook

Teachers' Retirement System

making it *easy* to see your future

March 2016

WASHINGTON STATE

Department of Retirement Systems

Teachers'

Teachers' Retirement System (PERS) — Plan 3

Facts in a flash

2 Plan summary
3 How to contact the Department of Retirement Systems
3 Privacy of your information

Welcome to TRS

4 How your plan works
7 Planning for retirement

Milestones/ life changes

8 Becoming vested
8 Leaving public service
8 Returning to public service
8 Marriage or divorce
9 If the unexpected happens

Approaching retirement

10 Retirement planning checkup
11 Service retirement
12 Early retirement
13 Retiring as a dual member
13 Estimating your benefit
13 Purchasing an annuity
13 Purchasing additional service credit
14 Updating your plan for retirement

Ready to retire

14 Applying for retirement
14 Your defined benefit options
14 Health insurance coverage
15 Federal benefit limit
15 Federal tax on your retirement benefit
15 Legal actions
15 When and how your benefit will be paid

Once you retire

15 Cost-of-Living Adjustment (COLA)
15 Working after retirement
16 Benefit overpayments or underpayments
16 Changing a benefit option or survivor after you retire

17 Glossary of terms
18 Index

Facts in a flash

Plan summary

TRS Plan 3 has two parts — a defined benefit part and a defined contribution part. Your employer contributes to your defined benefit part. You contribute to the defined contribution part.

When you meet plan requirements and retire, you are guaranteed a monthly benefit for the rest of your life from the **defined benefit** part. Your retirement benefit will be based on your years of service (while a member of TRS Plan 3) and your compensation. There is no limit on the **service credit** years included in your benefit calculation. This formula will be used to calculate your monthly retirement benefit:

1% x service credit years x **Average Final Compensation** = monthly benefit

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

You are vested in the plan when you have:

- 10 service credit years; or
- Five years of service credit and at least 12 of those months were earned after the age of 44; or
- Five service credit years earned in TRS Plan 2 before July 1, 1996.

Once vested, you are eligible to retire with a full benefit at 65 if you have at least five years of service credit. Retirement before 65 is considered an **early retirement**. If you have at least 10 years of service credit and are 55 or older, you can choose to retire early, but your benefit may be reduced. There is less of a reduction if you have 30 or more years of service credit.

If the unexpected happens — disability or death before retirement — benefits may be available. If you become totally incapacitated and leave your job as a result, you may be eligible for a disability retirement benefit.

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

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

How to contact the Washington State Department of Retirement Systems

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

To contact DRS

Call

Phone	360.664.7000
	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 Pacific Time

Website

www.drs.wa.gov

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

For questions about your defined contribution, contact Empower Retirement.

Call

Phone	888.327.5596
TTY	711
Fax	866.745.5766

Website

www.drs.wa.gov/plan3

Email

*savewithwa@
empower-retirement.com*

Glossary:

Terms highlighted in **bold** print appear in the glossary of terms on 17.

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.

Handbook summary
This handbook is not a complete description of your retirement benefit under Plan 3 of the Washington State Teachers' Retirement System. State retirement laws govern your benefit. If any conflicts exist between the information in this handbook and what is contained in current law, the law governs.

Welcome to the Teachers' Retirement System

How your plan works

Overview

TRS Plan 3 is a 401(a) **defined benefit** plan with a **defined contribution** component. When you retire, you will receive a monthly defined benefit for the rest of your life that is based on your years of public service and your **Average Final Compensation**. You also have a defined contribution component. You choose how your contributions will be invested from a range of options provided by the Washington State Investment Board. The amount of your defined contribution account depends on the amount you contribute and the performance of your investments.

Eligibility for TRS Plan 3

All public school teachers hired into an eligible position July 1, 1996, through June 30, 2007, are members of TRS Plan 3. TRS members hired on or after July 1, 2007, have a 90-day window to choose Plan 2 or Plan 3. If you do not make a choice, you will be defaulted into Plan 3.

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

An eligible position is one that is normally compensated for at least 70 hours of work per month for at least five months from September through August.

If you are a substitute teacher, your membership in TRS is optional. You'll want to read the *TRS Substitute's Guide* for more information.

Previous membership in another Washington public service retirement system

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

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

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

Contributing to the plan

Your defined contribution account

Your defined contribution benefits are funded by your contributions and their investment earnings. You are required to contribute a percentage of your salary or wages to your retirement plan.

You choose how much to contribute from one of these six rate options:

Plan 3 Mandatory Member Contribution Rates
Option A: 5% all ages
Option B: 5% up to age 35; 6% ages 35 through 44; or 7.5% age 45 and older
Option C: 6% up to age 35; 7.5% ages 35 through 44; or 8.5% age 45 and older
Option D: 7% all ages
Option E: 10% all ages
Option F: 15% all ages
If you don't choose a contribution rate, the mandatory default rate will be chosen for you: Option A: 5% all ages.

Once you choose or are defaulted to a rate, you can only change it when you change TRS-covered employers.

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.

Your defined benefit

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

Investment program selection

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

The Self-Directed Investment Program

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

Build and Monitor: You select, monitor and adjust your investments

With Build and Monitor, you select your own mix of individual funds and decide how much to invest in each one. You choose from a menu of professionally-managed funds and are responsible for monitoring your investments and making changes.

Build and Monitor Funds
Emerging Market Equity Index
U.S. Small Cap Value Equity Index
Global Equity Index
U.S. Large Cap Equity Index
Socially Responsible Balanced
Washington State Bond Fund
Short Term Investment Fund

One-Step Investing: Your investments are automatically adjusted for you

The One-Step Investing approach is made up of 12 Retirement Strategy Funds. Each one is diversified and automatically rebalances, adjusting your asset mix as you move toward a target date that meets your needs and lifestyle. To select the Retirement Strategy Fund that's right for you, take the year you were born and add it to the age you expect to retire or withdraw your funds. The sum is your target date.

HOW IT WORKS

1968 (birth year) + 65 (retirement age) = 2033 (target date)

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

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

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

The WSIB Investment Program

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

If you do not make a selection

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

Earning service credit

Service credit is based on the number of hours you work, which your employer reports to DRS. No more than one month of service credit can be earned for each calendar month, even if more than one employer is reporting hours that you worked.

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

Claiming credit for substitute teaching

If you work as a substitute teacher, your employer reports your hours and earnings to DRS but contributions are not deducted from your paycheck. If you meet eligibility requirements and would like to receive credit for your service, you must apply with DRS after August 31 of each school year and pay the appropriate contributions.

You can learn more by reading the *TRS Substitute's Guide* available on the DRS website.

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

If you have earned service credit in another of the state's public retirement systems, you may be able to combine your TRS service credit with credit you earned in the other system(s). For more information, read the *What Is Dual Membership and How Does It Affect Me?* publication.

Designating your beneficiary

The beneficiary information you give DRS tells us the person(s) you want to receive your remaining benefit, if any, after your death. You can submit or update your beneficiary information at any time in your *online retirement account*. Sign up or log in to your account, select "My Account," and then "View/Edit" beside "Beneficiary." You have the option of submitting a paper *Beneficiary Designation* form instead if you prefer.

If you do not submit this information, any benefits due will be paid to your surviving spouse or minor child. If you do not have a surviving spouse or minor child, we will pay your estate.

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

How you earn service credit

If this applies to you ...	You earn this service credit ...
You work 810 hours or more, begin working in September and work at least 9 months of the school year.	12 service credit months per school year.**
You work 630 - 809 hours, begin working in September and work at least 9 months of the school year.	6 service credit months (0.5 service credit for each month) per school year.**
You work at least 630 hours in at least 5 months within a 6-month period during the school year.	6 service credit months per school year beginning with the 2008/2009 school year.**
All other instances.	1 service credit month for each month you work 90 or more hours. .5 service credit month for each month you work at least 70, but less than 90 hours. .25 service credit month for each month you work less than 70 (but more than zero).

**A school year is September 1 through August 31. We will apply the method that provides you with the most service credit.

because these life events might invalidate your previous choices.

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

When you will be vested

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

- 10 years of **service credit**;
- Five service credit years and at least 12 of those months were earned after the age of 44; or
- Five service credit years earned before July 1, 1996.

If you leave TRS employment before you're eligible to retire, you can leave your contributions in the plan. If you leave money in your defined contribution account, it will still be able to grow (subject to market conditions) while you retain control of your investment choices. Should you decide to withdraw your contributions, you may reduce an important source of your retirement income.

When you will be eligible to retire

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

There are options to retire earlier, but your benefit will be reduced to reflect the fact that you will be receiving it over a longer period of time. To retire early, you must be at least 55 and have 10 or more years of service credit (see *Early retirement* on page 12). There is less of a benefit reduction for **early retirement** if you have 30 or more years of service credit.

How your retirement benefit will be determined

Your benefit has two parts — a **defined benefit** part and a **defined contribution** part. Your employer contributes to your defined benefit part. You contribute to the defined contribution part.

How your defined benefit will be calculated

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

1% x service credit years x Average Final Compensation = monthly benefit

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

How the value of your defined contribution account is determined

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

HERE'S AN EXAMPLE:

Suppose you retire at age 65 with 32 years of service credit and a monthly Average Final Compensation of $5,000. Your retirement benefit would be $1,600 each month, calculated as follows:

1% x 32 x $5,000 = $1,600

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

Planning for retirement

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

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

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

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

Many different tools can help you with this. A few that are available on the DRS website include:

The benefit estimator within *online account access* will calculate your retirement benefit under a variety of different scenarios (for example, different retirement dates), using your actual account data. If you haven't already registered for this service, it takes just a few minutes to do so.

- The Deferred Compensation Program (DCP) offers an online calculator (also accessible from our website home page) that can estimate your DCP savings and analyze whether you are on schedule 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 changes in your professional and personal life that will happen over time.

Milestones/life changes

Becoming vested

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

- Ten years of service credit;
- Five service credit years and at least 12 of those months were earned after the age of 44; or
- Five service credit years earned in TRS Plan 2 before July 1, 1996.

This is a significant milestone in your public service career.

Leaving public service

The **defined benefit** part of your plan is designed to provide you with a source of income throughout your retirement. You can't withdraw the contributions your employer makes to this part of your plan.

If you have at least 20 years of **service credit** when you leave employment, your defined benefit will increase by approximately three percent for each year you delay receiving it, up to age 65.

As a Plan 3 member, it is possible to withdraw your contributions and investment earnings from your **defined contribution** account at any time after you leave TRS-covered employment. However, if you do, you may reduce an important source of your retirement income. There are also tax implications to withdrawing your contributions, so you may want to contact the IRS or your tax advisor before making a decision. For more withdrawal information, visit the *Plan 3 forms and publications webpage*.

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

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

Returning to public service

If you leave your position, withdraw your contributions, and later return to TRS employment, you may reinstate your Plan 3 contributions at any time unless you have waived your defined benefit.

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

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

Marriage or divorce

Marrying or divorcing can affect your benefit.

Court-ordered property division

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

An ex-spouse may have a right to a portion of your benefits under certain circumstances. The DRS publication *How Can a Property Division Affect My Retirement Account?* contains detailed information.

Updating your beneficiary

The beneficiary information you give DRS tells us the person(s) you want to receive your remaining benefit, if any, after your death. You can submit or update your beneficiary information at any time in your *online retirement account*. Sign up or log in to your account, select "My Account," and then "View/Edit" beside "Beneficiary." You have the option of submitting a paper *Beneficiary Designation* form instead.

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

If the unexpected happens

Temporary leave from your job

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

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

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

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

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

Service credit for an unpaid authorized leave of absence

You can earn a maximum of two **service credit** years if your employer approved you for an unpaid leave of absence at any time during your career. To qualify for this service credit, you must:

- Return to work in a TRS-eligible position; and
- Pay your contributions, as well as your employer's contributions, plus interest, for the period of time you were on leave.

You must complete payment within five years of returning to employment or before you retire, whichever comes first. You can learn more by reading *Plan 3 Recovery of Withdrawn or Optional Service Credit*.

Disability before retirement

In some cases you can obtain service credit for work time missed while you were on leave for a temporary disability. If you become totally incapacitated and leave your job as a result, you may be eligible for a disability retirement benefit.

To learn more, please refer to the *TRS Plans 2 and 3 Disability Benefits* publication or call us for information.

Death before retirement

Defined benefit component

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

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

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

Defined contribution account

Your **beneficiary** has the right to:

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

Death after retirement

Defined benefit component

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

Defined contribution account

If you still have money in the account, your beneficiary should contact Empower Retirement. If you purchased an annuity, the payments continue or stop based on the terms of the annuity.

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

If the Department of Labor and Industries determines that your death occurred from injuries in the course of employment or as a result of an occupational disease or infection that arose from your employment, your beneficiary will be entitled to a one-time duty-related death benefit.

Approaching retirement

Retirement planning checkup

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

Things to consider:

- **Identify your retirement lifestyle goals.** Will you want to travel the world or stay close to home? Different lifestyle choices can mean different financial goals.
- **Take care of your health.** The cost of medical care can be one of the largest expenses you incur in retirement. Getting regular checkups now and maintaining a healthy lifestyle can have an impact on what those costs will be when you retire.
- **Pay down debt.** Debt lessens the money you have available to save. Paying off debt while you're still generating a paycheck will affect how much you have to save and give you greater flexibility in retirement.
- **Review options for purchasing service credit**. Examples include purchasing public education experience, previously withdrawn service and periods of authorized leave.
- **Sign up for DCP or another similar savings vehicle.** You can get started with DCP by deferring as little as $30 a month from your paycheck, and you can increase that amount whenever you are ready.
- **Or increase your contribution to DCP or another savings vehicle.** Making even a small adjustment in 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 of different contribution amounts. Here's an important tip: If you're age 50 or over, the IRS allows you to save even more in your DCP account by providing a higher contribution limit.

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

- Do you know how much income you will need in retirement?
- Do you know what your retirement benefit will be?
- How will your benefit change if you work past 65 or you decide to retire early?
- Will you want to increase your benefit by purchasing an annuity or additional service credit?
- What other income will you have available to you in retirement?

In this section, we've included information to help you find the answers. If you haven't already signed up for *online account access* on the DRS website, you'll want to do so at *www.drs.wa.gov*. With this access, you can calculate your benefit under different scenarios, using your individual account information.

Service retirement

When you will be eligible to retire

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

There are options to retire earlier, but your benefit will be reduced to reflect the fact that you will be receiving it over a longer period of time. To retire early, you must be at least 55 and have 10 or more years of **service credit** (see *Early retirement* on page 12). There is less of a benefit reduction for **early retirement** if you have 30 or more years of service credit.

How your retirement benefit will be determined

Your benefit has two parts — a **defined benefit** part and a **defined contribution** part. Your employer contributes to your defined benefit part. You contribute to the defined contribution part.

How your defined benefit will be calculated
Your defined benefit is determined by your service credit years and compensation. There is no limit on the service credit years included in your benefit calculation. When you retire, this formula will be used to calculate your benefit:

1% x service credit years x Average Final Compensation = monthly benefit

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

How the value of your defined contribution account is determined
The value of your defined contribution part will consist of your contributions and their investment returns.

HERE'S AN EXAMPLE:

Suppose you retire at age 65 with 32 years of **service credit** and a monthly **Average Final Compensation** of $5,000. Your retirement benefit would be $1,600 each month, calculated as follows:

1% x 32 x $5,000 = $1,600

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

If your monthly benefit is less than the minimum payment, you may choose to receive a lump sum payment instead of the monthly benefit. The minimum monthly payment amount is indexed and changes each year. For the current minimum monthly payment amount, please contact DRS. If you qualify, DRS will provide you with the lump sum payment option at the time you receive an estimate. (It's likely that only a member who retires early on disability or as a **dual member** would receive this type of payment.) If you receive a lump sum payment, you are considered retired from 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 have the option to purchase up to seven years of public education experience service to qualify for retirement. This service credit is used in the calculation of your benefit.

For more information, read the Public Education Experience section of the *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 to a maximum of two months of service credit. This service credit is not 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**. Your benefit depends on how much service credit you have earned, your age and the early retirement factor applied.

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

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

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

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

The early retirement rules are different for members who are first hired into eligible positions on or after May 1, 2013. At age 55 with 30 years of service credit, your benefit will be reduced by five percent for each year (prorated monthly) before age 65.

Early Retirement Factors

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

Our *Thinking About Retiring Early?* publication contains more information on what you'll need to know if you are thinking about an early retirement.

Using out-of-state service to meet early retirement requirements

If you're a **vested** TRS Plan 3 member and you earned service in another state's public school teachers' retirement system, you can use that out-of-state service to qualify for an early retirement. However, the out-of-state service will not be used in calculation of your TRS benefit.

For more information, read *Using Service Credit Earned Outside the Washington State Teachers' Retirement System*.

Purchasing public education experience to meet early retirement requirements

If you're an active member with at least two years of TRS **service credit**, you have the option to purchase up to seven years of public education experience service to qualify for **early retirement**. This service credit is used in the calculation of your benefit.

For more information, read the Public Education Experience section of the *Using Service Credit Earned Outside the Washington State Teachers' Retirement System* brochure.

Retiring as a dual member

If you are a member of more than one Washington State retirement system, you are a **dual member**. You may combine service credit earned in all dual member systems to calculate your retirement benefit.

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 can include other cash payments if those payments are included as base salary in all of the retirement systems you are retiring from.

HERE'S AN EXAMPLE:

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

1% x 6 (TRS service credit years) x **Average Final Compensation** = TRS benefit

1% x 5 (PERS service credit years) x Average Final Compensation = PERS benefit

TRS benefit + PERS benefit = total monthly benefit

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

Estimating your benefit

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

Purchasing 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. You may roll over funds from another tax-deferred retirement account to pay for this annuity.

Please note that this annuity is separate from the annuity you may purchase with your defined contribution funds. See the *Plan 3 Annuity Guide* for more information.

Purchasing additional service credit

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

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

For more information, read the *Purchasing Additional Service Credit* publication.

Updating your plan for retirement

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

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

Ready to retire

Applying for retirement — online

To apply online go to *www.drs.wa.gov* and either sign up for or log in to your retirement account. The online retirement application will display only what you need based on your retirement system,plan and retirement eligibility rules. Follow the step-by-step instructions and electronically submit the application to us when you're ready.

Applying for retirement — paper application packet

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

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

Your defined benefit options

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

Option 1

Single life

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

Option 2

Joint and 100 percent survivor

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

Option 3

Joint and 50 percent survivor

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

Option 4

Joint and 66.67 percent survivor

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

Your spouse must consent to your choice of option

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

Health insurance coverage

Ask your employer if you will be eligible for health insurance coverage through the *Public Employees Benefits Board (PEBB)* once you retire. You can also call the Health Care Authority at 800-200-1004 or visit their website at *www.hca.wa.gov*.

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

Federal benefit limit

When you retire, your benefit may be limited if it exceeds the federally allowed amount. For 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.

Federal tax on your retirement benefit

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

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

For each tax year you are in receipt of a retirement benefit, we will provide you with a 1099-R form to use in preparing your tax return. These forms are usually mailed at the end of January for the previous year. The information is also available online by logging into your retirement account.

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

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

When and how your benefit will be paid

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

If you need to change your financial institution once you've started your retirement, just update your information in your online account or send us a new authorization form.

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

Once you retire

Cost-of-Living Adjustment (COLA)

On July 1 of every year that follows your first full year of retirement, your monthly benefit will be adjusted to a maximum of three percent per year, as determined by the Consumer Price Index.

Working after retirement

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

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

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

Benefit overpayments or underpayments

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

Changing a benefit option or survivor after you retire

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

- If you designated someone other than your spouse to receive your survivor benefit, you can change to an Option 1 (no survivor) benefit at any time after retirement.
- If you chose one of the survivor options (2, 3 or 4), and your designated survivor dies before you, your retirement benefit may be adjusted to the higher Option 1 payment level. Be sure to notify us to initiate this adjustment.
- If you marry or remarry after retirement and remain married for at least one year, you may be able to change your benefit option and provide a survivor benefit for your new spouse. To qualify for this opportunity, you must request the change between your first and second year of marriage. Please contact us for estimates on how this will affect your benefit. Also, be aware that this opportunity may not be available if your benefit has been impacted by a court-ordered property division.
- If you go back to work and re-enter TRS membership, you can retire again and select a new benefit option and/or survivor.

Glossary of terms

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

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

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

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

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

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

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

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

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

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

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

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

Index

A
Applying for retirement, 14
Approaching retirement, 10
Authorized leave of absence, 9, 10
Average Final Compensation, 2, 4, 7, 11-13, 17

B
Becoming vested, 8
Beneficiary, 7, 9, 10, 17
Benefit calculation, 2, 4-7, 11, 13
Benefit options, 14
Build and Monitor, 5

C
Changing a benefit option or survivor after you retire, 16
Compensation, 2, 5, 7, 11
Contribution rate, 4
Contributions, 2, 4-11, 15
Cost-of-Living Adjustment (COLA), 15, 17

D
Death, 2, 7, 9, 10, 14, 16
Deferred Compensation Program (DCP), 3, 8, 10
Defined benefit, 2-5, 7-11, 17
Defined contribution, 2-5, 7, 8, 10-12, 17
Designating your beneficiary, 7
Disability, 2, 9, 10, 12
Divorce, 9
Domestic partner, 7, 17
Dual member, 6, 9, 12, 13, 17

E
Early retirement, 2, 7, 12, 15, 17
Earning service credit, 6
Eligible to retire, 2, 7, 11
Empower Retirement, 3, 10
Estimating your benefit, 13

F
Facts in a flash, 2
Federal benefit limit, 15
Federal tax, 15
Formula, 2, 7, 11, 13

G
Glossary of terms, 17

H
Health insurance coverage, 14
How to contact DRS, 3
How your plan works, 4

I
If the unexpected happens, 9
Investment program selection, 5

L
Leaving public service, 8
Legal actions, 15
Life changes, 8-10

M
Marriage, 9, 15
Milestones, 8-11
Military service, 9

O
Once you retire, 15, 16
One-Step Investing, 5
Online account access, 2, 11, 14
Out-of-state service, 12
Overpayments, 16

P
Plan summary, 2
Planning for retirement, 7
Privacy of your information, 3
Property division, 9, 15
Public education experience, 12, 13
Public Employees Benefits Board (PEBB), 3, 14
Purchasing additional service credit, 13
Purchasing an annuity, 13

R
Ready to retire, 14, 15
Reduced benefit, 12, 17
Retirement planning checkup, 10
Retirement Strategy Funds, 5
Returning to public service, 8

S
Self-Directed Investment Program, 5
Seminar, 14
Service credit, 2, 6-13, 17
Service retirement, 11
Substitute, 4, 6
Survivor, 2, 7, 10, 13-17

T
Teachers' Retirement System (TRS), 2-4, 8, 12, 13
Temporary disability, 9, 10
Total Allocation Portfolio (TAP), 5

U
Updating your beneficiary, 9
Updating your plan for retirement, 14
Underpayments, 16

V
Vested, 2, 7, 8, 11, 12, 17

W
Washington State Investment Board (WSIB), 4, 5
Washington State Investment Program, 5
Welcome, 4
When and how your benefit will be paid, 15
Withdraw, 7-11
Working after retirement, 15

CONTACT INFORMATION:
Department of Retirement Systems
PO Box 48380
Olympia, WA 98504-8380
360.664.7000
800.547.6657
www.drs.wa.gov

TRS3HB 3/16